UNITED STATES DEPARTMENT OF THE INTERIOR

Agency Financial Report FY 2018








U.S. Department of the Interior

https://www.doi.gov/pfm/afr

U.S. DEPARTMENT OF THE INTERIOR

FISCAL YEAR 2018

AGENCY FINANCIAL REPORT

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The Department of the Interior's (DOI) Agency Financial Report (AFR) is the latest reflection of our dedication to stewardship. Over the last year, we have worked hard to restore the public's trust in the Government, engaging the local citizens affected by the decisions we make. Once again, rural America has a seat at the table – with Donald J. Trump in the White House, the voices of countless citizens are now heard in our Nation's capital.

Interior has a large portfolio. It stretches across 12 time zones, from the Virgin Islands to Palau, overseeing one-fifth of our Nation's territory. Across our Country, this system of public lands is the envy of the world. Interior also upholds the Federal Government's trust responsibilities to 573 federally recognized Tribes and works with Western States to manage water.

The AFR provides measurable results of DOI programs, the status of DOI's compliance with certain legal and regulatory requirements, and information on the steps DOI is taking to improve its financial performance and management. 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 DOI manages as well as a brief preview of performance information. The Annual Performance Plan and Report to be issued with the 2020 President's budget will provide a more comprehensive account of performance, in accordance with the *Government Performance and Results Modernization Act of 2010*.

In Fiscal Year (FY) 2018, I am proud to report DOI's 22nd consecutive unmodified audit opinion. The financial statement audit conducted by an independent audit firm did not identify any material weaknesses over financial reporting. The DOI remediated two significant deficiencies related to Controls over Accounts Payable and Controls over General Information Technology. In FY 2019, DOI is committed to addressing the one remaining significant deficiency related to Controls over General Property, Plant, and Equipment highlighted in the FY 2018 *Independent Auditor's Report*. In addition, we achieved a completion rate of 89 percent for successfully addressing the FY 2018 planned corrective actions related to the Office of Inspector General and Government Accountability Office audit recommendations as compared to the DOI goal of 85 percent.

As required by the *Federal Managers' Financial Integrity Act of 1982* and reported in the FY 2018 Assurance Statement, I am able to provide reasonable assurance that DOI's internal controls are effective, with the exception of one operational material weaknesses identified by management related to the Management of Grants, Cooperative Agreements, and Tribal Awards.

As America's economy has grown under President Trump, our Nation has also taken steps toward the President's goal of American energy dominance. Our "all-of-the-above" approach to energy has leveraged America's natural resource abundance – from traditional to alternative sources – to the benefit of all Americans. Domestic energy production creates a safer, freer, wealthier, and more sovereign America.

When it comes to regulation, we are incorporating industry innovation, best science, and best practices to ensure reliability, safety, and environmental stewardship. Consistency in regulation is one way that Interior is moving toward being a better partner with industry. Regulation should not be punitive, nor should we be adversarial to the American innovation that made our Country great in the first place.

Conservation on our lands, in the tradition of multiple use, will be our greatest legacy. Americans should be able to access their lands, and the words engraved into the Roosevelt Arch in Yellowstone National Park that public land is "For the Benefit and Enjoyment of the People," serve as a guiding light for our stewardship. Land should be managed for the greatest good in the longest term, just as conservationists like President Theodore Roosevelt and Gifford Pinchot advocated.

To ensure that future generations can enjoy the great outdoors, we are prioritizing public lands infrastructure. For many years, a backlog of deferred maintenance across Interior-managed lands has negatively impacted the visitor experience. Broken water pipes, unpaved roads, and moldy bathrooms in the national parks have become the symbols of our leaders' neglect of infrastructure. But President Trump is a builder, and I am confident that our dilapidated public lands infrastructure is a problem we can solve.

In the coming year, we will also modernize our organization and infrastructure for the next 100 years through our reorganization of DOI. Set against the backdrop of President Trump's Government-wide reorganization, we are advancing a modern vision of Interior that prioritizes the front lines. Consolidating our dozens of regional Bureau boundaries into 12 common, unified regional boundaries is good Government, and streamlining our operations will save taxpayer money and better serve the American people.

Looking forward, I am bullish about Interior and America's future. We have an exceptional Country – with pristine lands, vast natural resources, diverse wildlife, and great people – and it is an honor to serve as Secretary of the Interior. As we continue to achieve energy dominance, establish a conservation legacy, rebuild our American infrastructure, and reorganize Interior, I know that we will accomplish great things as one American people working together.

God bless America.

Ryan K. Zinke

Secretary of the Interior

November 15, 2018

ABOUT THIS REPORT

The U.S. Department of the Interior's (DOI) Agency Financial Report (AFR) for fiscal year (FY) 2018 provides performance and financial information that enables Congress, the President, and the public to assess the performance of DOI relative to its mission and stewardship of the resources entrusted to it. This AFR satisfies the reporting requirements of the following:

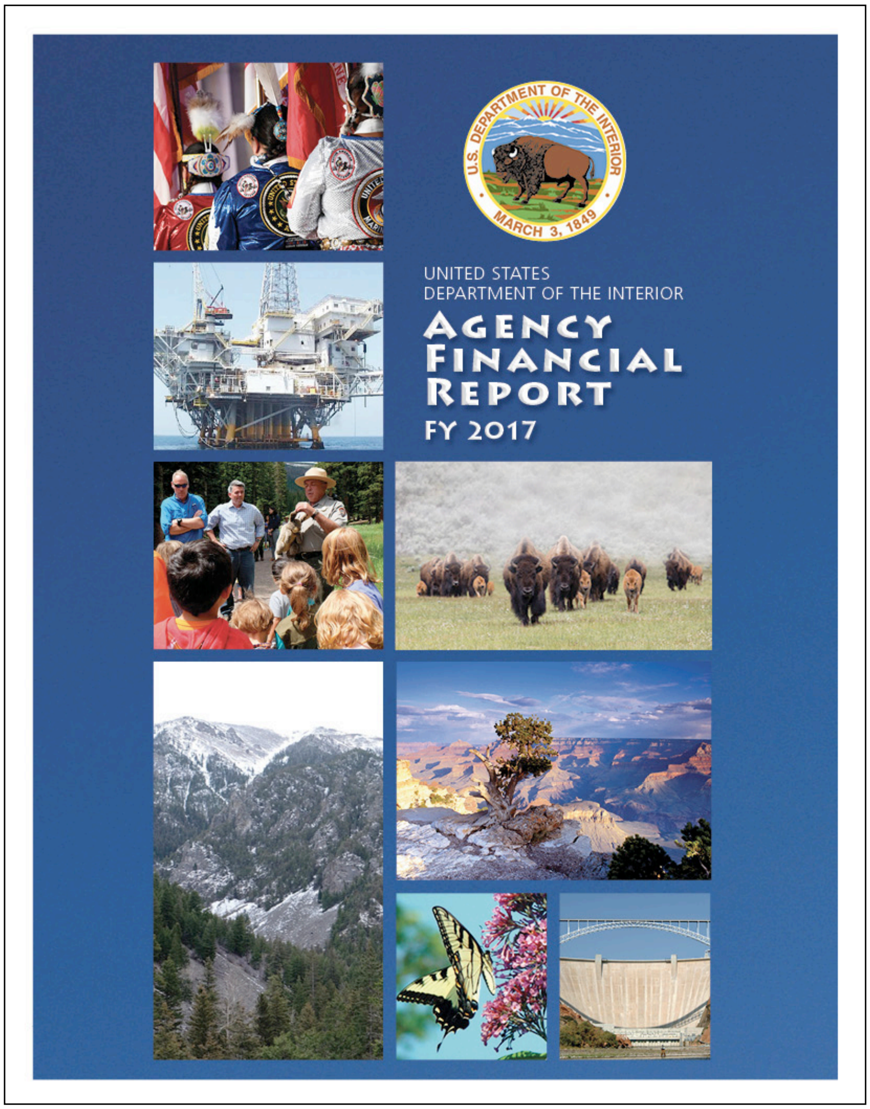
- *Federal Managers' Financial Integrity Act of 1982*;
- *Chief Financial Officers Act of 1990*;
- *Government Management Reform Act of 1994*;
- *Reports Consolidation Act of 2000*;
- Office of Management and Budget Circular No. A-136, *Financial Reporting Requirements;*
- *Improper Payments Elimination and Recovery Improvement Act of 2012*;
- Office of Management and Budget Memorandum M-12-12, *Promoting Efficient Spending to Support Agency Operations*; and
- *Fraud Reduction and Data Analytics Act of 2015.*

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 *Government Performance and Results Act Modernization Act of 2010* (GPRAMA), will be provided within the Annual Performance Plan and Report (APP&R), ***www.doi.gov/ performance/performance-reports***, to be transmitted with the release of the FY 2020 Congressional Budget Justification. A Summary of Performance and Financial Information is also produced that summarizes AFR information in a brief, user friendly, format. The AFR may be viewed online at ***https://www.doi.gov/pfm/afr***.

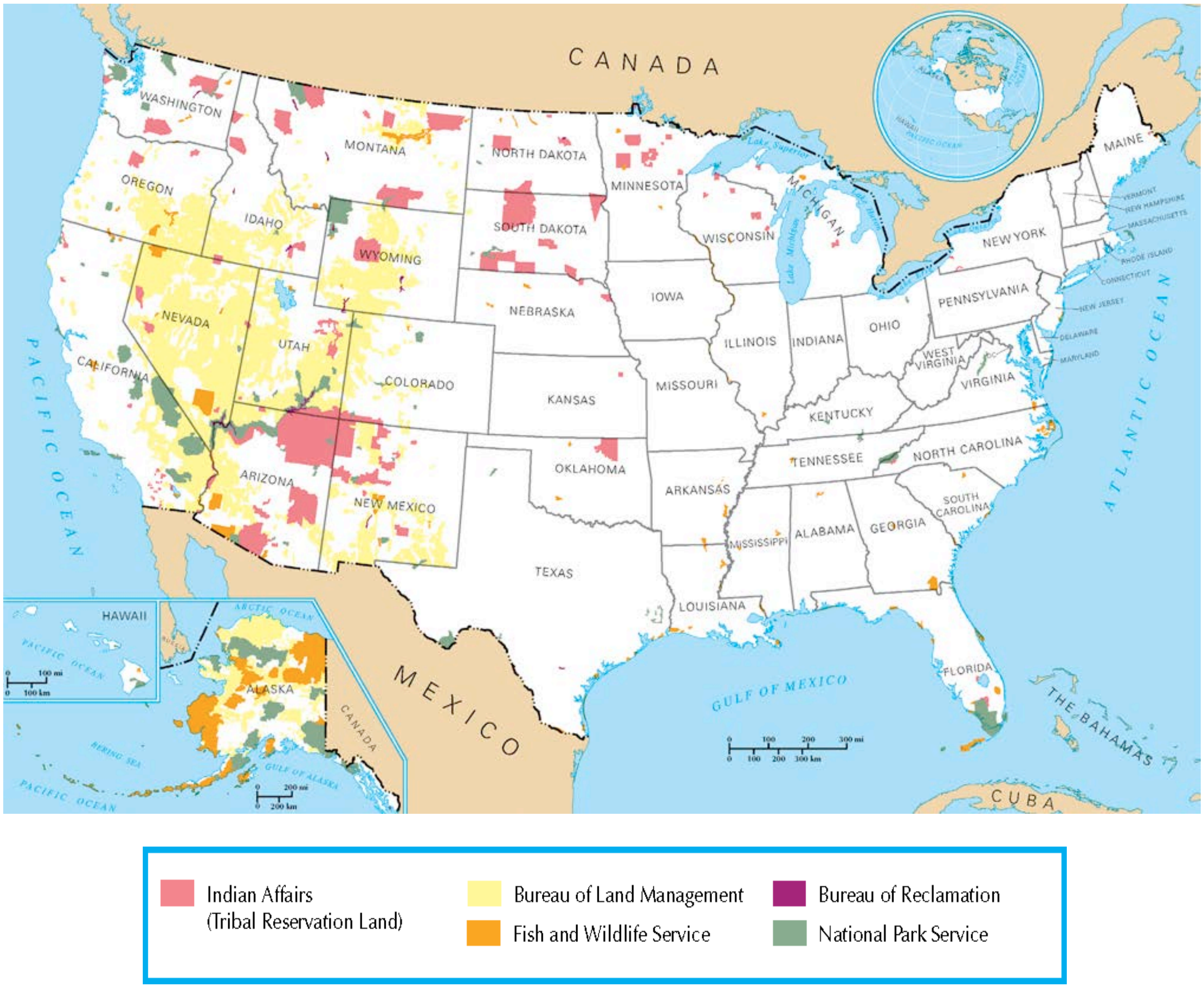
CERTIFICATE OF EXCELLENCE IN ACCOUNTABILITY REPORTING

For the sixteenth year, DOI received a Certificate of Excellence in Accountability Reporting (CEAR©) award for the FY 2017 AFR. The Association of Government Accountants CEAR© Program has been helping Federal Agencies produce high-quality Agency Financial Reports and 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 (OMB) to improve financial and program accountability by streamlining reporting and improving the effectiveness of such reports.

The DOI is honored to have received this prestigious award and is fully committed to excellence in financial reporting and providing a comprehensive understanding of DOI's fiscal and programmatic accomplishments.



Surface Lands Managed by The Department of the Interior



Mission

The DOI conserves and manages the Nation's natural resources and cultural heritage for the benefit and enjoyment of the American people, provides scientific and other information about natural resources and natural hazards to address societal challenges and create opportunities for the American people, and honors the Nation's trust responsibilities or special commitments to American Indians, Alaska Natives, and affiliated island communities to help them prosper.

History

The DOI was established in 1849. 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 and DOI acquired new responsibilities.

Following President Theodore Roosevelt's conservation summit and the awakening of the conservation movement at the beginning of the 20th century, there was an increasing urgency and expanding congressional mandate to protect and more effectively manage the Nation's natural resources. In 1905, management of the Federal forests changed from the Department of the

Interior to the United States Forest Service within the Department of Agriculture. Its Chief, Gifford Pinchot, introduced better forestry methods.

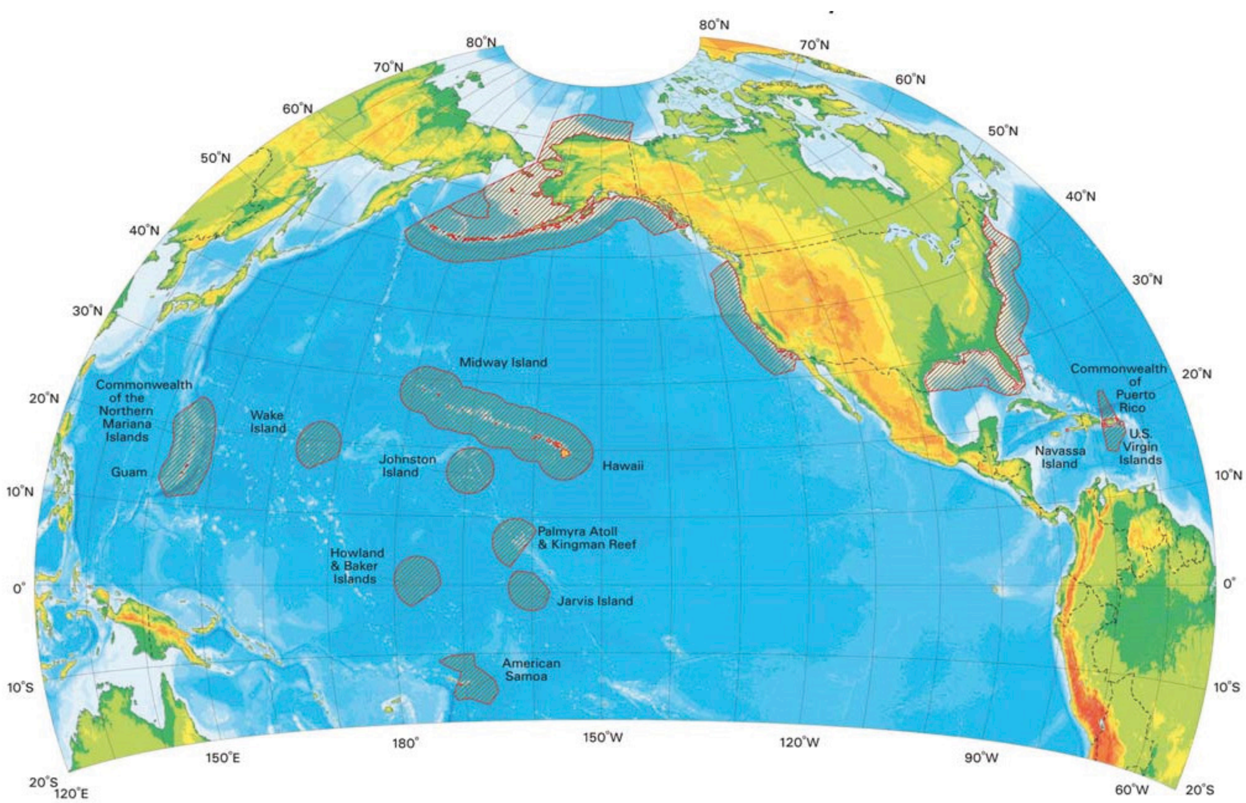
Pinchot sought to turn public land policy from one that disposed of resources to private parties, to one that maintained Federal ownership and management of public land. During the 1960's and 1970's, DOI's authorizing statutes shifted to put more emphasis on the preservation, management, and use of public lands and natural and cultural resources.

Today, DOI manages the Nation's public lands and minerals, including providing access to more than 480 million acres of public lands, 700 million acres of subsurface minerals, and 2.3 billion acres of the Outer Continental Shelf (OCS).

The DOI is the steward of 20 percent of the Nation's lands, including national parks, national wildlife refuges, and public lands; manages resources providing approximately 20 percent of the Nation's energy; supplies and manages water in the 17 Western States and is the second largest producer of the Nation's hydropower energy; and upholds Federal trust responsibilities to 573 federally recognized Indian Tribes, Alaska Native communities, and insular areas. The DOI also partners with States to manage wildlife, promote healthy forests and suppress fire, manage energy resource development on its lands and offshore areas, promote outdoor recreation and provide mapping, geological, hydrological, and biological science for the Nation.

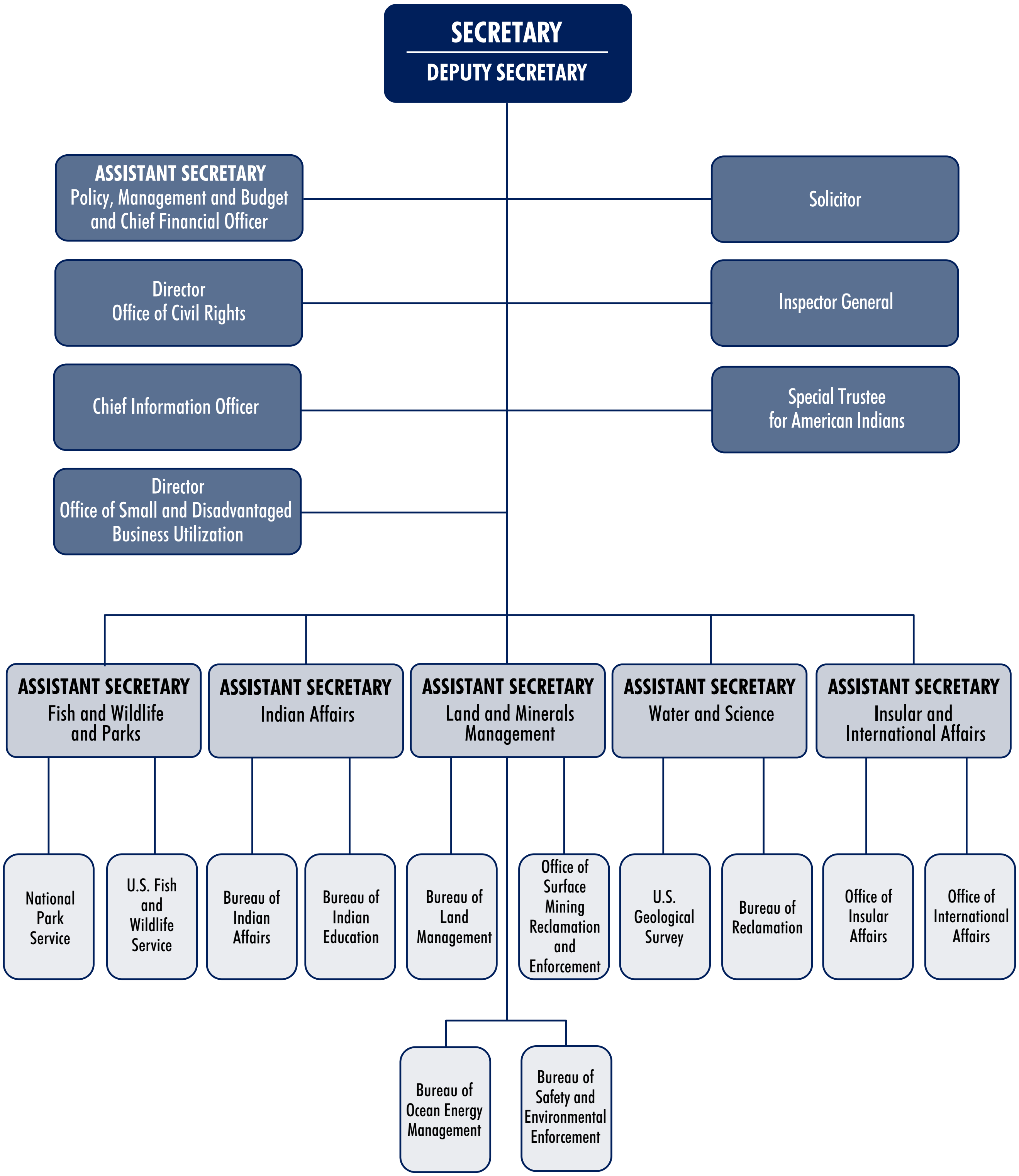
The DOI's programs encompassed in this report cover a broad spectrum of activities performed by the Bureaus and Offices and are captured in the following presentation of each entity's unique mission and set of responsibilities. The DOI's mission is carried out by the Bureaus and Offices and DOI's 66,773 dedicated and skilled employees.

Over 500,000 volunteers annually 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.



United States Continental Shelf Boundary Areas

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.

Departmental Offices (DO)

- Immediate Office of the Secretary, Deputy Secretary, and Assistant Secretaries
- Office of the Solicitor
- 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;
  - Policy and Environmental Management;
  - Natural Resource Damage Assessment and Restoration;
  - Wildland Fire Management; and
  - Native Hawaiian Relations.
- Office of Inspector General
- Office of the Special Trustee for American Indians (OST)
- Assistant Secretary for Insular and International Affairs
  - Office of Insular Affairs.
  - Office of International Affairs.

Bureau of Land Management (BLM)

- Manages public lands for the benefit of all Americans under the dual framework of multiple use and sustained yield on nearly 250 million surface acres, as well as 700 million acres of subsurface mineral estate. Priorities include:
  - Making full use of the Nation's domestic energy and sources, including conventional and renewable energy sources;
  - Serving American families by providing outdoor recreation opportunities that are key to the Nation's heritage and its economy;
  - Managing working landscapes to support sustainable livestock grazing operations and timber and biomass production; and
  - Developing and maintaining strong partnerships with state, local, and private stakeholders in shared conservation stewardship.

Bureau of Ocean Energy Management (BOEM)

- Manages access to renewable and conventional energy and mineral resources OCS.
- Administers over 2,600 active fluid mineral leases on over 14 million OCS acres.
- Oversees 4 percent of the natural gas and 18 percent of the oil produced domestically.
- Oversees lease and grant issuance for offshore renewable energy projects.
- Manages leasing for marine mineral resources such as sand to facilitate beach replenishment and coastal nourishment projects.

Bureau of Safety and Environmental Enforcement (BSEE)

- Fosters secure and reliable energy production from the 2.3 billion acres in the US OCS for America's energy future.
- Conducts inspections, permitting, incident and equipment failure analysis, oil spill preparedness and enforcement programs aimed at promoting a culture of safety and reducing risk to those who work offshore.
- Supports the technical expertise to engage opportunities and to meet challenges to tap the full potential of OCS energy 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 492 dams and 338 reservoirs.
- Delivers water to 1 in every 5 western farmers and more than 31 million people.
- America's second largest producer of hydroelectric power.

Indian Affairs (IA)

- Fulfills Indian trust responsibilities.
- Promotes self-determination on behalf of 573 federally recognized Indian Tribes.
- Funds self-determination compact and contracts to support all Federal programs including education, law enforcement, and social service programs that are delivered by Tribal Nations.
- Supports 183 elementary and secondary schools and dormitories, providing educational services to 45,246 students in 23 States.
- Supports 33 community colleges, universities, post-secondary schools, and technical colleges.

Note: IA includes the Bureau of Indian Affairs (BIA) and the Bureau of Indian Education (BIE).

Office of Surface Mining Reclamation and Enforcement (OSMRE)

- 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.

National Park Service (NPS)

- Maintains and manages a system of 417 natural, cultural, historical, and recreational sites for the benefit and enjoyment of the American people.
- Manages and protects over 27,000 historic and prehistoric structures, nearly 44 million acres of designated wilderness, and a wide range of museum collections and cultural and natural landscapes.
- Provides outdoor recreation to nearly 331 million visitors at National Park units.
- Provides technical assistance and support to state, Tribal and local natural and cultural resource sites and programs, and fulfills responsibilities under the *National Historic Preservation Act of 1966*.

U.S. Fish and Wildlife Service (FWS)

- Manages the lands and waters of the 855 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 50 million visitors annually at more than 567 refuges and 38 wetland management districts located in all 50 States.

U.S. Geological Survey (USGS)

- Produces information to increase understanding of natural hazards such as earthquakes, volcanoes, and landslides.
- Conducts research and delivers assessments on oil, gas, and alternative energy potential, production, consumption, and environmental effects.
- Conducts reliable scientific research in land resources, mineral assessments, environmental health, and water resources to inform effective decision making and planning.
- Provides science information that supports natural resource decisions.
- Produces topographic, geologic, hydrographic, and biogeographic data and maps.

THE DEPARTMENT OF THE INTERIOR'S MISSION AREAS

CONSERVING OUR LAND AND WATER

The DOI ensures that America's natural endowment – the lands and waters of the United States – is conserved for the benefit, use, and enjoyment of current and future generations. The DOI's bureaus use the best available science, modern natural resource management techniques, technology and engineering, efficient decision-making processes, robust partnerships, and improved land use planning to ensure balanced stewardship and use of the public lands and its resources, including wildlife and fish species.

GENERATING REVENUE AND UTILIZING OUR NATURAL RESOURCES

The DOI provides access to and manages energy and other resources including oil, gas, coal, timber, grazing, non-energy minerals on public lands, oil and gas, renewable energy, and non-energy minerals on the OCS. The DOI is committed to achieving and maintaining American energy dominance through responsible productivity of the public lands for the multiple use and economic benefit of present and future generations.

EXPANDING OUTDOOR RECREATION AND ACCESS

Outdoor recreation is integral to a healthy lifestyle for millions of Americans. Visitors to the DOI's public lands and waters take advantage of the physical, mental, and social benefits that outdoor recreational experiences provide. Americans have the opportunity to hunt and fish on public lands managed by DOI as part of its multiple-use policy that also includes hiking, camping, climbing, boating, wildlife viewing, and other outdoor pursuits.

FULFILLING OUR TRUST AND INSULAR RESPONSIBILITIES

The DOI upholds the Federal Government's unique trust responsibilities by fostering the government-to-government relationships between the Federal Government and federally recognized Tribes, and by providing services to individual American Indians, and Alaskan Natives. The DOI also has important relationships with the affiliated insular areas including the Territories of American Samoa, Guam, the U.S. Virgin Islands, and the Commonwealth of the Northern Mariana Islands. The DOI administers and oversees Federal Assistance to the three Freely Associated States: The Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau.

PROTECTING OUR PEOPLE AND THE BORDER

Inherent in DOI's management responsibilities of the public lands is the requirement to protect employees and visitors. Ensuring employee and public safety is complex and requires the resources of multiple Bureaus and Offices covering four disciplines – law enforcement, emergency management, wildland fire, and natural hazards science. The DOI's Law Enforcement Program has the third largest contingent of Federal law enforcement officers in the Executive Branch. Depending on the season, approximately 3,500-4,000 law enforcement officers, rangers, and other employees patrol vast acres of public lands, national parks, wildlife refuges, and Indian communities and protect people, as well as natural, cultural, and heritage resources from illegal activities. Wildland fires potentially endanger lives and property. The Office of Wildland Fire (OWF) coordinates among DOI's land management bureaus and the U.S. Forest Service to safely, efficiently, and effectively prevent, respond to, and manage the impacts of wildfires. The USGS also protects lives by monitoring and warning of natural hazards such as earthquakes, volcanoes, landslides, and environmental health hazards.

MODERNIZING OUR ORGANIZATION AND INFRASTRUCTURE FOR THE NEXT 100 YEARS

The DOI is looking to better ensure effective operations and service delivery through coordinated organizational alignments in the field across bureaus and with other Federal and non-Federal partners, and through putting a relatively larger fraction of our employees into the field to serve the public. Expediting environmental analysis and compliance, reducing the cost of space, co-locating offices for more convenient public service and improved interagency coordination, and common regional boundaries are all being pursued to improve DOI's infrastructure and effectiveness.

The DOI tracks performance based on the integrated FY 2018-2022 Strategic Plan, which defines the goals, strategies, and performance measures under the following mission areas reflecting the Secretary of the Interior's priorities:

- Conserving our land and water;
- Generating revenue and utilizing our natural resources;
- Expanding outdoor recreation and access;
- Fulfilling our trust and insular responsibilities;
- Protecting our people and the border; and
- Modernizing our organization and infrastructure for the next 100 years.

The following performance summary uses key indicators, selected from the Strategic Plan, to gauge trends in performance, including preliminary estimates of FY 2018 results. An updated, more complete and in-depth performance assessment will appear in DOI's FY 2018/2020 Annual Performance Plan & Report (APP&R), *https://www.doi.gov/performance/performance-reports*, which is planned to be released with the President's FY 2020 Budget Request in February 2019. It will be available online at DOI's Budget and Performance Portal, *www.doi.gov/bpp*.

CONSERVING OUR LAND AND WATER

The DOI ensures that America's natural endowment – the lands and waters of the United States – is conserved for the benefit, use, and enjoyment of current and future generations. The DOI's Bureaus use the best available science, modern natural resource management techniques, science, technology and engineering, efficient decision making processes, robust partnerships, and improved land use planning to ensure balanced stewardship and use of the public lands and resources, including wildlife and fish species. Key indicators of DOI's performance in "Conserving Our Land and Water" include land and water condition, species condition (e.g., migratory birds), and capability to deliver water in the West.

In protecting DOI-managed lands and waters and safeguarding the wildlife and plant inhabitants, the key performance indicator, acres in "desired condition," is used to gauge DOI's progress in ensuring the quality of natural resources, including uplands, wetlands, streams, and shorelines. Natural resource management 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 seen in the following table, performance has been increasing while the total acres assessed increases. Newly added monuments in FWS and NPS were assessed in FY 2017 and FY 2018, adding to the total inventory and the metric results.

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

Bureau	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Target	2018 Preliminary
BLM, FWS, NPS	77%	78%	78%	83%	89%	89%
Acres in desired condition	353,869,240	360,116,825	361,651,952	472,556,098	746,623,779	746,623,779
Total Acres Assessed	461,495,700	461,325,882	462,520,691	572,940,348	836,053,382	836,053,382

Success in recovery of Threatened and Endangered (T&E) species often requires long timeframes to achieve results and often shows little annual change. It is critical that recovery plans are written and published in a timely manner using the best available science to lay a pathway for DOI and other partners to follow as they try to manage species that are affected by natural and human-induced pressures including loss of habitat, predation, and other factors. Treatments of habitat or adjustments to species management actions may require several years to take effect, assuming the solution can be implemented, and the factors making the situation worse do not escalate faster than treatment can be offered. As shown in the following table, a quarter of T&E species listed at least 2.5 years do not yet have a completed recovery plan. The lack of a finalized recovery plan may hinder decision-making regarding habitat.

Percent of Threatened or Endangered species listed for 2.5 years of more with a final recovery plan.						
Bureau	**2014 Actual**	**2015 Actual**	**2016 Actual**	**2017 Actual**	**2018 Target**	**2018 Preliminary**
FWS	83%	81%	78%	76%	76%	75%
Number of T&E species with final recovery plan	1,113	1,112	1,124	1,129	1,141	1,128
Number of T&E species listed 2.5 years or more	1,338	1,379	1,449	1,479	1,505	1,496

The DOI plays a significant role in managing water resources in the Western States including collection, storage, and distribution. Water distribution depends on the condition of facilities that manage and distribute the water, leading DOI to use the percentage of facilities earning a “good” Facility Reliability Rating as the key performance indicator for this goal. As shown below, performance challenges from this measure result from an aging infrastructure, ongoing droughts, and increasing workforce and materials costs. Many of the minor water infrastructure problems have been repaired or replaced. More extensive or expensive repairs or replacements may reduce the rate at which facilities are brought into good condition.

Percent of water infrastructure in good condition as measured by the Facility Reliability Rating.						
Bureau	**2014 Actual**	**2015 Actual**	**2016 Actual**	**2017 Actual**	**2018 Target**	**2018 Preliminary**
BOR	78%	79%	81%	80%	73%	73%
Number of facilities in good condition	269	272	279	272	251	251
Total number of facilities in service	344	344	344	342	342	342

GENERATING REVENUE AND UTILIZING OUR NATURAL RESOURCES

The DOI provides access and manages energy resources on public lands and the OCS including oil, gas, and coal; and timber, grazing, and non-energy mineral resources. Key performance indicators track the processing of leases and permits to drill for oil and gas resources, and for grazing.

The DOI is committed to achieving and maintaining American energy dominance through responsible productivity of the public lands for the multiple use and economic benefit of present and future generations. Oil, gas, coal and renewable energy form the cornerstones of our Nation’s energy base, and DOI will continue to facilitate increased development of both offshore and onshore conventional and renewable U.S. energy resources while ensuring safety and reliability through efficient permitting, appropriate standards, assessment and oversight, and a fair return for the American public. Completing lease sales and issuing permits to drill are indicative of DOI's role in providing access to energy resources on OCS and public lands, respectively, and are the key performance indicators for oil and gas resource development. The goal is to promote and approve a growing number of applications. As seen in the following table, progress has been steady offshore.

Percent of pending fluid minerals Applications for Permits to Drill (APDs) which are processed.						
Bureau	**2014 Actual**	**2015 Actual**	**2016 Actual**	**2017 Actual**	**2018 Target**	**2018 Preliminary**
BLM	56%	57%	57%	57%	60%	60%
Number of pending APD's processed	4,924	4,913	3,093	3,322	3,410	3,410
Number of pending APD's	8,862	8,596	5,477	5,826	5,719	5,719

Percent of offshore lease sale processes completed pursuant to the Secretary's Five Year Oil and Gas Program.						
Bureau	**2014 Actual**	**2015 Actual**	**2016 Actual**	**2017 Actual**	**2018 Target**	**2018 Preliminary**
BOEM	100%	100%	100%	100%	100%	100%
Number of lease sale processes completed	3	2	3	3	2	2
Number of lease sale processes proposed	3	2	3	3	2	2

Granting non-energy mineral leases, and access for grazing and timber, show level or decreasing trends in permits approved due to significant growth in legal challenges and demand for additional environmental assessments prior to approving access. As approval of these permits becomes more complicated, processing costs increase, affecting the overall level of performance. As the most notable and wide-spread of these non-energy commodities, processing grazing permits and leases, displayed in the following table, is used as the key indicator representing the type of performance for these efforts. Unexpected turnover in personnel and additional restrictions placed on sage grouse habitat has reduced the number of grazing permits and leases processed.

Percent of grazing permits and leases processed as planned consistent with applicable resource management plans.						
Bureau	**2014 Actual**	**2015 Actual**	**2016 Actual**	**2017 Actual**	**2018 Target**	**2018 Preliminary**
BLM	22%	18%	13%	13%	14%	14%
Number of permits and leases processed	1,374	1,213	862	917	1,005	1,005
Number of permit and lease applications	6,300	6,900	6,800	6,800	7,400	7,400

EXPANDING OUTDOOR RECREATION AND ACCESS

Outdoor recreation is integral to a healthy lifestyle for millions of Americans. Visitors to DOI's public lands and waters take advantage of the physical, mental, and social benefits that outdoor recreational experiences provide. Americans have the opportunity to hunt and fish on public lands managed by DOI as part of its multiple-use policy that also includes hiking, camping, climbing, boating, wildlife viewing, and other outdoor pursuits.

The DOI's visitor programs strive to meet high standards for recreation, education, and awareness of the natural world, historic events and cultural resources at parks, refuges, and other DOI lands. The key performance indicator used for this goal, visitor satisfaction, is measured through visitor surveys. Performance continues to be fairly steady even with increased visitation and use. Despite the challenge of keeping up with the rising costs of operations, maintenance, and restoration of aging facilities, on or near target performance continues to be met each year, as reflected in the following table.

Percent of visitors satisfied with the quality of their experience.

Bureau	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Target	2018 Preliminary
BLM, FWS, NPS	95%	95%	95%	93%	94%	94%

FULFILLING OUR TRUST AND INSULAR RESPONSIBILITIES

The DOI upholds the Federal Government's unique trust responsibilities by fostering government-to government relationships between the Federal Government and federally recognized Tribes, and by providing services to individual American Indians and Alaskan Natives. The U.S. also has important relationships with the affiliated insular areas including the Territories of American Samoa, Guam, the U.S. Virgin Islands, and the Commonwealth of the Northern Mariana Islands (CNMI). The DOI administers and oversees Federal assistance to the three Freely Associated States: the Federated States of Micronesia, Republic of the Marshall Islands, and Republic of Palau. Performance indicators track accuracy of processing Indian trust beneficiaries' accounts, providing job training and placement, and providing safe water in insular areas.

The following key indicator reflects DOI's ability to properly record funds received, disbursed, invested, and held in trust for Tribal and individual Indian beneficiaries, providing centralized accounting services for trust fund management activities. In many cases, Tribes and individual Indians use these trust funds to improve the quality of life for Indians who live on or near reservations. With the emphasis placed on trust management activities, performance remains consistently high.

Percent of financial transactions initially processed accurately in trust beneficiary accounts.

Bureau	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Target	2018 Preliminary
OST	99.99%	99.99%	99.99%	99.00%	99.00%	99.00%
Total financial transactions processed accurately	9,980,933	10,723,816	10,261,456	10,673,067	9,900,000	9,900,000
Total financial transactions to be processed	9,981,933	10,724,403	10,262,924	10,673,871	10,000,000	10,000,000

The DOI assists Indian Nations in developing capacity to attain economic self-sufficiency on reservations to enhance their quality of life. One critical path is economic development and job creation. The BIA coordinates development of comprehensive Tribal programs with the Departments of Labor and Health and Human Services. The DOI offers programs and financial services that encourage startups and help position Indian businesses and individuals to compete in today's economy. The key performance indicator is average gains in earnings for job placement program participants. As displayed in the following table, performance of the program remains fairly consistent.

Total average gain in earnings of participants that obtain unsubsidized employment through Job Placement Training programs for Tribes submitting Public Law (P.L.) 102-477* related reports.

Bureau	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Target	2018 Preliminary
BIA	$9.27	$10.20	$9.69	$9.54	$9.97	$9.97
Gain in earnings by program participants	$33,092	$24,330	$31,861	$34,172	$31,889	$31,889
Number of program participants	3,568	2,385	3,288	3,582	3,200	3,200

**P.L. 102-477 is the Indian Employment, Training and Related Services Demonstration Act of 1992.*

For insular areas, availability of clean water serves as a key indicator of quality of life and this performance assessment goal is indicated by water system violation notices. The Office of Insular Affairs (OIA) will continue monitoring water system violation trends in insular areas.

Percent of community water systems that receive health-based violation notices from the Environmental Protection Agency.

Bureau	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Target	2018 Preliminary
OIA	8%	13%	8%	11%	10%	10%
Number of community water systems with health based violations	12	19	11	14	13	13
Number of community water systems	147	147	131	132	132	132

PROTECTING OUR PEOPLE AND THE BORDER

Wildland fires potentially endanger lives and property. The OWF coordinates programs and funding across four Bureaus (BLM, FWS, NPS, and BIA) that manage wildland fire programs to implement the National Cohesive Wildland Fire Management Strategy, a science-based collaborative approach to mitigating wildfire risk. The DOI, in partnership with the Department of Agriculture's U.S. Forest Service, is committed to the inclusive principles of providing safe and effective response to wildfires, promoting fire- adapted communities, and creating fire-resilient landscapes. The DOI strives to achieve a science-based and technically effective wildland fire management program that is integrated with natural resource programs. As displayed in the following table, the performance of maintaining DOI-managed lands in accordance with fire management objectives remains steady.

