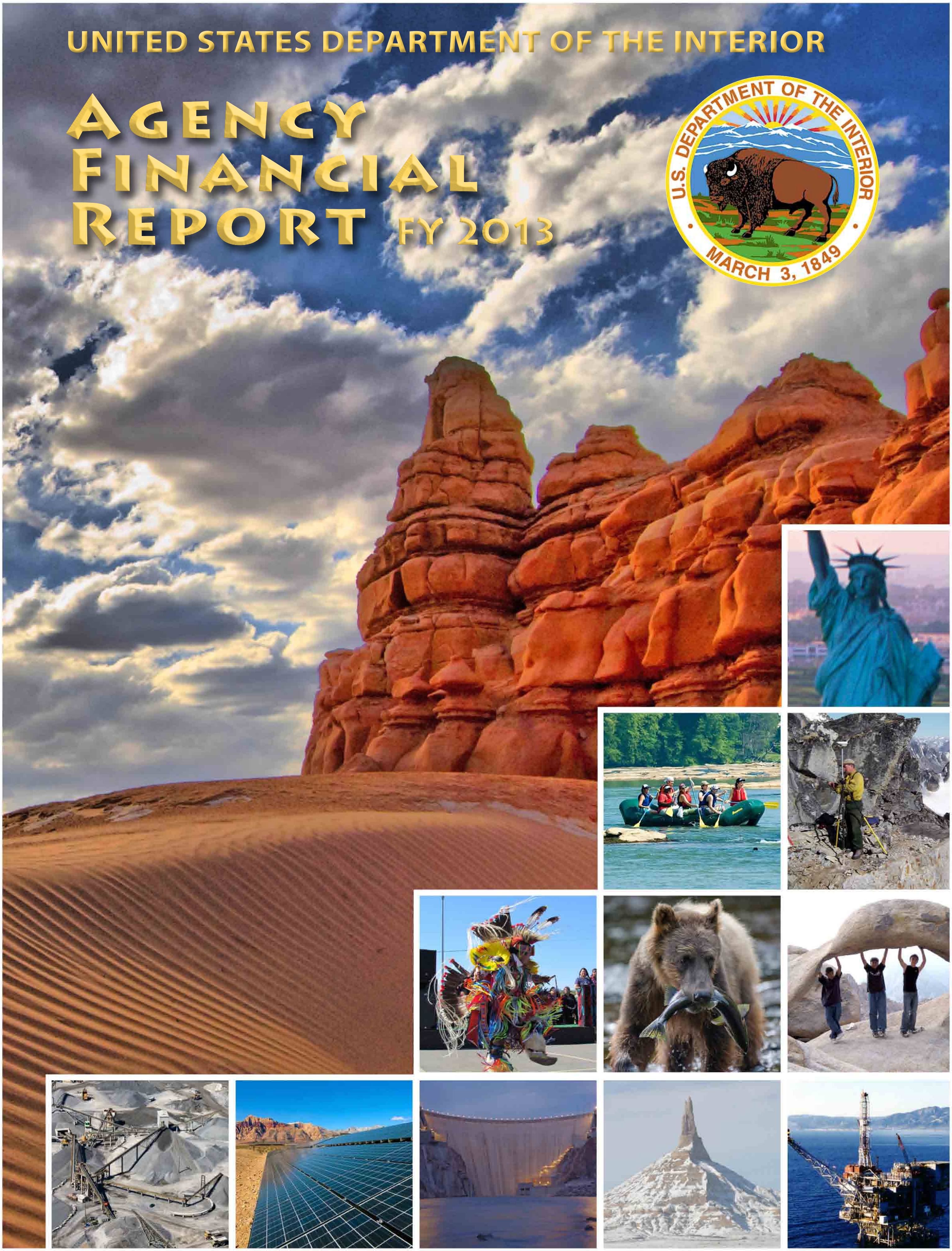
UNITED STATES DEPARTMENT OF THE INTERIOR

Agency Financial Report FY 2013



U.S. Department of the Interior

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U.S. DEPARTMENT OF THE INTERIOR

FISCAL YEAR 2013

AGENCY FINANCIAL REPORT

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I am pleased to submit the U.S. Department of the Interior's (DOI) Agency Financial Report (AFR) for FY 2013. This report presents management, performance, and financial information that demonstrates our commitment to stewardship of America's resources, and transparent and accountable management of DOI's diverse portfolio of programs.

The DOI's broad mission responsibilities span the Nation, from the northern tip of Maine and the Arctic Ocean in Alaska to the southern tip of Florida. West to east, the lands and resources we manage stretch from Midway Island in the Pacific Ocean to the Virgin Islands in the Caribbean. We manage 500 million acres of lands primarily located in the Western states and 1.7 billion acres on the Outer Continental Shelf. The activities of DOI are an economic engine. In 2012, DOI's programs contributed $371 billion to the U.S. economy and supported 2.3 million jobs in activities including outdoor recreation and tourism, energy development, grazing activities, and timber harvest.

The DOI's programs contribute to the quality of life for many people and communities across the country and help to advance national goals for stewardship and energy independence. Nearly every American lives within an hour's drive of lands or waters managed by DOI. In 2012, there were 417 million visits to DOI-managed lands. Recreational visits to DOI's lands had an economic benefit to local communities, particularly in rural areas, contributing an estimated $45 billion in economic activity in 2012. The DOI oversees the responsible development of 23 percent of U.S. energy supplies, is the largest supplier and manager of water in the 17 Western states, maintains relationships with 566 federally recognized tribes, and provides services to more than 1.7 million American Indian and Alaska Native peoples.

I am particularly proud to report DOI's 17th consecutive unqualified audit opinion; a reflection of our effective management, which is critically important to achieving our strategic and priority goals. Effective management of DOI requires dynamic and modern strategies to confront major trends including the likelihood of continued and increasingly constrained funding resources; the changing demographics of the population that is becoming more urban and diverse and technologically advanced; and a changing climate that will continue to have impacts on land, water, wildlife, and tribal communities.

In early FY 2014, I re-aligned the Department's strategic goals into six priorities that are guiding and focusing DOI's efforts in FY 2014 and beyond. Our new 2014-2018 Strategic Plan will reflect these changes. The DOI operated throughout FY 2013 under the existing strategic plan and this FY 2013 Report is based on that framework. I am pleased to report on a set of accomplishments based on these re-aligned priorities.

Celebrating and Enhancing America's Great Outdoors: The DOI is fostering the intrinsic link between healthy economies and healthy landscapes, increasing tourism and outdoor recreation in balance with preservation and conservation. Collaborative and community-driven efforts and outcome-focused investments are preserving and enhancing rural landscapes, urban parks and rivers, important ecosystems, cultural resources, and wildlife habitat. This includes the application of best available science, a landscape-level understanding, and stakeholder input to identify and share conservation priorities.

In FY 2013, DOI allocated a total of $51 million for the collaborative Land and Water Conservation Fund (LWCF) program. This program serves as a model for LWCF programs to invest in the most ecologically important landscapes and in projects with a clear strategy to reach shared goals grounded in science-based planning. Through the collaborative LWCF, DOI bureaus and the U.S. Forest Service jointly direct funds to projects that will achieve the highest return on the Federal investment, and coordinate land acquisition planning with government and local community partners.

In FY 2013, the National Park Service (NPS) distributed $40 million from LWCF to all 50 states, the Territories, and the District of Columbia for state-identified outdoor recreation projects. The funds are awarded through Federal matching grants that leverage public and private investment in America's state and local public outdoor recreation projects. The funds enable state and local governments to establish recreational programs and areas that include baseball fields and community green spaces; provide public access to rivers, lakes, and other water resources; and conserve natural landscapes for public outdoor recreation use and enjoyment. Outdoor recreation creates jobs – particularly in rural communities – and helps generate economic opportunities.

Among the projects funded was $1 million to support restoration and conservation projects in the Calumet region of the Millennium Reserve. The Reserve, located in the heart of Chicago, was able to use these funds to plant 100,000 trees on 60 acres of park land, restore native habitat for migratory birds, and restore coastal wetlands. The Millennium Reserve connects urban residents to the outdoors and increases green spaces in and around cities. The 140,000-acre project brings together Federal, state, and local officials along with community members to protect and restore the natural ecosystems, support healthy and prosperous communities and citizens, and stimulate diverse economic growth. As Illinois Governor Pat Quinn noted, "*This important project will convert an industrial area into valuable open space that gives area families a place to gather, play and experience the great outdoors.*"

Strengthening Tribal Nations: The DOI is building upon progress made over the past four years to establish strong and meaningful government-to-government relationships with tribes, deliver services to American Indians and Alaska Natives, and advance self-governance and self-determination. The DOI is continuing efforts to restore tribal homelands, fulfilling commitments for Indian water rights, developing energy resources, expanding educational opportunities, and assisting in the management of climate change.

Including actions taken in FY 2013, DOI processed 1,372 separate fee-to-trust acquisitions, and transferred over 233,000 acres to trust for the benefit of tribes and individual Indian people since 2009. These lands are being utilized by tribes and individuals for housing, economic development, strengthening infrastructure and agriculture. The DOI also achieved an overall 38 percent reduction in violent crime incidents across four tribal communities during FY 2013 where the Bureau of Indian Affairs has conducted a strategic community policing initiative tracked as one of the agency priority goals.

In FY 2013, DOI entered into an agreement guaranteeing water rights for the White Mountain Apache Tribe (WMAT) of Arizona. The agreement will also provide funding for the planning, design, construction, and operation and maintenance of the WMAT rural water system and an additional authorization for $78.5 million for a settlement fund for fish production, rehabilitation of recreational lakes, and other projects that will benefit WMAT. In addition, the agreement acknowledges the Tribe's interest in, and management of, other valuable water and water-dependent resources on the Reservation such as lakes, springs, and water-dependent fish and wildlife. This agreement establishes a firm foundation for improved irrigation water delivery on Reservation lands.

Powering Our Future: In recognition of the significant role that DOI plays in securing an energy future for the Nation that is self-reliant and sustainable, DOI is promoting the President's all-of-the-above energy strategy and taking a landscape-level approach to energy development, modernizing programs and practices, improving transparency, streamlining permitting, and strengthening inspection and enforcement.

In FY 2013, DOI held two competitive lease sales for renewable wind energy areas in Federal waters. When built, these areas could generate enough combined energy to power more than one million homes. The DOI is employing a landscape-level approach that addresses mitigation and conservation objectives to determine where it makes sense to develop renewable energy and – just as importantly – where it does not. As part of the landscape-level approach, DOI approved the establishment of the West Chocolate Mountains Renewable Energy Evaluation Area (REEA) on public lands in California's Imperial Valley. This REEA will prioritize DOI lands for the exploration and development of solar and geothermal energy. The Bureau of Land Management (BLM) estimates that the 64,058-acre area has the potential to develop over 3,330 megawatts of solar power and 150 megawatts of the geothermal power.

In FY 2013, DOI approved a new 40 megawatt geothermal project in California. The Casa Diablo IV Geothermal Energy Project will construct up to 16 new production and injection wells, multiple pipelines, and an electric transmission line. When completed, this project will produce enough energy to power 36,000 homes. Including the Casa Diablo IV Geothermal Energy Project, DOI has now approved 47 solar, wind, and geothermal utility-scale projects, including transmission corridors and infrastructure, on public lands since 2009. These projects add up to more than 13,700 megawatts of capacity utilizing renewable energy resources that have been enabled between FY 2010 and FY 2013. This capacity can help power an equivalent of 4.6 million homes from renewable energy resources and support more than 19,000 construction and operations jobs.

These projects are significant steps forward in the President's energy strategy and show continued progress on his call for action on climate change. Harnessing the vast renewable resources on public lands will create jobs, increase our energy security, and help reduce carbon pollution. The DOI undertook additional actions in FY 2013 to address the Government Accountability Office's categorization of oil and gas programs as a high-risk area. While employing a risk-based strategy to help managers in the field better determine where inspections are most needed, 82 percent of 2,500 high-risk cases were inspected in FY 2013. In addition, new regulations were enacted governing the safety of offshore drilling operations and implementing the Workplace Safety Rule incorporating, for the first time, performance-based standards through Safety and Environmental Management System requirements. The DOI has enhanced its capabilities and expertise as well as its strategic enforcement approach to addressing operator performance, including rigorous oversight of Arctic drilling operations. The DOI is exploring ways in which the agency and industry can use technology to better assess risk and identify potential unsafe operating conditions.

Engaging the Next Generation: To address the growing disconnect between young people and the outdoors, DOI is promoting public-private partnerships and collaborative efforts across all levels of government to connect young people with the land and inspire them to play, learn, serve, and work outdoors. These efforts include the 21st Century Conservation Service Corps to leverage public investment and private philanthropy to build job skills, improve national parks and public lands, create opportunities for veterans, and create connections to the land for the next generation.

Reduced resources in 2013 for youth programs have made it challenging to meet the priority goal DOI set for youth. In 2013, we were able to hire 15,546 young people to be a part of DOI. This is, unfortunately, 29 percent below the 2010 level of 21,762. We plan to continue to aggressively pursue opportunities for increasing participation of our Nation's youth in DOI's conservation mission, but it is clear that we must be able to leverage partnerships as much as possible to reach the highest number of young people.

One unique opportunity for youth engagement is our work in response to Hurricane Sandy. In 2013, DOI launched the National Parks of New York Harbor Conservation and Resiliency Corps, a partnership with the City of New York and the Student Conservation Association that will provide approximately 200 jobs for young people in 2014 to participate in Hurricane Sandy recovery and clean-up efforts. This year will serve as a pilot year for what is expected to be a multi-year program for young adults from around the region to assist in the response, recovery, and mitigation of Hurricane Sandy damage within the national park units and their partner sites in New York City and New Jersey. The Corps will initially focus on Gateway National Recreation Area and adjoining city parklands at Jamaica Bay. The Corps will participate in Hurricane Sandy recovery and mitigation efforts and will serve as a model for the power of public-private partnerships to boost youth employment and connect young people to the outdoors.

Ensuring Healthy Watersheds and Sustainable, Secure Water Supplies: The DOI's efforts recognize the importance of water as the foundation for healthy communities and healthy economies and the challenges resulting from climate change, drought conditions, and increasing demand. The DOI is working with states in managing water resources, raising awareness and support for sustainable water usage, maintaining critical infrastructure, promoting efficiency and conservation, supporting healthy rivers and streams, and restoring key ecosystems. In FY 2013, DOI provided $2.2 million in WaterSMART Water and Energy Efficiency grants for 42 projects in 11 states. These WaterSMART grants will help stretch water supplies and improve water and energy efficiencies in communities throughout the West to support sustainable uses of our limited resources. In addition, $2.1 million was made available under the WaterSMART Basin study program to enable the Bureau of Reclamation to collaborate with local entities to conduct comprehensive studies of river basins in Arizona, California, Colorado, Kansas, Nevada, and Oregon. These basin studies are critical to assess the long-term supply and demand for water and to develop collaborative solutions that will sustain communities and support healthy rivers long into the future.

Since its start in FY 2010, the Bureau of Reclamation's water conservation related programs (e.g. WaterSMART, Title XVI, CALFED, and Water Conservation Field Services) have approved projects with a combined water conservation capacity of over 730,000 acre-feet, thereby meeting DOI's goal for FY 2013.

Building a Landscape-Level Understanding of Our Resources: Harnessing existing and emerging technologies, DOI is elevating understanding of resources on a landscape level by advancing knowledge in the fields of ecosystem services and resilience, energy and mineral resource assessments, hazard response and mitigation, water security, climate change adaptation, and environmental health. Landscape level approaches to management hold the promise of a broader based and more consistent consideration of development and conservation.

The new Secretarial Order on mitigation issued on October 31, 2013, provides a clear path to consider strategic conservation and restoration whenever public lands are impacted by development. In FY 2013, BLM issued an Instruction Memorandum to its field offices establishing an interim policy for adopting a regional approach to mitigation. This approach will support the Secretarial Order and shift the BLM's focus from determining appropriate mitigation for large development projects on a permit by permit basis, to a strategic and landscape-level perspective where mitigation can be identified through regional strategies and land use planning.

The DOI is using geospatial capabilities to gain a more robust understanding of the existing uses of public lands, development potential, areas of conflict with other natural resources, and opportunities for appropriate balance. The DOI is working to improve its access to data and information for the purpose of further improving its land management decisions. The DOI possesses world-class science and data resources in all of its agencies, including the Landsat series of satellites, which comprise the flagship Earth observing network operated by the U.S. Geological Survey (USGS). Data from the Landsat satellites is vital to the Nation in documenting both natural phenomena such as climate change, drought and wildfires, and human activities such as agriculture and urban development.

In its role as the Managing Partner for implementation of the Federal Geospatial Platform, DOI leads the Government-wide effort to utilize a shared cloud computing environment to house and provide access to data collected by all Federal agencies. The Geospatial Platform enables agencies to easily and inexpensively publish and provide access to spatial data, services and applications for collaborative use by Government agencies and partners to meet mission needs and address national priorities, and is a platform for accessing state and local geospatial data that is the most up-to-date and granular information available.

The DOI is leveraging the expertise and skills at the Climate Science Centers and Landscape Conservation Cooperatives with efforts across the country in ongoing DOI programs and in partnership with other Federal agencies, states, tribes, and others to apply knowledge to assess the vulnerability of lands and resources and to develop adaptation actions to mitigate the impacts of climate change. With over 300 vulnerability assessments related to climate change completed and over 600 underway, at least one adaptation response strategy has been initiated across regions that cover an equivalent of nearly 78 percent of the Nation, thereby meeting the goal of identifying vulnerabilities for at least 50 percent of the Nation for FY 2013.

The NPS, in partnership with New York City and the Rockefeller Foundation, established a new Science and Resilience Institute at Jamaica Bay as part of the response to Hurricane Sandy and in an effort to leverage efforts in building resiliency. The partnership between NPS and the City will cooperatively manage 10,000 acres of Federal and city-owned parks at Jamaica Bay in Brooklyn and Queens. The Science and Resilience Institute at Jamaica Bay will advance the role of science in managing resources and building regional resilience to future storms.

Effective and Efficient Management of the Department of the Interior

In order to continue mission essential operations and advance key priorities in a constrained and uncertain budget environment, DOI has challenged all employees to take a look at the way DOI conducts business. Throughout the agency, bureaus and offices are evaluating their operations to see if there are better ways to accomplish the mission, identify management improvements, cut red-tape, better align work, and find efficiencies. With a history of strong partnerships, leveraging resources, and collaboration with others, DOI has a strong head start on these challenges, but will keep a focus on rethinking operations and re-engineering processes.

In FY 2013, DOI awarded a government-wide Indefinite Delivery, Indefinite Quantity cloud hosting contract. This new hosting contract, which was awarded to 10 vendors, will support the consolidation of data centers and improve telecom services and provide future mission support. The DOI is leveraging this new contract to move the Financial and Business Management System to the cloud, saving $2 million a year in hosting costs. Additionally, the DOI telecommunications contract was renegotiated, resulting in $7.3 million annual cost avoidance in FY 2013. This move optimized DOI's network and consolidated circuits, resulting in an estimated $2.7 million in annual cost avoidance starting in FY 2013. These savings have been reinvested into the expansion of bandwidth to support mission essential work in field offices across the country.

The DOI has already achieved significant spending reductions with implementation of the President's Campaign to Cut Waste. Through the end of FY 2013, DOI achieved the 2011-2013 savings target of $217 million by reducing travel, procuring supplies, more efficiently and more effectively managing conferences. Reductions in travel and conference attendance have been achieved through a robust set of controls and management process, but have also required real sacrifice by employees responsible for the management of DOI's dispersed lands and resources. In addition, this has made collaboration with states, tribes, universities, and others more challenging and has impacted the level of information sharing and training for scientists, engineers, and others.

To realize additional cost efficiencies, DOI is evaluating opportunities to optimize, leverage, and expand shared service functions both within DOI as well as within the Government as a whole to achieve additional efficiencies. The DOI has also adopted the Office of Management and Budget Freeze the Footprint directive to restrict the portfolio growth of office and warehouse space, redirecting savings to mission critical facilities operations and maintenance, and limiting the acquisition of new facilities and leased space. The DOI expects to decrease the total portfolio of owned, leased, and GSA-provided office and warehouse space by nearly 1.5 million square feet (3 percent) by the end of FY 2015.

Management Challenges

While we achieved significant progress in FY 2013, we identified additional and continuing challenges in collaboration with the Office of Inspector General (OIG). These are presented in the *Inspector General's Statement Summarizing the Major Management and Performance Challenges Facing the U.S. Department of the Interior,* included in Section 3 of this AFR. The OIG's review addresses the challenges we face in key priority areas including energy management, climate change, water programs, responsibility to Indians and Insular Areas, information technology, disaster response, and operational efficiencies.

The DOI's leadership provides ongoing direction on these and other management issues in regular management reviews, quarterly reviews of performance including priority goals, monthly Principals Operations Group meetings and Deputies Operations Group meetings. Reflecting the importance we place on these matters, the DOI achieved a completion rate of 89 percent for successfully addressing OIG and Government Accountability Office audit recommendations as compared to the annual goal of 85 percent. The DOI provided timely and responsive input to the OIG through audit responses, corrective action plans, and completion of recommended program and policy changes about its plans to address these challenges.

Agency Financial Report

In addition to a high level review of challenges, this AFR provides measurable results of our programs, the status of DOI's compliance with certain legal and regulatory requirements, and information on the steps we are taking to improve our financial performance and management. The financial and performance information presented in this report is fundamentally complete and reliable as required by the Office of Management and Budget. The annual assurance statement as required by the *Federal Managers' Financial Integrity Act of 1982* provides reasonable assurance that DOI's internal controls are effective, with the exception of two material weaknesses in the Radio Communications program and in Controls Over Unusual and Nonrecurring Transactions.

The AFR presents the audited financial statements, results of the annual assessment of program leadership, and stewardship of the resources and public funds entrusted to DOI. It also provides a comprehensive snapshot of the most important financial information related to the programs we manage. This Report includes a brief preview of performance information; the Annual Performance Plan and Report to be issued with the 2014 President's budget will provide a more comprehensive account of performance, in accordance with the *Government Performance and Results Act (GPRA) Modernization Act of 2010.*

In FY 2013, while we were successful in obtaining an unqualified audit opinion, the auditors identified one material weakness in our controls over unusual and nonrecurring transactions. The DOI embraces the critical importance of correcting this weakness along with other deficiencies within our control process. As such, we have already begun to develop and implement corrective actions. The DOI has successfully implemented two new accounting standards this year relating to reporting potential liabilities from asbestos contamination in DOI buildings and structures and forecasting oil and gas revenues for the next 30 years.

I am proud of this report and of the accomplishments the staff at DOI have made. In particular, we recognize the efforts of our 70,000 employees that carry out the work of this Department. On a daily basis, these individuals demonstrate their dedication to fulfilling the trust of the American People, improving our stewardship of the Nation's resources, upholding our responsibilities to Native Americans, assisting Insular Areas, and strengthening our delivery of programs and services

Sally Jewell
Secretary of the Interior
December 9, 2013

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ABOUT THIS REPORT

The U.S. Department of the Interior's (DOI) Agency Financial Report (AFR) for fiscal year (FY) 2013 provides performance and financial information that enables Congress, the President, and the public to assess the performance of Interior relative to its mission and stewardship of the resources entrusted to it. This AFR satisfies the reporting requirements of the following:

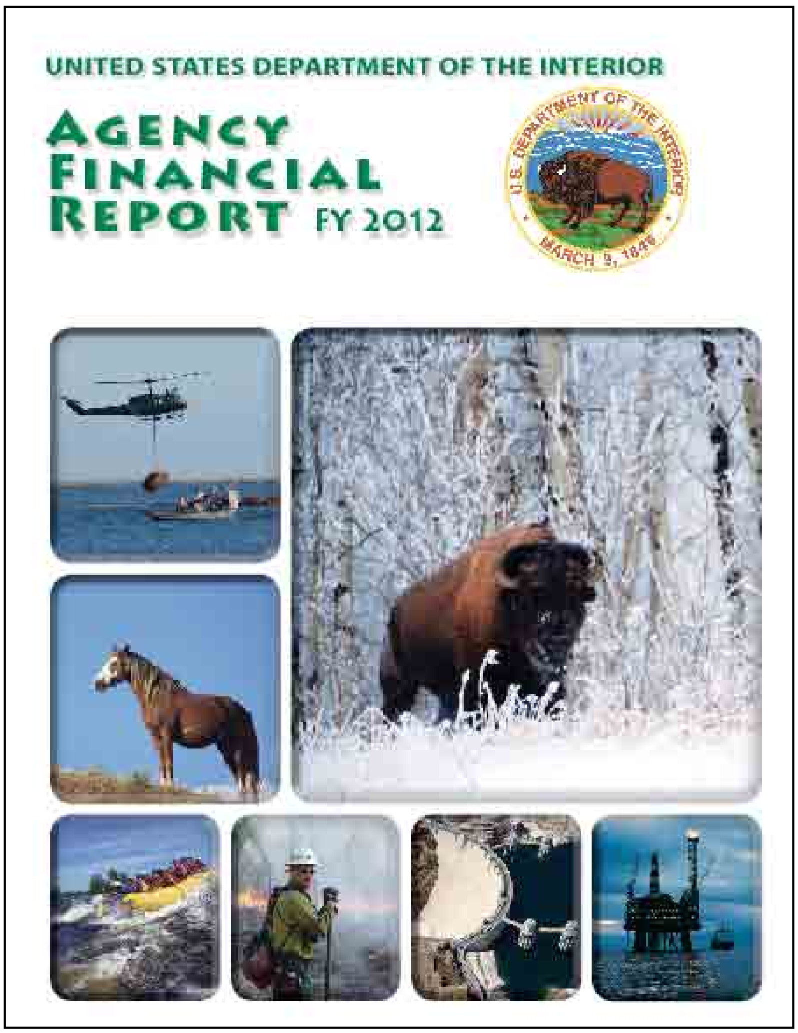
- Federal Managers Financial Integrity Act of 1982;
- Chief Financial Officers Act of 1990;
- Government Management Reform Act of 1994;
- Reports Consolidation Act of 2000;
- Office of Management and Budget Circular No. A-136, *Financial Reporting Requirements;*
- Improper Payments Information Act of 2002; and
- Improper Payments Elimination and Recovery Improvement Act of 2011.

The DOI chooses to produce the AFR rather than the alternative Performance and Accountability Report. The annual performance report with detailed performance information that meets the requirements of the GPRA Modernization Act of 2010, will be provided within the Annual Performance Plan and Report (APP&R) to be transmitted with the release of the FY 2015 Congressional Budget Justification. A Summary of Performance and Financial Information (SPFI) is also produced. It is a citizens' report that summarizes this information in a brief, user friendly format. The AFR may be viewed online at ***www.doi.gov/pfm/afr/index.cfm*** or by scanning the QR code below with your mobile device:

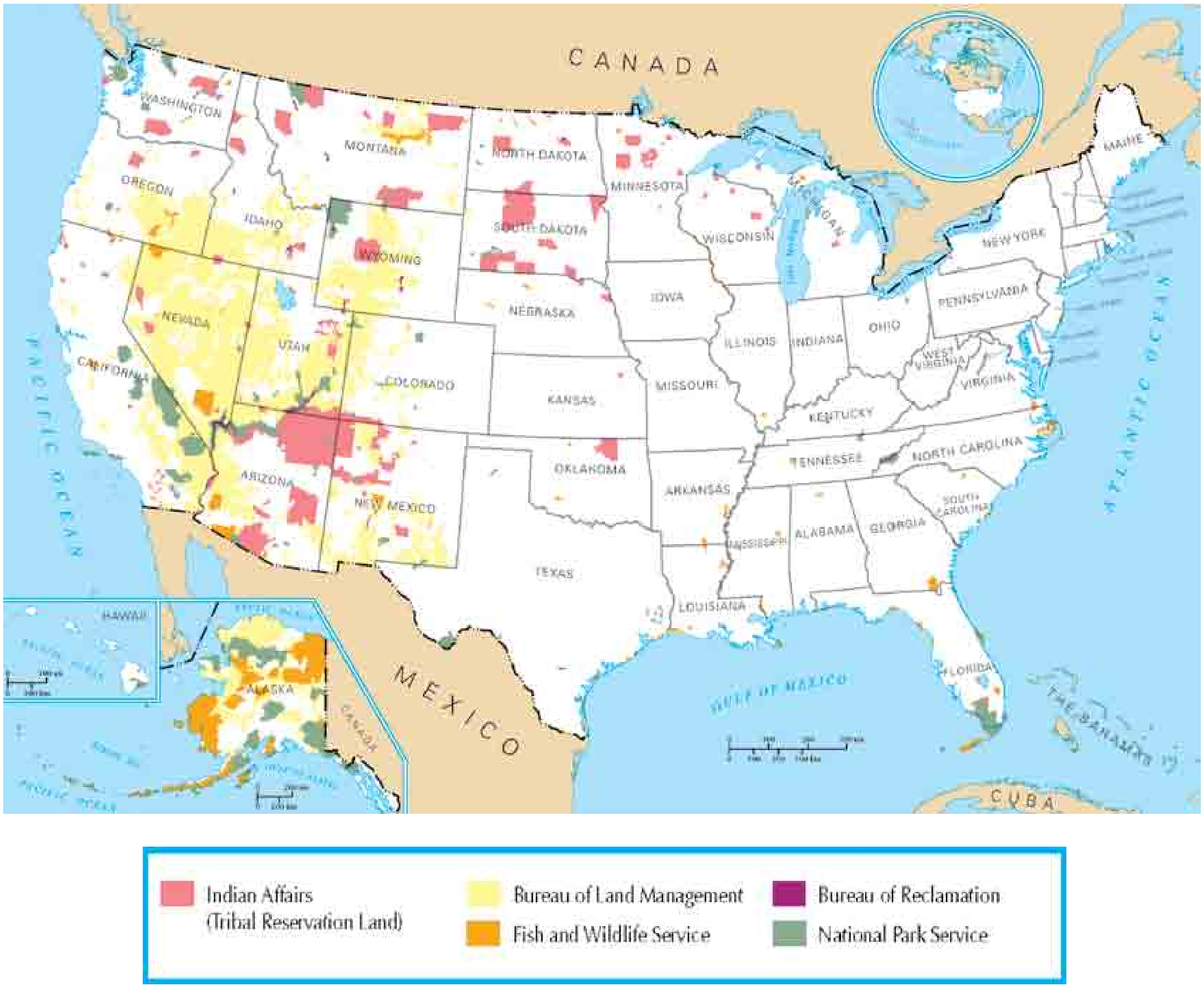
CERTIFICATE OF EXCELLENCE IN ACCOUNTABILITY REPORTING

Below is our FY 2012 Certificate of Excellence in Accountability Reporting (CEAR)© award. The DOI has received this award for the past thirteen years. The Association of Government Accountants (AGA) CEAR Program has been helping Federal agencies produce high-quality Performance and Accountability Reports since 1997. The program was established in conjunction with the Chief Financial Officers Council and the U.S. Office of Management and Budget to improve financial and program accountability by streamlining reporting and improving the effectiveness of such reports.

Due to sequestration and other budget constraints, DOI opted out of the CEAR program for FY 2013, deciding to use the application fees to fund other programs. The DOI is honored to have received these prestigious awards in the past and will continue to be fully committed to excellence in financial reporting and providing a comprehensive understanding of Interior's fiscal and programmatic accomplishments going forward.



Surface Lands Managed by The Department of the Interior



Mission

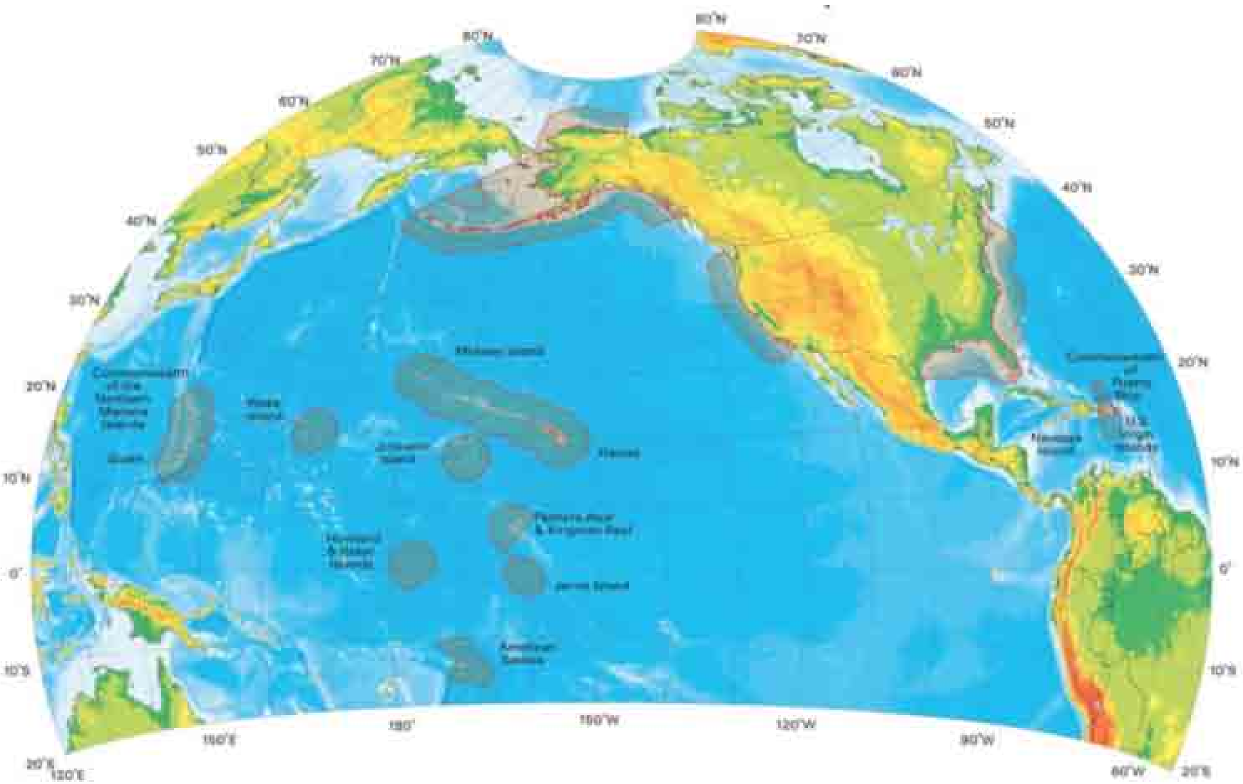
The DOI protects and manages the Nation's natural resources and cultural heritage; provides scientific and other information about those resources; and honors the Nation's trust responsibilities or special commitments to American Indians, Alaska Natives, and affiliated island communities.

History

In 1849, President Polk signed the bill creating a Department of the Interior, called the Home Department. The DOI was charged with managing a wide variety of programs, which included overseeing Indian Affairs, exploring the western wilderness, directing the District of Columbia jail, constructing the National Capital's water system, managing hospitals and universities, improving historic western emigrant routes, marking boundaries, issuing patents, conducting the census, and researching the geological resources of the United States. As the country matured during the last half of the 19th century, so did DOI and its mission began to evolve as some of these functions moved to other agencies.

Following Theodore Roosevelt's conservation summit and the conservation movement at the beginning of the 20th century, there was an increasing urgency to protect and more effectively manage the country's natural resources. Accordingly, DOI's mission shifted to focus on the preservation, management, understanding, and use of the great natural and cultural resources of the land, while retaining responsibilities related to Indian Nations.

United States Continental Shelf Boundary Areas



Robert Utley and Barry Mackintosh, The Department of Everything Else: Highlights of Interior History, 1988, pp. 1-2.

Today, DOI manages the Nation's public lands and minerals, including providing access to more than 500 million acres of public lands, 700 million acres of subsurface minerals, and 1.7 billion acres of the Outer Continental Shelf. The DOI is the steward of 20 percent of the Nation's lands, including national parks, national wildlife refuges, and the public lands; manages resources that supply 23 percent of the Nation's energy; supplies and manages water in the 17 Western states and supplies 17 percent of the Nation's hydropower energy; and upholds Federal trust responsibilities to 566 federally recognized Indian tribes and Alaska Natives. The DOI is responsible for migratory bird and wildlife conservation; historic preservation; endangered species conservation; surface-mined lands protection and restoration; mapping, geological, hydrological, and biological science for the Nation; and financial and technical assistance for the insular areas.

The DOI's programs cover a broad spectrum of activities that are performed by 10 bureaus and multiple offices and are captured in the following presentation of each entity's unique mission and set of responsibilities. The DOI Strategic Plan captures the vitality, inventiveness, and potential of the bureaus and offices and DOI's 70,000 dedicated and skilled employees. Along with employees, almost 332,000 volunteers contribute their time in support of bureau and office missions, bringing unique local knowledge to park operations, assisting in recovery from natural disasters, and participating in environmental education, among other activities. A brief overview of the DOI Strategic Plan and a summary of performance follows.

THE DEPARTMENT OF THE INTERIOR'S MISSION AREAS

PROVIDE NATURAL AND CULTURAL RESOURCE PROTECTION AND EXPERIENCES

Since its inception in 1849, DOI's resource protection and recreation management responsibilities have grown dramatically: lands have been added to the stewardship inventory, the complexity of managing lands has increased, and the number of people visiting recreational areas has grown. The DOI is committed to stewardship of the Nation's natural and cultural resources – America's Great Outdoors.

- Protect America's Landscapes
- Protect America's Cultural and Heritage Resources
- Provide Recreation and Visitor Experience
- Manage the Impacts of Wildland Fire

SUSTAINABLY MANAGE ENERGY, WATER, AND NATURAL RESOURCES

The DOI manages and provides access to energy and other resources including oil, gas, coal, water, timber, grazing, and non-energy minerals on public lands and the Outer Continental Shelf. The DOI is committed to renewable energy development and the protection of people, wildlife, and the environment.

- Secure America's Energy Resources
- Manage Water for the 21st Century
- Sustainably Manage Timber, Forage, and Non-energy Minerals

ADVANCE GOVERNMENT-TO-GOVERNMENT RELATIONSHIPS WITH INDIAN NATIONS AND HONOR COMMITMENTS TO INSULAR AREAS

The DOI has a solemn responsibility to uphold the Federal Government's unique government-to-government relationship with Federally recognized American Indian tribes and Alaska Natives. This mission is accomplished through coordinated efforts between DOI's bureaus and offices, other Federal agencies, and relationships with tribes. The DOI also carries out the Secretary's responsibilities for U.S. affiliated insular areas.

- Meet our Trust, Treaty, and Other Responsibilities to American Indians and Alaska Natives
- Empower Insular Communities

PROVIDE A SCIENTIFIC FOUNDATION FOR DECISION MAKING

Science is a key component of the DOI mission. The U.S. Geological Survey serves as DOI's primary science organization, and each bureau also conducts mission-specific research to support its programs. Science is an essential, cross-cutting element that assists bureaus in land and resource management and regulation and reaches beyond the boundaries of DOI lands and the United States. Research reports, publications, monitoring information, and other products are available worldwide to provide credible, applicable, unbiased information to inform decision making related to ecosystems, climate change, land use change, energy and mineral assessments, environmental health, natural hazards, and water resources.

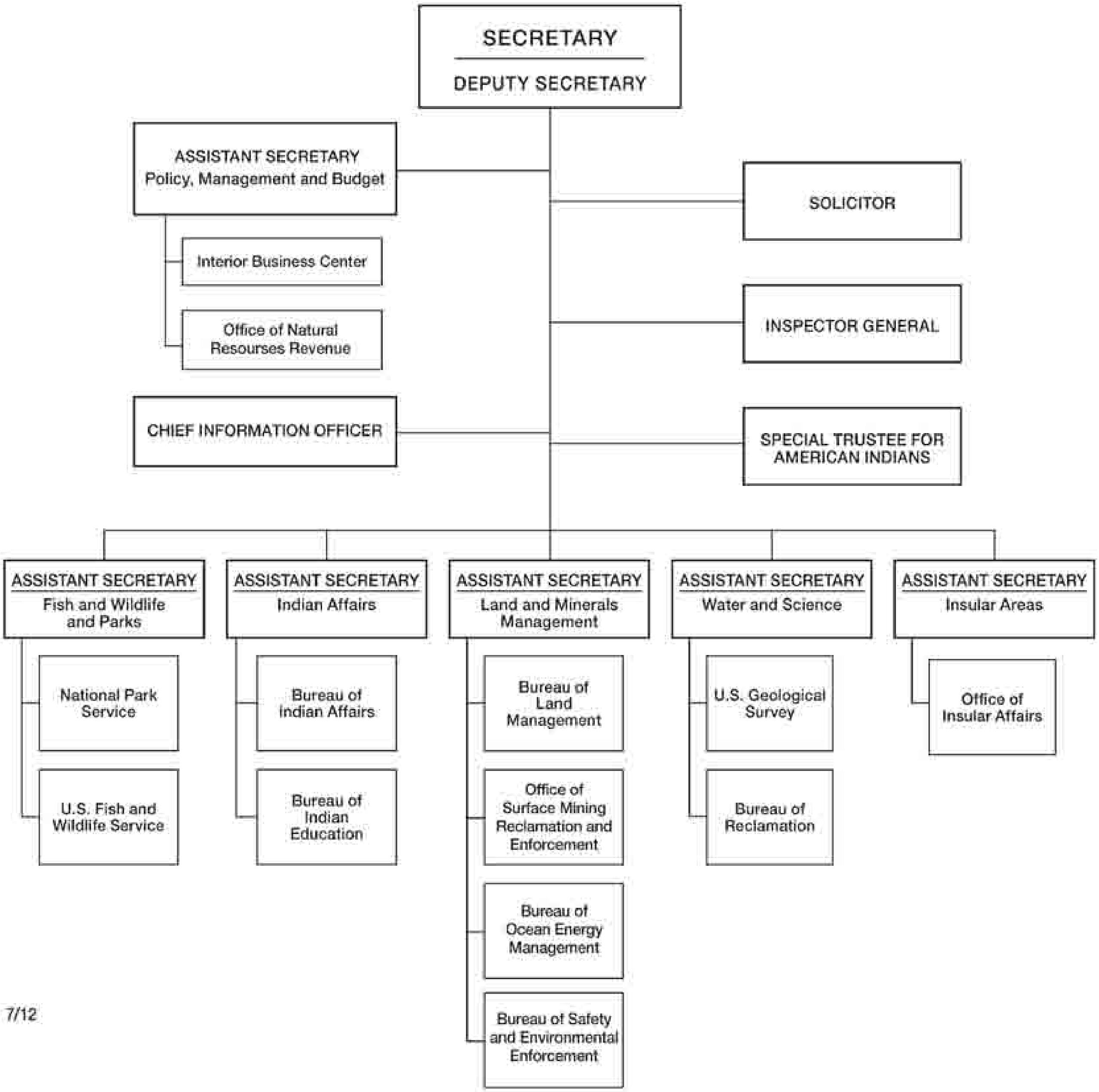
- Ensure the Quality & Relevance of Science Products to Partners & Customers
- Provide Science for Sustainable Resource Use, Protection, and Adaptive Management
- Provide Scientific Data to Protect and Inform Communities
- Develop a Comprehensive Science Framework for Understanding the Earth

BUILDING A 21ST CENTURY DEPARTMENT OF THE INTERIOR

The DOI's vision for a 21st Century Interior includes a highly skilled workforce that reflects the diversity of the Nation, optimization of youth engagement throughout DOI's programs, sustainable operations, and effective and efficient management. Attainment of DOI's strategic goals will be facilitated by the cross-cutting efforts that are highlighted here. Success in these areas will be assessed on outcomes in youth stewardship and engagement, building a 21st Century workforce, sustainability, information technology, and acquisition and real property management.

- Sustainability of Interior's Operations
- Dependability and Efficiency of Information Technology
- Building a 21st Century Workforce
- Youth Stewardship and Engagement
- Improving Acquisition and Real Property Management

U.S. Department of the Interior



Bureau and Office Summary

Each DOI bureau or office has discrete responsibilities that are derived from their legislative authorities.

Bureau of Land Management (BLM)

- Manages and conserves resources for multiple use and sustained yield on approximately 247 million acres of public land, and an additional 700 million acres of onshore Federal mineral estate, including the following:
  - Renewable and conventional energy, and mineral resources development;
  - Forest management, timber and biomass production;
  - Wild Horse and Burro management;
  - Management of diverse landscapes for the benefit of wildlife, domestic grazing, and recreational uses; and
  - Resource management at sites of natural, scenic, scientific, and historical value including the National Landscape Conservation System.

Bureau of Ocean Energy Management (BOEM)

- Manages access to renewable and conventional energy resources of the Outer Continental Shelf (OCS).
- Administers over 6,534 active fluid mineral leases on approximately 35.4 million OCS acres.
- Oversees 18 percent of the natural gas and 28 percent of the oil produced domestically.
- Oversees lease and grant issuance for offshore renewable energy projects.

Bureau of Safety and Environmental Enforcement (BSEE)

- Promotes and enforces safety in offshore energy production operations and assures that potential negative environmental and other impacts on marine ecosystems and coastal communities are appropriately considered and mitigated.

Office of Surface Mining Reclamation and Enforcement (OSM)

- Protects the environment during coal mining through Federal programs, grants to states and tribes, and oversight activities.
- Ensures the land is reclaimed afterwards.
- Mitigates the effects of past mining by pursuing reclamation of abandoned coal mine lands.

U.S. Geological Survey (USGS)

- Conducts scientific research in ecosystems, climate and land use change, mineral assessments, environmental health, and water resources to inform effective decision making and planning.
- Produces information to increase understanding of natural hazards such as earthquakes, volcanoes, and landslides.
- Conducts research on oil, gas, and alternative energy potential, production, consumption, and environmental effects.
- Leads the effort on climate change science research for DOI.
- Provides access to natural science information to support decisions about how to respond to natural risks and manage natural resources.

Bureau of Reclamation (BOR)

- Manages, develops, and protects water and related resources in an environmentally and economically sound manner in the interest of the American public.
- Largest wholesale supplier of water in the Nation.
- Manages 476 dams and 337 reservoirs.
- Delivers water to 1 in every 5 western farmers and more than 31 million people.
- America's second largest producer of hydroelectric power.

U.S. Fish and Wildlife Service (FWS)

- Manages the 150 million-acre National Wildlife Refuge System primarily for the benefit of fish and wildlife.
- Manages 73 fish hatcheries and other related facilities for endangered species recovery and to restore native fisheries populations.
- Protects and conserves:
  - Migratory birds;
  - Threatened and endangered species; and
  - Certain marine mammals.
- Hosts about 47 million visitors annually at 561 refuges located in all 50 states and 38 wetland management districts.

Indian Affairs (IA)

- Fulfills Indian trust responsibilities.
- Promotes self-determination on behalf of 566 federally recognized Indian tribes.
- Funds compact and contracts to support natural resource education, law enforcement, and social service programs that are delivered by tribes.
- Operates 183 elementary and secondary schools and dormitories, providing educational services to 41,000 students in 23 states.
- Supports 29 tribally controlled community colleges, universities, and post-secondary schools.

Note: IA includes the Bureau of Indian Affairs and the Bureau of Indian Education.

National Park Service (NPS)

- Maintains and manages a network of 401 natural, cultural, and recreational sites for the benefit and enjoyment of the American people.
- Manages and protects over 26,000 historic structures, over 44 million acres of designated wilderness, and a wide range of museum collections and cultural and natural landscapes.
- Provides outdoor recreation, with visits to National Park Units exceeding 286 million visits annually.
- Provides technical assistance and support to state and local natural and cultural resource sites and programs, and fulfills responsibilities under the National Historic Preservation Act.

Departmental Offices (DO)

- Immediate Office of the Secretary and Assistant Secretaries
- Policy, Management and Budget provides leadership and support for the following:
  - Budget, Finance, Performance and Acquisition;
  - Public Safety, Resource Protection and Emergency Services;
  - Natural Resources Revenue Management;
  - Human Capital and Diversity;
  - Technology, Information and Business Services;
  - Youth, Partnerships and Service;
  - Policy Analysis;
  - International Affairs;
  - Natural Resource Damage Assessment;
  - Environmental Policy and Compliance; and
  - Native Hawaiian Relations.
- Office of Inspector General
- Office of the Solicitor
- Office of the Special Trustee for American Indians
- Assistant Secretary for Insular Affairs and the office of Insular Affairs

The DOI's performance is tracked based on the integrated FY 2011-2016 Strategic Plan, which defines the goals, strategies, and performance measures under the following mission areas:

- Provide natural and cultural resource protection and experiences;
- Sustainably manage energy, water, and natural resources;
- Advance government-to-government relationships with Indian Nations and honor commitments to Insular Areas;
- Provide a scientific foundation for decision making; and
- Building a 21st Century Department of the Interior.

For the purposes of the AFR, performance results are reported for key indicators, which can be used to gauge trends in performance. A summary of projected FY 2013 performance follows for each mission area using performance trend information that was reported in the FY 2013/2014 Annual Performance Plan and 2012 Report (APP&R) published in April 2013. Notable changes in FY 2013 results from prior trends and the identified targets are expected due to the preparations for and disruptions caused by the 17 day government shutdown, the delayed full year appropriations and funding reductions included in the *Continuing Appropriations Act, 2013,* and 5 percent 2013 sequester reduction.

The Government shutdown at the start of FY 2014 (October 2013) has delayed the ability of DOI's bureaus to collect performance information from across 2,400 locations nationwide which is typically conducted in October. Therefore it is not possible to provide actual performance results for this AFR and instead, preliminary (estimated) data is provided for FY 2013.

A more in-depth assessment of performance will be presented in DOI's APP&R, which will be released as part of the President's FY 2015 Budget and available on DOI's Budget and Performance portal at ***www.doi.gov/bpp/index.cfm.***

MISSION AREA ONE: PROVIDE NATURAL AND CULTURAL RESOURCE PROTECTION AND EXPERIENCES

The DOI has identified four goals that contain strategies and measures to track performance of efforts to effectively manage natural habitats and ensure the continued availability of assets that reflect our Nation's heritage and cultures.

Goal #1: Protect America's landscapes

This goal has two main purposes — to protect DOI-managed lands and waters and to safeguard the wildlife and plants that are its inhabitants. The DOI's progress in ensuring the quality of natural resources, which include uplands, wetlands, streams, and shorelines, is characterized by the key performance indicator of how much of these natural assets are determined to be in "desired condition," as defined in locally established management plans. Natural resource success is dependent upon a number of factors, some of which are not under the direct control of DOI including the original condition of the asset, the amount of resources that can be applied, the cooperation of nature in supporting the performed treatments, and the time for treatments to take root and adequately mature. As can be seen in the following table, progress has been increasing over the past few years for acres in desired condition, but is not expected to keep pace with additional acreage being assessed in FY 2013, especially as available funding becomes constrained, and schedules are disrupted by factors outside DOI's control.

Percent of DOI acres that have achieved desired conditions where condition is known and as specified in management plans.

Bureau	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Target	2013 Estimated
BLM, FWS, NPS	69%	74%	84%	77%	76%	75%
Acres in desired condition	263,419,255	315,877,213	318,874,261	332,894,215	333,690,858	324,908,501
Total Acres Assessed	383,166,319	426,431,820	380,879,726	432,178,434	436,341,566	436,341,566

Fish, wildlife, and plant species that are not on Federal lands and waters are also under DOI protection. Progress is characterized using key indicators of the sustainability of the species. Affecting the success requires longer timeframes to achieve results and often shows little change from year to year. These are challenging efforts affected by natural and human induced pressures, including the loss of habitat, and treatments take several years to take effect, assuming the solution can be implemented (i.e., lost habitat cannot necessarily be regained; years of degradation cannot be readily reversed), and the factors making the situation worse do not escalate faster than treatment can be offered. The pursuit of these goals will be assisted by the application of adaptive management strategies initiated as part of DOI's Priority Performance Goal on Climate Change Adaptation (see Table 4, page 28). These strategies will be further enhanced by science and collaborative knowledge facilitated by the activities of Climate Science Centers (CSC's) and Landscape Conservation Cooperatives (LCC's), which have now all been established.

Percent of migratory bird species that are at healthy and sustainable levels.

Bureau	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Target	2013 Estimated
FWS	62%	72%	72%	72%	72%	72%
Healthy and sustainable bird species	568	725	726	726	726	726
Total species	912	1,007	1,007	1,007	1,007	1,007

In the table above, the sustainability of migratory bird species is estimated to be level in 2010 through 2013 based on a continuous level of resources and work. This measure is employed as a key indicator based on the ability of the environment to support species, which is assisted by the efforts of FWS, and public recognition of the importance of birds as an indicator of environmental health and is updated on a rotating basis over five years. Species typically take long timeframes to improve their conditions assuming that adequate attention can be paid to their populations and habitat.

Goal #2: Protect America's cultural and heritage resources

The condition of our historic structures is the key indicator used for determining the success in maintaining our heritage assets. Our goal is to maintain historic structures and the collections of assets they house in good condition. These museum collections are invaluable as they provide insight into our past so we better understand and appreciate where we have come from as a Nation and as a society.

Percent of historic structures in DOI inventory in good condition.

Bureau	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Target	2013 Estimated
BIA, BLM, FWS, NPS	53%	52%	54%	56%	57%	53%
Structures in good condition	16,390	16,571	16,006	16,316	16,456	15,390
Total structures	30,948	31,690	29,529	29,016	29,033	29,173

These efforts are challenged particularly by time, as more damaged/aged structures require more attention than can sometimes be provided given the demands of annual upkeep across the entire inventory. To ensure appropriate attention to significant historic structures, a more refined approach is now being used to identify those historic structures that are of highest priority; therefore there is a somewhat lower number of assets to care for, offset by the addition of newer added assets. This has allowed for resources to be focused according to priority and need, resulting in some increase in the overall percentage of historic structures in good condition. However due to the effect of funding decreases, especially due to sequestration, performance is less than originally projected for FY 2013.

Goal #3: Provide recreation and visitor experience

The DOI's visitor programs strive to meet high standards for recreation, education, and awareness of the natural world, historic events, and cultural resources. Visitors to parks, refuges and BLM lands can experience unique sites, events, and recreation that cannot be met through other venues. The key performance indicator used for this goal is visitor satisfaction, which is measured through surveys. Despite the challenges of resource constraints and increased visitation and use, performance has remained steady. There are challenges to maintaining investments to keep up with the rising costs of operations, maintenance, and the restoration of aging facilities, with little change anticipated in the future, as is seen in the following table.

Percent of visitors satisfied with the quality of their experience.						
Bureau	**2009 Actual**	**2010 Actual**	**2011 Actual**	**2012 Actual**	**2013 Target**	**2013 Estimated**
BLM, FWS, NPS	92%	92%	91%	94%	93%	93%

Goal #4: Manage the impacts of wildland fire

The DOI and U.S. Forest Service (USFS) share significant responsibilities and challenges in managing public lands, protecting communities from wildland fire, and treating lands to prevent the build-up of hazardous fuels. These aspects of land management are impacted by weather, drought, disease in vegetation, insect infestation, climate change, and impacts from urbanization. The key performance indicator tracks DOI's efforts to treat and restore landscapes to reduce fire risk and the damages of unwanted wildland fire. In general, this can be a highly unpredictable area from one year to the next based on changing conditions. As resources are reduced and prioritized to address unwanted occurrences of wildland fire in populated areas (the Wildland-Urban Interface or WUI), the ability to maintain the entire range has been decreasing.

Percent of acres treated which are moved towards the desired condition class.						
Office	**2009 Actual**	**2010 Actual**	**2011 Actual**	**2012 Actual**	**2013 Target**	**2013 Estimated**
OWF	85%	75%	71%	67%	80%	72%
Acres moved toward desired condition class	1,282,069	961,363	702,727	673,150	468,000	463,191
Acres treated	1,500,854	1,279,820	992,757	1,000,490	585,000	643,184

MISSION AREA TWO: SUSTAINABLY MANAGE ENERGY, WATER, AND NATURAL RESOURCES

This mission area reflects DOI's collective efforts to effectively manage the access to, and ensure responsible use of, natural resources on onshore and offshore Federally-managed areas. There are three goals that address energy-producing resources, water resources, and land-related resources including grazing, non-energy minerals, and timber.

Goal #1: Secure America's energy resources

The DOI provides access to potential users who extract the resources responsibly from Federally-managed areas for the benefit of the American public and the economy. The development of coal and oil and gas is essential to achieving this goal. The DOI has a key responsibility to ensure that these efforts are conducted in a responsible, safe, and environmentally sensitive manner. Following the Deepwater Horizon oil spill, reforms have been implemented to improve DOI's oversight of offshore oil and gas operations, BLM has instituted a criteria-driven approach to ensure inspection of highest priority oil and gas operations, and ONRR has addressed many recommendations made by GAO and OIG to improve returns to the American public. The OSM, per Public Law 95-87, requires that all operators of coal mining operations pay a reclamation fee on every ton of coal produced, which is used primarily to fund abandoned mine land reclamation projects.