Percent of DOI-managed landscape areas that are in a desired condition as a result of fire management objectives.						
Bureau	**2014 Actual**	**2015 Actual**	**2016 Actual**	**2017 Actual**	**2018 Target**	**2018 Preliminary**
OWF	36%	36%	36%	36%	36%	36%
Number of acres in desired condition as a result of fire management objectives	161,237,140	161,982,762	160,224,280	159,635,707	160,510,000	160,510,000
Number of DOI-managed acres	447,806,489	447,806,489	447,806,489	447,806,489	447,806,489	447,806,489

The USGS helps protect public safety, public health, and property by effectively delivering natural hazards and environmental health science. The Nation's emergency managers and public officials use USGS science to inform citizens of the potential risks these hazards pose to natural systems and the environment, improve preparation and response activities, and protect the health of the public, which reduce the loss of life and property. The key performance indicator displays increasing performance in providing natural hazard assessments for very high and high threat regions.

Percent completion of targeted natural hazard assessments of very high and high threat regions of the Nation (index).						
Bureau	**2014 Actual**	**2015 Actual**	**2016 Actual**	**2017 Actual**	**2018 Target**	**2018 Preliminary**
USGS	4%	4%	5%	7%	7%	7%

MODERNIZING OUR ORGANIZATION AND INFRASTRUCTURE FOR THE NEXT 100 YEARS

Real property assets are integral to the success of DOI's mission. The DOI's real property inventory includes approximately 43,000 buildings and 78,000 structures across six major land-holding Bureaus, with a replacement value exceeding $300 billion. The DOI manages the full life-cycle requirements of nearly every type of constructed asset found, including visitor centers, dams, schools, health clinics, power generating facilities, housing, hotels, fire stations, campgrounds, roads, water and wastewater treatment plants, offices, and more. Many of these assets have historic or cultural significance that not only support DOI's mission, but also are important to our Nation's heritage.

A significant factor affecting a sustainable portfolio of constructed assets is aging infrastructure. Many assets already exceed original design life, and this trend of aging infrastructure continues to threaten mission delivery. The DOI will address deferred maintenance/repair needs with priority given to those assets that support critical mission activities. The key performance indicator to be used, percent of priority assets in acceptable condition (i.e., meet investment objective), is new, but is expected to increase slightly.

Percent of priority assets in acceptable condition (i.e., meet investment objective).						
Bureau	**2014 Actual**	**2015 Actual**	**2016 Actual**	**2017 Actual**	**2018 Target**	**2018 Preliminary**
DOI-wide	N/A	N/A	N/A	80.6%	81.0%	82.0%

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*.

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

- Results of financial statement audit;
- Major management and performance challenges facing DOI;
- Compliance with other key legal and regulatory requirements; and
- Financial management systems.

Management Assurances

The FMFIA requires Agencies to assess the effectiveness of internal control 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 2018, the Office of Financial Management (PFM) conducted comprehensive site visits and provided oversight with regard to risk assessments, internal control reviews, and progress in implementing audit recommendations. The DOI's FY 2018 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) promotes 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:

- Federal managers are effectively managing risks which could arise from activities and operations;
- 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 OMB Circulars:

- OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, including Appendix A, *Management of Reporting and Data Integrity Risk*; Appendix B, *Improving the Management of Government Charge Card Programs*, Appendix C, *Requirements for Payment Integrity Improvement;* Appendix D, *Compliance with the Federal Financial Management Improvement Act of 1996*; and
- OMB Circular No. A-130, *Managing Federal Information as a Strategic Resource*.

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 2018 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 reporting. The DOI also considered the results of Office of Inspector General (OIG) audits, Government Accountability Office (GAO) 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 and performance challenges.

FMFIA Material Weaknesses

The OMB Circular No. A-123 requires that each Agency identify and report on material weaknesses affecting the Agency. The DOI has adopted the OMB guidelines for material weakness designations and recognizes the importance of correcting material weaknesses in a timely manner. The DOI financial staff and senior program officials continuously monitor corrective action progress of all material weaknesses.

FY 2018 ASSURANCE STATEMENT

The Department of the Interior's (DOI) management is responsible for managing risks and maintaining effective internal control to meet the objectives of Sections 2 and 4 of the *Federal Managers' Financial Integrity Act (FMFIA)*. The DOI conducted its assessment of risk and internal control in accordance with OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control.* Based on the results of the assessment, DOI can provide reasonable assurance that internal control over operations, reporting, and compliance were operating effectively as of September 30, 2018, except for one Section 2 non-financial material weakness related to the Management of Grants, Cooperative Agreements, and Tribal Awards, as identified in Figure 1-1. Our financial management systems conformed to the objectives of FMFIA, Section 4 and component requirements under the *Federal Financial Management Improvement Act of 1996.*

Ryan K. Zinke
Secretary of the Interior
November 15, 2018

At the beginning of FY 2018, DOI had one Department-level FMFIA material weakness pending correction carried forward from the previous year: Management of Grants, Cooperative Agreements, and Tribal Awards. Several corrective actions have been taken by the Office of Acquisition and Property Management (PAM) and additional actions are planned to continue to address these issues. For more information on the status of corrective actions, please see Figure 1-1 on the following page.

The DOI will report a material weakness as 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 fiscal year;
- 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.

The DOI's Summary of Financial Statement Audit and Summary of Management Assurances are presented in Section 3, Other Information, of this report.

FIGURE 1-1

FMFIA Material Weakness as of September 30, 2018				
Description	**Corrective Actions**	**FY 2018 Progress**	**Target Completion Date**	**Status**
Office: Office of Acquisition and Property Management (PAM) The DOI Management of Grants, Cooperative Agreements, and Tribal Awards Program. The DOI must improve management and oversight of financial assistance and Tribal awards made under P.L. 93-638.	The DOI will: 1) Enhance policies and training on requirements and limitations for monitoring and oversight of P.L. 93-638 Tribal awards. 2) Implement additional controls to improve Department-wide compliance with Government-wide and DOI policies for risk assessments, management, and monitoring of financial assistance and Tribal awards. 3) Require IA and other affected Bureaus to continue to work with the Tribes to enforce the requirements under the audit requirements under 2 Code of Federal Regulation (CFR) Part 200 Subpart F.	1) Initiated plans to replace the current grants management system with GrantSolutions, an interagency software solution provided by the Department of Health and Human Services (HHS), to provide end-to-end grants management across DOI Bureaus. 2) Created draft DOI Financial Assistance Certification and Certificate of Appointment Programs policy, which establishes standard requirements for education, experience and training for the DOI financial assistance workforce. 3) Drafted department policy that enhances requirements for post-award monitoring of financial assistance actions where land is purchased. 4) Created draft Financial Assistance Interior Regulation (FAIR), which is under final review. 5) Continued discussions with OIG and IA to identify opportunities to improve post-award monitoring of P.L. 93-638 awards. 6) Continued to work on the Single Audit Act compliance monitoring tool. 7) Closed over 12,000 financial assistance awards that were overdue for closeout. 8) Implemented improvements to DOI's Financial and Business Management System to allow for automatic reconciliation in the U.S. Department of Treasury's Automated Standard Payment System.	FY 2020	Ongoing

Management of Reporting and Data Integrity Risk

The OMB Circular No. A-123, Appendix A, updated in June 2018, includes requirements for Agencies to manage risk in relation to achievement of reporting objectives. The Circular includes a requirement for Agencies to develop a Data Quality Plan to achieve the objectives of the *Digital Accountability and Transparency (DATA) Act.* The Plan must be reviewed and assessed annually beginning in FY 2019.

In FY 2018, DOI completed its annual assessment of the effectiveness of internal control over reporting. Deficiencies were found in some reporting processes, but compensating controls and corrective actions adequately address these deficiencies. The DOI can reasonably assure the safeguarding of assets from waste, loss and mismanagement, as well as compliance with laws and regulations pertaining to reporting. (See *FY 2018 Assurance Statement*).

The DOI policy makers and program managers continuously seek ways to achieve missions, meet program goals and measures, enhance operational processes, and implement new technological solutions. The OMB requirement to assess control over reporting has strengthened the accountability of DOI managers regarding internal control 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 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. If an Agency is not in compliance with the requirements of FFMIA, the Agency head is required to establish a remediation plan to achieve substantial compliance. With regard to DOI's financial management systems, no lack of substantial compliance was noted.

Inspector General Act of 1978, as amended

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 2018, 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 Congress provides additional information about OIG activities and the results of their audits at: ***https://www.doioig.gov/reports.***

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 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, or unforeseeable delays when initial corrective action plans were developed; some corrective actions can span multiple years. In FY 2018, DOI achieved an implementation rate of 89 percent.

Results of Financial Statement Audit

As required by 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. In FY 2018, no material weaknesses were reported as a result of the financial statement audit.

Major Management and Performance Challenges Confronting Interior

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

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). See Figure 1-2.

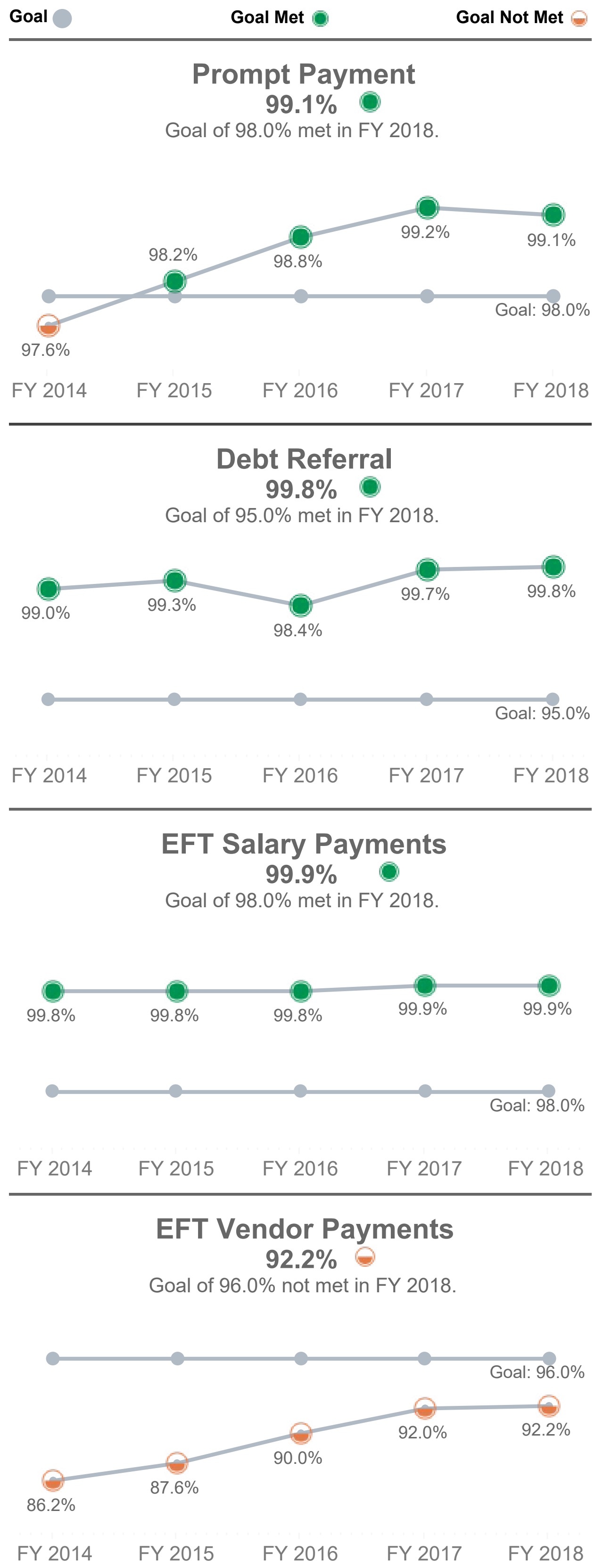
Prompt Pay, Debt Collection, and Electronic Funds Transfer

In FY 2018, DOI exceeded its performance goal for PPA and DCIA but did not meet its performance goal for vendor payments made by EFT. The PPA requires that eligible payments be made within 30 days of receipt of invoice; otherwise, the Federal Government is required to pay interest. The DCIA requires any non-tax debt owed to the United States that has been delinquent for a period of over 120 days be referred to the U.S. Department of the Treasury (Treasury) for collection. The EFT provision of the DCIA mandates all recipients of Federal vendor payments and salary payments receive their payments electronically, except for tax refunds.

The shortfall of the FY 2018 EFT performance goal has been carried over from FY 2017 and continues to be attributed to a high volume of transactions that DOI has for tort claims, legal settlements, financial assistance, social service payments to individual Indians, and realty payments that are consistently being processed with EFT waiver requests or non-EFT mechanisms. A large number of the waivers were converted from legacy financial systems. Those waivers were given a two-year grace period and have now expired. A system change has been developed to automatically block vendor records with expired waivers so that vendors are required to re-submit their requests. Requiring resubmission for waiver requests should effectively reduce the number of vendors who receive checks.

However, transitioning to the use of electronic payment methods requires time for vendors located in remote communities to make the appropriate adjustments to their financial processes. Logistical issues, such as the remote proximity of vendors to banks and the lack of transportation in isolated communities, are reflected in the EFT shortfall. Nonetheless, the EFT performance metric has incrementally risen each year and this trend is expected to continue going forward.

FIGURE 1-2



Information Management and Technology

In FY 2018, DOI continued implementation of the *Federal Information Technology and Acquisition Reform Act* (FITARA) by establishing authority and accountability for information management and technology (IMT) throughout DOI. The Chief Information Officer (CIO) established the Information Management Technology Leadership Team (IMTLT) comprised of Bureau and Office Associate CIOs (ACIOs) and Office of the CIO (OCIO) Senior Leaders. The IMTLT advises and supports the CIO in areas of strategic planning, governance, and the alignment of IMT. Each member of the IMTLT is accountable for implementing and overseeing compliance with policies within their respective organizations.

Each Bureau and Office developed an IMT alignment plan to implement improved oversight, accountability, and control over all IMT, as a key part of FITARA implementation. Authority for IMT is now vested under each ACIO. The ACIOs report to both DOI's CIO as well as their respective organization's Deputy Director. Additionally, working within DOI's Acquisition Program Advisory Council (APAC), the OCIO and DOI Senior Procurement Executive issued policy requiring APAC approval for all enterprise-level IMT acquisitions.

With the support of the IMTLT, the CIO developed the DOI IMT Strategic Plan, outlining the mission, vision, values, and strategic priorities, in alignment with new DOI leadership. The DOI IMT strategic priorities include:

- Strengthen cybersecurity and privacy;
- Improve IMT/Computing for the Field;
- Consolidate and standardize IMT services and systems; and
- FITARA Actualization.

FY 2018 Accomplishments

- Achieved an optimal score of "Managing Risk" for the OMB Risk Management Assessment for FY 2018, by improving network account management, remote access protection, and the continuous diagnostics and mitigation (CDM) implementation process.
- Remediated all external vulnerabilities identified through the Department of Homeland Security (DHS) Cyber Hygiene Assessments.
- Engaged DHS to perform risk and vulnerability assessments and security architecture reviews on OMB selected high value assets.
- Updated the Identity, Credential, and Access Management (ICAM) Transition Plan to align with OMB and DHS *Federal Information Security Management Act of 2002* (FISMA) and CDM goals.
- Prepared DOI Bureaus for the USAccess center equipment replacement project, which will impact over 550 Agency locations across the U.S.
- Released the comprehensive Agency-wide strategy for consolidation and optimization of DOI's data center portfolio and made the selection for two DOI primary data centers.
- Released the approved list of DOI Cloud based contracts and services in order to help drive Cloud adoption and modernize Information Technology (IT) hosting capabilities.
- Released *Requirements and Process for the Annual Information Management and Technology Acquisition Strategic Plan* as part of DOI's implementation strategy for FITARA IMT acquisitions.
- Met the Controlled Unclassified Information Program initial operating capability (IOC) as required by CUI Notice 2016-01: *Implementation Guidance for the Controlled Unclassified Information Program.* Additionally, DOI's program developed training as required by CUI Notice 2018-02: *Recommendations for Controlled Unclassified Information (CUI) Basic Training.* The DOI provides support services necessary to sustain CUI implementation and compliance.
- Initiated the rollout of a *Freedom of Information Act (FOIA)* document review platform for the DOI FOIA office. This tool will increase FOIA team productivity through document reduction and advanced review and redaction functionality.
- Conducted the second annual Section 508 Outreach Event. This event increased DOI's awareness of the requirements to make IT solutions accessible to persons with disabilities through presentations and vendor technology exhibits.
- Launched a site to provide a single source of information for Agency access card holders, supervisors, Contracting Officer Representatives, ICAM system users and personnel.
- Implemented 18 of 18 IT audit recommendations assigned to the OCIO (100 percent for the second year in a row) and assisted DOI Offices and Bureaus in closing 53 IT audit recommendations in FY 2018, in compliance with OMB Circular A-50, *Audit Follow Up.*

Future Planned Activities for FY 2019

- Engage an independent third party to develop a high-level enterprise plan for standardized common IMT services across DOI's mission functions and regions.
- Improve and support needs in the field by developing common computing standards and IMT provisioning practices (laptops, mobile devices, remote access, and transferability of user accounts/hardware) and increase portability of devices across organizations.
- Collaborate with the IMTLT and other DOI stakeholders to develop and implement a standard IMT Service model. The model will identify candidate IMT services and systems for consolidation and standardization.
- Continue rolling out CDM capabilities to accomplish phase one, which focuses on identifying devices attached to the DOI network, and phase two, which is focused on managing who is on DOI's network, in collaboration with DHS.
- Continue to closely work with the DOI OIG to achieve agreed-upon maturity levels for the Council of the Inspectors General on Integrity and Efficiency FISMA Maturity Model as part of the new FISMA performance measures implemented with Presidential Executive Order 13800, *Strengthening the Cybersecurity of Federal Networks and Critical Infrastructure.*
- Develop and implement workforce planning with standard IMT position descriptions to cultivate a highly skilled and flexible workforce. Our highest priority is cybersecurity areas.
- Continue to optimize and reduce the total number of data centers and trusted internet connections; improve connectivity; and emphasize broadband in remote areas with standardized and streamlined services and processes.
- Continue implementation of DOI Hosting and Data Center Optimization Strategy focusing to: (1) implement revised data center optimization guidance from OMB; (2) prepare primary data centers for intake of services; (3) establish centralized business operations broker for hosting services; and (4) document Bureau/Office multi-year commitments for consolidation.
- Expand Cloud capabilities to include Virtual Data Center capacity and enterprise case management services.
- Release the first DOI Records Management Program Strategic Plan which lays out the strategy for moving DOI to 100 percent electronic records in future years. Additionally, initiate the implementation of key records management capabilities, including the application of litigation holds and email dispositioning of non-record content.
- Continue the rollout of the FOIA document review platform to OS and the Bureaus to support FOIA productivity improvements.
- Continue collaboratively implementing measures to close IT audit recommendations in compliance with OMB Circular A-50.

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 through an effective partnership of program, information system, financial, acquisition, and other business managers. The DOI's major financial management system improvement was the implementation of the Financial and Business Management System (FBMS). The DOI relies on the integration of financial and business management information in FBMS 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, strengthens internal controls and transparency.

The DOI views 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.

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 data, financial assistance, and enterprise management information and reporting.

The FBMS enables DOI to meet the following business management 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 2018 Accomplishments

The FBMS is used by all Bureaus within DOI. The Business Integration Office (BIO) provides continual improvements, operations and maintenance support to FBMS and its users. The FBMS has approximately 12,000 users with over 4,500 of them using FBMS on an average business day. The BIO manages FBMS hosting through a cloud service provider and works with OCIO to provide help desk support. In FY 2018, the BIO implemented several system improvements. Some of the key accomplishments in FY 2018 include:

- Continued a multi-phase effort to migrate to the next generation of technology; in-memory computing. This phase of improvements enabled more complete data analysis, increased speed across the FBMS application, and made data more easily available;
- Implemented system-wide upgrades to strengthen the cybersecurity posture and reduce risk;
- Implemented improvements for business analysis and decision support through data visualization and the ability to share data visualizations across all of DOI, including the establishment of a data warehouse to support reporting and analysis of DOI travel spending which will go live in December 2018;
- Implemented critical reporting improvements to improve enterprise-wide budget reporting and compliance with mandatory new requirements; and
- Implemented business and system changes required for important internal control improvements such as processing of space lease obligations and continued adjustment as required to support the DATA Act, including completing data submissions on time.

Future Planned Activities

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. The DOI is also focusing on system improvements to address customer service gaps, improve usability, and increase the speed, reliability, and flexibility of the FBMS infrastructure. Key future planned activities include financial assistance improvements, implementation of robotics process automation, changes necessary for the integration of a new charge card solution with FBMS and the implementation of automated records management processes.

The BIO is leading a change in computing technology through the implementation of in-memory computing. The first phase, which went live in early FY 2017, added the SAP HANA™ Accelerator. The second phase, in FY 2018, moved the data warehouse to HANA™. This update improved system performance and provided timely access to system data to support analysis and visualization of DOI financial information. The next phase, scheduled to go live in 2019, will increase speed across the majority of transactions and enable several ease of use improvements.

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 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, such as common business and data standards; modern and unified platforms; transparent reporting using modern analytical tools; increased automated controls and information security; and support for Government-wide initiatives.

The biggest driver for improved business processes in FY 2019 will be new unified regions. This new approach will simplify business processes within and across Bureaus. These simplifications will also lead to improved data quality and reporting and will be supported by changes within FBMS.

The DOI received, for the 22nd consecutive year, an unmodified 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 of strong 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. The discussion also includes significant qualitative financial management information of interest.

Special Account Funds

The NPS 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 for the concessioners, and are not assets of NPS and may not be used in NPS operations. Therefore, the balances, inflows, and outflows of these concessioner Special Accounts are not recognized in the financial information of NPS. The concessioners reported that these Special Accounts balances totaled approximately $10.1 million (unaudited) and $11.7 million (unaudited), as of September 30, 2018 and 2017, 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

Assets for DOI and by Bureau for FYs 2018 and 2017, respectively, are shown in the table and chart below.

DOI Assets *(line items summarized) (dollars in thousands)*	FY 2018	FY 2017	Increase/ (Decrease)	% Change
Fund Balance with Treasury	$ 58,214,776	$ 55,109,092	3,105,684	5.6%
Investments, Net	9,636,154	9,105,360	530,794	5.8%
General PP&E, Inventory, and Related Property, Net	21,532,182	21,507,716	24,466	0.1%
Accounts, Loans and Interest Receivable, Net & Other	9,896,101	9,660,475	235,626	2.4%
Assets	$ 99,279,213	$ 95,382,643	3,896,570	4.1%

The BLM was the primary contributor to an increase in assets held by the DOI. The BLM recorded an oil and gas lease sale in New Mexico that broke all previous records by grossing nearly $1 billion in bonus bids for 142 parcels. The two-day sale brought in more revenue than all BLM oil and gas sales in 2017. The sale occurred late in the fiscal year and the leases are in the adjudication process. The proceeds of sale will be provided to the Office of Natural Resources Revenue (ONRR) for custodial custodial distribution in FY 2019 after adjudication has been completed.

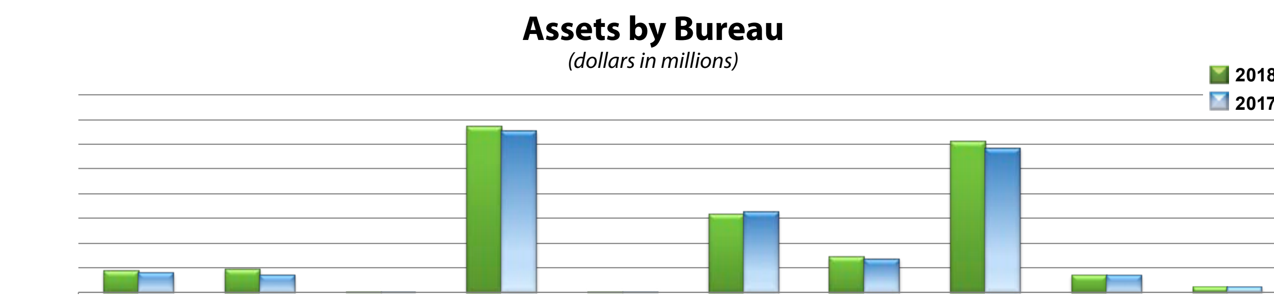
The DOI is authorized to use Fund Balance with Treasury to pay liabilities resulting from operational activity and consists of funds received from direct appropriations, transfers, offsetting receipts, recoveries, and funds held in budget clearing accounts. Property, Plant and Equipment (PP&E) is primarily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

The DOI real property portfolio contains more than 43,000 buildings and 78,000 structures, with a replacement value of more than $300 billion, as well as nearly every type of asset found in a local community. Many of these assets have historic or cultural significance that not only support DOI's mission, but are important to our Nation's heritage.

The DOI's reported values for PP&E exclude stewardship PP&E in accordance with accounting standards. Stewardship PP&E benefits the Nation as a whole and is considered priceless. It is not possible to assign an identifiable value to these assets. An in-depth discussion of stewardship PP&E is presented in the Notes to the Financial Statements section and the Required Supplementary Stewardship Information section of the AFR.

The BOR enters into long-term repayment and water service contracts with non-Federal entities that allow use of irrigation and municipal and industrial water facilities in exchange for annual payments that are used to repay a portion of the Federal investment. Unmatured repayment contracts are not recognized on the Balance Sheet as a receivable until the annual payment amount is earned. As of September 30, 2018, and September 30, 2017, amounts not yet earned under BOR's unmatured repayment contracts were $2 billion (unaudited) and $2.29 billion (unaudited) respectively.

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 chart presentation.



	IA	BLM	BOEM	BOR	BSEE	DO	FWS	NPS	OSMRE	USGS
FY 2018	$4,451	$4,760	$167	$33,703	$196	$15,896	$7,152	$30,585	$3,549	$1,157
FY 2017	$3,961	$3,600	$148	$32,693	$201	$16,295	$6,841	$29,268	$3,501	$1,081

Analysis of Liabilities

Liabilities for DOI and by Bureau for FYs 2018 and 2017, respectively, are shown in the table and chart below.

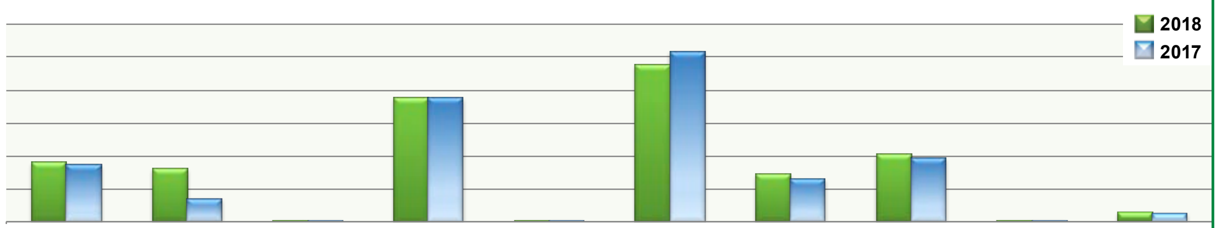
DOI Liabilities *(line items summarized)* *(dollars in thousands)*	FY 2018	FY 2017	Increase/ (Decrease)	% Change
Accounts & Grants Payable	$ 2,134,382	$ 2,408,584	(274,202)	-11.4%
Federal Employee & Veterans Benefits	1,381,729	1,397,231	(15,502)	-1.1%
Trust Land Consolidation Program	454,278	516,671	(62,393)	-12.1%
Environmental, Disposal, & Contingent	943,658	953,255	(9,597)	-1.0%
Custodial Liability, Payments Due to States	1,709,670	1,248,323	461,347	37.0%
Advances & Deferred Revenue	2,370,937	2,045,160	325,777	15.9%
Liabilitiy for Capital Transfers to the General Fund	1,552,900	1,583,629	(30,729)	-1.9%
Judgment Fund Liability	1,221,373	1,220,341	1,032	0.1%
Other, Debt, Loan Guarantees	1,619,083	1,323,123	295,960	22.4%
Liabilities	$ 13,388,010	$ 12,696,317	691,693	5.4%

The FY 2018 increase in liabilities is primarily attributable to the BLM Oil and Gas Royalty sale. Legislation requires that the sale must go through the adjudication process prior to becoming final and prior to the transfer to the ONRR for custodial disbursement. The initial sale is held as a liability to the public until adjudication is complete.

Comparative liabilities by Bureau are displayed in the graph below. The sum of Bureau liabilities is not equal to DOI consolidated total liabilities as intradepartmental eliminations are excluded from the graph presented.

Liabilities by Bureau

(dollars in millions)



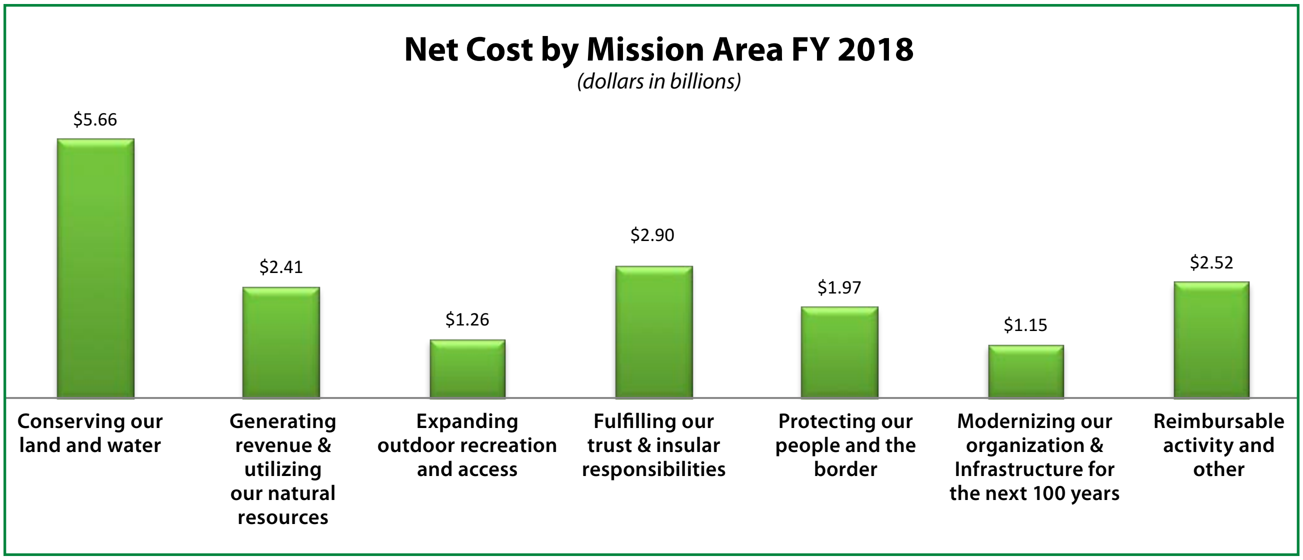
	IA	BLM	BOEM	BOR	BSEE	DO	FWS	NPS	OSMRE	USGS
FY 2018	$1,792	$1,592	$23	$3,765	$25	$4,758	$1,435	$2,026	$35	$273
FY 2017	$1,708	$699	$25	$3,748	$32	$5,166	$1,293	$1,933	$35	$262

Analysis of Net Costs

DOI Net Cost *(summarized by Bureau)* *(dollars in thousands)*	FY 2018	FY 2017	Increase/ (Decrease)	% Change
Indian Affairs	$ 3,078,592	$ 3,358,136	$ (279,544)	-8.3%
Bureau of Land Management	1,523,282	1,474,858	48,424	3.3%
Bureau of Ocean Energy Management	103,075	130,176	(27,101)	-20.8%
Bureau of Reclamation	898,192	1,136,561	(238,369)	-21.0%
Bureau of Safety and Environmental Enforcement	133,957	133,556	401	0.3%
Departmental Offices	3,905,879	3,566,035	339,844	9.5%
National Park Service	3,181,557	3,092,548	89,009	2.9%
Office of Surface Mining Reclamation and Enforcement	781,656	815,979	(34,323)	-4.2%
U.S. Fish & Wildlife Service	3,102,173	2,976,447	125,726	4.2%
U.S. Geological Survey	1,193,546	1,161,298	32,248	2.8%
Eliminations	(31,018)	(71,867)	40,849	-56.8%
Net Costs - by Bureau	$ 17,870,891	$ 17,773,727	$ 97,164	0.5%

As presented in the table above and the chart on the next page, the Consolidated Statement of Net Cost includes DOI's six Mission Areas: Conserving Our Land and Water; Generating Revenue and Utilizing Our Natural Resources; Expanding Outdoor Recreation and Access; Fulfilling Our Trust and Insular Responsibilities; Protecting Our People and the Border; and Modernizing Our Organization and Infrastructure for the Next 100 years. The Statement of Net Cost also includes Reimbursable Activity and Other, which predominately represents the intragovernmental acquisition of goods and services through the DOI Working Capital Fund and Franchise Fund.

The DOI net costs primarily represent services provided to the public. Net Costs were relatively stable in FY 2018. There was an increase in revenues associated with water and power delivery due to increased water availability in the Western United States in addition to the one time repayment of Construction costs for the City of Corpus Christi Nueces River Project. This increase in revenues results in lower net costs of operations.



Analysis of Net Cost – Economic Contributions

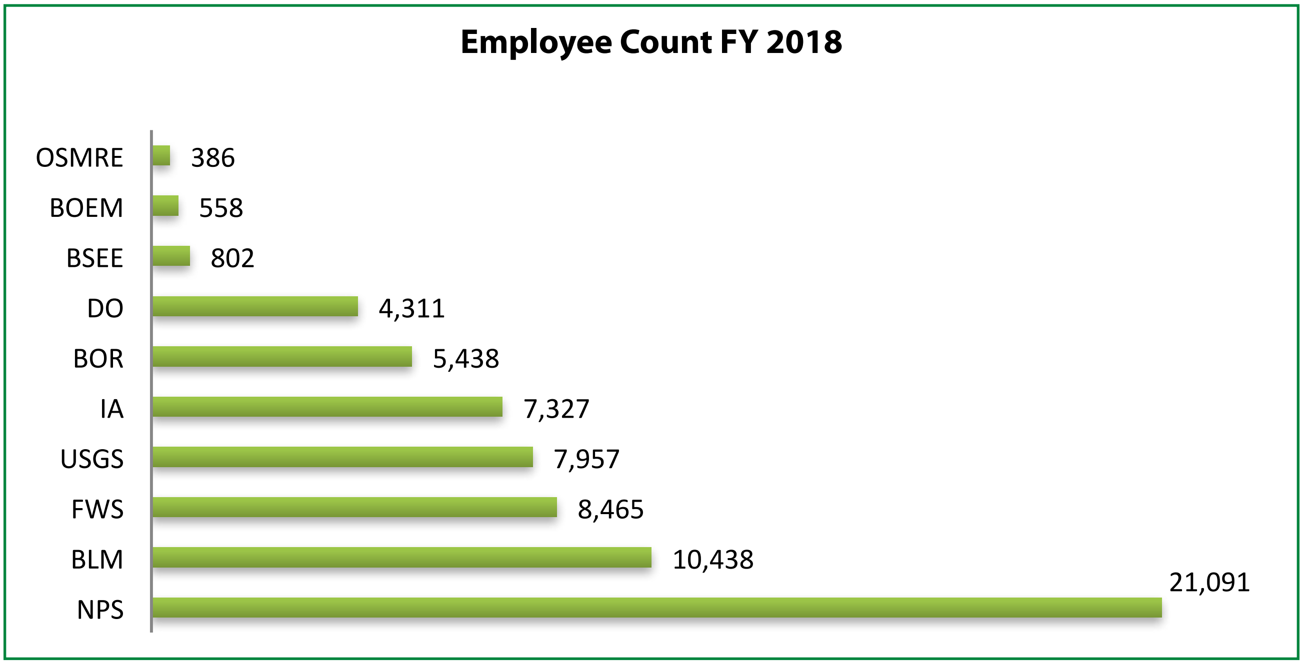
According to DOI's most recent economic report, DOI plays a substantial role in the U.S. economy, supporting an estimated 1.8 million jobs, providing approximately $165 billion in value added and $292 billion in economic activity. The DOI's economic contributions arise as the Department carries out its unique mission, managing Federal lands and waters, and making investments that conserve and restore natural landscapes and the cultural heritage of the Nation. The DOI management also facilitates private sector activities that result in economic contributions. For example, DOI grants access to public lands and offshore areas for conventional and renewable energy development, providing roughly a quarter of the Nation's domestic supplies of oil and natural gas. These oil and gas leasing activities allow the private sector to invest, creating economic output and employment. Similarly, the recreation opportunities provided by DOI's lands and waters promote visitor spending, which contributes to local and regional economies.

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

- Fossil Fuel Energy: Oil, gas, and coal produced from DOI-managed lands provided value added of approximately $79.4 billion, estimated economic output contribution of $134 billion, and an estimated 676,000 jobs.
- Renewable Energy: Hydropower, wind and solar power projects on DOI lands were estimated to contribute $4.3 billion in economic output and support over 18,600 jobs.
- Recreation: Americans and foreign visitors made an estimated 483 million visits to DOI-managed lands. These visits supported approximately 418,000 jobs, value added provided by visitors to DOI sites was estimated to be $29 billion, and economic output was estimated to be $51.6 billion.
- 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 $34.3 billion in value added, about $63.4 billion in economic output, and supported an estimated 465,000 jobs. The DOI also delivers water to support in-stream flows, wildlife refuges, and other uses that are difficult to value fully and not typically reflected in economic contribution estimates.
- Grants and Payments: The 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 $7.1 billion in value added, economic contributions of $11.3 billion, and supported employment of about 94,000 jobs.
- Timber: Sawtimber harvested on Tribal lands and DOI-managed lands supported about $0.3 billion in value added, $0.8 billion in economic output, and approximately 3,400 jobs. The DOI forestry lands provide various other products including biomass, fuel wood, poles, and posts in addition to sawtimber.

Analysis of Net Cost – DOI Workforce

As shown in the chart and table below, DOI workforce costs include $6.9 billion in payroll and benefit costs for employees executing DOI's mission and programs. The DOI employs 66,773 people in approximately 2,400 locations with offices across the United States, Puerto Rico, U.S. territories, and Freely Associated States. The total DOI employees count includes 52,459 full-time permanent staff and 14,314 part-time and seasonal staff.



Employee Count - Total 66,773
(All employees regardless of work schedule or type of appointment)

Work Schedule Information	Full Time Permanent	Other*	Total
IA	4,236	3,091	7,327
BLM	8,813	1,625	10,438
BOEM	550	8	558
BOR	5,220	218	5,438
BSEE	790	12	802
DO	4,075	236	4,311
FWS	7,423	1,042	8,465
NPS	14,703	6,388	21,091
OSMRE	378	8	386
USGS	6,271	1,686	7,957
Total Employees by Bureau	**52,459**	**14,314**	**66,773**

*Other includes Part-Time and Seasonal Employees

Total Payroll & Benefits *(dollars in thousands)*		
IA	$	676,772
BLM		1,061,416
BOEM		83,127
BOR		625,344
BSEE		115,801
DO		624,628
FWS		978,167
NPS		1,788,294
OSMRE		51,731
USGS		906,355
TOTAL	$	6,911,635

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. Summary information regarding these expenses is provided in the table below. An in-depth discussion is provided in the Required Supplementary Stewardship Information section of this report.

Stewardship Investments				
(in thousands)	**FY 2018**	**FY 2017**	**Increase/ (Decrease)**	**% Change**
Non-Federal Physical Property	$ 291,000	$ 318,000	$ (27,000)	-8.5%
Research and Development	1,235,000	1,228,000	7,000	0.6%
Human Capital	$ 889,000	$ 855,000	$ 34,000	4.0%

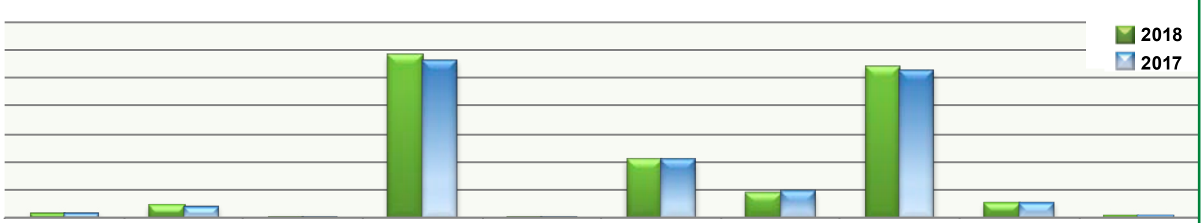
Analysis of Net Position

Net Position *(dollars in thousands)*	**FY 2018**	**FY 2017**	**Increase/ (Decrease)**	**% Change**
Unexpended Appropriations	$ 8,167,008	$ 6,642,753	$ 1,524,255	22.9%
Cumulative Results of Operations	77,724,195	76,043,573	1,680,622	2.2%
Net Position	$ 85,891,203	$ 82,686,326	$ 3,204,877	3.9%

The Net Position of DOI, as shown in the table above, 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. Cumulative Results of Operation by Bureau is summarized in the chart and table below.

Cumulative Results of Operations

(dollars in millions)



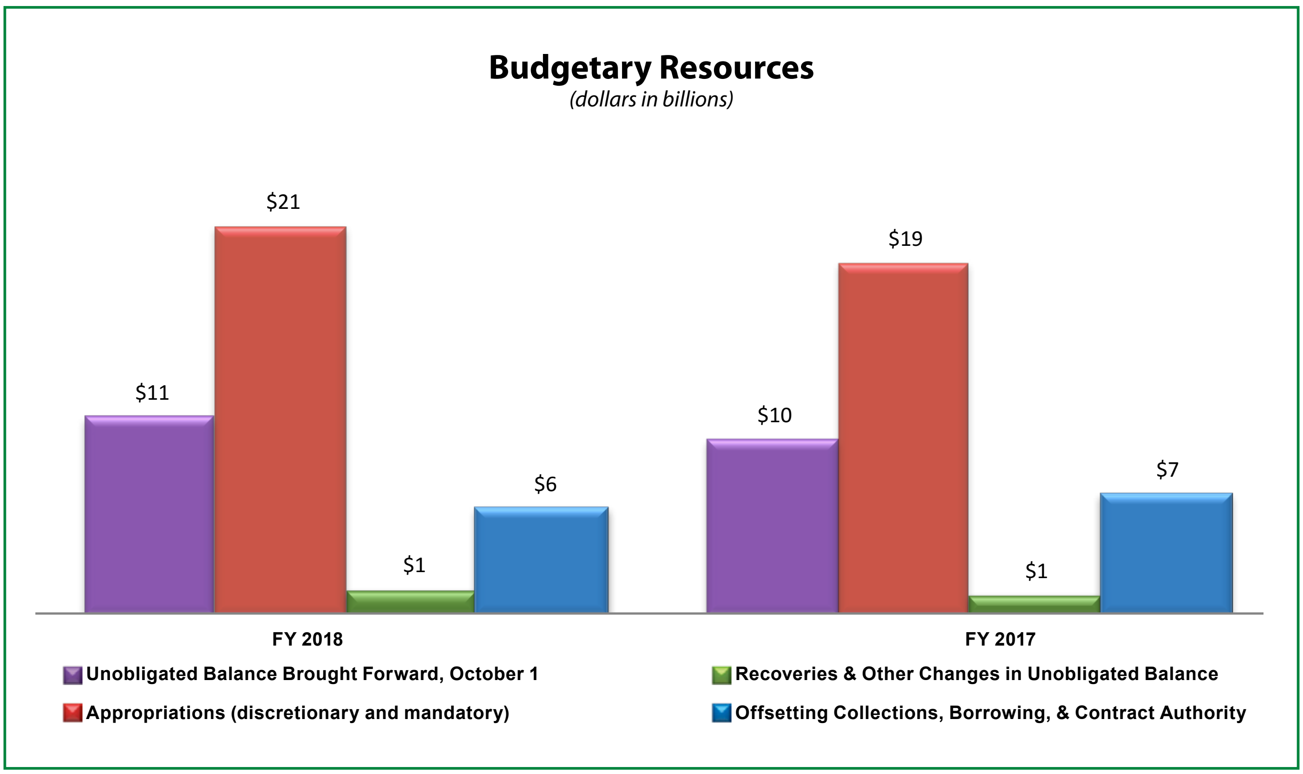
	IA	BLM	BOEM	BOR	BSEE	DO	FWS	NPS	OSMRE	USGS
FY 2018	$865	$2,292	$118	$29,145	$150	$10,394	$4,594	$26,958	$2,746	$462
FY 2017	$871	$2,152	$99	$28,171	$158	$10,344	$4,728	$26,252	$2,767	$501

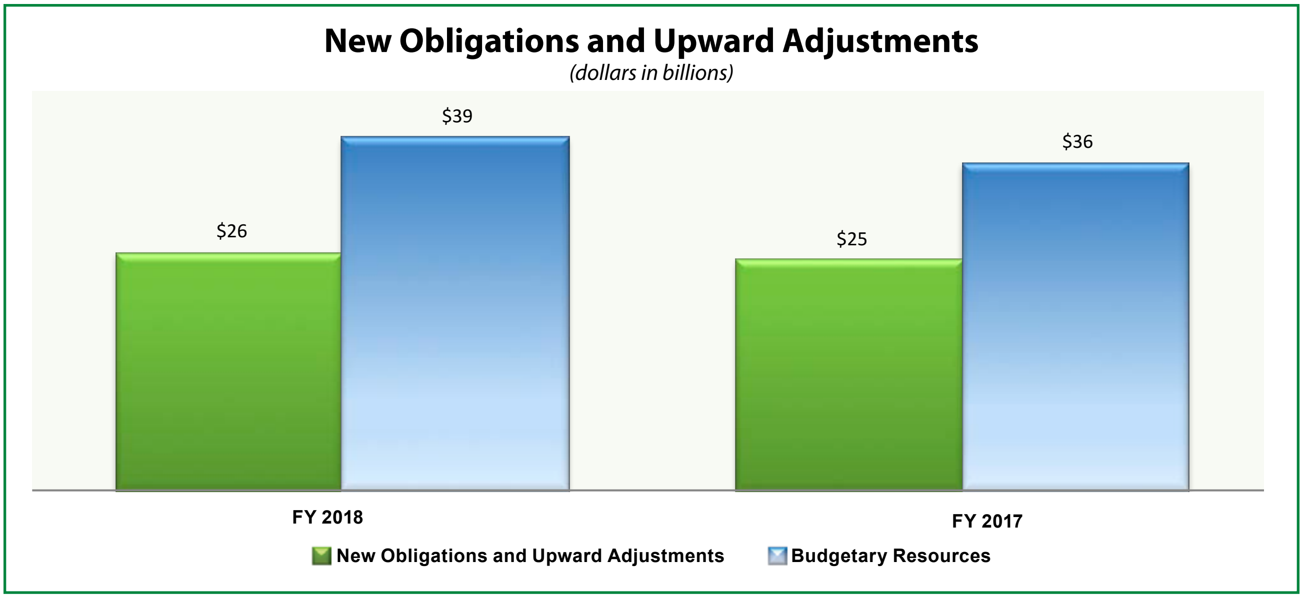
Analysis of Budgetary Resources

Key Budgetary Measures *(dollars in thousands)*	FY 2018	FY 2017	Increase/ (Decrease)	% Change
Unobligated Balance Brought Forward, October 1	$ 10,733,506	$ 9,502,401	$ 1,231,101	13.0%
Appropriations (discretionary and mandatory)	21,149,680	19,119,665	2,030,015	10.6%
Recoveries & Other Changes in Unobligated Balance	1,303,215	972,033	331,186	34.1%
Offsetting Collections, Borrowing & Contract Authority	5,726,152	6,506,372	(780,220)	-12.0%
Total Budgetary Resources	$ 38,912,553	$ 36,100,471	$ 2,812,082	7.8%
New Obligations & Upward Adjustments	26,247,833	25,366,965	880,868	3.5%
Apportioned, Unexpired	12,416,944	10,507,771	1,909,173	18.2%
Unapportioned, Unexpired & Expired, Unobligated Balance, End of Year	247,776	225,735	22,041	9.8%
Status of Budgetary Resources	$ 38,912,553	$ 36,100,471	$ 2,812,082	7.8%

The table above provides an overview of the status of budgetary resources. The DOI receives funding from general government funds administered by Treasury appropriated for DOI's use by Congress. The DOI also receives a portion of DOI's resources from Special and Trust Funds, such as Conservation Funds (the Land and Water Conservation Fund and Historic Preservation Fund), the Reclamation Fund, and the Aquatic Resources Trust Fund. These funds are administered in accordance with applicable laws and regulations.

The FY 2018 increase in budgetary resources is primarily due to supplemental funding received for construction to repair DOI-owned assets at NPS and FWS that were damaged during the Fall 2017 hurricane season. The source of DOI budgetary resources as of September 30, 2018 and 2017 are depicted in the tables that follow.

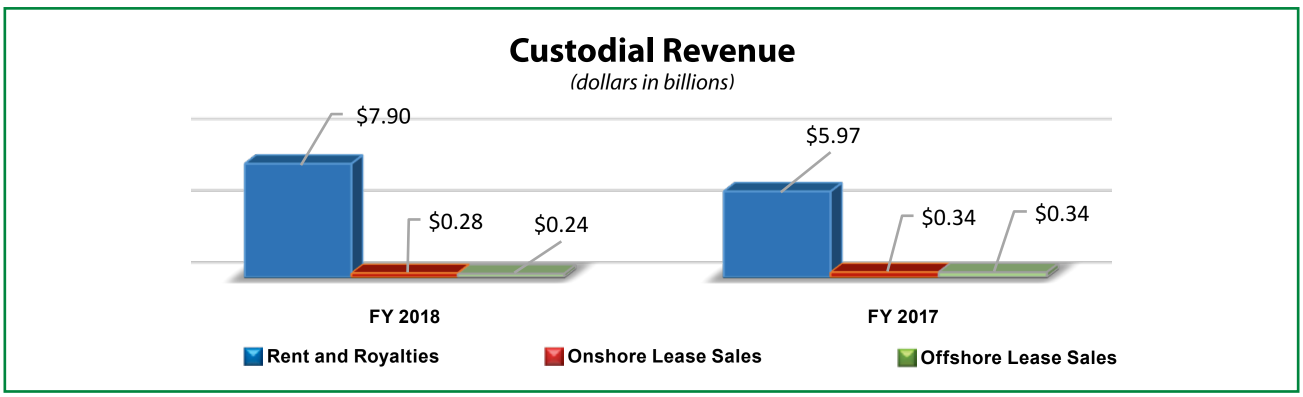




Analysis of Custodial Activity

Custodial Activity (dollars in thousands)	FY 2018	FY 2017	Increase/ (Decrease)	% Change
Rents and Royalties	$ 7,896,319	$ 5,970,908	$ 1,925,411	32.2%
Onshore Lease Sales	278,027	343,854	(65,827)	-19.1%
Offshore Lease Sales	244,228	344,966	(100,738)	-29.2%
Total Custodial Revenue	$ 8,418,574	$ 6,659,728	$ 1,758,846	26.4%

The DOI custodial activity, as shown in the table above and the chart below, primarily includes mineral primarily includes mineral leasing revenue collected by DOI resulting from OCS 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 2018 increase in custodial activity is attributable to an increase in royalties resulting from higher commodity prices.



Limitations of Financial Statements

Management prepares the accompanying financial statements to report the financial position and results of operations for DOI 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 DOI 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.

The DOI conserves and manages the Nation's natural resources and cultural heritage for the benefit and enjoyment of the American people; provides scientific and other information about natural resources and natural hazards to address societal challenges and create opportunities for the American people; and honors the Nation's trust responsibilities or special commitments to American Indians, Alaska Natives, and affiliated island communities to help them prosper. The DOI manages 20 percent of America's land. These public lands are the Nation's greatest treasures, and the American people should have the opportunity to experience these treasures.

Our diverse mission plays a crucial role in enriching the lives of all Americans and promoting economic growth across America. To effectively execute this mission, the Secretary developed ten priorities: *1) Create a conservation stewardship legacy second only to Teddy Roosevelt; 2) Sustainably develop our energy and natural resources; 3) Restore trust and be a good neighbor; 4) Ensure Tribal sovereignty means something; 5) Increase revenues to support the Department and national interests; 6) Protect our people and the border; 7) Strike a regulatory balance; 8) Modernize our infrastructure; 9) Reorganize the Department for the next 100 years; and 10) Achieve our goals and lead our team forward.* As we advance through FYs 2018-2022, we are committed to maintaining the core functions of our mission and prioritize our activities to cost-effectively carry out these missions on behalf of the American people.

The priorities of our senior executives are to provide leadership in achieving the goals of the Secretary. Moving forward, DOI Senior Executive Leadership is expected to ensure cost-effective operations and quality service to the public; facilitate organizational cooperation and conflict resolution; ensure the workplace environment is conducive to employee productivity and safety; and hold individuals accountable for actions that violate our policies and requirements. The missions and goals that guide our leadership, management, and workforce are addressed in the paragraphs below.

- ***Conserving land and water-*** The DOI is promoting collaborative conservation processes to redesign and improve its processes in ways that can best meet the sometimes conflicting uses of public lands. These improved processes will engage our State and local government partners, enhance interBureau coordination, and improve communication with our stakeholders. Taken as a whole, these efforts will result in better decisions more attuned to local conditions.

  Our Bureaus will use the best available scientific data, tools, techniques, and analyses provided by our researchers, our non-Federal Government partners, and others to maintain and restore lands and waters and ensure that habitats support healthy fish and wildlife populations.

  We will utilize science to identify best practices to manage land and water resources and adapt to changes in the environment. We will improve land use planning processes and revise and streamline the environmental and regulatory review process to incorporate industry innovation, best science, and best practices to improve reliability, safety, and environmental stewardship. Collaborative conversation encourages State and Federal partnerships to enhance water conservation, storage, and distribution systems to expand capacity and foster relationships with conservation organizations advocating for balanced stewardship and use of public lands.

- ***Generating revenue and utilizing our natural resources*** – We are modernizing policies and leveraging science and technology to achieve energy dominance, promote development of our Nation's vast energy resources, and expand production of both offshore and onshore conventional and renewable United States (U.S.) energy resources consistent with the newly developed National OCS Oil and Gas Leasing Program, the America First Energy Plan, and the Executive Order on *Promoting Energy Independence and Economic Growth.*

  We facilitate and promote the development and use of renewable energy that employs wind, solar, geothermal, and hydropower energy, as part of an "all-of-the-above" energy strategy. Connecting renewable energy projects to the transmission grid and key markets is central to making renewable energy generation projects viable.

  Utilizing our natural resources, we ensure American Energy is available to meet our national security and economic development needs; ensure access to mineral resources, especially the critical and rare earth minerals needed for scientific, technological, or defense applications; refocus timber programs to embrace active forest management to promote healthy forests; reduce the risk of catastrophic wildfire; and manage competition for grazing resources.

  Generating additional revenues to support DOI and National priorities, we ensure the public receives fair market value for natural resources produced on Federal lands; fees or costs levied for our services are reasonable and targeted to achieve cost recovery; and we consider the impact of our decisions on economic development and job creation.

- ***Expanding outdoor recreation and access -*** Secretary Zinke's Secretarial Order 3356 (*Order 3356), Hunting, Fishing, Recreational Shooting, and Wildlife Conservation Opportunities and Coordination with States, Tribes, and Territories,* was implemented in September, 2017. It promotes and expands hunting and fishing, enhances conservation stewardship, improves wildlife management, and increases outdoor recreation opportunities for all Americans. In addition, Order 3356 gave greater priority to recruiting and retaining sportsmen and sportswomen conservationists, with an emphasis on engaging youth, veterans, minorities, and underserved communities that traditionally have low participation in outdoor recreation activities.

  There are 372 National Wildlife Refuges and wetland management districts open to hunting and 308 refuges and wetland management districts open to fishing. As practiced on refuges, hunting and fishing do not pose a threat to wildlife populations, and in some instances, are absolutely necessary for sound wildlife management. The harvesting of wildlife on refuges is carefully regulated to ensure an appropriate balance between population levels and wildlife habitat. The FWS's National Fish Hatcheries continue to be a valuable tool in managing fisheries providing recreation opportunities to America's 36 million anglers who spend $46 billion annually in pursuit of their favored pastime.

- ***Fulfilling trust and insular responsibilities -*** The DOI is strengthening the Nation-to-Nation relationship between the Federal Government and Tribal Nations because self-determination, sovereignty, self-government, and self-reliance are the tools that will enable Tribal Nations to shape their own destiny. Tribes have also assumed an expanded role in the operation of Native American programs through Public Law 93-638, *Indian Self-Determination and Education Assistance Act*, contracting. Tribes contract with the Federal Government to operate programs serving their Tribal members and other eligible persons.

  The DOI is responsible for reviewing, processing, and carrying out trust responsibilities to Native Americans in an efficient and accurate manner. In fulfilling fiduciary trust responsibilities, DOI provides timely and accurate management of Indian trust ownership information to beneficiaries and ensures adherence to Indian law and litigation settlements.

  Restoring trust with local communities means being a better neighbor with those closest to our resources by improving dialogue and relationships with persons and entities bordering our lands and improving the lines of communication with Governors, state natural resource agencies, FWS offices, water authorities, county commissioners, Tribes, and local communities.

  Ensuring sovereignty means we support Tribal self-determination, self-governance, and sovereignty. We also solidify mutual interests between the U.S. and the freely associated States and territories.

- ***Protecting our people and the border –*** We place a high priority on safety, security, and preparedness, and will uphold our responsibilities for protecting lives, resources, and property through a wide variety of program areas, including law enforcement, health and safety, security, and emergency management. We are working to achieve public and visitor compliance with applicable laws and regulations by first promoting voluntary compliance and taking enforcement actions as necessary. Ensuring employee and public safety is complex and requires the resources of multiple Bureaus and Offices covering four disciplines – law enforcement, emergency management, wildland fire, and natural hazards science.

  The Administration is presently emphasizing securing a more secure Southern border. As such, our law enforcement officers work in partnership with the U.S. Customs and Border Patrol, Immigration and Customs Enforcement, Drug Enforcement Agency, and Tribal, state and local governments to address the inflow of illegal immigration, gun and drug trafficking, and to mitigate the impacts associated with these activities affecting DOI lands. In addition, OWF shares wildfire management responsibilities with Mexico along our southern border.

  Protecting our people and our borders is a priority which we support by ensuring our law enforcement staffing plan addresses public safety risks anticipated on our land and promoting a "public service" demeanor within our law enforcement community.

- ***Modernizing our organization and infrastructure for the next 100 years –*** The DOI has a proud history spanning 169 years of exemplary service to the American people.

To prepare for the next 100 years, the Secretary is implementing the next steps to modernize the way we do business in order to continue to responsibly manage America's natural resources.

We have established 12 Unified Regions for all of our Bureaus except for BIA, OST, and BIE. How these three entities may relate to the unified regions is still the subject of Tribal consultation. The Unified Regions provide the framework for DOI's next 100 years of service. The Unified Regions, which are based on watersheds and ecosystems, have simplified how we are organized. Formerly, we had 49 different regional boundaries across the Nation. The 12 Unified Regions contribute clarity and simplicity to our mission.

We established the 12 Unified Regional boundaries for our Bureaus in FY 2018 and will further develop this approach in FY 2019. Our goal is to improve overall operations, internal communications, customer service, and stakeholder engagement. Aligning geographic boundaries across DOI will also enhance coordination of resource decisions and policies as well as simplify how citizens engage with the DOI.

Modernizing our infrastructure is a DOI priority that supports the White House Public/Private Partnership Initiative to modernize U.S. infrastructure. Its goal is to remove impediments to infrastructure development and facilitate private sector's efforts to construct infrastructure projects needed in supporting the American public.

Reorganizing DOI for the next 100 years enables us to improve alignment and integration of DOI's organizational structure; redistribute organizational resources (people and funding) to enhance mission achievement, improve public service, and enhance our organizational alignment with our sister Executive Branch Agencies charged with natural resource management responsibilities.

Through a thoughtful stewardship approach, DOI will ensure that America's natural treasures – the lands and waters of the United States – are conserved for the benefit, use, and enjoyment of current and future generations. The Bureaus within DOI use the best modern natural resource management techniques, science, technology and engineering, and efficient decision making processes. The Bureaus also focus on robust partnerships, improved land use planning to ensure balanced stewardship, and a wise use of the public lands to include wildlife and fish species.

- ***Improvements to management and oversight of financial assistance and Tribal awards -*** The DOI is aggressively addressing the challenges Bureaus face regarding the management of grants, cooperative agreements, and Tribal awards. We are pursuing new regulatory and policy requirements to achieve strong internal controls, as well as adopting a robust new technology system, to ensure that Federal financial assistance programs are properly executed and managed.

  In an effort to streamline administrative processes throughout the award life cycle, DOI will deploy a new grants management system to be integrated into DOI's FBMS. The software, called GrantSolutions, is an interagency solution provided by HHS. The DOI Financial Assistance Improvement Project team will lead the integration effort, and work with HHS on the development of a detailed implementation plan. The goal is to implement a system that can provide beginning-to-end grants management that greatly improves oversight and accountability of Federal dollars, while reducing administrative burden.

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

NOV 15 2018

Memorandum

To: Secretary Zinke

From: Mary L. Kendall
Deputy Inspector General

Subject: Independent Auditors' Report on the U.S. Department of the Interior Financial Statements for Fiscal Years 2018 and 2017
Report No. 2018-FIN-037

This memorandum transmits the KPMG LLP (KPMG) auditors' report of the U.S. Department of the Interior's (DOI) financial statements for fiscal years (FYs) 2018 and 2017. The Chief Financial Officers Act of 1990 (Public Law 101-576), as amended, requires the DOI Inspector General, or an independent external 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, KPMG, an independent public accounting firm, audited the DOI financial statements for the FYs ended September 30, 2018, and 2017. The contract required that the audit be performed in accordance with U.S. Generally Accepted Government Auditing Standards, Office of Management and Budget audit guidance, and the Government Accountability Office/Council of the Inspectors General on Integrity and Efficiency *Financial Audit Manual*.

In its audit of DOI, KPMG reported:

- The financial statements were fairly presented, in all material respects, in accordance with U.S. generally accepted accounting principles
- No material weaknesses in internal control over financial reporting, but did identify one significant deficiency:
  - Lack of Sufficient Controls over General Property, Plant, and Equipment
- No instances in which DOI's financial management systems did not substantially comply with the requirements of the Federal Financial Management Improvement Act of 1996 (FFMIA) and
- No reportable noncompliance with provisions of laws tested or other matters.

Office of Inspector General | Washington, DC

In connection with the contract, we reviewed KPMG's report and related documentation and inquired of its representatives. Our review, as differentiated from an audit of the financial statements in accordance with U.S. Generally Accepted Government Auditing Standards, was not intended to enable us to express, and we do not express, opinions on DOI's financial statements or conclusions about the effectiveness of internal control over financial reporting, or conclusions on whether DOI's financial management systems substantially complied with the three FFMIA requirements, or on compliance with laws and other matters. KPMG is responsible for the attached auditors' report dated November 15, 2018, and the conclusions expressed therein. Our review disclosed no instances where KPMG did not comply, in all material respects, with U.S. Generally Accepted Government Auditing Standards.

The legislation creating the Office of Inspector General requires that we report to Congress semiannually on all audit, inspection, and evaluation reports issued; actions taken to implement our recommendations; and recommendations that have not been implemented. We will include the information in the attached report in our next semiannual report.

We appreciate the courtesies and cooperation extended to KPMG and our staff during this audit. If you have any questions regarding this 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 consolidated financial statements of the U.S. Department of the Interior (the Department), which comprise the consolidated balance sheets as of September 30, 2018 and 2017, and the related consolidated 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 consolidated financial statements (hereinafter referred to as "consolidated financial statements").

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with Office of Management and Budget (OMB) Bulletin No. 19-01, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 19-01 require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated 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, 2018 and 2017, 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.

KPMG

Other Matters

Interactive Data

Management has elected to reference to information on websites or other forms of interactive data outside the Agency Financial Report to provide additional information for the users of its financial statements. Such information is not a required part of the basic consolidated financial statements or supplementary information required by the Federal Accounting Standards Advisory Board. The information on these websites or the other interactive data has not been subjected to any of our auditing procedures, and accordingly we do not express an opinion or provide any assurance on it.

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 consolidated financial statements. Such information, although not a part of the basic consolidated 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 consolidated 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 consolidated financial statements, and other knowledge we obtained during our audits of the basic consolidated 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.

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, Office of Inspector General Transmittal, Other Information,* and *We Would Like to Hear From You* sections of the Department's 2018 *Agency Financial Report* is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements as of and for the year ended September 30, 2018, 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 consolidated 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*.

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. 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.

KPMG

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal controls, described in the accompanying Exhibit I, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's consolidated 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. 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. 19-01.

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 disclosed no instances in which the Department's financial management systems did not substantially comply with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.

Department's Response to Finding

The Department's response to the finding identified in our audit is described and presented as a separate attachment dated November 15, 2018 titled *Response to Independent Auditors' Report*. The Department's response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the response.

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 results 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.
November 15, 2018

Exhibit I

SIGNIFICANT DEFICIENCY

During fiscal year (FY) 2018, the Department initiated implementation of corrective action plans to address internal control weaknesses and strengthen internal controls. Although the Department made progress in certain financial management and reporting areas, an internal control deficiency remains in certain areas of accounting and reporting of general property, plant, and equipment, as outlined below. The Department indicated that additional remediation is scheduled to continue in FY 2019.

A. Lack of Sufficient Controls over General Property, Plant, and Equipment

Conditions

The Department reported approximately $21.5 billion in property, plant, and equipment (PP&E) net of accumulated depreciation, as of September 30, 2018, including $2 billion in construction in progress (CIP). Controls were not operating effectively to ensure that completed CIP projects were monitored and transferred to property, plant, and equipment in a timely manner and to ensure project costs were appropriately classified as CIP. We continued to note instances where:

1. Completed projects were not transferred out of CIP and into the associated property, plant and equipment account in a timely manner.
2. Project costs associated with operations and maintenance were inappropriately capitalized rather than expensed.
3. Projects determined to be impaired were either not identified or were not expensed in a timely manner.
4. A completed CIP project not owned by DOI was inappropriately capitalized to DOI's accounts.

Criteria

- Government Accountability Office (GAO) Standards for Internal Control in the Federal Government (Green Book) Principle 4, 6 and 10 – Demonstrate Commitment to Competence, Define Objectives & Risk Tolerances and Design Control Activities, respectively.
- Office of Management and Budget (OMB) Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, Section IV, Assessing Internal Control.
- Financial Accounting Standards Board (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) No. 6, Accounting for Property, Plant, and Equipment.
- FASAB SFFAS No. 44, Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use.
- Bureau of Reclamation (BOR) Temporary Reclamation Manual Release 92 (TRMR-92) Assets Under Construction.
- BOR TRMR-90 Completion of Construction Activity.
- Bureau of Indian Affairs (IA) Assets Under Construction Handbook Accounting Management Handbook 27 IAM 15-H.

Exhibit I, Continued

Cause and Effect

Project managers were not held accountable by regional program and finance offices to accurately report the status of CIP projects. As a result project managers were not providing consistent and timely updates on a project's status or whether project costs were appropriately classified as CIP. If left un-remediated, these conditions present an increased risk that errors in PP&E will not be prevented, or detected and corrected, by the Departments' management in the normal course of performing their assigned functions.

Recommendations

We recommend that the Department and Bureaus enhance internal control over general property, plant, and equipment as follows:

1. Develop and implement processes to ensure that all project managers and property accountants are trained and properly supervised on matters affecting the financial statements, including adhering to accounting policies and procedures, as appropriate, and performing key internal control functions in support of financial reporting. Within this process, ensure project managers and property accountants are held accountable for their adherence to accounting policies and procedures and performance of internal control functions.

2. Enhance regional and corporate accounting oversight processes to mitigate the risk of untimely transfer of CIP.

3. Perform an assessment and update Department-wide property, plant, and equipment policies and procedures, as applicable, over guidelines for capitalization and the timely transfer of CIP costs to ensure consistent monitoring of assets under construction and assignment of responsibilities.

United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, DC 20240

Memorandum

NOV 15 2018

To: Ms. Mary L. Kendall
Deputy Inspector General
U.S. Department of the Interior
Office of Inspector General
1849 C Street, NW
Washington, DC 20240

From: Susan Combs, Senior Advisor to the Secretary
Exercising the Authority of the Assistant Secretary for Policy, Management and Budget

Subject: Management's Response to Independent Auditors' Report for Fiscal Year (FY) 2018 (Assignment No. 2018-FIN-037)

The Department of the Interior (DOI) reviewed the Auditors' Report prepared by KPMG LLP. We are pleased that the results of the audit are an unmodified opinion on DOI's Consolidated Financial Statements, that there are no material weaknesses, and that DOI eliminated the Lack of Sufficient Controls over Accounts Payable and the Lack of Sufficient General Information Technology Controls significant deficiency conditions. The DOI appreciates the recommendations from the auditors, and we look forward to working with you to continue improving financial management in our Agency. Our response to the one remaining significant deficiency follows.

INTERNAL CONTROL OVER FINANCIAL REPORTING

A. Lack of Sufficient Controls over General Property, Plant, and Equipment

Management concurs. In FY 2018, DOI reinforced policies and procedures to aggregate and analyze property, plant, and equipment activities on a DOI-wide basis. In the FY 2019, we will focus efforts on assessing and implementing any necessary enhancements over DOI's Construction in Progress (CIP), improving bureau review and monitoring of CIP with oversight by the Office of Financial Management and Office of Acquisition and Property Management.

In closing, I would like to thank your office for contributing to a strong internal control environment within DOI. We are committed to the continuous improvement of our financial management activities and your efforts are directly in support of that commitment.

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 GAAP as outlined by 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.

- **Consolidated 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).

- **Consolidated Statement of Net Cost**
  The Statement of Net Cost presents the net cost of operations by mission area as defined in the DOI Strategic Plan applicable to the current reporting period. The DOI implemented a new Strategic Plan in FY 2018 with entirely new mission areas. Balances as presented by mission area in the FY 2017 Statement of Net Cost are not comparable to the FY 2018 Statement of Net Cost mission area presentation. The current and prior year presentation of this statement are separately provided.

- **Consolidated Statement of Changes in Net Position**
  The Statement of Changes in Net Position reports the change in net position during the reporting period, which results from changes to Unexpended Appropriations and Cumulative Results of Operations.

- **Combined Statement of Budgetary Resources**
  The Statement of Budgetary Resources provides information about how budgetary resources were made available and their status at the end of the period. It is the only financial statement derived entirely from the budgetary general ledger accounts. The presentation format for this Statement was streamlined in FY 2018. Prior year balances are comparable and are presented consistent with this new format.

- **Consolidated 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 Treasury, other Federal Agencies, States, and coastal political subdivisions.

Consolidated Balance Sheet
as of September 30, 2018 and 2017

(dollars in thousands)	FY 2018	FY 2017
ASSETS (Note 8)		
Intragovernmental Assets:		
Fund Balance with Treasury (Note 2)	$ 58,214,776	$ 55,109,092
Investments, Net (Note 3)	9,587,617	9,001,336
Accounts and Interest Receivable	1,554,225	1,578,157
Other	3,577	3,927
Total Intragovernmental Assets	$ 69,360,195	$ 65,692,512
Cash	414	413
Investments, Net (Note 3)	48,537	104,024
Accounts and Interest Receivable, Net (Note 4)	8,110,988	7,892,798
Loans and Interest Receivable, Net (Note 5)	53,624	54,749
Inventory and Related Property, Net (Note 6)	50,202	53,271
General Property, Plant, and Equipment, Net (Note 7)	21,481,980	21,454,445
Other	173,273	130,431
TOTAL ASSETS	$ 99,279,213	$ 95,382,643
Stewardship PP&E (Note 9)		
LIABILITIES (Note 14)		
Intragovernmental Liabilities:		
Accounts Payable	$ 650,353	$ 692,169
Debt (Note 10)	56,937	42,661
Other:		
Liability for Capital Transfers to the General Fund (Note 11)	1,552,900	1,583,629
Advances and Deferred Revenue	475,556	1,063,924
Custodial Liability	1,018,891	680,445
Judgment Fund Liability	1,221,373	1,220,341
Other Miscellaneous Liabilities	413,703	398,171
Total Intragovernmental Liabilities	$ 5,389,713	$ 5,681,340
Accounts Payable	1,030,799	1,313,120
Loan Guarantee Liability (Note 5)	30,808	40,993
Federal Employee and Veteran Benefits (Note 12)	1,381,729	1,397,231
Environmental and Disposal Liabilities (Note 13)	869,870	865,240
Other:		
Contingent Liabilities (Note 13)	73,788	88,015
Trust Land Consolidation Program Liability	454,278	516,671
Advances and Deferred Revenue	1,895,381	981,236
Payments Due to States	690,779	567,878
Grants Payable	453,230	403,295
Other Miscellaneous Liabilities	1,117,635	841,298
TOTAL LIABILITIES	$ 13,388,010	$ 12,696,317
Commitments and Contingencies (Notes 13 and 15)		
NET POSITION (NOTE 16)		
Unexpended Appropriations - Funds from Dedicated Collections (Note 16)	1,036,621	912,994
Unexpended Appropriations - All Other Funds	7,130,387	5,729,759
Cumulative Results of Operations - Funds from Dedicated Collections (Note 16)	76,267,990	73,804,812
Cumulative Results of Operations - All Other Funds	1,456,205	2,238,761
TOTAL NET POSITION	$ 85,891,203	$ 82,686,326
TOTAL LIABILITIES AND NET POSITION	$ 99,279,213	$ 95,382,643

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

Consolidated Statement of Net Cost
for the years ended September 30, 2018

(dollars in thousands)	FY 2018
Conserving Our Land and Water	
Gross Costs	$ 6,846,353
Less: Earned Revenue	1,182,400
Net Cost	5,663,953
Generating Revenue & Utilizing Our Natural Resources	
Gross Costs	3,139,789
Less: Earned Revenue	725,185
Net Cost	2,414,604
Expanding Outdoor Recreation and Access	
Gross Costs	1,769,247
Less: Earned Revenue	508,644
Net Cost	1,260,603
Fulfilling Our Trust & Insular Responsibilities	
Gross Costs	3,200,278
Less: Earned Revenue	303,838
Net Cost	2,896,440
Protecting Our People and the Border	
Gross Costs	2,225,291
Less: Earned Revenue	257,136
Net Cost	1,968,155
Modernizing Our Organization & Infrastructure for the Next 100 Years	
Gross Costs	1,300,579
Less: Earned Revenue	152,642
Net Cost	1,147,937
Reimbursable Activity and Other	
Gross Costs	4,662,926
Less: Earned Revenue	2,143,727
Net Cost	2,519,199
TOTAL	
Gross Costs	23,144,463
Less: Earned Revenue	5,273,572
Net Cost of Operations (Notes 18 and 20)	$ 17,870,891

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

Consolidated Statement of Net Cost
for the years ended September 30, 2017

(dollars in thousands)	FY 2017
Celebrating and Enhancing America's Great Outdoors	
Gross Costs	$ 8,877,684
Less: Earned Revenue	1,222,118
Net Cost	7,655,566
Strengthening Tribal Nations and Insular Communities	
Gross Costs	4,001,150
Less: Earned Revenue	312,913
Net Cost	3,688,237
Powering Our Future and Responsible Use of the Nation's Resources	
Gross Costs	2,961,995
Less: Earned Revenue	778,090
Net Cost	2,183,905
Engaging the Next Generation	
Gross Costs	54,874
Less: Earned Revenue	67
Net Cost	54,807
Ensuring Healthy Watersheds and Sustainable, Secure Water Supplies	
Gross Costs	1,303,327
Less: Earned Revenue	602,406
Net Cost	700,921
Building a Landscape-Level Understanding of Our Resources	
Gross Costs	1,647,790
Less: Earned Revenue	442,284
Net Cost	1,205,506
Reimbursable Activity and Other	
Gross Costs	4,272,003
Less: Earned Revenue	1,987,218
Net Cost	2,284,785
TOTAL	
Gross Costs	23,118,823
Less: Earned Revenue	5,345,096
Net Cost of Operations (Notes 18 and 20)	$ 17,773,727

Consolidated Statement of Changes in Net Position
for the years ended September 30, 2018 and 2017

(dollars in thousands)	FY 2018 Combined Funds from Dedicated Collections (Note 16)	FY 2018 Combined All Other	FY 2018 Eliminations	FY 2018 Consolidated	FY 2017 Combined Funds from Dedicated Collections (Note 16)	FY 2017 Combined All Other	FY 2017 Eliminations	FY 2017 Consolidated
UNEXPENDED APPROPRIATIONS								
Beginning Balance	$ 913,074	$ 5,729,956	$ (277)	$ 6,642,753	$ 790,786	$ 5,746,383	$ (277)	$ 6,536,892
Budgetary Financing Sources								
Appropriations Received, General Funds	392,922	14,389,709	-	14,782,631	372,815	12,817,708	-	13,190,523
Appropriations Transferred In/(Out)	-	34,519	-	34,519	-	(25,689)	-	(25,689)
Appropriations - Used	(269,295)	(12,929,056)	-	(13,198,351)	(250,510)	(12,743,765)	-	(12,994,275)
Other Adjustments	-	(94,544)	-	(94,544)	(17)	(64,681)	-	(64,698)
Net Change	123,627	1,400,628	-	1,524,255	122,288	(16,427)	-	105,861
Ending Balance - Unexpended Appropriations	$ 1,036,701	$ 7,130,584	$ (277)	$ 8,167,008	$ 913,074	$ 5,729,956	$ (277)	$ 6,642,753
CUMULATIVE RESULTS OF OPERATIONS								
Beginning Balance	$ 71,601,495	$ 4,441,801	$ 277	$ 76,043,573	$ 69,535,178	$ 4,792,141	$ 277	$ 74,327,596
Budgetary Financing Sources								
Appropriations - Used	269,295	12,929,056	-	13,198,351	250,510	12,743,765	-	12,994,275
Royalties Retained	4,284,291	-	-	4,284,291	3,926,837	-	-	3,926,837
Non-Exchange Revenue	1,130,986	58,306	-	1,189,292	1,240,334	35,105	-	1,275,439
Transfers In/(Out) without Reimbursement	405,502	31,372	122,333	559,207	467,022	8,841	146,789	622,652
Donations and Forfeitures of Cash and Cash Equivalents	52,040	-	-	52,040	69,326	-	-	69,326
Other Budgetary Financing Sources/(Uses)	-	-	-	-	76,751	(76,785)	-	(34)
Other Financing Sources								
Donations and Forfeitures of Property	28,255	12,556	-	40,811	12,341	6,205	-	18,546
Transfers In/Out without Reimbursement (Notes 16 & 20)	(97,287)	219,507	(122,333)	(113)	(34,377)	155,281	(146,789)	(25,885)
Imputed Financing from Costs Absorbed by Others (Note 17)	73,123	458,117	(31,019)	500,221	102,224	696,173	(71,863)	726,534
Other Non-Budgetary Financing Sources/(Uses)	10,050	(282,637)	-	(272,587)	224,733	(342,719)	-	(117,986)
Total Financing Sources	6,156,255	13,426,277	(31,019)	19,551,513	6,335,701	13,225,866	(71,863)	19,489,704
Net Cost of Operations	(4,361,862)	(13,540,048)	31,019	(17,870,891)	(4,269,384)	(13,576,206)	71,863	(17,773,727)
Net Change	1,794,393	(113,771)	-	1,680,622	2,066,317	(350,340)	-	1,715,977
Ending Balance - Cumulative Results of Operations	$ 73,395,888	$ 4,328,030	$ 277	$ 77,724,195	$ 71,601,495	$ 4,441,801	$ 277	$ 76,043,573
TOTAL NET POSITION	$ 74,432,589	$11,458,614	$ -	$ 85,891,203	$ 72,514,569	$10,171,757	$ -	$ 82,686,326

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

Combined Statement of Budgetary Resources

for the years ended September 30, 2018 and 2017

(dollars in thousands)	Budgetary Accounts FY 2018	Non-Budgetary Credit Program Financing Accounts FY 2018	Budgetary Accounts FY 2017	Non-Budgetary Credit Program Financing Accounts FY 2017
Budgetary Resources:				
Unobligated balance from prior year budget authority, net	$ 11,986,507	$ 50,214	$ 10,416,160	$ 58,274
Appropriations (discretionary and mandatory)	21,149,680	-	19,119,665	-
Borrowing authority (discretionary and mandatory)	-	18,043	-	193
Contract authority (discretionary and mandatory)	28,020	-	-	-
Spending authority from offsetting collections (discretionary and mandatory)	5,658,494	21,595	6,489,861	16,318
Total Budgetary Resources	**$ 38,822,701**	**$ 89,852**	**$ 36,025,686**	**$ 74,785**
Memorandum Entries (Note 19):				
Net adjustments to unobligated balance from prior year budget authority, net	**$ 1,303,215**	**$ -**	**$ 972,723**	**$ (690)**
Status of Budgetary Resources:				
New obligations and upward adjustments (total)	$ 26,202,637	$ 45,196	$ 25,342,394	$ 24,571
Unobligated balance, end of year:				
Apportioned, unexpired accounts	12,372,288	44,656	10,457,557	50,214
Unapportioned, unexpired accounts	20,720	-	27,902	-
Unexpired, unobligated balance, end of year	12,393,008	44,656	10,485,459	50,214
Expired, unobligated balance, end of year	227,056	-	197,833	-
Unobligated balance, end of year (total)	12,620,064	44,656	10,683,292	50,214
Total Budgetary Resources	**$ 38,822,701**	**$ 89,852**	**$ 36,025,686**	**$ 74,785**
Outlays, Net:				
Outlays, net (total) (discretionary and mandatory)	19,400,724	22,075	17,379,560	10,108
Distributed offsetting receipts (-)	(6,230,864)	-	(5,226,597)	-
Agency outlays, net (discretionary and mandatory)	**$ 13,169,860**	**$ 22,075**	**$ 12,152,963**	**$ 10,108**

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

Consolidated Statement of Custodial Activity

for the years ended September 30, 2018 and 2017

(dollars in thousands)	FY 2018	FY 2017
Revenues on Behalf of the Federal Government		
Mineral Lease Revenue		
Rents and Royalties	$ 7,896,319	$ 5,970,908
Onshore Lease Sales	278,027	343,854
Offshore Lease Sales	244,228	344,966
Total Revenue	$ 8,418,574	$ 6,659,728
Disposition of Revenue		
Distribution to Department of the Interior		
Departmental Offices	1,803,240	1,652,998
National Park Service Conservation Funds	1,120,245	1,108,811
Bureau of Reclamation	1,226,088	1,146,690
Bureau of Ocean Energy Management	50,194	50,023
Bureau of Safety and Environmental Enforcement	66,682	72,200
Bureau of Land Management	(21,768)	13,245
Fish and Wildlife Service	1,365	606
Distribution to Other Federal Agencies		
Department of the Treasury	3,510,314	2,513,887
Department of Agriculture	151,857	102,739
Distribution to Indian Tribes and Agencies	11	12
Distribution to States and Others	16,205	10,321
Change in Untransferred Revenue	494,141	(11,804)
Total Disposition of Revenue	$ 8,418,574	$ 6,659,728
Net Custodial Activity	$ -	$ -

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

NOTES TO PRINCIPAL 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. 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 and 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. A summary of fiduciary activities managed by DOI is included in Note 21. 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 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 (OSMRE)
- Bureau of Ocean Energy Management (BOEM)
- Bureau of Safety and Environmental Enforcement (BSEE)
- U.S. Geological Survey (USGS)
- Indian Affairs (IA), includes BIA and BIE
- Departmental Offices (DO) (includes the Environmental Improvement and Restoration Fund)

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 CFO Act and GMRA. These financial statements have been prepared from the books and records of DOI in accordance with GAAP and OMB Circular No. A-136, *Financial Reporting Requirements*. The GAAP for Federal entities are the standards prescribed by 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 Treasury except for imprest fund accounts. The 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.