The Nation's clean energy future relies on emerging sources of renewable energy resources from wind, solar, and geothermal. This endeavor is being tracked and reported through the Renewable Energy Development Priority Performance Goal (see Table 1, page 27).

Number of megawatts of approved generating capacity authorized on public land and the outer continental shelf (offshore) for renewable energy development while ensuring full environmental review.

Bureau	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Target	2013 Estimated
BLM & BOEM	2,448	2,532	8,473	10,311	15,252	16,143

The DOI has significantly increased access to Federal lands for renewable energy during the past three years. These targets have been found to be ambitious, due to the complex issues and challenges are associated with the formulation of renewable energy projects. These challenges include locating project sites around sensitive avian and wildlife species, addressing tribal concerns, and delays due to the sponsor's ability to finance a project and establish a power purchase agreement with an electric utility company. The overall reported level of approved capacity has been adjusted from previous reports by the program manager to include an additional 922 mw of capacity that was approved in the 70's and 80's, so as to provide a more complete reporting of DOI's renewable energy efforts.

Goal #2: Manage water for the 21st century

The DOI has a significant role in managing water resources in the western United States. These efforts involve providing capability for the collection, storage, and conveyance of water resources. The distribution of water is highly dependent upon the condition of facilities that store and convey the water, which is why the key performance indicator is based on the percentage of these facilities considered to have a "good" Facility Reliability Rating (FRR).

Percent of water infrastructure in good condition as measured by the Facility Reliability Rating.

Bureau	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Target	2013 Estimated
BOR	98%	98%	72%	76%	71%	71%

As displayed in the table, prior to FY 2011 this measure included facilities in fair to good condition. During the Strategic Plan update for FY 2011-2016, the measure was strengthened so that only facilities in good condition qualify, resulting in a drop in percent of facilities reported. This refined approach will help add emphasis to improving facilities that benefit more from the attention. Performance for this key indicator is challenging as infrastructure ages and available funding is insufficient to address identified needs.

Water conservation is an important component of DOI's water management responsibility as it will contribute to increasing the "effective" water supply. Water conservation is tracked through a Priority Performance Goal (see Table 2, page 27).

Goal #3: Sustainably manage timber, forage, and non-energy minerals

The key performance measures for granting non-energy mineral leases and access for grazing and timber are generally showing level or decreasing trends in permits approved due to the significant number of legal challenges and increased demand for additional assessments to be conducted prior to approving access. Additionally, there is an increase in processing costs and erosion of budgets that impacts the overall level of performance. Performance of the timber program is displayed in the following table as the key indicator that is representative of this type of effort. Performance is often impacted with the increase in the number of legal challenges, as seen particularly in FYs 2009 and 2011.

Percent of allowable sale quantity timber offered for sale consistent with applicable resource management plans.

Bureau	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Target	2013 Estimated
BLM	31%	86%	70%	85%	72%	72%
Offered for sale (mmbf*)	155	174	143	172	146	146
Total allowable timber (mmbf*)	502	203	203	203	203	203

* million board feet of timber

MISSION AREA THREE: ADVANCE GOVERNMENT-TO-GOVERNMENT RELATIONSHIPS WITH INDIAN NATIONS AND HONOR COMMITMENTS TO INSULAR AREAS

The two goals in this mission area are to restore the integrity of nation-to-nation relationships with tribes and fulfill the United States' trust responsibilities, and to empower Insular communities for an improved quality of life, increased economic opportunity, and effective governance.

Goal #1: Meet our trust, treaty, and other responsibilities to American Indians and Alaska Natives

In tracking the performance of this goal, the key indicators are in the areas of Indian education and the level of violent crime in Indian communities, considered to be significant factors affecting the quality of life in tribal communities. Increased performance in education is challenging but progress is being made. The BIE has had to face increasingly higher standards set by the Government-wide Adequate Yearly Progress (AYP) program each year in times of fluctuating availability of resources.

Percent of Bureau of Indian Education schools achieving Adequate Yearly Progress (AYP) or comparable measure.						
Bureau	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Target	2013 Estimated
BIE	24%	32%	29%	31%	32%	26%
Schools achieving AYP	42	56	50	53	55	45
Total BIE schools	173	173	173	171	174	173

A new strategy with promising results has been piloted to address violent crime in select Indian communities. In 2010-2011, BIA partnered with four communities and demonstrated results with innovative community policing strategies. With the strategic deployment of increased number of officers and increased training and equipment, BIA has been able to demonstrate reduced crime. This is one of DOI's Priority Performance Goals as shown in Table 3, page 28. In 2012, BIA partnered with six select tribes to increase community policing. Across the initial four targeted communities, violent crime was reduced in 2010 by 11 percent and in 2011 by 35 percent. Lessons learned from the initial four communities has been documented and distributed to other communities' law enforcement units. While the experience from the Priority Goal's initial 4 communities is being applied across Indian Country, the following metric tracks the level of violent crime incidents across all of Indian Country communities that are provided law enforcement services by DOI. The target for FY 2013 was not met, likely due to changing community conditions, where oil fields are being developed nearby and changing economic conditions.

Violent (Part 1) crime incidents per 100,000 Indian Country inhabitants receiving law enforcement services.						
Bureau	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Target	2013 Estimated
BIA	479	413	454	412	412	442
Number of crime incidents*	6,002	5,178	5,694	5,160	5,160	5,538
Total inhabitants (100,000)	12.53	12.53	12.53	12.53	12.53	12.53

*per 100,000 inhabitants

Goal #2: Empower insular communities

The DOI measures performance of Federal programs in island communities based on the degree to which Federal assistance helps improve the quality of life, the extent to which their financial statements on the use of Federal assistance are completed, and economic development. Availability of clean water is a key indicator of quality of life and for this program performance is captured for violation notices for water systems as displayed in the following table. Data continues to be difficult to attain for these regions, and is often received late.

Percent of community water systems that receive health-based violation notices.						
Bureau	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Target	2013 Estimated
OIA	11%	18%	14%	18%	10%	TBD

MISSION AREA FOUR: PROVIDE A SCIENTIFIC FOUNDATION FOR DECISION MAKING

Science is an essential, cross-cutting element that assists DOI bureaus and others in land and resource management and regulation. Research reports, publications, monitoring information, and other products are available worldwide to provide credible, applicable, unbiased information to inform decision making related to ecosystems, climate change, land use change, energy and mineral assessment, environmental health, natural hazards, and water resources.

Goal #1: Ensure the quality and relevance of science products to partners and customers

This goal is directed to providing effective scientific support, research, and knowledge that is used to inform management decisions and for managing natural resources. The key performance indicator reflected in the following table is characterized by a survey of customers who use this information. The level of satisfaction of these science products has decreased slightly, while there has been additional emphasis on developing newer capabilities in understanding adaptation to climate change and in the development of renewable resources.

Percent of partners or customers satisfied with scientific, technical, and data products.

Bureau	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Target	2013 Estimated
USGS	93%	93%	92%	90%	90%	90%

Goal #2: Provide science for sustainable resource use, protection, and adaptive management

Assessing, understanding, and forecasting the impacts of climate change on our ecosystems, natural resources, and communities is the purpose of this goal that is tracked through a key indicator that measures the ability to forecast ecosystem change. As displayed in the following table, progress is advancing slowly, but steadily, as this is a relatively new area of focus.

Percent of targeted ecosystems with information products forecasting ecosystem change.

Bureau	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Target	2013 Estimated
USGS	11%	22%	22%	33%	33%	33%
Ecosystems with information products	1	2	2	3	3	3
Ecosystems under study	9	9	9	9	9	9

Goal #3: Provide scientific data to protect and inform communities

Performance in this goal is represented primarily by the percentage of communities and tribes provided science-based products developed by USGS to better understand the threats, necessary preparedness, and means for avoidance of natural hazards to include earthquakes and volcanoes. The trend in the following table shows an increase in communities provided with this information.

Percent completion of earthquake and volcano hazard assessments for moderate to high hazard areas.						
Bureau	**2009 Actual**	**2010 Actual**	**2011 Actual**	**2012 Actual**	**2013 Target**	**2013 Estimated**
USGS	28%	31%	34%	37%	38%	38%

Goal #4: Develop a comprehensive science framework for understanding the Earth

The USGS, leads the effort to provide knowledge of the Earth through an integrated data framework to guide science-based stewardship of natural resources. The DOI will generate geologic maps and models and use geospatial information to make decisions that will help to sustain resources and protect communities. The following table tracks the progress thus far, which is generally increasing.

Percent of the U.S. that is covered by at least one geologic map and is available to the public through the National Geologic Map Database.						
Bureau	**2009 Actual**	**2010 Actual**	**2011 Actual**	**2012 Actual**	**2013 Target**	**2013 Estimated**
USGS	49%	49%	50%	51%	52%	51%
Area (square miles) available in the National Geologic Database	1,729,771	1,746,550	1,767,763	1,789,944	1,825,318	1,814,735
Area (square miles) of the US to be mapped	3,537,438	3,537,438	3,537,438	3,537,438	3,537,438	3,537,438

MISSION AREA FIVE: BUILDING A 21ST CENTURY DEPARTMENT OF THE INTERIOR

The goals in this mission area reflect DOI's vision for a 21st century organization. There are five goals, which include developing a highly skilled all-inclusive workforce, increasing the engagement of individuals between the ages of 15-25 in the resource and cultural management mission of DOI, sustainable operations (energy efficiency and reduced green house gas), and effective management optimizing the use of information technology (IT) and acquisition.

Goal #1: Building a 21st Century workforce

The DOI's Human Capital Program is developing and implementing critical workforce management reforms. The DOI benefits from a workforce that is passionate about the mission, dedicated to public service, and highly skilled and knowledgeable. The challenges lie in resource constraints, a diverse and geographically dispersed mission, a workforce approaching retirement, and the demands of technology and knowledge management. The DOI's vision for a highly skilled and engaged workforce that reflects the diversity of the Nation includes a new inclusivity strategy that values the unique qualities of individuals. Differences in background, thought, education, and experience contribute to varied perspectives in the workplace and create a dynamism for higher performance and success in achieving mission goals. The performance of this goal, is typified by improvements in personnel processing to reduce the time it takes to bring employees on board. Reductions in time to hire indicate efforts are progressing to achieve the goal of 80 days to hire.

Average number of calendar days per hire where a Job Opportunity Announcement (JOA) was posted.						
Office	**2009 Actual**	**2010 Actual**	**2011 Actual**	**2012 Actual**	**2013 Target**	**2013 Estimated**
Human Resources	190	125	101	80	80	80

Goal #2: Youth stewardship and engagement

The DOI implemented innovative program management reforms to expand and enhance quality conservation jobs and service opportunities for youth ages 15-25 to protect and restore America's natural and cultural resources. With a potential retirement rate of 40 percent in the next 4 to 6 years, DOI has a tremendous opportunity to provide entry level positions for young Americans, returning veterans, and other under-served communities experiencing high unemployment rates. Youth stewardship is one of DOI's Priority Performance Goals (see Table 5, page 29). However, especially due to limitations in funding, recent levels of engagement have not been as high as hoped, dropping to below 2009 levels.

Percent increase in youth employment over 2009 baseline.						
Office	**2009 Actual**	**2010 Actual**	**2011 Actual**	**2012 Actual**	**2013 Target**	**2013 Estimated**
Youth	New Measure	35%	31%	20%	35%	-3%

Goal #3: Sustainability of DOI's operations

The efforts in this goal center around reducing DOI's environmental footprint through reducing energy intensity and increasing the use of alternative fuels within DOI. Sustainability is integral to DOI's mission because DOI is entrusted with stewardship of America's lands and waters. Bureaus are making considerable investments in green building, recycling, and water efficiency. The reduction in energy, tracked in terms of energy intensity or energy consumption relative to total output, is used as the key indicator as energy consumption is considered to be one of the major determinants of sustainability. As can be seen in the following table, DOI is progressing toward the goal for 2015. This effort is dependent upon the effective application of technology, facility retrofit, and revised processes which are all being worked to achieve success. Funding constraints will impact the level of investments to support this goal.

Reduce energy intensity by 3% annually relative to the FY 2003 baseline, to achieve a 30% reduction in FY 2015.						
Office	**2009 Actual**	**2010 Actual**	**2011 Actual**	**2012 Actual**	**2013 Target**	**2013 Estimated**
Acquisition	21%	21.5%	22%	28%	28.5%	28.5%

Goal #4: Dependability and Efficiency of Information Technology

Information Technology supports every facet of DOI's diverse missions. Employees, volunteers, and the public require modern, reliable, and agile IT services that can be delivered in a cost-effective and transparent manner. The DOI will continue to implement a series of technology innovations and efficiencies as part of an enterprise-wide program of IT Transformation with a focus on consolidating and centralizing the IT infrastructure across DOI, as reflected in the IT Transformation Plan released on July 1, 2011. The reduction in the number of data centers is considered to typify the type of efficiencies that are being targeted under IT transformation. While there is recognizable progress, this is challenging in that it is as much, if not more, of an organizational change as it is a technological change. In March 2012, OMB updated the definition of a data center to remove any language that excluded sites less than 500 sq ft. Based on this definition update, DOI re-baselined its current Data Center inventory to 406 sites from the original metric of 210 data centers. As a result, the original metric has been updated and DOI is now committed to consolidating 95 data centers.

Percentage of DOI committed data centers consolidated.						
Office	**2009 Actual**	**2010 Actual**	**2011 Actual**	**2012 Actual**	**2013 Target**	**2013 Estimated**
Chief Information Officer	No Actual	0%	18%	44.2%	55.8%	62.1%
No. Data Centers to Consolidate/ No. Data Centers	0/95	0/95	17/95	42/95	53/95	59/95

Goal #5: Improving acquisition and real property management

The mission goals of DOI are significantly advanced through effective management of contracts in a manner that reduces risk and achieves desired results that cost less. Efforts include leveraging purchasing power, promoting efficient business practices, developing and retaining a skilled acquisition workforce, and utilizing small business opportunities. Small business contracting is the key indicator of acquisition performance. In effectively providing outreach and assistance opportunities for procurement and contracting officials and program officials, DOI consistently reaches its annual target for issuing at least 51 percent of its contracts to small business.

Percent of contracts issued to Small Businesses.						
Office	**2009 Actual**	**2010 Actual**	**2011 Actual**	**2012 Actual**	**2013 Target**	**2013 Estimated**
Small Business	56.8%	50.5%	54.6%	55.6%	51.5%	60%

The DOI's real property portfolio contains approximately 47,000 buildings and 115,000 structures, valued at more than $240 billion, as well as nearly every type of asset found in a local community. The goal is to maximize the use of real property, in terms of economy and efficiency, and to effectively manage DOI's footprint and reduce square footage and operations and maintenance spending. Following FY 2012, more granular data associated with this performance metric is available to DOI, allowing a more precise calculation of the targets and actuals.

Overall condition of buildings and structures, that are mission critical (as measured by Facilities Condition Index)						
Office	**2009 Actual**	**2010 Actual**	**2011 Actual**	**2012 Actual**	**2013 Target**	**2013 Estimated**
Acquisition	0.12	0.11	0.10	0.10	0.05	0.05

PRIORITY PERFORMANCE GOALS

Priority Goals represent Presidential priorities focused on key areas where short-term progress is tracked. In 2010, DOI identified opportunities to significantly improve near-term performance within 24 months and since then the goals have been modified and one additional goal added. The DOI chose Priority Goals that improve outcomes or speed progress on projects and processes critical to DOI's mission and attainment of national goals. The Secretary and Deputy Secretary have used the visibility of these goals, quarterly progress reviews and information learned through the collaborative process to ensure supporting programs are adequately resourced. Senior level attention on key milestones, accurately quantified performance results compared to plans, and implementation of alternate strategies where needed, assist in making sure results are achieved. The lessons learned during 2010-2011 informed the modification of goals for 2012-2013 and the addition of a goal for oil and gas inspections intended to address a GAO high risk finding.

Priority Goal Table 1	Renewable Energy Development
Goal for FY 2012-2013	Increase the approved capacity for production of energy from domestic renewable resources to support a growing economy and protect our national interests while reducing our dependence on foreign oil and climate-changing greenhouse gas emissions. By September 30, 2013, DOI will increase approved capacity authorized for renewable (solar, wind, and geothermal) energy resources affecting DOI managed lands, while ensuring full environmental review, by at least 11,000 megawatts.
Overview	The BLM has identified 20.6 million acres of public land with wind energy potential in 11 Western states, 29.5 million acres with solar energy potential in six Southwestern states, and 140 million acres of public land in Western states and Alaska with geothermal resource potential.
Results Through FY 2013	Since its start in FY 2010, over 13,700 mw of capacity utilizing renewable energy resources has been enabled compared to the goal of 11,000 mw by the end of FY 2013, thereby exceeding this goal. Assistance from the National Park Service and the Fish and Wildlife Service has been an important addition to the success of this endeavor. The Priority Goal only covers FY 2010-2013 and does not include 2,448 mw of capacity approved prior to FY2010.

Priority Goal Table 2	Water Conservation
Goal for FY 2012-2013	Enable capability to increase the available water supply in the Western states through conservation related programs to ensure adequate and safe water supplies. By September 30, 2013, DOI will further enable the capability to increase the available water supply for agricultural, municipal, industrial, and environmental uses in the Western United States through BOR water conservation programs to 730,000 acre-feet, cumulatively since 2009.
Overview	The BOR is working closely with non-Federal, state, and local governments, water districts, other entities, and individuals to identify practices and select projects that will gain water conservation capacity in Western states.
Results Through FY 2013	Since its start in FY 2010, BOR's water conservation related programs (e.g. WaterSMART (Sustain and Manage America's Resources for Tomorrow), Title XVI, CALFED, and Water Conservation Field Services) have approved projects with a combined water conservation capacity of over 730,000 acre-feet, thereby exceeding this goal. The BOR has consistently made progress in finding proposals to provide cost-shared funding for water conservation and efficiency projects that allow users to decrease diversions and make saved water available for other uses and identifying projects that most effectively stretch water supplies and contribute to water supply sustainability and produce energy savings.

Priority Goal Table 3	Safe Indian Communities
Goal for FY 2012-2013	Reduce violent crime in Indian communities. By September 30, 2013, in addition to continued efforts at 4 targeted tribal reservations that have achieved reductions of at least 5 percent in violent criminal offenses, achieve significant reduction in violent crime offenses of at least 5 percent within 24 months on 2 additional targeted tribal reservations by implementing a comprehensive strategy involving community policing, tactical deployment, and critical interagency and intergovernmental partnerships.
Overview	The rate of violent crime for American Indians is well above the national average and substance abuse is a major contributor, including methamphetamines - considered by tribes as a leading public safety threat.
Results Through FY 2013	The strategy employed with this Priority Goal has been effective, achieving an overall 35% reduction in violent crime incidents across four tribal communities. These experiences have been documented in a "Crime-Reduction Best Practices Handbook" (*http://www.bia.gov/cs/groups/xojs/documents/text/idc-018678.pdf*). An additional two communities were added to the goal in FY 2012. Performance at the four initial communities continued with similar levels of reduced violent crime through FY 2012 and FY 2013 to that achieved in 2010 and 2011. For the two newly added communities, which have much higher violent crime rates and are more dependent on law enforcement implemented fully by the tribal government, progress has been hampered by the limited housing resources available for public safety officers and an inability to secure full engagement of the tribal community at one of the locations. As such, while the one community added in 2012 has begun to show a decrease in violent crime, the other community added in 2012 has not. With the success of this law enforcement strategy in five communities, the experience at the sixth community emphasizes the importance of tribal engagement to its success.

Priority Goal Table 4	Climate Change Adaptation
Goal for FY 2012-2013	By September 30, 2013, for 50 percent of the Nation, DOI will identify resources that are particularly vulnerable to climate change, and implement coordinated adaptation response actions.
Overview	The DOI is addressing the impacts that climate change is having on America's natural resources and identifying strategies to ensure that the Nation's resources remain resilient in the face of changes. Bureaus are utilizing the Climate Science Centers (CSC) and Landscape Conservation Cooperatives (LCC) to assist in management decision making and optimize the use of scientific information and adaptive management to effectively manage lands and resources. The DOI is working with its partners to use LCC's as an organizing framework to improve collaboration at the landscape level and leverage activities conducted by Federal, state, and local entities and partner efforts.
Results Through FY 2013	In pursuit of better informed and coordinated climate adaptation response strategies being implemented, all 8 CSC's and 22 LCC's have been "formed" with most already advising participating Federal, state, tribal, and local resource managers. With over 300 vulnerability assessments completed and over 600 underway, at least one adaptation response strategy has been initiated across regions that cover an equivalent of nearly 78 percent of the nation. While there is more work to be done in addressing the effects of climate change, DOI has achieved the goal which provides a start in DOI-wide activities that will continue to study, assess, plan, and adapt to the present and potential effects of climate change as part of its responsibilities for managing the land, water, and wildlife species for the Nation.

Priority Goal Table 5	Youth Stewardship of Natural and Cultural Resources
Goal for FY 2012-2013	Build the next generation of conservation and community leaders by supporting youth employment at DOI. By September 30, 2013, DOI will maintain the increased level of employment of individuals between the ages of 15 to 25 that was achieved in FY 2010 (35 percent increase in total youth employment over FY 2009) to support DOI's mission of natural and cultural resource management.
Overview	Through increased exposure to outdoor experiences, young people will gain increased awareness and appreciation of natural and cultural resources; develop an environmental ethic; learn about and possibly become motivated to seek careers in the environmental field; and help develop a generation of environmentally-conscious adults.
Results Through FY 2013	Less resources for both DOI and partners' youth programs has made it challenging to replicate the FY 2010 levels achieved for employing individuals between the ages of 15 and 25 in the conservation mission of DOI. Similar to the lower than targeted levels of participation experienced in FY 2012, levels of participation were lower for FY 2013, below those experienced in 2009.

Priority Goal Table 6	Oil and Gas Resources Management
Goal for FY 2012-2013	Improve production accountability, safety, and environmental protection of oil and gas operations through increased inspection of high-risk oil and gas production cases. By September 30, 2013, BLM will increase the completion of inspections of Federal and Indian high risk oil and gas cases by 9 percent over FY 2011 levels, which is equivalent to covering as much as 95 percent of the potential high risk cases.
Overview	The inspection of high risk producing oil and gas cases is paramount to help ensure that hydrocarbon production on Federally-managed lands are properly accounted for and results in accurate royalty payments to the public and Indian owners of such minerals.
Results Through FY 2013	As a part of efforts to address weaknesses identified in Interior's oil and gas programs as highlighted by identification on GAO's High Risk list, a more risk-based strategy has been developed for determining the high-risk oil and gas cases that should be inspected in a year. This risk-based strategy is providing managers in the field the means by which to better determine where inspections are most needed through scoring using pre-defined criteria including production, record verification, previous violations, time since last inspection, consistency with the Oil and Gas Operating Report, etc. With 2,500 oil and gas cases classified as high-risk for FY 2013, 82 percent of the targeted 95 percent site inspections were achieved due to the delays in the implementation of the automated management support system, and the impacts of sequestration. This Priority Goal is extended into FY 2014, to continue efforts to achieve the 95 percent inspection rate.

This section of the report provides the required information on DOI's management assurances and compliance with the following legal and regulatory requirements:

- Management Assurances;
- *Federal Managers' Financial Integrity Act of 1982* (FMFIA);
- *Federal Financial Management Improvement Act of 1996* (FFMIA); and
- *Inspector General Act of 1978, as amended* (Audit Follow-up).

In addition, this section includes summaries of the Department's financial management activities and improvement initiatives regarding:

- Results of Financial Statement Audit;
- Major Management Challenges Confronting Interior;
- Compliance with Other Key Legal and Regulatory Requirements; and
- Financial Management Systems.

Management Assurances

The FMFIA requires agencies to assess the effectiveness of and provide an annual statement of assurance regarding internal accounting and administrative controls, including controls in program, operational, and administrative areas as well as accounting and financial reporting. During FY 2013, the Office of Financial Management (PFM) conducted comprehensive site visits and otherwise provided oversight with regard to risk assessments, internal control reviews, and progress in implementing audit recommendations. The DOI's FY 2013 annual assurance statement appears on the next page. The basis for the assurance statement conclusions follows.

Federal Managers' Financial Integrity Act of 1982 (FMFIA)

The DOI 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 effective delivery of services to customers; and (5) maximizes desired program outcomes. The DOI has developed and implemented management, administrative, and financial system controls that reasonably ensure:

- 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
- Timely, accurate, and reliable data are maintained and used for decision making at all levels.

The DOI's internal control program is designed to ensure full compliance with the goals, objectives, and requirements of FMFIA and the following Office of Management and Budget (OMB) Circulars:

- OMB Circular No. A-123, *Management's Responsibility for Internal Control*, including Appendix A, *Internal Control over Financial Reporting*; Appendix B, *Improving the Management of Government Charge Card Programs*, Appendix C, *Requirements for Effective Measurement and Remediation of Improper Payments;*
- OMB Circular No. A-127, *Financial Management Systems*; and
- OMB Circular No. A-130, *Management of Federal Information Resources*.

Internal Control Assessments

The DOI conducts annual assessments of the effectiveness of management, administrative, and accounting systems' controls in accordance with FMFIA and OMB guidelines. The conclusions in the Secretary's FY 2013 annual FMFIA assurance statement are based on the results of numerous internal control reviews that bureaus and offices conduct, including assessment of internal control over financial reporting. The DOI also considered the results of Office of Inspector General (OIG) audits, Government Accountability Office (GAO) program audits, and the financial statement audit conducted by the independent public accounting firm, KPMG LLP. In addition, many of DOI's internal control reviews and related accountability and integrity program activities focused on areas identified as major management challenges.

FMFIA Material Weaknesses and Accounting System Nonconformances

The OMB Circular No. A-123 requires that each agency identify and report on material weaknesses affecting the agency. The DOI has adopted the

FY 2013 ASSURANCE STATEMENT

The Department of the Interior's (DOI) management is responsible for establishing and maintaining effective internal control over the three internal control objectives: effectiveness and efficiency of operations; reliability of financial reporting; and compliance with applicable laws and regulations.

In accordance with the *Federal Managers' Financial Integrity Act* (FMFIA), I have directed an evaluation of internal control at DOI in effect during the fiscal year ending September 30, 2013. The DOI conducted our assessment of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with the requirements of the Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Internal Control*. Based on the results of this evaluation, DOI provides reasonable assurance that the objectives of FMFIA, Section 2 over non-financial operations have been achieved, except for one material weakness related to Radio Communications as identified in Figure 1-1 and no other material weaknesses were found in the design or operation of the internal controls as of September 30, 2013.

The DOI conducted our assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with OMB Circular A-123, Appendix A. Based on the results of this evaluation, DOI provides reasonable assurance that, as of June 30, 2013, our internal control over financial reporting was operating effectively except for one material weakness, related to Controls Over Unusual and Nonrecurring Transactions as identified in Figure 1-1. Our financial management systems conformed with the objectives of FMFIA, Section 4 except the financial management systems did not substantially comply with the applicable accounting standards under *Federal Financial Management Improvement Act*. We are confident that our corrective actions in FY 2014 will eliminate this weakness. Subsequent testing through September 30, 2013, did not identify any reportable changes in key financial reporting over internal controls.

Sally Jewell
Secretary of the Interior
December 9, 2013

OMB guidelines for material weakness designations and recognizes the importance of correcting material weaknesses in a timely manner. The PFM staff and senior program officials continuously monitor corrective action progress of all material weaknesses.

At the beginning of FY 2013 DOI had one Department-level FMFIA material weakness pending correction carried forward from the previous year. Inadequate Wireless Telecommunications had been identified as a material weakness in FY 2000 and downgraded in FY 2004, since it was then considered to be a bureau-specific matter, not a DOI-wide issue. However, during FY 2009, as a result of a September 2008 OIG Report and an extensive internal control review conducted DOI-wide, DOI reinstated the Radio Communications Program as a Department-level material weakness. *(See Figure 1-1)*

During FY 2013, deficiencies in the controls over unusual and nonrecurring transactions were identified as a result of accounting for unique, non-routine business transactions related to the Cobell Settlement. The DOI has already begun to take corrective actions in this matter.

The DOI will report a material weakness corrected or downgraded when the following occurs:

- Senior management has demonstrated its firm 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 exists in completing material weakness corrective actions;
- Corrective actions have been substantially completed, remaining actions are minor in scope, and the actions will be completed within the next FY;
- Implemented corrective actions have eliminated or minimized the root cause(s) of the material weakness; and
- Substantial validation of corrective action effectiveness has been performed.

FIGURE 1-1

FMFIA Material Weaknesses as of September 30, 2013				
Description	**Corrective Actions**	**FY 2013 Progress**	**Target Completion Date**	**Status**
Office: The Chief Information Officer (OCIO) **The DOI Radio Communications Program:** The DOI has an unsafe and unreliable radio communications environment that jeopardizes the health and safety of DOI employees and the public.	The DOI will: 1) Assign responsibility over the radio communications program to the OCIO; 2) Develop a comprehensive management plan for the radio communications program; 3) Identify specific user groups and ensure that user needs are assessed and addressed, guidance is provided and enforced, and training is provided; 4) Enforce existing safety procedures to notify employees and the general public of hazardous site conditions; and 5) Implement best practices, where appropriate.	1) Established a Radio Executive Steering Committee (Radio ESC) with responsibility for integrated management of radio communications, facilities, planning and budget, and mission area oversight for fire, law enforcement, and emergency management. 2) Established a new Radio Approver role in DOI's Financial and Business Management System to support better management of radio investments. 3) Established an IT investment management process to assess and approve planned IT investments. 4) Revised OCIO Directive 2010-008 (Radio Facilities Standards) to close gaps in facilities standards, facilities assessment requirements, and reporting. The USGS and NPS established a strategy for radio facilities assessment and mitigation for implementation beginning in FY 2014. 5) Completed two Radio-Over-Internet-Protocol technology pilot projects to demonstrate the use of alternative technologies and promote expanded use. 6) Created a Statement of Work and issued a Request For Information for radio goods that will vastly increase the availability of alternative technologies.	FY 2014	Ongoing
Office: The Office of Financial Management (PFM) **Controls Over Unusual and Nonrecurring Transactions**	The DOI will: 1) Implement policies/procedures to improve the annual risk assessment process over non-routine events to ensure proper accounting treatment; 2) Implement policies and procedures at PFM to guide the intra-bureau communications and oversight of recording, disclosing, and classifying transactions; and 3) Implement policies/procedures that require officials in PFM to perform an independent review of significant accounting decisions made at the component level.	Identified in FY 2013.	FY 2014	Ongoing

Summaries of DOI's FMFIA material weaknesses, financial statement audit material weaknesses, and management assurances and accounting system nonconformances are presented in Section 3, Other Information, of this report.

Internal Control Over Financial Reporting

The OMB Circular No. A-123, Appendix A, strengthens internal control requirements over financial reporting in Federal agencies. The Circular provides updated internal control standards and requirements for conducting management's assessment of the effectiveness of internal control over financial reporting.

In FY 2013, DOI completed its eighth annual assessment of the effectiveness of internal control over financial reporting. The results of the assessment revealed that in financial reporting areas, adequate controls exist, and financial reporting can be relied upon by senior management when used in decision-making processes. Although deficiencies were found in some financial reporting processes, corrective actions and compensating controls adequately address these deficiencies. Except for its controls over unusual and nonrecurring transactions, DOI's internal controls over financial reporting reasonably ensure the safeguarding of assets from waste, loss, and unauthorized use or misappropriation, as well as compliance with laws and regulations pertaining to financial reporting. *(See FY 2013 Assurance Statement, paragraph 2).*

The DOI policymakers and program managers continuously seek ways to achieve missions, meet program goals and measures, enhance operational processes, and implement new technological developments. The OMB requirement to assess control over financial reporting has strengthened the accountability of DOI managers regarding internal controls and has improved the quality and reliability of DOI's financial information.

Federal Financial Management Improvement Act of 1996 (FFMIA)

The FFMIA builds upon and complements the *Chief Financial Officer's Act of 1990* (CFO Act), *Government Performance and Results Act of 1993* (GPRA), amended by the *GPRA Modernization Act of 2010,* and the *Government Management Reform Act of 1994* (GMRA). The FFMIA requires that Federal agencies substantially comply with: 1) applicable accounting standards; 2) the U.S. Standard General Ledger (USSGL) at the transaction level; and, 3) Federal financial management system requirements that support full disclosure of Federal financial data, including the cost of Federal programs and activities.

Federal agencies are required to address compliance with the requirements of FFMIA in the management representations made to the financial statement auditor. The auditor is required to report on the agency's compliance with FFMIA requirements in the Independent Auditors' Report. If an agency is not in compliance with the requirements of the FFMIA, the agency head is required to establish a remediation plan to achieve substantial compliance. Because of DOI 's material weakness related to controls over unusual and nonrecurring transactions, DOI's financial management systems did not substantially comply with the applicable accounting standards requirements of FFMIA. Corrective actions to correct this noncompliance are being developed and will include a strengthened review process to ensure non-routine transactions are identified and evaluated for proper accounting treatment.

Inspector General Act Amendments (Audit Follow-up)

The DOI has instituted a comprehensive audit follow-up program to ensure that audit recommendations are implemented in a timely and cost-effective manner and that disallowed costs and other funds due from contractors and grantees are collected or offset. In FY 2013, DOI monitored a substantial number of new OIG, GAO, and Single Audit Act audit reports. Audit follow-up actions include analyzing referred audit reports; advising grantors of single audit findings; tracking, reviewing, and validating program and financial audit recommendations; developing mutually acceptable and timely resolution of disputed audit findings and recommendations; overseeing the implementing, documenting, and closing of audit recommendations; and monitoring the recovery of disallowed costs. The OIG Semiannual Report to the Congress provides additional information about OIG activities and results.

To further underscore the importance of timely implementation of OIG and GAO audit recommendations, DOI has a performance goal of implementing at least 85 percent (weighted) of all GAO and OIG recommendations where implementation was scheduled to occur during the current year or in previous years. The DOI set its performance goal at 85 percent to allow for impacts, challenges, and unforeseeable delays when initial corrective action plans were developed; some corrective actions can span multiple years. In FY 2013, DOI exceeded its performance goal with an implementation rate of 89 percent.

Results of Financial Statement Audit

As required by the GMRA, DOI prepares financial statements. These financial statements have been audited by KPMG LLP, an independent public accounting firm. The preparation and audit of the financial statements form an integral part of DOI's centralized process to ensure the integrity of financial information.

Figures 1-2 and 1-3 summarize the status of the material weakness and noncompliance issues identified in the audit report for FY 2013. This report identified one material weakness in the controls over unusual and nonrecurring transactions, and one significant deficiency in reporting asbestos cleanup liabilities. Previous significant deficiencies regarding information technology and future operating lease payments are considered corrected. In addition, a long-standing noncompliance with the *Single Audit Act Amendments of 1996* is considered remediated. However, a noncompliance with FFMIA resulted from the material weakness related to DOI's controls over unusual and nonrecurring transactions. The FY 2013 material weakness, significant deficiency, and noncompliance, new to DOI's deficiencies, will be given additional attention throughout FY 2014.

Major Management Challenges Confronting Interior

The OIG and the GAO annually advise Congress on what are considered to be the major management challenges facing DOI. A summary of the major management challenges identified by the OIG and GAO are presented in Section 3: Other Information, of this report.

FIGURE 1-2

FYs 2013 and 2012 Audited Financial Statements
Departmental Material Weakness Corrective Action Plan (as of September 30, 2013)

Material Weakness Description	Corrective Actions	Fiscal Year		Original Target Date	Status
		2013	2012		
Controls Over Unusual and Nonrecurring Transactions	1) Implement policies and procedures to improve the annual risk assessment process over non-routine events to ensure proper accounting treatment; 2) Implement policies and procedures at PFM to guide intra-bureau communications and oversight of recording, disclosing, and classifying transactions; and 3) Implement policies and procedures that require officials in DOI to perform an independent review of significant accounting decisions made at the component level.	X		9/30/14	Ongoing

FIGURE 1-3

FYs 2013 and 2012 Audited Financial Statements
Departmental Noncompliance Corrective Action Plan (as of September 30, 2013)

Noncompliance Description	Corrective Actions	Fiscal Year		Original Target Date	Status
		2013	2012		
Single Audit Act Amendments of 1996	Obtain Single Audit, Financial Status, Grant Performance, and Annual Reports and issue management decisions on audit findings in accordance with the requirements of the Single Audit Act Amendments.		X	9/30/06	Corrected
FFMIA	See corrective actions for the material weakness noted in Figure 1-2.	X		9/30/14	Ongoing

Compliance with Other Key Legal and Regulatory Requirements

The DOI is required to comply with several other legal and regulatory financial requirements, including the *Prompt Payment Act* (PPA), the *Debt Collection Improvement Act* (DCIA) and the criteria for Electronic Funds Transfers (EFT).

Prompt Pay, Debt Collection, and Electronic Funds Transfer

In FY 2013, DOI did not exceed its performance goals for PPA, DCIA and payments made by EFT. The PPA (Figure 1-4) requires that eligible payments be made within 30 days of receipt of invoice; otherwise, the Federal Government is required to pay interest. The DCIA (Figure 1-5) requires any nontax debt owed to the United States that has been delinquent for a period of over 180 days be turned over to the Department of the Treasury for collection. The EFT (Figure 1-6) provision of the DCIA mandates all recipients of Federal payment receive their payments electronically, expect for tax refunds.

The overall shortfall of the performance goals is attributed to the deployment of two DOI bureaus onto the Financial and Business Management System (FBMS) and a shortage of available resources due to sequestration. During the transition to FBMS, the two bureaus experienced a blackout period for automated processing of transactions. Due to the high volume of transactions manually processed during this time, consolidated financial metrics declined. The DOI anticipates that these goals will improve in FY 2014 as automated processing is restored and the bureaus complete a full year using FBMS.

IT Transformation

The DOI is currently 2 years into a multi-year IT Transformation initiative and is making progress in implementation of its IT Transformation Strategic Plan, published in 2011. Along with extensive planning and reprioritization due to sequestration, DOI completed several major activities in 2013 as a part of this initiative.

In 2013, DOI completed the implementation of a DOI-wide e-mail and collaboration system, internally called BisonConnect, through a Google Apps for Government (GAfG) Cloud services contract awarded in 2012. This marks the first time all DOI employees are on a single, enterprise-wide system allowing for increased communications and collaboration capabilities across the agency. The projected savings for this initiative is $4.5 million dollars per year.

FIGURE 1-4

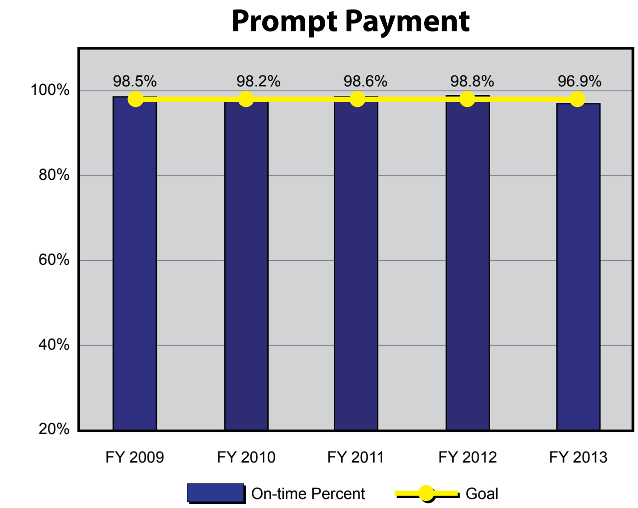


FIGURE 1-5

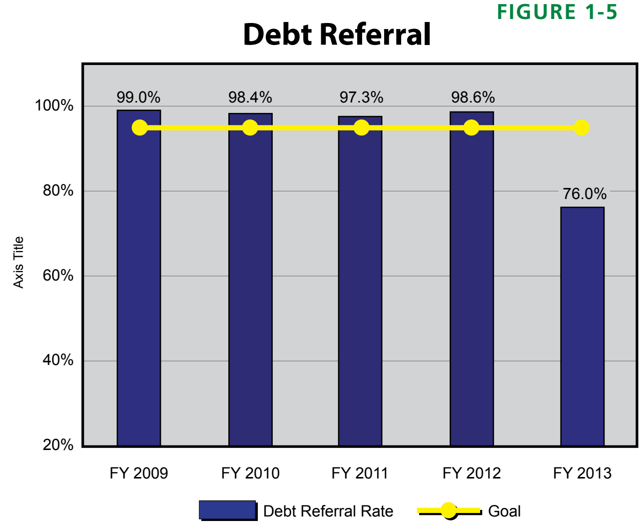
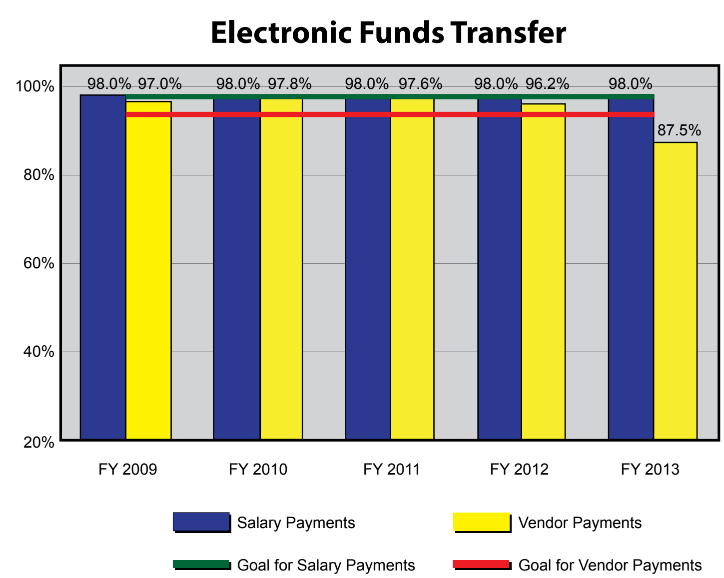


FIGURE 1-6



The DOI also awarded a set of contracts that will help expedite the move to cloud hosting solutions. This will help make DOI's data and applications more accessible to the public and to DOI employees across the country. It will also provide a wider variety of services, security solutions, and support than currently available. Through the move to the cloud, DOI is expecting significant reductions in hardware, software, and operations costs to the taxpayer.

The DOI's hosting environment, which currently focuses on managing servers in-house, will be able to transition to a modern cloud-based environment, supporting the *25-point Implementation Plan* to *Reform Federal IT*, the *Federal Data Center Consolidation* initiative, and the *Cloud-First Policy* outlined by the Federal Chief Information Officer.

Financial Management Systems

The DOI shares the view of the Government-wide CFO Council that robust financial management systems improve consistency, generate data to assist management and strengthen decision making capabilities, and enable DOI program and financial managers to more effectively achieve mission goals. The DOI recognizes the importance of financial management systems as a part of the capital asset portfolio and uses sound IT investment management, program management, and project governance principles to plan, deploy and operate systems. The DOI's goal is to achieve and maintain the objectives stated in OMB Circular No. A-127 – to establish a single, integrated financial management system through the deployment of FBMS. In pursuing this goal, DOI is following the IT investment management practices and principles identified in the *Clinger-Cohen Act of 1996* and the *Federal Information Security Management Act of 2002*. The DOI is also furthering a number of the goals set forward in the *25 Point Implementation Plan* to reform Federal IT management through the implementation of FBMS.

Financial Management Systems Improvement Strategy

The DOI's goal is to continue improvements in financial transaction processing, analysis, and reporting, and to enhance financial management systems support through an effective partnership of program, information system, financial, acquisition, and other business managers. The DOI relies on financial and business management systems that are planned for, managed together, and operated collectively to support program and financial managers.

The integrated nature of business processes including property, charge card, travel, and others, working in conjunction with the financial system, strengthen internal controls and transparency.

Some systems are managed at the bureau level, some at the Departmental level, and some are Government-wide systems on which DOI relies. Collectively, they represent DOI's financial management systems architecture. The DOI has viewed the movement toward a single, integrated financial system as encompassing four interrelated elements that drive business process, improvements, and financial integrity. They are: (1) improvement of internal controls; (2) elimination of redundant data entry; (3) enabling end-to-end transaction processing; and (4) standardization of data for improved information quality. The DOI's current, major financial management system improvement effort centers on FBMS. In early FY 2013, DOI implemented the seventh of eight FBMS deployments that will facilitate DOI's business transformation.

Financial Systems Modernization

The FBMS is an operational, integrated suite of software applications that enables DOI to manage a variety of business functions to include core financials, budget execution, acquisition, personal property, fleet management, real property, travel, financial assistance, and enterprise management information and reporting.

With each implementation, DOI enhances the functionality and value of FBMS and moves closer to meeting the following goals:

- Modernized business operations;
- Standardized and integrated processes;
- Improved security and internal controls;
- Improved cost information;
- Improved tracking and auditing capabilities;
- Reduced double entry of data in multiple systems and manual paper processing;
- Improved DOI-wide and bureau-specific reporting capabilities;
- Increased data consistency, integrity, and transparency; and
- Retirement of aged, stove-piped, unsupported; and costly legacy systems.

FY 2013 Accomplishments

The FBMS is currently in use by OSM, BOEM, BSEE, BLM, USGS, FWS, DO, NPS, and IA. The FBMS Project Management Office (PMO) provides operations and maintenance support to FBMS, and the Interior Business Center (IBC) is the system's shared-service hosting provider. Some of the accomplishments in FY 2013 include:

- Implemented FBMS at NPS and IA;
- Enhanced FBMS capabilities and closed functionality gaps through monthly Point Releases;
- Initiated the transition to a modernized cloud hosting environment to replace obsolete servers and networking storage equipment;
- Conducted and met the requirements of a preliminary design review, critical design review, test readiness review, and integration testing for deployment to BOR;
- Conducted and met the requirements of the deployment baseline review for the next phase of activities which will upgrade and optimize the existing footprint of FBMS; and
- Continued initiatives associated with operationalizing FBMS and achieving its benefits in the following areas: consolidation of dispersed functions and establishing additional intra-Departmental cross-servicing opportunities; DOI-wide strategic sourcing opportunities; improper payment monitoring and recapture; and commissioning DOI-wide standardized reports in a wide number of financial and business functions.

Future Planned Activities

Deployment to the final DOI bureau, BOR, will take place in November 2013. This deployment will also include a financial consolidation and reporting solution; improvements related to purchase requisitions and property disposition; improvements to ensure Federal systems compliance and integration with a new travel solution. Future plans include the optimization of the existing FBMS functional footprint and leveraging the investment to support modular development opportunities to increase management efficiency, effectiveness, transparency, and accountability.

Building on the successful completion and acceptance of DOI's financial systems roadmap, DOI has initiated business and systems roadmaps in several areas complementary to FBMS, such as budget and performance, facilities work order management, and revenue systems. The goal of each of these roadmaps is to create a plan to support the kinds of benefits being realized from FBMS implementation, such as common business and data standards; modern, unified platforms; transparent reporting using modern analytical tools; increased automated controls and information security; and support for Government-wide initiatives.

The DOI received, for the 17th consecutive year, an unqualified audit opinion on its financial statements. The statements were audited by the independent accounting firm KPMG LLP. Information provided on the financial statements, the opinion presented as a result of the independent audit, and other disclosures and information provided in this report provide assurance to the public that the information is accurate, reliable, and useful for decision-making. The financial statements and financial data presented in this report have been prepared from DOI's accounting records in conformity with Generally Accepted Accounting Principles (GAAP). For Federal entities, these are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB).

Financial statement preparation supports DOI's goal to improve financial management and to provide accurate and reliable information that is useful for assessing financial performance and allocating resources. The DOI management is responsible for the integrity and objectivity of the financial information presented in the financial statements. Integrity of the information is supported by the analysis of financial statement line item fluctuations. Variances in excess of 10 percent and material to DOI are discussed below. The discussion also includes significant qualitative financial management information of interest.

Special Account Funds

The NPS has concessionaire accounts that are excluded from DOI financial statements. These funds are accounted for in a Treasury receipt account symbol assigned to NPS; however, they are maintained in separate interest-bearing bank accounts for the concessioners. They are not assets of NPS, and may not be used in NPS operations.

The balances in the special account funds are allocated to concessionaires based upon agreements which contain provisions that provide for the establishment of escrow type accounts to be used to develop, improve, and maintain visitor facilities. The concessioner periodically deposits a percentage of gross revenue in the account as provided in the concessioner agreement. The concessioners reported that these special accounts balances totaled approximately $16.5 million and $22.3 million (unaudited), as of September 30, 2013 and 2012, respectively.

Overview of Financial Position: The Balance Sheet

The Balance Sheet provides a snapshot of DOI's financial position at a fixed point in time. The fiscal year-end Balance Sheet displays amounts of future economic benefits owned or available for use (Assets), amounts owed (Liabilities) and the residual amounts (Net Position) at the end of the fiscal year.

Analysis of Assets

DOI Assets *(line items summarized) (dollars in thousands)*	FY 2013	FY 2012	Increase/ (Decrease)	% Change
Fund Balance with Treasury	$ 48,595,659	$ 44,596,626	$ 3,999,033	9.0%
Investments	7,552,876	6,849,519	703,357	10.3%
PP&E, Inventory, and Related Property	22,094,061	21,181,956	912,105	4.3%
Accounts, Loans and Int Receivable & Other	7,958,081	8,570,090	(612,009)	-7.1%
Assets	**$ 86,200,677**	**$ 81,198,191**	**$ 5,002,486**	**6.2%**

The FY 2013 increase in assets is primarily attributable to an increase in the Fund Balance with Treasury. This increase is the result of the transfer of funding to DO from the Department of Treasury's Judgment Fund for the execution of the Trust Land Consolidation Program as part of the Cobell Settlement authorized by the Claims Resolution Act of 2010. The offset to the fund balance increase is presented as a liability to the Public on the balance sheet. The Fund Balance with Treasury increase is also the result of NPS supplemental funding for construction necessary as a result of Hurricane Sandy damages; royalties retained by the NPS Land and Water Conservation Fund and natural resource royalties deposited the Reclamation Fund in FY 2013. For additional information regarding these funds please refer to Note 22, Dedicated Collections.

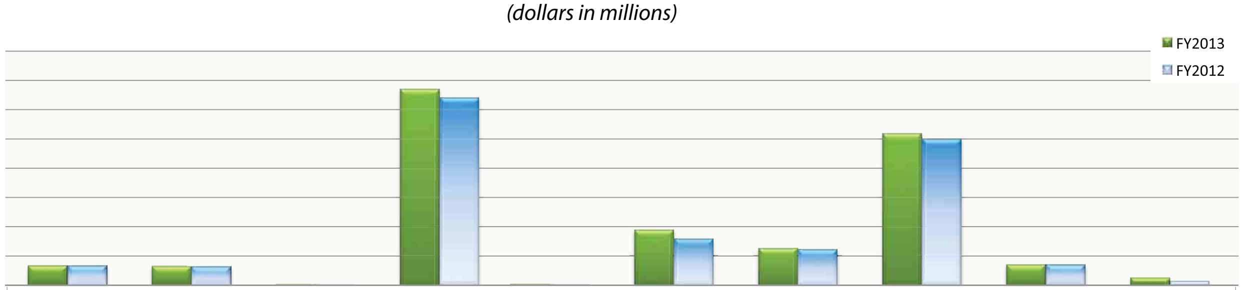
The DOI is authorized to use Fund Balance with Treasury to pay liabilities resulting from operational activity and consists of funds received from direct appropriations, transfers, offsetting receipts, recoveries, and funds held in budget clearing accounts. Property, Plant, and Equipment (PP&E) is primarily composed of land, structures, and facilities which are used for general operations, power, wildlife enhancement, and recreation.

The DOI owns more than 162,000 real property assets including land parcels and more than 42,000 buildings and 75,000 structures, comprised of a diverse portfolio that includes offices, visitor centers, housing, schools, lodges, roads, bridges, dams, communication facilities, campgrounds, detention centers, and monuments. These assets are managed at more than 2,400 locations throughout the United States.

The DOI's reported values for PP&E exclude stewardship assets in accordance with accounting standards. Stewardship assets benefit the nation as a whole and are considered priceless. It is not possible to assign an identifiable value to these assets. An in-depth discussion of stewardship assets is presented in the Notes to the Financial Statements Section and the Required Supplementary Information section of the Agency Financial Report. Comparative assets by bureau are displayed in the graph below. The sum of assets by bureau is not equal to DOI consolidated total assets as intra-departmental eliminations are excluded from the graph presentation.

Assets by Bureau

(dollars in millions)



	IA	BLM	BOEM	BOR	BSEE	DO	FWS	NPS	OSM	USGS
FY2013	$3,318	$3,232	$150	$33,572	$205	$9,506	$6,354	$25,965	$3,484	$1,260
FY2012	$3,353	$3,231	$136	$32,069	$155	$7,950	$6,136	$25,044	$3,519	$702

Analysis of Liabilities

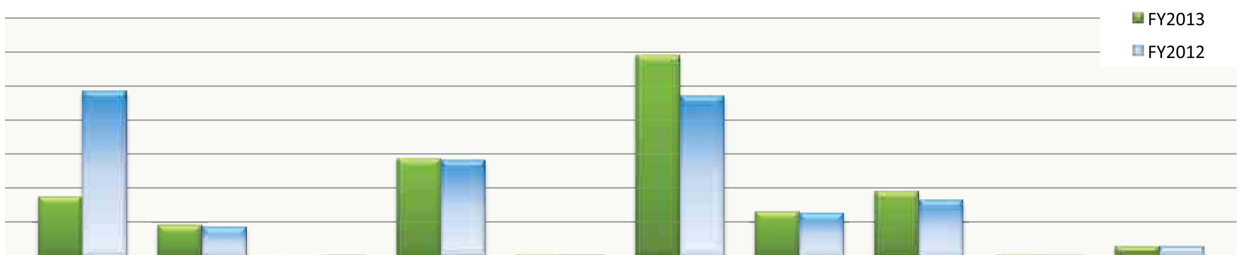
DOI Liabilities *(line items summarized)* *(dollars in thousands)*	FY 2013	FY 2012	Increase/ (Decrease)	% Change
Accounts & Grant Payable	$ 2,019,899	$ 1,979,365	40,534	2.0%
Employee & Veterans Benefits	1,509,331	1,498,248	11,083	0.7%
Trust Land Consolidation	1,896,910	-	1,896,910	100%
Asbestos Cleanup	537,601	-	537,601	100%
Environmental, Disposal, Contingent	1,227,705	4,564,454	(3,336,749)	-73.1%
Custodial Liability, Payments Due to States	1,886,383	2,384,276	(497,893)	-20.9%
Advances & Deferred Revenue	1,048,544	1,179,418	(130,874)	-11.1%
Treasury General Fund	1,887,892	1,850,922	36,970	2.0%
Other, Debt, Loan Guarantees	2,184,519	2,020,072	164,447	8.1%
Liabilities	**$ 14,198,784**	**$ 15,476,755**	**($1,277,971)**	**-8.3%**

The DOI implemented Technical Bulletin 2006-1, *Recognition and Measurement of Asbestos-Related Cleanup Costs*, in FY 2013. The DOI recognized a new balance sheet line item that represents the liability for asbestos-related cleanup costs that were known and estimable as of September 30, 2013. The liability was recorded as a prior period adjustment with a reduction to cumulative operations in accordance with the bulletin. The DOI's consolidated liabilities have remained relatively stable in FY 2013.

Liabilities at the Bureau level reflect a decrease at IA resulting from the reversal of the FY 2012 Judgement Fund liability, and an increase at DO resulting from the funds provided to execute the Trust Land Consolidation Program as discussed in the above analysis. Comparative liabilities by bureau are displayed in the graph below. The sum of bureau liabilities is not equal to DOI consolidated total liabilities as intra-departmental eliminations are excluded from the graph presentation.