Further details on Fund Balance with Treasury are contained in Note 2.

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

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.

Note 3 provides investment details.

F. Accounts and Interest Receivable, Net

Accounts Receivable due from Federal Agencies. Intragovernmental receivables are primarily 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. Intragovernmental receivables are generally considered to be fully collectible as there is no credit risk.

Accounts Receivable due from the Public. Receivables due from the public generally arise from either 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 these receivables and analysis of outstanding balances.

Note 4 contains additional information regarding accounts receivable due from the public.

G. Loans and Interest Receivable, Net

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 loan principal is presented net of the estimated Federal loan subsidy. 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.

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 collectability of loans will occur in the near term and that such changes could affect the collectability of loans reported.

See Note 5 for additional information on loans and interest receivable.

H. Inventory and Related Property, Net

The DOI's inventories are 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. Gas and storage rights for the storage of helium are recorded at historical cost.

The *Helium Stewardship Act of 2013* (Act), was enacted on October 2, 2013, and requires BLM to sell and auction crude helium to private refiners and non-refiners until 3 billion standard cubic feet (BcF) of helium remains in government reserve. Once the 3 BcF storage threshold is met, the Act instructs BLM to make reserve helium available only to Federal

Agencies through September 30, 2021. The Act directs BLM to dispose of all Federal Helium System Assets, including reserve helium, by September 30, 2021. During FY 2018, the 3 BcF threshold was met and no further auctions or sales to the public will be held. The BLM will continue to deliver the private helium balance until the disposal. At this time the remaining government balance is available only to Federal users through the in-kind program.

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.

Note 6 provides more information on inventory and related property.

I. General Property, Plant, and Equipment, Net

General Purpose Property, Plant, & 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 is 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, DOI has established a capitalization threshold of $100 thousand 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 thousand. 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/or 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 construction in abeyance. Construction in abeyance represents construction activities that have been identified as suspended or terminated and classified as temporarily suspended by management because of financial, technical, legal, political or other reasons with a reasonable expectation that construction activity or return of service utility can be completed in the future. Costs for activities such as continuing low-level maintenance to sustain the asset in a recoverable status or until re-utilization efforts are exhausted, may accrue while in temporary suspension.

Internal Use Software. Internal use software includes purchased commercial off-the-shelf 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 thousand or more.

Impairment. The DOI identifies potential impairment to general PP&E through the periodic asset condition assessment processes, as part of response actions for disasters, or through other facilities management activities. The DOI considers the impact of the decline in service utility on its operations when determining if the decline is significant and treats the decline as permanent when management has no reasonable expectation that the lost utility will be replaced or restored. If these two factors are present, DOI will measure the impairment loss using a method that reasonably reflects the diminished service utility.

General property, plant and equipment values are presented in Note 7.

J. Stewardship PP&E

Stewardship PP&E consists of public domain land, Indian trust 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 provides additional information concerning 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.

K. 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.

Intragovernmental Liabilities.
Accounts Payable. Accounts payable are amounts primarily owed for goods and services received but not yet paid. The DOI estimates certain accounts payable balances based on either the past history of payments in the current periods that relate to prior periods, a percentage of undelivered orders, or a current assessment of services/products received but not paid.

Debt. The DOI has borrowed funds from Treasury in accordance with the *Federal Credit Reform Act* (FRCA) to fund loans under various loan programs.

See Note 5 for additional information on loans and Note 10 for additional information on debt.

Other Intragovernmental Liabilities.
Liability for Capital Transfers to the General Fund. The DOI records an intragovernmental liability for appropriations determined to be recoverable from project beneficiaries when funds are received and they meet the requirement for repayment.

See Note 11 for additional information on liability for capital transfers to the General Fund.

Advances and Deferred Revenue. Advances and deferred revenue consists of monies received for goods and services that have not yet been provided or rendered by DOI. This amount also includes the balances of customer deposit accounts held by DOI.

Custodial Liability. The custodial liability represents amounts collected by DOI on behalf of others that have not yet been distributed. The collections are comprised of royalties, rents, bonuses and other receipts for Federal oil, gas, and mineral leases. Proceeds are distributed to Treasury, other Federal Agencies, States, and coastal political subdivisions.

Judgment Fund Liability. Most legal judgments against DOI are paid from the Judgment Fund maintained by Treasury. The DOI is required to repay Treasury only for Judgment Fund payments made pursuant to (1) the *Contract Disputes Act*, and (2) the *Notification and Federal Employee Antidiscrimination and Retaliation (No FEAR) Act* of 2002. The balance of this liability is not covered by budgetary resources, pending future appropriations to DOI.

Other Miscellaneous Intragovernmental Liabilities.
Accrued Employee Benefits. This liability represents accrued benefits and payroll tax expense payable to other Government Agencies. It also includes the employer portion of unfunded unemployment compensation due to the Department of Labor (DOL).

Unfunded FECA Liability. The unfunded *Federal Employees' Compensation Act* (FECA) liability is the amount billed to DOI by DOL for FECA payments made on behalf of DOI.

Public Liabilities.
Federal Employee and Veteran Benefits. The Federal employee and veteran benefits consists of the liability owed under the U.S. Park Police (USPP) Pension Plan, as well as the FECA actuarial liability. The FECA actuarial liability represents the liability for future workers' compensation benefits, which includes the expected liability for death, disability, medical, and miscellaneous costs for approved cases. This liability is determined by DOL annually as of September 30.

See Note 12 for additional information regarding the Federal employee and veteran benefits liability.

Environmental and Disposal Liabilities.
The DOI's environmental and disposal liabilities include an environmental remediation liability and an asbestos related cleanup liability.

The DOI has accrued an environmental remediation liability when cleanup costs 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. Changes in environmental remediation liability cleanup cost estimates are recorded based on progress made and revision of the cleanup plans, assuming current technology, laws, and regulations.

When DOI is not legally liable, but the likelihood of incurring costs for the cleanup is reasonably possible, the range of the cleanup costs is disclosed.

Asbestos is categorized as either friable or non-friable. Friable asbestos poses an immediate health threat and DOI reports the related liability as an environmental remediation liability. Non-friable asbestos does not pose an immediate health threat and DOI reports the liability for the costs to contain and dispose of non-friable asbestos during repair, renovation, demolition, or other disturbance of the property as an Asbestos Cleanup Liability. The DOI estimates the asbestos cleanup liability using a cost model developed from existing asbestos surveys.

Note 13 has additional information on environmental and disposal liabilities.

Other Public Liabilities.
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. 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. The DOI will record an intragovernmental liability and expense in the instances where DOI is responsible for reimbursement to the Judgment Fund, pursuant to the *Contract Disputes Act* or the *No FEAR Act*. Congressional appropriations are often required for reimbursement.

Note 13 has additional information on contingent liabilities.

Trust Land Consolidation Program. The Trust Land Consolidation Program (TLCP) was established in FY 2013 as part of the *Claims Resolution Act of 2010*, which resolved a class action lawsuit regarding the U.S. Government's trust management and accounting of Native American trust accounts and resources. The Program designates DOI with the responsibility to use the Trust Land Consolidation Fund within a 10-year period to acquire fractional interest in trust or restricted land that individuals are willing to sell to DOI. A liability for the settlement amount was initially recorded and is drawn down through the execution of the program.

Payments Due to States. Payments to States represents custodial royalty, rent, bonus, or other revenue that has been collected or accrued that is due to the States but not yet disbursed.

Grants Payable. Grants payable are amounts owed to grantees but not yet paid. The DOI estimates certain grants payable balances based on either the past history of payments in the current periods that relate to prior periods or a percentage of undelivered orders.

Other Miscellaneous Public Liabilities.
Accrued Payroll and Benefits. Accrued payroll and benefits represents salaries and benefits earned by employees but not yet paid. It also represents amounts of DOI's portion of payroll benefit contributions such as DOI's contribution to the Thrift Savings Plan.

Unfunded Annual Leave. Amounts associated with the payment of annual leave are accrued while leave is being earned by employees. Each year the balance is adjusted to reflect current pay rates. To the extent that current or prior year appropriations are not available to finance annual leave, future financing sources will be used.

L. Revenues and Financing Sources

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. The DOI reports these state amounts as Royalties Retained on the Statement of Changes in Net Position rather than on the Statement of Net Cost.

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 Budgetary Financing Source on the Statement of Changes in Net Position.

Custodial Revenue. The ONRR, a component of DO, 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 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 (FOGRMA).*

Imputed Financing Sources. The DOI receives goods and services from other Federal entities at no cost or at a cost less than the full cost to the providing entity. Consistent with accounting standards, certain costs of the providing entity that are not fully reimbursed by DOI are recognized as imputed costs in the Statement of Net Cost and are offset by imputed financing sources in the Statement of Changes in Net Position. Such imputed costs and financing sources include employee benefits administered by the Office of Personnel Management, claims settled by the Treasury Judgment Fund, and business-type activities when applicable. Unreimbursed costs other than those identified in this paragraph are not included in DOI's financial statements.

M. 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. 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 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 actuarial liability that is estimated 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 the public for these estimated future payments.

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, 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 OPM to the pre-retirement portion of coverage.

Retirement Programs. The DOI's employees participate in one of three retirement programs. (1) Federal Employees Retirement System (FERS), (2) Civil Service Retirement System (CSRS), or (3) The USPP Pension Plan.

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 sum of actual CSRS and FERS participant withholdings and Agency contributions, less the estimated OPM service cost.

- ***FERS.*** Employees hired after December 31, 1983, are covered by FERS. The FERS is a three-tiered plan consisting of Social Security, a basic FERS annuity, and the Thrift Savings Plan. Employees under FERS are covered by full Social Security taxes. Employees may contribute a portion of their pay to the Thrift Savings Plan, subject to the annual maximum limit set by the Internal Revenue Service. These contributions are tax-deferred. The Government contributes 1 percent of pay and matches a portion of the employee's contributions. The maximum Government contribution is 5 percent of pay. The Thrift Savings Plan is administered by the Federal Retirement Thrift Investment Board.

  The third tier of FERS is the basic annuity. The basic FERS annuity is based on the employee's length of service and the "high-3" average pay. For most employees, the formula for computing the annual annuity is 1 percent of average pay for each year of creditable service. Employees are required to contribute to this annuity plan. The contribution rate required by an employee to this plan is dependent upon the date of initial hire. Employees first hired on or after January 1, 2014, are covered by FERS-FRAE (Further Revised Annuity Employees) and must contribute 4.4 percent of gross pay to the plan. Employees first hired between January 1 and December 31, 2013, are covered by FERS-RAE (Revised Annuity Plan) and must contribute 3.1 percent of gross pay to the plan. Employees hired prior to January 1, 2013, and after December 31, 1983, are covered by FERS and must contribute .8 percent of gross pay to the plan.

- ***CSRS.*** The CSRS is a defined benefit, contributory retirement system. Employees share in the expense of the annuities to which they become entitled. Employees hired prior to January 1, 1984, could elect to either join FERS and Social Security or remain in CSRS. The CSRS benefits are based on the employee's "high- 3" average pay and the years of service. The CSRS covered employees contribute 7, 7 1/2 or 8 percent of pay to CSRS and, while they generally pay no Social Security retirement, survivor and disability tax, they must pay the Medicare tax (currently 1.45 percent of pay). The DOI matches the employee's

CSRS contributions. Employees may contribute up to 5 percent of pay to the Thrift Savings Plan. There is no Government contribution.

- ***USPP Pension Plan.*** 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 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 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.* 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, 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.

N. 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, imputed costs 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 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. In order to provide for a comprehensive accounting of custodial activity, the distribution of custodial revenues to DOI entities has not been eliminated from the Statement of Custodial Activity.

O. 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 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 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.

P. 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 by 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.

The DOI allocated funds, as a parent, to the U.S. Department of Agriculture (USDA), the Department of Transportation (DOT), and the Army Corps of Engineers. The DOI receives allocation transfers, as the child, from USDA, the Department of Health and Human Services, DOL, DOT, the Army Corps of Engineers, and the U.S. Agency for International Development.

Q. 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.

R. 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.

S. 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 balances and activities are excluded from DOI's financial statements.

Note 21, Fiduciary Activities, provides additional information.

T. Reclassifications

Certain FY 2017 financial statements and notes were reclassified to conform to the FY 2018 financial statement requirements of OMB Circular A-136 and include, among other things, changes in the presentation of the Combined Statements of Budgetary Resources, which were streamlined to reflect the requirements of FASAB standards. The reclassification of the Combined Statements of Budgetary Resources had no effect on combined total budgetary resources as previously reported.

NOTE 2. FUND BALANCE WITH TREASURY

Treasury performs cash management activities for all Federal Agencies. The net activity represents Fund Balance with Treasury (FBWT). The FBWT 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 receipt accounts include 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. The budgetary balances are also 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.

In FY 2018 and FY 2017, $36 and $56 million, respectively, of unused funds from expired appropriations were returned to Treasury as of September 30. Such balances are excluded from the amount reported as Fund Balance with Treasury in accordance with Treasury guidelines.

Additional discussion of Fund Balance with Treasury is presented in Note 1(D).

Status of Fund Balance with Treasury as of September 30, 2018 and 2017, consists of the following:

(dollars in thousands)	FY 2018	FY 2017
Unobligated		
Available	$ 6,343,868	$ 5,165,409
Unavailable	822,921	629,622
Obligated Not Yet Disbursed	9,297,880	9,636,717
Total Budgetary Fund Balance with Treasury	$ 16,464,669	$ 15,431,748
Non-budgetary Fund Balance with Treasury		
Clearing, Deposit, and Unavailable General Fund Receipt Accounts	$ 1,939,750	$ 914,009
Unavailable Special Receipt Accounts	39,810,357	38,763,335
Total Non-budgetary Fund Balance with Treasury	$ 41,750,107	$ 39,677,344
Total Fund Balance with Treasury Status	$ 58,214,776	$ 55,109,092

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. Nonmarketable, 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, where cost approximates fair value. These securities have a maturity term of January 2019.

Investments are purchased using various sources of funding such as funds from dedicated collections and appropriated monies received from the General Fund of the Treasury that have specific legislative authority. 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 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 16, *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 collections in the same manner that all other government expenditures are financed.

Additional information regarding investments can be found in Note 1(E).

Investments as of September 30, 2018, consist of the following:

(dollars in thousands)	Cost	Net Amortized (Premium)/ Discount	Investments, Net	Market Value Disclosure
U.S. Treasury Securities				
Marketable	$ 208,982	$ 377	$ 209,359	$ 209,360
Nonmarketable, market-based	9,350,649	7,290	9,357,939	9,285,662
Total U.S. Treasury Securities	9,559,631	7,667	9,567,298	9,495,022
Accrued Interest	20,319	-	20,319	-
Total Federal Investments	$ 9,579,950	$ 7,667	$ 9,587,617	$ 9,495,022
Public Securities				
Marketable	40,905	7,632	48,537	48,607
Total Investments	$ 9,620,855	$ 15,299	$ 9,636,154	$ 9,543,629

Investments as of September 30, 2017, consist of the following:

(dollars in thousands)	Cost	Net Amortized (Premium)/ Discount	Investments, Net	Market Value Disclosure
U.S. Treasury Securities				
Marketable	$ 74,427	$ -	$ 74,427	$ 74,427
Nonmarketable, market-based	8,926,743	(15,583)	8,911,160	8,949,571
Total U.S. Treasury Securities	9,001,170	(15,583)	8,985,587	9,023,998
Accrued Interest	15,749	-	15,749	-
Total Federal Investments	$ 9,016,919	$ (15,583)	$ 9,001,336	$ 9,023,998
Public Securities				
Marketable	96,938	7,086	104,024	104,639
Total Investments	$ 9,113,857	$ (8,497)	$ 9,105,360	$ 9,128,637

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.

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.

Deepwater Horizon Consent Decree. On April 4, 2016, a Federal court in New Orleans, LA entered a Consent Decree regarding case No. 10-4536, United States of America v. BP Exploration & Production Inc. (BPXP), et al. This case resolved civil claims against BP entities arising from the April 20, 2010, Macondo well blowout and the massive oil spill that followed in the Gulf of Mexico. Under the Consent Decree, BP was ordered to pay a civil penalty, claims under the False Claims Act, lost royalties, and amounts for natural resource damages and associated assessment costs. Annual payments from BP to DOI will continue through year 2031. As of September 30, 2018, DOI has recorded over $6.6 billion in accounts receivable and more than $127 million in interest receivable. Management considers these receivables to be fully collectible.

See Note 1(F) for additional discussion regarding accounts receivable.

Accounts and Interest Receivable from the Public consist of the following as of September 30, 2018 and 2017:

(dollars in thousands)	FY 2018	FY 2017
Accounts and Interest Receivable from the Public		
Accounts and Interest Receivable from Public Agencies	$ 8,182,874	$ 7,951,765
Allowance for Doubtful Accounts	(71,886)	(58,967)
Total Accounts and Interest Receivable from the Public, Net	$ 8,110,988	$ 7,892,798

NOTE 5. DIRECT LOANS AND LOAN GUARANTEES

A. Direct Loan and Loan Guarantee Program Names: *(dollars in thousands)*	FY 2018	FY 2017
Indian Affairs - Direct Liquidating Loans (Pre-Credit Reform)	$ 610	$ 701
Indian Affairs - Direct Loans (Credit Reform)	2,306	4,063
Indian Affairs - Guaranteed Liquidating Loans (Pre-Credit Reform)	208	352
Indian Affairs - Guaranteed Loans (Credit Reform)	3,604	478
Bureau of Reclamation - Direct Loans (Pre-Credit Reform)	8,131	9,092
Bureau of Reclamation - Direct Loans (Credit Reform)	30,144	31,296
Departmental Offices - American Samoa Government (Credit Reform)	8,621	8,767
Total Loans and Interest Receivable, Net	$ 53,624	$ 54,749

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 *Federal Credit Reform Act* (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 pre-credit 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.

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*. Direct loans (Pre-Credit and FCRA) consist primarily of drought relief and repayment loans

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.

Departmental Offices. The DO has one 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.

Outstanding loan balances, as of September 30, 2018 and 2017, are summarized as follows:

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

	Loans Receivable Gross	Interest Receivable	Allowance For Loan Losses	Direct Loans, Net
Indian Affairs	$ 778	$ 35	$ (203)	$ 610
Bureau of Reclamation	15,386	-	(7,255)	8,131
FY 2018 Total	$ 16,164	$ 35	$ (7,458)	$ 8,741
Indian Affairs	$ 909	$ 25	$ (233)	$ 701
Bureau of Reclamation	16,347	-	(7,255)	9,092
FY 2017 Total	$ 17,256	$ 25	$ (7,488)	$ 9,793

Direct loans and loan guarantees made after FY 1991 are accounted for in accordance with FCRA. The FCRA prescribes the presentation of loans receivable and loan guarantees at the net present value of the expected future cash flows. This is accomplished by netting the subsidy against loans receivable gross or against loan guarantees payable gross. The tables that follow provide a breakdown of the components supporting the Loans Receivable, Net and Loan Guarantee Payable, Net as presented on the Balance Sheet. The asset and liability are jointly disclosed due to the common requirements under FCRA. Loans receivable gross is representative of the outstanding principal distributed to the recipient. This principal is funded with amounts that DOI borrows from the Treasury with interest. As the customer makes payments against the loan, these repayments are applied against the Treasury borrowings and associated interest, resulting in a reduction to the amount DOI owes to Treasury (Note 10, Debt).

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

Direct Loan Programs (Credit Reform)	Loans Receivable Gross	Interest Receivable	Allowance for Subsidy Cost	Value of Assets Related to Direct Loans
Indian Affairs	$ 382	$ 20	$ 1,904	$ 2,306
Bureau of Reclamation	32,533	-	(2,389)	30,144
Departmental Offices - American Samoa Government	9,879	-	(1,258)	8,621
FY 2018 Total	$ 42,794	$ 20	$ (1,743)	$ 41,071
Indian Affairs	$ 469	$ 22	$ 3,572	$ 4,063
Bureau of Reclamation	34,255	-	(2,959)	31,296
Departmental Offices - American Samoa Government	10,017	-	(1,250)	8,767
FY 2017 Total	$ 44,741	$ 22	$ (637)	$ 44,126

Table D. Subsidy Expenses for Direct Loans by Program and Component

The subsidy expense represents the cost of the loan to the Federal government. The current and prior year subsidy expense is disclosed in the tables below. This amount includes the cost of new loans disbursed in the current year plus the cost of changes to the subsidy resulting from the annual re-estimate and/or modification process.

- ***Subsidy Modifications.*** A modification occurs when the basic assumptions used in the original cash flow document change. Modifications are also calculated using OMB credit subsidy calculator. Modifications could be triggered by the number of years for repayment or an increase to a fixed interest rate charged to the recipient. The re-estimated or modified subsidy rate is then automatically appropriated in the following fiscal year in accordance with FCRA.
- ***Subsidy Re-estimates.*** Re-estimates are calculated annually for loans and loan guarantees using historical, current, and projected cash flows. The cash flow documentation is submitted into the standard OMB credit subsidy calculator to arrive at the re-estimated subsidy rate (Factors that this calculator considers are detailed in Note 1.G). There are 2 types of re-estimates, an interest re-estimate and a technical re-estimate. Interest rate re-estimates are the result of a reduction to projected interest costs associated with the loans and guarantees over the repayment period. Technical re-estimates are the result of a change to projected cash flows associated with the loans.
- ***Subsidy Rates.*** The FCRA requires that the cash flows associated with like loans and guarantees are monitored by cohort year. The cohort year is the year in which the loans are initially disbursed or the guarantees are initially made. Loans and guarantees within a like cohort share similar characteristics that enable them to be assigned a like net present value subsidy rate. These rates cannot be applied to the loans or guarantees to yield the subsidy expense. The DOI did not disburse any new direct loans in FY 2018 or in FY 2017 and therefore does not have any subsidy rates or administrative expenses to disclose.

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	$ -	$ (273)	$ 710	$ 437
Bureau of Reclamation	-	-	59	59
FY 2018 Total	$ -	$ (273)	$ 769	$ 496
Indian Affairs	$ -	$ (1,371)	$ 438	$ (933)
Bureau of Reclamation	-	-	(724)	(724)
FY 2017 Total	$ -	$ (1,371)	$ (286)	$ (1,657)

Total Direct Loan Subsidy Expense Direct Loan Programs (Credit Reform)	FY 2018	FY 2017
Indian Affairs	$ 437	$ (933)
Bureau of Reclamation	59	(724)
Total	$ 496	$ (1,657)

Table E. Schedule for Reconciling Direct Loan Subsidy Cost Allowance Balances

The subsidy cost allowance is a cumulative amount that represents the difference between expected repayments from the loan recipient and the cost of borrowing the principal from Treasury. This subsidy allowance is adjusted annually by recording a subsidy expense that is funded with appropriations. Adjustments can be made due to re-estimates or modifications. There were no other changes in economic conditions, other risk factors, legislation, or credit policies that have had a significant and measurable effect on subsidy rates, subsidy expense, and subsidy re-estimates.

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

	FY 2018	FY 2017
Beginning balance of the subsidy cost allowance	$ 637	$ 3,309
Adjustments:		
(a) Loans written off	-	(219)
(b) Subsidy allowance amortization	(597)	(543)
(c) Other	1,207	(253)
Ending balance of the subsidy cost allowance before reestimates	1,247	2,294
Add or subtract subsidy reestimates by component:		
(a) Interest rate reestimate	(273)	(1,371)
(b) Technical/default reestimate	769	(286)
Total of the above reestimate components	496	(1,657)
Ending balance of the subsidy cost allowance	$ 1,743	$ 637

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

Table F. Defaulted Guaranteed Loans Receivable from Pre-1992 Guarantees

The DOI recognizes loans receivable for defaulted loans that were guaranteed. Loans assumed prior to FCRA are accounted for using the allowance for loss method to arrive at the net receivable or value of assets related to defaulted guaranteed loans receivable, net.

LOAN GUARANTEES: Loan guarantee information, as of September 30, 2018 and 2017, is summarized as follows:

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

Guaranteed Liquidating Loans (Pre-Credit Reform)	Defaulted Guarantee. Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance for Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans, Receivable, Net
FY 2018	$ 278	$ -	$ -	$ (70)	$ 208
FY 2017	$ 469	$ -	$ -	$ (117)	$ 352

Table G. Defaulted Guaranteed Loans Receivable from Post-1991 Guarantees

The DOI recognizes loans receivable for defaulted loans that were guaranteed. Loans assumed after FCRA are accounted for using the present value method to arrive at the net receivable or value of assets related to defaulted guaranteed loans receivable, net.

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

Guaranteed Liquidating Loans (Credit Reform)	Defaulted Guarantee. Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Defaulted Guaranteed Loans, Receivable, Net
FY 2018	$ 34,742	$ 2,586	$ -	$ (33,724)	$ 3,604
FY 2017	$ 4,424	$ 722	$ -	$ (4,668)	$ 478

Table H. Guaranteed Loans Outstanding

The following table details the outstanding principal for loan guarantees as of September 30, 2018 by cohort year. The amount guaranteed is a portion of the outstanding principal and is separately displayed. The New Guaranteed Loans Disbursed presented as of FY 2018 and FY 2017 represent principal disbursements and guarantees for prior FY cohorts and the current FY cohort (see the subsidy rates paragraph above Table D for the definition of cohort).

H. Guaranteed Loans Outstanding as of September 30, 2018:		*(dollars in thousands)*
Loan Guarantee Programs	**Outstanding Principal of Guaranteed Loans, Face Value**	**Amount of Outstanding Principal Guaranteed**
FY 1992-2016	$ 493,518	$ 444,035
FY 2017	51,412	46,271
FY 2018	40,668	35,401
Total	$ 585,598	$ 525,707
New Guaranteed Loans Disbursed (Current reporting year):		
Amount Paid in Current FY for Prior Years	$ 44,939	$ 40,445
Amount Paid in Current FY for Current FY Guarantees	41,262	37,136
FY 2018 Total	$ 86,201	$ 77,581
Amount Paid in Prior FY for Prior Years	$ 39,584	$ 35,625
Amount Paid in Prior FY for Prior FY Guarantees	27,680	24,912
FY 2017 Total	$ 67,264	$ 60,537

Table I. Liability for Loan Guarantees

Present value of cash outflows projected for outstanding guarantees is detailed below.

I. Liability for Loan Guarantees:			*(dollars in thousands)*
Guaranteed Liquidation Loans (Pre-Credit Reform)	**Liabilities for Losses on Pre-1992 Guarantees, Estimated Future Default Claim**	**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 2018	$ -	$ 30,808	$ 30,808
FY 2017	$ -	$ 40,993	$ 40,993

Table J. Subsidy Expense for Loan Guarantees by Program and Component

The subsidy expense for guaranteed loans is the sum of interest supplements and defaults, offset by fees and other collections. The total loan guarantee program subsidy expense is the sum of the new loan guarantees and the modifications and re-estimates. There were no other changes in economic conditions, other risk factors, legislation, or credit policies that have had a significant and measurable effect on subsidy rates, subsidy expense, and subsidy re-estimates.

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

Guaranteed Loan. (Credit Reform)	Interest Supplements	Defaults	Fees and Other Collections	Other	Total
Subsidy Expense for New Loan Guarantees:					
FY 2018	$ 3,219	$ 3,861	$ (1,556)	$ -	$ 5,524
FY 2017	$ 2,423	$ 2,873	$ (1,212)	$ -	$ 4,084

Guaranteed Loan. (Credit Reform)	Modifications	Interest Rate Reestimates	Technical Reestimates	Total
Modifications and Reestimates:				
FY 2018	$ -	$ (2,447)	$ 8,904	$ 6,457
FY 2017	$ -	$ (342)	$ (2,791)	$ (3,133)

Total Loan Guarantee Program Subsidy Expense	FY 2018	FY 2017
Indian Affairs	$ 11,981	$ 951

Table K. Subsidy Rate for Loan Guarantees by Program and Component

The following subsidy rates are applicable only to new loan guarantees issued in FY 2018 and FY 2017.

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

Guaranteed Loan. (Credit Reform)	Interest Supplements	Defaults	Fees and Other Collections	Other	Total
Budget Subsidy Rates for Loan Guarantees for the Current Year's Cohorts:					
FY 2018	3.7%	4.6%	-1.8%	0.0%	6.5%
FY 2017	3.7%	4.4%	-1.8%	0.0%	6.3%

Table L. Schedule for Reconciling Loan Guarantee Liability Balances

The following table provides a roll forward of the loan guarantee liability for the current and prior fiscal years.

L. Schedule for Reconciling Loan Guarantee Liability Balances: *(dollars in thousands)*	FY 2018	FY 2017
Beginning balance of the loan guarantee liability	$ 40,993	$ 34,117
Add. Subsidy expense for guaranteed loans disbursed during the reporting years by component:		
(a) Interest supplement costs	3,219	2,423
(b) Default costs (net of recoveries)	3,861	2,873
(c) Fees and other collections	(1,556)	(1,212)
Total of the above subsidy expense components	$ 5,524	$ 4,084
Adjustments:		
(a) Fees received	$ 3,114	$ 1,263
(b) Interest supplements paid	(3,657)	(1,066)
(c) Claim payments to lenders	(30,490)	-
(d) Interest accumulation on the liability balance	2,783	2,349
(e) Other (recovery, revenue, and prior period adjustments)	6,084	3,379
Ending balance of the loan guarantee liability before reestimates	$ 24,351	$ 44,126
Add or subtract subsidy reestimates by component:		
(a) Interest rate reestimate	(2,447)	(342)
(b) Technical/default reestimate	8,904	(2,791)
Total of the above reestimate components	$ 6,457	$ (3,133)
Ending balance of the loan guarantee liability	$ 30,808	$ 40,993

Loan Guarantee Administrative Expenses

The DOI incurred expenses in managing the guaranteed loan programs totaling $1.2 million in FY 2018 and $1.1 million in FY 2017. Note 1(G) contains additional information on loans and interest receivable.

NOTE 6. INVENTORY AND RELATED PROPERTY, NET

Inventory and Related Property as of September 30, 2018 and 2017, consist of the following:

(dollars in thousands)	FY 2018	FY 2017
Inventory		
Published Maps and Other Inventory Held for Current Sale	$ 9,535	$ 2,347
Gas and Storage Rights held for Current Sale	790	798
Operating Materials		
Working Capital Fund: Inventory Held for Use	155	4,187
Operational Land Imager. Inventory Held for Use	1,574	1,922
Airplane Parts and Fuel Held for Use	2,010	2,111
Stockpile Materials		
Recoverable Below-Ground Crude Helium Held in Reserve	36,138	36,174
Recoverable Below-Ground Crude Helium Held for Sale*	-	5,732
Total Inventory and Related Property	$ 50,202	$ 53,271

* The difference in the estimated selling price and the cost of recoverable below ground helium held for sale was $45,135 ($50,867 - $5,732) at September 30, 2017. As of September 30, 2018 there was no longer a balance of helium inventory held for public sale.

Valuation methods and other information regarding inventory and related property are presented in Note 1(H).

NOTE 7. GENERAL PROPERTY, PLANT, AND EQUIPMENT, NET

The PP&E categories with corresponding acquisition cost and accumulated depreciation as of September 30, 2018, are shown in the following table:

(dollars in thousands)	Acquisition Cost	Accumulated Depreciation	Net Book Value
Land and Land Improvements	$ 2,453,578	$ (208,715)	$ 2,244,863
Buildings	5,694,485	(2,573,737)	3,120,748
Structures and Facilities	25,163,798	(12,562,544)	12,601,254
Leasehold Improvements	61,263	(40,870)	20,393
Construction in Progress			
Construction in Progress - General	2,021,772	-	2,021,772
Construction in Progress in Abeyance	292,835	-	292,835
Equipment, Vehicles, and Aircraft	3,109,274	(1,993,296)	1,115,978
Internal Use Software			
In Use	578,271	(548,490)	29,781
In Development	34,356	-	34,356
Total Property, Plant, and Equipment	$ 39,409,632	$ (17,927,652)	$ 21,481,980

The PP&E categories with corresponding acquisition cost and accumulated depreciation as of September 30, 2017, are shown in the following table:

(dollars in thousands)	Acquisition Cost	Accumulated Depreciation	Net Book Value
Land and Land Improvements	$ 2,428,320	$ (193,550)	$ 2,234,770
Buildings	5,603,827	(2,451,968)	3,151,859
Structures and Facilities	24,703,977	(12,187,939)	12,516,038
Leasehold Improvements	60,945	(38,484)	22,461
Construction in Progress			
Construction in Progress - General	2,004,855	-	2,004,855
Construction in Progress in Abeyance	289,617	-	289,617
Equipment, Vehicles, and Aircraft	3,047,101	(1,898,269)	1,148,832
Internal Use Software			
In Use	574,044	(527,410)	46,634
In Development	39,379	-	39,379
Total Property, Plant, and Equipment	$ 38,752,065	$ (17,297,620)	$ 21,454,445

Capitalization criteria and other information regarding general property, plant and equipment are discussed in Note 1(I).

NOTE 8. 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, a portion of the Sport Fish Restoration and Boating Trust Fund that is held for others, Conservation Funds (Land and Water Conservation Fund, Historic Preservation Fund, and Environmental Improvement and Restoration Fund), amounts in deposit, miscellaneous receipts, special receipts, and budget clearing accounts held for others.

The DOI's assets as of September 30, 2018, are summarized into the following categories:

(dollars in thousands)	Entity	Non-Entity	FY 2018
ASSETS: Intragovernmental Assets			
Fund Balance with Treasury	$ 56,376,694	$ 1,838,082	$ 58,214,776
Investments, Net	9,546,204	41,413	9,587,617
Accounts and Interest Receivable	948,970	605,255	1,554,225
Advances and Prepayments	3,577	-	3,577
Total Intragovernmental Assets	$ 66,875,445	$ 2,484,750	$ 69,360,195
Cash	414	-	414
Investments, Net	48,537	-	48,537
Accounts and Interest Receivable, Net	6,916,025	1,194,963	8,110,988
Loans and Interest Receivable, Net	53,624	-	53,624
Inventory and Related Property, Net	50,202	-	50,202
General Property, Plant, and Equipment, Net	21,481,980	-	21,481,980
Advances and Prepayments	163,023	-	163,023
Other Miscellaneous Assets	10,250	-	10,250
TOTAL ASSETS	$ 95,599,500	$ 3,679,713	$ 99,279,213

The DOI's assets as of September 30, 2017, are summarized into the following categories:

(dollars in thousands)	Entity	Non-Entity	FY 2017
ASSETS: Intragovernmental Assets			
Fund Balance with Treasury	$ 54,293,893	$ 815,199	$ 55,109,092
Investments, Net	8,972,658	28,678	9,001,336
Accounts and Interest Receivable	942,615	635,542	1,578,157
Advances and Prepayments	3,927	-	3,927
Total Intragovernmental Assets	$ 64,213,093	$ 1,479,419	$ 65,692,512
Cash	413	-	413
Investments, Net	104,024	-	104,024
Accounts and Interest Receivable, Net	7,072,650	820,148	7,892,798
Loans and Interest Receivable, Net	54,749	-	54,749
Inventory and Related Property, Net	53,271	-	53,271
General Property, Plant, and Equipment, Net	21,454,445	-	21,454,445
Advances and Prepayments	121,642	-	121,642
Other Miscellaneous Assets	8,789	-	8,789
TOTAL ASSETS	$ 93,083,076	$ 2,299,567	$ 95,382,643

NOTE 9. STEWARDSHIP PP&E

The DOI's mission 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,* the *National Wildlife Refuge System Improvement Act,* 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 land and waters 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 Land

The DOI-administered stewardship lands encompass a wide range of activities, including recreation; conservation; resource extraction such as mining and oil and gas leasing; wilderness protection; 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.

The *Wilderness Act of 1964* established the National Wilderness Preservation System to ensure that future generations can continue to experience wild and natural places. This system currently includes more than 109 million acres, of which 67 percent is managed by DOI.

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.

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 American Indians and Alaska Natives. The land or land rights could be withdrawn/returned to the Tribe based on the terms of an 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 largely follow one or more state lines. Two exceptions that do not follow state lines 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.

Primary Land Management Categories		As of 9/30/2016	Increase	Decrease	As of 9/30/2017	Increase	Decrease	As of 9/30/2018
IA	Regional Offices	12	-	-	12	-	-	12
BLM	Geographic Management Areas	127	-	-	127	-	-	127
BOR	Federal Water and Related Projects	135	-	-	135	-	-	135
FWS	National Wildlife Refuges	565	1	-	566	1	-	567
FWS	Coordination Areas	50	-	-	50	-	-	50
FWS	Wetland Management Districts	38	-	-	38	-	-	38
FWS	National Fish Hatcheries	68	-	-	68	-	-	68
FWS	Fish Technology Centers	5	-	-	5	-		5
FWS	Associated Fish Facilities	15	-	-	15	-	1	14
NPS	Park Units	402	4	-	406	-	-	406
OS	Commission Lands	1	-	-	1	-	-	1
Total Number of Units		1,418	5	-	1,423	1	1	1,423

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, etc.) The FWS usually has limited management or oversight responsibility for these land units.

National Park Service

Park Units. The NPS conducts various activities to protect and preserve unimpaired resources and values of the National Park System, while providing for public use and enjoyment, in accordance with statutes authorizing the National Park System Units' (Park Units') establishment or directing their use and management. Park Units are created by an act of Congress, except that National Monuments also may be added by Presidential proclamation. An act of Congress is required to withdraw a Park Unit from the National Park System.

Office of the Secretary

Utah Reclamation Mitigation and Conservation Commission Lands. 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 national 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.

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 Battlefields are managed by NPS.

National 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 Sites are managed by NPS.

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 Historic Trails are managed by BLM.

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

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 Lakeshores are managed by NPS.

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 Memorials are managed by NPS.

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 Parks are managed by NPS.

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 Parkways are managed by NPS.

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 Preserves are managed by NPS.

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 Areas are managed by BLM and NPS.

National Recreation Trails.
See National Historic Trail section. National Recreation Trails are managed by BLM and FWS.

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

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 Rivers are managed by NPS.

National Scenic Trails.
See National Historic Trail section. National Scenic Trails are managed by BLM and NPS.

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 Seashores are managed by NPS.

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 Wild and Scenic Rivers are managed by BLM, FWS, and NPS.

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

Non-Collectible Heritage Asset Categories	As of 9/30/2016	Increase	Decrease	As of 9/30/2017	Increase	Decrease	As of 9/30/2018
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)	217	5	-	222	-	-	222
National Historic Sites	78	-	-	78	-	1	77
National Historic Trails	13	-	-	13	-	-	13
National Historical Parks	50	1	-	51	1	-	52
National Lakeshores	4	-	-	4	-	-	4
National Memorials	30	-	-	30	-	1	29
National Military Parks	9	-	-	9	-	-	9
National Monuments	117	4	-	121	-	-	121
National Natural Landmarks (NNL)	116	-	-	116	-	-	116
National Parks	59	-	-	59	1	-	60
National Parkways	4	-	-	4	-	-	4
National Preserves	19	-	-	19	-	-	19
National Recreation Areas	20	-	-	20	-	-	20
National Recreation Trails	112	-	-	112	1	-	113
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	565	1	-	566	1	-	567
Outstanding Natural Areas	3	-	-	3	-	-	3
International Historic Site	1	-	-	1	-	-	1
Wilderness Areas	361	-	-	361	-	-	361
Research Natural Area	1	-	-	1	-	-	1
Archaeological Protection Areas	2	-	-	2	-	-	2
Special Areas	5	-	-	5	-	-	5
Other	11	-	-	11	-	-	11
Total	1,950	11	-	1,961	4	2	1,963

for as long as they remain in the NWR System. National Wildlife Refuges are managed by FWS.

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 untrammeled 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, 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 is an area of Western Alaska which provides protections for numerous subsistence species including caribou herds, tens of thousands of birds, and lake and costal fish habitat.

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, Virginia.

Collectible Heritage Assets

The DOI 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.

Departmental Offices. The DO manages the DOI Library. This library was created by Secretarial order and the collections represent a national resource in the disciplines vital to the missions of DOI. 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 DOI personnel and other researchers to access needed information from their computers. The DOI 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 and Offices have significant stewardship responsibilities. The DOI manages millions of museum objects in the disciplines of art, ethnography, archeology, archives, 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, which is done for various reasons such as recovery of new collections from Bureau lands, discovery of previously unknown collections held in non-DOI facilities, and collections consolidation.

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. The DOI museum collections are important for their intrinsic scientific, cultural, and artistic values, their usefulness in supporting DOI's mission of managing DOI land, cultural resources, and natural resources, and their research potential to study current issues such as climate change, biodiversity, and health. Housing museum collections in non-DOI facilities also allows for cost effective care by professionals in those facilities, which are often non-federal.

Library Collections	As of 9/30/2016	Increase	Decrease	As of 9/30/2017	Increase	Decrease	As of 9/30/2018
Total	7	-	-	7	-	-	7

Interior Museum Collections	As of 9/30/2016	Increase	Decrease	As of 9/30/2017	Increase	Decrease	As of 9/30/2018
Held at Interior Facilities	567	1	11	557	9	1	565
Held at Non-Interior Facilities	450	3	2	451	8	9	450
Total	1,017	4	13	1,008	17	10	1,015

NOTE 10. DEBT

Intragovernmental Debt to Treasury under Credit Reform

As discussed in Note 5, Loans and Interest Receivable, IA, BOR, and DO's OIA have borrowed funds from Treasury in accordance with FCRA 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

Maturity dates for the amounts borrowed from Treasury range from 2023-2040. Interest rates for these securities range from 1.51 percent to 7.46 percent.

Bureau of Reclamation

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.

Intragovernmental debt to Treasury activity as of September 30, 2018 and 2017, is summarized as follows:

(dollars in thousands)	FY 2017 Beginning Balance	Borrowing / (Repayments), Net	FY 2017 Ending Balance	Borrowing / (Repayments), Net	FY 2018 Ending Balance
Credit Reform Borrowings	$ 44,646	$ (1,985)	$ 42,661	$ 14,276	$ 56,937

NOTE 11. LIABILITY FOR CAPITAL TRANSFERS TO THE GENERAL FUND

The DOI records an intragovernmental liability for BOR and DO 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 2018 and FY 2017 ranged from 2.63 percent to 10.87 percent. 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.

The majority of the costs incurred variance is related to a FY 2017 change in cost allocation methodology for this activity as well as an overall reconciliation of the Liability for Capital Transfers.

Costs incurred, collections and repayment activity as of September 30, 2018 and 2017, are summarized in the table below:

(dollars in thousands)	FY 2018	FY 2017
Beginning Balance	$ 1,583,629	$ 1,723,134
Costs Incurred	66,386	(21,019)
Collections	(91,779)	(112,843)
Repayments to Treasury	(5,336)	(5,643)
Ending Balance	$ 1,552,900	$ 1,583,629

NOTE 12. FEDERAL EMPLOYEE AND VETERAN BENEFITS

Federal Employee and Veteran Benefits as of September 30, 2018 and 2017, consists of the following:

(dollars in thousands)	FY 2018	FY 2017
Federal Employee and Veteran Benefits		
U.S. Park Police Pension Actuarial Liability	$ 585,879	$ 601,530
U.S. Park Police Pension Current Liability	36,221	38,970
Federal Employees Compensation Actuarial Liability	759,629	756,731
Total Federal Employee and Veteran Benefits	$ 1,381,729	$ 1,397,231

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 represents the significant economic assumptions used to estimate the USPP Plan liability and the changes in the USPP Pension Plan liability balances. The USPP Pension Plan discount rates of 3.0 percent in FY 2018 and 3.2 percent in FY 2017 match the rates established by OPM for the CSRS plan, which has similar demographic characteristics and keeps NPS consistent in its reporting. The NPS used the Mortality Improvement Scale MP-2017 as it was the most updated scale available at the time. The updated Mortality Improvement Scale MP-2018, released in October 2018, has information from the CDC and Social Security information sources, which supports the use of the MP-2017 improvement scale for the September 30, 2018 financial statements as a reasonable, best-estimate assumption.

Additionally, the USPP Pension Plan inflation rates of 1.3 percent in FY 2018 and 1.5 percent in FY 2017 differed from the 1.6 percent in FY 2018 and 1.8 percent in FY 2017 used by OPM for the CSRS plan. The USPP Pension inflation rate is a computational shortcut where future inflation is assumed equal to future salary increases. The plan's cost of living adjustment is based on increases in basic pay, not general inflation. Therefore, the inflation rate has been set to match the 10-year average of the Federal General Schedule of Salary Increases.

See Note 1(K) for additional information on contingent liabilities and environmental and disposal liabilities.

Economic Assumptions Used *(expressed in percentages)*	FY 2018	FY 2017
Interest Rate	3.00	3.20
Inflationary Rate	1.30	1.50
Projected Salary Increase	1.30	1.50

USPP Pension Plan Liability *(dollars in thousands)*	FY 2018	FY 2017
Beginning Balance	$ 640,500	$ 627,100
Pension Expenses		
Interest on liability	19,900	21,300
Actuarial (gains) or losses from experience	4,221	11,170
Actuarial (gains) or losses from assumption changes	(6,300)	19,900
Total Pension Expenses	17,821	52,370
Less Benefit Payments	(36,221)	(38,970)
Ending Balance	$ 622,100	$ 640,500

NOTE 13. CONTINGENT LIABILITIES AND ENVIRONMENTAL AND DISPOSAL LIABILITIES

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

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 the 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.

In FY 2018, claimants filed an administrative claim, indicating a potential class action lawsuit seeking $2 billion. This is represented by the additional $2 billion high range estimate in DOI's reasonably possible contingent liabilities.

The accrued and potential Contingent Liabilities as of September 30, 2018 and 2017, are summarized in the table below:

FY 2018: Contingent Liabilities (dollars in thousands)	Accrued Liabilities	Estimated Range of Loss: Lower End of Range	Estimated Range of Loss: Upper End of Range
Contingent Liabilities			
Probable	$ 73,788	$ 73,788	$ 123,864
Reasonably Possible	$ -	$ 188,114	$ 4,338,384

FY 2017: Contingent Liabilities (dollars in thousands)	Accrued Liabilities	Estimated Range of Loss: Lower End of Range	Estimated Range of Loss: Upper End of Range
Contingent Liabilities			
Probable	$ 88,015	$ 88,015	$ 149,302
Reasonably Possible	$ -	$ 190,809	$ 2,436,438

Environmental and Disposal Liabilities

Environmental and Disposal Liabilities include estimated cleanup costs related to remediation as well as cleanup costs related to friable and nonfriable asbestos in accordance with FASAB Technical Bulletin 2006-1, *Recognition and Measurement of Asbestos-Related Cleanup Costs.*

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 include: *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. Under these laws 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. The DOI estimates its environmental remediation liability for future costs of studies necessary to evaluate response requirements, monitoring, and cleanup of hazardous substances. Changes in environmental remediation liability cleanup cost estimates are based on progress made and revision of the cleanup plans.

Certain DOI facilities may include asbestos-containing material 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 material becomes friable or otherwise capable of causing contamination, the costs for monitoring, management and removal of these materials are to be disclosed as Asbestos Related Cleanup Liability.

See Note 1(K) for additional information on contingent liabilities and environmental and disposal liabilities.

The accrued and potential Environmental and Disposal Liabilities as of September 30, 2018 and 2017, are summarized in the tables below:

FY 2018: Environmental & Disposal Liabilities *(dollars in thousands)*	**Accrued Liabilities**	**Estimated Range of Loss**	
		Lower End of Range	**Upper End of Range**
Environmental Remediation Liability			
Probable	$ 316,152	$ 316,152	$ 4,196,136
Reasonably Possible	-	76,516	286,715
Asbestos Related Cleanup Liability	553,718		
Total Environmental & Disposal Liability	$ 869,870		

FY 2017: Environmental & Disposal Liabilities *(dollars in thousands)*	**Accrued Liabilities**	**Estimated Range of Loss**	
		Lower End of Range	**Upper End of Range**
Environmental Remediation Liability			
Probable	$ 317,610	$ 317,610	$ 4,177,384
Reasonably Possible	-	75,549	282,960
Asbestos Related Cleanup Liability	547,630		
Total Environmental & Disposal Liability	$ 865,240		

NOTE 14. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES AND OTHER LIABILITIES

Liabilities covered by budgetary resources are funded liabilities to be liquidated 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. Liabilities not requiring budgetary resources are liabilities that have not in the past required and will not in the future require the use of budgetary resources. Current liabilities are expected to be liquidated within one year from the reporting date, while non-current liabilities are not expected to be liquidated within one year.

The DOI's liabilities not covered by budgetary resources as of September 30, 2018 and 2017 are as follows:

Liabilities Not Covered by Budgetary Resources *(dollars in thousands)*	**FY 2018**	**FY 2017**
Intragovernmental Liabilities:		
Accounts Payable	$ -	$ 617,769
Other Intragovernmental Liabilities	1,522,375	1,515,984
Total Intragovernmental Liabilities	$ 1,522,375	$ 2,133,753
Public Liabilities:		
Federal Employee and Veteran Benefits	$ 1,345,508	$ 1,358,261
Environmental and Disposal Liabilities	869,870	865,240
Other Public Liabilities	1,279,476	1,217,908
Total Public Liabilities	3,494,854	3,441,409
Total Liabilities Not Covered by Budgetary Resources	5,017,229	5,575,162
Total Liabilities Not Requiring Budgetary Resources	4,295,509	3,084,915
Total Liabilities Covered by Budgetary Resources	4,075,272	4,036,240
Total Liabilities	**$ 13,388,010**	**$ 12,696,317**

The DOI's Current and non-current liabilities as of September 30, 2018 and 2017 are provided in the table below:

(dollars in thousands)	Current	Non-Current	FY 2018
Other Liabilities			
Other Intragovernmental Liabilities:			
Liability for Capital Transfers to the General Fund	63,898	1,489,002	1,552,900
Advances and Deferred Revenue	475,429	127	475,556
Custodial Liability	995,653	23,238	1,018,891
Judgment Fund Liability	-	1,221,373	1,221,373
Accrued Employee Benefits	70,848	23,306	94,154
Unfunded FECA Liability	46,779	70,169	116,948
Miscellaneous Other Intragovernmental Liabilities	56,570	146,031	202,601
Total Other Intragovernmental Liabilities	1,709,177	2,973,246	4,682,423
Other Public Liabilities:			
Contingent Liabilities	-	73,788	73,788
Trust Land Consolidation Program Liability	113,570	340,708	454,278
Advances and Deferred Revenue	1,733,077	162,304	1,895,381
Payments due to States	684,927	5,852	690,779
Grants Payable	453,230	-	453,230
Accrued Payroll and Benefits	223,778	-	223,778
Unfunded Annual Leave	35,291	373,645	408,936
Natural Disaster Liability	56,664	273,629	330,293
Miscellaneous Other Public Liabilities	9,792	144,836	154,628
Total Other Public Liabilities	3,310,329	1,374,762	4,685,091

(dollars in thousands)	Current	Non-Current	FY 2017
Other Liabilities			
Other Intragovernmental Liabilities:			
Liability for Capital Transfers to the General Fund	$ 59,600	$ 1,524,029	$ 1,583,629
Advances and Deferred Revenue	727,872	336,052	1,063,924
Custodial Liability	649,718	30,727	680,445
Judgment Fund Liability	-	1,220,341	1,220,341
Accrued Employee Benefits	69,676	22,683	92,359
Unfunded FECA Liability	47,905	71,857	119,762
Miscellaneous Other Intragovernmental Liabilities	50,245	135,805	186,050
Total Other Intragovernmental Liabilities	$ 1,605,016	$ 3,341,494	$ 4,946,510
Other Public Liabilities:			
Contingent Liabilities	$ -	$ 88,015	$ 88,015
Trust Land Consolidation Program Liability	103,334	413,337	516,671
Advances and Deferred Revenue	816,355	164,881	981,236
Payments due to States	559,380	8,498	567,878
Grants Payable	403,295	-	403,295
Accrued Payroll and Benefits	240,256	-	240,256
Unfunded Annual Leave	35,814	367,047	402,861
Natural Disaster Liability	1,674	3,109	4,783
Miscellaneous Other Public Liabilities	16,620	176,778	193,398
Total Other Public Liabilities	$ 2,176,728	$ 1,221,665	$ 3,398,393

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 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. DOI can vacate these properties after giving 120 to 180 days notice of the intent to vacate. For non-Federally owned property, the leases may be cancelable or non-cancelable depending on the terms of the leases.

For non-cancellable Federal and non-Federal operating leases, future payments are calculated based on the terms of the agreement or an annual inflationary factor of 2 percent for FY 2019 and after is applied. The inflationary factor is applied against the actual FY 2018 rental expense.

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

Future payments due under non-cancellable operating leases as of September 30, 2018, consist of the following.

Future Operating Leases *(dollars in thousands)*	**Real Property**		**Totals**
	Federal	**Non-Federal**	
FY 2019	$ 34,908	$ 23,579	$ 58,487
FY 2020	34,102	23,254	57,356
FY 2021	33,466	22,526	55,992
FY 2022	30,244	21,479	51,723
FY 2023	25,397	19,091	44,488
Thereafter	203,490	41,253	244,743
Total Future Operating Lease Payments	$ 361,607	$ 151,182	$ 512,789

NOTE 16. 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 (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 the U.S. Forest Service (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 the *National Historic Preservation Act* (NHPA), royalties from OCS oil and gas leases are transferred from ONRR to NPS. Each year, amounts from 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 the 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.

Some of BOR's projects are funded from the General Fund of the Treasury and are required to be repaid to the General Fund. Whether some or all of a project's costs are subject to cost recovery and how and when repayment is due to BOR and subsequently to the General Fund is determined based upon either the language in the authorizing legislation or the language in other Reclamation law, as amended.

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, 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 was used to meet the criteria set out in ARRA that included preserving and creating jobs and investing in infrastructure. The BOR programs under ARRA provided 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. Those efforts contributed to the long-term sustainability of water and natural resources. In 2015, BOR returned the unused funds. The funds are considered inflows of resources to the Government.

Lower Colorado River Basin Development Fund (LCRBDF). The LCRBDF receives funding from multiple sources for specific purposes as provided under 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 Area Power Administration. Funding sources may be retained and are available without further appropriation. The Colorado River Basin Project Act provides appropriations and revenues collected in connection with the operation of the Colorado River storage project 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. 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 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. The *Southern Nevada Public Land Management Act* (SNPLMA), 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 SNPLMA; 10 percent to the Southern Nevada Water Authority; and 5 percent to the State of Nevada's Education Fund. The revenue generated by SNPLMA is used for the acquisition of environmentally sensitive land in the State of Nevada, capital improvement projects at designated sites in Nevada, Lake Tahoe Restoration projects and conservation initiatives on Federal lands. In addition, funds are provided to local entities for the development of multi-species habitat conservation plans and parks, trails and natural areas in Clark County. 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: DOI's Sport Fish Restoration Account; 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 Projects
- Alaska Resupply Program
- Indian Water Rights and Habitat Acquisition Program
- Power Revenues, Indian Irrigation Projects
- Gifts & Donations

Bureau of Land Management

- Helium Fund
- Payments to States from Grazing Receipts, etc., Public Lands Outside Grazing Districts
- Receipts from Grazing, etc., Public Lands Outside Grazing Districts
- Service Charges, Deposits and Forfeitures
- Road Maintenance Deposits
- Payments to States from Grazing Receipts, etc., Public Lands Within Grazing Districts
- Receipts from Grazing, etc., Public Lands Within Grazing Districts
- Land Acquisition
- Receipts from Grazing, etc., Public Lands Within Grazing Districts, Miscellaneous
- Operation & Maintenance of Quarters
- Receipts from Sale of Public Lands, Clark County, Nevada
- Payments to State and county from Clark County, Nevada Land Sales
- Grazing Fees for Range Improvements, Taylor Grazing Act
- Range Improvements
- Payments to States (Proceeds of Sales)
- Sale of Public Land and Materials, 5% Fund to States
- Forest Ecoystem Health and Recovery
- Timber Sales Pipeline Restoration Fund
- Federal Land Disposal Account
- Sale of Natural Gas and Oil Shale, 1n3
- Use of Receipts from Mineral Leasing Activities on Certain Naval Oil Shale Reserves
- White Pine County Special Account
- Recreational Enhancement Fee Program, Bureau of Land Management
- Lincoln County Land Act
- White River Oil Shale Mine, Utah Sales
- Title II Projects on Federal Lands
- Stewardship Contracting Product Sale
- Washington County, Utah Land Acquisition Account
- Owyhee Land Acquisition Account
- Carson City Special Account
- Silver Saddle Endowment Account
- State Share, Carson City Land Sales
- Oil and Gas Permit Processing Fee - 15%
- Permit Processing Fund Mineral Leases
- Geothermal Steam Implementation Fund
- Naval Petroleum Reserve Numbered 2 Lease Revenue Account
- Payment from Proceeds, Sale of Water, Mineral Leasing Act of 1920
- Ojito Land Acquisition
- Sale of Public Land and Materials
- Oregon and California Land-Grant Fund
- Payments to Counties, Oregon and California Grant Lands
- Payments to Counties, National Grasslands
- Coos Bay Wagon Road Grant Fund
- Payments to Coos Bay & Douglas Counties, Oregon, from Receipts, Coos Bay Wagon Road Grant Lands
- Donations for Cadastral Surveys and Conveyance of Omitted Lands
- Gifts for Conservation Practices, Acquisition, and Protection
- Land and Resources Management Trust Fund

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
- Recreation Enhancement Fee Program

Bureau of Safety and Environmental Enforcement

- Oil Spill Research

Office of Surface Mining Reclamation and Enforcement

- 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
- 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 Land and Water 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
- Private Stewardship Grants
- Landowner Incentive Program
- Community Partnership Enhancement
- Coastal Impact Assistance Program
- Contributed Funds
- Filming and Photography Fee Program
- North American Wetlands Conservation Fund, from Land and Water
- Exotic Bird Conservation Fund
- Energy Permit Processing Improvement

National Park Service

- Centennial Challenge Fund
- Land Acquisitions and State Assistance
- Operation and Maintenance of Quarters
- Delaware Water Gap Route 209 Operations
- Recreational Fee Enhancement Program
- Park Building, Lease, and Maintenance
- National Park Service Transportation Trust Fund
- Natural Resource Damage Assessment Restoration Fund
- National Maritime Heritage
- Filming and Photography Fee Program
- 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
- Grand Teton National Park
- Donations
- Birthplace of Abraham Lincoln
- Federal Highways Construction Trust Fund
- Educational Expenses, Children of Employees, Yellowstone National Park

U. S. Geological Survey

- Operation & Maintenance of Quarters
- Natural Resource Damage Assessment and Restoration Fund
- Contributed Funds

The DOI's funds from dedicated collections as of and for the year ended September 30, 2018, 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
ASSETS					
Fund Balance with Treasury	$ 21,591,743	$ 3,473,263	$ 13,908,930	$ 2,017,356	$ 1,910
Investments, Net	-	-	-	-	423,454
Accounts Receivable, Net	-	-	290,215	27,544	260
General Property, Plant, and Equipment, Net	-	-	-	8,689,713	2,625,319
Other Assets	-	-	-	23,196	97,824
TOTAL ASSETS	$ 21,591,743	$ 3,473,263	$ 14,199,145	$ 10,757,809	$ 3,148,767
LIABILITIES					
Accounts Payable	$ -	$ 108	$ 17	$ 88,718	$ 3,862
Other Liabilities	-	16,284	1,449	2,005,390	21,882
TOTAL LIABILITIES	$ -	$ 16,392	$ 1,466	$ 2,094,108	$ 25,744
NET POSITION					
Unexpended Appropriations	$ -	$ -	$ -	$ 160,528	$ 164,294
Cumulative Results of Operations	21,591,743	3,456,871	14,197,679	8,503,173	2,958,729
TOTAL NET POSITION	21,591,743	3,456,871	14,197,679	8,663,701	3,123,023
TOTAL LIABILITIES AND NET POSITION	$ 21,591,743	$ 3,473,263	$ 14,199,145	$ 10,757,809	$ 3,148,767
NET COST OF OPERATIONS					
Gross Costs	$ -	$ 63,097	$ (4,148)	$ 1,330,366	$ 241,691
Earned Revenue	-	-	(317,526)	(189,645)	(237,899)
TOTAL NET COST OF OPERATIONS	$ -	$ 63,097	$ (321,674)	$ 1,140,721	$ 3,792
NET POSITION					
UNEXPENDED APPROPRIATIONS					
Beginning Balance	$ -	$ -	$ -	$ 136,659	$ 164,404
Budgetary Financing Sources					
Appropriations Received	-	-	-	249,197	-
Appropriations Transferred	-	-	-	(74,290)	5,551
Other Adjustments	-	-	-	-	-
CUMULATIVE RESULTS OF OPERATIONS					
Beginning Balance	$ 21,108,290	$ 3,369,968	$ 13,653,648	$ 8,167,192	$ 2,956,865
Budgetary Financing Sources					
Royalties Retained	976,403	150,000	1,290,166	-	-
Non-Exchange Revenue	-	-	1,926	-	-
Transfers without Reimbursement	(492,950)	-	(1,069,741)	1,263,931	-
Donations and Forfeitures (Cash)	-	-	-	-	-
Other Financing Sources					
Donations and Forfeitures (Property)	-	-	-	19,331	-
Transfers without Reimbursement	-	-	3	(25,576)	(5)
Imputed Financing	-	-	3	57,928	-
Other	-	-	-	10,050	-
Net Cost of Operations	-	(63,097)	321,674	(1,140,721)	(3,792)
NET POSITION, ENDING BALANCE	$ 21,591,743	$ 3,456,871	$ 14,197,679	$ 8,663,701	$ 3,123,023

Upper Colorado River Basin Fund	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 2018 Combined Dedicated Collections
$ 515,965	$ 293,347	$ 27,692	$ 118,702	$ 62,422	$ 7,025	$ 3,665,222	$ 45,683,577
-	2,699,293	848,253	2,098,634	-	1,490,495	1,746,628	9,306,757
398	3,101	1	-	1,245,138	-	7,081,283	8,647,940
2,599,991	1,025	88,205	-	-	-	674,939	14,679,192
303	-	-	-	-	-	40,286	161,609
$ 3,116,657	$ 2,996,766	$ 964,151	$ 2,217,336	$ 1,307,560	$ 1,497,520	$ 13,208,358	$ 78,479,075
$ 16,562	$ 238	$ 995	$ 655	$ 605,390	$ -	$ 76,602	$ 793,147
239,543	18,904	6,326	82,646	39,858	-	821,057	3,253,339
$ 256,105	$ 19,142	$ 7,321	$ 83,301	$ 645,248	$ -	$ 897,659	$ 4,046,486
$ 227,182	$ 278,739	$ -	$ -	$ -	$ -	$ 205,958	$ 1,036,701
2,633,370	2,698,885	956,830	2,134,035	662,312	1,497,520	12,104,741	73,395,888
2,860,552	2,977,624	956,830	2,134,035	662,312	1,497,520	12,310,699	74,432,589
$ 3,116,657	$ 2,996,766	$ 964,151	$ 2,217,336	$ 1,307,560	$ 1,497,520	$ 13,208,358	$ 78,479,075
$ 155,199	$ 291,475	$ 35,605	$ 751,760	$ 423,573	$ -	$ 3,297,234	$ 6,585,852
(146,911)	(17)	(163,435)	-	-	-	(1,168,557)	(2,223,990)
$ 8,288	$ 291,458	$ (127,830)	$ 751,760	$ 423,573	$ -	$ 2,128,677	$ 4,361,862
$ 234,171	$ 185,252	$ -	$ -	$ -	$ -	$ 192,588	$ 913,074
-	115,000	-	-	-	-	28,725	392,922
68,739	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
$ 2,555,957	$ 2,760,141	$ 829,269	$ 2,178,271	$ 664,254	$ 1,462,359	$ 11,895,281	$ 71,601,495
-	-	-	-	-	-	1,867,722	4,284,291
-	204,931	-	707,524	-	35,161	181,444	1,130,986
(6,535)	-	-	-	421,631	-	289,166	405,502
-	-	-	-	-	-	52,040	52,040
8,586	-	-	-	-	-	338	28,255
(2,531)	(13)	(269)	-	-	-	(68,896)	(97,287)
10,453	3,771	-	-	-	-	968	73,123
-	-	-	-	-	-	-	10,050
(8,288)	(291,458)	127,830	(751,760)	(423,573)	-	(2,128,677)	(4,361,862)
$ 2,860,552	$ 2,977,624	$ 956,830	$ 2,134,035	$ 662,312	$ 1,497,520	$ 12,310,699	$ 74,432,589

The DOI's funds from dedicated collections as of and for the year ended September 30, 2017, 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
ASSETS					
Fund Balance with Treasury	$ 21,108,290	$ 3,385,599	$ 13,432,988	$ 1,630,997	$ (1,791)
Investments, Net	-	-	-	-	444,992
Accounts Receivable, Net	-	98	222,215	26,008	283
General Property, Plant, and Equipment, Net	-	-	-	8,692,153	2,650,154
Other Assets	-	-	-	15,622	53,738
TOTAL ASSETS	$ 21,108,290	$ 3,385,697	$ 13,655,203	$ 10,364,780	$ 3,147,376
LIABILITIES					
Accounts Payable	$ -	$ -	$ 17	$ 68,533	$ 3,770
Other Liabilities	-	15,729	1,538	1,992,396	22,337
TOTAL LIABILITIES	$ -	$ 15,729	$ 1,555	$ 2,060,929	$ 26,107
NET POSITION					
Unexpended Appropriations	$ -	$ -	$ -	$ 136,659	$ 164,404
Cumulative Results of Operations	21,108,290	3,369,968	13,653,648	8,167,192	2,956,865
TOTAL NET POSITION	21,108,290	3,369,968	13,653,648	8,303,851	3,121,269
TOTAL LIABILITIES AND NET POSITION	$ 21,108,290	$ 3,385,697	$ 13,655,203	$ 10,364,780	$ 3,147,376
NET COST OF OPERATIONS					
Gross Costs	$ -	$ 58,846	$ (1,125)	$ 1,352,736	$ 271,285
Earned Revenue	-	-	(247,690)	(147,116)	(190,338)
TOTAL NET COST OF OPERATIONS	$ -	$ 58,846	$ (248,815)	$ 1,205,620	$ 80,947
NET POSITION					
UNEXPENDED APPROPRIATIONS					
Beginning Balance	$ -	$ -	$ -	$ 173,258	$ 161,393
Budgetary Financing Sources					
Appropriations Received	-	-	-	247,452	-
Appropriations Transferred	-	-	-	(93,474)	5,906
Other Adjustments	-	-	-	(17)	-
CUMULATIVE RESULTS OF OPERATIONS					
Beginning Balance	$ 20,500,767	$ 3,278,814	$ 13,149,718	$ 7,834,281	$ 3,084,124
Budgetary Financing Sources					
Royalties Retained	966,983	150,000	1,143,859	-	-
Non-Exchange Revenue	-	-	7,590	-	-
Transfers without Reimbursement	(412,321)	-	(896,341)	1,105,012	-
Donations and Forfeitures (Cash)	-	-	-	-	-
Other Budgetary Financing Sources	-	-	-	-	-
Other Financing Sources					
Donations and Forfeitures (Property)	-	-	-	7,225	-
Transfers without Reimbursement	-	-	4	754	(49,207)
Imputed Financing	-	-	3	63,108	-
Other	52,861	-	-	171,872	-
Net Cost of Operations	-	(58,846)	248,815	(1,205,620)	(80,947)
NET POSITION, ENDING BALANCE	$ 21,108,290	$ 3,369,968	$ 13,653,648	$ 8,303,851	$ 3,121,269

Upper Colorado River Basin Fund	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 2017 Combined Dedicated Collections
$ 486,718	$ 197,370	$ 27,463	$ 121,551	$ 60,090	$ 5	$ 3,536,343	$ 43,985,623
-	2,760,846	713,208	2,133,743	-	1,462,354	1,410,279	8,925,422
202	2,281	64	95	1,261,822	-	7,194,429	8,707,497
2,543,861	1,015	95,311	-	-	-	684,525	14,667,019
11,908	-	7	-	-	-	46,396	127,671
$ 3,042,689	$ 2,961,512	$ 836,053	$ 2,255,389	$ 1,321,912	$ 1,462,359	$ 12,871,972	$ 76,413,232
$ 13,221	$ 147	$ 339	$ 507	$ 617,892	$ -	$ 89,441	$ 793,867
239,339	15,972	6,445	76,612	39,766	-	694,662	3,104,796
$ 252,560	$ 16,119	$ 6,784	$ 77,119	$ 657,658	$ -	$ 784,103	$ 3,898,663
$ 234,171	$ 185,252	$ -	$ -	$ -	$ -	$ 192,588	$ 913,074
2,555,958	2,760,141	829,269	2,178,270	664,254	1,462,359	11,895,281	71,601,495
2,790,129	2,945,393	829,269	2,178,270	664,254	1,462,359	12,087,869	72,514,569
$ 3,042,689	$ 2,961,512	$ 836,053	$ 2,255,389	$ 1,321,912	$ 1,462,359	$ 12,871,972	$ 76,413,232
$ 161,677	$ 235,581	$ 44,887	$ 651,790	$ 414,289	$ -	$ 3,150,562	$ 6,340,528
(142,321)	(53)	(123,202)	-	-	-	(1,220,424)	(2,071,144)
$ 19,356	$ 235,528	$ (78,315)	$ 651,790	$ 414,289	$ -	$ 1,930,138	$ 4,269,384
$ 183,918	$ 87,777	$ -	$ -	$ -	$ -	$ 184,440	$ 790,786
-	105,000	-	-	-	-	20,363	372,815
87,568	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(17)
2,505,850	2,786,377	769,999	2,005,730	643,326	1,439,651	11,536,541	69,535,178
-	-	-	-	-	-	1,665,995	3,926,837
-	197,336	-	824,330	-	22,708	188,370	1,240,334
(6,891)	-	(17,006)	-	435,217	-	259,352	467,022
-	-	-	-	-	-	69,326	69,326
-	-	-	-	-	-	76,751	76,751
5,041	-	-	-	-	-	75	12,341
(57)	-	(2,039)	-	-	-	16,168	(34,377)
34,056	4,431	-	-	-	-	626	102,224
-	-	-	-	-	-	-	224,733
(19,356)	(235,528)	78,315	(651,790)	(414,289)	-	(1,930,138)	(4,269,384)
$ 2,790,129	$ 2,945,393	$ 829,269	$ 2,178,270	$ 664,254	$ 1,462,359	$ 12,087,869	$ 72,514,569

Total Dedicated Collections.

FY 2018 and FY 2017 funds from dedicated collections are presented on a combined basis. The tables below summarize the elimination of intradepartmental activity between dedicated collection funds and all other fund types to arrive at the consolidated net position totals as presented on the balance sheet.

FY 2018 Consolidating Net Position *(dollars in thousands)*	Combined	Consolidating Eliminations	Consolidated
Unexpended Appropriations -Dedicated Collections	$ 1,036,701	$ (80)	$ 1,036,621
Unexpended Appropriations -Other Funds	7,130,584	(197)	7,130,387
Cumulative Results of Operations -Dedicated Collections	73,395,888	2,872,102	76,267,990
Cumulative Results of Operations -Other Funds	4,328,030	(2,871,825)	1,456,205
Total Net Position	$ 85,891,203	$ -	$ 85,891,203

FY 2017 Consolidating Net Position *(dollars in thousands)*	Combined	Consolidating Eliminations	Consolidated
Unexpended Appropriations -Dedicated Collections	$ 913,074	$ (80)	$ 912,994
Unexpended Appropriations -Other Funds	5,729,956	(197)	5,729,759
Cumulative Results of Operations -Dedicated Collections	71,601,495	2,203,317	73,804,812
Cumulative Results of Operations -Other Funds	4,441,801	(2,203,040)	2,238,761
Total Net Position	$ 82,686,326	$ -	$ 82,686,326

NOTE 17. COSTS

The DOI receives goods and services from other Federal entities at no cost or at a cost less than the full cost to the providing entity. DOI recognizes these identified costs paid for DOI by other Agencies that are not fully reimbursed by DOI as imputed costs in the Statement of Net Cost and are offset by imputed financing sources in the Statement of Changes in Net Position. Costs paid by other Agencies on behalf of DOI were $500 million and $727 million during FY 2018 and FY 2017, respectively.

During FY 2018 and FY 2017, the costs associated with acquiring, constructing, and renovating heritage assets were $232 million and $274 million, respectively. The costs associated with acquiring and improving stewardship lands were $159 million and $155 million during FY 2018 and FY 2017, respectively.

See Note 1(L) for additional information on Imputed Financing Sources.

NOTE 18. COSTS AND EXCHANGE REVENUE BY RESPONSIBILITY SEGMENT

The Net Cost of Operations aligns with the mission areas identified in the DOI Strategic Plan. As discussed in the principal financial statements section, DOI implemented a new Strategic Plan in FY 2018. The FY 2017 DOI mission areas by Bureau are not comparable to the FY 2018 mission areas as presented by Bureau.

The following tables present the Statement of Net Cost by Bureau and Mission areas (Responsibility Segments).

Costs and exchange revenue by responsibility segment for the year ended September 30, 2018, 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
Conserving Our Land and Water					
Total Costs	$ 227,799	$ 621,759	$ 1,371,925	$ 105,074	$ -
Total Earned Revenue	109,337	170,942	610,139	2,475	-
Net Costs	$ 118,462	$ 450,817	$ 761,786	$ 102,599	$ -
Generating Revenue & Utilizing Our Natural Resources					
Total Costs	$ 52,015	$ 374,427	$ 427,605	$ 2,035,432	$ 185,186
Total Earned Revenue	123	239,636	354,879	762	82,111
Net Costs	$ 51,892	$ 134,791	$ 72,726	$ 2,034,670	$ 103,075
Expanding Outdoor Recreation Areas					
Total Costs	$ -	$ 105,110	$ 27,502	$ -	$ -
Total Earned Revenue	-	28,797	145	-	-
Net Costs	$ -	$ 76,313	$ 27,357	$ -	$ -
Fulfilling Our Trust & Insular Responsibilities					
Total Costs	$ 2,392,418	$ -	$ -	$ 898,754	$ -
Total Earned Revenue	275,107	-	-	36,328	-
Net Costs	$ 2,117,311	$ -	$ -	$ 862,426	$ -
Protecting Our People and the Border					
Total Costs	$ 662,567	$ 986,430	$ -	$ 14,854	$ -
Total Earned Revenue	3,820	276,225	-	-	-
Net Costs	$ 658,747	$ 710,205	$ -	$ 14,854	$ -
Modernizing Our Organization & Infrastructure for the Next 100 Years					
Total Costs	$ 132,402	$ 220,125	$ 1,104	$ -	$ -
Total Earned Revenue	222	68,969	-	-	-
Net Costs	$ 132,180	$ 151,156	$ 1,104	$ -	$ -
Reimbursable Activity and Other					
Total Costs	$ -	$ -	$ 584,429	$ 3,341,241	$ -
Total Earned Revenue	-	-	549,210	2,449,911	-
Net Costs	$ -	$ -	$ 35,219	$ 891,330	$ -
Total					
Total Costs	$ 3,467,201	$ 2,307,851	$ 2,412,565	$ 6,395,355	$ 185,186
Total Earned Revenue	388,609	784,569	1,514,373	2,489,476	82,111
Net Cost of Operations	$ 3,078,592	$ 1,523,282	$ 898,192	$ 3,905,879	$ 103,075

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 2018
$ -	$ 1,041,907	$ 440,514	$ 3,089,071	$ 505,473	$ (557,169)	$ 6,846,353
-	86,740	17	264,820	64,364	(126,434)	1,182,400
$ -	$ 955,167	$ 440,497	$ 2,824,251	$ 441,109	$ (430,735)	$ 5,663,953
$ 202,054	$ -	$ -	$ -	$ 73,634	$ (210,564)	$ 3,139,789
71,281	-	-	-	1,214	(24,821)	725,185
$ 130,773	$ -	$ -	$ -	$ 72,420	$ (185,743)	$ 2,414,604
$ -	$ 1,394,043	$ -	$ 301,543	$ -	$ (58,951)	$ 1,769,247
-	471,497	-	23,621	-	(15,416)	508,644
$ -	$ 922,546	$ -	$ 277,922	$ -	$ (43,535)	$ 1,260,603
$ -	$ -	$ -	$ -	$ -	$ (90,894)	$ 3,200,278
-	-	-	-	-	(7,597)	303,838
$ -	$ -	$ -	$ -	$ -	$ (83,297)	$ 2,896,440
$ -	$ 597,142	$ -	$ -	$ 237,341	$ (273,043)	$ 2,225,291
-	9,538	-	-	9,737	(42,184)	257,136
$ -	$ 587,604	$ -	$ -	$ 227,604	$ (230,859)	$ 1,968,155
$ -	$ 805,123	$ -	$ -	$ 204,404	$ (62,579)	$ 1,300,579
-	88,883	-	-	5,690	(11,122)	152,642
$ -	$ 716,240	$ -	$ -	$ 198,714	$ (51,457)	$ 1,147,937
$ 47,499	$ -	$ 341,177	$ -	$ 776,046	$ (427,466)	$ 4,662,926
44,315	-	18	-	522,347	(1,422,074)	2,143,727
$ 3,184	$ -	$ 341,159	$ -	$ 253,699	$ 994,608	$ 2,519,199
$ 249,553	$ 3,838,215	$ 781,691	$ 3,390,614	$ 1,796,898	$ (1,680,666)	$ 23,144,463
115,596	656,658	35	288,441	603,352	(1,649,648)	5,273,572
$ 133,957	$ 3,181,557	$ 781,656	$ 3,102,173	$ 1,193,546	$ (31,018)	$ 17,870,891

Costs and exchange revenue by responsibility segment for the year ended September 30, 2017, 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
Celebrating and Enhancing America's Great Outdoors					
Intragovernmental Costs	$ 58,321	$ 515,562	$ 1,064	$ 16,889	$ -
Public Costs	204,436	1,288,718	1,928	49,439	-
Total Costs	262,757	1,804,280	2,992	66,328	-
Intragovernmental Earned Revenue	981	103,572	-	1,478	-
Public Earned Revenue	1,031	348,459	-	-	-
Total Earned Revenue	2,012	452,031	-	1,478	-
Net Costs	$ 260,745	$ 1,352,249	$ 2,992	$ 64,850	$ -
Strengthening Tribal Nations and Insular Communities					
Intragovernmental Costs	$ 612,634	$ -	$ -	$ 76,340	$ -
Public Costs	2,682,000	-	-	750,795	-
Total Costs	3,294,634	-	-	827,135	-
Intragovernmental Earned Revenue	240,614	-	-	27,359	-
Public Earned Revenue	40,379	-	-	19,437	-
Total Earned Revenue	280,993	-	-	46,796	-
Net Costs	$ 3,013,641	$ -	$ -	$ 780,339	$ -
Powering Our Future and Responsible Use of the Nation's Resources					
Intragovernmental Costs	$ -	$ 119,077	$ 174,911	$ 27,062	$ 76,918
Public Costs	-	360,325	260,358	1,754,956	106,813
Total Costs	-	479,402	435,269	1,782,018	183,731
Intragovernmental Earned Revenue	-	16,050	(4,819)	-	1,616
Public Earned Revenue	-	340,743	317,391	-	51,948
Total Earned Revenue	-	356,793	312,572	-	53,564
Net Costs	$ -	$ 122,609	$ 122,697	$ 1,782,018	$ 130,167
Engaging the Next Generation					
Intragovernmental Costs	$ -	$ -	$ -	$ -	$ 4
Public Costs	-	-	-	-	5
Total Costs	-	-	-	-	9
Intragovernmental Earned Revenue	-	-	-	-	-
Public Earned Revenue	-	-	-	-	-
Total Earned Revenue	-	-	-	-	-
Net Costs	$ -	$ -	$ -	$ -	$ 9
Ensuring Healthy Watersheds and Sustainable, Secure Water Supplies					
Intragovernmental Costs	$ 55,932	$ -	$ 487,750	$ 4,608	$ -
Public Costs	132,276	-	1,006,373	2,478	-
Total Costs	188,208	-	1,494,123	7,086	-
Intragovernmental Earned Revenue	1,794	-	39,059	-	-
Public Earned Revenue	102,664	-	495,761	-	-
Total Earned Revenue	104,458	-	534,820	-	-
Net Costs	$ 83,750	$ -	$ 959,303	$ 7,086	$ -
Building a Landscape-Level Understanding of Our Resources					
Intragovernmental Costs	$ -	$ -	$ -	$ -	$ -
Public Costs	-	-	-	-	-
Total Costs	-	-	-	-	-
Intragovernmental Earned Revenue	-	-	-	-	-
Public Earned Revenue	-	-	-	-	-
Total Earned Revenue	-	-	-	-	-
Net Costs	$ -	$ -	$ -	$ -	$ -
Reimbursable Activity and Other					
Intragovernmental Costs	$ -	$ -	$ 258,894	$ 557,579	$ -
Public Costs	-	-	297,283	3,092,863	-
Total Costs	-	-	556,177	3,650,442	-
Intragovernmental Earned Revenue	-	-	466,104	2,705,000	-
Public Earned Revenue	-	-	38,504	13,700	-
Total Earned Revenue	-	-	504,608	2,718,700	-
Net Costs	$ -	$ -	$ 51,569	$ 931,742	$ -
Total					
Intragovernmental Costs	$ 726,887	$ 634,639	$ 922,619	$ 682,478	$ 76,922
Public Costs	3,018,712	1,649,043	1,565,942	5,650,531	106,818
Total Costs	3,745,599	2,283,682	2,488,561	6,333,009	183,740
Intragovernmental Earned Revenue	243,389	119,622	500,344	2,733,837	1,616
Public Earned Revenue	144,074	689,202	851,656	33,137	51,948
Total Earned Revenue	387,463	808,824	1,352,000	2,766,974	53,564
Net Cost of Operations	$ 3,358,136	$ 1,474,858	$ 1,136,561	$ 3,566,035	$ 130,176

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 2017
$ -	$ 853,068	$ 8,624	$ 438,309	$ -	$ (476,573)	$ 1,415,264
-	2,815,696	285,859	2,816,344	-	-	7,462,420
-	3,668,764	294,483	3,254,653	-	(476,573)	8,877,684
-	64,453	24	174,619	-	(142,680)	202,447
-	566,582	12	103,587	-	-	1,019,671
-	631,035	36	278,206	-	(142,680)	1,222,118
$ -	$ 3,037,729	$ 294,447	$ 2,976,447	$ -	$ (333,893)	$ 7,655,566
$ -	$ -	$ -	$ -	$ -	$ (120,619)	$ 568,355
-	-	-	-	-	-	3,432,795
-	-	-	-	-	(120,619)	4,001,150
-	-	-	-	-	(14,876)	253,097
-	-	-	-	-	-	59,816
-	-	-	-	-	(14,876)	312,913
$ -	$ -	$ -	$ -	$ -	$ (105,743)	$ 3,688,237
$ 87,934	$ -	$ 18,775	$ -	$ -	$ (248,652)	$ 256,025
125,038	-	98,480	-	-	-	2,705,970
212,972	-	117,255	-	-	(248,652)	2,961,995
255	-	47	-	-	(21,606)	(8,457)
76,453	-	12	-	-	-	786,547
76,708	-	59	-	-	(21,606)	778,090
$ 136,264	$ -	$ 117,196	$ -	$ -	$ (227,046)	$ 2,183,905
$ -	$ 8,980	$ -	$ -	$ -	$ (126)	$ 8,858
105	45,906	-	-	-	-	46,016
105	54,886	-	-	-	(126)	54,874
-	2	-	-	-	-	2
-	65	-	-	-	-	65
-	67	-	-	-	-	67
$ 105	$ 54,819	$ -	$ -	$ -	$ (126)	$ 54,807
$ -	$ -	$ -	$ -	$ -	$ (386,090)	$ 162,200
-	-	-	-	-	-	1,141,127
-	-	-	-	-	(386,090)	1,303,327
-	-	-	-	-	(36,872)	3,981
-	-	-	-	-	-	598,425
-	-	-	-	-	(36,872)	602,406
$ -	$ -	$ -	$ -	$ -	$ (349,218)	$ 700,921
$ -	$ -	$ -	$ -	$ 433,779	$ (86,110)	$ 347,669
-	-	-	-	1,300,121	-	1,300,121
-	-	-	-	1,733,900	(86,110)	1,647,790
-	-	-	-	346,637	(130,318)	216,319
-	-	-	-	225,965	-	225,965
-	-	-	-	572,602	(130,318)	442,284
$ -	$ -	$ -	$ -	$ 1,161,298	$ 44,208	$ 1,205,506
$ 12,087	$ -	$ 1	$ -	$ -	$ (379,643)	$ 448,918
28,582	-	404,357	-	-	-	3,823,085
40,669	-	404,358	-	-	(379,643)	4,272,003
43,482	-	17	-	-	(1,279,594)	1,935,009
-	-	5	-	-	-	52,209
43,482	-	22	-	-	(1,279,594)	1,987,218
$ (2,813)	$ -	$ 404,336	$ -	$ -	$ 899,951	$ 2,284,785
$ 100,021	$ 862,048	$ 27,400	$ 438,309	$ 433,779	$ (1,697,813)	$ 3,207,289
153,725	2,861,602	788,696	2,816,344	1,300,121	-	19,911,534
253,746	3,723,650	816,096	3,254,653	1,733,900	(1,697,813)	23,118,823
43,737	64,455	88	174,619	346,637	(1,625,946)	2,602,398
76,453	566,647	29	103,587	225,965	-	2,742,698
120,190	631,102	117	278,206	572,602	(1,625,946)	5,345,096
$ 133,556	$ 3,092,548	$ 815,979	$ 2,976,447	$ 1,161,298	$ (71,867)	$ 17,773,727

NOTE 19. 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.