Liabilities by Bureau

(dollars in millions)



	IA	BLM	BOEM	BOR	BSEE	DO	FWS	NPS	OSM	USGS
FY2013	$1,747	$917	$23	$2,873	$33	$5,923	$1,313	$1,906	$27	$283
FY2012	$4,863	$856	$24	$2,835	$28	$4,726	$1,272	$1,655	$37	$280

Analysis of Net Costs

DOI Net Cost *(summarized by Bureau)* *(dollars in thousands)*	FY 2013	FY 2012	Increase/ (Decrease)	% Change
Indian Affairs	$ 3,089,927	$ 4,213,051	$ (1,123,124)	-26.7%
Bureau of Land Management	1,589,630	1,788,583	(198,953)	-11.1%
Bureau of Ocean Energy Management	(4,525)	(8,467)	3,942	100.0%
Bureau of Reclamation	532,181	880,197	(348,016)	-39.5%
Bureau of Safety and Environmental Enforcement	103,919	80,991	22,928	100.0%
Departmental Offices	3,420,428	4,472,330	(1,051,902)	-23.5%
National Park Service	2,868,694	3,112,534	(243,840)	-7.8%
Office of Surface Mining Reclamation and Enforcement	680,084	722,370	(42,286)	-5.9%
U.S. Fish & Wildlife Service	2,866,491	2,896,893	(30,402)	-1.0%
U.S. Geological Survey	1,113,049	1,158,747	(45,698)	-3.9%
Eliminations	(37,153)	(84,382)	47,229	-56.0%
Net Costs - by Bureau	**$ 16,222,725**	**$ 19,232,847**	**$ ($3,010,122)**	**-15.7%**

The Consolidated Statement of Net Cost includes DOI's five Strategic Plan mission areas: Provide Natural and Cultural Resource Protection and Experiences; Sustainably Manage Energy, Water, and Natural Resources; Advance Government-to-Government Relationships with Indian Nations and Honor Commitments to Insular Areas; Provide a Scientific Foundation for Decision Making; and Building A 21st Century Department of the Interior. The Statement of Net Cost also includes Reimbursable Activity and Other, which predominately represents the intra-governmental acquisition of goods and services through the DOI Working Capital Fund and Franchise Fund. Additional Strategic Plan Information is available on pages 7 and 8.

The DOI net costs primarily represent services provided to the public. The DOI recognized a reduction in Net Cost in FY 2013. This is the result of activity recorded to account for the reversal of closed prior-year contingent liabilities and the associated unfunded expenses. Comparative net cost by mission area is summarized in the graph below.

Analysis of Net Cost – Cost, Revenue, & Major Benefit by Bureau

According to DOI's most recent economic report, DOI plays a substantial role in the U.S. economy, supporting nearly 2.3 million jobs, providing approximately $211 billion value added and $371 billion in economic activity. The DOI's economic contributions are underpinned by substantial investments in facilities, lands, information, and institutional capacity made in past years. Key investments made in the last year include enhancements to the capacity to evaluate and process applications for renewable energy technology on public lands and to provide for safe and efficient offshore energy development.

Highlights of DOI's economic contributions to key economic sectors include:

- Recreation and Tourism: Americans and foreign visitors made nearly 417 million visits to DOI-managed lands. These visits supported approximately 372,000 jobs, value added provided by visitors to DOI sites was estimated to be $25 billion, and economic output was estimated to be $45 billion.

- Energy: Oil, gas, and coal produced from DOI-managed lands provided value added of approximately $131 billion; estimated economic output contribution of $230 billion; and an estimated 1.2 million jobs. Hydropower, wind and solar power projects on DOI lands were estimated to contribute $4.4 billion in output and support about 18,000 jobs.

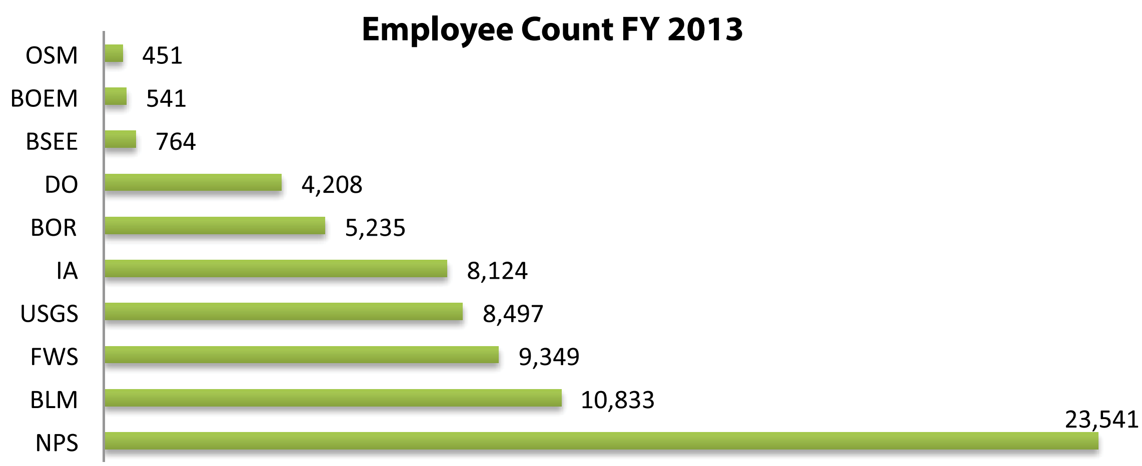
- Water: The DOI stores and delivers water for irrigation, municipal and industrial (M&I), and other uses. The value of water varies widely according to location, type of use and climatic conditions. The DOI irrigation and M&I water activities are associated with $27 billion in value added, $47.4 billion in output, and supported an estimated 339,000 jobs.

- Grants and Payments: DOI administers numerous grants and payment programs. This financial support helps improve the natural environment, build infrastructure, and provide public and social services. Grant and payment programs administered by DOI provided $7.95 billion in value added economic contributions of $11 billion and supported employment of 89,000.

- The DOI's support for tribal governments represents an important mechanism to advance nation-to-nation relationships, facilitate economic development, improve Indian education, and improve the safety of Indian communities. This funding provided $1 billion of economic value and contributed approximately $1.2 billion to economic output and supported about 11,000 jobs.

Analysis of Net Cost – DOI Workforce

The DOI costs include $6,487,494 thousand in payroll and benefit costs for employees executing DOI's mission and programs. The DOI employs 71,543 people in approximately 2,400 locations with offices across the United States, Puerto Rico, U.S. territories, and Freely Associated States. The total DOI employee count primarily includes full time permanent staff. Part-time and seasonal staff is also fundamental to the services that DOI provides. At DOI, employees take pride in knowing that the work they do every day is of real significance – from managing the Nation's natural resources and cultural heritage to honoring responsibilities to strengthen tribal nations and advocate for America's island communities. The DOI relies on their expertise and commitment to better serve the public and to help achieve organizational goals and objectives. Through a continuing effort to better serve America, DOI continues to broaden the diversity of DOI's workforce. The DOI is committed to identifying, hiring, and retaining the best qualified individuals, wherever they are and whatever their background, to reflect the diversity of the communities in which DOI operates.



Employee Count - Total 71,543
(All employees regardless of work schedule or type of appointment)

Total Payroll & Benefits	*(dollars in thousands)*
IA	$678,565
BLM	997,690
BOEM	67,586
BOR	538,176
BSEE	83,794
DO	532,035
FWS	924,908
NPS	1,730,546
OSM	52,228
USGS	881,966
TOTAL	$ 6,487,494

Work Schedule Information	Full Time Permanent	Other*	Total
IA	4,583	3,541	8,124
BLM	9,100	1,733	10,833
BOEM	530	11	541
BOR	4,935	300	5,235
BSEE	741	23	764
DO	3,995	213	4,208
FWS	8,072	1,277	9,349
NPS	15,693	7,848	23,541
OSM	429	22	451
USGS	6,765	1,732	8,497
Total Employees by Bureau	**54,843**	**16,700**	**71,543**

*Other includes Part-Time and Seasonal Employees

Analysis of Net Cost - Stewardship Investments

The DOI net cost includes expenses incurred that are expected to benefit the Nation over time. These expenses are qualitatively material and worthy of highlighting as they represent expenses charged to current operations that are expected to benefit the Nation over time. Non-Federal Physical Property investments decreased in FY 2013 due to costs incurred by the Bureau of Reclamation in FY 2012 for the Crow Tribe Water Rights project. There is no equivalent activity in FY 2013. Summary information regarding these expenses is provided in the table below. An in-depth discussion is provided in the Required Supplementary Information section of this report.

Stewardship Investments

(dollars in millions)	FY 2013	FY 2012	Change	% Change
Non-Federal Physical Property	$ 364	$ 745	$ (381)	-51.1%
Research and Development	$ 1,044	$ 1,165	$ (121)	-10.4%
Human Capital	$ 728	$ 763	$ (35)	-4.6%

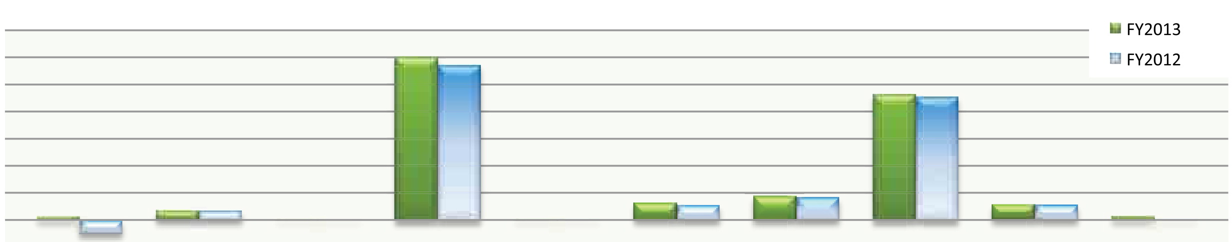
Analysis of Net Position

Net Postion *(dollars in thousands)*	FY 2013	FY 2012	Increase/ (Decrease)	% Change
Unexpended Appropriations	$ 5,102,758	$ 5,333,673	$ (230,914)	-4.3%
Cumulative Results of Operations	66,899,283	60,387,763	6,511,520	10.8%
Net Position	**$ 72,002,041**	**$ 65,721,436**	**$ 6,280,606**	**9.6%**

The Net Position of DOI includes Unexpended Appropriations and Cumulative Results of Operations. These two components are displayed on the Statement of Changes in Net Position to provide information regarding the nature of changes to the Net Position of DOI as a whole. The FY 2013 Net Position increase is primarily attributable to the negative unfunded expense recorded in FY 2013 upon receipt of funding for execution of the *Claims Resolution Act of 2010*. Additional information is available in the Analysis of Net Cost section above. Cumulative Results of Operations by Bureau is summarized below.

Cumulative Results of Operations

(dollars in millions)



	IA	BLM	BOEM	BOR	BSEE	DO	FWS	NPS	OSM	USGS
FY2013	$619	$1,702	$97	$30,115	$141	$3,183	$4,390	$23,156	$2,823	$674
FY2012	$(2,512)	$1,677	$95	$28,581	$104	$2,702	$4,121	$22,721	$2,765	$134

Analysis of Budgetary Resources

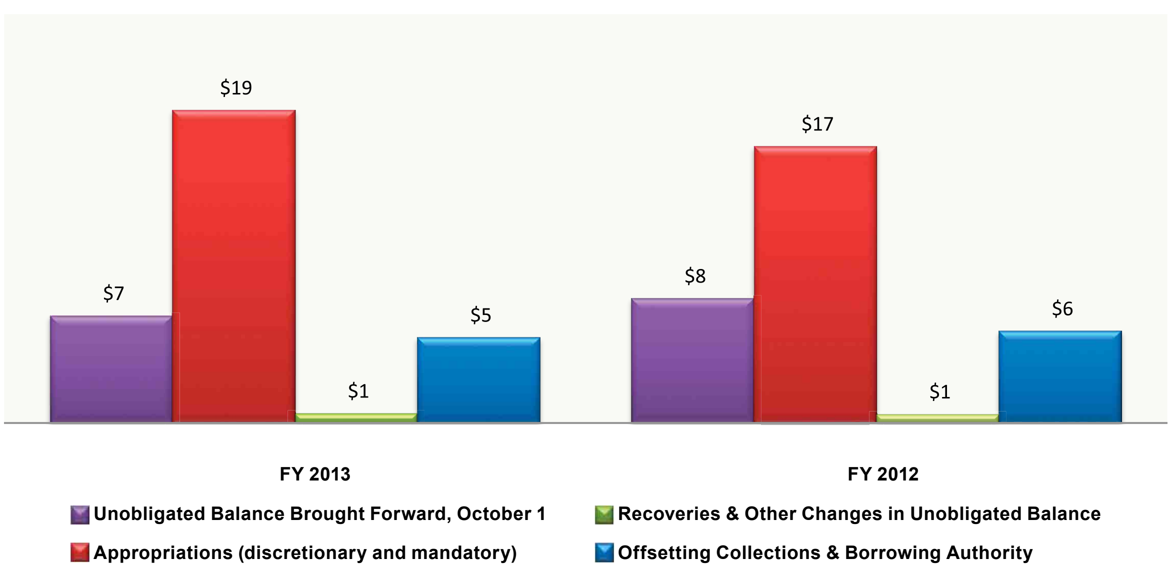
Key Budgetary Measures *(dollars in thousands)*	FY 2013	FY 2012	Increase/ (Decrease)	% Change
Unobligated Balance Brought Forward, October 1	$ 6,550,557	$ 7,612,195	$ (1,061,638)	-13.9%
Appropriations (discretionary and mandatory)	19,095,886	16,903,961	2,191,925	13.0%
Recoveries & Other Changes in Unobligated Balance	583,128	536,177	46,951	8.8%
Offsetting Collections and Borrowing Authority	5,225,372	5,617,979	(392,607)	-7.0%
Total Budgetary Resources	**$ 31,454,943**	**$ 30,670,312**	**$ 784,631**	**2.6%**
Obligations Incurred	22,199,666	24,119,755	(1,920,089)	-8.0%
Unobligated Balance Available	9,097,265	6,409,667	2,687,598	41.9%
Unobligated Balance Not Available	158,012	140,890	17,122	12.2%
Status of Budgetary Resources	**$ 31,454,943**	**$ 30,670,312**	**$ 784,631**	**2.6%**

The DOI receives most of its funding from general government funds administered by the U.S. Treasury and appropriated for DOI's use by Congress. A portion of DOI's resources come from Special and Trust Funds, such as Conservation Funds (the Land and Water Conservation Fund, Historic Preservation Fund, and the Environmental Improvement and Restoration Fund), the Reclamation Fund, and the Aquatic Resources Trust Fund. These funds are administered in accordance with applicable laws and regulations.

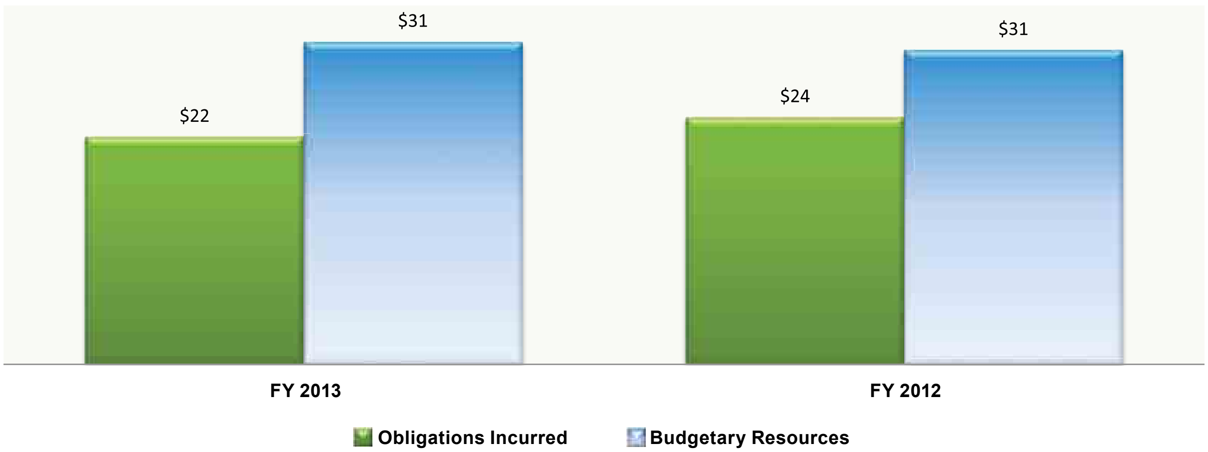
The FY 2013 increase in Budgetary Resources is primarily the result of the Fund Balance with Treasury received for execution of the *Claims Resolution Act of 2010*. Additional information is available in the Asset and Net Cost Analysis Sections above. These amounts have not yet been obligated as DO is working with the tribes to finalize the details related to the settlements.

The DOI budgetary sources and obligations incurred relative to resources are depicted in the graphs that follow.

Budgetary Resources
(dollars in billions)



Obligations Incurred
(dollars in billions)



Analysis of Custodial Activity

Custodial Activity *(dollars in thousands)*	FY 2013	FY 2012	Increase/ (Decrease)	% Change
Rents and Royalties	$ 10,091,011	$ 9,901,697	$ 189,314	1.9%
Onshore Lease Sales	236,185	2,107,090	(1,870,905)	-88.8%
Offshore Lease Sales	2,304,960	1,095,070	1,209,890	110.5%
Total Custodial Revenue	**$ 12,632,156**	**$ 13,103,857**	**$ (471,701)**	**-3.6%**

The DOI custodial activity includes mineral leasing revenue collected by DOI resulting from Outer Continental Shelf and onshore oil, gas, and mineral sales and royalties. This activity is considered to be revenue of the Federal Government as a whole and is therefore excluded from DOI's Statement of Net Cost. The FY 2013 decrease is attributable to a decrease in new coal leases. There was an increase in offshore oil and gas lease sale bonuses.

Custodial Revenue
(dollars in billions)

Limitations of Financial Statements

Management prepares the accompanying financial statements to report the financial position and results of operations for the Department pursuant to the requirements of Chapter 31 of the U.S.C. Section 3515(b). While these statements have been prepared from the records of the Department in accordance with GAAP and formats prescribed in OMB Circular No. A-136, "Financial Reporting Requirements," these statements are in addition to the financial reports used to monitor and control the budgetary resources that are prepared from the same records. These statements should be read with the understanding that they are for a component of the U.S. Government, a sovereign entity.

Today, the mission of DOI is simple but profound-to protect America's natural resources and cultural heritage, and honor the Nation's trust responsibilities to American Indians and Alaska Natives.

The DOI mission affects the lives of all Americans. The DOI's people, programs, and responsibilities impact Americans across all 50 states. The DOI is the steward of 20 percent of the Nation's lands, managing national parks, national wildlife refuges, and public lands, and assisting states, tribes, and others in the management of natural and cultural resources. The DOI grants access to public lands and offshore areas for renewable and conventional energy development—covering a quarter of the Nation's supplies of oil and natural gas—while ensuring safety, environmental protection and revenue collection for the American public. The DOI oversees the protection and restoration of surface mined lands and is the largest supplier and manager of water in the 17 Western states, assisting others with water conservation, extending water supplies, and providing hydropower resources to power much of the Nation. The DOI serves as Trustee to American Indians, Alaska Natives, and Native Hawaiians fulfilling essential trust responsibilities to tribal communities. The DOI supports innovative research in geology, hydrology, and biology, informing resource management and community protection decisions at DOI and across the world. A Strategic Plan and a set of Priority Performance Goals guide DOI's activities. The following initiatives exemplify how DOI will maintain and build the capacity to carry out these responsibilities on behalf of the American people in the future.

Growing the Economy Outdoors - Through the AGO initiative, DOI is working to expand opportunities for recreation and conservation, through partnerships with states and others, and the promotion of DOI's parks, refuges, and public lands. The AGO initiative is encouraging innovative partnerships in communities across the Nation, expanding access to rivers and trails, creating wildlife corridors, and promoting conservation while working to protect historic uses of the land including ranching, farming, and forestry. These efforts are based on donations reflecting the support of local communities to protect these areas and create more open space. For example, in 2012, the Department established the Sangre de Cristo Conservation Area, which will conserve a wildlife corridor in the Southern Rockies spanning 170,000 acres. When completed, the easement will represent the largest donation ever to FWS. The FY 2014 budget continues a collaborative effort begun last year with USFS in the U.S. Department of Agriculture to focus on the conservation and restoration of large landscapes and working lands, protecting ecosystems and the communities that depend on them. This approach works with partners at the local level to identify landscape areas or ecosystems for collaborative and leveraged conservation investments. Working jointly with USFS, DOI has identified four focal landscape areas for targeted investment of $169.3 million in 2014.

A Stronger Energy Future -
A stronger America depends on a growing economy that creates jobs. No area holds more promise than investments in American energy, clean, low cost, reliable, and secure energy supplies. Success depends on the country's ability to pursue an all-of-the-above energy strategy. The DOI's energy resource programs are at the forefront of this objective. The FY 2014 budget includes $771.6 million for renewable and conventional energy programs, an increase of $97.5 million above 2012.

Renewable energy, particularly solar and wind power, is a crucial and growing component of the Administration's all-of-the-above energy strategy. Among the significant results achieved for renewable power, since 2009, BLM has authorized more than 11,500 megawatts of energy on public lands and waters, established a road map for responsible solar development in the West designating energy zones, and flipped the switch on the first solar energy project on Federal land to deliver power to the grid. The BLM is also moving forward on wind energy, with a proposed complex in Wyoming that would generate up to 3,000 megawatts of power, making it the largest wind farm facility in the U.S. and one of the largest in the world.

The DOI also plays a key role in efforts to strengthen the Nation's electric transmission grid. In 2012, DOI approved permits enabling more than 350 miles of transmission lines in seven states across Federal lands, including the 146 mile Pennsylvania-New Jersey Susquehanna-Roseland transmission line to improve electric service reliability in one of the most congested energy markets in the country, and the 170 mile Sigurd to Red Butte transmission line in Utah, expected to provide enough energy to power over 400,000 American homes. This project is a key part of PacifiCorps' Energy Gateway Transmission Expansion to add about 2,000 miles of new transmission lines across the West.

Water for a Growing America – Population growth, development, and a changing climate are creating growing challenges to the Nation's water supplies. In many areas of the country, including the arid West, dwindling water supplies, lengthening droughts, and rising demand for water are forcing communities, stakeholders, and governments to explore new ideas and find new solutions to ensure stable, secure water supplies for the future. The DOI is tackling America's water challenges by providing leadership and assistance to states, tribes, and local communities to address competing demands for water. The DOI's programs are helping communities improve conservation and increase water availability, restore watersheds, and resolve long standing water conflicts.

The DOI is leading a national water sustainability initiative, WaterSMART. WaterSMART is finding better ways to stretch existing supplies and helping partners plan to meet future water demands. This program provides leadership and tools to states, tribes, and local communities to address current or projected imbalances between water supply and demand and to work toward sustainable solutions.

In FY 2014, DOI will launch the Shared Investment Water Innovation Program (SIWIP) as a new WaterSMART element. The SIWIP will competitively award cost-shared research funding to projects that bring together "dream teams" of complementary capabilities from across the water resources community working together to solve complex problems. The U.S. manufacturing team members will be sought for technologies having market appeal so that U.S. industries are better positioned to transfer the Federal research investments into new products that can help grow the economy and help U.S. industries better compete in global markets. Research will focus on technologies such as water reuse, desalination, water conservation, water infrastructure, and hydropower generation.

Fulfilling the Trust – The DOI has a unique responsibility to American Indians and Alaska Natives, as provided by the U.S. Constitution, treaties, Supreme Court decisions, and Federal statutes. The U.S. has a fiduciary responsibility to 566 Federally-recognized Indian tribes. These tribes are sovereign nations, operating on a government-to-government basis with the U.S. Government. The DOI's support for tribal governments represents an important mechanism to facilitate the government-to-government relationship, advance economic development, improve Indian education, and improve the safety of Indian communities. In education, DOI is working with the Department of Education to develop a national education reform agenda to better serve Indian children. The two agencies signed an agreement to bolster cooperation and coordination to better support Indian schools and serve Indian children. The DOI FY 2014 budget includes $15.0 million to fund an elementary and secondary school pilot program based on the successful Department of Education turnaround school models and concepts. Grants will be awarded to schools demonstrating the greatest need for the funds and the strongest commitment for using the funds to substantially raise the achievement of students.

A key responsibility for BIA is ensuring and improving the safety of Indian communities. Some Indian reservations experience violent crime rates that are twice the national average. The high crime rates are a key issue for tribal leaders as they degrade the quality of life for residents, attract organized crime, and are a real disincentive for businesses to consider these communities for economic development. In FY 2014, DOI is proposing to place more law enforcement officers in Indian communities, and improving training and equipment. The DOI's revamped recruiting process for BIA law enforcement officers has increased the number of applicants for those positions by 500 percent, resulting in the largest officer hiring increase in BIA history. A pilot program of intense community policing on four reservations experiencing high crime rates saw promising results, a combined reduction of violent crime of 35 percent after the first 24 months. In FY 2013, crime continued to drop for a new combined reduction of 55 percent.

Spurring Growth and Innovation Through Science – Investments in research and development promote economic growth and innovation, ensure American competitiveness in a global market, and are critical to achieving the mission of DOI. Investments in DOI's research and development will improve U.S. strategic mineral supplies, water use and availability, and natural hazard preparedness. Recent technology and operational improvements have led to increased use of hydraulic fracturing in developing natural gas resources. In FY 2014, DOI proposed to increase funding by $13 million to support the continuation of a hydraulic fracturing research and development effort with the Department of Energy and Environmental Protection Agency, to better understand and minimize potential environmental, health, and safety impacts of energy development involving hydraulic fracturing. New work would address issues such as water quality and quantity, ecosystem, community, and human health impacts, and induced seismicity. Sustainable stewardship of natural resources requires strong investments in research and development in the natural sciences. Research and development funding is increased in the FY 2014 budget and, as a result of these investments, DOI would address critical challenges in energy production and the management of ecosystems, invasive species, public lands, and water.

Service First – The DOI operates out of over 2,400 locations and manages over 146,000 physical assets, second only to the Department of Defense. While effective program delivery relies on close coordination at the local level and a field level presence, alignment of operational models, standardization of administrative and support functions, centralization of common services, and other actions can be taken to improve efficiency, cut costs, and avoid future cost increases. The goal of the Service First initiative is to maximize resource sharing across bureaus and offices to improve service delivery and operational effectiveness and efficiency. Through Service First, DOI will consolidate functions that can be conducted in a more centralized manner, create Centers of Excellence to create economies of scale, co-locate bureaus and offices to the greatest extent possible, and foster innovative service delivery models. In FY 2014, DOI is also pursuing additional pilot projects to assess existing administrative functions, future needs, and cost effectiveness of service providers. The DOI will also explore opportunities to optimize revenue and fee collection systems and related processes DOI-wide.

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The FY 2013 audit resulted in the Department of the Interior's (DOI) 17th consecutive unqualified opinion on the consolidated financial statements. We are proud of this sustained achievement as it underscores our commitment to sound financial management and our high standards of accountability, transparency, and ethics. As stewards of our Nation's lands and resources, DOI's managers understand the need to be accountable, the challenges of operating effective and efficient programs, and the fact that sound financial management is a cornerstone of program performance. The Agency Financial Report provides extensive program, performance and financial information that demonstrates our approach to sound management.

The DOI's mission is vast in economic and physical terms and in terms of the impacts on the American Public.

- The DOI's programs and activities support nearly 2.3 million American jobs and economic contributions associated with production activities on DOI lands are estimated to be $371 billion according to a 2012 study. The DOI manages more than 500 million acres or about 20 percent of the land area of the United States, 700 million acres of subsurface minerals, and 53 million acres of submerged land in 4 Pacific national monuments.

- With jurisdiction for 1.7 billion acres of the Outer Continental Shelf, DOI's lands and waters produce approximately 23 percent of the Nation's energy. Conventional and renewable energy produced on DOI-managed public lands and offshore areas resulted in $235 billion in economic activity; water supply, forage, and timber activities, primarily on public lands in the West, contributed $46 billion in economic activity; and parks, refuges, and monuments contributed more than $45 billion in economic activity from recreation and tourism.

- The DOI has responsibility for the largest land trust in the world, managing 55 million surface acres and 57 million acres of subsurface mineral estates as part of the Indian trust. The DOI is also the largest supplier and manager of water in the 17 Western states.

Effective execution of programs in support of fulfilling these responsibilities requires sound financial management and a strong set of internal controls. While we were successful in obtaining an unqualified audit opinion and removing three significant deficiencies, two of which have plagued the DOI for over a decade, we gained two new additional deficiencies, one of which is material. We understand the critical nature of these deficiencies and take very seriously the need to correct them. As such, we have already begun to develop corrective action plans to remedy these issues in FY 2014. In FY 2013, we closed 89 percent of the corrective actions in our goal base related to Government Accountability Office and Office of the Inspector General findings which surpassed our Departmental goal of 85 percent.

The DOI is also working diligently to correct instances of noncompliance identified as a result of the FY 2013 audit. We have implemented a significant number of the recommendations noted and have fully closed 46 of the 48 internal control and non-compliance findings identified. Similarly, we continue to address the management challenges highlighted by the Inspector General and have achieved significant improvements in each of the eight areas identified and continue efforts to make further improvements.

Realizing the importance of addressing our weaknesses and challenges, the Report also highlights many positive results achieved over the past year. In FY 2013, DOI continued the migration of business operations to the Financial and Business Management System (FBMS) with the deployment of the National Park Service and the Bureau of Indian Affairs in November 2012, and the successful completion of the last of the planned bureau deployments with the Bureau of Reclamation going live in November 2013. We are highly optimistic about the benefits and efficiencies that are available with all of the DOI deployed on a single enterprise system.

The DOI is also exploring continuing opportunities to leverage its information technology infrastructure for more efficient operations and savings. The DOI's information technology (IT) Transformation Strategic Plan, found at *www.doi.gov/ocio/it-transformation.cfm*, outlines how DOI will gain efficiencies by leveraging technology to save up to $500 million in taxpayer dollars by 2020. The plan's high-level road map will guide the transformation of DOI's IT operations by using advances in technology to provide better service for less money. In FY 2013, DOI implemented an enterprise-wide e-mail, calendaring, and collaboration service called Bison Connect. This marks the first DOI-wide e-mail service, replacing more than 14 different systems that were not effectively communicating with one another. Key initiatives underway within the plan are a reduction in the number of data centers DOI currently maintains, including a move to cloud-based technology for FBMS as well as forms, documents, records, and content management.

The DOI recognizes its role as a leader in conserving and protecting the Nation's natural and cultural resources now and for future generations. Implementing sustainability in DOI operations is consistent with, and complementary to, DOI's overarching mission. The Strategic Sustainability Performance Plan, found at *www.doi.gov/greening/sustainability_plan/index.cfm*, supports this vision by integrating sustainability within DOI operations and reducing our green house gas emissions which further demonstrates DOI's commitment to conservation, protection, and the responsible use of natural and cultural resources.

Other noteworthy accomplishments achieved in FY 2013 include:

- Receiving the Association of Government Accountants' Certificate of Excellence in Accountability Reporting, as well as a "best in class" recognition award for our Summary of Performance and Financial Information. This marks the 12th consecutive year that DOI has been recognized for quality reporting by the Association of Government Accountants.
- Successfully meeting the challenges of constricting resources and sequestration while minimizing impacts to the public and our service populations.
- Meeting our Campaign to Cut Waste target of $217 million for 2012-2013.
- Increasing transparency by expanding the boundary of data sharing by concisely presenting analyses of large volumes of data. In prior reports, DOI reported on the costs and benefits of DOI bureaus. This year, we present an interactive map of expenditures across the United States. We consider this type of information a complementary view of information generated for the financial statements that is more illustrative to the public. We are experimenting with reporting on other activities, including, for example, real property. The map may be viewed at *www.doi.gov/pfm/afr/2013/maps/index.cfm*. The map shows, by state, the expenditure of budgetary resources by top object classes and by major vendors. Traditional tables may be downloaded from the map site that show expenditures by all object classes and all vendors as well.

- Documenting and testing internal controls over financial reporting and issuing the statement of assurance including the results of the assessment.
- Making 99 percent of all contractor payments on an accelerated basis in September 2013 in compliance with OMB Memorandum M-12-16, *Providing Prompt Payment to Small Business Subcontractors*, and in support of small businesses across the country.

This Agency Financial Report provides timely information that the American public can use to better understand DOI's programs. We hope that you find it useful and that you will follow our progress in advancing DOI's strategic and high priority performance goals and efforts to improve transparency and accountability.

Rhea Suh
Assistant Secretary – Policy, Management and Budget
and Chief Financial Officer
December 9, 2013

OFFICE OF
INSPECTOR GENERAL
U.S.DEPARTMENT OF THE INTERIOR

DEC 09 2013

Memorandum

To: Secretary Jewell

From: Mary L. Kendall
Deputy Inspector General

Subject: Independent Auditors' Report on the U.S. Department of the Interior Financial Statements for Fiscal Years 2013 and 2012
Report No. X-IN-MOA-0003-2013

Introduction

This memorandum transmits the KPMG LLP (KPMG) auditors' report of the U.S. Department of the Interior (DOI) financial statements for fiscal years (FYs) 2013 and 2012. The Chief Financial Officers Act of 1990 (Public Law 101-576), as amended, requires the DOI Inspector General or an independent auditor, as determined by the Inspector General, to audit the DOI financial statements.

Under a contract issued by DOI and monitored by the Office of Inspector General (OIG), KPMG, an independent public accounting firm, performed an audit of the DOI FY 2013 and FY 2012 financial statements. The contract required the audit to be performed in accordance with the generally accepted Government Auditing Standards, issued by the Comptroller General of the United States and Office of Management and Budget Bulletin No. 07-04, "Audit Requirements for Federal Financial Statements."

Results of Independent Audit

In its audit report, KPMG issued an unmodified opinion on the DOI financial statements. KPMG identified one material weakness and one significant deficiency in internal control over financial reporting. In addition, KPMG identified one instance in which DOI did not comply with laws and regulations, specifically the Federal Financial Management Improvement Act of 1996.

KPMG performed auditing procedures at Departmental Offices, Indian Affairs, Bureau of Reclamation, National Park Service, U.S. Geological Survey, Bureau of Land Management, U.S. Fish and Wildlife Service, Bureau of Ocean Energy Management, Bureau of Safety and Environmental Enforcement, and Office of Surface Mining, Reclamation and Enforcement to support the DOI consolidated financial statement audit.

Evaluation of KPMG Audit Performance

To ensure the quality of the audit work performed, OIG–

- reviewed KPMG's approach and planning of the audit;
- evaluated the qualifications and independence of the auditors;
- monitored the progress of the audit at key points;
- coordinated periodic meetings with DOI management to discuss audit progress, findings, and recommendations;
- reviewed KPMG's audit report; and
- performed other procedures we deemed necessary.

KPMG is responsible for the attached report and the conclusions expressed therein. We do not express an opinion on DOI financial statements nor on KPMG's conclusions regarding the effectiveness of internal controls or compliance with laws and regulations.

Report Distribution

The legislation creating OIG requires semiannual reporting to Congress on all audit reports issued, actions taken to implement audit recommendations, and unimplemented recommendations. Therefore, we will include a summary of the information contained in the attached audit report in our next semiannual report. The distribution of the report is not restricted, and copies are available for public inspection.

We appreciate the cooperation and assistance of DOI personnel during the audit. If you have any questions regarding the report, please contact me at 202-208-5745.

Attachment

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

Secretary and Deputy Inspector General
U.S. Department of the Interior:

Report on the Financial Statements

We have audited the accompanying financial statements of the U.S. Department of the Interior (the Department), which comprise the balance sheets as of September 30, 2013 and 2012, and the related statements of net cost, changes in net position, and custodial activity, and combined statements of budgetary resources for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 14-02 require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Department of the Interior as of September 30, 2013 and 2012, and its net costs, changes in net position, budgetary resources, and custodial activity for the years then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matters

As discussed in Note 1 to the financial statements, the Department adopted Statement of Federal Financial Accounting Standards (SFFAS) No. 43, *Funds from Dedicated Collections: Amending Statement of Federal Financial Accounting Standards No. 27, Identifying and Reporting Earmarked Funds* as of October 1, 2012. The 2012 financial statements have been restated for the retrospective application of the new accounting guidance. Our opinion is not modified with respect to this matter. Also as discussed in Note 1 to the financial statements, the Department adopted Federal Accounting Standards Advisory Board (FASAB) Technical Bulletin 2006-1, *Recognition and Measurement of Asbestos-Related Cleanup Costs*, as of October 1, 2012. The 2012 financial statements have not been restated and our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis, Required Supplementary Information, and Required Supplementary Stewardship Information sections be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The information in the Introduction, Message From the Chief Financial Officer, and Other Accompanying Information sections is presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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Other Reporting Required by *Government Auditing Standards*

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described below, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency, respectively.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described below in item A to be a material weakness.

A. Controls over Unusual and Non-Recurring Transactions

The Department should improve its annual risk assessment process to identify unusual and non-recurring business transactions and/or events and ensure that they are accurately recorded, disclosed, and properly classified in the financial statements. The Department should also improve controls over the information and communications process among and between the Department and its components when these transactions or events involve more than one bureau. In fiscal year 2013, the Department settled a legal case which was previously recorded as a contingent liability, and received approximately $1.9 billion to establish and execute a program in accordance with the provisions of the settlement agreement. The Department did not record the receipt of these funds correctly in the general ledger. As a result, liabilities and costs were understated, budgetary financing sources were misclassified as non-exchange revenue instead of as a transfer-in of financing sources, and imputed costs as well as financing sources were overstated by approximately $1.9 billion. The Department did not identify the settlement and associated receipt of funds as an unusual and non-recurring transaction and also did not effectively communicate and coordinate the accounting of the unusual and non-recurring transaction across several of the Department's components. In response to our findings, the Department adjusted the financial statements.

Recommendations

We recommend that the Department improve controls over unusual and non-recurring transactions as follows:

1. Implement policies and procedures to improve the annual risk assessment process to ensure that unusual and non-routine transactions are identified and evaluated for proper accounting treatment.

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2. Implement policies and procedures to guide the communication and oversight of recording, disclosing, and classifying transactions, specifically those that impact one or more of the Department's components.
3. Implement or enforce current policies and procedures that require Department management to perform an independent review of significant accounting decisions made at the component level.

Management Response

Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our findings and its comments were responsive to our recommendations.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described below in item B to be a significant deficiency.

B. Controls over Liability for Asbestos-Related Cleanup Costs

Prior to adopting FASAB Technical Bulletin 2006-01, *Recognition and Measurement of Asbestos-Related Cleanup Costs*, in fiscal year 2013, the Department estimated and recognized liabilities for the cost of removing asbestos that required immediate cleanup (i.e., friable asbestos). After the adoption of the FASAB Technical Bulletin, the Department was also required to estimate and recognize liabilities for the cost of removing asbestos that does not require immediate cleanup (i.e., non-friable asbestos). As a result, the Department implemented a cost estimation methodology in fiscal year 2013, which is based on cost factors developed with existing asbestos surveys and the square footage of real property inventory thought to contain non-friable asbestos, to calculate a liability for asbestos-related cleanup costs for non-friable asbestos.

The Department should improve controls to ensure data in the real property records used to calculate its cost estimation methodology, including the square footage, completion date, and ownership status of real property, is complete, accurately recorded, and properly classified in its financial accounting system. The Department did not accurately record square footage for 33 of 107 real property records tested or the completion year for 4 of the 107 real property records tested. Additionally, the Department estimated a liability for asbestos-related cleanup costs for 4 of 107 real property records tested that were improperly classified as owned by the Department in the real property record in the financial accounting system.

The Department did not accurately record or properly classify data in the real property records because individuals responsible for recording and updating the data in the financial accounting system had limited time due to competing priorities. In addition, management did not effectively validate and review the real property records, supporting documentation was not available to assist individuals in validating the data in the financial accounting system, and the Department did not reconcile real property records from an operational subsidiary ledger to the financial accounting system. As a result, the liability and related beginning balance adjustment to cumulative results of operations for asbestos-related cleanup costs were understated by approximately $98 million.

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Recommendations

We recommend that the Department improve controls over recording the liability for asbestos-related cleanup costs as follows:

1. Standardize definitions and methodologies for recording data in the real property records that affect the cost estimation liability and strengthen requirements for aligning this data with supporting authoritative documentation.

2. Leverage ongoing programmatic efforts such as periodic condition assessments and work order execution to validate, update, and review real property records in the financial accounting system with accurate data used in the cost estimation methodology, such as square footage, completion date, and ownership of real property, and document evidence of the validation and review.

3. Reconcile real property records from the operational subsidiary ledger to the financial accounting system to ensure real property records in the financial accounting system are complete and accurate.

4. Reconcile real property data used in the cost factor schedules to real property records in the financial accounting system to ensure the cost factor schedules are complete and accurate.

5. Continue to perform an independent internal review of real property data by agreeing a sample of real property records to supporting documentation and document evidence of the review.

Management Response

Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our findings and its comments were responsive to our recommendations.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 14-02. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 14-02.

We also performed tests of its compliance with certain provisions referred to in Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of FFMIA disclosed an instance, described in item C below, where the Department's financial management systems did not substantially comply with applicable Federal accounting standards. The results of our tests of FFMIA disclosed no instances in which the Department's financial management systems did not substantially comply with Federal financial management systems requirements and the United States Government Standard General Ledger at the transaction level.

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C. *Federal Financial Management Improvement Act of 1996*

FFMIA Section 803(a) requires that agency Federal financial management systems comply with (1) applicable accounting standards; (2) Federal financial management system requirements; and (3) the United States Government Standard General Ledger at the transaction level. FFMIA emphasizes the need for agencies to have systems that can generate timely, reliable, and useful information with which to make informed decisions to ensure ongoing accountability.

Federal Managers' Financial Integrity Act of 1982 (FMFIA), Section 4, requires an annual statement on whether the agency's financial management systems conform to government-wide requirements, as defined in OMB Circular No. A-127, *Financial Management Systems*, Section 7.

We noted that the Department did not fully comply with the requirements of FFMIA during fiscal year 2013. As discussed in the Internal Control Over Financial Reporting section of this report, we identified a material weakness related to controls over unusual and non-recurring transactions that affected the Department's ability to comply with applicable accounting standards. The Secretary of the Department has stated in the FY 2013 Assurance Statement dated December 9, 2013, that the Department's financial management systems conformed with the objectives of FMFIA, Section 4, except the financial management systems did not substantially comply with the applicable accounting standards under *Federal Financial Management Improvement Act*. The Department's corrective actions and target completion date are also presented in the fiscal year 2013 *Agency Financial Report*.

Recommendation

We recommend that in fiscal year 2014, the Department continue its corrective action to address the internal control deficiency noted above, in order to ensure full compliance with FFMIA.

Management Response

Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our findings and its comments were responsive to our recommendations.

The Department's Responses to Findings

The Department's responses to the findings identified in our audit, and presented as a separate attachment to this report, were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

***Purpose of the Other Reporting Required by* Government Auditing Standards**

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Department's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, D.C.
December 9, 2013

United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, DC 20240

DEC 09 2013

Memorandum

To: Mary L. Kendall
Deputy Inspector General

KPMG LLP
2001 M Street, NW
Washington, DC 20036

From: Rhea Suh
Assistant Secretary – Policy, Management and Budget and
Chief Financial Officer

Subject: Management's Response to Independent Auditors' Report for Fiscal Year 2013
(Assignment No. X-IN-MOA-0003-2013)

The Department of the Interior (Department) has reviewed the draft Auditors' Report prepared by KPMG LLP. We are pleased that the result of the audit is an unqualified opinion on the Department's Consolidated Financial Statements and that all prior year deficiencies were mitigated to the point of removal from the Internal Control Report. The Department appreciates the recognition noted of the progress we have achieved during Fiscal Year 2013 in further improving our financial management. We also appreciate the recommendations and notes from the auditors. We look forward to working with you to continue improving financial management in the Department. Our response to the findings and recommendations follow.

INTERNAL CONTROL OVER FINANCIAL REPORTING

A. Controls over Unusual and Non-Recurring Transactions

Management concurs. During FY 2013, the Department was challenged with a highly unusual accounting event (i.e., the *Cobell* settlement) that was outside the normal course of operations. While our initial accounting for this event was in collaboration with other entities, it ultimately was not compliant with the highest levels of the Generally Accepted Accounting Principle hierarchy. Given the unique nature of this situation and the efforts that are already underway to address it, we are confident that our control structure will prevent this from reoccurring in FY 2014. We are in the process of designing and implementing those controls.

B. Controls Over Liability for Asbestos-Related Cleanup Costs

Management concurs. We have made good progress establishing an initial set of information and reporting and testing protocols for asbestos reporting. We will review the findings to determine potential solutions with the finance, facilities, and real property communities to determine the most efficient and effective solutions to pursue in FY 2014. In addition, we will conduct statistical sampling to determine if our implemented solutions are effective.

COMPLIANCE AND OTHER MATTERS

C. Federal Financial Management Improvement Act of 1996

Management concurs. As noted in the Controls over Unusual and Non-Recurring Transactions section above, we are confident that our control structure will prevent this from reoccurring in FY 2014 and are in the process of designing and implementing additional controls.

In closing, I would like to thank your offices for their strong contributions to a strong and ever improving internal control environment with the Department. We are committed to the continuous improvement of our financial management activities and your efforts are directly in support of that commitment.

PRINCIPAL FINANCIAL STATEMENTS

The DOI's financial statements have been prepared to report the financial position, results of operations, net position, budgetary resources, and custodial activity of DOI pursuant to the requirements of the CFO Act, GMRA, and OMB Circular No. A-136, *Financial Reporting Requirements*. The statements have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as outlined by the Federal Accounting Standards Advisory Board (FASAB).

The responsibility for the integrity of the financial information included in these statements rests with DOI's management. The audit of DOI's principal financial statements was performed by an independent certified public accounting firm selected by DOI's OIG. The auditors' report, issued by the independent certified public accounting firm, is included in Section 2, Financial Section, of this Report.

A brief description of the nature of each required financial statement is listed below.

Balance Sheet

The Balance Sheet presents amounts of current and future economic benefits owned or managed by DOI (assets), amounts owed by DOI (liabilities), and residual amounts which comprise the difference (net position).

Statement of Net Cost

The DOI's Statement of Net Cost presents the net cost of operations for the 5 mission areas established in DOI's Strategic Plan. It also presents reimbursable costs related to services provided to other Federal agencies and incurred costs that are not part of DOI's core mission.

All operating costs reported reflect full costs which includes both direct and indirect costs. Costs are reduced by earned revenues to arrive at net costs.

Statement of Changes in Net Position

The Statement of Changes in Net Position reports the change in net position during the reporting period. Net position is affected by changes to its two components, Cumulative Results of Operations and Unexpended Appropriations.

Statement of Budgetary Resources

The Statement of Budgetary Resources provides information on DOI's Budgetary Resources, Status of Budgetary Resources, Change in Obligated Balances, and Budget Authority and Outlays, Net. The DOI's budgetary resources consist of appropriations, borrowing authority, and spending authority from offsetting collections. Budgetary resources provide DOI its authority to incur financial obligations that will ultimately result in outlays.

Statement of Custodial Activity

The Statement of Custodial Activity identifies revenues collected by DOI on behalf of others. Custodial Revenue is comprised of royalties, rents, bonuses, and other receipts for Federal oil, gas, and mineral leases. Proceeds are distributed to the U.S. Treasury, other Federal agencies, states, and coastal political subdivisions.

Balance Sheet
as of September 30, 2013 and September 30, 2012

(dollars in thousands)	FY 2013	FY 2012 Restated
ASSETS		
Intragovernmental Assets:		
Fund Balance with Treasury (Note 2)	$ 48,595,659	$ 44,596,626
Investments, Net (Note 3)	7,552,860	6,849,501
Accounts and Interest Receivable (Note 4)	1,811,045	1,949,324
Loans and Interest Receivable, Net (Note 5)	3,352,753	3,164,122
Other	2,688	701
Total Intragovernmental Assets	$ 61,315,005	$ 56,560,274
Cash	437	447
Investments, Net (Note 3)	16	18
Accounts and Interest Receivable, Net (Note 4)	2,482,214	3,185,912
Loans and Interest Receivable, Net (Note 6)	61,622	63,116
Inventory and Related Property, Net (Note 7)	130,066	140,304
General Property, Plant, and Equipment, Net (Note 8)	21,963,995	21,041,652
Other	247,322	206,468
TOTAL ASSETS (Note 10)	$ 86,200,677	$ 81,198,191
Stewardship Assets (Note 9)		
LIABILITIES		
Intragovernmental Liabilities:		
Accounts Payable	$ 632,208	$ 666,872
Debt (Note 11)	97,329	94,368
Other		
Resources Payable to Treasury (Note 21)	1,887,892	1,850,922
Advances and Deferred Revenue	303,101	343,269
Custodial Liability	873,276	1,144,050
Other Liabilities	910,633	889,325
Total Intragovernmental Liabilities	$ 4,704,439	$ 4,988,806
Accounts Payable	971,896	815,838
Loan Guarantee Liability (Note 6)	29,445	29,425
Federal Employee and Veteran Benefits (Note 12)	1,509,331	1,498,248
Environmental and Disposal Liabilities (Note 13)	192,142	176,510
Other		
Contingent Liabilities (Note 13)	1,035,563	4,387,944
Trust Land Consolidation Program	1,896,910	-
Asbestos Cleanup Liability	537,601	-
Advances and Deferred Revenue	745,443	836,149
Payments Due to States	1,013,107	1,240,226
Grants Payable	415,795	496,655
Other Liabilities	1,147,112	1,006,954
TOTAL LIABILITIES (Note 14)	$ 14,198,784	$ 15,476,755
Commitments and Contingencies (Notes 13 and 15)		
Net Position		
Unexpended Appropriations - Funds from Dedicated Collections (Note 20)	489,938	573,615
Unexpended Appropriations - Other Funds	4,612,820	4,760,058
Cumulative Results of Operations - Funds from Dedicated Collections (Note 20)	61,849,547	59,167,026
Cumulative Results of Operations - Other Funds	5,049,588	1,220,737
Total Net Position	$ 72,001,893	$ 65,721,436
TOTAL LIABILITIES AND NET POSITION	$ 86,200,677	$ 81,198,191

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

Statement of Net Cost
for the years ended September 30, 2013 and September 30, 2012

(dollars in thousands)	FY 2013	FY 2012
Provide Natural and Cultural Resource Protection		
Gross Costs	$ 8,143,558	$ 8,525,594
Less: Earned Revenue	933,285	914,622
Net Cost	7,210,273	7,610,972
Manage Energy, Water & Natural Resources		
Gross Costs	3,723,092	5,613,721
Less: Earned Revenue	1,870,900	1,846,803
Net Cost	1,852,192	3,766,918
Advance Government to Government Relationships		
Gross Costs	3,793,235	4,806,140
Less: Earned Revenue	295,788	341,386
Net Cost	3,497,447	4,464,754
Provide a Scientific Foundation for Decision Making		
Gross Costs	1,532,820	1,582,292
Less: Earned Revenue	372,442	387,155
Net Cost	1,160,378	1,195,137
Building a 21st Century Department of the Interior		
Gross Costs	354,438	421,437
Less: Earned Revenue	8,390	2,892
Net Cost	346,048	418,545
Reimbursable Activity and Other		
Gross Costs	3,749,915	3,649,155
Less: Earned Revenue	1,593,528	1,872,634
Net Cost	2,156,387	1,776,521
TOTAL		
Gross Costs	21,297,058	24,598,339
Less: Earned Revenue	5,074,333	5,365,492
Net Cost of Operations (Notes 17 and 19)	$ 16,222,725	$ 19,232,847

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

Statement of Changes in Net Position

for the years ended September 30, 2013 and September 30, 2012

(dollars in thousands)	FY 2013 Funds from Dedicated Collections (Note 20)	FY 2013 All Other	FY 2013 Consolidated	FY 2012 Restated Funds from Dedicated Collections (Note 20)	FY 2012 Restated All Other	FY 2012 Restated Consolidated
UNEXPENDED APPROPRIATIONS						
Beginning Balance	$ 573,615	$ 4,760,058	$ 5,333,673	$ 732,693	$ 5,308,329	$ 6,041,022
Budgetary Financing Sources						
Appropriations Received, General Funds	265,537	12,422,943	12,688,480	262,902	11,773,865	12,036,767
Appropriations Transferred In/(Out)	-	14,363	14,363	-	18,571	18,571
Appropriations - Used	(337,916)	(11,967,679)	(12,305,595)	(421,971)	(12,222,044)	(12,644,015)
Other Adjustments	(11,298)	(616,865)	(628,163)	(9)	(118,663)	(118,672)
Net Change	(83,677)	(147,238)	(230,915)	(159,078)	(548,271)	(707,349)
Ending Balance - Unexpended Appropriations	$ 489,938	4,612,820	$ 5,102,758	$ 573,615	$ 4,760,058	$ 5,333,673
CUMULATIVE RESULTS OF OPERATIONS						
Beginning Balance	$ 59,167,026	$ 1,220,737	$ 60,387,763	$ 56,982,523	$ 408,596	$ 57,391,119
Adjustments						
Change in Accounting Principle	(27,273)	(510,328)	(537,601)	-	-	-
Beginning Balance, as adjusted	59,139,753	710,409	59,850,162	56,982,523	408,596	57,391,119
Budgetary Financing Sources						
Appropriations - Used	337,916	11,967,679	12,305,595	421,971	12,222,044	12,644,015
Royalties Retained	4,130,985	1,897	4,132,882	6,045,186	1,738	6,046,924
Non-Exchange Revenue	1,254,570	43,995	1,298,565	1,037,661	20,039	1,057,700
Transfers In/(Out) without Reimbursement	517,556	1,951,008	2,468,564	343,072	28,437	371,509
Donations and Forfeitures of Cash and Cash Equivalents	43,097	-	43,097	46,963	-	46,963
Other Adjustments	(26)	26	-	(1,960)	1,960	-
Other Financing Sources						
Donations and Forfeitures of Property	249,429	25,301	274,730	121,955	9,958	131,913
Transfers In/(Out) without Reimbursement	(69,924)	630,011	560,087	(394,459)	402,631	8,172
Imputed Financing from Costs Absorbed by Others (Note 16)	121,132	2,295,593	2,416,725	130,858	1,971,335	2,102,193
Other Non-Budgetary Financing Sources/(Uses)	(22,041)	(206,506)	(228,547)	(12,649)	(167,249)	(179,898)
Total Financing Sources	6,562,694	16,709,004	23,271,698	7,738,598	14,490,893	22,229,491
Net Cost of Operations	(3,852,900)	(12,369,825)	(16,222,725)	(5,554,095)	(13,678,752)	(19,232,847)
Net Change	2,709,794	4,339,179	7,048,973	2,184,503	812,141	2,996,644
Ending Balance - Cumulative Results of Operations	$ 61,849,547	$ 5,049,588	$ 66,899,135	$ 59,167,026	$ 1,220,737	$ 60,387,763
TOTAL NET POSITION	$ 62,339,485	$ 9,662,408	$ 72,001,893	$ 59,740,641	$ 5,980,795	$ 65,721,436

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

Statement of Budgetary Resources

for the years ended September 30, 2013 and September 30, 2012

(dollars in thousands)	Total Budgetary Accounts FY 2013	Non-Budgetary Credit Program Financing Accounts FY 2013	Total Budgetary Accounts FY 2012	Non-Budgetary Credit Program Financing Accounts FY 2012
Budgetary Resources:				
Unobligated balance brought forward, October 1	$ 6,493,319	$ 57,238	$ 7,520,693	$ 91,502
Recoveries of prior year unpaid obligations	607,245	-	545,389	-
Other Changes in unobligated balance	(24,046)	(71)	(7,961)	(1,251)
Unobligated balance from prior year budget authority, net	7,076,518	57,167	8,058,121	90,251
Appropriations (discretionary and mandatory)	19,096,882	(996)	16,906,091	(2,130)
Borrowing authority (discretionary and mandatory)	-	4,028	-	424
Spending authority from offsetting collections (discretionary and mandatory)	5,207,970	13,374	5,593,397	24,158
Total Budgetary Resources	**$ 31,381,370**	**$ 73,573**	**$ 30,557,609**	**$ 112,703**
Status of Budgetary Resources:				
Obligations incurred	$ 22,190,928	$ 8,738	$ 24,064,290	$ 55,465
Unobligated balance, end of year:				
Apportioned	9,032,371	64,835	6,352,370	57,238
Exempt from apportionment	59	-	59	-
Unapportioned	158,012	-	140,890	-
Total unobligated balance, end of year	9,190,442	64,835	6,493,319	57,238
Total Status of Budgetary Resources	**$ 31,381,370**	**$ 73,573**	**$ 30,557,609**	**$ 112,703**
Change in Obligated Balance:				
Unpaid obligations:				
Unpaid obligations, brought forward, October 1	$ 10,575,801	$ -	$ 10,975,256	$ -
Obligations incurred	22,190,928	8,738	24,064,290	55,465
Outlays (gross) (-)	(22,127,621)	(8,738)	(23,918,356)	(55,465)
Recoveries of prior year unpaid obligations (-)	(607,245)	-	(545,389)	-
Unpaid obligations, end of year	10,031,863	-	10,575,801	-
Uncollected payments:				
Uncollected payments, Federal sources, brought forward, October 1	(2,737,350)	(4,491)	(2,654,681)	-
Adjustment to Uncollected payments, Federal sources, start of year	-	-	-	-
Change in uncollected payments, Federal sources	25,740	1,075	(82,669)	(4,491)
Uncollected payments,Federal sources, end of year	(2,711,610)	(3,416)	(2,737,350)	(4,491)
Obligated balance, start of year	$ 7,838,451	$ (4,491)	$ 8,320,575	-
Obligated balance, end of year	$ 7,320,253	$ (3,416)	$ 7,838,451	$ (4,491)
Budget Authority and Outlays, Net:				
Budget authority, gross (discretionary and mandatory)	$ 24,304,854	$ 16,407	$ 22,499,493	$ 22,452
Actual offsetting collections (discretionary and mandatory)	(5,249,521)	(14,449)	(5,546,688)	(19,667)
Change in uncollected customer payments from Federal sources	25,740	1,075	(82,669)	(4,491)
Budget authority, net (discretionary and mandatory)	**$ 19,081,073**	**$ 3,033**	**$ 16,870,136**	**$ (1,706)**
Outlays, gross (discretionary and mandatory)	22,127,621	8,738	23,918,356	55,465
Actual offsetting collections (discretionary and mandatory)	(5,249,521)	(14,449)	(5,546,688)	(19,667)
Outlays, net (discretionary and mandatory)	16,878,100	(5,711)	18,371,668	35,798
Distributed offsetting receipts (-)	(5,410,103)	-	(5,553,460)	-
Agency outlays, net (discretionary and mandatory)	$ 11,467,997	$ (5,711)	$ 12,818,208	$ 35,798

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

Statement of Custodial Activity

for the years ended September 30, 2013 and September 30, 2012

(dollars in thousands)	FY 2013	FY 2012
Revenues on Behalf of the Federal Government		
Mineral Lease Revenue		
Rents and Royalties	$ 10,091,011	$ 9,901,697
Onshore Lease Sales	236,185	2,107,090
Offshore Lease Sales	2,304,960	1,095,070
Total Revenue	$ 12,632,156	$ 13,103,857
Disposition of Revenue		
Distribution to Department of the Interior		
Departmental Offices	2,074,225	2,088,585
National Park Service Conservation Funds	1,045,580	1,047,141
Bureau of Reclamation	1,593,537	1,654,847
Bureau of Ocean Energy Management	162,802	160,952
Bureau of Safety and Environmental Enforcement	52,602	52,474
Bureau of Land Management	20,389	31,313
Fish and Wildlife Service	2,655	2,302
Distribution to Other Federal Agencies		
Department of the Treasury	8,293,960	6,049,167
Department of Agriculture	110,457	134,303
Department of Energy	50,000	50,000
Distribution to Indian Tribes and Agencies	9	11
Distribution to States and Others	46,648	36,658
Change in Untransferred Revenue	(820,708)	1,796,104
Total Disposition of Revenue	**$ 12,632,156**	**$ 13,103,857**
Net Custodial Activity	$ -	$ -

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The DOI is a Cabinet-level agency of the Executive Branch of the Federal Government. Created in 1849 by Congress as the Nation's principal conservation agency, DOI has responsibility for most of the Nation's publicly owned lands and natural resources. The DOI protects and manages the Nation's natural resources and cultural heritage; provides scientific and other information about those resources; and, honors its trust responsibilities or special commitments to American Indians, Alaska Natives, and affiliated island communities.