The Unobligated balance from prior year budget authority, net amount does not tie to the prior year's Unobligated balance, end of year amount due to adjustments. The Memorandum Entries, Net adjustments to unobligated balance from prior year budget authority, net line displays the amount of these adjustments. The adjustments mainly consist of recoveries of prior year obligated balances, cancelled authority, and allocation transfers of prior year balances.

Budgetary Resources Obligated for Undelivered Orders. The following table displays the amounts of Federal, non-Federal, paid, and unpaid budgetary resources obligated for undelivered orders for the years ended September 30, 2018 and 2017.

Undelivered Orders		
(dollars in thousands)	FY 2018	FY 2017
Undelivered Orders		
Federal:		
Paid	$ 27,957	$ 31,620
Unpaid	1,158,748	1,113,153
Total Undelivered Orders, Federal	$ 1,186,705	$ 1,144,773
Non-Federal:		
Paid	$ 162,017	$ 121,230
Unpaid	8,916,903	9,043,940
Total Undelivered Orders, Non-Federal	9,078,920	9,165,170
Total Undelivered Orders	$ 10,265,625	$ 10,309,943

Apportionment of New Obligations and Upward Adjustments. 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 does not have new obligations and upward adjustments exempt from apportionment. The DOI's new obligations and upward adjustments for the year ended September 30, 2018 and 2017, are as follows:

FY 2018 *(dollars in thousands)*	Apportioned
New Obligations And Upward Adjustments:	
Direct	$ 20,378,828
Reimbursable	5,869,005
Total New Obligations And Upward Adjustments	$ 26,247,833

FY 2017 *(dollars in thousands)*	Apportioned
New Obligations And Upward Adjustments:	
Direct	$ 19,278,273
Reimbursable	6,088,692
Total New Obligations And Upward Adjustments	$ 25,366,965

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's direct loan program ended in 1995. 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 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 new obligations and upward adjustments prior to expiration. The DOI's unapportioned balances as of September 30, 2018, and 2017, are disclosed in the table below.

Available Borrowing/Contract Authority, End of the Period. The DOI did not have any available budgetary borrowing for the years ended September 30, 2018 and 2017. The DOI does have permanent indefinite 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. In FY 2018, DOI exercised $18.0 million in new borrowing authority, with repayments of $3.8 million. In FY 2017, DOI exercised $193 thousand in new borrowing authority, with repayments of $1.5 million.

For the year ended September 30, 2018, DOI had $28.0 million in available contract authority related to Land Acquisition and State Assistance. For the year ended September 30, 2017, DOI had no available contract authority.

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 2018 has not been published at the time these financial statements were prepared. The FY 2019 Budget of the United States Government with the actual FY 2017 amounts was released in May 2018. The FY 2020 Budget of the United States Government will include the FY 2018 actual amounts, and is estimated to be released in February 2019. The Budget of the United States Government is available on the OMB website.

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 2017 differences are explained in the Reconciliation of the Statement of Budgetary Resources to the Budget of the United States Government table on the following page.

Legal Arrangements Affecting Use of Unobligated Balances

(dollars in thousands)	FY 2018	FY 2017
Unapportioned amounts unavailable for future apportionments	$ 20,720	$ 27,902
Expired Authority	227,056	197,833
Unapportioned	$ 247,776	$ 225,735

Reconciliation of the Statement of Budgetary Resources to the Budget of the United States Government				
(dollars in millions)	Budgetary Resources	New Obligations And Upward Adjustments	Distributed Offsetting Receipts	Net Outlays
FY 2017 Combined Statement of Budgetary Resources	$ 36,101	$ 25,367	$ 5,227	$ 17,390
Office of the Special Trustee for American Indians Fiduciary activity included in the Budget of the U.S. Government that is excluded from the SBR	296	149	158	149
National Park Service Concessionaire activity included in the Budget of the U.S. Government that is excluded from the SBR	10	8	10	8
Expired resources included in the SBR that are excluded from the Budget of the U.S. Government	(206)	(8)	-	-
Other activity	-	2	(1)	5
Subtotal	$ 100	$ 151	$ 167	$ 162
Budget of the U.S. Government	$ 36,201	$ 25,518	$ 5,394	$ 17,552

NOTE 20. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

As required by SFFAS No. 7, 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 on the following page 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.

The reconciliation of net cost of operations to budgetary accounts for the years ended September 30, 2018 and 2017, is as follows.

(dollars in thousands)	FY 2018	FY 2017
Resources Used to Finance Activities		
Current Year Gross Obligations	$ 26,247,833	$ 25,366,965
Budgetary Resources from Offsetting Collections		
Spending Authority from Offsetting Collections		
Actual offsetting collections (discretionary and mandatory)	(5,706,807)	(6,413,600)
Change in uncollected customer payments from Federal sources	7,219	(103,174)
Recoveries of Prior Year Unpaid Obligations	(1,448,344)	(1,121,105)
Distributed Offsetting Receipts	(6,230,864)	(5,226,597)
Other Financing Resources		
Transfers In / (Out) without Reimbursement - Capital Assets	(113)	(25,885)
Donations and Forfeitures of Property	40,811	18,546
Imputed Financing Costs Absorbed by Others	500,221	726,534
Other Non-Budgetary Financing Sources/(Uses)	(272,587)	(117,986)
Total Resources Used to Finance Activity	$ 13,137,369	$ 13,103,698
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	$ (590,174)	$ 780,465
Change in Undelivered Orders	44,318	(141,640)
Current Year Capitalized Purchases	(799,126)	(813,957)
Deferred Revenue	(7,152)	(87,022)
Change in Expended Authority in Loan Funds	(42,286)	(21,823)
Change in Budgetary Collections in Loan Funds	23,198	14,900
Distributed Offsetting Receipts	6,230,864	5,226,597
Revenues, Gains, and Losses	(1,447,984)	(1,248,143)
Other Financing Resources		
Transfers In/(Out) without Reimbursement - Capital Assets	113	25,885
Donations and Forfeitures of Property	(40,811)	(18,546)
Imputed Financing from Costs Absorbed by Others	(500,221)	(726,534)
Other Non-Budgetery financing Sources/(Uses)	272,587	117,986
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	3,724	(1,454)
Costs Without Current Year Budgetary Effect		
Depreciation and Amortization	755,920	802,484
Disposition of Assets	23,327	112,341
Re-evaluation of liabilities	351,776	(80,967)
Imputed costs	500,221	726,534
Bad Debt Expense	6,132	(1,708)
Change in Other Expenses Not Requiring Budgetary Resources	(50,904)	4,631
Net Cost of Operations	$ 17,870,891	$ 17,773,727

NOTE 21. 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 Funds 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 by OST and ONRR, both components of DO, and IA for the benefit of individual Native Americans as well as for designated Indian Tribes. Transactions between these funds have not been fully eliminated.

Separately Issued Financial Statements

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

The separately issued Tribal and Other Trust Funds 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 Funds 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.

Schedule of Fiduciary Activity	Fiduciary Funds	
(dollars in thousands)	FY 2018	FY 2017
Fiduciary Net Assets, Beginning	$ 5,225,573	$ 5,110,535
Contributions	1,496,087	1,405,791
Investment Earnings	134,101	122,269
Gain (Loss) on Disposition of Investments, Net	563	1,148
Administrative and Other Expenses	(12)	-
Disbursements to and on Behalf of Beneficiaries	(1,476,436)	(1,414,170)
Increase/(Decrease) Net Assets	154,303	115,038
Fiduciary Net Assets, End	$ 5,379,876	$ 5,225,573

Fiduciary Net Assets	Fiduciary Funds	
(dollars in thousands)	FY 2018	FY 2017
Cash and Cash Equivalents	$ 611,485	$ 620,836
Investments	4,535,728	4,417,891
Accrued Interest Receivable	32,237	29,367
Other Income Receivable	200,715	157,769
Less: Accounts Payable	(289)	(290)
Total Fiduciary Net Assets	$ 5,379,876	$ 5,225,573

Schedule of Changes in Non-Valued Fiduciary Assets*	Fiduciary Assets	
Regions	FY 2018	FY 2017
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 twelve administrative regions.

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, 2018, and 2017. 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. The IIM Trust Funds received an unmodified opinion from the auditors.

For more information, see separately issued auditors' report and financial statements on OST's website.

NOTE 22. RELATED PARTIES

The DOI implemented SFFAS 47, *Reporting Entity* in FY 2018. This standard defines the Federal Reporting Entity as inclusive of the consolidation entity, disclosure entities, and related parties.

The DOI consolidation entity includes accounts administratively assigned by the OMB to DOI in the Budget of the U.S. Government. The DOI consolidation entity did not change as a result of SFFAS 47 implementation. Consolidation accounts reported in FY 2017 are consistent with accounts reported in FY 2018. The DOI does not have additional disclosure entities resulting from this implementation. Disclosure entities are similar to consolidation entities, however they have a greater degree of autonomy with the Federal Government than a consolidation entity. The DOI has identified two related parties in the National Fish and Wildlife Foundation (NFWF), and the National Park Foundation (NPF). These organizations provide benefits to the mission of DOI in the form of expanded partnerships and public outreach.

The NFWF is an independent, incorporated 501(c)3 non-profit corporation that was established by Congress in 1984 to conserve fish, wildlife and plant species through innovative partnerships with Federal Agencies, corporations, foundations and nonprofit organizations in order to generate new resources for conservation. The founding legislation requires that the Secretary of DOI approve board membership for NFWF. In FY 2018, DOI had expenses of $48 million with the NFWF to support conservation focused programs.

The NPF is an independent, incorporated 501(c)3 non-profit corporation that was established by Congress in 1967 to generate private support and build strategic partnerships that will protect and enhance America's National Parks for present and future generations. The Secretary of the Interior (Chair) and NPS Director (Secretary) serve as ex-officio members of NPF board of directors. The program expenses in support of the parks paid by NPF were around $60 million in FY 2017 (the FY 2018 data is not available at the time of publishing this AFR). In FY 2018, DOI had expenses of $11 million with NPF to support parks programs.

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, custodial activity compliance assessments and pre-assessment work in process. The DOI Required Supplementary Information includes the disclosures required by SFFAS No. 38, Accounting for Federal Oil and Gas Resources. The SFFAS No. 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, 2018 *(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 from prior year budget authority, net	$ 872,194	$ 332,443	$ 1,010,239	$ 192,406	$ 195,795
Appropriations (discretionary and mandatory)	-	62,370	1,259,497	2,478,071	1,183,043
Borrowing Authority (discretionary and mandatory)	-	-	-	-	-
Contract Authority (discretionary and mandatory)	-	-	-	-	-
Spending authority from offsetting collections (discretionary and mandatory)	1,274,790	968,872	386,369	36,355	67,186
Total Budgetary Resources	$ 2,146,984	$ 1,363,685	$ 2,656,105	$ 2,706,832	$ 1,446,024
Memorandum Entries:					
Net adjustments to unobligated balance from prior year budget authority, net	$ 728,599	$ 79,513	$ 77,846	$ 20,232	$ 55,271
Status of Budgetary Resources:					
New obligations and upward adjustments (total)	$ 1,995,991	$ 1,105,864	$ 1,526,941	$ 2,501,970	$ 1,236,120
Unobligated balance, end of year:					
Apportioned, unexpired accounts	150,993	252,947	1,129,164	115,501	209,422
Unapportioned, unexpired accounts	-	4,874	-	126	482
Unexpired, unobligated balance, end of year	150,993	257,821	1,129,164	115,627	209,904
Expired, unobligated balance, end of year	-	-	-	89,235	-
Unobligated balance, end of year (total)	150,993	257,821	1,129,164	204,862	209,904
Total Budgetary Resources	$ 2,146,984	$ 1,363,685	$ 2,656,105	$ 2,706,832	$ 1,446,024
Outlays, Net:					
Outlays, net (total) (discretionary and mandatory)	$ 926,997	$ 67,282	$ 872,827	$ 2,373,506	$ 1,057,660
Distributed offsetting receipts (-)	-	-	(900)	-	-
Agency outlays, net (discretionary and mandatory)	$ 926,997	$ 67,282	$ 871,927	$ 2,373,506	$ 1,057,660

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
$ 196,391	$ 755,877	$ 348,768	$ 635	$ 731,961	$ 612,345	$ 472,649	$ 6,264,804	$ 11,986,507
1,001,592	246,609	1,279,002	1,524,782	2,403,200	1,190,756	-	8,520,758	21,149,680
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	28,020	28,020
45,714	-	297,570	-	316,401	606,665	-	1,658,572	5,658,494
$ 1,243,697	$ 1,002,486	$ 1,925,340	$ 1,525,417	$ 3,451,562	$ 2,409,766	$ 472,649	$ 16,472,154	$ 38,822,701
$ 114,098	$ 6,823	$ 41,556	$ -	$ 23,622	$ 13,083	$ 92,694	$ 49,878	$ 1,303,215
$ 1,157,825	$ 97,043	$ 1,541,677	$ 1,524,409	$ 2,632,224	$ 1,689,956	$ 179,652	$ 9,012,965	$ 26,202,637
85,872	904,526	363,460	1,008	780,032	707,618	292,997	7,378,748	12,372,288
-	917	-	-	-	2,213	-	12,108	20,720
85,872	905,443	363,460	1,008	780,032	709,831	292,997	7,390,856	12,393,008
-	-	20,203	-	39,306	9,979	-	68,333	227,056
85,872	905,443	383,663	1,008	819,338	719,810	292,997	7,459,189	12,620,064
$ 1,243,697	$ 1,002,486	$ 1,925,340	$ 1,525,417	$ 3,451,562	$ 2,409,766	$ 472,649	$ 16,472,154	$ 38,822,701
$ 1,101,665	$ 99,526	$ 1,255,954	$ 1,524,409	$ 2,274,172	$ 1,073,068	$ 62,616	$ 6,711,042	$ 19,400,724
-	(259,485)	-	(1,490,380)	-	(53)	-	(4,480,046)	(6,230,864)
$ 1,101,665	$ (159,959)	$ 1,255,954	$ 34,029	$ 2,274,172	$ 1,073,015	$ 62,616	$ 2,230,996	$ 13,169,860

Deferred Maintenance and Repairs

The DOI owns and manages real property assets such as schools, office buildings, roads, bridges, dams, irrigation systems, and reservoirs to support its mission. The maintenance and repairs needs of these assets are identified primarily through the condition assessment process. Maintenance and repairs that were not performed when they should have been or were scheduled and delayed for a future period are considered deferred maintenance and repairs (DM&R). Broad methodologies for estimating and reporting DM&R are defined by DOI and implemented across Bureaus with real property portfolios.

A condition assessment is the periodic inspection of real property to determine its current condition, validate inventory data, and identify and provide a cost estimate for necessary maintenance and repairs. The overall condition of the asset is determined by the Facility Condition Index (FCI), which is the ratio of the DM&R to the Current Replacement Value. Assets with an FCI closer to zero are considered to be in good condition while those with an FCI closer to 1.0 are considered to be in poor condition. Generally DOI considers assets with an FCI near 0.15 to be in acceptable condition. However, the FCI is only one indicator of the overall health of the asset. Professional judgment regarding the severity of the maintenance and repairs play a critical role in managing DM&R. Due to the location, age, and variety of the assets entrusted to DOI, as well as the nature of DM&R itself, precise cost estimates for DM&R cannot be determined prior to developing the final design and specifications for the repairs. Until that time, estimates are conceptual in nature.

Current DOI policy requires that comprehensive condition assessments be performed on all constructed assets with a current replacement value of $50,000 or more at least once every 5 years, regardless of whether the asset is capitalized, non-capitalized, or fully depreciated. Assets with replacement values less than $50,000 are also assessed for inventory updates, general maintenance needs, and overall condition. Certain asset types, such as public bridges, require more frequent assessments due to statutory requirements protecting public safety. Additionally, the operations and maintenance responsibility of some of BOR's assets have been transferred to non-Federal operating entities to perform and fund operations and maintenance through user fees. The BOR does not report DM&R on these transferred assets.

The DOI has a five-year capital planning process that provides a framework for improved planning and management of maintenance, repair, and construction programs. The DOI's guidance for the five-year plan provides a corporate methodology for implementing investment priorities across the diverse portfolio of capital assets. The methodology is executed through an annual process in which Bureaus analyze, prioritize, and select capital investment projects that best support Bureau missions, DOI goals and objectives, and the Administration's emphasis areas. Bureau five-year plans are updated annually to reflect the most current five-year picture of DOI's priority DM&R and capital improvement projects. In preparing the plan, DOI utilizes uniform prioritization criteria to drive consistency and to ensure that the projects are prioritized appropriately. These criteria are reviewed annually for alignment with strategic plans, OMB guidance, recent laws, and Executive Orders.

The DOI presents DM&R as beginning and ending balances by categories of PP&E in accordance with SFFAS No. 42, *Deferred Maintenance and Repairs: Amending Statements of Federal Financial Accounting Standards 6, 14, 29, and 32*. Categories of PP&E include general PP&E, Heritage Assets, and Stewardship Land per SFFAS No. 6, *Accounting for Property, Plant, and Equipment.* The SFFAS No. 29, *Heritage Assets and Stewardship Land*, defines "land" as the solid part of the surface of the earth. The DOI does not perform periodic or recurring maintenance and repairs on stewardship land. However, there are improvements to stewardship land that are specifically constructed to support and further the stewardship mission of the Bureaus such as protection, preservation, or maintenance of natural or cultural resources. The DOI presents DM&R related to these improvements to stewardship land in the Stewardship Land category.

The following is DOI's DM&R as of September 30, 2018:

Deferred Maintenance and Repairs as of September 30, 2018		
PP&E Category *(dollars in thousands)*	**Beginning DM&R Balance**	**Ending DM&R Balance**
General PP&E	$ 10,296,715	$ 9,811,899
Heritage Assets	5,401,320	5,755,151
Stewardship Land	488,794	428,684
Total	$ 16,186,829	$ 15,995,734

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, 2018, is $20 million. This estimate is comprised of approximately $2 million in Audit and Compliance Management, approximately $15.9 million state and Tribal audit, and approximately $2.1 million in civil penalties.

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 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 is entrusted with managing 13 percent of the Nation's surface land and roughly one-third of its mineral resources, including the onshore energy and mineral resources that generate the highest revenue values of any uses of the public lands.

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 FOGRMA and CFR Parts 1201-1290.

The BSEE works to ensure the safe and environmentally sustainable exploration, development, and production of America's offshore energy resources through regulatory oversight and enforcement. The Bureau pursues this objective through a program of efficient permitting, appropriate standards and regulations, effective compliance monitoring and enforcement, technical assessments, inspections, and incident investigations.

Stewardship Policies for Federal Oil and Gas Resources

The DOI's responsibilities as stewards of 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 publicly prior to quarterly competitive lease sales. All onshore parcels are evaluated for resource conflicts. 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 lease is completed, BLM and BOEM determine whether bids can be accepted and a lease sale issued. The BLM must adjudicate all protests to any onshore parcels with winning bids, prior to lease issuance. When 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 plans proposed by the lease operators. The BSEE is responsible for reviewing facility and well permits, deepwater operating plans, pipeline applications, production and development applications, and platform applications. The BLM staff performs onshore inspections and BSEE staff performs 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.

Before a lease sale is held, BLM and BOEM set lease terms that determine the Federal Government's share of the value of production from onshore and offshore operations, respectively, subject to provisions of Federal oil and gas leasing laws, including MLA, FOGRMA, or the OCSLA. 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 Treasury, in accordance with relevant statutory authorities. The ONRR also performs revenue compliance activities to ensure the Federal Government has received FMV 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. Additional information regarding Federal natural resources, including oil and gas, can be found on many of DOI's websites. Additional information can be found at USGS's National Minerals Information Center *http://minerals.usgs.gov/minerals*, BLM's New Energy for America webpage *https://www.blm.gov/programs/energy-and-minerals*, and BOEM's Resource Evaluation Program webpage *http://www.boem.gov/resource-evaluation-program*.

Schedule of Estimated Federal Oil and Gas Petroleum Royalties from Proved Reserves
Asset Present Value as of September 30, 2018
(in thousands)

Offshore[1]	Gulf of Mexico	Pacific[2]				Total
Oil and Lease Condensate	$ 20,649,617	$ 287,063				$ 20,936,680
Natural Gas, Wet After Lease Separation	1,880,689	4,609				1,885,298
Total Offshore	**$ 22,530,306**	**$ 291,672**				**$ 22,821,978**

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	$ 47	$ 2,291,078	$ 5,250,759	$ 3,507,544	$ 500,997	$ 11,550,425
Natural Gas, Wet After Lease Separation	1,250	308,950	2,769,877	8,027,228	170,756	11,278,061
Total Onshore	$ 1,297	$ 2,600,028	$ 8,020,636	$ 11,534,772	$ 671,753	**$ 22,828,486**

[1]Offshore royalties include Section 8(g) royalties
[2]Pacific royalties include royalties from Alaska Federal OCS proved reserves

Total Offshore and Onshore 2018	
Total Oil and Lease Condensate	$ 32,487,105
Total Natural Gas, Wet After Lease Separation	13,163,359
Total Offshore and Onshore	**$ 45,650,464**

Schedule of Estimated Federal Oil and Gas Petroleum Royalties from Proved Reserves
Asset Present Value as of September 30, 2017
(in thousands)

Offshore[1]	Gulf of Mexico	Pacific[2]				Total
Oil and Lease Condensate	$ 21,986,039	$ 1,742,579				$ 23,728,618
Natural Gas, Wet After Lease Separation	1,754,574	67,103				1,821,677
Total Offshore	**$ 23,740,613**	**$ 1,809,682**				**$ 25,550,295**
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	$ 70	$ 2,377,735	$ 5,121,134	$ 3,926,549	$ 813,162	$ 12,238,650
Natural Gas, Wet After Lease Separation	1,866	255,523	2,638,547	6,336,505	104,037	9,336,478
Total Onshore	**$ 1,936**	**$ 2,633,258**	**$ 7,759,681**	**$ 10,263,054**	**$ 917,199**	**$ 21,575,128**

[1]Offshore royalties include Section 8(g) royalties
[2]Pacific royalties include royalties from Alaska Federal OCS proved reserves

Total Offshore and Onshore 2017	
Total Oil and Lease Condensate	$ 35,967,268
Total Natural Gas, Wet After Lease Separation	11,158,155
Total Offshore and Onshore	**$ 47,125,423**

Onshore Regions are reported consistent with EIA Petroleum Administration for Defense Districts (PADD):
(The underlined States have oil/condensate and/or 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 tables on the previous page present the estimated present value of future Federal royalty receipts on estimated proved reserves as of September 30, 2018, and September 30, 2017. 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 (DOE) Energy Information Administration (EIA) estimates of proved reserves. The DOE EIA proved reserves estimates are published annually, covering all offshore and onshore Federal areas. The DOE EIA provides such estimates directly for Federal offshore areas and are 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 2016, the most recent published DOE EIA proved reserves report. The Federal proved reserves are then further adjusted to correspond with the effective date. The DOE EIA 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 disclosures. 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, for example, 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 Administration's FY 2019 budget. These OMB estimates are for nominal prices, and 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 2 percent per year for oil and 4 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 natural gas liquids 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 or 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 converts 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 the 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-season review of the Administration's FY 2019 budget. The rates begin at 3.05 percent for FY 2018 and rise to 3.9 percent for FY 2025-FY 2028. The rates were assumed to remain at 3.9 percent beyond FY 2028, 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, 2018 and 2017
(in thousands)

	FY 2018	FY 2017
Other Federal Bureaus and Agencies		
Department of the Treasury	$ 24,039,524	$ 28,299,490
Interior - Reclamation Fund	8,227,017	7,926,506
Other Federal Bureaus and Agencies	1,651,764	994,373
States and Others	11,732,159	9,905,054
Total Estimated Petroleum Royalties to be Distributed to Others	**$ 45,650,464**	**$ 47,125,423**

The above table presents an estimate of Federal oil and gas petroleum royalties to be distributed to others, based upon a historical percentage of distributions of royalties to others over the preceding twelve months.

Revenue Reported by Category FY 2018 and FY 2017
(in thousands)

	FY 2018			FY 2017		
(dollars in thousands)	Federal Offshore	Federal Onshore	Total	Federal Offshore	Federal Onshore	Total
Royalties from Oil & Lease Condensate	$ 3,887,985	$ 1,487,342	$ 5,375,327	$ 2,747,441	$ 931,531	$ 3,678,972
Accrual Adjustment - Oil & Lease Condensate	209,244	79,347	288,591	62,723	16,008	78,731
Royalties from Natural Gas	347,864	907,019	1,254,883	328,938	897,443	1,226,381
Accrual Adjustment - Natural Gas	18,583	48,669	67,252	5,323	16,222	21,545
Subtotal	$ 4,463,676	$ 2,522,377	$ 6,986,053	$ 3,144,425	$ 1,861,204	$ 5,005,629
Rent	$ 94,301	$ 35,202	$ 129,503	$ 99,116	$ 29,993	$ 129,109
Bonus Bid	235,612	277,692	513,304	301,809	321,288	623,097
Subtotal	$ 329,913	$ 312,894	$ 642,807	$ 400,925	$ 351,281	$ 752,206
Total	**$ 4,793,589**	**$ 2,835,271**	**$ 7,628,860**	**$ 3,545,350**	**$ 2,212,485**	**$ 5,757,835**

The above table of revenue reported by category presents royalty revenue reported to DOI in fiscal year 2017 and fiscal year 2018 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 in the financial statements for other commodities.

Rent is defined as annual payments, normally a fixed dollar 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 2018 and FY 2017
(in thousands)

Oil and Lease Condensate (Bbl)

Federal Offshore	FY 2018			FY 2017		
	Quantity	Average Purchase Price ($)[1]	Average Royalty Rate (%)	Quantity	Average Purchase Price ($)[1]	Average Royalty Rate (%)
Gulf of Mexico[2]	3,454,487	$ 65.44	12.94%	3,775,695	$ 47.15	12.96%
Pacific (including Alaska Federal OCS)	36,856	62.36	14.94%	246,710	42.36	14.56%
Subtotal Federal Offshore	3,491,343			4,022,405		
Federal Onshore						
East Coast (PADD 1)	10	$ 56.66	12.50%	14	$ 47.43	12.50%
Midwest (PADD 2)	500,717	62.15	11.89%	442,102	44.83	11.97%
Gulf Coast (PADD 3)	1,000,686	59.37	12.39%	931,246	45.99	12.35%
Rocky Mountain (PADD 4)	756,253	59.10	12.11%	743,442	44.35	12.04%
West Coast (PADD 5)	103,305	65.98	12.21%	161,185	45.56	11.63%
Subtotal Federal Onshore	2,360,971			2,277,988		
Total	**5,852,314**			**6,300,393**		

Natural Gas, Wet After Lease Separation (Mcf)

Federal Offshore	FY 2018			FY 2017		
	Quantity	Average Purchase Price ($)[1]	Average Royalty Rate (%)	Quantity	Average Purchase Price ($)[1]	Average Royalty Rate (%)
Gulf of Mexico[2]	5,357,617	$ 3.50	11.89%	5,720,583	$ 3.27	11.96%
Pacific (including Alaska Federal OCS)	12,725	4.02	13.00%	225,783	3.55	12.86%
Subtotal Federal Offshore	5,370,342			5,946,366		
Federal Onshore						
East Coast (PADD 1)	4,160	$ 2.84	12.61%	7,029	$ 2.63	12.31%
Midwest (PADD 2)	876,038	3.82	11.05%	1,042,551	3.18	10.42%
Gulf Coast (PADD 3)	9,067,823	3.13	10.86%	10,605,958	3.10	10.82%
Rocky Mountain (PADD 4)	27,567,695	2.82	10.15%	27,867,035	3.03	10.47%
West Coast (PADD 5)	313,004	4.94	12.38%	355,109	4.76	12.49%
Subtotal Federal Onshore	37,828,720			39,877,681		
Total	**43,199,062**			**45,824,047**		

The tables above provide the estimated quantity, regional average price, and regional average royalty rate by category of estimated Federal proved reserves at the end of FY 2018 and FY 2017. 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 and processing 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 of 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 860,632 Mbbl of proved oil reserves and 739,917 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 $5,377,295,062.

Federal Regional Oil and Gas Information
FY 2018 and FY 2017
(in thousands)

Oil and Lease Condensate Information - Offshore

	FY 2018				FY 2017			
	Sales Volume (Bbl)	Sales Value ($)	Royalty Revenue Earned ($)	Estimated Value for Royalty Relief ($)	Sales Volume (Bbl)	Sales Value ($)	Royalty Revenue Earned ($)	Estimated Value for Royalty Relief ($)
Gulf of Mexico	480,340	$ 29,814,721	$ 3,840,423	$ 976,356	452,455	$ 21,246,794	$ 2,713,510	$ 964,340
Pacific	5,672	334,905	47,562	-	6,315	264,069	33,931	-
Total	**486,012**	**$ 30,149,626**	**$ 3,887,985**	**$ 976,356**	**458,770**	**$ 21,510,863**	**$ 2,747,441**	**$ 964,340**

Natural Gas Information - Offshore

	FY 2018				FY 2017			
	Sales Volume (Mcf)	Sales Value ($)	Royalty Revenue Earned ($)	Estimated Value for Royalty Relief ($)	Sales Volume (Mcf)	Sales Value ($)	Royalty Revenue Earned ($)	Estimated Value for Royalty Relief ($)
Gulf of Mexico	855,880	$ 2,978,578	$ 346,673	$ 91,960	895,793	$ 2,915,978	$ 328,249	$ 149,014
Pacific	2,467	$9,689	$1,191	-	2,336	8,271	689	-
Total	**858,347**	**$ 2,988,267**	**$ 347,864**	**$ 91,960**	**898,129**	**$ 2,924,249**	**$ 328,938**	**$ 149,014**

Oil and Lease Condensate Information - Onshore

	FY 2018				FY 2017			
	Sales Volume (Bbl)	Sales Value ($)	Royalty Revenue Earned ($)	Estimated Value for Royalty Relief ($)	Sales Volume (Bbl)	Sales Value ($)	Royalty Revenue Earned ($)	Estimated Value for Royalty Relief ($)
East Coast (PADD 1)	1	$ 72	$ 9	$ -	1	$ 22	$ 3	$ -
Midwest (PADD 2)	27,989	1,668,977	196,238	-	28,131	1,242,262	145,798	-
Gulf Coast (PADD 3)	112,190	6,325,332	782,195	-	78,880	3,619,362	447,516	-
Rocky Mountain (PADD 4)	60,310	3,347,797	405,365	-	52,529	2,318,578	280,845	-
West Coast (PADD 5)	13,536	$ 847,835	$ 103,535	-	10,998	$ 491,432	57,369	-
Total	**214,026**	**$ 12,190,013**	**$1,487,342**	**$ -**	**170,539**	**$ 7,671,656**	**$ 931,531**	**$ -**

Natural Gas Information - Onshore

	FY 2018				FY 2017			
	Sales Volume (Mcf)	Sales Value ($)	Royalty Revenue Earned ($)	Estimated Value for Royalty Relief ($)	Sales Volume (Mcf)	Sales Value ($)	Royalty Revenue Earned ($)	Estimated Value for Royalty Relief ($)
East Coast (PADD 1)	313	$ 904	$ 114	$ -	289	$ 798	$ 99	$ -
Midwest (PADD 2)	85,237	316,090	34,974	-	74,660	230,356	24,085	-
Gulf Coast (PADD 3)	1,086,778	3,449,406	367,237	-	955,645	3,101,804	329,062	-
Rocky Mountain (PADD 4)	1,733,297	5,053,128	491,746	-	1,722,063	5,279,902	532,116	-
West Coast (PADD 5)	20,965	104,430	12,948	-	20,553	$96,614	12,081	-
Total	**2,926,590**	**$ 8,923,958**	**$ 907,019**	**$ -**	**2,773,210**	**$ 8,709,474**	**$ 897,443**	**$ -**

Federal Regional Oil and Gas Information (Continued)
(in thousands)

Oil and Lease Condensate Information - Offshore and Onshore

	FY 2018				FY 2017			
	Sales Volume (Bbl)	Sales Value ($)	Royalty Revenue Earned ($)	Estimated Value for Royalty Relief ($)	Sales Volume (Bbl)	Sales Value ($)	Royalty Revenue Earned ($)	Estimated Value for Royalty Relief ($)
Total	**700,038**	**$ 42,339,639**	**$ 5,375,327**	**$ 976,356**	**629,309**	**$ 29,182,519**	**$ 3,678,972**	**$ 964,340**

Natural Gas Information - Offshore and Onshore

	FY 2018				FY 2017			
	Sales Volume (Mcf)	Sales Value ($)	Royalty Revenue Earned ($)	Estimated Value for Royalty Relief ($)	Sales Volume (Mcf)	Sales Value ($)	Royalty Revenue Earned ($)	Estimated Value for Royalty Relief ($)
Total	**3,784,937**	**$ 11,912,225**	**$ 1,254,883**	**$ 91,960**	**3,671,339**	**$ 11,633,723**	**$ 1,226,381**	**$ 149,014**

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 2018 and FY 2017.

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

Based on BOEM's 2016 National Assessment of Undiscovered Oil and Gas Resources of the Nation's OCS, the remaining resource endowment of the Federal OCS, adjusted for cumulative production through September 2018, is estimated at 173 billion barrels of oil equivalent (BBOE). Of these resources,14 percent (25 BBOE) are discovered resources under lease in OCS areas currently available for leasing and/or development. The remaining 86 percent (148 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 148 BBOE of UTRR, 79 BBOE are located in Pacific, Atlantic, Alaska, and Eastern Gulf of Mexico OCS areas not included in the current 5-year OCS oil and gas leasing program.

In 2018, BLM estimates the remaining undiscovered resource endowment of Federal Onshore Mineral Estate to be 50 BBOE. Of these resources, 38 percent (19 BBOE) are currently available for leasing and/or development. The remaining 62 percent (31 BBOE) are 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 14 BBOE of UTRR that was at one time off limits to leasing and development due to an existing congressional legislative mandate. However, as part of the new Administration's "Making America Safe through Energy Independence" initiative, that would allow these lands to become available for development with necessary safeguards to protect the environment. In addition, the National 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) contain an estimated 7.0 BBOE. Lesser amounts, totaling about 1.2 BBOE, are contained within the Mancos Formation in Utah (PADD IV), the portion of the New Mexico Permian Basin in Texas and New Mexico, and the Eagle Ford Shale in Texas (PADD III). New 2018 industry discoveries within the Powder River Basin's Mowry and Niobrara Formations and the Turner Formation in Wyoming (PADD IV) are estimated to be 1.9 BBOE. However, only 40 percent or .76 BBOE of these resources are Federal and are currently available for leasing.

On March 26, 2015, the BLM published in the Federal Register a final rule entitled, "Oil and Gas; Hydraulic Fracturing on Federal and Indian Lands" 80 FR 16128 (2015 rule). The 2015 rule was intended to ensure that wells are properly constructed to protect water supplies, make certain that the fluids that flow back to the surface as a result of hydraulic fracturing operations are managed in an environmentally responsible way, and provide public disclosure of the chemicals used in hydraulic fracturing fluids. The rule was challenged in the District Court of Wyoming by two associations of oil and gas firms, and the States of Colorado, North Dakota, Utah and Wyoming. In March 2017, Executive Order (EO) 13783, entitled, *Promoting Energy Independence and Economic Growth* directed the Secretary of the Interior (Secretary) to review the 2015 rule along with a few others, for consistency with the policy set forth in section 1 of the Order. Based upon the EO and a subsequent order from the Secretary, BLM proposed to rescind the 2015 rule because BLM believes that it is unnecessarily duplicative of state and some Tribal regulations and imposes burdensome reporting requirements and other unjustified costs on the oil and gas industry. To that end, BLM published a newly proposed hydraulic fracturing rule on December 29, 2017 (2017 rule). This 2017 rule returns the affected sections of the Code of Federal Regulations (CFR) to the language that existed immediately before the published effective date of the 2015 rule. The newly proposed rule was challenged by the State of California on January 24, 2018, in a complaint in the United States District Court in Oakland, California. A few other organizations also filed similar suits against BLM. As a result, the 2017 rule was stayed by the Court and it is currently under litigation.

Additionally, much of the onshore Federal mineral acreage is scattered, or adjacent to mixed ownership, including split mineral estate. The Secretary of the Interior, through the MLA, 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 Corps 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 consent eventually to leasing, the remaining 2.04 BBOE of UTRR will remain off-limits to production.