The accompanying financial statements include all Federal funds under DOI's control or which are a component of the reporting entity, including Conservation Funds (Land and Water Conservation Fund, Historic Preservation Fund, and Environmental Improvement and Restoration Fund), and Custodial Funds. A summary of fiduciary activities managed by DOI is included in Note 22. Fiduciary Assets are not assets of DOI and are not recognized on the balance sheet. The financial statements included herein also do not include the effects of centrally administered assets and liabilities related to the Federal Government as a whole, such as public borrowing or certain tax revenue, which may in part be attributable to DOI.

B. Organization and Structure of DOI

The DOI is composed of the following nine operating bureaus and the Departmental Offices:

- National Park Service (NPS) (includes the Land and Water Conservation Fund and Historic Preservation Fund)
- U.S. Fish and Wildlife Service (FWS)
- Bureau of Land Management (BLM)
- Bureau of Reclamation (BOR)
- Office of Surface Mining Reclamation and Enforcement (OSM)
- Bureau of Ocean Energy Management (BOEM)
- Bureau of Safety & Environmental Enforcement (BSEE)
- U.S. Geological Survey (USGS)
- Indian Affairs (IA)
- Departmental Offices (DO) (includes the Environmental Improvement and Restoration Fund)

The U.S. Bureau of Mines (BOM) was abolished in 1996. Although it no longer exists, certain transactions and data related to BOM programs and activities are reflected in DOI's FY 2013 and FY 2012 financial statements and notes.

C. Basis of Accounting and Presentation

These financial statements have been prepared to report the financial position, net cost, changes in net position, budgetary resources, and custodial activities of DOI as required by the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. These financial statements have been prepared from the books and records of DOI in accordance with generally accepted accounting principles (GAAP) and Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements.* The GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB), which is the designated standard-setting body for the Federal Government. These financial statements present proprietary and budgetary information. The DOI, pursuant to OMB directives, prepares additional financial reports that are used to monitor and control DOI's use of budgetary resources.

Throughout the financial statements and notes, certain assets, liabilities, earned revenue, and costs have been classified as intragovernmental which is defined as exchange transactions made between two reporting entities within the Federal Government.

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

D. Fund Balance with Treasury and Cash

The DOI maintains all cash accounts with the U.S. Department of the Treasury except for imprest fund accounts. Treasury processes cash receipts and disbursements on behalf of DOI and DOI's accounting records are reconciled with those of Treasury on a monthly basis.

The Fund Balance with Treasury includes several types of funds available to pay current liabilities and finance authorized purchases, as well as funds restricted until future appropriations are received.

General Funds. These funds consist of expenditure accounts used to record financial transactions arising from Congressional appropriations, as well as receipt accounts.

Special Funds. These accounts are credited with receipts from special sources that are authorized by law for a specific purpose. These receipts are available for expenditure for special programs, such as providing housing for employees on field assignments, operating science and cooperative programs, et cetra.

Revolving Funds. These funds conduct continuing cycles of business activity, in which the fund charges for the sale of products or services and uses the proceeds to finance spending, usually without requirement for annual appropriations.

Trust Funds. These funds are used for the acceptance and administration of funds contributed from public and private sources and programs and in cooperation with other Federal and state agencies or private donors.

Other Fund Types. These include miscellaneous receipt accounts, transfer accounts, performance bonds, deposit and clearing accounts maintained to account for receipts and disbursements awaiting proper classification.

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

E. Investments, Net

The DOI invests funds in Federal Government and public securities on behalf of various DOI programs and for amounts held in certain escrow accounts. The Federal government securities include marketable Treasury securities and/or nonmarketable, market-based securities issued by the Federal Investment Branch of the Bureau of Fiscal Service. Market-based securities are Treasury securities that are not traded on any securities exchange but mirror the prices of marketable securities with similar terms.

Public securities include marketable securities issued by government-sponsored entities and consist of mortgage backed securities.

It is expected that investments will be held until maturity; therefore, they are valued at cost and adjusted for amortization of premiums and discounts, if applicable. The premiums and discounts are recognized as adjustments to interest income, utilizing the straight-line method of amortization for short-term securities (i.e., bills) and the interest method for longer-term securities (i.e., notes). Interest on investments is accrued as it is earned.

The market value is estimated by multiplying the par value of each security by the market price on the last day of the fiscal year.

Investments are exposed to various risks such as interest rate, market, and credit risks. Such risks, and the resulting investment security values, may be influenced by changes in economic conditions and market perceptions and expectations. Accordingly, it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the market values of investments reported.

F. Accounts and Interest Receivable, Net

Accounts and Interest Receivable consists of amounts owed to DOI by other Federal agencies and the public. Federal accounts receivable arise generally from the provision of goods and services to other Federal agencies and, with the exception of occasional billing disputes, are considered to be fully collectible. The Federal accounts receivable also includes custodial amounts remitted to Treasury at the end of the year in accordance with legislation and due back from Treasury in the following year for disbursement to states and refunds to oil companies. Receivables from the public generally arise either from the provision of goods and services or from the levy of fines and penalties resulting from DOI's regulatory responsibilities. An allowance for doubtful accounts is established for reporting purposes based on past experience in the collection of accounts receivable and analysis of outstanding balances.

G. Loans and Interest Receivable, Net

Intragovernmental Loans. The DOI has a restricted, unavailable receipt fund entitled Interior Reclamation Fund, into which is deposited a substantial portion of revenues (mostly repayment of capital investment costs, associated interest, and operations/maintenance reimbursements from water and power users) and receipts from other Federal agencies (primarily revenues from certain Federal mineral royalties and hydropower transmissions). No expenditures are made directly from the Reclamation Fund; however, funds are transferred from the Reclamation Fund into DOI's appropriated expenditure funds or other Federal agencies pursuant to specific appropriation acts authorized by Congress.

The funds transferred from the Reclamation Fund to other Federal agencies are primarily for the purpose of funding operations/maintenance and capital investment activities at Western Area Power Administration (Western), a component of the Department of Energy (DOE). Western recovers the capital investments, associated interest, and operating and maintenance costs through future power rates, and subsequently remits amounts to the Reclamation Fund.

The Bonneville Power Administration (BPA), also a component of DOE, is responsible for the transmission and marketing of hydropower generated at BOR facilities located in the Pacific Northwest region. Unlike Western, BPA does not receive appropriations from the Reclamation Fund, but they legislatively assumed the repayment obligation for the appropriations used to construct BOR's hydropower generation facilities. This legislation, part of the BPA Appropriations Refinancing Act, requires BPA to recover BOR's appropriations related to hydropower generation facilities, plus interest, and to deposit these recoveries into the Reclamation Fund.

The amounts transferred to Western and BPA are recorded as receivables at the time of the transfer as Western and BPA are required to repay DOI. The DOI reduces the receivables at the time payments are received from Western and BPA.

Loans with the Public. Loans are accounted for as receivables after the funds have been disbursed. For loans obligated on or after the effective date of the Credit Reform Act, October 1, 1991, the amount of the Federal loan subsidy is computed. The loan subsidy includes estimated delinquencies and defaults, net of recoveries, the interest rate differential between the loan rates and Treasury borrowings, offsetting fees, and other estimated cash flows associated with these loans. The value of loans receivable is reduced by the present value of the expected subsidy costs. The allowance for subsidy cost is reestimated annually.

For loans obligated prior to October 1, 1991, principal, interest, and penalties receivable are presented net of an allowance for estimated uncollectible amounts. The allowance is based on past experience, present market conditions, an analysis of outstanding balances, and other direct knowledge relating to specific loans.

Loans are exposed to various risks such as interest rate and credit risks. Such risks, and the resulting loans, may be influenced by changes in economic conditions and market perceptions and expectations. Accordingly, it is at least reasonably possible that changes in the collectibility of loans will occur in the near term and that such changes could affect the collectibility of loans reported.

H. Inventory and Related Property, Net

The DOI's inventory and related property is primarily composed of published maps; gas and storage rights; operating supplies for the Working Capital Fund; Operational Land Imager operating materials; airplane parts and fuel; and recoverable, below-ground, crude helium. These inventories were categorized based on DOI's major activities and the services DOI provides to the Federal Government and the public.

The USGS maintains operational land imager operating materials; maps and map products that are located at several Earth Science Information Centers across the United States. All inventory products and materials are valued at historical cost or approximated historical cost. Historical cost is approximated when necessary using a method of averaging actual costs to produce like-kind scale maps within the same fiscal year.

The BLM maintains a helium stockpile inventory which is stored in a partially depleted natural gas reservoir. The inventory is valued at cost and the volume of helium is accounted for on a perpetual basis. Annually, the volume is verified by collecting reservoir data and using generally accepted petroleum engineering principles to calculate the volume. The values shown for stockpile helium are net of the estimated unrecoverable amount, so no allowance is required. Gas and storage rights for the storage of helium are recorded at historical cost.

Under the Helium Privatization Act of 1996, DOI is authorized to store, transport, and withdraw crude helium and maintain and operate crude helium storage facilities that were in existence when the Helium Privatization Act was enacted. This act designates a portion of the crude stockpile helium to be held in reserve in the interest of national security and authorizes DOI to offer the excess helium inventory for sale. On October 2, 2013, the Helium Stewardship Act of 2013 was signed by the President. The Act allows for the continuing sales of excess below ground crude Helium until depleted. The mandatory reserve, however, will be reduced by specific percentages annually until it is fully depleted by 2020. Thereafter, all below ground helium inventory is available for sale.

Aircraft fuel and parts are held in inventory as operating materials to be consumed and are valued at historical cost, based on the moving average cost method. The value of this inventory is adjusted based on the results of periodic physical inventories.

The DOI's Working Capital Fund maintains an inventory of operating materials that will be consumed during future operations and is stated at historical cost using the weighted average cost method. These operating materials are maintained for sign construction, employee uniforms, and DOI's standard forms functions.

I. General Property, Plant, and Equipment, Net

General Purpose Property, Plant, and Equipment. General purpose PP&E consists of buildings, structures, and facilities used for general operations, power, irrigation, fish protection, wildlife enhancement, and recreation; land and land improvements acquired for general operating purposes; equipment, vehicles, and aircraft; construction in progress; capital leases; leasehold improvements; and internal use software.

All general purpose PP&E are capitalized at acquisition cost and depreciated using the straight-line amortization method over the estimated useful lives of the property. Buildings, structures, and facilities are depreciated over a useful life from 10 to 80 years, with the exception of dams and certain related property, which are depreciated over useful lives of up to 100 years. Equipment, vehicles, and aircraft are depreciated over useful lives generally ranging from 2 to 50 years. Capital leases and leasehold improvements are amortized over the shorter of the estimated useful life or the life of the lease.

For land, buildings, structures, land improvements, leasehold improvements, and facilities purchased prior to October 1, 2003, capitalization thresholds were established by the individual bureaus and generally ranged from $50,000 to $500,000. For these same items purchased subsequent to September 30, 2003, DOI has established a capitalization threshold of $100,000 with the exception of dams and certain related property, which are fully capitalized.

For equipment, vehicles, aircraft, and capital leases of other personal property, DOI has established a capitalization threshold of $15,000. There are no restrictions on the use or convertibility of DOI general purpose PP&E.

In accordance with the standards, DOI recorded certain general PP&E acquired on or before September 30, 1996, at its estimated net book value (i.e., gross cost less accumulated depreciation) or its estimated gross cost. The DOI estimated these costs and net book values based on available historic supporting documents, current replacement cost deflated to date of acquisition, and the cost of similar assets at the time of acquisition.

Construction in Progress. Construction in Progress (CIP) is used for the accumulation of the cost of construction or major renovation of fixed assets during the construction period. The assets are transferred out of CIP when the project is substantially completed.

The CIP also includes projects in abeyance. In past years, DOI began construction on 14 projects located in Arizona, California, Colorado, New Mexico, North Dakota, and South Dakota, for which activities were placed in abeyance. These projects were authorized to provide various benefits, among them irrigation, fish and wildlife conservation and enhancement, recreation, municipal water supplies, and flood control. Until Congressional disposition of these assets is determined, maintenance costs have been, and will continue to be, budgeted and expended to minimize the erosive effects of time and weather and to keep the asset ready for completion.

Internal Use Software. Internal use software includes purchased commercial off-the-shelf (COTS) software, contractor-developed software, and software that was internally developed by agency employees. Internal use software is capitalized at cost and amortized over a useful life of five years, if the acquisition cost is $100,000 or more.

J. Stewardship Assets

Stewardship assets consist of public domain land and heritage assets such as national monuments and historic sites that have been entrusted to DOI to be maintained in perpetuity for the benefit of current and future generations.

The majority of public lands, presently under the management of DOI were acquired by the Federal Government during the first century of the Nation's existence and are considered stewardship land. A portion of these lands has been reserved as national parks, wildlife refuges, and wilderness areas, while the remainder is managed for multiple uses. The DOI is also responsible for maintaining a variety of cultural and natural heritage assets, which include national monuments, historic structures, and library and museum collections.

The stewardship land and heritage assets managed by DOI are considered priceless and irreplaceable. As such, DOI assigns no financial value to them and the PP&E capitalized and reported on the Balance Sheet excludes these assets. Note 9, Stewardship Assets, provides additional information concerning stewardship land and heritage assets. The Required Supplementary Information Section provides information on the condition of stewardship land and heritage assets.

Multi-Use Heritage Assets. Some heritage assets have been designated as multi-use heritage assets. These assets have both operating and heritage characteristics, however, in a multi-use heritage asset, the predominant use of the asset is in government operations. Predominant use is defined as more than 50 percent of the entire building, structure, or land being used in government operations. For financial reporting purposes, multi-use heritage assets are included in DOI General PP&E balances and are further discussed in Note 9.

K. Advances and Prepayment

Payments in advance of the receipt of goods and services are recorded as advances and prepayments at the time of prepayment and recognized as expenditures/operating expenses when the related goods and services are received.

L. Liabilities

Liabilities represent the amount of monies or other resources that are likely to be paid by DOI as the result of a transaction or event that has already occurred. No liability can be paid by DOI absent an appropriation of funds by Congress. Liabilities for which an appropriation has not been enacted are, therefore, disclosed as liabilities not covered by budgetary resources or unfunded liabilities. The liquidation of liabilities not covered by budgetary or other resources is dependent on future Congressional appropriations or other funding. There is no legal certainty that the appropriations will be enacted.

The DOI estimates certain accounts payable balances based on past history of payments in current periods that relate to prior periods or on a current assessment of services/products received but not paid.

Asbestos Cleanup Liabilities. Effective in FY 2013, Technical Bulletin 2006-1, *Recognition and Measurement of Asbestos-Related Cleanup Costs*, requires Federal agencies to report a liability and related expenses for friable and non-friable asbestos cleanup costs that are both probable and reasonably estimable. The DOI accrued a liability for friable asbestos cleanup costs as an Environmental Disposal Liability (EDL) reported in Note 13. For non-friable asbestos cleanup costs, DOI uses the following methodology to estimate the liability. A majority of the large portfolio of DOI-owned real property assets do not have asbestos cleanup costs due to the non-asbestos containing materials used to construct these assets. Accordingly, DOI did not recognize a liability for asbestos cleanup costs for these exempt assets. For the remaining non-exempt assets, DOI recognizes a liability for asbestos cleanup costs using a cost modeling approach. The model is based on cost factors developed using DOI's existing asbestos surveys. The DOI's surveys show a higher cost of asbestos removal for assets built prior to 1980, and a lower cost of asbestos removal for assets built in 1980 and after. The DOI developed two cost factors accordingly. The cost factors are applied to the inventory of non-exempt real property measured in square feet according to the year the asset was built. The average cost of surveys is applied to those assets not measured in square feet to estimate their cleanup costs.

Most of DOI's assets have been in service for a substantial portion of their estimated useful lives. The DOI recognized a liability and an adjustment to Cumulative Results of Operations for the total estimated asbestos cleanup costs of $537,601 thousand upon implementation of Technical Bulletin 2006-1 in FY 2013. Beginning in FY 2014, DOI will expense the change in liability to current operations.

Environmental and Disposal Liabilities. The DOI has a responsibility to remediate the sites on DOI land that have environmental contamination; and, it is party to various administrative proceedings, legal actions, and tort claims which may result in settlements or decisions adverse to the Federal Government. The DOI has accrued environmental liabilities when losses are determined to be probable and the amounts can be estimated. Such liabilities are probable when the government is responsible for creating the hazard or is otherwise legally liable to clean up the contamination.

When DOI is not legally liable, but chooses to accept financial responsibility, it is considered government-acknowledged and the range of the cleanup costs is disclosed in the notes to the financial statements. When DOI accepts financial responsibility for cleanup, has an appropriation for the cleanup, and has begun incurring cleanup costs, then any unpaid amounts for work performed are reported as accounts payable.

Changes in cleanup cost estimates are recorded based on progress made in and revision of the cleanup plans, assuming current technology, laws, and regulations.

Contingent Liabilities. Contingent liabilities are liabilities where the existence or amount of the liability cannot be determined with certainty pending the outcome of future events. The DOI's contingent liabilities primarily relate to legal actions and environmental cleanup efforts. The DOI recognizes contingent liabilities when the liability is probable and reasonably estimable. The DOI discloses contingent liabilities in the notes to the financial statements when the conditions for liability recognition are not met and when the outcome of future events is more than remote. In some cases, once losses are certain, payments may be made from the Judgment Fund maintained by Treasury rather than from amounts appropriated to DOI.

M. Revenues and Financing Sources

Appropriations. Congress appropriates the majority of DOI's operating funds from the general receipts of the Treasury. These funds are made available to DOI for a specified time period (one or more fiscal years) or until expended. Appropriations are reflected as a financing source entitled "Appropriations Used" on the Statement of Changes in Net Position once goods and services have been received. Appropriations are reported as apportioned on the Statement of Budgetary Resources when authorized by legislation.

Exchange and Non-Exchange Revenue. The DOI classifies revenues as either exchange revenue or non-exchange revenue.

Exchange revenues are those transactions in which DOI provides goods and services to another party for a price. These revenues are presented on the Statement of Net Cost and serve to offset the costs of these goods and services.

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

Non-exchange revenues result from donations to the Government and from the Government's sovereign right to demand payment, including taxes, fines for violation of environmental laws, and abandoned mine land duties charged per ton of coal mined. These revenues are not considered to reduce the cost of DOI's operations and are reported on the Statement of Changes in Net Position.

The DOI transfers a portion of royalty collections from the custodial fund to the operating funds for distribution to certain states. In accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, DOI reports these state amounts as "Royalties Retained," and other budgetary financing sources on the Statement of Changes in Net Position, rather than on the Statement of Net Cost. This is mainly because DOI incurred minimal costs in earning this revenue.

Custodial Revenue. The DOI's Office of Natural Resources Revenue (ONRR), a component of Departmental Offices, collects royalties, rents, bonuses, and other receipts for Federal oil, gas, and mineral leases. The ONRR distributes the proceeds in accordance with legislated allocation formulas to U.S. Treasury accounts, other Federal agencies, states, and coastal political subdivisions. The DOI is authorized to retain a portion of the custodial rental income collected to fund operating costs. The DOI records custodial revenue based on accounts reported by producers. Custodial revenue is reported when the government has a legal claim to the revenue.

The royalty accrual, included in accounts receivable, represents royalties on September production of oil and gas leases for which DOI subsequently receives payment in October and November. The DOI does not record a liability for potential overpayments and refunds until requested by the payor or until DOI completes a compliance audit and determines the refundable amount. This is in accordance with the Federal Oil and Gas Royalty Management Act of 1982.

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

Advances and Deferred Revenue. Advances and deferred revenue received from Federal agencies primarily represent cash advances for shared administrative services and products to be provided to Federal agencies. Advances and deferred revenue from the public represent liabilities to perform services or deliver goods to customers that have remitted payment in advance.

N. Personnel Compensation and Benefits

Annual and Sick Leave Program. Annual leave is accrued as it is earned by employees and is included in personnel compensation and benefit costs. An unfunded liability is recognized for earned but unused annual leave since, from a budgetary standpoint, this annual leave will be paid from future appropriations when the leave is used by employees rather than from amounts that were appropriated to DOI as of the date of the financial statements. The amount accrued is based upon current pay rates of the employees. Sick leave and other types of leave are expensed when used and no liability is recognized for these amounts, as employees do not vest in these benefits.

Federal Employees Workers' Compensation Program (FECA). The FECA provides income and medical cost protection to covered Federal civilian employees injured on the job, to employees who have incurred work-related occupational diseases, and to beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases. The FECA program is administered by the Department of Labor (DOL), which pays valid claims and subsequently seeks reimbursement from DOI for these paid claims.

The FECA liability consists of two components. The first component is based on actual claims paid by DOL but not yet reimbursed by DOI. The DOI reimburses DOL for the amount of the actual claims as funds are appropriated for this purpose. There is generally a 2 to 3 year lag between payment by DOL and reimbursement by DOI. As a result, DOI recognizes a liability for the actual claims paid by DOL and to be reimbursed by DOI.

The second component is the estimated liability for future benefit payments as a result of past events. This liability includes death, disability, medical, and miscellaneous costs. The DOL determines this component annually, as of September 30, using a method that considers historical benefit payment patterns, wage inflation factors, medical inflation factors, and other variables. The DOI recognizes an unfunded liability to DOL for these estimated future payments. The projected annual benefit payments are discounted to present value using OMB's economic assumptions for 10-year Treasury notes and bonds. To provide for the effects of inflation on the liability, wage inflation factors (i.e., cost of living adjustments) and medical inflation factors (i.e., consumer price index for medical adjustments) are applied to the calculation of projected future benefit payments. These factors are also used to adjust historical benefit payments to current-year constant dollars. A discounting formula is used to recognize the timing of benefit payments as 13 payments per year rather than an annual lump sum.

Federal Employees' Group Life Insurance Program (FEGLI). Most of DOI's employees are entitled to participate in the FEGLI Program. Participating employees can obtain "basic life" term life insurance, with the employee paying two-thirds of the cost and DOI paying one-third. Additional coverage is optional, to be paid fully by the employee. The basic life coverage may be continued into retirement if certain requirements are met. The OPM administers this program and is responsible for the reporting of liabilities. For each fiscal year, the OPM calculates the U.S. Government's service cost for the post-retirement portion of the basic life coverage. The DOI has recognized the entire service cost of the post-retirement portion of basic life coverage as an imputed cost and imputed financing source, as DOI's contributions to the basic life coverage are fully allocated by the OPM to the pre-retirement portion of coverage.

Retirement Programs. The DOI's employees participate in one of four retirement programs: (1) the Civil Service Retirement System (CSRS); (2) the Federal Employees Retirement System (FERS), which became effective on January 1, 1987; (3) the Federal Employees Retirement System - Revised Annuity Employees (FERS-RAE), which became effective on January 1, 2013; or (4) the United States Park Police (USPP) Pension Plan. The majority of DOI employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, could elect to either join FERS and Social Security or remain in CSRS. Employees covered by CSRS are neither subject to Social Security taxes, nor are they entitled to accrue Social Security benefits for wages subject to CSRS.

For employees participating in FERS, and FERS-RAE, DOI contributes an amount equal to 1 percent of the employee's basic pay to the tax deferred Thrift Savings Plan and matches employee contributions up to an additional 4 percent of pay. Employees participating in CSRS receive no matching contribution from DOI.

The OPM is responsible for reporting assets, accumulated plan benefits, and unfunded liabilities, if any, applicable to CSRS participants and FERS employees Government-wide, including DOI participants. The DOI has recognized an imputed cost and imputed financing source for the difference between the estimated service cost and the contributions made by DOI and covered CSRS employees.

Police officers hired by NPS on or before December 31, 1985, participate in the USPP Pension Plan, which is administered by the District of Columbia. Each in-service member contributes 7 percent of his/her gross earnings. The normal retirement benefit is 2.5 percent for each year of service up to 20, with an additional 3 percent for each year beyond 20, but no more than an aggregate of 80 percent. Retirement is permitted after 20 years of service, but mandatory by the age of 60. Annual benefits paid from the USPP Pension Plan are funded on a pay-as-you-go basis through a permanent indefinite appropriation from the Treasury's General Fund. Police officers hired by NPS after December 31, 1985 are covered under the provisions for law enforcement officers under CSRS or FERS.

The DOI reports the USPP pension liability and associated expense in accordance with OMB guidance. The DOI estimates the future cost to provide benefits to current and future retirees using economic assumptions and historical cost information. The estimate is adjusted by the time value of money and the probability of having to pay benefits due to assumed decrements for mortality, and terminations.

The actuarial liabilities are measured during the fiscal year using discount rate assumptions and on the valuation date in accordance with SFFAS No. 33, *Pensions, Other Retirement Benefits, and Other Post-employment Benefits: Reporting the Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation Dates*, with roll-forward or projection adjustments for the effects of changes during the year in major factors such as pay increases, cost of living adjustments, and material changes in the number of participants.

O. Federal Government Transactions

The DOI's financial activities interact with and are dependent upon the financial activities of the centralized management functions of the Federal government. These activities include public debt and cash management activities and employee retirement, life insurance, and health benefit programs. The financial statements of DOI do not contain the costs of centralized financial decisions and activities performed for the benefit of the entire government. However, expenses have been recognized when they are incurred by other agencies on behalf of DOI, including settlement of claims and litigation paid by Treasury's Judgment Fund and the partial funding of employee benefits by the OPM.

Transactions and balances among DOI's entities have been eliminated from the Balance Sheet, the Statement of Net Cost, and the Statement of Changes in Net Position. As provided for by OMB Circular No. A-136, the Statement of Budgetary Resources is presented on a combined basis; therefore, intradepartmental transactions and balances have not been eliminated from this statement. Intradepartmental transactions have been eliminated within the Statement of Custodial Activity. In order to present all custodial activity, the distributions to DOI's entities have not been eliminated on the Statement of Custodial Activity.

P. Possessory Interest and Leasehold Surrender Interest (PI/LSI)

The DOI has contracts with organizations that manage and operate hotels, lodges, restaurants, gift shops, and other concession operations at various parks. In accordance with legislation and the contracts, some of these concessioners have a possessory interest or leasehold surrender interest (PI/LSI) in certain real property construction or improvements that the concessioner pays for and DOI approves.

A concessioner's interest may be extinguished provided the concessioner is compensated for the PI/LSI in accordance with concession laws and contracts. At the end of the contract period, PI/LSI amounts are negotiated and either incorporated into new contracts or extinguished through payment. Payment for this interest has been made by a subsequent concessioner in most situations.

The DOI does not report the assets used by concessioners in its financial statements because the concessioners control the benefits of the assets and have the responsibilities of the risks and maintenance of the assets. In addition, DOI does not report a PI/LSI liability at the time a concessioner receives PI/LSI because an event of financial consequence has not occurred. However, DOI does record a liability at the time that DOI decides to discontinue a concession operation or take possession of the assets.

The DOI has concession agreements which contain provisions that provide for the establishment of escrow-type accounts to be used to develop, improve, and maintain visitor facilities. The concessioner periodically deposits a percentage of gross revenue in the account as provided in the concessioner agreement. These Special Account funds are maintained in separate interest-bearing bank accounts owned by the concessioners, are not assets of DOI, and may not be used in DOI operations. Therefore, the balances, inflows, and outflows of these concessioner Special Accounts are not recognized in the financial statements.

Q. Resources Payable to the General Fund of the Treasury

The DOI receives appropriations from Treasury's General Fund to construct, operate, and maintain various multipurpose projects. Many of the projects have reimbursable components, for which DOI is required to recover the capital investment and operating costs through user fees – mainly the sale of water and power. These recoveries are deposited in Treasury's General Fund.

The DOI records a liability for appropriations determined to be recoverable from project beneficiaries. The liability is decreased when reimbursements are received from DOI's customers and subsequently transferred to Treasury's General Fund.

R. Funds from Dedicated Collections

Effective in FY 2013, DOI implemented SFFAS No. 43: *Funds from Dedicated Collections*: Amending SFFAS No. 27, *Identifying and Reporting Earmarked Funds*, which changed "earmarked funds" to "funds from dedicated collections." Funds from Dedicated Collections are financed by specifically identified revenues and other financing sources, provided to the government by non-Federal sources. These funds are required by statute to be used for designated activities or purposes and must be accounted for separately from the Federal Government's General Fund.

The Federal Government does not set aside assets to pay future expenditures associated with funds from dedicated collections. The cash generated from funds from dedicated collections is used by the U.S. Treasury for general government purposes. Treasury securities are issued to funds from dedicated collections as evidence of designated receipts and provide the funds from dedicated collections with the authority to draw upon the U.S. Treasury for future authorized expenditures. These securities are an asset to the funds from dedicated collections and are presented as investments in the table accompanying Note 20, *Funds from Dedicated Collections*. Treasury securities are a liability of the Treasury and are eliminated in the consolidation of the U.S. Government-wide financial statements. Treasury will finance any future redemption of the securities by a fund from dedicated collection in the same manner that all other government expenditures are financed.

S. Allocation Transfers

The DOI is a party to allocation transfers with other Federal agencies as both a transferring (parent) entity and a receiving (child) entity. Allocation transfers are legal delegations by one department to obligate budget authority and outlay funds to another department. A separate fund (allocation account) is created in Treasury as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account and subsequently obligations and outlays incurred by the child entity are charged to this allocation account as the child entities execute the delegated activity on behalf of the parent entity. All financial activity related to these allocation transfers is reported in the financial statements of the parent entity from which the underlying legislative authority, appropriations, and budget apportionments are derived. Interior allocated funds, as a parent, to the U.S. Department of Agriculture, the Department of Transportation, and the Army Corps of Engineers. The DOI receives allocation transfers, as the child, from the U.S. Department of Agriculture, the Department of Health and Human Services, the Department of Labor, the Department of Transportation, the Army Corps of Engineers, and the U.S. Agency for International Development.

T. Income Taxes

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

U. Estimates

The DOI has made certain estimates and assumptions related to the reporting of assets, liabilities, revenues, expenses, and the associated note disclosures. Actual results could differ from these estimates.

V. Fiduciary Activities

Fiduciary activities are the collection or receipt,and the management, protection, accounting, investment, and disposition by the Federal Government of cash or other assets in which non-Federal individuals or entities have an ownership interest the Federal government must uphold. Fiduciary cash and other assets are not assets of the Federal government and are not recognized on DOI's balance sheet. (See Note 22, *Fiduciary Activities*)

W. Reclassifications

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

NOTE 2. FUND BALANCE WITH TREASURY

Fund Balance with Treasury by fund type as of September 30, 2013 and 2012, consists of the following:

(dollars in thousands)	FY 2013	FY 2012
General Funds	$ 7,192,810	$ 6,809,536
Special Funds	39,272,798	36,048,132
Revolving Funds	1,336,972	1,192,189
Trust Funds	244,442	230,524
Other Fund Types	548,637	316,245
Total Fund Balance with Treasury by Fund Type	$ 48,595,659	$ 44,596,626

Treasury performs cash management activities for all Federal agencies. The net activity represents Fund Balance with Treasury. The Fund Balance with Treasury represents the right of DOI to draw down funds from Treasury for expenses and liabilities.

The status of the fund balance with treasury may be classified as unobligated available, unobligated unavailable, or obligated. Unobligated funds, depending on budget authority, are generally available for new obligations in current operations. The unavailable balance also includes amounts appropriated in prior fiscal years, which are not available to fund new obligations. The obligated but not yet disbursed balance represents amounts designated for payment of goods and services ordered but not yet received; or goods and services received, but for which payment has not yet been made. The unavailable amounts are primarily comprised of funds in unavailable collection accounts, such as the Land and Water Conservation Fund and the Reclamation Fund, which are not available to DOI for use unless appropriated by Congress.

Obligated and unobligated balances reported for the status of fund balance with Treasury do not agree with obligated and unobligated balances reported in the *Combined Statement of Budgetary Resources* because the budgetary balances are supported by amounts other than fund balance with Treasury, such as investments in Treasury securities.

The fund balances with treasury are reconciled on a monthly basis to the balances in the general ledger. Differences are related to temporary timing differences between submission to Treasury and recognition in the general ledger.

Status of Fund Balance with Treasury as of September 30, 2013 and 2012, consists of the following:

(dollars in thousands)	FY 2013	FY 2012
Unobligated		
Available	$ 6,199,445	$ 4,588,543
Unavailable	332,310	139,671
Obligated Not Yet Disbursed	6,822,779	6,853,414
Subtotal	13,354,534	11,581,628
Fund Balance with Treasury Not Covered by Budgetary Resources		
Unavailable Receipt Accounts	34,741,982	32,762,104
Clearing and Deposit Accounts	499,143	252,894
Subtotal	35,241,125	33,014,998
Total Status of Fund Balance with Treasury	$ 48,595,659	$ 44,596,626

NOTE 3. INVESTMENTS, NET

The DOI invests funds in Federal Government and public securities on behalf of various DOI programs and for amounts held in certain escrow accounts. The Federal Government securities include marketable Treasury securities and/or nonmarketable, market-based securities issued by the Federal Investment Branch of the Bureau of the Public Debt. Market-based securities are Treasury securities that are not traded on any securities exchange but mirror the prices of marketable securities with similar terms.

Public securities include marketable securities issued by government-sponsored entities and consist of mortgaged back securities.

Investments as of September 30, 2013, consist of the following:

(dollars in thousands)	Cost	Net Amortized (Premium)/ Discount	Investments, Net	Market Value Disclosure
U.S. Treasury Securities				
Marketable	$ 59,891	$ -	$ 59,891	$ 59,891
Nonmarketable, market-based	7,494,892	(20,200)	7,474,692	7,564,730
Total U.S. Treasury Securities	7,554,783	(20,200)	7,534,583	7,624,621
Accrued Interest	18,277	-	18,277	-
Total Non-Public Investments	7,573,060	(20,200)	7,552,860	7,624,621
Public Securities				
Marketable	16	-	16	16
Total Investments	$ 7,573,076	$ (20,200)	$ 7,552,876	$ 7,624,637

Investments as of September 30, 2012, consist of the following:

(dollars in thousands)	Cost	Net Amortized (Premium)/ Discount	Investments, Net	Market Value Disclosure
U.S. Treasury Securities				
Marketable	$ 53,597	$ -	$ 53,597	$ 53,597
Nonmarketable, market-based	6,779,751	(4,161)	6,775,590	6,966,338
Total U.S. Treasury Securities	6,833,348	(4,161)	6,829,187	7,019,935
Accrued Interest	20,314	-	20,314	-
Total Non-Public Investments	6,853,622	(4,161)	6,849,501	7,019,935
Public Securities				
Marketable	16	-	16	16
Total Investments	$ 6,853,680	$ (4,161)	$ 6,849,519	$ 7,019,953

NOTE 4. ACCOUNTS AND INTEREST RECEIVABLE, NET

Due From the Public, Net. Accounts receivable due to DOI from the public may arise either from the sale of products and services or from the imposition of regulatory fines and penalties. Products and services sold by DOI are diverse and include mineral leases sold, from which royalties are then collected; the sale of water; water testing and other scientific studies conducted for state and local governments; remittance of fees from park concessioners collected by NPS; and fees for irrigation and power services collected by IA. Fines and penalties are imposed in the enforcement of various environmental laws and regulations. Unbilled receivables reflect work performed to date on agreements and uncollected revenue for royalties due subsequent to year-end, which will be billed in the future.

Recovery of Reimbursable Capital Costs. The BOR enters into long-term repayment contracts and water service contracts with non-Federal (public) water users that allow the use of irrigation and municipal and industrial (M&I) water facilities in exchange for annual payments to repay a portion of the Federal investment allocation to the construction of reimbursable irrigation and M&I water facilities.

Unmatured repayment contracts are recognized on the Balance Sheet when the annual repayment amount is earned, at which time current accounts receivable and current period exchange revenue are recorded. As of September 30, 2013 and September 30, 2012, amounts not yet earned under unmatured repayment contracts were $2.41 billion and $2.51 billion, respectively.

Due from Federal Agencies. Accounts receivable due from Federal agencies arise from the sale of products and services to other Federal agencies, including the sale of maps, the performance of environmental and scientific services, and administrative and other services. These reimbursable arrangements generally reduce the duplication of effort within the Federal Government resulting in a lower cost of Federal programs and services. The Federal accounts receivable also includes custodial amounts remitted to Treasury at the end of the year in accordance with legislation and due back from Treasury in the following year for disbursement to states and refunds to oil companies. Substantially, all receivables from other Federal agencies are considered to be collectible, as there is no credit risk. However, an allowance for doubtful accounts is used occasionally to recognize billing disputes.

Accounts and Interest Receivable from Federal agencies consist of the following as of September 30, 2013 and 2012:

(dollars in thousands)	FY 2013	FY 2012
Accounts and Interest Receivable from Federal Agencies		
Billed	$ 1,272,288	$ 1,334,870
Unbilled	538,757	614,454
Total Accounts and Interest Receivable from Federal agencies	**$ 1,811,045**	**$ 1,949,324**

Accounts and Interest Receivable from the Public consist of the following as of September 30, 2013 and 2012:

(dollars in thousands)	FY 2013	FY 2012
Accounts and Interest Receivable from the Public		
Billed	$ 362,375	$ 671,783
Unbilled	2,200,758	2,631,432
Total Accounts and Interest Receivable from the Public	2,563,133	3,303,215
Allowance for Doubtful Accounts	(80,919)	(117,303)
Total Accounts and Interest Receivable from the Public, Net	**$ 2,482,214**	**$ 3,185,912**

NOTE 5. INTRAGOVERNMENTAL LOANS AND INTEREST RECEIVABLE, NET

Intragovernmental Loans and Interest Receivable, as of September 30, 2013 and 2012, are summarized as follows:

(dollars in thousands)	FY 2013	FY 2012
Principal	$ 7,306,501	$ 7,238,029
Interest	3,169,060	3,019,761
Cumulative Repayments	(6,792,803)	(6,763,663)
Allowance for Non-Reimbursable Costs	(330,005)	(330,005)
Intragovernmental Loans and Interest Receivable, Net	$ 3,352,753	$ 3,164,122

The interest rate for FY 2013 and FY 2012 was 2.75 percent and 4.0 percent, respectively. Repayment terms are generally over a period not to exceed 50 years from the time revenue producing assets are placed in service.

Power-marketing agencies enter into agreements with power users to recover capital investment costs allocated to power, on BOR's behalf. Costs associated with multipurpose plants are allocated to the various purposes through a cost allocation process. Generally, only those costs associated with power, irrigation, and M&I water are reimbursable. The typical repayment contract is up to 40 years, but may extend to 50 years or more if authorized by Congress.

Allowance. Since FY 2005, BOR and Western Area Power Administration (WAPA) have come to an impasse regarding the appropriate accounting and repayment treatment to the Reclamation Fund totaling approximately $330 million.

The amount of this impasse consists of two different issues: 1) WAPA is disputing the reimbursable nature of project use power (PUP) costs totaling $308.3 million on the Pick Sloan/ Central Valley project ; and 2) construction of an on-site electrical distribution system that was built by WAPA with BOR funds at the Tracy-Lawrence Livermore research facility totaling $21.7 million. As discussed in Note 4, *Accounts and Interest Receivable, Net*, all receivables from other Federal agencies are generally considered to be collectible. However, in these two instances, an allowance for doubtful accounts is being used by BOR to recognize the Intragovernmental differences until these issues can be resolved with the Department of Treasury.

NOTE 6. LOANS AND INTEREST RECEIVABLE, NET

Direct loans and loan guarantees made prior to FY 1992 were funded by Congressional appropriation from general or special funds. These loans, referred to as liquidating loans, are reported net of an allowance for estimated uncollectible loans. Net loans receivable, or the value of the assets related to direct loans, is not necessarily equal to the proceeds that could be expected from selling these loans.

Direct loans and loan guarantees made after FY 1991 are governed by the Federal Credit Reform Act (FCRA). Under credit reform, loans are comprised of two components. The first component is borrowed from Treasury with repayment provisions. The second component is for the subsidized portion of the loan and is funded by congressional appropriation. The FCRA provides that the present value of the subsidy costs (i.e., interest rate differentials, interest subsidies, estimated delinquencies and defaults, fee offsets, and other cash flows) associated with the direct loans and loan guarantees be recognized as a cost in the year the direct or guaranteed loan is disbursed. While this component is not subject to repayment, the loan program receives appropriations to fund any increases in subsidy due to interest rate fluctuations and changes in default rate estimates. Included in the financial statements is a subsidy reestimate computed at the end of the fiscal year. The amounts included in the financial statements are not reported in the budget until the following fiscal year.

The subsidy rates disclosed pertain only to the current year cohorts. These rates cannot be applied to direct loans or guarantees for loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loans or guarantees for loans reported in the current year could result from disbursements of loans from both the current year and prior year cohorts. The subsidy expense reported in the current year also includes modifications and reestimates.

In FY 2013 and FY 2012 there were no other changes in economic conditions, other risk factors, legislation, credit policies, and assumptions that have had a significant and measurable effect on subsidy rates, subsidy expense, and subsidy re-estimates. For FY 2013 and FY 2012, there were no new direct loans disbursed, therefore there were no appropriations for subsidy expense for new direct loans disbursed and its components.

Indian Affairs. The IA provides guaranteed loans to Indian tribes and organizations, Indian individuals, and Alaska Natives for economic development purposes. The IA loan program includes the Indian Direct Loan Program (which ceased providing loans in 1995), the Indian Loan Guarantee Program under the FCRA, and a Liquidating Fund for loans made prior to 1992.

Interest is accrued daily on the outstanding principal balance of direct and assigned loans based on a 360-day year for precredit reform loans and a 365-day year for credit reform loans. The interest rate charged on each loan is the Indian Financing Act rate that was effective at the time the loan was made. Interest is accrued on current and delinquent loans. Late fees accrue if a payment is received 15 days after its due date. For pre-credit reform loans, the amount of interest and late fees receivable is reduced by an allowance for uncollectible accounts. For credit reform direct loans, the interest and late fees receivable are considered in the subsidy allowance account.

Bureau of Reclamation. The BOR operates loan programs that provide Federal assistance to non-Federal organizations for constructing or improving water resource projects in the Western States. The BOR loan programs are authorized under the *Small Reclamation Projects Act of 1956,* the *Distribution System Loans Act,* the *Rural Development and Policy Act of 1980*, and the *Rehabilitation and Betterment Act*.

Other loans consist primarily of drought relief and repayment loans. The other loans receivable balances represent amounts due to BOR, net of an allowance for estimated uncollectible loan balances. The allowance is determined by management for loan balances where collectability is considered to be uncertain based on various factors, including age, past experience, present market and economic conditions, and characteristics of debtors.

Loan interest rates vary depending on the applicable legislation; in some cases, there is no stated interest rate on agricultural and Native American loans. Interest on applicable loans does not accrue until the loan enters repayment status.

The subsidy expense reported for FY 2013 and FY 2012 includes a technical reestimate.

Departmental Offices (DO). The DO has one post credit reform loan to the American Samoa Government (ASG).

In 2001, a loan was extended to ASG. The total was approved for $18.6 million and made available to ASG bearing interest at a rate equal to the Treasury cost of borrowing for obligations of similar duration. The proceeds of the loan were used by ASG for debt reduction and fiscal reform. Each year DOI reserves an allowance amount that determines how much will be disclosed as outstanding.

National Park Service. The NPS has a noninterest bearing loan with the Wolf Trap Foundation for the Performing Arts with an original loan principal totaling $8.56 million. The loan principal is to be repaid to NPS within 25 years from June 1, 1991. The loan principal is repaid in equal annual installments of approximately $360 thousand except for the first three annual payments of $215 thousand per year. Repayment of the loan principal may include a credit of up to $60,000 annually for public service tickets given to entities exempt from taxation pursuant to section 501(c)(3) of the Internal Revenue Code of 1986.

In FY 2013 and FY 2012, NPS granted the full $60,000 credit to Wolf Trap. The monies received in repayment of this loan may be retained by NPS until expended, in consultation with the Wolf Trap Foundation, for the maintenance of structures, facilities, and equipment of the park.

Outstanding loan balances, as of September 30, 2013 and 2012, are summarized as follows:

A. Direct Loan and Loan Guarantee Program Names: (dollars in thousands)	FY 2013	FY 2012
Indian Affairs - Direct Liquidating Loans (Pre-Credit Reform)	$ 4,652	$ 4,653
Indian Affairs - Direct Loans (Credit Reform)	4,630	4,942
Indian Affairs - Guaranteed Liquidating Loans (Pre-Credit Reform)	412	452
Indian Affairs - Guaranteed Loans (Credit Reform)	834	850
Bureau of Reclamation - Direct Loans (Pre-Credit Reform)	14,186	15,165
Bureau of Reclamation - Direct Loans (Credit Reform)	34,867	35,952
Departmental Offices - American Samoa Government (Credit Reform)	1,239	-
National Park Service - Wolf Trap Foundation (Pre-Credit Reform)	802	1,102
Total Loans and Interest Receivable, Net	$ 61,622	$ 63,116

B. Direct Loans Obligated Prior to FY 1992 (Allowance for Loss Method): (dollars in thousands)

	Direct Loan Programs (Pre-Credit Reform)	Loans Receivable Gross	Interest Receivable	Allowance For Loan Losses	Foreclosed Property	Direct Loans, Net
	Indian Affairs	$ 3,659	$ 1,867	$ (874)	$ -	$ 4,652
	Bureau of Reclamation	21,441	-	(7,255)	-	14,186
	National Park Service - Wolf Trap Foundation	802	-	-	-	802
FY 2013	Total	$ 25,902	$ 1,867	$ (8,129)	$ -	$ 19,640
	Indian Affairs	$ 3,789	$ 1,739	$ (875)	$ -	$ 4,653
	Bureau of Reclamation	22,420	-	(7,255)	-	15,165
	National Park Service - Wolf Trap Foundation	1,102	-	-	-	1,102
FY 2012	Total	$ 27,311	$ 1,739	$ (8,130)	$ -	$ 20,920

C. Direct Loans Obligated After FY 1991: (dollars in thousands)

	Direct Loan Programs (Credit Reform)	Loans Receivable Gross	Interest Receivable	Foreclosed Property	Allowance for Subsidy Cost	Value of Assets Related to Direct Loans
	Indian Affairs	$ 2,724	$ 249	$ -	$ 1,657	$ 4,630
	Bureau of Reclamation	41,244	-	-	(6,377)	34,867
	Departmental Offices - American Samoa Government	10,787	299	-	(9,847)	1,239
FY 2013	Total	$ 54,755	$ 548	$ -	$ (14,567)	$ 40,736
	Indian Affairs	$ 2,756	$ 135	$ -	$ 2,051	$ 4,942
	Bureau of Reclamation	42,962	-	-	(7,010)	35,952
	Departmental Offices - American Samoa Government	11,048	139	-	(11,187)	-
FY 2012	Total	$ 56,766	$ 274	$ -	$ (16,146)	$ 40,894

D. Subsidy Expense for Direct Loans by Program and Component: *(dollars in thousands)*

Modifications and Re-estimates Direct Loan Programs (Credit Reform)		Total Modifications	Interest Rate Re-estimates	Technical Re-estimates	Total Re-estimates
	Indian Affairs	$ -	$ (1,053)	$ 479	$ (574)
	Bureau of Reclamation	-	-	89	89
	Departmental Offices - American Samoa Government	-	-	(1,101)	(1,101)
FY 2013	Total		$ (1,053)	$ (533)	$ (1,586)
	Indian Affairs	$ -	$ (693)	$ 603	$ (90)
	Bureau of Reclamation	-	-	(140)	(140)
	Departmental Offices - American Samoa Government	-	-	-	-
FY 2012	Total	$ -	$ (693)	$ 463	$ (230)

Total Direct Loan Subsidy Expense Direct Loan Programs (Credit Reform)	FY 2013	FY 2012
Indian Affairs	$ (574)	$ (90)
Bureau of Reclamation	89	(140)
Departmental Offices - American Samoa Government	(1,101)	-
Total	$ (1,586)	$ (230)

E. Schedule for Reconciling Direct Loan Subsidy Cost Allowance Balances (Post-1991 Direct Loans): *(dollars in thousands)*

	FY 2013	FY 2012
Beginning balance of the subsidy cost allowance	$ 16,145	$ 21,124
Adjustments:		
(a) Loans written off	-	(349)
(b) Subsidy allowance amortization	(853)	(2,315)
(c) Other	861	(2,085)
Ending balance of the subsidy cost allowance before reestimates	16,153	16,375
Add or subtract subsidy reestimates by component:		
(a) Interest rate reestimate	(1,053)	(693)
(b) Technical/default reestimate	(533)	463
Total of the above reestimate components	(1,586)	(230)
Ending balance of the subsidy cost allowance	$ 14,567	$ 16,145

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

F. Defaulted Guaranteed Loans from Pre-1992 Guarantees (Allowance for Loss Method): *(dollars in thousands)*

Guaranteed Liquidating Loans (Pre-Credit Reform)	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance for Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans, Receivable, Net
FY 2013	$ 1,079	$ 97	$ -	$ (764)	$ 412
FY 2012	$ 1,196	$ 96	$ -	$ (840)	$ 452

G. Defaulted Guaranteed Loans from Post-1991 Guarantees (Present Value Method): *(dollars in thousands)*

Guaranteed Liquidating Loans (Credit Reform)	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Defaulted Guaranteed Loans, Receivable, Net
FY 2013	$ 7,775	$ 1,126	$ -	$ (8,067)	$ 834
FY 2012	$ 7,560	$ 1,880	$ -	$ (8,590)	$ 850

H. Guaranteed Loans Outstanding as of September 30, 2013: *(dollars in thousands)*

Loan Guarantee Programs	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
FY 1992-2011	$ 455,283	$ 409,304
FY 2012	55,578	49,916
FY 2013	37,440	33,696
Total	$ 548,301	$ 492,916
New Guaranteed Loans Disbursed (Current reporting year):		
Amount Paid in FY 2012 for Prior Years	$ 28,367	$ 25,531
Amount Paid in FY 2012 for 2012 Guarantees	44,954	40,458
FY 2013 Total	$ 73,321	$ 65,989
Amount Paid in FY 2011 for Prior Years	$ 42,611	$ 38,350
Amount Paid in FY 2011 for 2011 Guarantees	40,438	36,394
FY 2012 Total	$ 83,049	$ 74,744

I. Liability for Loan Guarantees: *(dollars in thousands)*

Guaranteed Liquidation Loans (Pre-Credit Reform)	Liabilities for Losses on Pre-1992 Guarantees, Estimated Future Default Claims	Liabilities for Loan Guarantees, for Post-1991 Guarantees, Present Value	Total Liabilities for Loan Guarantees
Liability for Loan Guarantees (Estimated Future Default Claims for pre-1992 guarantees):			
FY 2013	$ -	$ 29,445	$ 29,445
FY 2012	$ -	$ 29,425	$ 29,425

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

Guaranteed Loans (Credit Reform)	Interest Supplements	Defaults	Fees and Other Collections	Other	Total
Subsidy Expense for New Loan Guarantees:					
FY 2013	$ 2,552	$ 3,630	$ (1,289)	$ -	$ 4,893
FY 2012	$ 3,653	$ 4,690	$ (1,489)	$ -	$ 6,854

Guaranteed Loans (Credit Reform)	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total
Modifications and Reestimates:				
FY 2013 Total	$ -	$ (7,737)	$ (19,790)	$ (27,527)
FY 2012 Total	$ -	$ (8,282)	$ (15,254)	$ (23,536)

Total Loan Guarantee Program Subsidy Expense	FY 2013	FY 2012
Indian Affairs	$ (22,634)	$ (16,682)

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

Guaranteed Loans (Credit Reform)	Interest Supplements	Defaults	Fees and Other Collections	Other	Total
Budget Subsidy Rates for Loan Guarantees for the Current Year's Cohorts:					
FY 2013	4.0%	4.0%	-2.0%	0.0%	6.0%
FY 2012	4.0%	6.0%	-2.0%	0.0%	8.0%

L. Schedule for Reconciling Loan Guarantee Liability Balances: *(dollars in thousands)*

	FY 2013	FY 2012
Beginning balance of the loan guarantee liability	$ 29,425	$ 41,564
Add: Subsidy expense for guaranteed loans disbursed during the reporting years by component:		
(a) Interest supplement costs	2,552	3,653
(b) Default costs (net of recoveries)	3,630	4,690
(c) Fees and other collections	(1,289)	(1,489)
Total of the above subsidy expense components	$ 4,893	$ 6,854
Adjustments:		
(a) Fees received	$ 1,318	$ 1,486
(b) Interest supplements paid	(1,209)	(1,454)
(c) Claim payments to lenders	(3,715)	(62)
(d) Interest accumulation on the liability balance	2,836	2,418
(e) Other (recovery, revenue, and prior period adjustments)	23,424	2,154
Ending balance of the loan guarantee liability before reestimates	$ 56,972	$ 52,961
Add or subtract subsidy reestimates by component:		
(a) Interest rate reestimate	$ (7,737)	$ (8,282)
(b) Technical/default reestimate	(19,790)	(15,254)
Total of the above reestimate components	$ (27,527)	$ (23,536)
Ending balance of the loan guarantee liability	$ 29,445	$ 29,425

M. Administrative Expense:					(dollars in thousands)
Direct Loans (Credit Reform)			Guaranteed Loans Programs		
FY 2013	$	10	FY 2013	$	1,077
FY 2012	$	14	FY 2012	$	485

NOTE 7. INVENTORY AND RELATED PROPERTY, NET

The DOI's inventory and related property is primarily composed of published maps; gas and storage rights; operating supplies for the Working Capital Fund; Operational Land Imager operating materials; airplane parts and fuel; and recoverable, below-ground, crude helium. These inventories were categorized based on DOI's major activities and the services DOI provides to the Federal Government and the public. There are currently no restrictions on these inventories. The USGS maintains Operational Land Imager operating materials; maps and map products that are located at several Earth Science Information Centers across the United States. The BLM maintains a helium stockpile inventory that is stored in a partially depleted natural gas reservoir. In accordance with the *Helium Privatization Act of 1996*, a component of this stockpile is held in reserve in the interest of national security and the remaining balance is held for sale to private industry. See Note 1.H for additional information. Aircraft fuel and parts are held in inventory as operating materials to be consumed and are valued at historical cost, based on the moving average cost method. The value of this inventory is adjusted based on the results of periodic physical inventories. The DOI's Working Capital Fund maintains an inventory of operating materials that will be consumed during future operations.

Inventory and Related Property as of September 30, 2013 and 2012, consist of the following:

(dollars in thousands)	FY 2013	FY 2012
Inventory		
Published Maps Held for Current Sale	$ 2,626	$ 4,120
Gas and Storage Rights held for Current Sale	830	842
Operating Materials		
Working Capital Fund: Inventory Held for Use	1,857	506
Operational Land Imager: Inventory Held for Use	14,465	-
Airplane Parts and Fuel Held for Use	1,798	557
Stockpile Materials		
Recoverable Below-Ground Crude Helium Held in Reserve	7,235	7,235
Recoverable Below-Ground Crude Helium Held for Sale*	101,255	130,813
Total Inventory and Related Property	130,066	144,073
Allowance for Obsolescence	-	(3,769)
Inventory and Related Property, Net	$ 130,066	$ 140,304

* The difference in carrying value and the estimated selling price of recoverable below ground crude helium held for sale is $604,121 ($705,376 - $101,255) and $690,971 ($821,783 - $130,813) at September 30, 2013 and 2012, respectively.

NOTE 8. GENERAL PROPERTY, PLANT, AND EQUIPMENT, NET

General purpose PP&E consists of buildings, structures, and facilities used for general operations, power, irrigation, fish protection, wildlife enhancement, and recreation; land and land improvements acquired for general operating purposes; equipment, vehicles, and aircraft; construction in progress; capital leases; leasehold improvements; and internal use software.

All general purpose PP&E are capitalized at acquisition cost and depreciated using the straight-line amortization method over the assigned useful lives of the property.

The PP&E categories with corresponding acquisition cost and accumulated depreciation as of September 30, 2013, are shown in the following table:

(dollars in thousands)	Acquisition Cost	Accumulated Depreciation	Net Book Value
Land and Land Improvements	$ 2,277,080	$ 135,782	$ 2,141,298
Buildings	4,986,018	1,959,400	3,026,618
Structures and Facilities	23,093,218	10,830,903	12,262,315
Leasehold Improvements	60,629	29,163	31,466
Construction in Progress			
Construction in Progress - General	2,208,532	-	2,208,532
Construction in Progress in Abeyance	639,242	-	639,242
Equipment, Vehicles, and Aircraft	2,819,068	1,472,374	1,346,694
Internal Use Software			
In Use	452,943	286,331	166,612
In Development	141,218	-	141,218
Total Property, Plant, and Equipment	$ 36,677,948	$ 14,713,953	$ 21,963,995

The PP&E categories with corresponding acquisition cost and accumulated depreciation as of September 30, 2012, are shown in the following table:

(dollars in thousands)	Acquisition Cost	Accumulated Depreciation	Net Book Value
Land and Land Improvements	$ 2,251,010	$ 124,887	$ 2,126,123
Buildings	4,602,936	1,728,539	2,874,397
Structures and Facilities	22,367,931	10,651,558	11,716,373
Leasehold Improvements	59,415	26,483	32,932
Construction in Progress			
Construction in Progress - General	2,534,382	-	2,534,382
Construction in Progress in Abeyance	598,929	-	598,929
Equipment, Vehicles, and Aircraft	2,216,445	1,380,368	836,077
Internal Use Software			
In Use	364,323	233,658	130,665
In Development	191,774	-	191,774
Total Property, Plant, and Equipment	$ 35,187,145	$ 14,145,493	$ 21,041,652

NOTE 9. STEWARDSHIP ASSETS

The DOI's mission, in part, is to protect and manage the Nation's natural resources and cultural heritage. To ensure that these resources are preserved and sustained for the benefit and enjoyment of future generations, Congress has enacted legislation to assist in asset management.

The predominant laws governing the management of stewardship land are the *National Park Service Organic Act of 1916* and the *Federal Land Policy and Management Act of 1976* (FLPMA). However, there are many other significant laws that provide additional guidance on various aspects of stewardship land. Combined, these laws direct the management of the land for the benefit of present and future generations.

The FLPMA created the concept of multiple use, which Congress defines as management of both the land and the use of the land in a combination that will best meet the present and future needs of the American people. The resources and uses embraced by the multiple use concept include mineral development; natural, scenic, scientific, and historical values; outdoor recreation; livestock grazing; timber management; watersheds; and wildlife and fish habitat.

The preservation and management of heritage assets located on Federal lands or preserved in Federal and non-Federal facilities is guided chiefly by the *Antiquities Act of 1906;* the *Archaeological Resources Protection Act of 1979, as amended; Curation of Federally-Owned and Administered Archeological Collections;* the *Native American Graves Protection and Repatriation Act of 1990;* the *National Historic Preservation Act of 1966*; and Executive Order 13287, *Preserve America*.

Through these laws and regulations, DOI strives to preserve and manage stewardship land and heritage assets so that their value is preserved intelligently and that they are thoughtfully integrated into the needs of the surrounding communities. The cited legislation is implemented through DOI policy and guidance, whereby continuous program management evaluations and technical reviews ensure compliance.

Stewardship Lands

The DOI-administered stewardship lands encompass a wide range of activities, including recreation; conservation; resource extraction such as mining and oil and gas leasing; and other functions vital to the health of the economy and of the American people. These include national parks, national wildlife refuges, public lands, and many other lands of national and historical significance.

Each bureau within DOI that administers stewardship lands serves to preserve, conserve, protect, and interpret how best to manage the Nation's natural, cultural, and recreational resources. Some of these stewardship lands have been designated as multiple use.

In general, units of stewardship land are added or deleted through Presidential, Congressional, or Secretarial action. However, boundaries of individual units may be expanded or altered by fee title purchase, transfer of jurisdiction, gift, or withdrawal from the public domain. The change in boundaries of individual units occurs to enhance the purpose for which the unit exists.

Donated Stewardship Land

The DOI received donated stewardship land with a fair value of $0 thousand and $670 thousand as of September 30, 2013 and 2012, respectively.

Bureau Stewardship Lands

Indian Affairs

The IA is in a unique position in that the land managed is tribal/reservation land that has been administratively designated to IA for a specific purpose that will benefit the tribe. The land or land rights could be withdrawn/returned to the tribe based on the terms of the initial agreement or subsequent agreements. Although the structures constructed on these lands may be considered operational in nature, the lands on which these structures reside are managed in a stewardship manner to provide services to the tribe/reservation.

Regional Offices. Land owned by IA generally consists of parcels located within the boundaries of Indian reservations which have been temporarily withdrawn for administrative uses and are held for the welfare of the Nation to be preserved and protected. The IA has stewardship responsibility for the multiple use management of lands held for the benefit of American Indians and Alaska Natives. The IA manages its stewardship land by 12 administrative regional offices whose boundaries

Primary Land Management Categories		As of 10/1/2011	Increase	Decrease	As of 9/30/2012	Increase	Decrease	As of 9/30/2013
IA	Regional Offices	12	-	-	12	-	-	12
BLM	Geographic Management Areas	133	2	6	129	-	-	129
BOR	Federal Water and Related Projects	138	-	1	137	-	2	135
FWS	National Wildlife Refuges	555	5	-	560	1	-	561
FWS	Coordination Areas	50	-	-	50	-	-	50
FWS	Wetland Management Districts	38	-	-	38	-	-	38
FWS	National Fish Hatcheries	67	1	-	68	-	-	68
FWS	Fish Technology Centers	6	-	-	6	-	-	6
FWS	Associated Fish Facilities	16	-	1	15	-	-	15
NPS	Park Units	383	2	-	385	5	-	390
OS	Commission Land	1	-	-	1	-	-	1
Total Number of Units		1,399	10	8	1,401	6	2	1,405

For information on the condition of Stewardship Land, refer to the Required Supplementary Information section of the report.

largely follow one or more state lines. Two exceptions are the Navajo region, which includes parts of Arizona, Utah, and New Mexico; and, the Eastern Oklahoma region, which includes the eastern section of Oklahoma.

Bureau of Land Management

Geographic Management Areas. The BLM reports its stewardship land by geographic management areas. Specific land use plans are developed and implemented for each of these geographic management areas to manage the land's resources for both present and future periods.

The BLM is guided by principles of multiple use. Multiple uses includes: domestic livestock grazing; fish and wildlife development and utilization; mineral exploration and production; rights-of-way; outdoor recreation; and/or timber production.

Bureau of Reclamation

Federal Water and Related Projects.
The BOR stewardship land is used for Federal water and related projects that have been authorized and funded by Congress. These projects include dams, reservoirs, canals, laterals, and various other types of water related properties. The lands for these projects were withdrawn from the public domain to construct, operate, and maintain the projects. Recreational activities such as fishing, boating and camping, may be authorized on these withdrawn lands.

U.S. Fish and Wildlife Service

Lands are acquired through a variety of methods, including withdrawal from the public domain, fee title purchase, transfer of jurisdiction, donation, or gift. The FWS purchases land through two primary sources of funding: the Migratory Bird Conservation Fund and the Land and Water Conservation Fund. The FWS lands are managed and used in accordance with the explicit purpose of the statutes that authorize acquisition or designation and that direct use and management of the land.

National Wildlife Refuges (NWR). The NWR land is used for the fish, wildlife, and plants that depend on these lands for habitat. These lands are protected in perpetuity for as long as they remain in the NWR System. The NWR lands are managed to maintain their natural state, to mitigate adverse effects of actions previously conducted by others, or to enhance existing conditions to improve benefits to fish, wildlife, and plant resources.

Coordination Areas. Coordination Area land is used as a wildlife management area that is made available to a state by cooperative agreement between FWS and a state agency having control over wildlife resources.

Wetland Management Districts (WMD). The WMDs are important components of the NWR System. They differ from refuges, which frequently consist of a single contiguous parcel of land, in that they are generally scattered, small parcels of land. The primary use is to conserve waterfowl nesting and rearing habitats. The WMDs consist of waterfowl production areas, wetland easements, or grassland easements.

National Fish Hatcheries. National Fish Hatchery land is used to rear various aquatic species in accordance with specific species management plans for the purpose of recovery, restoration, mitigation, or other special conservation effort and may include the release, transfer, or provision of refuge for the species propagated.

Fish Technology Centers. This land is used to house applied research centers that provide leadership in science-based management of trust aquatic resources through the development of new concepts, strategies, and techniques to solve problems in hatchery operations and aquatic resource conservation.

Associated Fish Facilities. These land units are owned by the Federal Government, but operated by some other entity (state agency, tribal conservation unit, et cetera). The FWS usually has limited management or oversight responsibility for these land units.

National Park Service

Park Units. National Park units are used and managed in accordance with the statutes authorizing their establishment or directing their use and management. The NPS conducts various activities to preserve and protect land resources and to mitigate the effects of activities previously conducted on or near parks that adversely affected the natural state of the land.

Office of the Secretary

Commission Land. This land is used for fish and wildlife habitat and recreation to replace or offset the loss in Utah of fish and wildlife resources and related recreational opportunities caused by the acquisition, construction, and operation of BOR project assets such as dams, power plants, roads, pipelines, aqueducts, operation and maintenance of buildings, and visitor centers.

Heritage Assets

The DOI is a steward of a large, varied, and scientifically important body of heritage assets, both non-collectible and collectible in nature.

The DOI serves to preserve, conserve, protect, and interpret the Nation's natural, cultural, and recreational resources. Some of the heritage assets have been designated as multiple-use, which Congress defines as management of both the land and the use of the land in a combination that will best meet the present and future needs of the American people. The resources and uses embraced by the multiple-use concept include mineral development; natural, scenic, scientific, and historical values; outdoor recreation; livestock grazing; timber management; watersheds; and, wildlife and fish habitat.

Non-Collectible Heritage Assets

Non-collectible heritage assets include historic buildings, structures, and sites; prehistoric structures and sites (better known as archeological sites); cultural landscapes; and other resources. Some stewardship land assets are also included in non-collectible heritage assets, such as national parks and fish and wildlife refuges. In addition, subsets of lands within the National Park System may have additional heritage asset designations, such as wilderness areas and national natural landmarks. Heritage assets are added or withdrawn through Presidential, Congressional, or Secretarial designation.

For information on the condition of non-collectible heritage assets, refer to the Required Supplementary Information section of this Report.

Descriptions of the types of non-collectible heritage assets are:

Cooperative Management and Protection Areas. The BLM manages one Congressionally designated cooperative management and protection area, the Steens Mountain Cooperative Management and Protection Area, located in southeastern Oregon. Cooperative and innovative management projects are maintained and enhanced by BLM, private landowners, tribes, and other public interest groups.

Headwaters Forest Reserve. The Headwaters Forest Reserve, located in central Humboldt County, California, was acquired from private owners by BLM and the State of California. While title is held by BLM, this area is co-managed by BLM and the State of California to protect the stands of old-growth redwoods that provide habitat for a threatened seabird, the marbled murrelet, as well as the headwaters that serve as a habitat for the threatened Coho salmon and other fisheries.

Lake Todatonten Special Management Area. Congress authorized the creation of the Lake Todatonten Special Management Area located in the interior of Alaska. Lake Todatonten, the central feature of this special management area, is particularly important to waterfowl which use the area for migration, staging, molting, and nesting. The lake and its surrounding hills are also home to moose, bear, and other furbearers, and are managed by BLM.

National Battlefields. A national battlefield is an area of land on which a single historic battle or multiple historic battles took place during varying lengths of time. This general title includes national battlefields, national battlefield parks, national battlefield sites, and national military parks.

National Conservation/Conservation Areas. Congress designates national conservation areas so that present and future generations of Americans can benefit from the conservation, protection, enhancement, use, and management of these areas and enjoy their natural, recreational, cultural, wildlife, aquatic, archeological, paleontological, historical, educational, and/or scientific resources and values. National conservation areas are managed by BLM.

National Historic Landmarks. The Historic Sites Act of 1935 authorizes the Secretary of DOI to designate national historic landmarks as the Federal Government's official recognition of the national significance of historic properties. These landmarks possess exceptional value or quality in illustrating or interpreting the heritage of the United States in history, architecture, archeology, technology, and culture. They also possess a high degree of integrity of location, design, setting, materials, workmanship, feeling, and association. The National Historic Landmark program is administered by NPS. National historic landmarks are managed by IA, BOR, FWS, BLM, and NPS.

National Historic Sites. Usually, a national historic site contains a single historical feature that was directly associated with its subject. Derived from the Historic Sites Act of 1935, some historic sites were established by Secretaries of DOI; but most have been authorized by acts of Congress.

National Historic Trails. Since the passage of the National Trails System Act in 1968, BLM, FWS and NPS have assumed responsibility over several national historic, recreation, or scenic trails designated by Congress. Designations include National Historic Trail, National Scenic Trail, and National Recreation Trail.

National Historical Parks. This designation generally applies to historic parks that extend beyond single properties or buildings.

National Lakeshores. A national lakeshore is a protected area of lakeshore that is maintained to preserve a significant portion of the diminishing shoreline for the benefit, inspiration, education, recreational use, and enjoyment of the public. Although national lakeshores can be established on any natural freshwater lake, the existing four are all located on the Great Lakes. National lakeshores closely parallel national seashores in character and use.

National Memorials. A national memorial is commemorative of a historic person or episode; it need not occupy a site historically connected with its subject.

National Military Parks.
See National Battlefields section.

National Monuments. National monuments are normally designated by Congress to protect historic landmarks, historic and prehistoric structures, or other objects of historic or scientific interest on the public lands. The Antiquities Act of 1906 authorized the President to declare by public proclamation landmarks, structures, and other objects of historic or scientific interest situated on lands owned or controlled by the government to be national monuments. National monuments are managed by BLM, FWS, and NPS.

National Natural Landmarks. National natural landmarks are designated by the Secretary of the Interior. To qualify as a national natural landmark, the area must contain an outstanding representative example of the Nation's natural heritage, including terrestrial communities, aquatic communities, landforms, geological features, habitats of native plant and animal species, or fossil evidence of the development of life on earth and must be located within the boundaries of the United States, its Territories, or on the Continental Shelf. The National Natural Landmark program is administered by NPS. Within DOI, national natural landmarks are managed by BOR, FWS, NPS, and BLM.

National Parks. Generally, national parks are large natural places that encompass a wide variety of attributes, sometimes including significant historic assets. Hunting, mining, and consumptive activities are not authorized.

National Parkways. The title "parkway" refers to a roadway and the parkland paralleling the roadway. All were intended for scenic motoring along a protected corridor and often connect cultural sites.

National Preserves. National preserves are areas having characteristics associated with national parks but in which Congress has permitted continued public hunting, trapping, oil/gas exploration, and extraction.

National Recreation Areas. A national recreation area is an area designated by Congress to both assure the conservation and protection of natural, scenic, historic, pastoral, and fish and wildlife values and to provide for the enhancement of recreational values. National recreation areas are generally centered on large reservoirs and emphasize water-based recreation with some located near major population centers.

National Recreation Trails.
See National Historic Trail section.

National Reserves. National reserves are similar to national preserves, except that management may be transferred to local or state authorities.

National Rivers. There are several variations to this category: national river and recreation area, national scenic river, wild river, etc. These rivers possess remarkable scenic, recreational, geologic, fish and wildlife, historic, cultural, or other similar values and shall be preserved in a free-flowing condition – that they and their immediate environments shall be protected for the benefit and enjoyment of present and future generations.

National Scenic Trails.
See National Historic Trail section.

National Seashores. A national seashore preserves shoreline areas as well as offshore islands with natural and recreational significance with the dual goal of protecting precious, ecologically fragile land, while allowing the public to enjoy a unique resource. The national seashores are located on the Atlantic, Pacific, and Gulf coasts of the United States.

National Wild and Scenic Rivers. Rivers designated in the National Wild and Scenic Rivers System are classified in one of three categories (wild, scenic, and recreational), depending on the extent of development and accessibility along each section. In addition to being free flowing, these rivers and their immediate environments must possess at least one outstanding remarkable value—scenic, recreational, geologic, fish and wildlife, historic, cultural, or other similar values.

National Wildlife Refuges. The NWR land is used for the benefit of fish, wildlife, and plants that depend on these lands for habitat benefit over both the short and long term. These lands are protected for as long as they remain in the NWR System.

Outstanding Natural Area. An outstanding natural area consists of protected lands to preserve exceptional, rare, or unusual natural characteristics and to provide for the protection or enhancement of natural, educational, or scientific values. These areas are protected by allowing physical and biological processes to operate, usually without direct human intervention. The BLM manages three such areas.

International Historic Site. The international historic site, Saint Croix International Historic Site, is relevant to both U.S. and Canadian history and is managed by NPS.

Wilderness Areas. Wilderness areas are defined as a place where the earth and its community of life are untrammaled by man, where man himself is a visitor and does not remain. These areas are open to the public for purposes of recreational, scenic, scientific, educational, conservatorial, and historical use. Generally, a wilderness area is greater than 5,000 acres and appears to have been affected primarily by the forces of nature, with human development substantially unnoticeable. Wilderness areas provide outstanding opportunities for solitude or primitive and unconfined types of recreation. Wilderness areas are managed by BLM, NPS, and FWS.

Research Natural Area. The BLM manages Fossil Forest Research Natural Area (RNA), which was designated by Congress to conserve and protect natural values and to provide scientific knowledge, education, and interpretation for more than 2,000 acres of land and resources in New Mexico.

Archaeological Protection Areas. The BLM manages two Congressionally-designated Archeological Protection Areas in New Mexico. Galisteo Basin is the location for many well-preserved prehistoric and historic archeological resources of Native American and Spanish colonial cultures. Chaco Culture is an area of archeological significance for the Chacoan Anasazi Indian culture.

Special Areas. The BLM manages five Secretarially-designated Special Areas in Alaska. The Utukok River Uplands contains critical habitat for caribou. Teshekpuk Lake and its watershed are an important habitat for a large number of ducks, geese, and swans. Colville River provides critical nesting habitat for the arctic peregrine falcon. Kasegaluk Lagoon was designated as a Special Area where special precautions are necessary to control activities which would disrupt resource values. Peard Bay, newly designated in FY 2013, is an area of Western Alaska provides protections for numerous subsistence species including; caribou herds, tens of thousands of birds and lake and costal fish habitat.

Non-Collectible Heritage Asset Categories	As of 10/1/2011	Increase	Decrease	As of 9/30/2012	Increase	Decrease	As of 9/30/2013
Cooperative Management and Protection Area	1	-	-	1	-	-	1
Headwaters Forest Reserve	1	-	-	1	-	-	1
Lake Todatonten Special Management Area	1	-	-	1	-	-	1
National Battlefield Parks	4	-	-	4	-	-	4
National Battlefield Site	1	-	-	1	-	-	1
National Battlefields	11	-	-	11	-	-	11
National Conservation/ Conservation Areas	17	-	-	17	-	-	17
National Historic Landmarks (NHL)	207	2	2	207	6	-	213
National Historic Sites	78	-	-	78	-	-	78
National Historic Trails	11	2	-	13	-	-	13
National Historical Parks	45	1	-	46	-	-	46
National Lakeshores	4	-	-	4	-	-	4
National Memorials	29	-	-	29	-	-	29
National Military Parks	9	-	-	9	-	-	9
National Monuments	96	2	-	98	6	1	103
National Natural Landmarks (NNL)	108	-	-	108	6	-	114
National Parks	58	-	-	58	1	-	59
National Parkways	4	-	-	4	-	-	4
National Preserves	18	-	-	18	-	-	18
National Recreation Areas	20	-	-	20	-	-	20
National Recreation Trails	99	7	-	106	4	-	110
National Reserves	2	-	-	2	-	-	2
National Rivers	5	-	-	5	-	-	5
National Scenic Trails	8	-	-	8	-	-	8
National Seashores	10	-	-	10	-	-	10
National Wild and Scenic Rivers	92	-	-	92	-	-	92
National Wildlife Refuges	555	5	-	560	1	-	561
Outstanding Natural Areas	3	-	-	3	-	-	3
International Historic Site	1	-	-	1	-	-	1
Wilderness Areas	355	-	-	355	-	-	355
Research Natural Area	1	-	-	1	-	-	1
Archaeological Protection Areas	2	-	-	2	-	-	2
Special Areas	4	-	-	4	1	-	5
Other	11	-	-	11	-	-	11
Total	1,871	19	2	1,888	25	1	1,912

Other. This category includes those park units that cannot be readily included in any of the standard categories. Examples include Catoctin Mountain Park, Maryland; Constitution Gardens, District of Columbia; National Capital Parks in the District of Columbia, Maryland, and Virginia; the White House; the National Mall; and Wolf Trap National Park for the Performing Arts located in Virginia.

Collectible Heritage Assets

The Department is a steward of a large, unique, and diversified collection of library holdings and museum collections.

Library Collections

Library collections are added when designated by the Secretary, Congress, or the President. A library collection may be withdrawn if it is later managed as part of a museum collection, if legislation is amended, and/or if the park unit is withdrawn.

For information on the condition of library collections, refer to the Required Supplementary Information of the Report.

Departmental Offices. The DO manages the Interior Library. This library was created by Secretarial order and the collections represent a national resource in the disciplines vital to the missions of the Department. The collection covers Native American culture and history, American history, national parks, geology, nature, wildlife management, public lands management, and law. In addition, the library's collection of online databases and access to other electronic information sources enable Departmental personnel and other researchers to access needed information from their computers. Departmental policy dictates that copies of all publications produced by or for its bureaus and offices will be deposited in the library collection.

U.S. Geological Survey. The USGS library holdings, collected during more than a century of providing library services, are an invaluable legacy to the Nation. The Secretarial Order that founded USGS decreed that copies of reports published by USGS should be given to the library in exchange for publications of state and national geological surveys and societies. The USGS's four library collections provide scientific information needed by DOI researchers, as well as researchers of other government agencies, universities, and professional communities. Besides providing resources for USGS scientific investigations, the library collections provide access to geographical, technical, and historical literature in paper and electronic formats for the general public and the industry. These libraries are housed in Reston, Virginia; Menlo Park, California; Denver, Colorado; and, Flagstaff, Arizona.

National Park Service. The NPS reports two libraries that are specifically designated as libraries in NPS establishing legislation and are not managed as part of the park's museum collection.

Museum Collections

The DOI's museum property is intimately associated with the lands and cultural and natural resources for which DOI bureaus share stewardship responsibilities. Disciplines represented include art, ethnography, archeology, documents, history, biology, paleontology, and geology.

Museum collections are organized by location for the purposes of physical accountability. Each bureau has the authority to add or remove an individual museum collection unit based on its own discretion.

Museum collections are housed in both DOI and non-DOI facilities in an effort to maximize awareness of and accessibility to the collections by the public and DOI bureau employees. Museum collections managed by DOI are important for both the intrinsic value and the usefulness in supporting DOI's mission of managing DOI land, cultural resources, and natural resources. Housing museum collections in non- DOI facilities also allows for cost effective care by professionals in those facilities, which are often non-Federal.

For information on the condition of museum collections, refer to the Required Supplementary Information section of the Report.

Library Collections	As of 10/1/2011	Increase	Decrease	As of 9/30/2012	Increase	Decrease	As of 9/30/2013
Total	7	-	-	7	-	-	7

Interior Museum Collections	As of 10/1/2011	Increase	Decrease	As of 9/30/2012	Increase	Decrease	As of 9/30/2013
Held at Interior Bureau Facilities	585	3	15	573	1	8	566
Held at Non-Interior Bureau Facilities	478	2	40	440	8	3	445
Total	1,063	5	55	1,013	9	11	1,011

NOTE 10. ASSETS ANALYSIS

Assets of DOI include entity assets and non- entity assets. Non-entity assets are currently held by but not available to DOI and will be forwarded to Treasury or other agencies at a future date.

Non-entity assets, restricted by nature, consist of ONRR custodial royalty activity, helium held for others, a portion of the Sport Fish Restoration and Boating Trust Fund that is held for others, amounts in deposit, miscellaneous receipts, special receipts, and budget clearing accounts held for others.

The DOI's assets as of September 30, 2013, are summarized into the following categories:

(dollars in thousands)	Entity	Non-Entity	FY 2013
Intragovernmental Assets			
Fund Balance with Treasury	$ 47,993,999	$ 601,660	$ 48,595,659
Investments, Net	7,527,393	25,467	7,552,860
Accounts and Interest Receivable	1,016,966	794,079	1,811,045
Loans and Interest Receivable, Net	3,352,753	-	3,352,753
Advances and Prepayments	2,688	-	2,688
Total Intragovernmental Assets	59,893,799	1,421,206	61,315,005
Cash	$ 437	-	$ 437
Investments, Net	16	-	16
Accounts and Interest Receivable, Net	207,927	2,274,287	2,482,214
Loans and Interest Receivable, Net	61,622	-	61,622
Inventory and Related Property, Net	130,066	-	130,066
General Property, Plant, and Equipment, Net	21,963,995	-	21,963,995
Advances and Prepayments	44,739	-	44,739
Other Miscellaneous Assets	47,725	154,858	202,583
TOTAL ASSETS	$ 82,350,326	$ 3,850,351	$ 86,200,677

The DOI's assets as of September 30, 2012, are summarized into the following categories:

(dollars in thousands)	Entity	Non-Entity	FY 2012
Intragovernmental Assets			
Fund Balance with Treasury	$ 44,209,778	$ 386,848	$ 44,596,626
Investments, Net	6,615,919	233,582	6,849,501
Accounts and Interest Receivable	1,078,988	870,336	1,949,324
Loans and Interest Receivable, Net	3,164,122	-	3,164,122
Advances and Prepayments	701	-	701
Total Intragovernmental Assets	55,069,508	1,490,766	56,560,274
Cash	447	-	447
Investments, Net	18	-	18
Accounts and Interest Receivable, Net	182,952	3,002,960	3,185,912
Loans and Interest Receivable, Net	63,116	-	63,116
Inventory and Related Property, Net	140,304	-	140,304
General Property, Plant, and Equipment, Net	21,041,652	-	21,041,652
Advances and Prepayments	51,403	-	51,403
Other Miscellaneous Assets	58,339	96,726	155,065
TOTAL ASSETS	$ 76,607,739	$ 4,590,452	$ 81,198,191

NOTE 11. DEBT

Intragovernmental debt to Treasury activity as of September 30, 2013 and 2012 is summarized as follows:

(dollars in thousands)	FY 2012 Beginning Balance	Borrowing / (Repayments), Net	FY 2012 Ending Balance	Borrowing / (Repayments), Net	FY 2013 Ending Balance
Helium Fund	$ 224,204	$ (180,000)	$ 44,204	$ -	$ 44,204
Credit Reform Borrowings	53,121	(2,957)	50,164	2,961	53,125
Total Debt Due to Treasury	$ 277,325	$ (182,957)	$ 94,368	$ 2,961	$ 97,329

Debt related to the Helium Fund as of September 30, 2013 and 2012, is summarized as follows:

(dollars in thousands)	FY 2013	FY 2012
Principal		
Balance, Beginning of Year	$ 44,204	$ 224,204
Repayments - Principal	-	(180,000)
Balance, End of Year	44,204	44,204
Interest		
Balance, Beginning of Year	-	-
Repayments - Interest	-	-
Balance, End of Year	-	-
Total Debt Due to Treasury	$ 44,204	$ 44,204

A. Helium Fund - Bureau of Land Management

The Helium Fund was established in the late 1950s and early 1960s to ensure that the Federal Government had access to a dependable supply of helium, which at that time was considered to be a critical defense commodity. Start-up capital was loaned to the helium program with the expectation that the capital would be repaid with the proceeds of sales to other Federal Government users of helium.

The principal reported in the table above reflects the net worth capital and retained earnings of the Helium Fund and the acquisition and construction of helium plants and facilities and other related purposes, including the purchase of helium. These amounts were due 25 years from the date the funds were borrowed.

Interest was accrued prior to 1996; however, with the passage of the *Helium Privatization Act of 1996*, no further interest is being accrued on this debt. In FY 2011, the accrued interest was fully paid and DOI started repaying the principal on the debt. The remaining balance at the end of FY 2013 was fully paid on October 7, 2013.

B. Intragovernmental Debt to Treasury under Credit Reform

The IA, BOR, and DO (Office of Insular Affairs), have borrowed funds from Treasury in accordance with the Federal Credit Reform Act of 1990 to fund loans under various loan programs.

Departmental Offices

Interest is accrued annually based on the prevailing market yield on Treasury securities of comparable maturity. The weighted average interest rate used to calculate interest owed to Treasury is 5.42 percent. The repayment date for this loan is September 30, 2027.

Indian Affairs

The FCRA authorizes IA to borrow from Treasury the amount of a direct loan disbursement, less the subsidy. The FCRA provides that the present value of the subsidy costs (i.e., interest rate differentials, interest subsidies, estimated delinquencies and defaults, fee offsets, and other cash flows) associated with the direct loans and loan guarantees be recognized as a cost in the year the direct or guaranteed loan is disbursed.

Maturity dates for the amounts borrowed from Treasury range from 2022 to 2026. Interest rates for these securities range from 3.85 percent to 7.46 percent.

Bureau of Reclamation

As discussed in Note 6, Loans and Interest Receivable, BOR establishes loans that are subject to the provisions of FCRA. Under FCRA, loans consist of two components—the portion borrowed from the Treasury and the appropriated portion to cover the estimated subsidy. The maturity dates for these loans range from 2028 to 2043. Financing accounts must earn and pay interest at the same rate used to discount the credit subsidy cash flows for each cohort. A disbursement-weighted average discount rate is used for FY 1992-2000 cohort years and ranges from 5.81 percent to 7.39 percent. A single effective rate is used for FY 2001-2002 cohort years and ranges from 5.42 percent to 5.59 percent.

NOTE 12. FEDERAL EMPLOYEE AND VETERAN BENEFITS

Federal Employee and Veteran Benefits as of September 30, 2013, and 2012, consisted of the following:

(dollars in thousands)	FY 2013	FY 2012
Federal Employee and Veteran Benefits		
U.S. Park Police Pension Actuarial Liability	$ 622,894	$ 662,020
U.S. Park Police Pension Current Liability	39,803	39,580
Federal Employees Compensation Actuarial Liability	846,634	796,648
Total Federal Employee and Veteran Benefits	$ 1,509,331	$ 1,498,248

U.S. Park Police Pension Plan. In estimating the USPP Pension Plan liability and associated expense, NPS's actuary applies economic assumptions to historical cost information to estimate the government's future cost to provide benefits to current and future retirees. The estimate is adjusted by the time value of money and the probability of having to pay benefits due to assumed decrements for mortality, and terminations.

The following table presents the significant economic assumptions used to estimate the USPP Pension Plan liability, and the changes in the USPP Pension Plan liability balances. The USPP Pension Plan discount rate of 4.1 percent in FY 2013 and 4.3 percent in FY 2012 matched the discount rate used by OPM for the CSRS plan, but differed from the 4.4 percent in FY 2013 and 4.7 percent in FY 2012 discount rates used for the FERS plan. Additionally, the USPP Pension Plan inflationary rates of 2.2 percent in FY 2013 and 2.6 percent in FY 2012 differed from the 2.5 percent in FY 2013 and 2.5 percent in FY 2012 inflationary rates used by OPM. The NPS calculated its discount rate based on the demographics of the USPP Pension Plan participants and an updated longevity assumption.

Economic Assumptions Used Expressed in Percentages	FY 2013	FY 2012
Interest Rate	4.10	4.30
Inflationary Rate	2.20	2.60
Projected Salary Increase	2.20	2.60

USPP Pension Plan Liability *(dollars in thousands)*	FY 2013	FY 2012
Beginning Balance	$ 701,600	$ 741,500
Pension Expenses		
Normal Costs	-	100
Interest on liability	29,000	33,200
Actuarial (gains) or losses from experience	(15,197)	(18,520)
Actuarial (gains) or losses from assumption changes	(12,900)	(15,100)
Total Pension Expenses	903	(320)
Less Benefit Payments	(39,806)	(39,580)
Ending Balance	$ 662,697	$ 701,600

NOTE 13. CONTINGENT LIABILITIES AND ENVIRONMENTAL AND DISPOSAL LIABILITIES

The DOI is party to various administrative proceedings, legal actions, and tort claims which may result in settlements or decisions adverse to the Federal Government and has responsibility to remediate sites with environmental contamination.

The accrued and potential Contingent Liabilities and Environmental and Disposal Liabilities as of September 30, 2013, and 2012, are summarized in the categories below.

FY 2013 (dollars in thousands)	Accrued Liabilities	Estimated Range of Loss	
		Lower End of Range	Upper End of Range
Contingent Liabilities			
Probable	$ 1,035,563	$ 1,035,563	$ 1,309,415
Reasonably Possible		262,917	1,552,196
Environmental and Disposal Liabilities			
Probable	192,142	192,142	1,271,460
Reasonably Possible		$ 61,991	$ 138,796

FY 2012 (dollars in thousands)	Accrued Liabilities	Estimated Range of Loss	
		Lower End of Range	Upper End of Range
Contingent Liabilities			
Probable	$ 4,387,944	$ 4,387,944	$ 4,647,453
Reasonably Possible	-	273,111	1,110,082
Environmental and Disposal Liabilities			
Probable	176,510	176,510	1,213,243
Reasonably Possible	$ -	$ 67,220	$ 153,650

General Contingent Liabilities

General Contingent Liabilities consist of numerous lawsuits and claims filed against DOI which are awaiting adjudication. These liabilities typically relate to Federal Tort Claims Act administrative and judicial claims, contract-related actions, tribal and Indian trust-related matters, personnel and employment-related matters, and various land and resource related claims and adjudications. Most of the cash settlements are expected to be paid out of the Judgment Fund, which is maintained by Treasury, rather than the operating resources of DOI. In suits brought through the *Contract Disputes Act of 1978* and awards under *Federal Antidiscrimination and Whistleblower Protection Acts*, DOI is required to reimburse the Judgment Fund from future agency appropriations.

No amounts have been accrued in the financial records for claims where the amount of potential loss cannot be estimated or the likelihood of an unfavorable outcome is less than probable.

Matters for which the likelihood of an unfavorable outcome is less than probable but more than remote involve a wide variety of allegations and claims. These matters arise in the course of carrying out DOI programs and operations, including interaction with tribes and individual Indians, interaction with trust territory in the Pacific Islands, operation of wildlife refuges, law enforcement of DOI-managed land, general management activities on DOI land, resource related claims, and operations of reclamation projects. The ultimate outcomes in these matters cannot be predicted at this time. Sufficient information is not currently available to determine if the ultimate resolution of the proceedings, actions, and claims will materially affect DOI's financial position or results of operations.

The following matters had significant impact on DOI's contingent liabilities in FY 2013 and FY 2012. The Cobell settlement under the *Claims Resolution Act of 2010*, which President Obama signed into law on December 8, 2010, resolved a class action lawsuit regarding the U.S. Government's trust management and accounting of Native American trust accounts and resources. Under the settlement, $1.5 billion was distributed to class members in compensation for claims alleging historical accounting problems and to resolve potential claims that the United States mismanaged the administration of trust assets. The agreement also established a $1.9 billion fund for the voluntary buy-back and consolidation of fractionated land interests to address the continued proliferation of thousands of new trust accounts caused by the division of land interests through succeeding generations. With the establishment of the Trust Land Consolidation Fund in the amount of $1.9 billion and the distribution of $1.5 billion of compensation to class members during FY 2013, the case was considered final and resulted in the decrease of $3.4 billion in DOI's contingent liabilities in FY 2013.

Environmental and Disposal Liability

The DOI is subject to environmental laws and regulations regarding air, water, and land use, the storage and disposal of hazardous materials, and the operations and closure of facilities at which environmental contamination may be present. The major Federal laws covering environmental response, cleanup, and monitoring are the: *Comprehensive Environmental Response, Compensation, and Liability Act*; *Resource Conservation and Recovery Act*; *Oil Pollution Act*; *Clean Water Act*; *Clean Air Act*; *Safe Drinking Water Act*; and, *Asbestos Hazard Emergency Response Act*. Responsible parties, which may include Federal agencies under certain circumstances, are required to remove releases of hazardous substances from facilities they own, operate, or at which they arranged for the disposal of such substances. There are no material changes in total estimated cleanup costs that are due to changes in law and technology. Estimated environmental and disposal liabilities include expected future cleanup costs, and for those sites where future liability is unknown, the cost of studies necessary to evaluate response requirements.

Certain Departmental facilities may include asbestos containing materials in the construction or later renovation. These materials, while in an undisturbed or encapsulated state (e.g., nonfriable asbestos), are not subject to cleanup under applicable law. The DOI's policy is that unless and until the materials become friable or otherwise capable of causing contamination, the costs for monitoring or other management of these materials are not to be accrued as environmental cleanup. Instead, the costs of removing non-friable asbestos are reported as a liability in note 14.

NOTE 14. LIABILITIES ANALYSIS

Liabilities covered by budgetary resources are funded liabilities to be paid with existing budgetary resources. Liabilities not covered by budgetary resources represent those unfunded liabilities for which Congressional action is needed before budgetary resources can be provided.

In the Cobell Settlement, as confirmed by the *Claims Resolution Act of 2010* and approved with finality on November 24, 2012, after appeals were exhausted through the U.S. Supreme Court, provides for a $1.9 billion Trust Land Consolidation Fund (Fund). The Settlement charges DOI with the responsibility to use the Fund within a 10-year period to acquire, at fair market value as defined in the *Indian Land Consolidation Act* (ILCA), fractional interests in trust or restricted land that individuals are willing to sell to DOI. Acquired interests will remain in trust or restricted status through transfer to tribes. As an incentive to participate in the program, when individuals sell fractional interests, up to $60 million from the Fund will go to an Indian Education Scholarship Fund for American Indian and Alaska Native students. In addition, DOI is authorized to spend no more than 15 percent of the total Trust Land Consolidation Fund (or $285 million) for purposes of implementing the Land Consolidation Program and paying the costs related to the work of the Secretarial Commission on Trust Reform, including costs of consultants to the Commission and audits recommended by the Commission.

In recognition of DOI's responsibility to fulfill the terms of the settlement, DOI recorded a liability of $1.9 billion for the Trust Land Consolidation Program, which was reported as a contingent liability in FY 2012. The liability will be reduced through the execution of these programs. In FY 2013, DOI incurred costs to establish the Buy-Back Program office and infrastructure to execute the program resulting in a liability balance of $1,897 million. Since it is not clear how many individual owners will be interested in selling their fractional interests, as participation in the Buy-Back Program is strictly voluntary, we reported $211 million or 1/9th of the total as current and the remainder $1,686 million as non-current.

In FY 2013, DOI implemented Technical Bulletin 2006-1, *Recognition and Measurement of Asbestos Related Cleanup Costs,* resulting in a non-current, not covered by budgetary resources public liability of $537,601 thousand for the asbestos cleanup liability.

The DOI's liabilities covered and not covered by budgetary resources as of September 30, 2013, are as follows:

(dollars in thousands)	Covered by Budgetary Resources		Not Covered by Budgetary Resources		FY 2013
	Current	Non-Current	Current	Non-Current	
Intragovernmental Liabilities:					
Accounts Payable	$ 75,383	$ -	$ 144,775	$ 412,050	$ 632,208
Debt	44,204	53,125	-	-	97,329
Other					
Resources Payable to Treasury	-	-	37,329	1,850,563	1,887,892
Advances and Deferred Revenue	295,647	-	4,920	2,534	303,101
Custodial Liability	-	-	368,599	504,677	873,276
Other Liabilities					
Accrued Employee Benefits	74,600	-	23,399	16,958	114,957
Judgment Fund	-	-	-	202,514	202,514
Unfunded FECA Liability	-	-	54,145	81,217	135,362
Other Miscellaneous Liabilities	8	-	437,351	20,441	457,800
Total Other Liabilities	74,608	-	514,895	321,130	910,633
Total Other Intragovernmental Liabilities	370,255	-	925,743	2,678,904	3,974,902
Total Intragovernmental Liabilities	489,842	53,125	1,070,518	3,090,954	4,704,439
Public Liabilities:					
Accounts Payable	971,896	-	-	-	971,896
Loan Guarantee Liability	-	29,445	-	-	29,445
Federal Employee and Veteran Benefits					
U.S. Park Police Pension Actuarial Liability	-	-	-	622,894	622,894
U.S. Park Police Pension Current Liability	39,803	-	-	-	39,803
FECA Actuarial Liability	-	-	-	846,634	846,634
Total Federal Employee and Veteran Benefits	39,803	-	-	1,469,528	1,509,331
Environmental and Disposal Liabilities	-	-	-	192,142	192,142
Other					
Contingent Liabilities	-	-	3,661	1,031,902	1,035,563
Trust Land Consolidation Program	210,768	1,686,142	-	-	1,896,910
Asbestos Cleanup Liability	-	-	-	537,601	537,601
Advances and Deferred Revenue	349,784	-	177,592	218,067	745,443
Payments Due to States	-	-	528,221	484,886	1,013,107
Grants Payable	415,795	-	-	-	415,795
Other Liabilities					
Accrued Payroll and Benefits	321,635	-	-	-	321,635
Unfunded Annual Leave	-	-	30,840	360,533	391,373
Custodial Liability	-	-	532	-	532
Secure Rural Schools Act Payable	-	-	311	-	311
Storm Damage	23,445	43,541	-	-	66,986
Other Miscellaneous Liabilities	30,025	60,417	168,501	107,332	366,275
Total Other Liabilities	375,105	103,958	200,184	467,865	1,147,112
Total Other Public Liabilities	1,351,452	1,790,100	909,658	2,740,321	6,791,531
Total Public Liabilities	2,363,151	1,819,545	909,658	4,401,991	9,494,345
Total Liabilities	$ 2,852,993	$ 1,872,670	$ 1,980,176	$ 7,492,945	$ 14,198,784

The DOI's liabilities covered and not covered by budgetary resources as of September 30, 2012, are as follows:

(dollars in thousands)	Covered by Budgetary Resources		Not Covered by Budgetary Resources		FY 2012
	Current	Non-Current	Current	Non-Current	
Intragovernmental Liabilities:					
Accounts Payable	$ 74,628	$ -	$ 159,906	$ 432,338	$ 666,872
Debt	44,204	50,164	-	-	94,368
Other					
Resources Payable to Treasury	-	-	37,185	1,813,737	1,850,922
Advances and Deferred Revenue	340,761	242	2,193	73	343,269
Custodial Liability	-	-	412,950	731,100	1,144,050
Other Liabilities					
Accrued Employee Benefits	74,063	-	20,068	16,276	110,407
Judgment Fund	-	-	-	202,334	202,334
Unfunded FECA Liability	-	-	55,135	82,703	137,838
Other Miscellaneous Liabilities	26,342	-	164,583	247,821	438,746
Total Other Liabilities	100,405	-	239,786	549,134	889,325
Total Other Intragovernmental Liabilities	441,166	242	692,114	3,094,044	4,227,566
Total Intragovernmental Liabilities	559,998	50,406	852,020	3,526,382	4,988,806
Public Liabilities:					
Accounts Payable	753,672	62,166	-	-	815,838
Loan Guarantee Liability	-	29,425	-	-	29,425
Federal Employee and Veteran Benefits					
U.S. Park Police Pension Actuarial Liability	-	-	-	662,020	662,020
U.S. Park Police Pension Current Liability	39,580	-	-	-	39,580
FECA Actuarial Liability	-	-	-	796,648	796,648
Total Federal Employee and Veteran Benefits	39,580	-	-	1,458,668	1,498,248
Environmental and Disposal Liabilities	-	-	-	176,510	176,510
Other					
Contingent Liabilities	-	-	3,661	4,384,283	4,387,944
Advances and Deferred Revenue	340,709	-	291,304	204,136	836,149
Payments Due to States	-	-	537,797	702,429	1,240,226
Grants Payable	496,655	-	-	-	496,655
Other Liabilities					
Accrued Payroll and Benefits	325,512	-	-	-	325,512
Unfunded Annual Leave	-	-	54,039	361,222	415,261
Capital Leases	-	-	-	-	-
Custodial Liability	-	-	5,270	-	5,270
Secure Rural Schools Act Payable	-	-	104,480	-	104,480
Storm Damage	3,105	5,766	-	-	8,871
Other Miscellaneous Liabilities	32,594	644	13,618	100,704	147,560
Total Other Liabilities	361,211	6,410	177,407	461,926	1,006,954
Total Other Public Liabilities	1,198,575	6,410	1,010,169	5,752,774	7,967,928
Total Public Liabilities	1,991,827	98,001	1,010,169	7,387,952	10,487,949
Total Liabilities	$ 2,551,825	$ 148,407	$ 1,862,189	$10,914,334	$ 15,476,755

NOTE 15. LEASES

Operating Leases

Most of DOI's facilities are obtained through the General Services Administration (GSA), which charges an amount that approximates commercial rental rates. The terms of DOI's agreements with GSA will vary according to whether the underlying assets are owned by GSA (or another Federal agency) or rented by GSA from the private sector. For Federally-owned property, DOI either periodically executes an agreement with GSA or enters into cancelable agreements, some of which do not have a formal expiration date. The DOI can vacate these properties after giving 120 to 180 days notice of the intent to vacate.

For real and personal property non-cancellable operating leases, future payments are calculated based on the terms of the agreement or an annual inflationary factor of 1.6 percent is applied. The inflationary factors are applied against the actual 2013 rental expense.

The aggregate of DOI's future minimum lease payments for operating leases are presented in the following table.

Future payments due under non-cancellable operating leases as of September 30, 2013, consist of the following:

Future Operating Leases *(dollars in thousands)*	Real Property		Personal Property		Totals
	Federal	Public	Federal	Public	
FY 2014	$ 60,999	$ 31,039	$ 11,525	$ 6,068	$ 109,631
FY 2015	58,455	28,110	11,709	5,710	103,984
FY 2016	58,951	27,405	11,896	5,733	103,985
FY 2017	59,443	26,848	12,087	5,805	104,183
FY 2018	59,515	26,852	12,280	5,884	104,531
Thereafter	128,232	150,876	-	-	279,108
Total Future Operating Lease Payments	$ 425,595	$ 291,130	$ 59,497	$ 29,200	$ 805,422

NOTE 16. COSTS

By law, DOI, as an agency of the Federal government, is dependent upon other government agencies for centralized services. Some of these services, such as tax collection and management of the public debt, are not directly identifiable to DOI and are not reflected in DOI's financial condition and results. However, in certain cases, other Federal agencies incur costs that are directly identifiable to DOI operations, including payment of claims and litigation by Treasury's Judgment Fund, and the partial funding of retirement benefits by OPM. In accordance with SFFAS No. 30,*Inter-Entity Cost Implementation Amending SFFAS 4, Managerial Cost Accounting Standards and Concepts*, DOI recognizes identified costs paid for DOI by other agencies as expenses of DOI. The funding for these costs is reflected as imputed financing sources on the Statement of Changes in Net Position. Costs paid by other agencies on behalf of the DOI were $2,416,725 thousand and $2,102,193 thousand during FY 2013 and FY 2012, respectively. The DOI's imputed costs that were recognized on the Statement of Net Cost but eliminated for consolidation purposes were $37,153 thousand and $84,382 thousand during FY 2013 and FY 2012, respectively.

During FY 2013 and FY 2012, the costs associated with acquiring, constructing, and renovating heritage assets were $148,157 thousand and $217,003 thousand, respectively. The costs associated with acquiring and improving stewardship lands were $139,389 thousand and $110,482 thousand during FY 2013 and FY 2012, respectively.

NOTE 17. COSTS AND EXCHANGE REVENUE BY RESPONSIBILITY SEGMENT

The following tables present DOI's earned revenues and associated costs for sales of goods and services to Federal agencies and the public.

Responsibility Segment Presentation.
The OMB Circular No. A-136, *Financial Reporting Requirements*, requires that the presentation of the Statement of Net Cost align directly with the goals and outcomes identified in the strategic plan. Accordingly, DOI is presenting the FY 2013 and FY 2012 earned revenue and gross costs by Mission Goals from DOI's FY 2011- 2016 Strategic Plan.

The DOI's primary Mission Goals are: Provide Natural and Cultural Resource Protection, Manage Energy, Water & Natural Resources, Advance Government-to-Government Relationships, Provide a Scientific Foundation for Decision Making, and Building a 21st Century Department of the Interior. Reimbursable costs related to services provided to other Federal agencies and costs that are not part of DOI's core mission are presented as Reimbursable Activity and Other. The DOI's reimbursable activity is predominately the intra-governmental acquisition of goods and services through DOI's Working Capital Funds and Franchise Fund for general support of the Department's mission and goals.