Coal Royalties

Management of Federal Coal Resources

The DOI is responsible for managing the Nation's coal resources and revenues on Federal lands.

The BLM Federal coal leases contribute a large share of total domestic coal production and consumption. In FY 2017, coal resources accounted for 30 percent of the Nation's electricity generation; Federal lands currently supply approximately 42 percent of all U.S. coal production.

The ONRR is responsible for the management and collection of revenues associated with Federal coal leases. 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.

Stewardship Policies for Federal Coal Resources

The MLA, as amended, and the *Mineral Leasing Act for Acquired Lands of 1947*, as amended, gives DOI the responsibility for coal leasing on approximately 700 million acres of Federal mineral estate which includes 570 million acres where coal development is allowed. The surface estate of these lands may be under the control of BLM, USFS, private or State land owners, or other Federal Agencies. The DOI receives coal leasing revenues from a bonus paid at the time the lease is issued, an annual rent payment of $3.00 per acre, and royalties paid on the value of the coal after it has been mined. The royalty rate for surface-mining methods is 12 ½ percent or 8 percent for underground mining, and BLM can approve reduced royalty rates based on maximum economic recovery. Regulations that govern BLM's coal leasing program are contained in Title 43, Groups 3000 and 3400 of the Code of Federal Regulations.

Public lands are available for coal leasing after the lands have been evaluated through a multiple-use planning process. The land use planning process encompasses four steps: identification of coal with potential for development; determination if the lands are suitable for coal development; consideration of multiple use conflicts; and surface owner consultation. Leasing Federal coal resources is prohibited on some public lands, such as national parks, national wildlife refuges, or military reservations.

The Mineral Leasing Act, as amended by the Federal Coal Leasing Amendments Act of 1976 (FCLAA), requires that coal be leased competitively and that the government must receive a FMV for land leased for coal development. However, there are two exceptions to this requirement: (1) preference right lease applications where a lease may be issued on a noncompetitive basis to owners of pre-FCLAA prospecting permits that have established a reasonable prospect of developing a successful coal mine; and (2) modifications of existing leases where contiguous lands of as much as 960 acres are added noncompetitively to an existing lease at FMV. Competitive coal leasing can either be (1) regional leasing where DOI and BLM select tracts within a coal region for competitive sale or; (2) leasing by application where the public applies to lease a particular tract of coal for competitive sale.

Once BLM accepts an application for lease, the Agency begins an Environmental Analysis or Environmental Impact Statement. The BLM provides the analysis or statement for public comment and consults with other appropriate Federal Agencies, States, and Tribal Governments. A presale-FMV of the coal is then prepared by BLM which is used to evaluate the bids received during the competitive lease sale. The minimum acceptable bid must be at least $100 per acre. The winning bidder is required to reimburse BLM for all processing costs incurred by the Agency.

Once a lease is in place, Federal coal leasing laws and lease terms determine the Federal Government's share of production from coal leasing operations. Through royalty revenue collection and fund disbursement, ONRR achieves optimal value by ensuring that revenues from Federal coal leases are efficiently, effectively, and accurately collected, accounted for, and disbursed to recipients, including States and Treasury. The ONRR also performs revenue compliance activities to ensure the Federal Government has received FMV 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.

Schedule of Estimated Federal Coal Royalties
Asset Present Value as of September 30, 2018
(in thousands)

	Powder River Basin[1]	Colorado	Utah	All Other[2]	Total
Total Coal	$ 6,748,860	$ 775,021	$ 336,663	$ 923,241	$ 8,783,785

Schedule of Estimated Federal Coal Royalties
Asset Present Value as of September 30, 2017
(in thousands)

	Powder River Basin[1]	Colorado	Utah	All Other[2]	Total
Total Coal	$ 7,198,524	$ 836,684	$ 208,918	$ 730,272	$ 8,974,398

[1]Contains Federal Leases in Wyoming and Montana
[2]Contains Federal Leases in Wyoming and Montana not located in the Powder River Basin and all leases from the States of Alabama, Kentucky, Oklahoma, New Mexico, North Dakota, Washington and West Virginia.

The above tables present the estimated present value of future Federal royalty receipts on estimated recoverable reserves as of September 30, 2018 and September 30, 2017. The Federal Government's estimated coal royalties have as their basis BLM's estimates of recoverable reserves. The Federal recoverable reserves are then further adjusted to correspond with the effective date of the analysis and then are projected over time to simulate a schedule of when the reserves would be produced. Future royalties are then calculated by applying future price estimates and effective royalty rates, adjusted for transportation allowances and other allowable deductions. The present value of these royalties are then determined by discounting the revenue stream back to the effective date at a public discount rate assumed to be equal to OMB's estimates of future 30-Year Treasury Bill rates. The 30-year rate was chosen because this maturity life most closely approximates the productive lives of the recoverable reserves estimates.

Schedule of Estimated Federal Coal Royalties to be Distributed to Others as of September 30, 2018 and 2017 *(in thousands)*		
	FY 2018	FY 2017
Other Federal Bureaus and Agencies		
Department of the Treasury	$ 966,216	$ 987,184
Interior - Reclamation Fund	3,513,514	3,589,759
States and Others	**4,304,055**	**4,397,455**
Total Estimated Coal Royalties to be Distributed to Others	**$ 8,783,785**	**$ 8,974,398**

The above table presents an estimate of Federal coal royalties to be distributed to others, based on the percentage of distributions of coal royalties to others over the preceding 12 months.

Revenue Reported by Category FY 2018 and FY 2017 *(in thousands)*		
	Coal Totals FY 2018	Coal Totals FY 2017
Coal Royalties	$ 493,987	$ 555,283
Accrual Adjustment - Coal Royalties	(5,897)	6,687
Subtotal	**$ 488,090**	**$ 561,970**
Rent	1,220	1,151
Bonus Bid	33	22,869
Subtotal	$ 1,253	$ 24,020
Totals	**$ 489,343**	**$ 585,990**

The above table of revenue reported by category represents royalty revenue reported to ONRR in FY 2018 and FY 2017 for coal, as well as rent revenue and bonus bid revenue. The revenue accrual adjustments represent activity with no associated reported volumes, such as manual accruals, and include estimates.

Estimated Coal Royalties (Recoverable Reserves) End of FY 2018 and FY 2017 *(in thousands)*						
	FY 2018			FY 2017		
Area	Quantity (in tons)	Average Purchase Price ($) per ton	Average Royalty Rate (%)	Quantity (in tons)	Average Purchase Price ($) per ton	Average Royalty Rate (%)
Other Federal Bureaus and Agencies						
Powder River Basin[1]	5,475,660	$ 12.15	12.41%	5,838,036	$ 12.54	12.25%
Colorado	435,008	36.25	5.94%	412,252	34.35	7.57%
Utah	172,389	31.97	5.86%	84,402	33.05	6.86%
All Other[2]	416,246	$ 40.01	7.57%	477,346	$ 29.67	6.76%
Total Federal	**6,499,303**			**6,812,036**		

[1]Contains Federal Leases in Wyoming and Montana

[2]Contains Federal Leases in Wyoming and Montana not located in the Powder River Basin and all leases from the States of Alabama, Kentucky, Oklahoma, New Mexico, North Dakota, Washington and West Virginia.

The table above provides the estimated quantity, average price, and average royalty rate by category of estimated Federal coal recoverable reserves at the end of FY 2018 and FY 2017. The prices and royalty rates are based on the average of the most recent 12 sales month's revenue collection activity, include estimates, exclude prior period adjustments, and are affected by such factors as accounting adjustments and transportation and processing 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.

Federal Area Coal Information FY 2018 and FY 2017 (in thousands)						
	FY 2018			FY 2017		
Area	Sales Volume (in tons)	Sales Value ($)	Royalty Revenue Earned ($)	Sales Volume (in tons)	Sales Value ($)	Royalty Revenue Earned ($)
Other Federal Bureaus and Agencies						
Powder River Basin[1]	271,154	$ 3,295,012	$ 408,876	291,781	$ 3,699,936	$ 452,610
Colorado	10,424	516,519	20,783	11,872	475,514	36,041
Utah	12,582	487,040	29,261	12,357	509,402	34,178
All Other[2]	11,788	464,741	35,067	14,953	472,391	32,454
Total Federal	305,948	$ 4,763,312	$ 493,987	330,963	$ 5,157,243	$ 555,283

[1]Contains Federal Leases in Wyoming and Montana

[2]Contains Federal Leases in Wyoming and Montana not located in the Powder River Basin and all leases from the States of Alabama, Kentucky, Oklahoma, New Mexico, North Dakota, Washington and West Virginia.

The above table of Federal coal sales information reflects reported sales volume, sales value, and royalty revenue for FY 2018 and FY 2017.

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.

The sales volume, sales value, and royalty revenue earned are presented on an area basis, and include adjustments and estimates. The information is presented on an area basis to provide users of the financial statements with area variances in coal activity for decision making purposes.

Other Significant Federal Coal Resources

In 2018, the BLM, in collaboration with the ONRR, estimated the remaining recoverable coal reserves on currently authorized Federal coal leases to be approximately 6.5 billion tons of coal. The recoverable coal reserves include all coal that is economically recoverable within areas that are suitable for mining. The recoverable coal reserves do not include coal that is within areas classified as being unsuitable for mining (such as under interstate highways, within alluvial valley floors, or within areas that are determined to be critical habitat for listed threatened or endangered plant or animal species), areas that are not economically minable, or coal that is required to not be mined in order to safeguard the life and safety of the miners.

Other Natural Resources

The DOI has other natural resources which are under Federal lease whereby the lessee is required to pay royalties on the sale of the natural resource. These natural resources include soda ash, potash (including muriates of potash and langbeinite phosphate), lead concentrate, copper concentrate, and zinc concentrate. Of these, soda ash and potash have the largest estimated present value of future royalties.

Soda ash is obtained from trona and sodium carbonate-rich brines. The world's largest deposit of trona is in the Green River Basin in Wyoming. There are smaller deposits of sodium carbonate mineral in California and Colorado. Underground room and pillar mining, using continuous miner machines, is the primary method of mining Wyoming trona ore. As of September 30, 2018, the estimated net present value of future royalties from trona from the Green River Basin is $828 million.

Potash is an alkaline potassium compound, especially potassium carbonate or hydroxide. Most of the mining of potash takes place in southeastern New Mexico. Underground room and pillar mining using continuous miner machines is the primary method of mining potash ore. As of September 30, 2018, the estimated net present value of future royalties from potash (including the muriates of potash and langbeinite phosphate) is $162 million.

Investment in Research and Development						*(dollars in thousands)*
Category	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**Total**
Basic Research	$ $86,000	$ 99,000	$ 99,000	$ 91,000	$ 92,000	$ 467,000
Applied Research	841,000	890,000	937,000	949,000	939,000	4,556,000
Developmental Research	141,000	145,000	174,000	188,000	204,000	852,000
Total	$ 1,068,000	$ 1,134,000	$ 1,210,000	$ 1,228,000	$ 1,235,000	$ 5,875,000

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 following are highlights of some of the research and development projects and their accomplishments:

The Technology Assessment Program (TAP)

The BSEE, through TAP, promotes the evaluation of emerging technologies, ranging from the drilling of oil and gas exploration wells in search of new reserves to the removal of platforms and related infrastructure once production operations have ceased, to assure approved permits continue to promote safe operations. As of September 30, 2018, BSEE has seven "active" ongoing TAP research projects. The following are examples of those projects:

Suitability of Source Control and Containment Equipment: The study is to provide a description of the Alaskan Arctic OCS meteorological/oceanography and operational conditions which, in the event of a loss-of-well-control situation, shall: preclude the safe deployment of source control and containment equipment; preclude the operator from safely drilling a relief well; allow one method, but preclude the other and; provide historical statistical analysis of the Alaska Arctic OCS drilling season, over the past five years, in which meteorological/ oceanography and operational conditions would support either or both methods.

Fatigue of Sea Ice Alaska Project: The overall goal of the research is to better predict fracture of the ice cover on the Arctic Ocean and of the effects on the safety of ships and offshore structures used in the exploration as well as harvesting of oil and gas from beneath the ocean. Through this research, a systematic series of experiments will be conducted to characterize and understand the fatigue of deformation.

The Oil Spill Response Research (OSRR) Program

Through the OSRR Program, BSEE continues to implement a comprehensive, long-term research program dedicated to improving oil spill response options for offshore environments, including the Arctic and deep water. Research activities are comprehensive and include: enhancing decision-making tools and strategies; improving the understanding of chemical dispersant use; advancing technologies for mechanical recovery of oil; improving the burning of crude oil on site; and progressing the remote sensing of oil spills to relay near real-time information such as spill location, spill characteristics, wind, and wave conditions.

Landsat 9
Landsat represents the world's longest continuously acquired collection of space-based moderate-resolution land remote sensing data. In 2018, the National Aeronautics and Space Administration/ USGS Landsat 9 Project Team successfully completed its Mission Critical Design Review, a major milestone that determines the final design for the entire mission and allows the program to remain on schedule for a FY 2021 launch to replace an older satellite which is running out of fuel. Landsat 9 has a higher imaging capacity than previous Landsat satellites, allowing for more valuable data to be added to the Landsat global land imaging archive for USGS, other Federal Agencies, and the public.

Energy Development and Wildlife
The USGS published scientific papers describing methods and providing new information for minimizing risks to energy development and wildlife, including the endangered California condor, golden eagles, bats, and other species susceptible to wind energy infrastructure development. The maps and risk assessment methods published can be used by resource managers and industry to identify project locations with low conflict to minimize wildlife interactions thereby reducing risk to energy project planning, development and infrastructure. Maps showing species richness can be generated for all States, and risk assessment methods can be applied to energy projects across the United States.

Fire Probability and Severity
The USGS scientists incorporated fire probability to forecast future impacts of changing climate conditions on vegetation in Texas, Oklahoma, and New Mexico. The results are presented in a new publication that is part of a larger effort to help resource managers in the region understand where on the landscape they can expect more frequent and less frequent fires as climate conditions change, and which areas may transition toward other ecosystem types as a result. The resulting fire probability and climate suitability maps can inform long-term planning for maintenance or restoration of these vegetation communities. In addition, USGS developed new methods to improve fire severity estimation with Landsat-based fire severity metrics using the Google Earth Engine platform, thereby improving efficiency in processing. With these new methods, the effects of fire severity can be better understood, thereby improving our ability to respond with management actions that could reduce erosion, increase water quality, and manage forest recovery.

The Quality of Our Nation's Water
The USGS released a report summarizing results of a 10-year national study conducted in six agricultural settings across the country to improve understanding of hydrologic processes and their influence on the fate of individual chemicals in the environment and overall water quality. Findings from the study are used by land and water resource managers at the Federal, State, and local levels to inform management decisions and to help set expectations for the protection and improvement of water quality.

Chemical Movement, Transport, and Toxicity
The USGS published scientific papers and data from ongoing efforts to quantify the geochemical processes controlling the movement, transformation, fate, and toxicity of chemicals associated with municipal, industrial, or residential wastewater and other sources of environmental contaminant plumes, such as spills or releases of chemical commodities (e.g., pesticides, solvents, and pharmaceuticals), by products of energy and mineral-related activities, erosion of natural earth materials, aging infrastructure and premise plumbing, as well as natural disasters that become sources of environmental contaminants. These studies provide new data to assist land and resource managers, municipalities, and the public health community balance mitigation, response, and other investments with quantifiable opportunities to reduce actual health hazards, while considering economic needs such as mining, energy production, or other natural resource activities.

Contaminant Exposures in Fish and Wildlife
The USGS published scientific papers and released associated data that document a range of new field and laboratory methods and approaches to enhance the understanding of environmental exposures of contaminants to fish and wildlife. The new methods include modeling and other non-invasive or biologically gentle approaches to minimize the impact on bird health while providing statistically robust data sets on contaminant exposures. These methods will inform understanding of contaminant-related health effects in fish and wildlife and will lead to the development of more robust data sets upon which land management decisions that consider fish and wildlife health can be based.

Critical Mineral Resources of the U.S.
The USGS Mineral Resources Program released a paper which presents resource and geologic

information on 23 mineral commodities currently viewed as important to the national economy and national security of the United States. The paper provides information on individual critical mineral commodities and includes an overview of current uses of the commodity; identified resources and their distribution globally; the potential for finding additional deposits globally; and geo-environmental issues that may be related to the production and uses of the commodity. This information summarizes the state-of-knowledge of minerals that may be critical to the national economy and national security at a given time.

National Petroleum Reserve-Alaska
The USGS Energy Resources Program released a resource assessment that estimates mean undiscovered, technically recoverable resources of 8.7 billion barrels of oil and 25 trillion cubic feet of natural gas in conventional accumulations in the National Petroleum Reserve-Alaska, adjacent State and Native lands, and State waters. A greater understanding of the resource potential within this area will benefit the State of Alaska, Native Tribes, and BLM as decisions are made regarding the future management of oil and gas resources within this area.

Kilauea Eruption Response
The USGS worked to support an effective, efficient Federal-State-local management of the ongoing Kilauea eruption crisis in Hawaii. The USGS delivered a range of information products generated by real-time monitoring, including live video feeds from Unmanned Aerial Systems. Additionally, Landsat has been recording the lava flows on the Big Island since the latest eruption began in 1983 and the missions are collecting imagery over Kilauea at every opportunity to support to emergency managers and responders to protect lives and property.

Characterizing Streamflow and Flood Inundation from Hurricane Harvey
The USGS published detailed flood information from Hurricane Harvey, including the magnitude of the flood, the probability of occurrence and the extent of the flood in Texas. Historic flooding occurred in August 2017 in Texas as a result of the rainfall produced by Hurricane Harvey causing billions of dollars in damages and loss of life. In response, the Federal Emergency Management Agency requested high-water marks, updated water-level records and Hurricane Harvey inundation maps for use by state and local resource managers. The data and records will assist officials in updating building codes; planning evacuation routes; creating floodplain management ordinances; and providing environmental assessments to become more flood-resilient.

Intelligent Network for Water to Save Lives and Livelihoods
In 2018, the USGS completed a geospatial framework of the Nation's stream reaches, catchment areas, and flow surfaces. This framework underpins a host of hydrography-based applications including flood modeling and prediction; chemical spill response; and public safety. This dataset provides more detail to enable complex water models to forecast flood inundation down to the neighborhood level. Federal, State, Tribal, and local water resource managers will benefit from using a single, scalable, water referencing system with robust functionalities.

Haywired Catastrophic Earthquake Scenario Released
The USGS released its fourth natural hazards disaster scenario called HayWired in FY 2018. The scenario details a magnitude 7.0 earthquake on the Hayward Fault that cuts through the highly urbanized San Francisco Bay Area. The HayWired scenario has detailed consequences of a major disaster from the geophysical source, to the secondary hazards, and physical, social and economic impacts should this even occur. The goal of this project is to innovate the application of science to reduce risk from natural hazards by creating a highly detailed natural hazards disaster scenario to prepare for earthquakes before they happen.

Post-wildfire Debris-flow Hazard Assessments
In 2018, USGS has delivered debris-flow hazard assessments for 31 wildfires. The assessments describe the potential and size of fast-moving landslides known as debris flows. The maps and geospatial data are used by Federal Burned Area Emergency Response teams and state and local emergency management as they prepare for flash flooding and debris. Findings will be used to improve debris flow hazard assessments and early warning products and communication.

Marine Minerals Program
The BOEM's research and development investment supports development of a National Offshore Sand Inventory and Marine Minerals Information System that is a central data repository of marine mineral data. The BOEM also invests in sediment resource evaluation efforts through cooperative agreements with coastal States to identify potential sand resource areas for use in beach nourishment and coastal restoration projects.

Engineering Design Standards for the Offshore Wind Energy Industry
In FY 2018, BOEM initiated a multiyear effort in association with the American Wind Energy

Association and the National Renewable Energy Laboratory to develop engineering design standards for the offshore wind energy industry that are unique to the U.S. offshore environmental conditions. Ongoing research efforts will add to stakeholder understanding of the necessary criteria for gathering meteorological, oceanographic and geological data to support program decisionmaking with regard to project development plans submitted by industry.

The West Nile Virus Threats Surveillance Project
The project is studying how rangeland water developments are impacting Greater Sage Grouse through the transmission of the West Nile virus. The BLM is working to determine how various management actions are impacting both the birds and their habitats. In particular, the project is looking at the prevalence of the virus, the distribution of mosquitos, the carriers of West Nile virus, in relation to water developments, and how water management is effecting these conditions. This information will improve water management throughout this area. It will also provide Agencies and private landowners an early warning of potential outbreaks.

Investment in Human Capital *(dollars in thousands)*						
Category	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Total
Educational Programs	$ 705,000	$ 807,000	$ 818,000	$ 855,000	$ 889,000	$ 4,074,000

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 BIE strives to provide quality education opportunities from early childhood through life in accordance with a Tribe's need for cultural and economic well-being. The School Operations Program provides basic education for Indian children in grades K-12 including funding for school staff, textbooks and general supplies at BIE operated and BIE funded schools.

The BIE funded 183 schools that serve on average 45,246 academic students per year of which 6,233 students were counted with disabilities. Some 4,830 students reside in boarding school residences and 1,338 students reside in peripheral dormitories. On average the graduation rate is 63.61 percent; 63.66 percent for students with disabilities.

The Post-Secondary Education Programs support grants and supplemental funds for 29 Tribal colleges and universities, 2 BIE operated universities, Haskell and Southwest Polytechnic Institute (SIPI), and 2 technical schools. The 33 colleges and universities serve on average 24,000 students and issue an average of 1,600 degrees and certificates each year.

The goals of the Early Child and Family Development Program is to support parents/primary caregivers in their role as their child's first and most influential teacher; to increase family literacy; and to strengthen family-school-community connections. This program serves, on average, 2,135 children and their families.

The Adult Education Program provides opportunities for adult Indians and Alaska Natives to obtain the General Equivalency Diploma (GED) or improve their employment skills and abilities. 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.

Additional programs such as the Special Higher Education Scholarship Program funded an average of 365 students and the Science Post Graduate Scholarship Program funds approximately 142 students.

Through BIE's focus on improving teachers' skills, teachers from various schools completed 322 Nation Board Certification components, with 28 individuals recognized as being National Board Certified teachers during the reporting period.

Investment in Non-Federal Physical Property						(dollars in thousands)
Category	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**Total**
Dams and Other Water Structures	$ 144,000	$ 172,000	$ 163,000	$ 190,000	$ 210,000	$ 879,000
Land	58,000	60,000	59,000	54,000	43,000	274,000
Roads and Bridges	2,000	3,000	1,000	1,000	1,000	8,000
Schools and Public Buildings	77,000	41,000	40,000	42,000	17,000	217,000
Ranges	10,000	9,000	4,000	7,000	18,000	48,000
Not Classified	12,000	19,000	39,000	24,000	2,000	96,000
Total	$ 303,000	$ 304,000	$ 306,000	$ 318,000	$ 291,000	$ 1,522,000

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 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 for Fiscal Year 2018

Report No.: 2018-ER-041 November 2018

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

NOV 07 2018

Memorandum

To: Secretary Zinke

From: Mary L. Kendall
Deputy Inspector General

Subject: Inspector General's Statement Summarizing the Major Management and Performance Challenges Facing the U.S. Department of the Interior
Report No. 2018-ER-041

In accordance with the Reports Consolidation Act of 2000, the Office of Inspector General (OIG) is submitting what it determined to be the most significant management and performance challenges facing the U.S. Department of the Interior (DOI), for inclusion in the DOI's *Agency Financial Report* for fiscal year 2018.

We met with DOI officials to gain their perspective on the challenge areas. These areas connect to the DOI's mission, involve large expenditures, require continuous management improvements, or involve significant fiduciary relationships.

If you have any questions, please do not hesitate to call me at 202-208-5745.

cc: David Bernhardt, Deputy Secretary, U.S. Department of the Interior
Scott Hommel, Chief of Staff, U.S. Department of the Interior
Katharine MacGregor, Deputy Chief of Staff, U.S. Department of the Interior
Susan Combs, Senior Advisor to the Secretary, U.S. Department of the Interior Exercising the Authority of Assistant Secretary for Policy, Management and Budget
Scott Cameron, Principal Deputy Assistant Secretary for Policy, Management and Budget
Grayford Payne, Acting Deputy Assistant Secretary, Budget, Finance, Performance, and Acquisition
Douglas Glenn, Director, Office of Financial Management
Teresa Hunter, Deputy Director, Office of Financial Management
Allen Lawrence, Division Chief, Internal Control and Audit Follow-Up, Office of Financial Management

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Introduction and Approach

In accordance with the Reports Consolidation Act of 2000, the Office of Inspector General (OIG) is reporting what it has determined to be the most significant management and performance challenges facing the U.S. Department of the Interior (DOI). By statute this report is required to be included in the DOI's *Agency Financial Report.*

The identified challenge areas reflect continuing vulnerabilities and emerging issues the DOI faces. Each area connects to the DOI's mission, includes large expenditures, requires continuous management improvements, or involves significant fiduciary relationships.

The OIG identified the top management and performance challenges for fiscal year (FY) 2018 as:

- Workplace culture and ethics
- Energy management
- Public safety and disaster response
- Information technology
- Water programs
- Responsibility to American Indians and Insular Areas
- Acquisition and financial assistance
- Climate effects
- Operational efficiencies

These nine challenges are the same as in last year's report and are not presented in order of priority. Some of the critical topics discussed span multiple challenge areas, serving as a reminder of the complex nature of the DOI's mission.

This report is based on specific OIG and U.S. Government Accountability Office (GAO) reviews and other reports, as well as our general knowledge of the DOI's programs and operations. Our analysis generally considers the accomplishments that the DOI reported as of September 30, 2018.

We met with DOI officials to gain their perspective on the challenge areas. We received significant input from the Bureau of Indian Affairs (BIA)/Bureau of

Indian Education (BIE), Bureau of Land Management (BLM), Bureau of Ocean Energy Management (BOEM), Bureau of Reclamation (BOR), Bureau of Safety and Environmental Enforcement (BSEE), National Park Service (NPS), Office of Surface Mining Reclamation and Enforcement (OSMRE), U.S. Fish and Wildlife Service (FWS), U.S. Geological Survey (USGS), Office of Insular Affairs (OIA), and Office of the Chief Information Officer (OCIO). We also provided a draft copy of our views to DOI officials and considered all comments received when finalizing this report.

In addition, we reviewed the GAO's list of Federal programs and operations at high risk for waste, fraud, abuse, and mismanagement or in need of broad-based transformation (updated every 2 years; see http://www.gao.gov/highrisk/overview). The GAO's High-Risk List for 2017 identifies issues in four of our challenge areas—energy management, information technology, responsibility to American Indians and Insular Areas, and climate effects—as well as in strategic human capital management, which have impacts across multiple challenge areas.

Workplace Culture and Ethics

Promoting and maintaining an ethical workplace culture that is free of harassment is a continued management challenge at the DOI. We included this challenge area in our Major Management Challenges Report for the first time last year, after identifying instances of unethical behavior and other misconduct over several years. Despite heightened efforts to improve the DOI's workplace culture and ethics, resistance to change remains.

We have identified instances in which DOI employees have engaged in unethical or illegal conduct, as well as other behavior that negatively affects workplace culture.[1] These violations have included inappropriate conduct or sexual harassment, insufficient actions in response to reports of sexual harassment, the acceptance of gifts from outside sources, conflicts of interest (including the use of public office for private gain), and the misuse of Government resources.

Many factors affect workplace culture, including leadership behavior and employee perceptions. The Merit Systems Protection Board acknowledges that leaders' words and actions greatly influence agency culture and can shape employees' perceptions of what is, and what is not, appropriate behavior. For example, although we did not find violations of law or regulation, we found that the DOI's 2017 reassignment of senior executives resulted in the perception by most of the affected executives that the reassignments were for political or punitive reasons or were related to their proximity to retirement.

[1] Reports include (1) DOI OIG Report No. 18-0562, *Investigation of Alleged Inappropriate Conduct by NPS Deputy Director,* May 2018, (2) DOI OIG Report, *BIA Manager Allegedly Sexually Harassed Three Subordinate Employees,* January 2018, (3) DOI OIG Report, *Insufficient Actions by BIA Management and Human Resource Officials in Response to Sexual Harassment Reports,* September 2017, (4) DOI OIG Report No. 16-0647, *Violations by Former Acadia National Park Senior Official,* June 2018, (5) DOI OIG Report No. 17-0356, *Founded Allegations of Misconduct by NPS Senior Manager and Subordinate,* March 2018, and (6) DOI OIG Report, *NPS Senior Official Created the Appearance of Using His Public Office for Private Gain,* January 2018.

Results from a Departmentwide work environment survey, conducted between January 2017 and March 2017, showed 35 percent of respondents reported being harassed or discriminated against in the past 12 months. The OIG has also seen an increase in reporting of complaints over the past 3 years, including those containing allegations of sexual harassment and assault (see Figure 1). We cannot conclude that the increase in these complaints is tied to an increase in the behavior; it may be that with changes in workplace culture more employees are willing to come forward to report their experiences than in the past. Regardless of the cause, the increase in reported complaints shows that maintaining a professional and productive work environment and improving workplace culture are continuing challenges for the DOI.

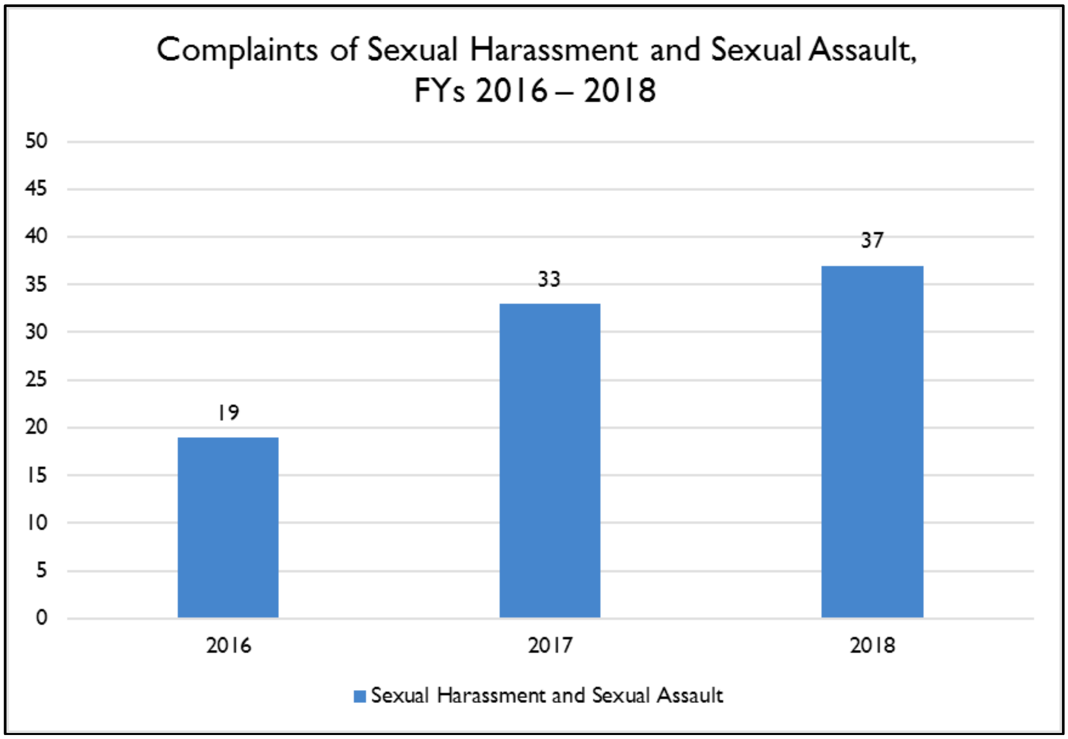

Figure 1. Complaints containing allegations of sexual harassment and sexual assault reported to the OIG, FYs 2016 – 2018.

In addition, over the past 3 years, the OIG has seen an increase in reporting of complaints containing allegations of several other types of employee misconduct[2] (see Figure 2). Again, we cannot conclude that the increase in these complaints is tied to an increase in the behavior, but regardless of the cause, the increase in reported complaints shows that employee misconduct is a continuing challenge for the DOI.

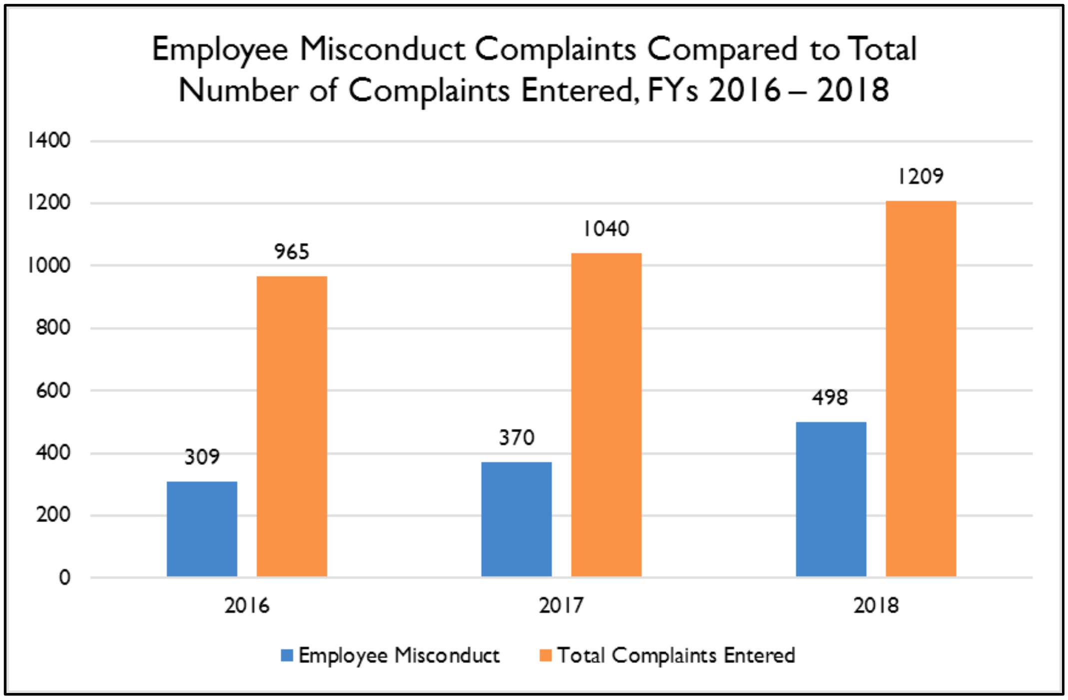

Figure 2. Complaints containing allegations of employee misconduct reported to the OIG, compared to total complaints reported, FYs 2016 – 2018.

The DOI has taken action to combat ethics violations and other misconduct and to create an environment in which employees feel more comfortable reporting instances of misconduct. After recognizing the struggle to provide employees with needed support and education at current staffing levels, the DOI has committed to investing in recruitment and retention of more ethics officials. For example, the NPS noted that after having no permanent, full-time ethics staff for several months, it now plans to establish an ethics program with 35 full-time employees and will begin the process of advertising and filling those positions in fall/winter 2018. The FWS is recruiting to fill several ethics specialist positions, as well as finalizing the creation of minimum discipline requirements for allegations that are substantiated.

[2] In the OIG case management system, other types of misconduct include: bribery/kickbacks, ethical violations, law enforcement/security (not misconduct), malfeasance/misfeasance, misuse of Government equipment (non-computer-related), other crime (nonfinancial), PAS/SES misconduct, public corruption, and scientific misconduct.

The DOI has also noted that additional employees alone will not create permanent and real change and has focused on building its ethics programs. The Deputy Secretary directed each bureau to develop an action plan to address its harassment-related issues and finalized a new, comprehensive anti-harassment policy for the DOI. Bureaus have completed several steps to implement their action plans, including:

- The NPS' implementation of a harassment complaint and resolution tracking system, as well as hiring a new deputy ethics counselor

- The BLM's establishment of an ombudsman program to encourage collaboration and coordination among all BLM employees

- The BOEM's engagement of an external vendor to assist in developing best practices for an anti-harassment program

Bureaus also have identified specific challenges they face. The NPS has identified conducting timely and effective investigations as a continuing challenge because contract investigators are not always readily available and sometimes do not provide useful reports. Staffing ethics offices also continues to test the DOI's ability to find and hire qualified personnel to fill all authorized positions. Limitations in ethics staffing may delay the nomination of presidentially appointed, Senate-confirmed (PAS) positions, specifically the ethics officials' capacity to review a nominee's financial disclosure report and ethics agreement. The BSEE anticipates that it may see a rise in Equal Employment Opportunity complaints because of the new anti-harassment policy, which may necessitate a reallocation of staffing resources.

Energy Management

As Federal energy leases continue to increase, resulting in more than $7 billion dollars in revenues in 2017, the DOI plays a critical role in domestic energy production, as emphasized in the Administration's energy policy. As the steward of Federal energy resources and tasked with both protecting and promoting their development, the DOI is continually faced with management challenges unique to its dual role.

The DOI faces a complex environment as it ensures energy development in a safe, efficient, and sustainable manner. Among the challenges identified by OIG products and DOI officials are (1) energy and mineral-related liabilities, (2) barriers to expanding energy development, and (3) tribal energy development and management.

Energy and Mineral-Related Liabilities

As the development of offshore energy continues to grow, the amount of equipment—in the form of production platforms and pipelines—also increases. When the responsible parties for this equipment become bankrupt, often the responsibility for decommissioning this equipment falls to the Federal Government. The BOEM estimates that $33 billion in decommissioning liabilities remains in the Gulf of Mexico Region (GOMR). Lower oil prices continue to increase the risk of operator bankruptcy and the amount of these unfunded liabilities and both the BOEM and the BSEE have identified these as a significant concern. The GAO has identified that the existing financial risk framework for decommissioning is not adequate to address existing and potential liabilities.

The challenge of unfunded reclamation is not limited to offshore areas. The BLM continues to hold inventories of tens of thousands of abandoned mines on Federal lands. And in a recent evaluation, we found that the BLM has difficulties identifying, tracking, and decreasing the number of idle oil and gas wells (often the precursor to orphaned wells) on BLM-managed property, as the identified number has increased from 2013 to 2016.[3]

Barriers to Expanding Energy Development

The draft proposal the DOI issued for the 2019 – 2024 National Outer Continental Shelf (OCS) Oil and Gas Leasing Program potentially opens up vast new areas for energy development. This expansion would also be accompanied by a significant increase in pre-lease sale activities (stakeholder outreach and a variety of environmental reviews) and permitting and inspection requirements. The DOI reported that it has begun preliminary budgetary planning, but this constitutes a significant increase in administrative burdens.

[3] DOI OIG Report No. 2016-EAU-061, *Bureau of Land Management's Idle Well Program,* January 2018.

Expanding offshore renewable energy development has also resulted in increased administrative difficulties for the DOI, as the regulatory roles between the DOI, the U.S. Coast Guard, and the Occupational Safety and Health Administration need to be clarified. In addition, some State and local officials objected to the installation of offshore wind farms, claiming that the installations would interrupt ocean views and hurt tourism.

Offshore management challenges include the increasing demands on inspectors. The BSEE released Bureau Interim Directive No. 2018-033G, establishing a risk-based inspection program for the GOMR, to address ongoing concerns about risk assessment, resource allocation, and unclear inspection protocols that we and the GAO have identified several times in the past decade. The BSEE will need to continue to monitor the program and make identified improvements to address these longstanding concerns. Onshore, fluctuating energy markets make it difficult for the BLM to anticipate staffing and administrative requirements, necessitating a flexible management approach.

Often cited by industry as a barrier to development, the implementation of the National Environmental Policy Act (NEPA), and specifically the timeliness of NEPA reviews, has been a challenge for the DOI. The recently issued Secretarial Order No. 3355 (issued August 2017) tasked the DOI with improving the processing times for NEPA reviews. Some bureaus report that they will face challenges to meet the newly implemented review deadlines, including shifting workload, developing new guidance, retraining contractors and stakeholders on new processes and requirements, potential court challenges, and reconciliation with individual State requirements. A waiver process is available for unusually complex NEPA reviews. Agency officials anticipate that when the secretarial order is fully implemented it will result in a more streamlined NEPA process with fewer delays.

The processing of applications for permit to drill (APDs) as required by the BLM poses another challenge for onshore energy development. Although the BLM announced that reviews of APDs currently average 46 days, it still faced a backlog of 2,500 APDs as of 2017. Continuous improvements, including online submission of APDs, are needed to ensure a timely and accurate review process.

Tribal Energy Development and Management

Indian Country energy resources hold significant potential for development but tend to be underdeveloped relative to surrounding non-Indian resources. The multiple reasons include insufficient administrative support and potentially lengthy and costly energy development review and approval processes. BIA officials informed the GAO that the Bureau does not have the resources to implement a comprehensive workforce plan to ensure it has staff in place to meet the needs of the recently created Indian Energy Service Center.

The new NEPA review deadlines are also particularly challenging for reviews on tribal lands. According to the BIA, since litigation nearly always follows proposed tribal projects that affect the environment, the proper legal process must be followed. In some cases, the BIA voiced concerns that a complete examination of the potential impacts of a tribal project may require more time and pages than are allowed under the secretarial order, and in those cases, reducing the time spent completing the document or its length simply to meet the parameters of the secretarial order may place the BIA at risk.