Costs and exchange revenue by responsibility segment for the year ended September 30, 2013, consists of the following:

(dollars in thousands)	Indian Affairs	Bureau of Land Management	Bureau of Reclamation	Departmental Offices and Other	Bureau of Ocean Energy Management
Provide Natural and Cultural Resource Protection					
Intragovernmental Costs	$ 54,631	$ 426,772	$ 48,888	$ 6,965	$ -
Public Costs	153,428	1,053,266	60,155	44,662	-
Total Costs	$ 208,059	$ 1,480,038	$ 109,043	$ 51,627	$ -
Intragovernmental Earned Revenue	596	76,759	4,790	634	-
Public Earned Revenue	75	141,622	42,276	357	-
Total Earned Revenue	671	218,381	47,066	991	-
Net Costs	$ 207,388	$ 1,261,657	$ 61,977	$ 50,636	$ -
Manage Energy, Water & Natural Resources					
Intragovernmental Costs	$ 41,947	$ 99,445	$ 554,988	$ 18,675	$ 71,664
Public Costs	132,306	321,456	733,124	1,833,977	88,813
Total Costs	$ 174,253	$ 420,901	$ 1,288,112	$ 1,852,652	$ 160,477
Intragovernmental Earned Revenue	9,315	14,809	243,300	-	-
Public Earned Revenue	98,289	440,137	876,027	7	164,806
Total Earned Revenue	107,604	454,946	1,119,327	7	164,806
Net Costs	$ 66,649	$ (34,045)	$ 168,785	$ 1,852,645	$ (4,329)
Advance Government-to-Government Relationships					
Intragovernmental Costs	$ 2,110,364	$ -	$ -	$ 63,763	$ -
Public Costs	959,457	-	-	765,981	-
Total Costs	$ 3,069,821	$ -	$ -	$ 829,744	$ -
Intragovernmental Earned Revenue	221,004	-	-	18,991	-
Public Earned Revenue	32,927	-	-	25,316	-
Total Earned Revenue	253,931	-	-	44,307	-
Net Costs	$ 2,815,890	$ -	$ -	$ 785,437	$ -
Provide a Scientific Foundation for Decision Making					
Intragovernmental Costs	$ -	$ -	$ -	$ -	$ -
Public Costs	-	-	-	-	-
Total Costs	$ -	$ -	$ -	$ -	$ -
Intragovernmental Earned Revenue	-	-	-	-	-
Public Earned Revenue	-	-	-	-	-
Total Earned Revenue	-	-	-	-	-
Net Costs	$ -	$ -	$ -	$ -	$ -
Building a 21st Century Department of the Interior					
Intragovernmental Costs	$ -	$ 75,793	$ -	$ -	$ -
Public Costs	-	306,295	-	-	-
Total Costs	$ -	$ 382,088	$ -	$ -	$ -
Intragovernmental Earned Revenue	-	12,778	-	-	-
Public Earned Revenue	-	7,292	-	-	-
Total Earned Revenue	-	20,070	-	-	-
Net Costs	$ -	$ 362,018	$ -	$ -	$ -
Reimbursable Activity and Other					
Intragovernmental Costs	$ -	$ -	$ 268,867	$ 514,183	$ 493
Public Costs	-	-	511,540	2,438,237	1,122
Total Costs	$ -	$ -	780,407	2,952,420	1,615
Intragovernmental Earned Revenue	-	-	404,741	2,207,217	1,615
Public Earned Revenue	-	-	74,247	13,493	196
Total Earned Revenue	-	-	478,988	2,220,710	1,811
Net Costs	$ -	$ -	$ 301,419	$ 731,710	$ (196)
Total					
Intragovernmental Costs	$ 2,206,942	$ 602,010	$ 872,743	$ 603,586	$ 72,157
Public Costs	1,245,191)	1,681,017	1,304,819	5,082,857	89,935
Total Costs	$ 3,452,133	$ 2,283,027	$ 2,177,562	$ 5,686,443	$ 162,092
Intragovernmental Earned Revenue	230,915	104,346	652,831	2,226,842	1,615
Public Earned Revenue	131,291	589,051	992,550	39,173	165,002
Total Earned Revenue	362,206	693,397	1,645,381	2,266,015	166,617
Net Cost of Operations	$ 3,089,927	$ 1,589,630	$ 532,181	$ 3,420,428	$ (4,525)

Bureau of Safety and Environmental Enforcement	National Park Service	Office of Surface Mining Reclamation & Enforcement	U.S. Fish and Wildlife Service	U.S. Geological Survey	Elimination of Intra-Department Activity	FY 2013
$ -	$ 779,903	$ 8,550	$ 424,514	$ -	$ (485,282)	$ 1,264,941
-	2,614,341	263,383	2,689,382	-	-	6,878,617
$ -	$ 3,394,244	$ 271,933	$ 3,113,896	$ -	$ (485,282)	$ 8,143,558
-	93,970	35	182,838	-	(126,531)	233,091
-	431,580	21	84,263	-	-	700,194
-	525,550	56	267,101	-	(126,531)	933,285
$ -	$ 2,868,694	$ 271,877	$ 2,846,795	$ -	$ (358,751)	$ 7,210,273
$ 71,934	$ -	$ 18,991	$ 4,804	$ -	$ (480,549)	$ 401,899
91,240	-	99,854	20,423	-	-	3,321,193
$ 163,174	$ -	$ 118,845	$ 25,227	$ -	$ (480,549)	$ 3,723,092
-	-	-	6,599	-	(43,047)	230,976
59,081	-	14	1,563	-	-	1,639,924
59,081	-	14	8,162	-	(43,047)	1,870,900
$ 104,093	$ -	$ 118,831	$ 17,065	$ -	$ (437,502)	$ 1,852,192
$ -	$ -	$ -	$ 285	$ -	$ (110,537)	$ 2,063,875
-	-	-	3,922	-	-	1,729,360
$ -	$ -	$ -	$ 4,207	$ -	$ (110,537)	$ 3,793,235
-	-	-	1,214	-	(4,026)	237,183
-	-	-	362	-	-	58,605
-	-	-	1,576	-	(4,026)	295,788
$ -	$ -	$ -	$ 2,631	$ -	$ (106,511)	$ 3,497,447
$ -	$ -	$ -	$ -	$ 442,514	$ (94,592)	$ 347,922
-	-	-	-	1,184,898	-	1,184,898
$ -	$ -	$ -	$ -	$ 1,627,412	$ (94,592)	$ 1,532,820
-	-	-	-	313,126	(141,921)	171,205
-	-	-	-	201,237	-	201,237
-	-	-	-	514,363	(141,921)	372,442
$ -	$ -	$ -	$ -	$ 1,113,049	$ 47,329	$ 1,160,378
$ -	$ -	$ -	$ -	$ -	$ (27,650)	$ 48,143
-	-	-	-	-	-	306,295
$ -	$ -	$ -	$ -	$ -	$ (27,650)	$ 354,438
-	-	-	-	-	(11,680)	1,098
-	-	-	-	-	-	7,292
-	-	-	-	-	(11,680)	8,390
$ -	$ -	$ -	$ -	$ -	$ 15,970	$ 346,048
$ 10,838	$ -	$ 9	$ -	$ -	(315,250)	$ 479,140
30,459	-	289,417	-	-	-	3,270,775
41,297	-	289,426	-	-	(315,250)	3,749,915
40,406	-	8	-	-	(1,149,502)	1,504,485
1,065	-	42	-	-	-	89,043
41,471	-	50	-	-	(1,149,502)	1,593,528
$ (174)	$ -	$ 289,376	$ -	$ -	834,252	$ 2,156,387
$ 82,772	$ 779,903	$ 27,550	$ 429,603	$ 442,514	$ (1,513,860)	$ 4,605,920
121,699	2,614,341	652,654	2,713,727	1,184,898	-	16,691,138
$ 204,471	$ 3,394,244	$ 680,204	$ 3,143,330	$ 1,627,412	$ (1,513,860)	$ 21,297,058
40,406	93,970	43	190,651	313,126	(1,476,707)	2,378,038
60,146	431,580	77	86,188	201,237	-	2,696,295
100,552	525,550	120	276,839	514,363	(1,476,707)	5,074,333
$ 103,919	$ 2,868,694	$680,084	$ 2,866,491	$ 1,113,049	$ (37,153)	$ 16,222,725

Costs and exchange revenue by responsibility segment for the year ended September 30, 2012, consists of the following:

(dollars in thousands)	Indian Affairs	Bureau of Land Management	Bureau of Reclamation	Departmental Offices and Other	Bureau of Ocean Energy Management
Provide Natural and Cultural Resource Protection					
Intragovernmental Costs	$ 108,089	$ 408,356	$ 38,699	$ 7,791	$ -
Public Costs	176,742	1,058,464	46,236	44,664	-
Total Costs	$ 284,831	$ 1,466,820	$ 84,935	$ 52,455	$ -
Intragovernmental Earned Revenue	10,983	86,565	5,461	270	-
Public Earned Revenue	658	94,698	49,765	32	-
Total Earned Revenue	11,641	181,263	55,226	302	-
Net Costs	$ 273,190	$ 1,285,557	$ 29,709	$ 52,153	$ -
Manage Energy, Water & Natural Resources					
Intragovernmental Costs	$ 93,089	$ 107,529	$ 481,076	$ 17,518	$ 67,774
Public Costs	118,660	347,434	1,514,851	2,871,052	87,012
Total Costs	$ 211,749	$ 454,963	$ 1,995,927	$ 2,888,570	$ 154,786
Intragovernmental Earned Revenue	15,455	15,208	247,237	12	-
Public Earned Revenue	95,543	377,564	895,600	-	163,081
Total Earned Revenue	110,998	392,772	1,142,837	12	163,081
Net Costs	$ 100,751	$ 62,191	$ 853,090	$ 2,888,558	$ (8,295)
Advance Government to Government Relationships					
Intragovernmental Costs	$ 1,723,575	$ -	$ -	$ 54,316	$ -
Public Costs	2,411,483	-	-	748,820	-
Total Costs	$ 4,135,058	$ -	$ -	$ 803,136	$ -
Intragovernmental Earned Revenue	262,447	-	-	19,494	-
Public Earned Revenue	33,501	-	-	27,662	-
Total Earned Revenue	295,948	-	-	47,156	-
Net Costs	$ 3,839,110	$ -	$ -	$ 755,980	$ -
Provide a Scientific Foundation for Decision Making					
Intragovernmental Costs	$ -	$ -	$ -	$ -	$ -
Public Costs	-	-	-	-	-
Total Costs	$ -	$ -	$ -	$ -	$ -
Intragovernmental Earned Revenue	-	-	-	-	-
Public Earned Revenue	-	-	-	-	-
Total Earned Revenue	-	-	-	-	-
Net Costs	$ -	$ -	$ -	$ -	$ -
Building a 21st Century Department of the Interior					
Intragovernmental Costs	$ -	$ 84,894	$ -	$ -	$ -
Public Costs	-	368,674	-	-	-
Total Costs	$ -	$ 453,568	$ -	$ -	$ -
Intragovernmental Earned Revenue	-	10,909	-	-	-
Public Earned Revenue	-	1,824	-	-	-
Total Earned Revenue	-	12,733	-	-	-
Net Costs	$ -	$ 440,835	$ -	$ -	$ -
Reimbursable Activity and Other					
Intragovernmental Costs	$ -	$ -	$ 240,830	$ 576,023	$ 364
Public Costs	-	-	290,093	2,640,982	2,422
Total Costs	$ -	$ -	$ 530,923	$ 3,217,005	$ 2,786
Intragovernmental Earned Revenue	-	-	341,542	2,431,514	2,786
Public Earned Revenue	-	-	191,983	9,852	172
Total Earned Revenue	-	-	533,525	2,441,366	2,958
Net Costs	$ -	$ -	$ (2,602)	$ 775,639	$ (172)
Total					
Intragovernmental Costs	$ 1,924,753	$ 600,779	$ 760,605	$ 655,648	$ 68,138
Public Costs	2,706,885	1,774,572	1,851,180	6,305,518	89,434
Total Costs	$ 4,631,638	$ 2,375,351	$ 2,611,785	$ 6,961,166	$ 157,572
Intragovernmental Earned Revenue	288,885	112,682	594,240	2,451,290	2,786
Public Earned Revenue	129,702	474,086	1,137,348	37,546	163,253
Total Earned Revenue	418,587	586,768	1,731,588	2,488,836	166,039
Net Cost of Operations	$ 4,213,051	$ 1,788,583	$ 880,197	$ 4,472,330	$ (8,467)

Bureau of Safety and Environmental Enforcement	National Park Service	Office of Surface Mining Reclamation & Enforcement	U.S. Fish and Wildlife Service	U.S. Geological Survey	Elimination of Intra-Department Activity	FY 2012
$ -	$ 852,168	$ 7,751	$ 405,475	$ -	$ (458,180)	$ 1,370,149
-	2,785,336	260,581	2,783,422	-	-	7,155,445
$ -	$ 3,637,504	$ 268,332	$ 3,188,897	$ -	$ (458,180)	$ 8,525,594
-	104,396	-	229,245	-	(167,578)	269,342
-	420,574	92	79,461	-	-	645,280
-	524,970	92	308,706	-	(167,578)	914,622
$ -	$ 3,112,534	$ 268,240	$ 2,880,191	$ -	$ (290,602)	$ 7,610,972
$ 58,868	$ -	$ 21,218	$ 4,420	$ -	$ (382,059)	$ 469,433
81,418	-	102,118	21,743	-	-	5,144,288
$ 140,286	$ -	$ 123,336	$ 26,163	$ -	$ (382,059)	$ 5,613,721
-	-	-	8,503	-	(32,211)	254,204
59,081	-	32	1,698	-	-	1,592,599
59,081	-	32	10,201	-	(32,211)	1,846,803
$ 81,205	$ -	$ 123,304	$ 15,962	$ -	$ (349,848)	$ 3,766,918
$ -	$ -	$ -	$ 329	$ -	$ (134,490)	$ 1,643,730
-	-	-	2,107	-	-	3,162,410
$ -	$ -	$ -	$ 2,436	$ -	$ (134,490)	$ 4,806,140
-	-	-	1,388	-	(3,414)	279,915
-	-	-	308	-	-	61,471
-	-	-	1,696	-	(3,414)	341,386
$ -	$ -	$ -	$ 740	$ -	$ (131,076)	$ 4,464,754
$ -	$ -	$ -	$ -	$ 448,054	$ (91,714)	$ 356,340
-	-	-	-	1,225,952	-	1,225,952
$ -	$ -	$ -	$ -	$ 1,674,006	$ (91,714)	$ 1,582,292
-	-	-	-	316,073	(128,104)	187,969
-	-	-	-	199,186	-	199,186
-	-	-	-	515,259	(128,104)	387,155
$ -	$ -	$ -	$ -	$ 1,158,747	$ 36,390	$ 1,195,137
$ -	$ -	$ -	$ -	$ -	$ (32,131)	$ 52,763
-	-	-	-	-	-	368,674
$ -	$ -	$ -	$ -	$ -	$ (32,131)	$ 421,437
-	-	-	-	-	(9,841)	1,068
-	-	-	-	-	-	1,824
-	-	-	-	-	(9,841)	2,892
$ -	$ -	$ -	$ -	$ -	$ (22,290)	$ 418,545
$ 5,009	$ -	$ 8	$ -	$ -	$ (461,624)	$ 360,610
24,099	-	330,949	-	-	-	3,288,545
$ 29,108	$ -	$ 330,957	$ -	$ -	$ (461,624)	$ 3,649,155
28,247	-	78	-	-	(1,134,668)	1,669,499
1,075	-	53	-	-	-	203,135
29,322	-	131	-	-	(1,134,668)	1,872,634
$ (214)	$ -	$ 330,826	$ -	$ -	$ 673,044	$ 1,776,521
$ 63,877	$ 852,168	$ 28,977	$ 410,224	$ 448,054	$ (1,560,198)	$ 4,253,025
105,517	2,785,336	693,648	2,807,272	1,225,952	-	20,345,314
$ 169,394	$ 3,637,504	$ 722,625	$ 3,217,496	$ 1,674,006	$ (1,560,198)	$ 24,598,339
28,247	104,396	78	239,136	316,073	(1,475,816)	2,661,997
60,156	420,574	177	81,467	199,186	-	2,703,495
88,403	524,970	255	320,603	515,259	(1,475,816)	5,365,492
$ 80,991	$ 3,112,534	$ 722,370	$ 2,896,893	$ 1,158,747	$ (84,382)	$ 19,232,847

NOTE 18. STATEMENT OF BUDGETARY RESOURCES

The Statement of Budgetary Resources provides information about how budgetary resources were made available as well as their status at the end of the period. In FY 2013, DOI revised the format of the *Change in Obligated Balance* section in accordance with OMB Circular A-136. The revision aligns the statement with the SF 133, *Report on Budget Execution and Budgetary Resources*. For comparability, the FY 2012 balances are presented in the new format.

Apportionment of Obligations Incurred

The following table contains only Category B apportionments since DOI does not receive Category A apportionments. Category B apportionments typically distribute budgetary resources by activities, projects, objects, or a combination of these categories. The DOI's obligations incurred for the year ended September 30, 2013 and 2012, are as follows:

Undelivered Orders		
(dollars in thousands)	FY 2013	FY 2012
Undelivered Orders	$ 8,342,331	$ 8,921,690

FY 2013 *(dollars in thousands)*	Apportioned	Exempt from Apportionment	Total
Obligations Incurred:			
Direct	$ 17,327,679	$ 477	$ 17,328,156
Reimbursable	4,871,510	-	4,871,510
Total Obligations Incurred	$ 22,199,189	$ 477	$ 22,199,666

FY 2012 *(dollars in thousands)*	Apportioned	Exempt from Apportionment	Total
Obligations Incurred:			
Direct	$ 18,768,986	$ 450	$ 18,769,436
Reimbursable	5,350,319	-	5,350,319
Total Obligations Incurred	$ 24,119,305	$ 450	$ 24,119,755

Repayment Requirements, Financing Sources for Repayment, and other Terms of Borrowing Authority Used. The DOI has permanent indefinite borrowing authority for direct and guarantee loan programs in accordance with the *Credit Reform Act of 1990* and related legislation. The BOR, IA, and DO are authorized to borrow the unsubsidized portion of direct loan and loan guarantee default disbursements from the Bureau of the Public Debt.

Borrowings are repaid upon collection of the loan or default from the public. The repayment term associated with BOR direct loans are not more than 40 years from the date when the principal benefits of the projects first became available. The IA did not exercise any new borrowing authority as of September 30, 2013, and September 30, 2012. The IA's direct loan program ended in 1995. However, borrowings arising from direct loans made between 1992 and 1995 are still outstanding. These borrowings are being repaid as scheduled. The DO has one direct loan outstanding to the ASG that is due to be paid in full September 30, 2027.

Permanent Indefinite Appropriations. Permanent indefinite appropriations are appropriations given to DOI through public laws which authorize the retention of certain receipts. These appropriations do not specify amounts, but are dependent upon the amount of receipts collected. All DOI bureaus use one or more permanent no-year appropriations to finance operating costs and purchase PP&E. The DOI has approximately 100 permanent indefinite appropriations. Most of these appropriations are used for special environmental programs and to carry out obligations of the Secretary of the Interior.

Appropriations Received. Appropriations reported on the Statement of Budgetary resources will not necessarily agree with Appropriations Received as reported on the Statement of Changes in Net Position. This is due to differences in budgetary and proprietary accounting concepts and reporting requirements. Some receipts are recorded as appropriations on the Statement of Budgetary Resources, but are recognized as exchange or non-exchange revenue and reported on the Statement of Changes in net Position in accordance with SFFAS No.7.

Legal Arrangements Affecting Use of Unobligated Balances. Unobligated balances, whose period of availability has expired (i.e., expired authority), are not available to fund new obligations, but are available to pay for adjustments to obligations incurred prior to expiration. The DOI's unapportioned balances as of September 30, 2013, and 2012, are disclosed in the table below.

Available Borrowing/Contract Authority, End of the Period. The DOI did not have any available budgetary borrowing or contract authority for the years ended September 30, 2013 and 2012. The DOI does have permanent indefinite non-budgetary borrowing authority for the execution of direct loan and loan guarantee programs in accordance with the *Credit Reform Act of 1990*.

The amount borrowed will fluctuate dependent upon the actual performance of the borrower as compared to the projected performance and the applicable Treasury interest rate. The realized borrowing for non-budgetary credit programs is $4,028 thousand and $424 thousand for the periods ending September 30, 2013 and 2012, respectively.

Explanation of Differences between the Combined Statement of Budgetary Resources and the Budget of the United States Government. The Statement of Budgetary Resources has been prepared to coincide with the amounts shown in the Budget of the United States Government. The Budget of the United States Government containing the actual amounts for FY 2013 has not been published at the time these financial statements were prepared. The FY 2014 Budget of the United States Government with the actual FY 2012 amounts was released in February 2013. The FY 2015 Budget of the United States Government will include the FY 2013 actual amounts, and is estimated to be released in February 2014. The Budget of the United States Government is available on the OMB website, ***www.whitehouse.gov/omb***.

There are legitimate reasons for differences between balances reported in the Statement of Budgetary Resources and the actual balances reported in the Budget of the United States Government. The FY 2012 differences are explained in the Explanation of Differences between the Combined Statement of Budgetary Resources and the Budget of the United States Government table.

Legal Arrangements Affecting Use of Unobligated Balances

(dollars in thousands)	FY 2013	FY 2012
Unapportioned amounts unavailable for future apportionments	$ 8,017	$ 3,270
Expired Authority	149,995	137,620
Unapportioned	$ 158,012	$ 140,890

Reconciliation of the Statement of Budgetary Resources to the Budget of the United States Government				
(dollars in millions)	Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
FY 2012 Combined Statement of Budgetary Resources	**$ 30,671**	**$ 24,120**	**$ (5,553)**	**$ 18,407**
Office of the Special Trustee for American Indians Fiduciary activity included in the Budget of the US Government that is excluded from the SBR	585	479	(411)	479
National Park Service Concessionaire activity included in the Budget of the US Government that is excluded from the SBR	38	16	(14)	16
Subtotal	623	495	(425)	495
Budget of the U.S. Government	**$ 31,294**	**$ 24,615**	**$ (5,978)**	**$ 18,902**

NOTE 19. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

As required by SFFAS No. 7, *Accounting for Revenue and Other Financial Sources*, DOI has reconciled the Net Cost of Operations (reported in the Statement of Net Cost), to the current year obligations, reported on the Statement of Budgetary Resources.

The schedule below illustrates this reconciliation by listing the inherent differences in timing and recognition between the accrual proprietary accounting method used to calculate net cost and the budgetary accounting method used to calculate budgetary resources and obligations. Note that the large variance in the “Re-evaluation of liabilities” between FY 2013 and FY 2012 is mainly due to the decrease in contingent liabilities resulting from the Judgment Fund payment of $1.5 billion to class members in the Cobell Settlement, and the difference between imputed financing sources and imputed costs is due to capitalized projects at DO and BOR.

The reconciliation of net cost of operations to budgetary accounts for the years ended September 30, 2013 and September 30, 2012, is as follows:

(dollars in thousands)	FY 2013	FY 2012
Resources Used to Finance Activities		
Current Year Gross Obligations	$ 22,199,666	$ 24,119,755
Budgetary Resources from Offsetting Collections		
Spending Authority from Offsetting Collections		
Actual offsetting collections (discretionary and mandatory)	(5,263,970)	(5,566,355)
Change in uncollected customer payments from Federal sources	26,815	(87,160)
Recoveries of Prior Year Unpaid Obligations	(607,245)	(545,389)
Offsetting Receipts	(5,410,103)	(5,553,460)
Other Financing Resources		
Transfers In (Out) without Reimbursement	560,087	8,172
Donations (Forfeitures) of Property	274,730	131,913
Imputed Financing Sources	2,416,725	2,102,193
Other	(228,547)	(178,724)
Total Resources Used to Finance Activity	$ 13,968,158	$ 14,430,945
Resources Used to Finance Items Not Part of the Net Cost of Operations		
Budgetary Obligations and Resources Not in the Net Cost of Operations		
Change in Unfilled Customer Orders	$ (185,844)	$ 61,253
Change in Undelivered Orders	579,359	479,398
Current Year Capitalized Purchases	(817,872)	(984,919)
Deferred Revenue	159,707	-
Capital Lease Obligations	-	(20,738)
Change in Expended Authority in Loan Funds	(5,501)	(52,223)
Change in Budgetary Collections in Loan Funds	42,603	33,809
Offsetting Receipts that do not Affect Net Cost of Operations	5,410,103	5,553,460
Imputed Financing Sources	(2,416,725)	(2,102,193)
Revenues, Gains, and Losses that do not affect Net Cost Operations	(1,889,105)	(1,259,883)
Components of the Net Cost of Operations Which Do Not Generate or Use Resources in the Reporting Period		
Revenues Without Current Year Budgetary Effect		
Change in Receivables Not in the Budget	(41,122)	430
Costs without Current Year Budgetary Effect		
Depreciation and Amortization	695,776	632,282
Disposition of Assets	39,513	(14,459)
Re-evaluation of liabilities	(1,740,516)	386,855
Imputed costs	2,401,069	2,082,428
Bad Debt Expense	9,845	10,463
Change in Other Expenses Not Requiring Budgetary Resources	13,277	(4,061)
Net Cost of Operations	$ 16,222,725	$ 19,232,847

NOTE 20. FUNDS FROM DEDICATED COLLECTIONS

Funds from dedicated collections are financed by specifically identified revenues and other financing sources, provided to the government by non-federal sources, required by statute to be used for designated activities, benefits, or purposes that must be accounted for separately from the Government's general revenues.

The DOI's significant funds from dedicated collections are:

The Land and Water Conservation Fund (LWCF). The LWCF was enacted in 1964 (Public Law (P. L.) 88-578) to create and maintain a nationwide legacy of high quality recreation areas and facilities. The LWCF Act established a funding source for both Federal acquisition of authorized national park, conservation, and recreation areas, as well as grants to state and local governments to help them acquire, develop, and improve outdoor recreation areas.

Each year, amounts from the LWCF are warranted to some of the bureaus within DOI and the rest to USFS. These funds are considered inflows of resources to the Government and are reported as a restricted asset.

The Historic Preservation Fund (HPF). The HPF provides matching grants to encourage private and non-Federal investment in historic preservation efforts nationwide, and assists state and local governments and Indian tribes with expanding and accelerating historic preservation activities nationwide. The HPF grants serve as a catalyst and "seed money" to preserve and protect the Nation's irreplaceable heritage for current and future generations.

Annually, under *National Historic Preservation Act* (NHPA), royalties from OCS oil deposits are transferred from ONRR to NPS. Each year, amounts from the HPF are transferred via warrants to bureaus within DOI and to USFS. These funds are considered inflows of resources to the Government.

Reclamation Fund. The Reclamation Fund was established by the *National Reclamation Act of 1902* (32 Statute [Stat.] 388). It is a restricted, unavailable receipt fund into which a portion of BOR's revenues (mostly repayment of capital investment costs, associated interest, and operation and maintenance reimbursements from water and power users) and receipts from other Federal agencies (primarily revenues from certain Federal mineral royalties from ONRR and hydropower transmission collected by Western Area Power Administration) are deposited. No expenditures are made directly from the Reclamation Fund; however, funds are transferred from the Reclamation Fund into BOR's appropriated expenditure funds or to other Federal agencies pursuant to Congressional appropriation acts to invest and reinvest in the reclamation of arid lands in the Western states. The funds are considered inflows of resources to the Government.

Water and Related Resources Fund & Recovery Act. The Water and Related Resources Fund receives most of its funding from appropriations derived from the Reclamation Fund. These funds are used for BOR's central mission of delivering water and generating hydropower in the Western United States.

Costs associated with multipurpose plants are allocated to the various purposes, principally: power, irrigation, municipal and industrial (M&I) water, fish and wildlife enhancement, recreation, and flood control. Generally, only those costs associated with power, irrigation, and M&I water are reimbursable. Costs associated with purposes such as fish and wildlife enhancement, recreation, and flood control generally are nonreimbursable. Capital investment costs are recovered over a 40-year period, but may extend to 50 years or more, if authorized by the Congress. The funds are considered inflows of resources to the Government.

The *American Recovery and Reinvestment Act of 2009* (ARRA) (P. L.111-5) provided funding to BOR for activities that would normally be financed under the Water and Related Resources Fund. The majority of these funds were provided by appropriations derived from the Reclamation Fund in accordance with P. L. 111-5. This fund is used to meet the criteria set out in ARRA that includes preserving and creating jobs and investing in infrastructure. The BOR programs under ARRA provide for meeting future water supply needs, infrastructure reliability and safety, environmental and ecosystem restoration, the Secretary's Water Conservation initiative, emergency drought relief, and green buildings. These efforts will contribute to the long-term sustainability of water and natural resources. The funds are considered inflows of resources to the Government.

Lower Colorado River Basin Fund (LCRBDF). The LCRBDF receives funding from multiple sources for specific purposes as provided under the Lower Colorado River Basin Development Fund (LCRBDF). Funding sources include: appropriations and Federal revenue from the Central Arizona Project; Federal revenues from the Boulder Canyon Project and the Parker-Davis Project; the Western Area Power Administration; Federal revenue from the Northwest-Pacific Southwest intertie in the States of Nevada and Arizona; and revenues earned from investing in Treasury securities. Funding sources may be retained and are available without further appropriation. The LCRBDF provides for irrigation development and management activities within the Lower Colorado River Basin including operation, maintenance, replacements, and emergency expenditures for facilities of the Colorado River storage project and participating projects. The funds are considered inflows of resources to the Government.

Upper Colorado River Basin Fund. The Upper Colorado River Basin Fund receives funding from appropriations, water users, and the Western Power Administration. Funding sources may be retained and are available without further appropriation. The Colorado River Basin Project Act provides that appropriations and revenues collected in connection with the operation of the Colorado River storage project shall be available for operations, maintenance, replacements, and emergency expenditures for facilities of the Colorado River storage project and participating projects. The funds are considered inflows of resources to the Government.

Abandoned Mine Land Fund (AML). Public law requires that all operators of coal mining operations pay a reclamation fee on every ton of coal produced. On December 20, 2006, the *Surface Mining Control and Reclamation Act Amendments of 2006* (SMCRA) (P. L. 95-87) became law as part of the *Tax Relief and Health Care Act of 2006* (P. L. 109-432). This law extends the statutory fee rates through September 30, 2021, and eliminates the requirement that DOI establish fee rates thereafter based upon amounts transferred to the United Mine Workers of America Combined Benefit Fund. The law reduces the FY 2013 through FY 2021 fee rates to 28 cents per ton of surface mined coal, 12 cents per ton of coal mined underground, and 8 cents per ton on lignite. In addition, there were two amendments to the law, P. L. 112-141 and P. L. 112-175, that reduce the amount of funds to certified States and tribes, with no impact to non-certified States.

The fees are deposited in the AML Reclamation Fund, which is used primarily to fund abandoned mine land reclamation projects. Under authority of P. L. 95-87, DOI invests AML funds in U.S. Treasury Securities. The funds are considered inflows of resources to the government.

Southern Nevada Public Land Management Fund (SNPLMF). The *Southern Nevada Public Land Management Act*, enacted in October 1998, authorizes BLM to sell public land tracts that are interspersed with or adjacent to private land in the Las Vegas Valley. The BLM is authorized to deposit the proceeds as follows: 85 percent in the SNPLMF; 10 percent to the Southern Nevada Water Authority; and 5 percent to the State of Nevada's Education Fund. The revenues generated from the land sales are required to be used by BLM and other government entities to acquire environmentally sensitive lands and build or maintain trails, day-use areas, campgrounds, et cetera, to benefit public land visitors. The funds are considered inflows of resources to the government.

Federal Aid in Wildlife Restoration Fund (the *Pittman-Robertson Wildlife Restoration Act*). Federal Aid in Wildlife Restoration received funding from excise taxes on sporting firearms, handguns, ammunition, and archery equipment. It provides Federal assistance to the 50 states, Puerto Rico, Guam, and the U.S. Virgin Islands, the Northern Mariana Islands, and American Samoa for projects to restore, enhance, and manage wildlife resources, and to conduct State hunter education programs. The Act authorizes receipts for permanent indefinite appropriations to FWS for use in the fiscal year following collection. Funds not used by the states after two years revert to FWS for carrying out the provisions of the *Migratory Bird Conservation Act*. The funds are considered inflows of resources to the government.

Sport Fish Restoration and Boating Trust Fund (SFRBTF). The DOI's component of the SFRBTF (previously referred to as Aquatic Resources Trust Fund) receives funding from excise tax receipts collected from manufacturers of equipment used in fishing, hunting, and sport shooting, and on motorboat fuels. SFRBTF provides funding to three components: Interior's Sport Fish Restoration Account (SFRA); the U.S. Coast Guard's Boat Safety Program; and the U.S. Army Corps of Engineers' Coastal Wetlands Program. The SFRBTF encompasses the programs of these three components. The funds are considered inflows of resources to the government.

Environmental Improvement and Restoration Fund (EIRF). The EIRF was created from a distribution of the Alaska Escrow Fund in which half of the principal is invested in Treasury Securities. Monies from the EIRF are invested and earn interest until further Congressional action is taken. Congress permanently appropriates and ONRR transfers 20 percent of prior fiscal year interest earned by EIRF to the Department of Commerce for marine research activities. The remaining 80 percent earns interest and can be appropriated by Congress to other agencies, as provided by the law. Assets are not available to DOI unless appropriated by Congress. The funds are considered inflows of resources to the government.

Other Funds from Dedicated Collections. The DOI is responsible for the management of numerous funds from dedicated collections with a variety of purposes. Funds presented on an individual basis represent the majority of DOI's net position attributable to funds from dedicated collections. All other funds from dedicated collections have been aggregated in accordance with SFFAS No. 43*: Funds from Dedicated Collections: Amending* SFFAS No. 27*, Identifying and Reporting Earmarked Funds*, and are presented in the following tables.

Indian Affairs

- Operation & Maintenance Of Quarters
- Natural Resource Damage Assessment and Restoration Fund - Exxon Valdez Restoration
- Operation & Maintenance - Indian Irrigation Systems
- Alaska Resupply Program
- Shivwits Band Paiute, Utah
- Operation & Maintenance - Indian Power Systems
- Gifts & Donations

Bureau of Land Management

- Helium Fund
- Payments to states, Mineral Leasing Act
- Service Charges, Deposits, Forfeitures Expenses - Road Maintenance Deposits
- Land Acquisition
- Operation & Maintenance Of Quarters
- Payments To Nevada, Clark County Lands
- Grazing Fees Range Improvement
- Forest Ecosystem Health and Recovery
- Natural Resource Damage Assessment and Restoration Fund
- Timber Pipeline Restoration Fund
- Federal Land Transaction Facilitation
- Naval Oil Shale Petroleum Restoration
- White Pine County Act
- Recreational Enhancement Fee Program, Bureau of Land Management
- De Shutes County Land Transactions
- Lincoln County Land Act
- Secure Rural Schools and Community Self-Determination Act
- Stewardship Contract Product Sale
- Washington County UT Land Acquisition
- Owyhee Land Acquisition
- Carson City Special Account
- Silver Saddle Endowment Account
- State 5% Carson City Land Sales
- Permit Processing Fund Mineral Leases
- Geothermal Steam Act Impress Fund
- Naval Petroleum Reserve #2 Leases
- Payment Proceeds, Water, Mineral leasing Act of 1920
- Payments to Counties, Oregon and California Grant Lands
- Payments to Coos Bay & Douglas Counties
- Land and Resources Management Trust Fund
- Trustee Fund, Alaska Town sites
- Payments to States from Proceeds of Sales
- Payments to States from Grazing Fees, etc. on Public Lands outside Grazing Districts
- Payments to States from Grazing Fees, etc. on Public Lands within Grazing Districts
- Payments to States from Grazing Fees, etc. on Public Lands within Grazing Districts, Misc.
- Payments to Counties, National GrassLands (Farm Tenant Lands)
- Southern Nevada Public Land Management, Bureau of Land Management
- Appropriated portion of mining claim holding and location fees
- Appropriated portion of application for permit to drill fees
- Appropriated portion of communication site rents

Bureau of Reclamation

- North Platte Project-Facility Operations
- North Platte - Farmers Irrigation District -Facility Operations
- Administration Expenses
- Klamath - Water and Energy
- Operation and Maintenance of Quarters
- Central Valley Project Restoration Fund
- Natural Resource Damage Assessment and Restoration Fund
- Water and Related Resources Reclamation Fund

- San Gabriel Restoration Fund
- San Joaquin River Restoration Fund
- Reclamation Water Settlement Fund
- Colorado River Dam Fund - Boulder Canyon Project
- Reclamation Trust Funds

Bureau of Safety and Environmental Enforcement

- Oil Spill Research

Bureau of Ocean Energy Management

- Coastal Impact Assistance

Office of Surface Mining Reclamation and Enforcement

- Abandoned Mine Land Fund (AML)
- Regulation and Technology, Civil Penalties

Departmental Offices

- Indian Arts and Craft Receipts
- Natural Resource Damage Assessment and Restoration Fund
- Everglades Restoration Account
- Departmental Management Land and Water Conservation
- Hazardous Substance Response Trust Fund
- Take Pride in America Gifts and Bequests
- National Indian Gaming Commission
- State Share Mineral Leasing Act
- Payments to Alaska from Oil and Gas Leases, National Petroleum Reserve
- Payments to Oklahoma Red River, Royalties
- Corp of Engineers On Shore State Share
- Payments to States, National Forest Fund
- Gulf of Mexico Energy Security Act (GOMESA) State Share
- Geothermal Lease Revenues, Payments to Counties

Fish & Wildlife Service

- Cooperative Endangered Species Conservation Fund
- Land Acquisition
- Operation and Maintenance of Quarters
- National Wildlife Refuge Fund
- Proceeds From Sales, Water Resource Development Projects
- Migratory Bird Conservation Account
- Lahontan Valley and Pyramid Lake Fish and Wildlife Fund
- Natural Resource Damage Assessment and Restoration Fund
- Recreational Fee Enhancement Program
- Federal Land Transactions
- North American Wetlands, Land and Water Conservation Fund
- Cooperative Endangered Species Conservation, Land and Water Conservation Fund
- FWS - Exotic Bird Conservation Fund
- Private Stewardship Grants
- Landowner Incentive Program
- Community Partnership Enhancement
- Permit Processing Fund
- Coastal Impact Assistance Program
- Contributed Funds
- Coastal Impact Assistance

National Park Service

- Centennial Challenge Fund
- Land Acquisitions and State Assistance
- Operation and Maintenance Of Quarters
- Delaware Water Gap Route 209 Operations
- Recreational Fee Demonstration Program
- Park Building, Lease, and Maintenance
- National Park Service Transportation Systems
- Natural Resource Damage Assessment Restoration Fund
- National Maritime Heritage
- Filming and Photos Public Lands Location Fee
- Federal Land Transaction Facilities Act
- National Park Passport Program
- Glacier Bay Cruise and Boat Fees
- Parks Concession Franchise Fees
- Land and Water Conservation Fund, Gulf of Mexico Energy Security Act
- Historical Black Colleges
- Educational Expenses for the Children of Employees of Yellowstone National Park
- Grand Teton National Park
- Donations
- Birthplace of Abraham Lincoln
- Federal Aid Highways
- Federal Highways Construction Trust Fund
- Title VII, Planning

The DOI's funds from dedicated collections as of and for the year ended September 30, 2013, consist of the following:

(dollars in thousands)	Land and Water Conservation Fund	Historic Preservation Fund	Reclamation Fund	Water and Related Resources & Recovery Act	Lower Colorado River Basin Fund	Upper Colorado River Basin Fund
ASSETS						
Fund Balance with Treasury	$ 18,864,705	$ 3,168,746	$ 12,061,983	$ 1,079,861	$ 3,070	$ 232,459
Investments, Net	-	-	-	-	556,975	-
Accounts Receivable, Net	-	-	747,224	3,423	454	565
Loans Receivable, Net	-	-	3,352,753	-	-	-
General Property, Plant, and Equipment, Net	-	-	-	8,872,655	2,920,868	2,398,469
Other Assets	-	22	-	22,213	51,669	621
TOTAL ASSETS	$ 18,864,705	$ 3,168,768	$ 16,161,960	$ 9,978,152	$ 3,533,036	$ 2,632,114
LIABILITIES						
Accounts Payable	$ -	$ 256	$ -	$ 97,765	$ 10,485	$ 5,135
Debt	-	-	-	-	-	-
Other Liabilities	1,544	14,692	966	2,257,156	11,512	266,245
TOTAL LIABILITIES	$ 1,544	$ 14,948	$ 966	$ 2,354,921	$ 21,997	$ 271,380
NET POSITION						
Unexpended Appropriations	$ -	$ (1,212)	$ -	$ 180,613	$ 157,272	$ 36,109
Cumulative Results of Operations	18,863,161	3,155,032	16,160,994	7,442,618	3,353,767	2,324,625
TOTAL NET POSITION	18,863,161	3,153,820	16,160,994	7,623,231	3,511,039	2,360,734
TOTAL LIABILITIES AND NET POSITION	$ 18,864,705	$ 3,168,768	$ 16,161,960	$ 9,978,152	$ 3,533,036	$ 2,632,114
COST/REVENUE						
Gross Costs	$ -	$ 72,460	$ 527	$ 1,062,308	$ 263,873	$ 188,380
Earned Revenue	(1,544)	-	(573,444)	(172,993)	(230,190)	(86,153)
NET COST OF OPERATIONS	$ (1,544)	$ 72,460	$ (572,917)	$ 889,315	$ 33,683	$ 102,227
NET POSITION						
Net Position, Beginning Balance	$ 18,270,289	$ 3,077,492	$ 15,008,706	$ 7,226,033	$ 3,540,276	$ 2,425,811
Change in Accounting Principle	-	-	-	(27,273)	-	-
Net Position, Beginning Balance as Adjusted	18,270,289	3,077,492	15,008,706	7,198,760	3,540,276	2,425,811
Appropriations Received/Transferred	-	(1,212)	-	131,988	5,444	27,764
Royalties Retained	898,456	150,000	1,327,300	-	-	-
Non-Exchange Revenue and donation and forfeitures	-	-	7,500	249,421	-	8
Other Financing sources						
Transfers In/(Out) without Reimbursement	(307,128)	-	(746,048)	827,089	(998)	(2,160)
Imputed Financing from Costs Absorbed by Others	-	-	32	108,776	-	11,538
Other	-	-	(9,413)	(3,488)	-	-
Net Cost of Operations	1,544	(72,460)	572,917	(889,315)	(33,683)	(102,227)
Change in Net Position	592,872	76,328	1,152,288	424,471	(29,237)	(65,077)
NET POSITION, ENDING BALANCE	$ 18,863,161	$ 3,153,820	$ 16,160,994	$ 7,623,231	$ 3,511,039	$ 2,360,734

Abandoned Mine Land Fund	Southern Nevada Public Land Mgmt Fund	Federal Aid in Wildlife Restoration	Sport Fish Restoration & Boating Trust Fund	Environmental Improvement & Restoration Fund	Other Funds from Dedicated Collections	FY 2013
$ 9,819	$ 141,526	$ 91,439	$ 45,377	$ 1	$ 2,818,006	$ 38,516 992
2,777,421	653,691	1,423,364	-	1,338,335	589,813	7,339,599
13,956	1	1	1,251,849	-	961,435	2,978,917
-	-	-	-	-	22	3,352,775
2,391	84,086	3	8	-	489,850	14,768,330
-	7	6	-	-	267,047	341,585
$ 2,803,596	$ 879,311	$ 1,514,813	$ 1,297,234	$ 1,338,336	$ 5,126,173	$ 67,298,198
$ 147	$ 3,044	$ 123	$ 556,958	$ -	$ 48,694	$ 722,607
-	-	-	-	-	44,204	44,204
5,323	25,437	66,611	72,343	-	1,470,073	4,191,902
$ 5,470	$ 28,481	$ 66,734	$ 629,301	$ -	$ 1,562,971	$ 4,958,713
$ -	$ -	$ -	$ -	$ -	$ 117,156	$ 489,938
2,798,126	850,830	1,448,079	667,933	1,338,336	3,446,046	61,849,547
2,798,126	850,830	1,448,079	667,933	1,338,336	3,563,202	62,339,485
$ 2,803,596	$ 879,311	$ 1,514,813	$ 1,297,234	$ 1,338,336	$ 5,126,173	$ 67,298,198
$ 228,573	$ 202,711	$ 428,155	$ 444,231	$ -	$ 2,987,528	$ 5,878,746
(100)	(10,640)	-	-	-	(950,782)	(2,025,846)
$ 228,473	$ 192,071	$ 428,155	$ 444,231	$ -	$ 2,036,746	$ 3,852,900
$ 2,758,528	$ 1,047,013	$ 1,061,161	$ 662,615	$ 1,291,601	$ 3,371,116	$ 59,740,641
-	-	-	-	-	-	(27,273)
2,758,528	1,047,013	1,061,161	662,615	1,291,601	3,371,116	59,713,368
-	-	-	-	-	90,255	254,239
-	-	-	-	-	1,755,229	4,130,985
268,089	-	815,073	-	46,735	160,270	1,547,096
(18)	(4,112)	-	449,549	-	231,458	447,632
-	-	-	-	-	786	121,132
-	-	-	-	-	(9,166)	(22,067)
(228,473)	(192,071)	(428,155)	(444,231)	-	(2,036,746)	(3,852,900)
39,598	(196,183)	386,918	5,318	46,735	192,086	2,626,117
$ 2,798,126	$ 850,830	$ 1,448,079	$ 667,933	$ 1,338,336	$ 3,563,202	$ 62,339,485

The DOI's funds from dedicated collections as of and for the year ended September 30, 2012, consist of the following:

(dollars in thousands)	Land and Water Conservation Fund	Historic Preservation Fund	Reclamation Fund	Water and Related Resources & Recovery Act	Lower Colorado River Basin Fund	Upper Colorado River Basin Fund
ASSETS						
Fund Balance with Treasury	$ 18,270,289	$ 3,077,469	$ 10,837,809	$ 1,133,948	$ 3,091	$ 206,017
Investments, Net	-	-	-	-	567,446	-
Accounts Receivable, Net	-	-	1,006,835	8,317	686	556
Loans Receivable, Net	-	-	3,164,121	-	-	-
General Property, Plant, and Equipment, Net	-	-	-	8,389,229	2,917,038	2,463,854
Other Assets	-	23	-	45,491	68,461	1,921
TOTAL ASSETS	$ 18,270,289	$ 3,077,492	$ 15,008,765	$ 9,576,985	$ 3,556,722	$ 2,672,348
LIABILITIES						
Accounts Payable	$ -	$ -	$ -	$ 95,461	$ 4,573	$ 69,580
Debt	-	-	-	-	-	-
Other Liabilities	-	-	59	2,255,491	11,873	176,957
TOTAL LIABILITIES	$ -	$ -	$ 59	$ 2,350,952	$ 16,446	$ 246,537
NET POSITION						
Unexpended Appropriations	$ -	$ -	$ -	$ 302,035	$ 157,454	$ 37,658
Cumulative Results of Operations	18,270,289	3,077,492	15,008,706	6,923,998	3,382,822	2,388,153
TOTAL NET POSITION	18,270,289	3,077,492	15,008,706	7,226,033	3,540,276	2,425,811
TOTAL LIABILITIES AND NET POSITION	$ 18,270,289	$ 3,077,492	$ 15,008,765	$ 9,576,985	$ 3,556,722	$ 2,672,348
COST/REVENUE						
Gross Costs	$ -	$ 75,108	$ 540	$ 1,592,553	$ 249,557	$ 100,408
Earned Revenue	-	-	(398,855)	(362,983)	(209,328)	(121,492)
NET COST OF OPERATIONS	$ -	$ 75,108	$ (398,315)	$ 1,229,570	$ 40,229	$ (21,084)
NET POSITION						
Net Position, Beginning Balance	$ 17,692,495	$ 3,002,600	$ 13,281,240	$ 7,259,467	$ 3,575,432	$ 2,362,351
Appropriations Received/Transferred	-	-	-	126,997	6,070	39,101
Royalties Retained	899,827	150,000	2,200,051	-	-	-
Non-Exchange Revenue and donation and forfeitures	105	-	8,971	120,556	-	-
Other Financing sources						
Transfers In/(Out) without Reimbursement	(322,138)	-	(864,198)	837,509	(997)	(16,742)
Imputed Financing from Costs Absorbed by Others	-	-	33	108,018	-	20,017
Other	-	-	(15,706)	3,056	-	-
Net Cost of Operations	-	(75,108)	398,315	(1,229,570)	(40,229)	21,084
Change in Net Position	577,794	74,892	1,727,466	(33,434)	(35,156)	63,460
NET POSITION, ENDING BALANCE	$ 18,270,289	$ 3,077,492	$ 15,008,706	$ 7,226,033	$ 3,540,276	$ 2,425,811

Abandoned Mine Land Fund	Southern Nevada Public Land Mgmt Fund	Federal Aid in Wildlife Restoration	Sport Fish Restoration & Boating Trust Fund	Environmental Improvement & Restoration Fund	Other Funds from Dedicated Collections	FY 2012 Restated
$ 10,000	$ 167,919	$ 384,029	$ 35,553	$ 1	$ 2,933,308	$ 37,059,433
2,759,834	841,239	740,147	-	1,291,600	228,494	6,428,760
511	3	1	1,301,819	-	1,290,107	3,608,835
-	-	-	-	-	22	3,164,143
3,023	71,976	-	-	-	501,894	14,347,014
-	-	9	-	-	242,352	358,257
$ 2,773,368	$ 1,081,137	$ 1,124,186	$ 1,337,372	$ 1,291,601	$ 5,196,177	$ 64,966,442
$ 260	$ 3,489	$ 141	$ 592,375	$ -	$ 21,330	$ 787,209
-	-	-	-	-	44,204	44,204
14,580	30,635	62,884	82,382	-	1,759,527	4,394,388
$ 14,840	$ 34,124	$ 63,025	$ 674,757	$ -	$ 1,825,061	$ 5,225,801
$ -	$ -	$ -	$ -	$ -	$ 76,468	$ 573,615
2,758,528	1,047,013	1,061,161	662,615	1,291,601	3,294,648	59,167,026
2,758,528	1,047,013	1,061,161	662,615	1,291,601	3,371,116	59,740,641
$ 2,773,368	$ 1,081,137	$ 1,124,186	$ 1,337,372	$ 1,291,601	$ 5,196,177	$ 64,966,442
$ 258,502	$ 243,795	$ 406,100	$ 468,256	$ -	$ 4,182,436	$ 7,577,255
(123)	(5,547)	-	-	-	(924,832)	(2,023,160)
$ 258,379	$ 238,248	$ 406,100	$ 468,256	$ -	$ 3,257,604	$ 5,554,095
$ 2,712,209	$ 1,345,780	$ 902,936	$ 696,928	$ 1,253,143	$ 3,630,635	$ 57,715,216
-	-	-	-	-	90,725	262,893
-	-	-	-	-	2,795,308	6,045,186
304,730	-	562,602	-	38,458	171,157	1,206,579
(32)	(60,519)	-	433,943	-	(58,213)	(51,387)
-	-	1,723	-	-	1,067	130,858
-	-	-	-	-	(1,959)	(14,609)
(258,379)	(238,248)	(406,100)	(468,256)	-	(3,257,604)	(5,554,095)
46,319	(298,767)	158,225	(34,313)	38,458	(259,519)	2,025,425
$ 2,758,528	$ 1,047,013	$ 1,061,161	$ 662,615	$ 1,291,601	$ 3,371,116	$ 59,740,641

NOTE 21. RESOURCES PAYABLE TO THE GENERAL FUND OF THE TREASURY

The DOI records an intragovernmental liability for BOR, DO, and IA appropriations determined to be recoverable from project beneficiaries when funds are received and they meet the requirement for repayment. The DOI decreases the liability when payments are received from these beneficiaries and subsequently, transfers it to Treasury's General Fund. Interest is accumulated on this liability pursuant to authorizing project legislation or administrative policy. Interest rates used during FY 2013 and FY 2012 ranged from 2.63 percent to 9.84 percent, respectively. Repayment is generally over a period not to exceed 50 years from the time revenue producing assets are placed in service. Repayment to Treasury's General Fund is dependent upon actual water and power delivered to customers (through the Western Area Power Administration); as such, there is no structured repayment schedule. For IA and BOR resources payable to Treasury represents liquidating fund assets (cash and loans receivable, net of allowance) less any liabilities. Loans made in 1991 and before (pre-credit reform direct loans and assigned loan guarantees) are accounted for in liquidating funds. These funds collect loan payments and pay any related expenses or default claims. At the end of each year, any unobligated cash on hand is transferred to Treasury.

Adjustments occur each year due to changes in estimates concerning the reimbursable portions of BOR projects.

(dollars in thousands)	FY 2013	FY 2012
Beginning Balance	$ 1,850,922	$ 1,828,365
Costs Incurred	124,911	58,560
Collections	(84,171)	(40,015)
Repayments to Treasury	(3,059)	(18,722)
Adjustments	(711)	22,734
Ending Balance	$ 1,887,892	$ 1,850,922

NOTE 22. FIDUCIARY ACTIVITIES

Fiduciary activities are the collection or receipt, and the subsequent management, protection, accounting, investment and disposition by the Federal Government of cash or other assets in which non-Federal individuals or entities have an ownership interest that the Federal Government must uphold. Fiduciary cash and other assets are not assets of the Federal Government and are not recognized on the financial statements.

The DOI maintains accounts for Tribal and Other Trust Funds (including the Alaska Native Escrow Fund) and Individual Indian Monies (IIM) Trust Fund in accordance with the *American Indian Trust Fund Management Reform Act of 1994*. The fiduciary balances that have accumulated in these funds have resulted from land use agreements, royalties on natural resource depletion, other proceeds derived directly from trust resources, judgment awards, settlements of claims, and investment income. These funds are maintained for the benefit of individual Native Americans as well as for designated Indian tribes. The following schedules of fiduciary activity and fiduciary net assets summarize the aggregate activity and balances of the above mentioned funds. Transactions between these funds have not been eliminated.

Separately Issued Financial Statements

The DOI issues separately available financial statements for (1) Tribal and Other Trust Funds, and (2) Individual Indian Monies (IIM) Trust Funds.

The separately issued Tribal and Other Trust Fund Financial Statements were prepared using a cash basis of accounting, which is a comprehensive basis of accounting other than GAAP. The cash basis of accounting differs from GAAP in that receivables and payables are not accrued and investment premiums and discounts are not amortized or accreted. Receipts are recorded when received, disbursements are recorded when paid, and investments are stated at historical cost.

The separately issued IIM Trust Fund Financial Statements were prepared using a modified cash basis of accounting, which is a comprehensive basis of accounting other than GAAP. The modified cash basis of accounting differs from GAAP in that receivables and payables are not accrued, with the exception of interest earned on invested funds (including discount accretion and premium amortization). Receipts are recorded when received with the exception of interest, and disbursements are recorded when paid. Interest is recorded when earned, including accretion/amortization of investment discounts and premiums. Investments are stated at amortized cost.

Audit Results. With OIG oversight, independent auditors audited the Tribal and Other Trust Funds and the IIM Trust Funds financial statements as of September 30, 2013 and 2012. The independent auditors indicated that the financial statements were prepared on the cash or modified cash basis of accounting, which is a comprehensive basis of accounting other than GAAP. In addition, the independent auditors' report on the Tribal and Other Trust Funds was qualified as it was not practicable for the independent auditors to extend audit procedures sufficiently to satisfy themselves as to the fairness of the trust fund balances due to the effects of certain parties for whom DOI holds assets in trust do not agree with balances recorded by DOI and/or have requested an accounting of their trust funds. Some of these parties have filed claims against the U. S. Government. For the first time in 19 years, the IIM Trust Fund received an unqualified opinion from the auditors. Arriving at this milestone took the combined efforts of all those carrying out the DOI's fiduciary trust responsibilities

For more information, see separately issued auditors' report and financial statements.

A copy of the financial statements and auditors' report is available at ***www.doi.gov/ost/trust_documents/Annual-Audits.cfm.***

Schedule of Fiduciary Activity	Fiduciary Funds	
(dollars in thousands)	FY 2013	FY 2012
Fiduciary Net Assets, Beginning	$ 4,512,078	$ 3,799,890
Contributions	1,306,202	2,314,586
Investment Earnings	108,966	119,216
Gain (Loss) on Disposition of Investments, Net	9,050	4,452
Administrative and Other Expenses	-	-
Disbursements to and on Behalf of Beneficiaries	(1,226,388)	(1,726,066)
Increases/(Decrease) Net Assets	197,830	712,188
Fiduciary Net Assets, End	$ 4,709,908	$ 4,512,078

Fiduciary Net Assets	Fiduciary Funds	
(dollars in thousands)	FY 2013	FY 2012
Cash and Cash Equivalents	$ 840,226	$ 933,671
Investments	3,741,609	3,452,678
Accrued Interest Receivable	25,273	26,255
Other Income Receivable	102,800	99,474
Less: Accounts Payable	-	-
Total Fiduciary Net Assets	$ 4,709,908	$ 4,512,078

Schedule of Changes in Non-Valued Fiduciary Assets*	Fiduciary Assets	
Regions	FY 2013	FY 2012
Beginning Quantity	12	12
Additions	-	-
Dispositions	-	-
Net Increase/Decrease	-	-
Ending Quantity	12	12

*Non-valued fiduciary assets are reported in terms of units. The unit is defined as the number of regions in this context similar to how the units were defined for stewardship land. The DOI manages its land held in trust through 12 administrative regions.

REQUIRED SUPPLEMENTARY INFORMATION

Unaudited, see accompanying Auditors' Report

This section includes the Combining Statement of Budgetary Resources by major budget account (Budgetary Accounts), deferred maintenance and repair information, condition assessments for heritage assets and stewardship land, custodial activity compliance assessments and pre-assessment work in process. New in FY 2013, the DOI Required Supplementary Information includes the disclosures required by SFFAS 38, *Accounting for Federal Oil and Gas Resources*. The SFFAS 38 disclosure includes the Federal Government's estimated petroleum royalties from the production of Federal oil and gas proved reserves reported in a schedule of estimated Federal oil and gas petroleum royalties and a schedule of estimated Federal oil and gas petroleum royalties to be distributed to others.

Combining Statement of Budgetary Resources for the Year Ended September 30, 2013 *(dollars in thousands)*	Interior Franchise Fund	Working Capital Fund	Water and Related Resources	National Park Service Operations	Management of Land and Resources
Budgetary Resources:					
Unobligated balance, brought forward, Oct 1	$ **125,012**	$ **318,786**	$ **346,835**	$ **86,299**	$ **131,808**
Recoveries of prior year unpaid obligations	36,451	66,269	53,692	11,656	39,729
Other changes in unobligated balance	-	-	265	(10,759)	-
Unobligated balance from prior year budget authority, net	161,463	385,055	400,792	87,196	171,537
Appropriations (discretionary and mandatory)	-	58,222	808,436	2,097,468	898,390
Spending authority from offsetting collections (discretionary and mandatory)	870,052	1,266,513	309,140	28,822	122,554
Total Budgetary Resources	$ **1,031,515**	$ **1,709,790**	$ **1,518,368**	$ **2,213,486**	$ **1,192,481**
Status of Budgetary Resources:					
Obligations incurred	936,716	1,394,294	1,184,030	2,139,151	1,038,173
Unobligated balance, end of year:					
Apportioned	94,799	310,721	334,338	39,804	154,032
Exempt from apportionment	-	-	-	-	-
Unapportioned	-	4,775	-	34,531	276
Total unobligated balance, end of year	**94,799**	**315,496**	**334,338**	**74,335**	**154,308**
Total Status of Budgetary Resources	$ **1,031,515**	$ **1,709,790**	$ **1,518,368**	$ **2,213,486**	$ **1,192,481**
Change in Obligated Balance:					
Unpaid Obligations:					
Unpaid obligations, brought forward October 1 (gross)	769,647	718,836	878,738	470,351	409,855
Obligations incurred	936,716	1,394,294	1,184,030	2,139,151	1,038,173
Outlays (gross) (-)	(869,133)	(1,358,837)	(1,182,157)	(2,134,797)	(1,028,101)
Recoveries of prior year obligations (-)	(36,451)	(66,269)	(53,692)	(11,656)	(39,729)
Unpaid obligations, end of year	800,779	688,024	826,919	463,049	380,198
Uncollected payments:					
Uncollected payments, Federal sources, brought forward, October 1 (gross)	(651,839)	(703,786)	(144,469)	(267)	(69,945)
Change in uncollected payments, Federal sources	18,328	(13,973)	54,616	267	6,091
Uncollected payments, Federal sources, end of year (-)	(633,511)	(717,759)	(89,853)	-	(63,854)
Obligated balance, start of year	$ **117,808**	$ **15,050**	$ **734,269**	$ **470,084**	$ **339,910**
Obligated balance, end of year	$ **167,268**	$ **(29,735)**	$ **737,066**	$ **463,049**	$ **316,344**
Budget Authority and Outlays, Net:					
Budget authority, gross (discretionary and mandatory)	870,053	1,324,735	1,117,577	2,126,291	1,020,942
Actual offsetting collections (discretionary and mandatory)	(888,381)	(1,252,540)	(363,756)	(29,090)	(128,646)
Change in uncollected customer payments from Federal sources	18,328	(13,973)	54,616	267	6,091
Budget authority, net (discretionary and mandatory)	$ **-**	$ **58,222**	$ **808,437**	$ **2,097,468**	$ **898,387**
Outlays, gross (discretionary and mandatory)	869,133	1,358,837	1,182,157	2,134,797	1,028,101
Actual offsetting collections (discretionary and mandatory)	(888,381)	(1,252,540)	(363,756)	(29,090)	(128,646)
Outlays, net (discretionary and mandatory)	(19,248)	106,297	818,401	2,105,707	899,455
Distributed offsetting receipts	-	-	(982)	-	-
Agency outlays, net (discretionary and mandatory)	$ **(19,248)**	$ **106,297**	$ **817,419**	$ **2,105,707**	$ **899,455**

Wildland Fire Management	BLM Permanent Operations Funds	Fish and Wildlife Resource Management	Mineral Leasing and Associated Payments	Operation of Indian Programs	Survey, Investigation and Research	Cobell Land Consolidation Fund	Other Budgetary Accounts	Total Budgetary Accounts
$ 72,016	**$ 601,314**	**$ 252,700**	**$ -**	**$ 485,661**	**$ 413,496**	**$ -**	**$ 3,659,392**	**$ 6,493,319**
10,583	88,313	34,728	-	12,677	15,967	-	237,180	607,245
27,965	(21,991)	(5,177)	-	918	(115)	-	(15,152)	(24,046)
110,564	667,636	282,251	-	499,256	429,348	-	3,881,420	7,076,518
784,943	55,900	1,157,346	1,885,573	2,243,891	1,012,168	1,900,000	6,194,545	19,096,882
58,349	1	295,952	-	258,578	431,065	-	1,566,944	5,207,970
$ 953,856	**$ 723,537**	**$ 1,735,549**	**$ 1,885,573**	**$ 3,001,725**	**$ 1,872,581**	**$ 1,900,000**	**$ 11,642,909**	**$ 31,381,370**
871,375	180,023	1,477,254	1,885,573	2,444,541	1,455,687	23,057	7,161,054	22,190,928
82,481	543,514	238,027	-	529,190	404,485	1,876,943	4,424,037	9,032,371
-	-	-	-	-	-	-	59	59
-	-	20,268	-	27,994	12,409	-	57,759	158,012
82,481	**543,514**	**258,295**	**-**	**557,184**	**416,894**	**1,876,943**	**4,481,855**	**9,190,442**
$ 953,856	**$ 723,537**	**$ 1,735,549**	**$ 1,885,573**	**$ 3,001,725**	**$ 1,872,581**	**$ 1,900,000**	**$ 11,642,909**	**$ 31,381,370**
297,721	462,150	582,688	-	322,758	368,115	-	5,294,942	10,575,801
871,375	180,023	1,477,254	1,885,573	2,444,541	1,455,687	23,057	7,161,054	22,190,928
(908,230)	(243,695)	(1,478,284)	(1,885,573)	(2,384,683)	(1,467,793)	(6,708)	(7,179,630)	(22,127,621)
(10,583)	(88,313)	(34,728)	-	(12,677)	(15,967)	-	(237,180)	(607,245)
250,283	310,165	546,930	-	369,939	340,042	16,349	5,039,186	10,031,863
(12,542)	-	(353,269)	-	(97,211)	(480,452)	-	(223,570)	(2,737,350)
1,165	-	20,601	-	(62,409)	24,984	-	(23,930)	25,740
(11,377)	-	(332,668)	-	(159,620)	(455,468)	-	(247,500)	(2,711,610)
$ 285,179	**$ 462,150**	**$ 229,419**	**$ -**	**$ 225,547**	**$ (112,337)**	**$ -**	**$ 5,071,372**	**$ 7,838,451**
$ 238,906	**$ 310,165**	**$ 214,262**	**$ -**	**$ 210,319**	**$ (115,426)**	**$ 16,349**	**$ 4,791,686**	**$ 7,320,253**
843,292	55,900	1,453,300	1,885,573	2,502,469	1,443,233	1,900,000	7,761,489	24,304,854
(59,514)	(1)	(316,553)	-	(196,170)	(456,049)	-	(1,558,821)	(5,249,521)
1,165	-	20,601	-	(62,409)	24,984	-	(23,930)	25,740
$ 784,943	**$ 55,899**	**$ 1,157,348**	**$ 1,885,573**	**$ 2,243,890**	**$ 1,012,168**	**$ 1,900,000**	**$ 6,178,738**	**$ 19,081,073**
908,230	243,695	1,478,284	1,885,573	2,384,683	1,467,793	6,708	7,179,630	22,127,621
(59,514)	(1)	(316,553)	-	(196,170)	(456,049)	-	(1,558,821)	(5,249,521)
848,716	243,694	1,161,731	1,885,573	2,188,513	1,011,744	6,708	5,620,809	16,878,100
-	(58,743)	(414)	(1,986,905)	-	-	-	(3,363,059)	(5,410,103)
$ 848,716	**$ 184,951**	**$ 1,161,317**	**$ (101,332)**	**$ 2,188,513**	**$ 1,011,744**	**$ 6,708**	**$ 2,257,750**	**$ 11,467,997**

Deferred Maintenance and Repairs

The DOI owns, builds, purchases, and contracts services for assets such as schools, office buildings, roads, bridges, dams, irrigation systems, and reservoirs. These assets are utilized and maintained in support of DOI's mission and the missions of its bureaus. When maintenance or repairs are not completed on assets as needed or scheduled and are delayed into the future, it is defined as deferred maintenance and repairs.

Deferred maintenance and repairs can have an adverse affect on DOI's ability to carry out its mission. For example, a lack of maintenance on windows, heating, ventilation, and air conditioning (HVAC) systems, or other components of a constructed asset, typically results in increased energy costs. Excess energy usage needlessly expends limited resources that could otherwise be focused towards mission delivery. If the deferred maintenance is on windows or a HVAC system in a visitor center, for example, this can lead to a less than optimal visitor experience, which has a direct effect on a bureau's mission.

Similarly, deteriorated offices, laboratories, and schools result in an inefficient and potentially unsafe working environment and a poor learning environment that negatively impacts morale, the ability to attract and retain talented employees, educate Native American students, and satisfy visitors to DOI's facilities. In addition, since one mission of DOI bureaus is to maintain facilities for recreational use by the public, assets that pose a health and safety threat cannot be made available for public use until repairs can be made. Undue wear on facilities may not be immediately noticeable to users, but over time inadequate maintenance can require that a facility be replaced or undergo major reconstruction before reaching the end of its expected useful life.

Planning to Reduce Deferred Maintenance and Repairs

The DOI has a 5-year planning process that provides a framework for improved planning and management of maintenance and construction programs. The DOI's 5-year plan is updated annually to reflect a 5-year picture of DOI's deferred maintenance, repair and capital improvement needs. The annual update presents the opportunity for DOI to adjust project priorities based on newly identified needs or previously identified needs that have become more critical during the past year. The 5-year planning process emphasizes projects that eliminate deferred maintenance by addressing health and safety issues, ensuring resource protection, and addressing mission critical assets.

In preparing the plan, DOI follows uniform criteria including health and safety, resource protection, mission criticality, and energy efficiency/building sustainability. These criteria are reviewed annually for alignment with strategic plans, OMB guidance, recent laws, and Executive Orders.

The 5-year planning process is a critical element in the implementation of DOI Asset Management Plan, bureau asset management plans, and site-specific asset business plans.

Condition Assessment Surveys

The DOI uses performance measures to help managers improve the condition of assets. The maintenance needs of DOI's real property assets are identified primarily through the condition assessment processes required of all bureaus. The DOI maintains a cyclic/recurring condition assessment process to monitor the condition of buildings and other facilities at least once every 5 years.

The DOI uses condition assessment surveys to determine deferred maintenance for each class of assets. A condition assessment survey is the periodic inspection of real property to determine its current condition and to provide a cost estimate for necessary repairs. Annual condition assessments are performed on all standard constructed assets with a current replacement value of $5,000 or more and are performed by field operating unit staff.

Comprehensive condition assessments are performed on all constructed assets with a current replacement value of $50,000 or more once every 5 years. Comprehensive assessments include an inspection of the facility and all component systems, a summary of deficiencies found, cost estimates for the deficiencies, and a recalculation of the Facility Condition Index.

The DOI estimates real property deferred maintenance and repairs by category to include: Roads, Bridges, and Trails; Irrigation, Dams, and Other Water Structures; Buildings; and Other Structures. Due to the scope, nature, and variety of the assets entrusted to DOI, as well as the nature of deferred maintenance itself, exact estimates are very difficult to determine. Therefore, estimates are reported as a range to an accuracy level of minus 15 percent to plus 25 percent of initial estimate.

FY 2013 Deferred Maintenance and Repairs as of September 30, 2013						
Type of Deferred Maintenance *(dollars in thousands)*	General PP&E		Stewardship PP&E		Total	
	Low End of Range	High End of Range	Low End of Range	High End of Range	Low End of Range	High End of Range
Roads, Bridges and Trails	$ 3,791,900	$ 5,576,767	$ 3,054,820	$ 4,360,210	$ 6,846,720	$ 9,936,977
Irrigation, Dams, and Other Water Structures	1,167,833	1,774,260	792,532	1,166,184	1,960,365	2,940,444
Buildings (e.g. Administration, Education, Housing, Historic Buildings, etc.)	1,671,151	2,446,257	917,883	1,349,828	2,589,034	3,796,085
Other Structures (e.g. Recreation sites, Hatcheries, etc.)	1,249,120	1,827,226	827,241	1,216,531	2,076,361	3,043,757
Total	$ 7,880,004	$ 11,624,510	$ 5,592,476	$ 8,092,753	$ 13,472,480	$ 19,717,263

Condition of Stewardship Lands and Heritage Assets

Condition of Stewardship Lands

Land is defined as the solid part of the surface of the earth and excludes natural resources (that is, depletable resources and renewable resources) related to the land. Based on this definition, stewardship land is considered to be in acceptable condition unless an environmental contamination or liability is identified and the land cannot be used for its intended purpose(s).

Information regarding the financial liabilities identified as probable or reasonably possible and that potentially affect the condition of Stewardship Land are located in Note 13, *Contingent Liabilities and Environmental and Disposal Liabilities.*

Primary Land Management Categories	As of 9/30/2013	Condition	
		Acceptable	Needs Intervention
IA - Regional Offices	12	100%	
BLM - Geographic Management Areas	129	100%	
BOR - Federal Water and Related Projects	135	99%	1%
FWS - National Wildlife Refuges	561	99%	1%
FWS - Coordination Areas	50	100%	
FWS - Wetland Management Districts	38	100%	
FWS - National Fish Hatcheries	68	100%	
FWS - Fish Technology Centers	6	100%	
FWS - Associated Fish Facilities	15	100%	
NPS - Park Units	390	100%	
OS - Commission Land	1	100%	
Total Number of Units	1,405	99%	1%

Condition of Heritage Assets

Non-Collectible Heritage Assets

The condition of land based non-collectible heritage assets is based on the condition of the land as described above. The condition of structure based non-collectible heritage assets is based on the requirements described in the deferred maintenance section. The categories of condition of structure based non-collectible heritage assets are:

Unacceptable – when some of an asset's critical systems have critical or serious deficiencies. The threshold used to determine acceptable and unacceptable will vary based on the mission and types of assets.

Unknown – due to the nature of the location, such as underwater, under snow, or under other structures, the condition cannot be determined or that due to financial constraints a bureau has been unable to determine condition.

Acceptable – when all of an asset's critical systems have no critical or serious deferred maintenance; critical systems with minor deferred maintenance and non-critical systems with any priority of deferred maintenance may exist.

Primary Non-Collectible Heritage Asset Categories	As of 9/30/13	Land Based		Structurally Based		
		Acceptable	Needs Intervention	Acceptable	Unacceptable	Unknown
Cooperative Management and Protection Area	1	100%				
Headwaters Forest Reserve	1	100%				
Lake Todatonten Special Management Area	1	100%				
National Battlefield Parks	4	100%				
National Battlefield Site	1	100%				
National Battlefields	11	100%				
National Conservation/ Conservation Areas	17	100%				
National Historic Landmarks (NHL)	213	100%		86%	8%	6%
National Historic Sites	78	100%				
National Historic Trails	13	100%				
National Historical Parks	46	100%				
National Lakeshores	4	100%				
National Memorials	29	100%				
National Military Parks	9	100%				
National Monuments	103	100%				
National Natural Landmarks (NNL)	114	100%				
National Parks	59	100%				
National Parkways	4	100%				
National Preserves	18	100%				
National Recreation Areas	20	100%				
National Recreation Trails	110	100%		100%		
National Reserves	2	100%				
National Rivers	5	100%				
National Scenic Trails	8	100%				
National Seashores	10	100%				
National Wild and Scenic Rivers	92	100%				
National Wildlife Refuges	561	99%	1%			
Outstanding Natural Areas	3	100%				
International Historic Site	1	100%				
Wilderness Areas	355	100%				
Research Natural Area	1	100%				
Archeological Protection Areas	2	100%				
Special Areas	5	100%				
Other	11	100%				
Total	1,912	100%	0%	90%	6%	4%

Collectible Heritage Assets

Interior Library Collections	As of 9/30/2013	Condition of Library Collections		
		Good	Fair	Poor
Library Collections	7	14%	86%	0%

Library Collections

Condition assessment standards are in agreement with national standards (the National Information Standards Organization publication on the Environmental Guidelines for the Storage of Paper Records) and are based on temperature and humidity, exposure to light, gaseous contaminants, and particulates. Library collection ratings of Good, Fair, Poor, and/or Unknown are based on the following:

Good – Achieves a good or fair rating for all four criteria.

Fair – Achieves a good or fair rating for at least two criteria.

Poor – Achieves a good or fair rating for less than two criteria.

Unknown – Assessment not conducted.

As with the museum collections, the goal of safeguarding is to preserve the items in library collections for as long as possible and to manage their condition in accordance with the intended use and to not unduly hasten their deterioration.

Museum Collections

Facilities housing Department museum collections must meet specific environmental, security, fire protection, housekeeping, physical examination, and storage, exhibit, and administrative office space standards, as described in Directive 4, *Required Standards for Managing and Preserving Museum Property*, of DOI Museum Property Directives. These standards require facilities that house collections to maintain their stewardship responsibilities by adhering to best practices as defined by industry standards. Facilities that meet at least 70 percent of the Department's standards for managing museum collections are judged to be in "good" condition, those that meet between 50 percent and 70 percent of the standards are in "fair" condition and those that meet less than 50 percent of applicable standards are in "poor" condition. Facilities which have not had an assessment are in "unknown" condition.

A primary focus within museum collection management is preservation. Great attention is given to stabilizing objects in the condition in which they were received and preventing further deterioration. Museum objects are generally expected to be preserved indefinitely. The goal of safeguarding is to preserve the heritage asset for as long as possible, to manage the condition in accordance with the intended use, and not to unduly hasten their deterioration. By preserving museum collections, they are available for research, education, and other uses by the public.

Interior Museum Collections	As of 9/30/2013	Condition of Museum Collections			
		Good	Fair	Poor	Unknown
Held at Interior Bureau Facilities	566	57%	38%	3%	2%
Held at Non-Interior Bureau Facilities	445	47%	42%	2%	9%
Total	1,011	52%	40%	3%	5%

Custodial Activity, Compliance Assessments and Pre-assessment Work in Process:

Management's best estimate of additional custodial revenues that may potentially be collected from compliance assessments and pre-assessment work in process as of September 30, 2013, is $29.8 million. This estimate is comprised of approximately $3.7 million in Audit and Compliance Management (ACM), approximately $24.3 million in state and tribal audit, and approximately $1.8 million in other compliance assessments and pre-assessment work in process.

The amounts disclosed are subject to significant variability upon final resolution of the compliance work, due to numerous factors such as the receipt of additional third party documentation including volume revisions from pipeline or gas plant statements, pricing changes from purchaser statements, revised transportation invoices, interim imbalance statements with retroactive adjustments, ongoing reconciliations, and other information subsequently received.

Oil and Gas Petroleum Royalties

Management of Federal Oil and Gas Resources

The DOI plays an integral part in the implementation of the President's *Blueprint for a Clean and Secure Energy Future*, designed to build a safe, secure energy future by using cleaner, alternative fuels to power our homes and economies, producing more oil and gas at home, and improving energy efficiency. The DOI is responsible for managing the nation's oil and natural gas resources and the mineral revenues on Federal lands, both onshore and on the OCS. This management process can be broken down into six essential analysis components: pre-leasing, post-leasing and pre-production, production and post-production, revenue collection, fund disbursement, and compliance.

Within DOI, four primary bureaus/offices perform these essential management functions.

The BOEM manages access to and exploration and development of the nation's offshore resources. It seeks to appropriately balance economic development, energy independence, and environmental protection through oil and gas leasing exploration and development activities, providing access for renewable energy development, and appropriate environmental reviews and studies to ensure that these activities are in the Nation's best interest.

The BLM manages vast stretches of public lands, including Federal onshore oil and gas leases that make significant contributions to the domestic energy supply. Additionally, BLM works to promote safety, protect the environment, and conserve resources onshore through regulatory oversight and enforcement.

The ONRR is responsible for the management and collection of revenues associated with Federal offshore and onshore mineral leases issued under the *Mineral Leasing Act of 1920* (MLA) and the *Outer Continental Shelf Lands Act of 1953* (OCSLA). The ONRR achieves optimal value by ensuring that all natural resource revenues are efficiently and accurately collected and disbursed to recipients in a timely manner and by performing audit and revenue compliance activities; all in accordance with the *Federal Oil and Gas Royalty Management Act of 1982* (FOGRMA) and 30 CFR Parts 1201-1290.

The BSEE works to promote safety, protect the environment, and conserve resources offshore through vigorous regulatory oversight and enforcement.

Stewardship Policies for Federal Oil and Gas Resources

The DOI's responsibilities as stewards of the physical Federal oil and gas resources begin when BLM and BOEM conduct pre-leasing analysis activities, which include the assessment of oil and gas resources that may be offered for lease. For onshore resources, even before an expression of interest by industry, the procedure to determine whether oil and gas leasing is compatible with other uses of the land begins with a land use planning process. Following the pre-leasing assessment, BLM and BOEM develop plans for offering those resources to developers. Once BLM makes a decision as to which onshore parcels to offer for lease, those parcels are posted publically prior to quarterly competitive lease sales. All onshore parcels are evaluated for resource conflicts. The Secretary implemented Onshore Leasing Reform to ensure public involvement in all aspects of the leasing process. Since some form of onshore oil and gas leasing has been in effect since the 1920's, the process of determining mineral ownership is more complex than in the OCS. Mineral ownership may be divided jointly by more than one Federal jurisdictional agency, may be fragmented, or in some cases deeds may have shared ownership. In the case of oil and gas development overall, this planning process is designed to consider both the environmental and economic concerns of the nation by providing opportunities for input from the public, the private sector, states, and Congress. The BLM and BOEM conduct public planning processes for each individual lease sale.

Once a sale is completed, BLM and BOEM determine whether bids can be accepted and a lease issued. The BLM must adjudicate all protests to any onshore parcels with winning bids, prior to lease issuance. Once a lease is assigned to a winning bidder, BLM and BOEM begin post-leasing and pre-production activities. These activities include a permitting and approval process for exploration, development, and production activities proposed by the lease operators. The BLM staff perform onshore inspections and BSEE staff perform offshore inspections to confirm that activities are conducted in an environmentally and physically safe manner. Similar inspections also occur during the production and post-production activities to help ensure the Federal Government is receiving accurate royalties from production and facilities are decommissioned in a manner that protects the environment.

Once a lease is in place, Federal oil and gas leasing laws, including the MLA, FOGRMA, or the OCSLA, and lease terms determine the Federal Government's share of production from both offshore and onshore operations. Through royalty revenue collection and fund disbursement, ONRR achieves optimal value by ensuring that all revenues from Federal oil and gas leases are efficiently, effectively, and accurately collected, accounted for, and disbursed to states and counties, other Federal component entities, and the U.S. Treasury, in accordance with relevant statutory authorities. The ONRR also performs revenue compliance activities to ensure the Federal Government has received fair market value and that companies comply with applicable laws, regulations, and lease terms.

Through this mineral asset management process, DOI serves as the leading mineral asset manager for the Federal Government, the states, and the American people.

Schedule of Estimated Federal Oil and Gas Petroleum Royalties
Asset Present Value as of September 30, 2013
(in thousands)

Offshore[1]	Gulf of Mexico	Pacific[2]				Total
Oil and Lease Condensate	$ 33,329,143	$ 3,110,540				$ 36,439,683
Natural Gas, Wet After Lease Separation	4,199,464	440,941				4,640,405
Total Offshore	**$ 37,528,607**	**$ 3,551,481**				**$ 41,080,088**

Onshore	East Coast (PADD 1)	Midwest (PADD 2)	Gulf Coast (PADD 3)	Rocky Mountain (PADD 4)	West Coast (PADD 5)	Total
Oil and Lease Condensate	$ 494	$ 1,870,969	$ 4,122,449	$ 7,315,612	$ 1,646,984	$ 14,956,508
Natural Gas, Wet After Lease Separation	12,052	276,699	6,638,579	18,537,208	301,452	25,765,990
Total Onshore	**$ 12,546**	**$ 2,147,668**	**$ 10,761,028**	**$ 25,852,820**	**$ 1,948,436**	**$ 40,722,498**

[1]Offshore royalties include Section 8(g) royalties.

[2]Pacific royalties include royalties from Alaska Federal OCS proved reserves.

Total Offshore and Onshore	
Total Oil and Lease Condensate	$ 51,396,191
Total Natural Gas, Wet After Lease Separation	30,406,395
Total Offshore and Onshore	**$ 81,802,586**

Onshore Regions are reported consistent with EIA Petroleum Administration for Defense Districts (PADD): (The underlined States have oil/condensate and gas production on Federal lands)

PAD District 1 (East Coast) is composed of the following three subdistricts:

- Subdistrict 1A (New England): Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont

- Subdistrict 1B (Central Atlantic): Delaware, District of Columbia, Maryland, New Jersey, New York, Pennsylvania

- Subdistrict 1C (Lower Atlantic): Florida, Georgia, North Carolina, South Carolina, Virginia, West Virginia

PAD District 2 (Midwest): Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, Nebraska, North Dakota, South Dakota, Ohio, Oklahoma, Tennessee, Wisconsin

PAD District 3 (Gulf Coast): Alabama, Arkansas, Louisiana, Mississippi, New Mexico, Texas

PAD District 4 (Rocky Mountain): Colorado, Idaho, Montana, Utah, Wyoming

PAD District 5 (West Coast): Alaska, Arizona, California, Hawaii, Nevada, Oregon, Washington

The above tables present the estimated present value of future Federal royalty receipts on estimated proved reserves as of September 30, 2013. Inputs to these estimates were measured as of this effective date, or were extrapolated to this effective date. The Federal Government's estimated petroleum royalties have as their basis the Department of Energy's Energy Information Administration (DOE/EIA) estimates of proved reserves. The DOE/EIA proved reserves estimates are published annually, covering all Federal areas onshore and offshore. The DOE/EIA provides such estimates directly for Federal offshore areas and were adjusted to extract the Federal subset of onshore proved reserves. Key to these adjustments is the assumption that the Federal portion of each state's onshore proved reserves corresponds to the fraction of production from Federal lands, as compared to total production from the state for calendar year 2011, the most recent published DOE/EIA proved reserves report. The Federal proved reserves were then further adjusted to correspond with this effective date. The DOE/EIA's reserves estimates are effective a full 21 months prior to the effective date of this disclosure. Over this 21-month period, reserves values change with subtractions from production and additions through discoveries. Adjustments were made for each region by assuming that reserves are changing at a constant rate relative to production, and 3-year historical averages of these relationships were applied to interim production to adjust the reserves to this effective date. Production of the reserves was projected over time to simulate schedules of when the oil and natural gas would be estimated to be produced. Each region has characteristics that create unique assumptions that affect these projections, i.e., in a developing region, production rates may be low in comparison to abundant proved reserves, indicating that rates will continue to build for a time before beginning their natural decline.

Future royalties were then estimated from these production streams by applying future price estimates by OMB, and effective royalty rates. The OMB price estimates are 11-year estimates prepared for the mid-session review of the Administration's FY 2014 budget. The nominal price estimates are based on futures contract averages. Beyond the 11-year OMB forecasts, the prices in the projections are assumed to continue at the constant rates established in the last years of the OMB forecast. Those growth rates are 1.9 percent per year for oil and 5.5 percent per year for gas. Unique gas price projections were calculated for each region based on the proportion of gas related revenue received over the last 3 years from wet gas royalties, dry gas royalties, and NGL royalties. Assuming that this 3-year average proportional relationship continues, gas prices were adjusted to account for the proportional relative values of each of these gas related products. This method is assumed to capture the value of royalties from the 3 gas related products from the single wet gas production stream, reported together as 'Natural Gas, Wet After Lease Separation' to most accurately reflect the actual wellhead volumes of unprocessed gas at the lease. Effective royalty rates are also unique for each region and are based on the assumption that the royalty relationships established in the prior 3-year average will remain. Effective royalty rates were calculated by dividing the region's last 3 years royalties by the sales values resulting in the fraction of sales value actually received as royalties. This method automatically accounts for transportation allowances and allowable deductions on regional bases that reduce the nominal royalty rates to the effective rates, and also implicitly convert the market based prices from OMB to First Purchase Prices for oil and Wellhead Prices for gas. The present value of these royalties was then estimated by discounting the revenue stream back to the effective date at a public discount rate assumed to be equal to the OMB's estimates of future 30-Year Treasury Bill rates. The OMB rates are 11-year estimates prepared for the mid-session review of the Administration's 2014 budget. The rates begin at 3.13 percent for FY 2013 and rise to 5.35 percent for FY 2022 and 2023. The rates were assumed to remain at 5.35 percent beyond FY 2013, as regional production estimates vary in amount by year and may last longer or shorter than the 30-year maturity period. The 30-year Treasury Bill rates were chosen because this maturity life most closely approximates the productive lives of the proved reserves estimates, and therefore, the Government's "cost of capital" for investments with this length of maturity.

Schedule of Estimated Federal Oil and Gas Petroleum Royalties to be Distributed to Others as of September 30, 2013 *(in thousands)*		
		FY 2013
Other Federal Bureaus and Agencies		
Department of the Treasury	$	44,741,844
Interior - Reclamation Fund		15,204,930
Other Federal Bureaus and Agencies		2,161,281
States and Others		19,694,531
Total Estimated Petroleum Royalties to be Distributed to Others	**$**	**81,802,586**

The above table presents an estimate of Federal oil and gas petroleum royalties (proved reserves) to be distributed to others, based upon the average annual share of Federal royalties distributed to others over the preceding 12 months.

Revenue Reported by Category FY 2013 *(in thousands)*						
		Federal Offshore		**Federal Onshore**		**Total**
Royalties from Oil and Lease Condensate	$	5,320,145	$	1,425,388	$	6,745,533
Accrual Adjustment - Oil and Lease Condensate		75,724		24,766		100,490
Royalties from Natural Gas		659,411		1,263,856		1,923,267
Accrual Adjustment - Natural Gas		14,641		25,201		39,842
Subtotal		6,069,921		2,739,211		8,809,132
Rent		225,964		53,427		279,391
Bonus Bid		2,301,845		207,377		2,509,222
Subtotal		2,527,809		260,804		2,788,613
Total	**$**	**8,597,730**	**$**	**3,000,015**	**$**	**11,597,745**

The above table of revenue reported by category presents royalty revenue reported to DOI in FY 2013 for oil and lease condensate, and for natural gas, as well as rent revenue and bonus bid revenue by offshore and onshore leases. The revenue accrual adjustments represent activity for current month production for which reporting of volumes and categories occurs in the months following production; and for royalty payments that have been received but have not been matched with related royalty reports, and therefore are not yet associated to volumes or categories. Amounts include oil and gas revenue only, and do not include revenue reported in the financial statements for other commodities.

Rent is defined as annual payments, normally a fixed dollar amount per acre, required to preserve the rights to a lease while the lease is not in production. A rent schedule is established at the time a lease is issued. Bonus Bid is defined as cash consideration paid to the United States by the successful bidder for a mineral lease, awarded through a competitive bidding process. The payment is made in addition to the rent and royalty obligations specified in the lease.

Estimated Petroleum Royalties (Proved Reserves)
End of FY 2013
(in thousands)

Oil and Lease Condensate (Bbl)			
Federal Offshore	**Quantity**	**Average Purchase Price ($)[1]**	**Average Royalty Rate (%)**
Gulf of Mexico[2]	4,092,794	$ 106.41	13.65%
Pacific (including Alaska Federal OCS)	319,336	96.02	16.95%
Subtotal Federal Offshore	4,412,130		
Federal Onshore			
East Coast (PADD 1)	71	$ 93.01	12.50%
Midwest (PADD 2)	258,227	90.05	12.32%
Gulf Coast (PADD 3)	531,419	89.71	12.28%
Rocky Mountain (PADD 4)	961,890	85.91	12.03%
West Coast (PADD 5)	232,771	103.28	11.64%
Subtotal Federal Onshore	1,984,378		
Total	**6,396,508**		

Natural Gas, Wet After Lease Separation (Mcf)			
Federal Offshore	**Quantity**	**Average Purchase Price ($)[1]**	**Average Royalty Rate (%)**
Gulf of Mexico[2]	7,754,245	$ 4.12	13.65%
Pacific (Alaska Federal OCS has no proved gas reserves)	689,079	4.46	14.80%
Subtotal Federal Offshore	8,443,324		
Federal Onshore			
East Coast (PADD 1)	26,522	$ 3.52	11.09%
Midwest (PADD 2)	575,065	4.42	12.05%
Gulf Coast (PADD 3)	13,820,319	3.94	10.94%
Rocky Mountain (PADD 4)	42,575,415	3.93	10.11%
West Coast (PADD 5)	566,188	4.75	12.46%
Subtotal Federal Onshore	57,563,509		
Total	**66,006,833**		

The tables above provide the estimated quantity, regional average purchase price, and regional average royalty rate by category of estimated Federal proved reserves at the end of FY 2013. The prices and royalty rates are based upon historical averages, include estimates, exclude prior period adjustments, and are affected by such factors as accounting adjustments and transportation allowances, resulting in effective royalty rates. Prices are valued at the lease rather than at the market center, and differ from those used to compute the asset estimated present values, which are forecasted and discounted based upon OMB economic assumptions.

[1]Average Purchase Price ($) represents the average of the regional average, and is generally defined for oil as the First Purchase Price which is the actual amount paid by the first purchaser for crude oil as it leaves the lease on which it was produced. For natural gas it is generally defined as the Wellhead Price which is the value of the purchased natural gas at the mouth of the well for unprocessed gas or for processed gas an imputed wellhead price based on the residue gas and natural gas liquid volumes and values.

[2]Gulf of Mexico proved reserves are royalty bearing volumes. In the Gulf of Mexico, an additional 964,803 Mbbl of proved oil reserves and 1,798,247 MMcf of proved gas reserves are not reflected in these totals as they are estimated to be producible royalty free under various royalty relief provisions. The net present value of the royalty value of the royalty free proved reserves volumes in the Federal Gulf of Mexico is estimated to be $8,780,532,470.

Federal Regional Oil and Gas Information
FY 2013
(in thousands)

Oil and Lease Condensate Information
Offshore

Region	Sales Volume (Bbl)	Sales Value ($)	Royalty Revenue Earned ($)	Estimated Value for Royalty Relief ($)
Gulf of Mexico	347,097	$ 36,695,389	$ 5,028,720	$ 1,324,592
Pacific	18,356	1,732,619	291,425	0
Totals	**365,453**	**$ 38,428,008**	**$ 5,320,145**	**$ 1,324,592**

Natural Gas Information
Offshore

Region	Sales Volume (Mcf)	Sales Value ($)	Royalty Revenue Earned ($)	Estimated Value for Royalty Relief ($)
Gulf of Mexico	1,165,662	$ 4,698,539	$ 652,289	$ 147,633
Pacific	12,799	54,490	7,122	0
Totals	**1,178,461**	**$ 4,753,029**	**$ 659,411**	**$ 147,633**

Oil and Lease Condensate Information
Onshore

Region	Sales Volume (Bbl)	Sales Value ($)	Royalty Revenue Earned ($)	Estimated Value for Royalty Relief ($)
East Coast (PADD 1)	1	$ 123	$ 15	$ 0
Midwest (PADD 2)	17,196	1,460,256	179,334	0
Gulf Coast (PADD 3)	50,316	4,359,007	535,297	0
Rocky Mountain (PADD 4)	52,278	4,284,872	515,927	0
West Coast (PADD 5)	16,303	1,672,692	194,815	0
Totals	**136,094**	**$ 11,776,950**	**$ 1,425,388**	**$ 0**

Natural Gas Information
Onshore

Region	Sales Volume (Mcf)	Sales Value ($)	Royalty Revenue Earned ($)	Estimated Value for Royalty Relief ($)
East Coast (PADD 1)	474	$ 1,692	$ 194	$ 0
Midwest (PADD 2)	34,999	151,358	19,202	0
Gulf Coast (PADD 3)	954,186	3,754,451	422,216	0
Rocky Mountain (PADD 4)	2,131,679	8,763,380	809,525	0
West Coast (PADD 5)	21,788	102,371	12,719	0
Totals	**3,143,126**	**$ 12,773,252**	**$ 1,263,856**	**$ 0**

Federal Regional Oil and Gas Information
FY 2013 (Continued)
(in thousands)

Oil and Lease Condensate Information

Offshore and Onshore

	Sales Volume (Bbl)	Sales Value ($)	Royalty Revenue Earned ($)	Estimated Value for Royalty Relief ($)
Totals	**501,547**	**$ 50,204,958**	**$ 6,745,533**	**$ 1,324,592**

Natural Gas Information

Offshore and Onshore

	Sales Volume (Mcf)	Sales Value ($)	Royalty Revenue Earned ($)	Estimated Value for Royalty Relief ($)
Totals	**4,321,587**	**$ 17,526,281**	**$ 1,923,267**	**$ 147,633**

The above tables of Federal regional oil and gas sales information reflect reported sales volume, sales value, royalty revenue, and estimated value for royalty relief for FY 2013.

Sales volume represents the quantity of a mineral commodity sold during the reporting period. Sales value represents the dollar value of the mineral commodity sold during the reporting period. Royalty revenue earned represents a stated share or percentage of the value of the mineral commodity produced.

Royalty relief is the reduction, modification, or elimination of any royalty payment due, to promote development, increase production, or encourage production of marginal resources on certain leases or categories of leases. The value for royalty relief is based upon amounts reported to ONRR in accordance with royalty reporting requirements, less estimated transportation costs.

The sales volume, sales value, royalty revenue earned, and the value for royalty relief are presented on a regional basis, and include adjustments and estimates. The information is presented on a regional basis to provide users of the financial statements with the regional variances in oil and gas activity for decision-making purposes, and to reflect the estimated amount of royalty relief granted in the fiscal year.

Other Significant Federal Oil and Gas Resources

In 2013* BOEM estimates the remaining resource endowment of the Federal OCS to be 188 billion barrels of oil equivalent (BBOE). Of these resources, 18 percent (33 BBOE) are reserves in OCS areas currently available for leasing and/or development. The remaining 82 percent (155 BBOE) are Undiscovered Technically Recoverable Resources (UTRR) defined as oil and gas that may be produced as a consequence of natural pressure, artificial lift, pressure maintenance, or other secondary recovery methods, but without any consideration of economic viability. The UTRR are primarily located outside of known fields. Of these 155 BBOE of UTRR, 36 BBOE are located in Pacific, Atlantic, Alaska, and Eastern Gulf of Mexico OCS areas currently not being considered for leasing.

In 2013 BLM estimates the remaining undiscovered resource endowment of Federal Onshore Mineral Estate to be 52 billion barrels of oil equivalent (BBOE). Of these resources, 40 percent are currently available for leasing and/or development. The remaining 60 percent (31.2 BBOE) are undiscovered technically recoverable resources (UTRR) defined as oil and gas that may be produced as a consequence of natural pressure, artificial lift, pressure maintenance, or other secondary or tertiary recovery methods, but without any consideration of economic viability. The coastal plain of the Arctic National Wildlife Refuge in Alaska contains about 16 BBOE of UTRR that are presently off limits to leasing and development due to an existing Congressional legislative mandate. In addition, the Naval Petroleum Reserve-Alaska contains at least 6 BBOE. Many of the UTRR onshore oil reserves are associated with shale oil resources contained within PADDs II, III and IV that includes the Rocky Mountain and Midwest regions of the U.S. The highly-visible Bakken Shale and Three Forks formations in North Dakota (PADD II) and Montana (PADD IV) contains an estimated 7.3 BBOE and lesser amounts, totaling about .3 BBOE, are contained within the Mancos Formation in Utah (PADD IV), the New Mexico Permian Basin (PADD III), and Niobrara Formation of Colorado and Wyoming (PADD IV) shale oil basins. In 2012, due to environmental concerns, including ground water protection issues associated with the use of hydraulic fracturing (HF) to produce these resources, BLM drafted a proposed HF rule that was published in May 2012 inviting comments. The BLM received about 177,000 comments and revised the rule. The revised rule was published on May 24, 2013, with a 90 day comment period. Additionally, much of the onshore Federal mineral acreage is scattered, or adjacent to mixed ownership including shared mineral estate. The Secretary of the Interior, through the Mineral Leasing Act of 1920, also authorized BLM to issue oil and gas leases and drilling permits on Federal lands under the jurisdiction of other Federal Agencies such as FWS, USFS, and the U.S. Army Corp of Engineers, with their consent. Until these Agencies come to a consensus with BLM on the appropriate National Environmental Policy Documents to issue and applicable stipulations to attach, lease approval is not certain or may be delayed. If jurisdictional agencies do not eventually consent to leasing, the remaining 1.6 BBOE of UTRR will remain off limits to production.

*Estimates are based on BOEM 2011 Resource Assessment; totals are adjusted for intermediate production from the effective date of those estimates (1/1/2009) to 1/1/2013.

Investment in Research and Development *(dollars in thousands)*

Category	FY 2009	FY2010	FY2011	FY2012	FY2013	Total
Basic Research	$ 69,000	$ 73,000	$ 60,000	$ 84,000	$ 84,000	$ 370,000
Applied Research	755,000	967,000	796,000	933,000	824,000	4,275,000
Developmental Research	77,000	83,000	83,000	148,000	136,000	527,000
TOTAL	**$ 901,000**	**$ 1,123,000**	**$ 939,000**	**$ 1,165,000**	**$ 1,044,000**	**$ 5,172,000**

Investment in Research and Development

Investment in Research and Development provides reliable, credible, objective, and unbiased scientific results to improve the basic understanding of natural resources and to inform land and resource management decisions across the Nation. These research and development activities encompass examinations of geological structures, mineral resources, and products within and outside the national domain. Earth science research and information are used to save lives and property, safeguard human health, enhance the economic vitality of the Nation and its people, assess resources, characterize environments, and predict the impact of contamination. This information aids in solving critical societal problems through research, investigation, and the application of state-of-the-art geographic and cartographic methods.

The DOI's research and development activities are presented in the following three major categories.

Basic research. A study to gain knowledge or understanding of the fundamental aspects of specific phenomena or observable facts without specific applications and products in mind.

Applied research. A systemic study to gain knowledge or understanding necessary for determining the means by which a recognized and specific need may be met.

Developmental Research. The systematic use of knowledge and understanding gained from research for the production of useful materials, devices, systems, or methods, including the design and development of prototypes and processes.

The Fruitland Buffer Zone

The project will expand the modeling studies in the San Juan Basin to determine if there are coal bed methane development scenarios that will significantly reduce methane seepage at the outcrop. With over 10,000,000 cubic feet of methane venting to the atmosphere every day along the Fruitland outcrop, it is important that we look at capturing this resource for economic reasons, and just as important to capture it to reduce greenhouse gas emissions. This project would build on the 3M models, and run up to 6 scenarios to evaluate the potential effectiveness of wells on certain densities within the current buffer zone. It will allow either 1) better scientific justification for retaining this 1.5 mile buffer zone, or 2) solid reasons to remove the buffer zone and allow development within this zone under certain conditions. The 3.65 billion cubic feet (bcf)/yr lost to the atmosphere is the equivalent of the exhaust emissions of 237,000 cars, the carbon output from a 180 megawatt power plant, or the equivalent of natural gas to heat about 52,000 homes for a year. While we cannot expect to capture the entire 3.65 bcf/yr, it appears that a significant proportion can be captured. The methane, if produced to a pipeline for use, would ultimately be combusted to CO2, a much less potent greenhouse gas on molecule to molecule basis.

Soil Landscape Geochemistry

This completed project released initial data from a 10-year effort that has resulted in unprecedented coverage of the composition of soils in the conterminous U.S. More than 4,800 sample sites and more than 15,000 analyses are portrayed on a series of national maps for three different soil horizons. This information will be extremely valuable in defining baseline parameters of soil composition for a variety of applications and at a variety of scales. Furthermore, all samples are archived in Denver for future research opportunities

DRI Climate Change and Spring Snails

The Project looks at how climate change in northern Nevada may decrease precipitation and increase temperatures with a resulting decrease in recharge to the groundwater system. It can be assumed that a reduction in spring flow will occur because of decreased groundwater recharge, and that this reduction in discharge will affect dependent aquatic ecosystems. This study is to quantify the potential effect of decreased spring discharge by examining changes in water chemistry, physical habitat, and structure of the benthic (relating to or characteristic of the bottom of a sea, lake, or deep river, or the animals and plants that live there) macro invertebrate community by monitoring up to 12 springs for one year before discharge is decreased during a second year by 0 (control), 10, 25, and 40 percent in replicated (3 replicates per treatment) treatments. This will provide insight into physical chemistry and biological change that can be anticipated along a gradient from unaltered to altered flows that may occur from climate change. This study will be coordinated with work by USGS scientists examining characteristics of northwestern Nevada groundwater flow patterns and recharge. This project will help BLM managers better determine how to protect spring ecosystems on public land and the wildlife associated with them in future years.

The 3D Elevation Program

Employs exciting new advanced laser technology, known as Lidar, to build the most detailed and complete elevation maps ever produced on a nationwide scale. The USGS continued to lead an innovative program to upgrade the Nation's elevation data, known as the 3D Elevation Program (3DEP). The USGS initiated and facilitated the interagency 3DEP Executive Forum in February and conducted quarterly meetings of participants including executives from 12 Federal agencies. Draft plan was submitted to the 3DEP Executive Forum, the long-standing multi-agency National Digital Elevation Program and others for review.

The Las Cienegas National Conservation Area

A project in Arizona involving the study of grassland birds nesting in areas of the Las Cienegas National Conservation Area that have undergone restoration treatments designed to reduce shrubs, specifically prescribed fire and mechanical removal, and in areas that have yet to be treated (control). We will estimate the density of nests, evaluate breeding success, and measure vegetation characteristics at three spatial scales at nests and random locations in each of the three treatment types (fire, mechanical, control). This spatially-explicit assessment of nest-site characteristics will allow us to identify vegetation features most important to nesting habitat and nest success, as well as the spatial scales most relevant to restoring habitat for these species. This will allow us to understand which restoration treatments are most effective for meeting conservation targets established for grassland species of conservation and management concern, and to refine future restoration efforts including treatment timing to decrease impacts to nesting species while increasing treatment effectiveness. Grasslands ecosystems in the Southwestern U.S. are among the most threatened ecological communities in the U.S. Driven in part by fire suppression and overgrazing, the composition and structure of plant communities in semi-desert grasslands has changed from being dominated by perennial grasses to being dominated by shrubs, principally velvet mesquite (Prosopis velutina), which has reduced cover of native grasses. The work will provide a basis for evaluating and improving the effectiveness of restoration efforts and will be undertaken by the University of Arizona through an existing BLM Assistance Agreement with the Cooperative Ecosystems Studies Unit.

Invasive Species Program

The Asian carp tool will determine if spawning can occur for bighead or silver carp and utilizes data such as flow, hydrology, temperature and biology of the organism to assess the potential of spawning in a specific tributary. It will be useful for managers within the Great Lakes to assess risks of establishment of Asian carp. The pest management demonstration study will illustrate the effectiveness of integration of technologies under development and/or improvement to contain and control Asian carp. They investigated using water guns, algal feeding stations, and commercial fishing to contain, corral, and remove bighead and silver carp.

Investment in Human Capital						*(dollars in thousands)*
Category	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**Total**
Educational Programs	$ 615,000	$ 688,000	$ 727,000	$ 763,000	$ 728,000	$ 3,521,000

Investment in Human Capital

Investment in human capital refers to education and training programs financed by the Federal Government for the benefit of the public; investment in human capital does not include education and training expenses for Federal employees. The DOI plays a vital role in providing quality educational opportunities from early childhood throughout life, with consideration given to the mental, physical, emotional, spiritual and cultural aspects of the people served.

Education Programs

The School Operations Program provides Basic education for Indian children in grades K through 12 including funding for school staff, textbooks and general supplies at IA schools. The Adult Education Program provides opportunities for adult Indians and Alaska Natives to obtain the General Equivalency Diploma or improve their employment skills and abilities. The Post-Secondary Education Programs support grants and supplemental funds for tribal colleges and universities.

The vision and long-range goal is to unite and promote healthy Indian communities through lifelong learning. This goal is implemented through the commitment to provide quality educational opportunities throughout life.

Investment in Non-Federal Physical Property						*(dollars in thousands)*
Category	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**Total**
Dams and Other Water Structures	$ 329,000	$ 399,000	$ 416,000	$ 555,000	$ 200,000	$ 1,899,000
Land	170,000	191,000	197,000	77,000	84,000	719,000
Road and Bridges	2,000	2,000	1,000	-	3,000	8,000
Schools and Public Buildings	106,000	125,000	174,000	82,000	63,000	550,000
Ranges	2,000	1,000	2,000	1,000	3,000	9,000
Not Classified	14,000	47,000	27,000	30,000	11,000	129,000
TOTAL	**$ 623,000**	**$ 765,000**	**$ 817,000**	**$ 745,000**	**$ 364,000**	**$ 3,314,000**

Investment in Non-Federal Physical Property

The DOI provides a long term benefit to the public by maintaining its commitment to investing in non-Federal physical property. Non-Federal physical property refers to expenses incurred by the Federal government for the purchase, construction, or major renovation of physical property owned by state and local governments and Insular Areas, including major additions, alterations, and replacements; the purchase of major equipment; and the purchase or improvement of other physical assets.

The DOI's investment in non-Federal physical property is multifaceted and includes a varied assortment of structures, facilities, and equipment. Investment in these assets results in improved tribal roads and educational facilities; irrigation infrastructure and water quality improvement projects; species protection and habitat loss prevention programs; recreational activities; and wildlife management.

The Office of Facility Management and Construction provides funds for buildings with historic and architectural significance. The Utah Reclamation Mitigation & Conservation Commission invests in habitat improvements for fish and wildlife on non-Federal properties to mitigate the impact of reclamation projects in Utah on wildlife resources beyond the boundaries of those projects.

OFFICE OF
INSPECTOR GENERAL
U.S.DEPARTMENT OF THE INTERIOR

Inspector General's Statement Summarizing the Major Management and Performance Challenges Facing the U.S. Department of the Interior

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Memorandum

To: Secretary Jewell

From: Mary L. Kendall
Deputy Inspector General

Mary L. Kendall

Subject: Inspector General's Statement Summarizing the Major Management and Performance Challenges Facing the U.S. Department of the Interior
Assignment No. ER-SP-MOI-0012-2013

In accordance with the Reports Consolidation Act of 2000, the Office of Inspector General (OIG) is submitting what it determined are the most significant management and performance challenges facing the U.S. Department of the Interior (DOI). The challenges listed are for inclusion in DOI's "Agency Financial Report" for fiscal year 2013. These challenges reflect those OIG considers significant to departmental efforts to promote economy, efficiency, and effectiveness in its bureaus' management and operations.

We identified the top management and performance challenges as—

- energy management;
- climate change;
- water programs;
- responsibility to Indians and Insular Areas;
- information technology;
- disaster response;
- operational efficiencies; and
- public safety.

We met with DOI officials to gain their perspective and together agreed on the challenge areas. These areas are important to DOI's mission, involve large expenditures, require continuous management improvements, or involve significant fiduciary relationships. We believe DOI would benefit by developing strategies to identify and address challenges in these areas, especially in those that span bureau and program lines.

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Top Management Challenges for the U.S. Department of the Interior

Energy Management

The U.S. Department of the Interior (DOI) has jurisdiction over 1.76 billion acres of the Outer Continental Shelf (OCS), manages about one-fifth of the land area of the United States, and manages 700 million acres of subsurface minerals throughout the Nation. DOI lands and waters generate almost one-third of the Nation's domestic energy production, resulting in royalties of approximately $12 billion in fiscal year 2012 and $11.2 billion in fiscal year 2011.

In an effort to manage this responsibility more effectively, DOI underwent major changes in fiscal year 2012 in the area of energy management, which included the transition of the Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE) into the Bureau of Ocean Energy Management (BOEM), the Bureau of Safety and Environmental Enforcement (BSEE), and the Office of Natural Resources Revenue (ONRR).

Offshore Energy

In September 2013, OIG completed an evaluation of DOI's Offshore Renewable Energy Program to determine Program effectiveness. Our evaluation found that DOI does not have updated regulations or detailed standard operating procedures for the Program's internal processes. We also found that ONRR has not documented its policies and procedures for its processes and responsibilities regarding receipt and review of rental payments and operating fees. DOI has an opportunity to strengthen and improve its Offshore Renewable Energy Program by finalizing regulations and completing and documenting internal procedures. BOEM plans to revise these documents in a strategic manner as experience is gained in this new industry.

To date, BOEM has issued four offshore wind energy leases off the coasts of Massachusetts, Delaware, and Rhode Island. BOEM held a competitive auction off the coast of Virginia in September 2013 and future competitive lease sales are planned in 2014 for areas off the coasts of Maryland, New Jersey, and Massachusetts.

Renewable Energy: Bureau of Land Management

The Bureau of Land Management (BLM) also addressed the expansion of renewable energy by increasing its capacity to process renewable energy grants for rights-of-way (ROW) and to address weaknesses previously identified by OIG. Specifically, BLM issued a policy requiring State offices to annually track bonds for wind and solar projects and to charge the current rental fee.

Leasing Activities on Federal Lands: Bureau of Land Management

Geothermal Program

In March 2013, OIG completed an evaluation of BLM's geothermal program, which is responsible for issuing leases, inspecting drilling sites, enforcing safety and environmental rules, and other activities related to the development and production of geothermal resources on Federal lands.

We found that operational orders for geothermal resources, which were issued by BLM to implement and enforce Federal regulations, were approved more than 30 years ago and fail to account for technological advancements. BLM personnel reported that four of the seven orders are no longer applicable, as the provisions have been incorporated into the current Federal regulations. Absent a uniform, current set of orders, BLM relies on outdated information to oversee the geothermal program and risks noncompliance with Federal regulations.

In addition, BLM has no standardized policy governing the geothermal inspection and enforcement program. Therefore, many offices have developed their own inspection processes, creating inconsistencies among BLM's State and field offices. We identified variations in the types of inspections conducted, in the formats used for conducting inspections, in the type of data collected during the inspections, in the frequency of inspections performed, and in the qualifications and training required for inspectors.

We believe that our four recommendations to review and update existing orders to create an up-to-date, uniform set of policies and to standardize and routinely examine the inspection and enforcement process for geothermal operations provides BLM the opportunity to manage its geothermal resources more effectively.

Coal Program

In June 2013, OIG issued an evaluation that assessed DOI's effectiveness in managing its coal program. We found weaknesses in the current sale process that puts the Government at risk for not receiving the full, fair market value for its coal leases. For instance, we identified lost bonus revenues of $2 million in recent lease sales and $60 million in potentially undervalued lease modifications. In addition, flaws in the inspection and enforcement program could prevent BLM personnel from detecting noncompliance with laws, regulations, and lease terms.

We made 13 recommendations to enhance BLM's coal sales and inspections. Because even a 1-cent-per-ton undervaluation in the fair market value calculation for a sale can result in millions of dollars in lost revenues, correcting the identified weaknesses could produce significant returns to the Government.

Government Accountability Office's 2011 High-Risk List

In February 2011, the U.S. Government Accountability Office (GAO) added DOI's management of Federal oil and gas resources to its list of Federal programs and operations at high risk for waste, fraud, abuse, and mismanagement or needing broad-based transformation. GAO added DOI's program to this high-risk area for three reasons:

- DOI did not have reasonable assurance that it was collecting its share of revenues.
- DOI continued to experience problems hiring, training, and retaining sufficient staff to provide oversight and management of oil and gas operations.
- DOI engaged in a broad agency reorganization that could adversely impact its ability to effectively manage oil and gas during the crisis following the Deepwater Horizon incident.

GAO recommended that DOI comprehensively reassess its revenue collection policies and processes. In response to this recommendation, DOI contracted for a study to help it make decisions about lease terms, including royalties. While the study has been completed, GAO determined that DOI is still in the process of deciding whether to use the results of the study.

In February 2013, after DOI completed its reorganization, GAO narrowed the oil and gas high-risk area to focus on revenue collection and human capital challenges. According to GAO, DOI has not yet fully implemented all recommendations regarding these specific issues, and GAO is currently examining DOI's progress.

Regarding human capital issues, Congress provided funds for fiscal years 2012 and 2013 to BOEM and BSEE in the Gulf of Mexico to establish higher minimum rates of pay for key positions, such as geophysicists, geologists, and petroleum engineers. BOEM and BSEE could increase minimum pay rates by up to 25 percent. As a result, DOI stated that BSEE has increased the number of critical scientific, technology, and engineering positions by 79.

Climate Change

In its 2013 report, GAO identified climate change as a high-risk area. Climate change is a complex, crosscutting issue that poses risks to many environmental and economic systems—including agriculture, infrastructure, ecosystems, and human health—and presents a significant financial risk to the Federal Government.

The scope and magnitude of the effects of climate change, combined with the difficulty in developing response strategies, have continued to pose significant management challenges to DOI. The lands and resources managed by DOI face increasingly complex and widespread environmental challenges associated with climate change, such as increased coastal erosion due to weather related phenomenon, wildland fires, as well as destruction from invasive species, such as the pine bark beetle. In addition, communities continue to face increasing issues with water availability and drought which affect farming and other land uses, while other urban and rural areas face issues with flooding.

DOI continues to face the challenge of developing relevant scientific information for land, water, and wildlife managers on a regional basis. DOI also must continue to work effectively and efficiently across landscapes and watersheds with other Federal agencies, States, local and tribal governments, and private partners to formulate shared understandings and common strategies for land and resource managers to adapt to the challenges and ensure the resilience of our Nation's resources. In doing so, DOI must ensure that taxpayer dollars are wisely spent and closely monitored to ensure that funds are used appropriately. While DOI climate change activities are funded at the bureau level, the tracking of how these dollars are being spent remains a decentralized activity.

Former Secretary Salazar signed Secretarial Order 3289 on September 14, 2009, and amended it February 22, 2010, titled, "Addressing the Impacts of Climate Change on America's Water, Land, and Other Natural and Cultural Resources." The document coordinated the application of scientific tools to increase understanding of climate change and determine an effective response to its impact on tribes and on land, water, ocean, fish and wildlife, and cultural heritage resources managed by DOI. In support of the Secretarial Order, as the largest land manager in the United States, DOI has established and uses 8 climate science centers (CSCs) and 22 landscape conservation cooperatives (LCCs) as vehicles through which to address climate change and other ecological stresses.

In June 2013, OIG issued an audit report that sought to determine if DOI properly manages funding for LCCs. We evaluated 47 grants worth $6.8 million. Specifically, we found areas of concern with respect to the management of grants and cooperative agreements at FWS that could potentially place millions of dollars at risk and jeopardize future funding and support for the LCCs' activities. We identified issues related to the effective implementation of internal controls, the selection and awarding of financial agreements through fair and open competition, as well as oversight and control of LCCs. LCCs, however, remain a highly valuable conservation approach to addressing large-scale challenges and stresses to natural resources.

We offered 15 recommendations and promising practices to help LCC grant-management activities conform with regulations and DOI policies. DOI has submitted a corrective action plan to resolve our recommendations by December 31, 2015. OIG will continue to focus staff resources where they will have the most impact on DOI's climate change efforts.

Water Programs

As the largest supplier and manager of water in the 17 western States, DOI delivers irrigation to 31 million people, 1 out of every 5 western farmers, and 10 million acres of farmland. The challenges associated with these responsibilities include an aging water infrastructure, rapid population growth, depletion of groundwater resources, impaired water quality associated with particular land uses, and land covers (the physical material at the surface of the earth, such as grass, trees, or asphalt).

WaterSMART

The Bureau of Reclamation (USBR) manages the WaterSMART program, which secures and conserves water supplies for use by existing and future generations to benefit people, the economy, and the environment. The program also identifies adaptive measures needed to address climate change impacts and future supply demands. In fiscal year 2013, USBR funded a small number of multiyear WaterSMART grant projects in 1-year phases to determine whether larger, phased projects would result in additional water conservation as opposed to 1-year projects. In fiscal year 2014, USBR will use fiscal years 2012 and 2013 results to determine whether adjustments to future funding opportunity announcements should be changed from 1-year projects to multiyear projects.

Central Valley Project

The Central Valley Project (CVP) in California is currently one of the largest water supply projects in the United States, providing water to more than 3 million acres of farmland and to nearly 1 million households each year. As of 2011, the remaining reimbursable Federal investment in the CVP facilities providing water for irrigation and municipal and industrial purposes was $1.3 billion.

In March 2013, OIG completed an evaluation of CVP to determine whether the Federal Government is on track to recoup its investments in the project by the legally established deadline of 2030. We found that USBR is not making steady progress toward recovery of Federal investments in the CVP because current CVP rate-setting policies, water projection methods, and contract provisions do not ensure that sufficient revenue is generated each year. When actual water deliveries are less than projected deliveries, revenues are insufficient to recover the Federal investment in the project. When actual water deliveries exceed projected deliveries, however, existing contract provisions stipulate that excess revenues collected by USBR must be refunded to the contractors.

USBR has 18 years remaining to ensure that the repayment requirement is met. The longer USBR waits to improve its rate-setting policies and ensure stable repayment of the Federal investment, the greater the impact will become. This could cause significant, if not unsustainable, rate increases to water contractors, creating the potential for rates to exceed the contractors' ability to pay. Rate increases could also lead to contractors requesting that Congress extend the repayment deadline beyond 2030 or provide additional repayment relief. Our report included two recommendations to help USBR recoup its investment.

Responsibility to Indians and Insular Areas

Indian Affairs

Responsibility to American Indians is consistently a top management challenge for DOI. Through the Bureau of Indian Affairs (BIA), DOI works with 566 federally recognized Indian tribes, has trust responsibilities for 112 million surface and subsurface acres of land belonging to Indian tribes and individuals, and provides education services to approximately 41,000 Indian children in 183 schools and dormitories. Some of the Indian Country programs managed by DOI include Indian Trust for Lands and Funds, Social Services, and Justice Services.

Cobell and Indian Land Consolidation

In December 2009, Secretary Salazar announced the settlement of the long-running and highly contentious *Cobell v. Salazar* class-action lawsuit regarding the U.S. Government's trust management and account of over 300,000 individual American Indian trust accounts. Congress approved the $3.4 billion settlement on November 30, 2010 (Claims Resolution Act of 2010).

Because wills were not widely used by American Indian landowners, smaller and smaller land interests descended to successive generations, thereby fractionating the land, limiting the tribes' productive use of land, and creating jurisdictional issues. As a result, BIA and the Office of the Special Trustee for American Indians devote a significant portion of their budgets to administer the fractionated land interests. To address land fractionation, the settlement established a $1.9 billion fund for the voluntary buyback and consolidation of fractionated land interests. The land consolidation program will provide individual American Indians with an opportunity to obtain cash payments for the sale of their undivided land interests and provide tribal communities with the economic benefit resulting from better use of the land.

In August 2012, we issued an advisory report on probate and estate planning activities related to Indian land consolidation. We found that the purchase option at probate had not been utilized due to concerns by the Office of Hearings and Appeals as to the type of sale and the suitability of appraisals. The purchase option at probate is often viewed as a forced sale due to the lack of a willing or knowledgeable seller. In addition, there is no uniform requirement for the type of appraisal report needed in purchase-at-probate sales. We also found that comprehensive estate planning can combat further fractionation. DOI, however, does not currently fund estate planning services. We made four recommendations to address the report findings.

In July 2013, we released an advisory report that addressed six important issues for DOI to consider when providing funding to tribes for Indian land consolidation. These issues included—

- selecting the funding instrument—either a grant, cooperative agreement, or procurement agreement;

- drafting a scope of work that outlines specific responsibilities of the tribes and DOI;
- defining inherently governmental activities to determine which activities, if any, can be performed only by Government personnel;
- maintaining transparency when making single-source determination, which eliminates the requirement for competition when seeking an award;
- soliciting legal review from the Office of the Solicitor when developing new programs or policies that affect funding allocations and when making complex awards; and
- monitoring requirements for Federal financial assistance programs to promote good stewardship of awarded funds.

The advisory also included sources for further guidance to assist DOI's efforts toward providing funding for participating tribes to implement portions of the land consolidation program.

Social Services Program

BIA provides tribes about $137 million each year in social services funding to provide welfare assistance for almost two million individuals in 566 recognized tribes. In March 2013, OIG issued an evaluation report of BIA's social services program. We found unclear guidance as it relates to performance standards and roles and responsibilities that kept Bureau personnel from understanding and successfully conducting their work. We also found that communication among managers, staff, and tribes was ineffectual, demonstrated by the absence of clear instructions for data calls, the inability to share social service information across all necessary BIA social service channels, and the failure to respond to funding requests for welfare assistance applicants. Such inadequate communication has hindered effective functioning of social services programs. It also made it difficult for us to precisely determine if BIA's social services program was effectively administered, if cases were adequately managed, if Bureau-level social services data were accurate or reliable, and if tribal members applying for social services were receiving what they needed.

We offered seven recommendations related to policy and performance planning to help BIA manage its social services resources more effectively.

Bureau of Indian Affairs Investigations

Approximately one-fourth of OIG investigations involve Indian Country. Most recently, OIG completed a joint investigation with the FBI and the Internal Revenue Service's Criminal Investigation Division of Crow Tribe Historic Preservation Office (THPO) employees. The investigation determined that the former THPO director illegally told companies to pay THPO employees directly for cultural monitoring activities performed by the employees. This practice circumvented Crow Tribe procedure that requires the tribe's financial office to submit invoices to companies for cultural monitoring work performed; the companies then remit payment to the Crow Tribe for those services. Between July

17, 2009, and November 21, 2011, seven individuals illegally received direct payments totaling more than $500,000 from companies for cultural monitoring duties performed on behalf of THPO.

The former director and the seven individuals were indicted on November 14, 2012, by a Federal Grand Jury in the U.S. District Court for the District of Montana for conspiracy to defraud the Crow Tribe, mail fraud, theft from an organization receiving Federal funds, theft from an Indian tribal organization, extortion involving a federally funded program, and Federal income tax fraud. All defendants have pleaded or have been found guilty, and all but the former director have been charged with sentences ranging from 5 years of probation to 6 months of jail time and with paying retribution.

Insular Areas

DOI has administrative responsibility for coordinating Federal policy in the territories of American Samoa, the Commonwealth of the Northern Mariana Islands, Guam, and the U.S. Virgin Islands. DOI also administers and oversees Federal assistance provided under the Compacts of Free Association for three sovereign nations: the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau. DOI coordinates with the U.S. State Department and other Federal agencies to promote economic development and budgetary self-reliance in these nations.

DOI manages its responsibility to the Insular Areas primarily through the Office of Insular Affairs (OIA). OIA works to improve the financial management practices of the Insular Area governments and to increase economic development opportunities through financial and technical assistance. OIA annually funds Insular Area government programs that focus on education, healthcare, infrastructure improvement, public sector capacity building, private sector development, and the environment.

Guam Military Buildup

The U.S. Department of Defense (DoD) announced that it has scaled down the number of troops it will relocate from Okinawa, Japan, to Guam to approximately 5,000 Marines and 1,300 dependents. DoD also revised the timeline for relocation from its original 2014 target date to no earlier than 2020. Nonetheless, significant improvements to Guam's infrastructure and public services will be required. To help assess Guam's preparations for the military buildup, OIG performed a series of evaluations on Guam's police, fire, and public safety functions that serve the citizens of Guam. OIG is currently evaluating the Guam Memorial Hospital Authority and the Guam Department of Revenue and Taxation (DRT).

Guam Memorial Hospital

Guam Memorial Hospital is the only public hospital on Guam. We are in the process of determining whether the hospital has the ability to meet the medical care needs of the citizens of Guam and whether opportunities exist to improve services. Preliminary observations revealed that the hospital has a shortage of medical care professionals and specialized services, limiting its ability to meet the needs of the island residents. Further, hospital revenues have not kept pace with the increasing cost of providing medical care services. We are encouraged, however, that new hospital leadership has been appointed and senior officials have taken steps to refine hospital policies, improve processes, and increase revenues.

Guam Department of Revenue and Taxation

To help pay for the island's infrastructure and service developments, it is important for DRT to collect all due taxes. We are in the process of determining the effectiveness of Guam's ability to collect the Gross Revenue Tax and the Business Income Tax from companies performing work for the military. Our preliminary findings show that DRT does not have an adequate process to ensure a high level of tax compliance. DRT is not using all available information to identify contractors performing work for the military and the revenues that they earn. Further, DRT has not dedicated sufficient personnel resources toward examining tax compliance from these revenue sources.

Detecting Fraud, Waste, and Mismanagement in the Insular Areas

We continue to find that many of the Insular Area governments do not have sufficient resources to adequately prevent and detect fraud, waste, or mismanagement involving federally and locally funded programs. The Offices of the Public Auditor (OPAs) for these governments continue to operate under insufficient and, in some instances, declining budgets, making it difficult to compete for and retain qualified audit staff.

Investigations involving the Insular Areas revealed that federally funded programs remain vulnerable as a result of weak procurement systems and poor integrity in local government personnel. While OIA has increased its oversight of the programs it supports, OIA must also rely on OIG and OPAs to help review these programs and local government operations.

We partnered with OIA to stretch our capacity-building initiatives by providing audit training to American Samoa earlier this year and are scheduled to reach the Federated States of Micronesia and the Republic of Palau. This initiative has and will develop audit skills within OPAs that will help auditors oversee the financial and program resources and activities of their governments. We also continue to welcome auditors from OPAs for on-the-job training experiences with OIG.

Information Technology

In September 2013, a GAO report identified issues related to implementation of information technology security programs Governmentwide. GAO found that in fiscal year 2012, 24 major Federal agencies had established many of the components of an information security program required by the Federal Information Security Management Act of 2002 (FISMA) but had only partially established others. FISMA requires each Federal agency to establish an information security program that incorporates eight key components, and each agency inspector general to annually evaluate and report on the information security program and practices of the agency. The act also requires the Office of Management and Budget (OMB) to develop and oversee the implementation of policies, principles, standards, and guidelines on information security in Federal agencies and the National Institute of Standards and Technology to develop security standards and guidelines. GAO found that the extent to which agencies implemented security program components showed mixed progress.

Continuous Monitoring is considered a key technology in agency attempts to improve cyber security and reduce risk by keeping a constant check on the state of compliance with security controls and the level of current threats. By approaching IT security as an ongoing review area rather than a limited engagement, OIG can provide timely and meaningful solutions to help DOI improve safeguards over the confidentiality, integrity, and availability of information resources. During fiscal year 2014, OIG will stand up an IT audit group. Once fully activated, this group will audit areas such as cyber security, insider threats, Internet protocols and migration to cloud computing. DOI, however, faces organizational challenges with IT infrastructure, IT security, IT resource management, and IT governance.

Infrastructure

In December 2010, DOI launched the information technology (IT) transformation under Secretarial Order 3309. The order directed DOI's chief information officer to assume oversight, management, ownership, and control of all IT infrastructure assets. As a result of assuming greater control of essential IT services, officials in the Office of the Chief Information Officer (OCIO) identified a number of concerns, including sufficient capacity (people, processes, and technology), stable funding models reflecting workload demands, improvements of IT asset utilization, and a need for a defined governance model that resolves competing interests between mission and enterprise priorities. DOI has established goals for IT infrastructure consolidation that—

- promote green IT by reducing overall energy consumption (improve IT asset and real estate utilization);
- reduce cost of data center hardware, software, and operations;
- increase overall security posture for Government; and,
- shift IT investments to more efficient platforms and technologies.

Security

We learned from OCIO officials, that DOI does not have an IT security program that fully encompasses vulnerability, threat, and incident management as recommended by the National Institute of Standards and Technology (NIST). Efforts to implement a continuous monitoring capability have not been fully realized due to insufficient resources to acquire key continuous monitoring components. The U.S. Department of Homeland Security will provide some funding for DOI's Continuous Diagnostics and Mitigation (CDM) tools, which seek to improve timely IT security. OCIO officials said that the CDM initiative helps fund the acquisition of mitigation technology, but substantial efforts will be needed to fully obtain appropriate levels of cooperation, consultation, and consensus Departmentwide.

Officials also identified concerns over unacknowledged, undocumented, and unmanaged IT assets that may pose risks to overall IT security. DOI relies on manually collected, self-reported data from agency subcomponents, which limits management's ability to sufficiently secure DOI's information resources, respond to security incidents, and generally manage the IT environment. In addition, DOI has no reliable inventory of IT assets Departmentwide. This places management in a position of relying on questionable and outdated information when making important decisions, including investment of funds, prioritization of projects and initiatives, and allocation of resources.

OCIO would like to fully transition to enterprise-oriented cyber-security services by fiscal year 2016, however, needed resources to pursue these initiatives have not yet been realized.

Resource Management

According to OCIO, it does not have available resources and the bureaus and offices do not have project managers qualified to enforce and oversee compliance with OMB's requirement to deliver projects on time. OCIO officials also stated that project managers receive internal guidance from bureau and office officials that is inconsistent with departmental guidance. By not having qualified or fully dedicated project managers, DOI cannot report accurate performance baselines internally or to OMB.

Governance

An IT governance reform effort has been underway at DOI since January 2011. Federal regulations and policy require the chief information officer to have the authority to terminate underperforming IT investments or shut down systems that pose a significant risk to the enterprise. Efforts to enforce this authority are being made through a variety of channels and seek to improve IT governance and effective IT budgetary controls. OCIO plans to implement a model to integrate the various levels of IT governance and standard IT spending categories within the Financial Business and Management System.

Although DOI leadership supports the change necessary for transformation success, management buy-in at the bureau and office level is a crucial component to achieve full consolidation and address the challenges of IT infrastructure, IT security, IT resource management, and IT governance. The commitment and cooperation of all DOI stakeholders are essential for these efforts to be successful.

Disaster Response

DOI has the authority to provide for public safety and protection of natural resources within its jurisdiction during emergencies, as well as a clear responsibility to support tribal and insular communities. DOI is also a full partner in both the National Response Framework and the National Recovery Framework and applies its vast capabilities as part of interagency plans supporting State, tribal, and local communities.

In October 2012, Super Storm Sandy devastated States along the East Coast from Florida to New England, prompting major disaster declarations in Connecticut, New Jersey, and New York, as well as emergency declarations in Delaware, the District of Columbia, Maryland, Massachusetts, New Hampshire, Pennsylvania, Rhode Island, Virginia, and West Virginia.

Overall, DOI received $829.2 million in the Disaster Relief Appropriations Act of 2013, which was reduced by $42.5 million to $786.7 million due to sequestration. DOI released $475.25 million—approximately 60 percent of its appropriation—to fund 234 projects that will repair and rebuild parks, refuges, and other DOI assets damaged by Hurricane Sandy. This funding will also provide investments in scientific data and studies to support recovery in the region, as well as historic preservation efforts. DOI will allocate the remaining funding to mitigation projects that increase coastal resiliency and capacity to withstand future storm damage and to restore and rebuild public assets.

OIG executed an oversight plan, as the emergency declaration invoked acquisition flexibilities authorized in the Federal Acquisition Regulation and gave rise to unusual and compelling needs for supplies and services. Contracts related to disaster response are riskier than normal because—

- the period of performance is generally shorter than a normal contract. Thus, all parties have less time for contract oversight, such as site visits, timesheet reviews, review of contractor and subcontractor invoices, and other administrative items;
- they are more often awarded without competitive bidding, leading to difficulty in establishing a reasonable price and a higher than market value contract;
- emergency contracts add workload to contracting staff, which can result in less oversight of additional contracts and dollars;
- they are more often awarded as cost reimbursement contracts. Unlike firm-fixed-price contracts where the contractor has the burden for cost, cost reimbursement contracts shift the burden to the Government. Under these types of contracts the Government is responsible to ensure all costs are reasonable, allowable, and allocable, resulting in increased oversight responsibilities by contracting officials; and

OIG has taken a proactive approach to oversight related to DOI's emergency recovery efforts and has started performing contract audits. We have also escalated our outreach efforts and fraud awareness briefings with responding DOI bureaus, coordinated with the Recovery Accountability and Transparency Board, and increased oversight of purchase-card use and recovery-related contracts.

Operational Efficiencies

DOI, like other Federal agencies, face considerable challenges in the current economic and budgetary climate. Budget cuts made pursuant to sequestration have had and will continue to have profound effects on DOI's programs, partners, and services and affect DOI's ability to maintain grants management, travel, training, and public safety.

Sequestration Impact

By nature, sequestration is applied to every program, project, and activity within eligible accounts. As indicated in the President's March 1, 2013 Sequestration Order, budgetary resources subject to sequestration are defined as new budget authority, direct spending authority, and obligation limits. According to DOI officials, DOI has reached out to the bureaus and to OMB with lessons learned in an attempt to streamline future implementation efforts and mitigate the impact of future sequestration.

Grants Management

Grants management has historically been subject to fraud and waste throughout Government. We dedicate significant resources to reviewing the adequacy of Departmental and bureau policies and procedures related to grants management. We identified areas of concern to include insufficient pre-solicitation planning and competition, selection of inappropriate award vehicles, and a poor administration and oversight of grants.

Coastal Impact Assistance Program

We audited Coastal Impact Assistance Program (CIAP) grants awarded to the State of Mississippi to determine whether grant recipients complied with CIAP's authorizing legislation, Federal regulations, DOI policies, and grant terms and conditions and to identify grant management challenges that FWS should address as it assumed responsibility for managing CIAP.

DOI awarded the State of Mississippi's Department of Marine Resources and Hancock, Harrison, and Jackson Counties 100 CIAP grants from fiscal years 2009 through 2012, totaling $99.8 million. During our audit, we found—

- grants were approved that did not meet criteria in CIAP legislation;

- widespread conflicts of interest in the administration of CIAP and land purchases;
- improper land appraisals;
- circumvention of procurement regulations;
- improper charges to grants;
- improper use of equipment; and
- various accounting, payroll, and financial issues.

Of the almost $39 million in our sample representing 57 grants, we questioned approximately $30 million in CIAP spending including ineligible and unsupported costs and funds to be put to better use. We provided 37 recommendations to help FWS eliminate program deficiencies.

Landscape Conservation Cooperatives
We audited DOI's previously mentioned Climate Change program to determine if DOI properly awarded and effectively managed financial assistance awards (grants and cooperative agreements) for the landscape conservation cooperatives (LCCs). We identified issues related to the effective implementation of internal controls as well as the selection and awarding of financial agreements through fair and open competition.

Travel
In November 2013, DOI implemented a new travel system to replace GovTrip. In our Departmentwide audit of GovTrip and related travel processes and procedures, we assessed DOI's ability to reconcile its various systems to determine whether data and dollars spent are fair and accurate. The audit scope encompassed fiscal years 2009 and 2010 and included testing of more than 700 travel vouchers and 300 charge card statements and found several significant issues, such as missing documentation and errors in expenses, authorizations created after the trip date, and unexplained transactions. We offered several recommendations to ensure successful implementation of the new system.

Training
GAO reviewed Federal agencies to determine which agencies have established processes to develop and prioritize training investment strategies. GAO obtained information from 27 chief human capital officers on their training investment practices through a questionnaire and selected four agencies, including DOI, to provide illustrative examples.

Senior human capital officials in DOI reported that DOI's leadership, including the chief human capital officer, are not aware of DOI's overall training investments Departmentwide and have no formalized mechanism for ensuring accountability for how the funds are used. Further, since each bureau independently secures training, there is no consistency among bureaus, little quality control, and no maximization of procurement tools, like blanket purchase agreements, across DOI.

To address these challenges, DOI formed a Departmentwide task force to identify potential duplication in training, funds expended in training delivery, and the cost of travel and facilities. In July 2012, the task force recommended opportunities to generate efficiencies and savings in training operations to the chief learning officer. DOI's Office of Strategic Employee and Organization Development is developing action plans to address the task force's recommendations.

Revenue from DOI Resources

The Federal Government has effectively controlled the market for helium for almost a century through its position as a predominant supplier. In managing the Federal helium program, BLM has a responsibility to receive a fair return on its helium inventory.

In November 2012, we audited BLM's helium sales program. We found that BLM does not have the capability needed to identify and maintain market value prices for its helium reserve. Without changes to the program, there is no assurance that BLM's nongovernmental helium sales occurring over the next 5 to 7 years will be made at market value. At recent BLM prices, sales of helium would generate about $1 billion in revenue. Current prices, however, are established based on cost rather than on market value. The market value of BLM's helium inventory will be potentially much higher as new and expanding technologies create significant demand. For each percentage point increase in value, BLM could collect an estimated $10 million in additional helium revenues. For example, a 25 percent increase in value would generate $250 million in additional gross revenues. Depending on the established market value and the future cost of program operations, BLM could collect at least this amount. To capitalize on this opportunity, BLM needs to identify and charge market value for all helium sales to nongovernmental purchasers.

In addition, BLM manages nongovernmental helium sales without the formal procedures needed to guide program operations. Timely action is required to ensure the helium program can operate effectively over the coming years. Our report made three recommendations to strengthen the Bureau's management of its helium inventory.

The President signed the Helium Stewardship Act of 2013 on October 2, 2013. The Act gives DOI broad discretion to operate helium sales "with minimum market disruption" for the near term, while calling for program reforms that "maximize the total financial return to the taxpayer." To ensure a market basis for nongovernmental helium sales in fiscal year 2015 and beyond, BLM is to annually consider "recommendations and disaggregated data from a qualified, independent third party who has no conflict of interest, who shall conduct a confidential survey of qualifying domestic helium transactions." Incorporating independent market data into its pricing should better position BLM to secure a fair return on this increasingly valuable resource.

Public Safety

Each year, millions of individuals visit DOI's national parks and monuments, wildlife refuges, and recreational sites. DOI is responsible to serve these visitors and to maintain and protect thousands of facilities and millions of acres of property. In some cases, the isolation of lands and facilities present unique vulnerabilities, making public safety a challenge.

Hantavirus Outbreak

In May 2013, we completed an inspection at Yosemite National Park in response to a Hantavirus outbreak in some of the park's visitor tent cabins. During the summer of 2012, Yosemite National Park experienced a Hantavirus outbreak with 10 confirmed cases—9 of which were linked to Curry Village's "Signature" tent cabins. Hantavirus is a potentially severe disease of the lungs that can progress into Hantavirus pulmonary syndrome, which can be fatal. Our inspection focused on whether NPS provided adequate concessionaire oversight of Yosemite National Park visitor tent cabins.

We found that NPS provided oversight consistent with its current policy. Showcasing a proactive public safety mitigation process when the outbreak was identified, NPS mobilized to contain and remediate the outbreak. NPS acted according to its review and approval criteria for the concessionaire's plans and proposals, pest monitoring and management activities, inspections of the concessionaire's visitor accommodations, and information dissemination of Hantavirus and other similar diseases. After the outbreak, NPS increased its role in oversight and approval of these planning and monitoring activities.

DOI Dam Safety

In December 2012 and September 2013, OIG completed evaluations of high-hazard dams managed by BLM, NPS, the Office of Surface Mining Reclamation and Enforcement (OSM), BIA, and FWS to determine if emergency action plans (EAPs) are in place, reviewed, updated, and exercised appropriately and to determine the bureaus' ability to respond to a disaster at high-hazard dams. DOI manages and ensures dam safety for the more than 2,600 dams across the Nation, and the "Departmental Manual" requires that EAPs be prepared for all high- and significant-hazard dams. High-hazard dams are those whose failure could result in loss of life; significant-hazard dams are those whose failure would not cause a loss of life but could result in a significant economic loss.

We found that BLM, NPS, and OSM either have no requirement for EAPs to be in place for all high-hazard dams under their purview, or have not adequately reviewed, exercised, or formalized the EAPs that are in place. We also found that none of the three bureaus have a written policy requiring after-action reports to be prepared following EAP exercises. In addition, when after-action reports are prepared, the bureaus do not track recommended corrective actions for implementation.

We also found that neither BLM, NPS, nor OSM has a uniform approach to monitoring the privately owned, high-hazard dams located on BLM and NPS lands or the high-hazard, non-Federal dams over which OSM has no direct regulatory jurisdiction. Neither BLM, NPS, nor OSM has a requirement to directly regulate such dams, but OIG believes it is important to both alert DOI to the existence of these dams and to provide information on how DOI can better monitor and enforce health and safety concerns.

We issued seven recommendations to help DOI better monitor the high-hazard dams that BLM, NPS, and OSM are responsible for managing and regulating and made four recommendations to help DOI better monitor the high-hazard dams it does not own.

In our September 2013 evaluation of high-hazard dams owned by BIA and FWS, we found that BIA has had some challenges in documenting its EAP exercises and ensuring that EAPs are final and up to date. In contrast, FWS has EAPs in place for the high-hazard dams we reviewed and routinely exercises these plans. FWS also documents the exercises in after-action reports, but it does not have a formal policy requiring preparation of these reports.

Neither BIA nor FWS maintained documentation verifying equipment and materials mentioned in EAPs. While there is no requirement for documenting this verification, it is an important component of emergency preparedness.

We made 13 recommendations to the bureaus to update policies, maintain all of the required documentation and information, and verify locations and existence of equipment and materials to assist BIA and FWS in their efforts to improve emergency management procedures.

Conclusion

Working with DOI officials, we identified energy management, climate change, water programs, responsibility to Indians and Insular Areas, information technology, disaster response, operational efficiencies, and public safety as the most significant management and performance challenges facing DOI. We are committed to focus our resources on the issues related to these challenges to ensure greater accountability, promote efficiency and economy in operations, and provide effective oversight of the activities that comprise DOI's mission.

Report Fraud, Waste, and Mismanagement

Fraud, waste, and mismanagement in Government concern everyone: Office of Inspector General staff, departmental employees, and the general public. We actively solicit allegations of any inefficient and wasteful practices, fraud, and mismanagement related to departmental or Insular Area programs and operations. You can report allegations to us in several ways.

By Internet: www.doi.gov/oig/index.cfm

By Phone:
24-Hour Toll Free: 800-424-5081
Washington Metro Area: 202-208-5300

By Fax: 703-487-5402

By Mail:
U.S. Department of the Interior
Office of Inspector General
Mail Stop 4428 MIB
1849 C Street, NW.
Washington, DC 20240

Results of Financial Statement Audit

As required by GMRA, DOI prepares consolidated financial statements. These financial statements have been audited by KPMG LLP, an independent public accounting firm, since FY 2001 (the OIG audited the financial statements prior to FY 2001). The preparation and audit of financial statements form an integral part of DOI's centralized process to ensure the integrity of financial information.

The results of the FY 2013 financial statement audit are summarized in Figure 3-1. As shown in the table, DOI again achieved an unqualified audit opinion, the 17th consecutive one, for DOI's consolidated financial statements.

FIGURE 3-1

Summary of Financial Statement Audit					
FY 2013					
Audit Opinion	Unmodified				
Restatement	Yes				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Controls Over Unusual and Nonrecurring Transactions	0	1	0	0	1
Total Material Weaknesses	0	1	0	0	1

Management Assurances

The FMFIA requires agencies to provide an annual statement of assurance regarding internal accounting and administrative controls, including program, operational, and administrative areas as well as accounting and financial management and reporting. During FY 2013, PFM conducted comprehensive site visits and otherwise provided oversight with regard to risk assessments, internal control reviews, and progress in implementing audit recommendations. The DOI's FY 2013 Statement of Assurance was qualified as indicated in Figure 3-2.

FIGURE 3-2

Summary of Management Assurances						
Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance	Qualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Controls Over Unusual and Nonrecurring Transactions	0	1	0	0	0	1
Total Material Weaknesses	0	1	0	0	0	1

Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance	Qualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Radio Communications Program	1	0	0	0	0	1
Total Material Weaknesses	1	0	0	0	0	1

Conformance with Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance	Systems Conform Except for the Below Non-Conformance					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Accounting Standards	0	1	0	0	0	1
Total of Non-Conformances	0	1	0	0	0	1

Compliance with Federal Financial Management Improvement Act (FFMIA)		
	Agency	**Auditor**
1. System Requirements	No noncompliance noted	No noncompliance noted
2. Accounting Standards	Noncompliance noted	Noncompliance noted
3. U.S. Standard General Ledger at the Transaction Level	No noncompliance noted	No noncompliance noted

SUMMARY OF IMPROPER PAYMENTS

On January 10, 2013, the President signed into law the Improper Payment Elimination and Recovery Improvement Act (IPERIA) of 2012. The IPERIA enhances the Administration's efforts to combat improper payments by reinforcing the Improper Payments Elimination and Recovery Act (IPERA) of 2010 and including the President's "Do Not Pay" efforts into the legislation. The *IPERA amends the Improper Payments Information Act (IPIA) of 2002* by expanding the requirements of all agencies to periodically perform risk assessments of its programs and activities and identify those programs and activities that are susceptible to significant improper payments. Significant improper payments are defined by IPERA as improper payments exceeding both 2.5 percent of program outlays and $10 million of all program or activity payments, or $100 million. The IPERIA requires that agencies accelerate implementation of Do Not Pay (DNP) plans and determine how to intensify efforts to review pre-award and pre-payment processes, complete onboarding processes, and expand the volume of transactions examined through the Department of Treasury's DNP portal, as needed.

Risk Assessments

In accordance with OMB Circular A-123, *Management's Responsibility for Internal Control*, OMB requires agencies to review all programs to determine the risk susceptibility of making significant improper payments and to perform more in-depth assessments for those programs meeting OMB's criteria for "significant erroneous payments". Prior to FY 2012, DOI offices and bureaus conducted their own risk assessments individually and reported the results to DOI on a three-year cycle utilizing a risk assessment rating tool which reviewed all programs exceeding $100 million in annual outlays to identify those that are susceptible to significant improper payments. This included performing statistical estimates of the annual amount of improper payments within those programs determined to be at risk of significant improper payments, implementing processes to reduce the level of improper payments, and reporting in the AFR estimates of annual improper payments and the progress in reducing them for each of the programs susceptible to significant improper payments.

In order to institute a standardized Department-wide process that reflected the new reporting criteria in IPERA, DOI updated its annual risk assessments policies and risk rating tool. In FY 2012, DOI inaugurated the newly developed guidance and tool by inventorying all program outlays. Based on the new dollar thresholds and quantitative and qualitative criteria established in IPERA, DOI then conducted risk assessments by reviewing all programs that exceeded $10 million in annual outlays to identify those susceptible to significant improper payments.

The DOI is not aware of any statutory or regulatory barriers, which may limit DOI's corrective actions in reducing improper payments or actions taken by DOI to mitigate those barriers' effects, as DOI historically has had low risk of improper payments. Implementing the new risk assessment guidance and risk rating tool confirmed that DOI continued to experience low risk and had adequate internal controls in place to minimize the occurrence of improper payments in FY 2012. Based on utilizing the new risk assessment process, DOI determined that none of its programs

FIGURE 3-3

FY 2013 Recovery Auditing Report
(dollars in thousands)

Interior	Amount Subject to Review for FY 2012 Reporting	Actual Amount Reviewed and Reported CY	Amount Identified for Recovery CY	Amount Recovered CY	Amount Identified for Recovery PYs	Amount Recovered PYs	Cumulative Amount Identified for Recovery (CY+PYs)	Cumulative Amount Recovered (CY+PYs)
TOTAL	$ 4,143,844	$ 0	$ 0	$ 0	$ 1,944	$ 1,830	$ 1,944	$ 1,830

KEY: CY Current Fiscal Year 2013 **PYs** Prior Fiscal Years 2005 - 2012

are risk susceptible for making significant improper payments at or above the thresholds set by OMB. In addition, DOI considered the results under the *Single Audit Amendments of 1996*, the *CFO Act of 1990*, GAO reviews, and reviews by DOI's OIG when making its assessment.

In accordance with OMB guidance M-11-16, *Issuance of Revised Parts I and II to Appendix C of OMB Circular A-123*, if a program was risk-assessed in FY 2012 and the result falls below the thresholds set by IPERA, then the program may be placed on a 3-year risk-assessment cycle. Based on the results of DOI's FY 2012 risk assessments on improper payments, the next risk assessment cycle is not due until FY 2015.

However, in accordance with OMB M-13-07, *Accountability for Funds Provided by the Disaster Relief Appropriations Act*, the Act requires Federal agencies that supported Hurricane Sandy relief efforts to implement additional internal controls to prevent waste, fraud, and abuse of these funds. Agencies are, therefore, required to manage the Sandy relief funds in the same manner as programs that are designated high-risk for improper payments.

All Federal programs and activities that received Sandy relief funds shall automatically be treated as high-risk, regardless of any prior favorable risk assessment results. In FY 2013, DOI received $829.2 million, reduced to $786.7 million by sequester, in funding to support Hurricane Sandy relief efforts. In compliance with OMB M-13-07, risk assessments on the FY 2013 high risk programs and activities shall be completed in FY 2014.

Payment Recapture Audits

Beginning in 2011, IPERA greatly expands the types of payments that can be reviewed. The IPERA also lowers the threshold for conducting repayment audits from $500 million in annual outlays to $1 million in annual outlays if conducting such audits would be cost effective.

The DOI has historically utilized a recovery audit firm to conduct the predominance of its recovery audit effort. The firm was paid on a contingency fee structure based on the amount of recovered payments. Due to the unexpected cancellation of the government-wide payment recapture audit contract/program, DOI has not had a payment recapture audit contract since 2009. In FY 2011, DOI submitted justification to OMB demonstrating that it would not be cost-effective to conduct a payment recapture audit. Figure 3-3 reflects the results of DOI's recovery audit efforts through FY 2012. In addition, DOI transmitted reports on DOI's payment recapture audit plan to Congress, the DOI Inspector General and the OMB Controller.

In FY 2012, DOI awarded a contingency fee-based contract to a recovery audit firm in order to re-establish DOI's payment recapture audit program. Initially, the program was to be piloted in the DO and four large bureaus, which include BLM, IA, BOR, and USGS. After determining the cost-effectiveness of the recovery audits, DOI will consider expanding the service to the other bureaus.

The contingency fee-based contract was awarded after year end in FY 2012. As a result, DOI's payment recapture audit did not gain full momentum until August of FY 2013. The delayed start of the recovery audits was primarily attributable to the complexity of acquisition, changes in systems that limit access to financial records, and information security considerations.

The payment recapture audits are now underway and are expected to be completed in FY 2014. The DOI is evaluating options for future recovery audits, particularly to incorporate the reporting requirements on the funds received in support of Hurricane Sandy relief efforts.

Do Not Pay Initiative

Executive Order 13250, *Reducing Improper Payments and Eliminating Waste in Federal Programs* and OMB memorandum M12-11, *Reducing Improper Payments through the "Do Not Pay List"*, require agencies to utilize certain Federal databases to verify eligibility of potential Federal contractors and propriety of payments to existing contractors. These databases are collectively known as the DNP List. The OMB and the Department of Treasury have developed a web based single-entry access point to these data bases known as the DNP Solution. In response to OMB M-12-11, DOI submitted a plan that outlined implementation of the DNP Solution into DOI's business processes which minimizes the risk of contracting with entities, as well as prevents payments to inappropriate parties, on the DNP List.

The DOI implemented the DNP solution using a two-phased approach that will be coordinated with the deployment of DOI's SAP-based information system, FBMS. Phase I of DNP was implemented in the 2nd quarter of FY 2013 and included 90 percent of DOI bureaus and users of FBMS. Phase II, which encompassed the remaining 10 percent of DOI bureaus and FBMS users, began in early FY 2014. During initiation of the two phases, DOI will evaluate data in the following databases:

- Debt Check;
- Death Master File;
- The Work Number;
- Central Contractor Registration;
- List of Excluded Individuals/Entities;
- Federal Awardee Performance and Integrity Information System; and
- Excluded Party List System with an Office of Foreign Asset Controls.

Other Efforts

As noted below DOI conducts other efforts to identify and recover improper payments. As a result of DOI's focus on maintaining strong controls to prevent improper payments, only insignificant levels of improper payments have been identified.

Human Capital – DOI disbursement payments, as outlined in the sections that follow, are reviewed by office and bureau certifying officers. As a result of the reviews, the certifying officers attest in the annual assurance statement on internal controls whether DOI's financial system is in compliance with OMB Circular A-123 and FMFIA.

Prepayment Audit of Government Bills of Lading - DOI has conducted prepayment audits of freight bills via GBL for a number of years. This effort is required by the Travel and Transportation Reform Act of 1998. Efforts continue with DOI's bureaus to ensure that all freight bills receive prepayment audits.

Invoice Payment Reviews – DOI conducts various pre and post payment reviews across the bureaus. The reviews are the responsibility of the bureau and are used to identify inaccurate payments as well as determine the effectiveness of internal controls over the payment process.

Travel Voucher Audits – DOI conducts a number of pre and post travel voucher audits. The audits are designed to identify incorrect payment amounts, unauthorized claims, and internal controls over the payment process.

Current Progress

To meet the President's challenge to reduce government-wide improper payments by $50 billion and recapturing at least $2 billion in improper payments government wide, DOI implemented several important steps in FY 2013 to ensure that its managers are held accountable for reducing and recovering improper payments.

To ensure a robust process for reducing improper payments, DOI:

- Updated annual risk assessment policies and guidance to incorporate improvements in conducting, reporting, and documenting the program and ensure compliance with OMB Circular No. A-123, Appendix C;
- Collaborated with the Office of Acquisition and Property Management and FBMS PMO management office on the submission of DOI's plan for deploying the DNP solution to OMB in accordance with OMB M-12-114; and
- Submitted test files from DOI's vendor database to the Department of Treasury through the DNP solution. The IBC has already completed the submission and results of a test file from the Oracle based financial system for external customers.

To recover those improper payments that are made DOI:

- Developed an action plan that describes how DOI is prioritizing its payment recapture activities and establish a framework for establishing recapture goals.
- Continued working with the recovery audit firm on the contract awarded to re-establish DOI's payment recapture audit program.
- Consulted with DOI's relationship manager at the Department of Treasury on the types of data sources and data analytic services in order to register DOI into the DNP solution.

Going Forward

To continue supporting the President's goals with IPERA, DOI will:

- Complete the pilot payment recapture audits in DO and four large bureaus; which include BLM, BIA, BOR, and USGS; and further assess the cost-effectiveness of expanding the services to the other bureaus.
- Report on other types of recovered improper payments such as those identified by payment recipients, separate agency post payment reviews and contract closeout.

In accordance with IPERIA and the service agreement with the Department of Treasury, DOI will continue to utilize the following DNP features:

- Batch Matching by sending a download of our FBMS vendor file, which encompasses 90 percent of DOI disbursement activity. It is important to note that all disbursement streams utilize the FBMS vendor file. Therefore, with the exception of BOR, all DOI programs and business lines were subject to the DNP pre-payment controls by March 31, 2013. The BOR will implement FBMS and DNP by December 31, 2013.
- Continuous Monitoring by updating DNP weekly with vendor file additions and deletions. This will ensure that any new potential contractors are identified within seven business days and appropriate action is taken before a contract, grant, or loan is effected and any payment is made.
- Data Analytics Services by submitting quarterly disbursement files to DNP for customized analysis to combat improper payments, including matching payment files against currently available data sources. In addition, the results will be analyzed for abnormal groupings or irregularities to determine if additional A-123 audit related procedures are necessary.
- To implement the DNP Solution, DOI has met the following timelines:
  - November 30, 2012 – Completed all required agreements with the Department of Treasury.
  - January 31, 2013 – Submitted 1st quarter payment file for Data Analytics Services.
  - March 31, 2013 – Uploaded 1st FBMS vendor file covering 90 percent of DOI business activity. Weekly updates will follow.
- In addition, DOI anticipates in meeting the following timeline:
  - March 31, 2014 – DNP will be updated with a complete FBMS vendor file covering 100% of DOI business activity. Weekly updates will follow.
- For monitoring DNP, DOI will utilize the following metrics to ensure success of implementation:
  - Percent of Conclusive, Probable, and Possible matches researched.
  - Percent of total disbursements subject to Data Analytics Services.
  - Percent of improper payments identified through Data Analytic Services recovered.

Schedule of Spending For Year Ended September 30, 2013 *(dollars in thousands)*	DOI	OS	BIA	BLM	BOR
What Money is Available to Spend?					
Total Resources	$ 31,472,615	$ 9,338,250	$ 3,668,828	$ 3,267,890	$ 3,575,600
Less Amount Available But Not Agreed to be Spent	(9,138,710)	(3,209,329)	(759,273)	(1,184,570)	(1,308,667)
Less Amount Not Available to be Spent	(134,238)	(16,104)	(36,598)	(6,662)	(2,605)
Total Amounts Agreed to be Spent	$ 22,199,667	$ 6,112,817	$ 2,872,957	$ 2,076,658	$ 2,264,328
How was the Money Spent/Issued?					
Non-Financial Assistance Direct Payments	$ 6,812,155	$ 538,554	$ 721,515	$ 1,062,419	$ 624,650
Contracts	8,787,066	2,441,256	1,425,986	838,351	1,331,982
Grants	5,093,403	2,320,902	653,093	-	79,128
Financial Assistance Direct Payments	1,386,526	795,400	66,252	174,893	211,121
Insurance	15,831	12,199	561	440	691
Interest and Dividends	17,839	483	519	-	16,837
Other Payment Types	86,847	4,023	5,031	555	(81)
Total Amounts Agreed to be Spent	$ 22,199,667	$ 6,112,817	$ 2,872,957	$ 2,076,658	$ 2,264,328
Who Did the Money Go To?					
Federal Destinations	$ 4,020,535	$ 572,997	$ 349,781	$ 564,000	$ 771,938
Non-Federal Destinations	18,179,132	5,539,820	2,523,176	1,512,658	1,492,390
Total Amounts Agreed to be Spent	$ 22,199,667	$ 6,112,817	$ 2,872,957	$ 2,076,658	$ 2,264,328

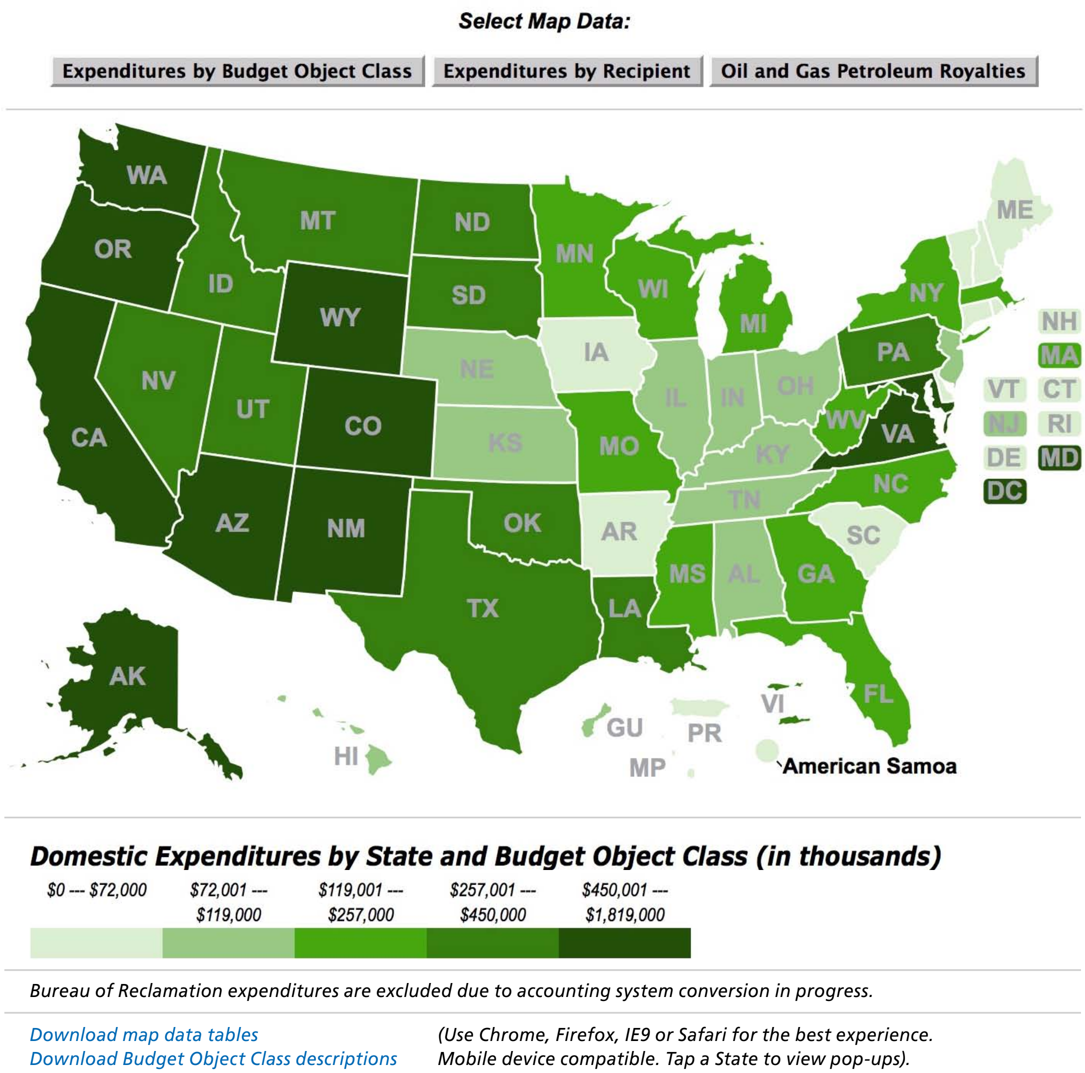
The Schedule of Spending (SOS) presents, at a high-level view, how and where DOI is spending money. The data used to populate this schedule is the same underlying data used to populate the Statement of Budgetary Resources (SBR). The SOS presents total budgetary resources and fiscal year to date total obligations for DOI.

Although the basic premise of the SOS is complete, certain details are still being developed. Accordingly, the reporting of this information is included in the Other Information to permit DOI to explore the optimal means of presenting spending taxpayers' money. To further achieve this objective, DOI will request public feedback on the Schedule. To provide feedback, please follow the instructions in the "We'd Like To Hear From You" section located on the last page of this report.

Comparative schedules are not required for FY 2013; however, this will be required starting in FY 2014.

FWS	BOEM	BSEE	NPS	OSM	USGS
$ 4,118,658	$ 199,119	$ 316,286	$ 4,181,079	$ 738,538	$ 2,068,367
(969,271)	(36,286)	(96,423)	(992,800)	(55,252)	(503,066)
(20,505)	(1,307)	(222)	(54,686)	(6,231)	(13,091)
$ 3,128,882	$ 161,526	$ 219,641	$ 3,133,593	$ 677,055	$ 1,552,210
$ 971,045	$ 69,450	$ 86,879	$ 1,772,593	$ 53,671	$ 911,379
653,339	83,685	132,760	1,131,936	216,615	531,156
1,440,714	-	-	97,079	406,764	95,723
-	8,389	-	130,471	-	-
443	2	2	1,404	5	84
-	-	-	-	-	-
63,341	-	-	110	-	13,868
$ 3,128,882	$ 161,526	$ 219,641	$ 3,133,593	$ 677,055	$ 1,552,210
$ 380,001	$ 68,868	$ 97,492	$ 783,391	$ 22,538	$ 409,529
2,748,881	92,658	122,149	2,350,202	654,517	1,142,681
$ 3,128,882	$ 161,526	$ 219,641	$ 3,133,593	$ 677,055	$ 1,552,210

The DOI financial community believes the next opportunity to increase its value is through better data analysis and culling information out of the large volumes of data that resides within our various databases. We believe that our current financial statement reporting model has been invaluable in driving improved internal control and data integrity but additional value can be offered with alternative reporting options. Our latest effort in pursuit of additional value is show below.



The above graphic is a heat map of the DOI's expenditures across the United States. The real value of our heat map resides in the interactive website (***http://www.doi.gov/pfm/afr/2013/maps/index.cfm***) where readers can customize their experience by selecting a data source and hovering over the map to display detailed pop-ups of the following information:

- Where DOI expended budgetary resources (i.e., State/Territory)
- What DOI expended budgetary resources on (i.e., top budget object classes)
- Who received DOI expended budgetary resources (i.e., top recipients)
- Estimated quantities of proved oil and gas reserves on federal land
- Estimated present value of proved oil and gas reserves on federal land

This visual presentation communicates a large volume of data in an easily digestible manner. The tables of map data and additional disclosures are available for download below each map. We consider this type of data mining, analysis and presentation more useful and transparent than traditional financial statements and are pursuing expansion of this type of reporting in other areas (i.e., real property by state) for future financial reports.

AFR	Agency Financial Report
AGA	Association of Government Accountants
AGO	America's Great Outdoors
AML	Abandoned Mine Land
APP&R	Annual Performance Plan and Report
ARRA	American Reinvestment and Recovery Act of 2009
ASG	American Samoa Government
AYP	Adequate Yearly Progress
Bbl	Oil Barrel
BBOE	Billion Barrels of Oil Equivalent
BCF	Billion Cubic Feet
BIA	Bureau of Indian Affairs
BIE	Bureau of Indian Education
BLM	Bureau of Land Management
BOEM	Bureau of Ocean Energy Management
BOM	Bureau of Mines
BOR	Bureau of Reclamation
BPA	Bonneville Power Administration
BSEE	Bureau of Safety and Environmental Enforcement
CEAR	Certificate of Excellence in Accountability Reporting
CFO	Chief Financial Officer
CFP	Climate Friendly Parks Initiative
COTS	Commercial Off-the-Shelf Software
CIAP	Coastal Impact Assistance Program
CIP	Construction in Progress
CSC	Climate Science Center
CSRS	Civil Service Retirement System
DCIA	Debt Collection Improvement Act
DNP	Do Not Pay
DO	Departmental Offices
DOE	Department of Energy
DOI	Department of the Interior
DOL	Department of Labor
EFT	Electronic Funds Transfer
EIA	Energy Information Administration
EIRF	Environmental Improvement and Restoration Fund
FASAB	Federal Accounting Standards Advisory Board
FBMS	Financial and Business Management System
FCRA	Federal Credit Reform Act
FECA	Federal Employees Compensation Act
FEGLI	Federal Employees Group Life Insurance
FERS	Federal Employees Retirement System
FFMIA	Federal Financial Management Improvement Act
FHWA	Federal Highway Administration
FISMA	Federal Information Security Management Act of 2002
FLPMA	Federal Land Policy and Management Act
FMFIA	Federal Managers' Financial Integrity Act
FRR	Facility Reliability Rating
FWS	U.S. Fish and Wildlife Service
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GDP	Gross Domestic Product
GMRA	Government Management Reform Act

GOADS	Gulf-Wide Offshore Activities Data Systems
GPA	Guam Power Authority
GPRA	Government Performance and Results Act
GSA	General Services Administration
HF	Hydraulic Fracturing
HPF	Historic Preservation Fund
HVAC	Heating, Ventilation and Air Conditioning
IBC	Interior Business Center
IA	Indian Affairs
IIM	Individual Indian Monies
IPERA	Improper Payments Elimination and Recovery Act
IT	Information Technology
LCC	Landscape Conservation Cooperative
LCRBDF	Lower Colorado River Basin Development Fund
LWCF	Land and Water Conservation Fund
M&I	Municipal and Industrial
Mbbl	One Thousand Barrels
Mcf	One Thousand Cubic Feet
MMcf	One Million Cubic Feet
NBC	National Business Center
NNALEA	National Native American Law Enforcement Association
NPS	National Park Service
NWR	National Wildlife Refuge
OCIO	Office of the Chief Information Officer
OCS	Outer Continental Shelf
OIA	Office of Insular Affairs
OIG	Office of Inspector General
ONRR	Office of Natural Resources Revenue
OMB	Office of Management and Budget
OPA	Office of the Public Auditor
OPM	Office of Personnel Management
OS	Office of the Secretary
OSM	Office of Surface Mining Reclamation and Enforcement
OST	Office of the Special Trustee for American Indians
OTFI	Office of Trust Fund Investments
OWF	Office of Wildland Fire
PADD	Petroleum Administration for Defense Districts
PDST	Principal Deputy Special Trustee
PFM	Office of Financial Management
PI/LSI	Possessory Interest or Leasehold Surrender Interest
PMO	Project Management Office
PPA	Prompt Payment Act of 2002
PP& E	Property, Plant, and Equipment
P. L.	Public Law
REEA	Renewable Energy Evaluation Area
ROW	Rights of Way
SAA	Single Audit Act of 1996
SBR	Statement of Budgetary Resources
SEMS	Safety and Environmental Management System
SFFAS	Statement of Federal Financial Accounting Standard
SFRBTF	Sport Fish Restoration and Boating Trust Fund
SIWIP	Share Investment Water Innovation Program
SNPLMF	Southern Nevada Public Land Management Fund
SOS	Schedule of Spending

UDO	Undelivered Order
USBR	United States Bureau of Reclamation
USFS	U.S. Forest Service
USGS	U.S. Geological Survey
USPP	United States Park Police
UTRR	Undiscovered Technically Recoverable Resources
VTC	Video TeleConference
WAPA	Western Area Power Administration
WaterSMART	Sustain and Manage America's Resources for Tomorrow
WMD	Western Management Disrtict
WUI	Wildland Urban Interface

WE WOULD LIKE TO HEAR FROM YOU

We would like to hear from you about our FY 2013 Agency Financial Report. Did we present information in a way you could use? What did you like best and least about our report? How can we improve our report in the future?

You can send written comments to:

U.S. Department of the Interior
Office of Financial Management
MS 2557-MIB
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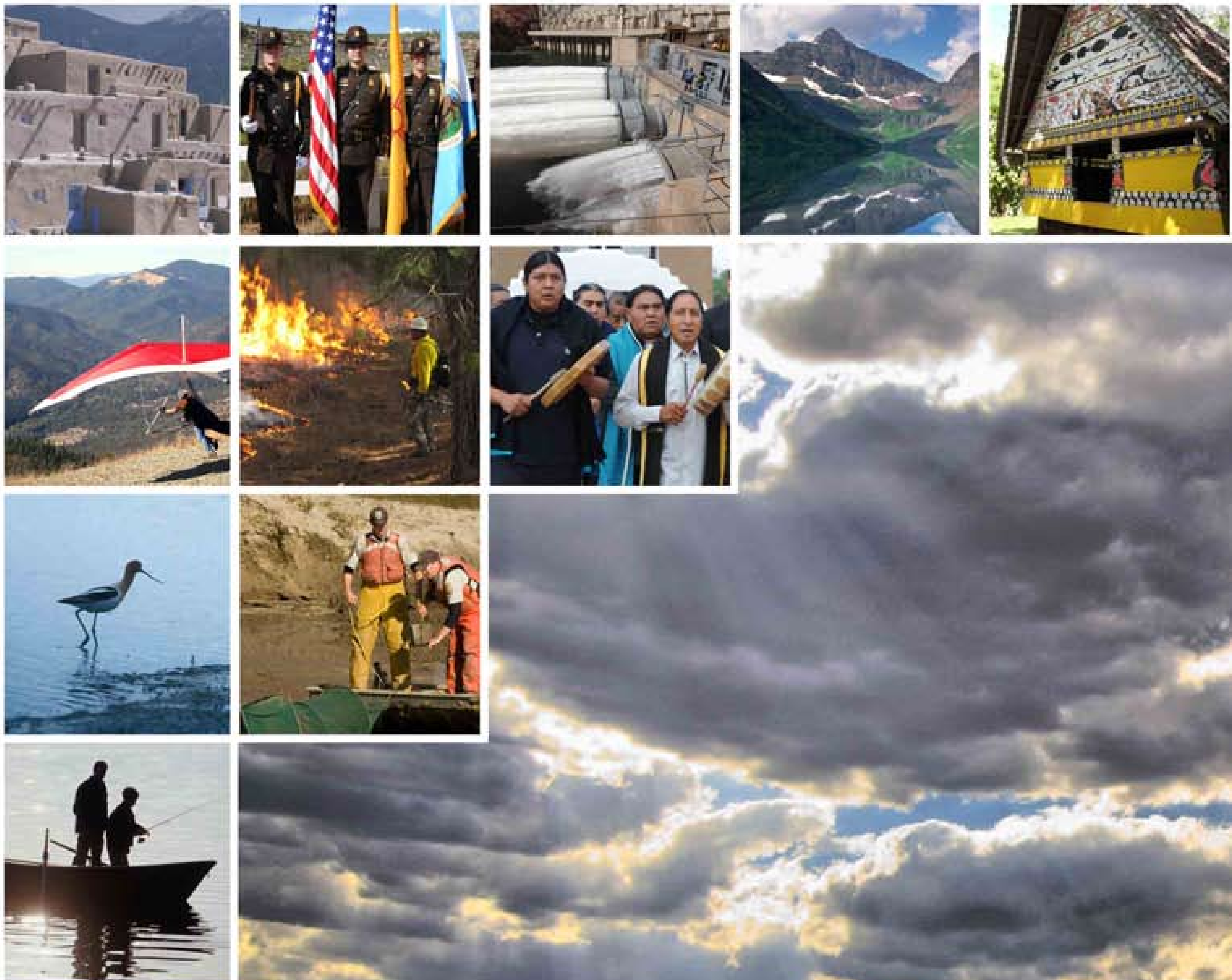

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