For environmental impact statements started before the secretarial order was issued, bureaus report that the page and time limitations pose a particular challenge to already-established schedules and processes. For example, contractors require additional funding for accelerated reviews. Meeting shorter review deadlines also requires increased agency staffing levels or overtime for employees. The DOI must make greater efforts to ensure that tribal energy development remains a competitive and safe option.

Public Safety and Disaster Response

The DOI is responsible for the safety of more than 70,000 employees, as well as members of the public who visit or live near the more than 500 million acres of DOI-managed lands. The DOI upholds this responsibility through law enforcement, security, and emergency management, and performs a variety of emergency preparedness and continuity of operations exercises and activities. Ensuring employee and public safety is complex and requires the resources of multiple bureaus and offices.

Among the challenges identified by OIG products and DOI officials are (1) safety and security on public lands, (2) infrastructure, and (3) disaster response preparedness and management.

Safety and Security on Public Lands

The DOI responds to a wide range of threats, such as disasters, acts of terrorism, violence, vandalism, and incidents involving missing persons or visitor contact with wild animals. To ensure preparedness, the DOI must (1) evaluate and effectively manage physical security risks and incident response operations, (2) ensure adequate levels of response and support capacity, and (3) be prepared to meet the demands of a complex security environment, including multiple and simultaneous life-threatening incidents.

Challenges to safety and security include the following:

- Natural and manmade disasters, whose unpredictability poses risks and consequences to responders, communities, and assets such as water supplies and infrastructure.

- Smuggling-related activities along the Southwest border raise public safety and health concerns and cause environmental damage.

- Illegal marijuana cultivation on public lands destroys native vegetation, contaminates waterways with fertilizers and pesticides, and pollutes sites with trash.

- Arson and dumping of hazardous materials both require containment and threaten personal safety, natural resources, and infrastructure.

These events challenge the DOI to manage risk, promote safety and security, and accommodate increased demands on its budget and staffing.

In addition, according to the USGS, the DOI's ability to warn the public and emergency managers promptly about volcanic activity and eruptions and potential earthquakes is hindered due to (1) delayed installation of volcano monitoring equipment on U.S. Forest Service-administered wilderness areas in the Pacific Northwest and (2) delayed building or upgrading of the monitoring stations required for the USGS' earthquake early warning system on the West Coast. To address these delays, the USGS recommends improvements in the permitting process for equipment installation, including giving the volcano monitoring sites explicit legal recognition by designating them as necessary for public safety consistent with Wilderness Act provisions.

Addressing these critical issues requires an integrated approach through Federal, State, tribal, and local law enforcement partnerships. Collaboration among these agencies can be difficult due to differences in individual agency missions, resources, expertise, and preparedness.

Infrastructure Challenges to Safety and Services

The DOI manages an infrastructure asset portfolio valued at more than $300 billion, including buildings (such as visitor centers, park lodges, and housing units), roads, bridges, trails, and water and power systems, among other assets. Decline or failure in these infrastructure assets can affect health and safety, and limit access to public lands and resources.

Infrastructure assets have a finite lifespan, due to factors such as material longevity, weather, use, and design. In addition, the growing number of visitors at many parks in recent years means more wear and tear on infrastructure that is often already showing signs of deterioration. Because maintenance funding has not kept up with the needs, many aging facilities and other structures require repair and restoration to mitigate risks to public health and safety.

The DOI's deferred maintenance backlog[4] had grown to about $16 billion according to its FY 2019 Budget in Brief. Addressing this backlog is among the DOI's most challenging issues related to safety and services. As one example, park facilities face a variety of maintenance needs, from roads and buildings to trails, water systems, docks, parking lots, and more. The NPS estimates that 40 percent of its nearly 10,000 miles of roads are in poor to fair condition and that it has more than $270 million in deferred maintenance for the 1,887 wastewater systems it manages across the park system. As another example, the BIA estimates that 85 percent of tribal roads are in poor condition, which delays response times for public safety services. The unacceptable road conditions, combined with the roads being mostly rural, increase the need for consistent use of interagency and use agreements to cultivate greater cooperation and ensure compliance with governing regulations among bureaus and State and local agencies.

[4] Deferred maintenance is maintenance that was not performed when it should have been and that has been delayed or postponed until funding becomes available.

Disaster Response Preparedness and Management

The DOI responds to a wide range of disasters and their aftermaths, including earthquakes, floods, hurricanes, volcanic eruptions, and wildfires. Regardless of type or cause, the increase in frequency and severity of environmental and natural disasters creates a challenge for effective emergency response.

Recently, the State of California experienced the largest wildfire in its history and the State of Hawaii suffered extensive damage after volcanic eruption, seismic activity, and hurricane-related flooding. Disasters such as these have occurred across the country in recent years and have increased in both severity and frequency, and the DOI's response resources (including funding, training, and personnel) have been stretched thin as a result. This is especially true when disasters occur in short succession, with little time to recover between events.

The DOI faces difficulty in planning and preparing for environmental and natural disasters because each emergency presents its own unique characteristics and has the potential to grow rapidly in size, scope, or complexity. Ensuring review of previous disaster responses and analyzing both efficacy and outcomes will help the DOI prepare for future response activities.

Because effective disaster and emergency response often requires the exchange of personnel, equipment, supplies, services, and funds among Federal, State, local, and tribal entities, cross-sector collaboration is critical. Such collaboration, however, can be difficult due to cultural differences, misaligned incentives and missions, time pressures, and legal constraints.

Information Technology

For decades the DOI has struggled to implement an IT governance approach that establishes effective authority and oversight.

Among the challenges identified by OIG products and DOI officials are (1) anticipated late adoption of minimum security standards, (2) risks to DOI programs from delays in implementing an incident response program, (3) threats to DOI systems and employees, and (4) management of IT acquisitions.

Anticipated Late Adoption of Minimum Security Standards

The National Institute of Standards and Technology (NIST) develops the minimum security standards for Federal information systems. Federal agencies are required to fully comply with new security standards within 1 year from the date of publication. NIST anticipates publishing the final version of the next revision to the standards in December 2018. This new version will contain an updated catalog of security and privacy controls to protect Federal information systems from a diverse set of threats.

The current version of the security standards was released by NIST in 2013, but the DOI did not fully adopt them until 2016. Since release of those standards, technology has become increasingly complex, with security and privacy continuing to be key areas of national importance. The OCIO has indicated that adoption of the new standards to be issued in December will once again be delayed and that it will take at least 18 months to fully implement the new requirements. Another delay in adoption of new standards will cause the DOI to fail to comply with Federal policy and prevent the DOI from meeting the minimum security requirements for its information systems.

Risks to DOI Programs From Delays in Implementing an Incident Response Program

The FY 2017 independent evaluation of DOI information security programs and practices required under the Federal Information Security Modernization Act found the DOI's incident response program to be ineffective at detecting, responding to, and limiting the consequences of cyber attacks against its systems. In addition, a March 2018 OIG evaluation determined that the OCIO had not fully implemented the capabilities recommended by NIST in its incident detection and response program and made 23 recommendations for program improvement.

The OCIO's corrective action plan to address 6 of the 23 recommendations relies on the implementation of security tools and integration services that the U.S. Department of Homeland Security (DHS) will share with other Government agencies under the Continuous Diagnostics and Mitigation (CDM) program. The DHS' deployment of these tools and capabilities has been delayed and is likely to continue to experience delays. The OCIO indicated in its plan that these six recommendations will not be addressed until 2023 (the others will be addressed between 2018 and 2021). While the DOI awaits implementation by the DHS, it has accepted the risks posed to DOI programs and systems.

Threats to DOI Systems and Employees

According to Symantec (a cybersecurity software and services company), from 2015 to 2017 the United States was the country most affected by targeted cyber attacks.[5] Symantec noted that in recent years, attackers have exhibited a growing interest in critical infrastructure and disruptive attacks that can give them the ability to sabotage critical systems. The DHS reported that since March 2016, threat actors have targeted Government entities as well as the energy, water, aviation, nuclear, and critical manufacturing sectors and have leveraged their capabilities to compromise victims' networks.[6] The DOI owns critical systems—such as the industrial control systems used by the BOR to control our Nation's dams and power plants—whose compromise could affect national security.

Social engineering attacks such as spear-phishing[7] are increasingly being chosen over technical exploits to gain a foothold into Government networks. Over several months in 2017, Government employees were targeted with spear-phishing emails to their Government and personal email addresses, putting Government networks and information at risk. A November 2016 OIG investigation determined that over the course of 2 weeks more than 1,500 DOI employees received a phishing email, resulting in approximately 100 compromised DOI employee credentials. In July 2018, numerous DOI employees were targeted by a phishing attempt using a password known to the employees and seeking a Bitcoin (electronic currency) payment. Threats to Government systems are on the rise, and defending from, detecting, and responding to system compromise from IT security threats will continue to present a challenge to the DOI.

Management of IT Acquisitions

The Federal IT Acquisition Reform Act (FITARA) was enacted in 2014 to improve agencies' IT acquisition processes and to enable Congress to hold agencies accountable for reducing duplication and achieving costs savings. FITARA strengthened agency CIO authority and oversight by requiring CIOs to review and approve IT acquisitions. In June 2015, the Office of Management and Budget (OMB) released guidance describing how agencies should implement FITARA.

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[5] Symantec, *2018 Internet Security Threat Report,* March 2018.
[6] DHS National Cybersecurity and Communications Integration Center, Technical Alert No. TA18-074A, *Russian Government Cyber Activity Targeting Energy and Other Critical Infrastructure Sectors,* March 2018.
[7] Spear-phishing is a type of phishing that targets specific individuals or groups within an organization. Phishing is a malicious practice that uses emails, social media, instant messaging, and other platforms to get users to provide sensitive information or to perform actions that cause network compromise, data loss, or financial loss.

In a January 2018 report, the GAO found that the DOI has not properly identified for review and approval $292 million of its spending on IT.[8] In 2018, the DOI issued two policies that address recommendations the GAO made and that require CIO review and approval of IT acquisitions. The GAO noted that until these policies are fully implemented, the CIO may not know about all IT obligations and will not have the ability to provide effective oversight.

[8] GAO Report No. GAO-18-42, *Information Technology: Agencies Need To Involve Chief Information Officers in Reviewing Billions of Dollars in Acquisitions,* January 2018.

Water Programs

Water managers face significant challenges in meeting current and future water demands. As the largest wholesaler of water in the country, the BOR must reconcile competing demands among and within agricultural, municipal, industrial, tribal, rural, ecological, power-generating, and recreational uses of water. OIG findings in water programs have centered on insufficient oversight of Government-funded projects.

Among the challenges identified by OIG products and DOI officials are (1) water management and pricing, (2) investment in water infrastructure, and (3) dam safety.

Water Management and Pricing

As drought persists in the West in varying degrees, the BOR continues to face challenges in water management. The BOR has to manage multiple factors that affect water management and use, both short- and long-term: its water funding, its authority to enter into financial agreements to manage or deliver water, its tools and infrastructure, and its investments in drought contingency planning, water conservation, and other collaborative efforts with customers, partners, States, tribes, and other stakeholders.

In addition to water management, the BOR is challenged to receive fair value for its hydroelectric power generation. The BOR has acknowledged that its power generation prices do not reflect the true value of that power for maintaining the stability of the Western power grid. Drought and alternative-power market prices can affect the value of BOR hydropower, particularly within California's Central Valley Project, which supplies water to 3 million acres of farmland (a third of all farmland in the State) and drinking water to more than 2.5 million people, as well as meeting the electricity needs of 416,000 customers.

Investment in Water Infrastructure

Events such as the discovery of lead in drinking water in Flint, MI, and the overflow and damage to the spillway at the Oroville Dam in California drew attention to the condition of the Nation's water supply and infrastructure.

The high cost of replacing or upgrading water systems is a significant challenge. The BOR estimates major rehabilitation and replacement requirements for its buildings and structures will cost several billion dollars. In addition, the BOR is committed to completing new capital projects (including storage, rural water projects, and wastewater recycling and reuse projects). Per the BOR, these obligations cannot be met in a timely manner without exploring alternative financing opportunities within and outside the DOI, such as loan guarantee programs and public-private partnerships.

The BOR also invests in water infrastructure in Western States through financial assistance awards such as grants and cooperative agreements via its WaterSMART (Sustain and Manage America's Resources for Tomorrow) programs, which included appropriations of $80.5 million in FY 2017. Through these WaterSMART programs—such as the Title XVI and Basin Studies Programs—the BOR partners with State and local governments to identify, investigate, and fund drinking water and wastewater infrastructure opportunities such as water reclamation and reuse, as well as strategies to address imbalances in water supply and demand. The BOR must oversee the many partners within these programs to ensure funds are being used correctly.

The GAO has reported that water infrastructure issues disproportionately affect Indian Country.[9] For example, nearly all settlements of Indian water rights claims require significant investment to enable the settled right to water (on paper) to become actual water delivered to meet municipal, industrial, agricultural, and other purposes on tribal lands. As the responsible bureau, the BOR must transparently and efficiently use its discretionary appropriations to settle these claims without overstraining its budget. In addition, the BIA must address long-term staffing shortages to implement the Indian water rights settlements, train BIA and tribal staff, and put in place succession plans for long-term staffing.

Dam Safety

Effectively managing the BOR's 492 dams will challenge the DOI for the coming years.

Nearly 90 percent of BOR dams are more than 50 years old and technologically outdated. Investment is needed for rehabilitation or replacement, as well as for evaluation and monitoring to ensure dam safety. Dams must be upgraded or rehabilitated due to deterioration, changing technical standards, increases in downstream populations, and changing land use.

The BOR has 242 facilities with dams or dikes that are classified as high- or significant-hazard potential within its inventory. The Federal Emergency Management Agency (FEMA) assigns a "significant hazard potential" classification to dams where failure or mis-operation results in no probable loss of human life but can cause economic loss, environmental damage, disruption of lifeline facilities, or other significant impacts. Dams assigned the "high hazard" classification are those whose failure or mis-operation will probably cause loss of human life.

The BOR has identified 17 facilities that require modifications to reduce risk to nearby communities, at a cost of approximately $1.5 billion. Further, the BOR estimates an additional 6 to 10 dams will require safety improvements within the

[9] GAO Report No. GAO-18-309, *Drinking Water and Wastewater Infrastructure: Opportunities Exist To Enhance Federal Agency Needs Assessment and Coordination on Tribal Projects,* May 2018.

next 3 to 4 years, but it has not yet developed a cost estimate for the safety modifications for these dams.

Responsibility to American Indians and Insular Areas

Through the BIA and the BIE, the DOI provides services to 573 federally recognized tribes with a population of about 1.9 million American Indians and Alaska Natives. The DOI has trust responsibilities for 55 million surface acres and 57 million acres of subsurface mineral estates and provides education services to 45,246 Indian students in 183 schools and dormitories.

The DOI also coordinates Federal policy and administers Federal financial assistance to Insular Areas, which comprise the U.S. territories of American Samoa, the Commonwealth of the Northern Mariana Islands, Guam, and the U.S. Virgin Islands and three Freely Associated States,[10] namely the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau.

The GAO added management of Federal programs that serve American Indian tribes and their members to its High-Risk List for 2017.[11] Since then, the GAO has noted that the Office of the Assistant Secretary – Indian Affairs, the BIE, and the BIA have made varying levels of progress in meeting the criteria for removal from the list, but need additional improvement to fully address management weaknesses, particularly in the areas of leadership commitment and capacity.

Among the challenges identified by OIG products and DOI officials are (1) administration of the Land Buy-Back Program, (2) management of Indian Country schools, and (3) persistent problems facing the Insular Areas.

Administration of the Land Buy-Back Program

Fractionation[12] affects much of the land across Indian Country. As lands are inherited through generations, they gain more owners. Many tracts now have hundreds and even thousands of individual owners, creating an overly complicated land ownership status. Without clear ownership, many highly fractionated tracts are unoccupied and unusable for agricultural, recreational, cultural, commercial, or even residential purposes. The DOI's Land Buy-Back Program consolidates fractional land interests from willing sellers and restores the

[10] The United States has a "compact of free association" with these Pacific island nations, establishing a relationship between their respective governments. Each island government is recognized as a sovereign, self-governing state, and the United States provides economic and development assistance and military defense.
[11] GAO Report No. GAO-17-317, *High Risk Series: Progress on Many High-Risk Areas, While Substantial Efforts Needed on Others,* February 2017.
[12] "Fractionation" refers to divided ownership of Indian lands and is the result of land parcels passing to numerous heirs over generations. The Land Buy-Back Program implements the land consolidation component of the *Cobell* v. *Salazar* settlement, which provided $1.9 billion to consolidate fractionated land interests across Indian Country within a 10-year period, which ends in November 2022.

consolidated land to tribal trust ownership. The funding and time limits established for the program, set to expire in 2022, continue to challenge the DOI to consolidate all fractional interests across Indian Country.

The BIA described three specific challenges in its administration of the Land Buy-Back Program. First, the BIA must maximize the remaining program dollars. Current policy, established in July 2017, calls for the BIA to achieve the greatest reduction in fractional interests without considering the land's revenue-generating potential. Conversely, the BIA has advocated expanding the focus of land consolidation to include larger revenue-producing interests at highly fractionated reservations that would enable tribes to reinvest the revenue and thus continue to consolidate fractional interests (and elevate tribal sovereignty) long after the Land Buy-Back Program ends. Although the larger interests may have more owners and therefore cost more, if they are not acquired through the Land Buy-Back Program or by tribes using their own resources, many will continue to fractionate. Investing more now by acquiring select larger interests at highly fractionated locations will provide greater benefit in the future, but runs counter to current policy.

Second, the BIA indicated difficulties in its adoption of DOI-wide automated business practices. The DOI made an administrative decision to automate the review and approval of land conveyances, which could facilitate tribal purchase offers and transmittal of documents such as appraisals. Some tribes remain unaware that the BIA is now electronically managing and storing the land deeds for the Land Buy-Back Program. Tribes need to consult the BIA to have their deeds provided to them. The BIA must work to ensure that tribes are aware of how and where they can access land ownership documents.

Third, the BIA reported that it has more than 25,000 estate cases that need to be probated and assets distributed. While their cases are pending, the heirs are unable to participate in the Land Buy-Back Program, which limits the program's ability to consolidate those lands before its expiration.

The BIA must overcome the administrative obstacles for the Land Buy-Back Program to ensure it spends remaining funds in the most effective manner possible.

Management of Indian Country Schools

Weaknesses in the management of Indian Country schools by the BIA and the BIE have resulted in aging school infrastructure, limited broadband internet access, teacher and administrator shortages, and low graduation rates for Native students. In addition, the GAO has noted that the BIA is not effectively overseeing school safety programs[13] and needs to improve accountability for school safety inspections.

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[13] GAO Report No. GAO-17-421, *Indian Affairs: Further Actions Needed to Improve Oversight and Accountability for School Safety Inspections,* May 2017.

In congressional testimony in June 2018, the GAO noted that Indian Affairs' leaders have addressed key weaknesses in the management of BIE schools in several ways.[14] For example, the BIE Director formed an internal working group, and along with other Indian Affairs leaders met with GAO officials multiple times to discuss outstanding recommendations and corrective actions. The GAO pointed out, however, that the BIE will need to sustain this level of commitment to solve problems in Indian education.

The GAO also noted that since 2012, there have been six Assistant Secretaries of Indian Affairs and five BIE Directors, as well as leadership turnover in other key offices responsible for Indian education. The GAO stressed that stable leadership and sustained focus on needed changes are vital to the successful management of BIE schools.

In addition to the management weaknesses identified by the GAO, the BIE continues to struggle with hiring and retaining staff. The BIE has hired some officials needed for oversight of school spending and other activities, yet approximately 50 percent of all BIE positions have not been filled. The BIE must also develop a workforce plan to address staffing and training gaps for key staff, which the GAO has previously recommended.

Persistent Problems Facing the Insular Areas

The Office of Insular Affairs (OIA) has limited resources to address persistent challenges in three areas:

- **Preserving natural resources.** The OIA must work to address threats to natural resources, such as submerged land, vulnerability of coral reefs, and ocean pollution by plastics and other substances. The OIA will need to focus its resources and technical expertise to identify local priorities and apply best practices, action plans, and periodic evaluations to make adjustments as necessary.

- **Responding to natural disasters and their aftermaths.** Island officials must respond to disasters when they occur. The OIA will need to assist Insular Area governments in planning, training, and pre-positioning relief supplies and personnel to combat disaster threats. Insular Area governments will need to increase planning and training exercises, pre-position assets, use technology such as GPS for hazard mapping and mitigation, and complete general maintenance of public facilities.

- **Maintaining its relationship with the Insular Areas.** The OIA will need to continue to foster goodwill with the Insular Areas, which have differing degrees of self-governance and connection to the United States. Cultural

[14] GAO Report No. GAO-18-616T, *High Risk: Agencies Need to Continue Efforts to Address Management Weaknesses of Federal Programs Serving Indian Tribes,* June 13, 2018.

and economic interactions with other countries provide opportunities for influence on these islands that hold significant strategic value to the United States. The OIA must increase coordination and communication with Insular Area governments and focus resources on developing solutions to island challenges. In addition, the OIA indicated it will need to work with other Federal agencies to advocate for and deliver assistance that is tailored to meet unique island needs.

Acquisition and Financial Assistance

The OIG has consistently identified acquisition management as an area in need of improvement. It is also an area of significant spending: the DOI awarded approximately $10.1 billion in new grants and contracts in FY 2018.

We have found problems with the DOI's presolicitation planning and competition as well as post-award performance monitoring. Sudden influx of disaster relief funding also creates special challenges. In Indian Country, single audits and OIG audits of tribes have identified numerous and significant problems, including improper payments to related parties, general financial mismanagement, inadequate segregation of duties, stolen funds, unallowable commingling of Federal funds with tribal funds, and flawed reporting systems.

Among the challenges identified by OIG products and DOI officials are (1) acquisition and management of contracts categorized as disaster relief funding, and (2) awarding and managing tribal contracts.

Acquisition and Management of Contracts Categorized as Disaster Relief Funding

In October 2017, the U.S. Congress approved $36.5 billion in disaster relief funding for Governmentwide use following Hurricanes Harvey, Irma, and Maria. Because financial awards for disaster response are riskier than normal, the administration of these funds requires careful oversight of award administration and management.

Our audits of contracts and grants awarded for Hurricane Sandy recovery efforts identified common issues and problems in award acquisition and management.[15] Overall we found deficient pre-award practices and deficient post-award oversight across NPS and FWS contracting offices, as well as weaknesses in departmental oversight. We also determined that the DOI did not have its own comprehensive emergency acquisition policy and guidance, either during or since Hurricane Sandy recovery efforts. Further, the DOI did not use the OMB's emergency acquisition guidance or disseminate it to the bureaus (as directed in the guidance). As a result, when disaster struck, the bureaus had no standing emergency acquisition response teams, no specific disaster response training, and no standardized forms or processes for awarding or maintaining contracts and grants to support emergency response.

Awarding and Managing Tribal Contracts

OIG audits of awards made under Public Law 93-638 (tribal self-determination contracts) have consistently identified high-risk issues with contract oversight,

[15] DOI OIG Report No. 2017-FIN-057, *Summary of Hurricane Sandy Audit and Inspection Reports and Management Advisories,* April 2018.

pre-award processes, and post-award monitoring. Tribal awards from the BIA and other bureaus are a major part of the DOI's funding obligations, with these "638 contracts" accounting for approximately 24 percent of the FY 2018 assistance award obligation. Continued coordination is needed across all DOI bureaus to ensure the money is used effectively and that there is no duplication of work.

Similar to staffing challenges noted for other technical specialties (and identified in previous management challenges reports), the BIA remains challenged to hire and retain an adequate number of trained staff to effectively award and manage tribal contracts. These staff need to have extensive training and experience beyond the procurement training sufficient at other bureaus because 638 contracts are significantly different from traditional Federal acquisition contracts. For example, Public Law 93-638 allows a tribe to enter into a noncompetitive self-determination contract taking program funds from those bureaus that operate programs on behalf of the tribe. In addition, 638 contracts are generally not subject to Federal contracting and cooperative agreement laws and regulations, except to the extent that such laws and regulations expressly apply to Indian tribes. These differences, combined with a shortage of qualified contracting personnel, make 638 contracts a higher risk.

Climate Effects

Since 2013, the GAO has included the management of climate change on its High-Risk List, specifically citing insufficient coordination among Federal agencies and with other stakeholders, such as State and local governments. Effects from a changing climate are a cross-cutting, complex issue for the DOI and other land management agencies. Climate effects also disproportionately affect the national parks (due to their ecosystems and elevations), beyond what is occurring throughout the rest of the country—including increasing temperatures at double the rate for the United States overall, and a significantly higher decline in precipitation across national park areas.[16] Most of the risks are relatively static year to year, but the way those risks are managed can vary depending on departmental priorities.

Among the challenges identified by OIG products and DOI officials are (1) wildland fire costs and strategy, (2) impact on American Indian and Alaska Native tribes and lands, (3) water scarcity, and (4) effects on oceans and coastlines.

Wildland Fire Costs and Strategy

Costs for containing wildland fires continue to escalate, as wildfires have increased in frequency and severity over several decades due to warmer climates and human activity.[17] Higher temperatures lead to drier soils, increased likelihood of drought, and a longer fire season. Continued warming along with the number of human-ignited fires near populated areas have led the DOI's wildland fire management program to request one of its largest budgets ever for FY 2019—$870 million.

The National Interagency Fire Center (NIFC) reported that by mid-October in the 2017 fire season there had been 51,555 fires that consumed nearly 8.8 million acres of Federal land. According to the NIFC's Situation Report for October 4, 2018,[18] the 2018 fire season has already seen 47,800 fires that consumed 7.7 million acres. With continued drought in high-risk areas, these numbers are likely to increase—for example, in September 2018 the NIFC noted that in the previous month nearly the entire West Coast received less than 25 percent of average precipitation.

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[16] Patrick Gonzalez, et al. "Disproportionate magnitude of climate change in United States national parks," *Environmental Research Letters,* Vol. 13, No. 10, September 24, 2018. http://iopscience.iop.org/article/10.1088/1748-9326/aade09

[17] (1) "Human-started wildfires expand the fire niche across the United States," *Proceedings of the National Academy of Sciences of the United States of America,* Vol. 114, No. 11, February 27, 2017, pp. 2946 – 2951, http://www.pnas.org/content/114/11/2946. (2) P. E. Dennison, et al. "Large wildfire trends in the western United States, 1984 – 2011," *Geophysical Research Letters,* Vol. 41, No. 8, April 28, 2014, pp. 2928 – 2933.

[18] The National Interagency Fire Center provides up-to-date numbers in a daily report posted at https://www.nifc.gov/nicc/sitreprt.pdf.

Wildland fire affects many DOI mission areas; the impacts on the environment, wildlife (including endangered species), livestock grazing, outdoor recreation, and energy production are unpredictable and difficult to manage, not to mention the costs associated with destruction of DOI property. Continually increasing fire risk poses a challenge not only to funding and resources, but also to logistics and strategy. Fire management requires the coordination of both preventative and active firefighting efforts across multiple departments, bureaus, tribes, States, and local authorities. The DOI has also faced difficulty finding contractors to carry out fire-related tasks, particularly for fire prevention.

Impact on American Indian and Alaska Native Tribes

Tribal communities are affected by climate effects, creating a challenge in implementing the Federal Government's trust responsibility to tribes. Communities in the Southwest face prolonged drought, extreme floods, and loss of traditional food sources. Similar problems affect communities in the Northwest, and several tribes have sought to relocate because of these effects. For example, two Alaska Native communities, Newtok and Kivalina, are seeking Federal help to relocate. They are facing loss of water and food sources as well as destroyed infrastructure from melting ice and rising sea levels. The U.S. Army Corps of Engineers estimated the cost for relocating Newtok at between $80 and $130 million, and as much as $400 million to relocate Kivalina. In March 2018, Congress appropriated just $15 million to address the issue of Alaska village relocation, most of which will go to Newtok.

As another example, the Biloxi-Chitimacha-Choctaw tribe of Louisiana has lost 98 percent of its land to sea-level rise. The tribe received a $48 million grant from the U.S. Department of Housing and Urban Development to relocate, but tribe members fear losing their cultural identity and traditions once they leave their homes.

Water Scarcity

Climate effects also include changes in water supplies, increasing water demands, and longer and more frequent droughts, which have resulted in water scarcity, particularly in Western reservoirs managed by the BOR. Low water levels from drought not only threaten populations that depend on these sources, but also reduce the power generation capacities of the 53 hydroelectric dams operated by the BOR—according to the U.S. Department of Energy, a 1 percent reduction in precipitation results in a 1 percent reduction in power production.[19] Prolonged drought has left Lake Powell at 45 percent full capacity and Lake Mead at just 38 percent full capacity as of October 1, 2018 (these reservoirs serve Glen Canyon and Hoover Dams, respectively). Overall, the combined BOR Upper and Lower Colorado reservoir systems were at 47 percent full capacity—a drop from 55 percent full at the same time last year. Water scarcity has a significant impact

[19] U.S. Department of Homeland Security and U.S. Department of Energy, *Dams and Energy Sectors Interdependency Study,* May 2017. https://www.energy.gov/sites/prod/files/2017/05/f34/Dams-Energy-Interdependency-Study-508_0.pdf

on human and environmental assets in the West, affecting a large portion of DOI-managed land.

Effects on Oceans and Coastlines

Many DOI assets are located near or in coastal areas that are affected by climate effects. Ocean acidification, sea level rise, and erosion all pose threats to coastal parks, infrastructure, habitats, and wildlife, as well as offshore energy interests. In addition, according to a recent NPS report on sea level rise, a quarter of NPS units are located along the coast, including some of its most historic and iconic parks. Current projections put many of these properties at risk.[20]

Sea level rise also disproportionately affects many Insular Areas, where populations are generally concentrated along island coastlines with average elevation of only 2 meters above sea level. These areas can be inundated by waves higher than 2 meters, meaning that even the low estimates for sea level rise would put them at serious risk of flooding and property damage. Many of these communities rely on fisheries as a food source. The stability of these fisheries is at risk of drastic changes, directly affecting insular and native populations.

[20] NPS Natural Resource Report No. 2018/1648, *Sea Level Rise and Storm Surge Projections for the National Park Service,* May 2018. https://www.nps.gov/subjects/climatechange/upload/2018-NPS-Sea-Level-Change-Storm-Surge-Report-508Compliant.pdf

Operational Efficiencies

Among the challenges identified by OIG products and DOI officials are (1) agency reorganization and the hiring, retaining, and training of staff, (2) recreation fees and revenue, and (3) maintenance and repair of facilities and other infrastructure.

Reorganization and the Hiring, Retaining, and Training of Staff

The reorganization of the DOI to establish common regional boundaries for bureaus was finalized in August 2018, as the DOI reduced its boundaries from 49 regions to 12. Additional elements of the plan include centralization of HR services, procurement services, and at least some IT services within each region. Bureau staff (primarily from the BLM, the FWS, and the BOR) will move from the DC metro area to regional offices.

There are still many unknowns involving the reorganization, but long-term, the DOI aims to enable more decisionmaking in the field, improve services, reduce duplication and inefficiency, and improve procurement. The moves and centralization will cost approximately $18 million in FY 2019 (as shown in Figure 3) and may incur short-term skill shortages or overlap before the shared services are operational.

Bureau	Investment for Reorganization
Bureau of Indian Affairs	$900,000
Bureau of Land Management	5,900,000
Bureau of Reclamation	3,400,000
National Park Service	900,000
U.S. Fish and Wildlife Service	5,900,000
U.S. Geological Survey	500,000
Total investments	**$17,500,000**

Figure 3. The DOI's FY 2019 budgeted investments for reorganization, by bureau.

The DOI employs approximately 70,000 people, including expert scientists and engineers, at more than 2,400 operating locations. For employees who choose to move, the DOI will incur employee relocation costs. Employees who resign or retire rather than move will need to be replaced, which will incur expenses for hiring and training new personnel and may create hard-to-fill vacancies before projected cost savings are realized.

In addition, according to a June 2018 *Government Executive* article,[21] 16.6 percent or 11,620 of the DOI's employees are eligible to retire. The article further stated that in 5 years the number will spike to nearly 34 percent, or 23,800 employees who will be retirement eligible. Retirements could lead to shortages in leadership and institutional knowledge.

With a national unemployment rate of 3.7 percent as of September 2018 (the lowest in nearly 50 years), the DOI is challenged to be competitive in hiring against other Federal agencies and the private sector. The DOI also will face emerging gaps in critical skills as technology and specialization advance, requiring workforce retraining.

Recreation Fees and Revenue

Modernizing fee collection continues to be a challenge for bureaus that collect recreational fees (the NPS, the BLM, the FWS, and the BOR). The NPS plans to install a bureauwide point-of-sale system that will allow mobile passes and mobile transactions to accelerate payment at entrance stations. To accomplish this, the NPS is working to ensure that internet connectivity is strong and reliable at all entrance stations that collect fees. As many entrance stations are in remote areas that have no or inconsistent connectivity, the expense associated with these improvements is substantial.

The NPS will need to find a balance between generating revenue for needed park operations and ensuring that parks remain available and affordable to the public. The GAO reported in December 2015 that the NPS' total funding did not keep pace with inflation for FYs 2005 through 2014, even as fees and donations increased.[22] Recently, the DOI decided to double entrance fees at 17 popular national parks (including Yellowstone, Yosemite, Grand Canyon, and Grand Teton) in an effort to raise an estimated $70 million to repair park infrastructure, only to reverse that decision after public opposition. The DOI then revised entrance fees from $30 to $35 per car, per week at 117 parks, which is estimated to increase annual entrance fee revenue by $60 million. The price of lifetime senior passes also increased from $10 to $80. With an estimated 400,000 to 500,000 lifetime senior passes sold each year at national parks, this adjustment should increase revenue by between $28 million and $35 million annually.

The NPS expects to award a contract in 2018 to analyze entrance fee data for future pricing decisions. The study will evaluate price elasticity, substitution, and willingness to pay as well as alternative entrance fee models and fee collection technology solutions to reduce administrative costs and increase convenience for visitors.

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[21] Government Executive article by Eric Katz, "The Federal Agencies Where the Most Employees Are Eligible to Retire," June 18, 2018.
[22] GAO Report No. GAO-16-166, *National Park Service: Revenues From Fees and Donations Increased, But Some Enhancements Are Needed to Continue This Trend,* December 2015.

Maintenance and Repair (Both Deferred and Annual)

The DOI's mission includes the preservation of historic and cultural assets, such as historic sites, monuments, and battlefields. As infrastructure ages and requires repair and rehabilitation, maintenance poses a significant challenge. The DOI must continue to maintain and repair these assets, many of which already exceed original design life. Due to their national significance, the DOI cannot simply divest them, as is typically done in private industry.

Maintenance funding has not kept pace with bureau needs for some years, resulting in increasing deferred maintenance. As noted previously under "Public Safety and Disaster Response," the DOI's deferred maintenance backlog is more than $16 billion; the NPS has the largest share, with more than $11 billion in 2017. The Congressional Research Service reported in April 2017 that the FWS had a $1.4 billion backlog and the BLM had an $800 million backlog.[23]

As reported by the National Congress of American Indians in 2017[24] and in the DOI's FY 2019 Budget in Brief, the following are the approximate values for deferred maintenance in Indian Country:

- BIA dams – $556 million
- BIA irrigation program – $576 million
- BIA roads – $292 million (not including tribal roads)
- BIE schools – $634 million

In addition, the DOI must consider opportunities to fund the deferred maintenance backlog without the taxpayer shouldering all of the burden. We recently reported that the Wolf Trap Foundation for the Performing Arts, which manages performances at the Wolf Trap National Park in Vienna, VA, generated $40 million in revenue during FY 2016 ($2.7 million after expenses) but did not contribute anything to the park's deferred maintenance needs, an estimated $7.2 million.[25] We recommended that the NPS determine whether the Foundation should help offset the park's deferred maintenance needs, and the NPS has taken steps to address the issue.

The FWS also pointed out challenges in securing adequate funding for preventive/annual maintenance programs. Performing annual maintenance is more cost effective than deferred maintenance because delayed repairs grow in scope and cost. The National Academy of Sciences states that, at a minimum, an

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[23] Congressional Research Service, *Deferred Maintenance of Federal Land Management Agencies: FY 2007 – FY 2016 Estimates and Issues,* April 25, 2017.
[24] National Congress of American Indians, *Tribal Infrastructure—Investing in Indian Country for a Stronger America,* April 6, 2017.
[25] DOI OIG Report No. 2017-WR-037-A, *"Financial, Ethical, and Exclusive Use Concerns About the NPS' Agreement With the Wolf Trap Foundation for the Performing Arts,"* September 2018.

appropriate budget allocation for routine maintenance and repair will range from 2 to 4 percent of a facility's replacement value (excluding land and major associated infrastructure).[26] The DOI has been unable to secure sufficient funding for annual maintenance, which has contributed to the deferred maintenance backlog.

[26] National Academy of Sciences, *Predicting Outcomes of Investments in Maintenance and Repair of Federal Facilities,* 2012.

Conclusion

The challenges described in this report encompass both the vulnerabilities that the OIG has identified in the past and the emerging issues that the DOI will face in the coming years. We see these as potential barriers to departmental efforts to promote efficiency and effectiveness in DOI management and operations. The challenges do not exist in isolation; their effects often spill across many program areas, as seen in this report.

We remain committed to focusing audit and investigative 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 embody the 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.doioig.gov	
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	

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

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 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 2018 financial statement audit are summarized in Figure 3-1. As shown in the table, DOI achieved an unmodified audit opinion for DOI's consolidated financial statements.

FIGURE 3-1

Summary of Financial Statement Audit					
FY 2018					
Audit Opinion	Unmodified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	0	0	0	0

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 financial management and reporting. During FY 2018, 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 2018 Statement of Assurance was modified, as indicated in Figure 3-2, due to an operational weakness over the Management of Grants, Cooperative Agreements, and Tribal Awards.

FIGURE 3-2

Summary of Management Assurances						
Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0

FIGURE 3-2 (continued)

Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance	Modified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Management of Grants, Cooperative Agreements, and Tribal Awards	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	Federal Systems Comply to Financial Management System Requirements					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total of Non-Conformances	0	0	0	0	0	0

Compliance with Section 803(a) of the Federal Financial Management Improvement Act (FFMIA)		
	Agency	**Auditor**
1. Federal Financial Management System Requirements	No Lack of Compliance Noted	No Lack of Compliance Noted
2. Applicable Federal Accounting Standards	No Lack of Compliance Noted	No Lack of Compliance Noted
3. U.S. Standard General Ledger at the Transaction Level	No Lack of Compliance Noted	No Lack of Compliance Noted

On January 10, 2013, the President signed into law the *Improper Payments Elimination and Recovery Improvement Act of 2012* (IPERIA). The IPERIA enhances the Administration's efforts to combat improper payments by reinforcing the *Improper Payments Elimination and Recovery Act of 2010* (IPERA). The IPERA amends the *Improper Payments Information Act 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.

Payment Reporting

The *Bipartisan Budget Act of 2018* applies improper payment reporting to "emergency supplemental appropriations to respond to and recover from recent hurricanes, wildfires, and other disasters." As described in OMB M-18-14, *Implementation of Internal Controls and Grant Expenditures for the Disaster-Related Appropriations*, all programs and activities expending more than $10,000,000 in any one fiscal year shall be deemed to be "susceptible to significant improper payments" for purposes of the *Improper Payments Information Act of 2002.* These programs are to report an improper payment estimate starting with the FY 2019 reporting period in accordance with Appendix C, *Requirements for Payment Integrity Improvement,* for sampling and estimation plan requirements. The *Hurricane Sandy Disaster Relief Act* Program is the only other DOI program that is considered high risk for significant improper payments. In FY 2016, DOI statistically projected an improper payment amount of $565 thousand or 0.41 percent. In FY 2017, DOI, with concurrence obtained from the OIG, requested relief from OMB reporting requirements for the *Hurricane Sandy Disaster Relief Act* Program due to the low estimated improper payment error rate. The OMB approved the Department's waiver request and as a result, several reporting sections under Payment Integrity do not apply to DOI for that program in FY 2018 and are excluded accordingly. In FY 2017, the OIG determined that DOI was fully compliant with IPERIA.

For more detailed information on improper payments and additional DOI information regarding improper payments that is not included in the FY 2018 AFR, please refer to Payment Accuracy.gov at: *https://paymentaccuracy.gov.*

Recapture of Improper Payments Reporting

The DOI conducted payment recapture audits in FY 2014 for payments made in FYs 2010-2012 that resulted in a recapture rate of 0.0004 percent. Based on the low rate of improper payments, DOI concluded that the cost of executing a payment recapture audit program outweighed the benefits of finding and recovering erroneous payments. The staff resources needed to conduct the program, sustain the contract, and oversee vendor payments were a significant drain on limited Agency resources with minimal benefits to the government. In April 2014, OMB was notified that DOI discontinued the payment recapture audit program. The DOI continues to have a low improper payment rate and circumstances have not changed within our programs to make a payment recapture audit cost effective. As such, DOI did not perform recapture audits for improper payments in FY 2018. The DOI will continue complying with IPERIA through the OMB Circular A-123 process as a more cost effective and efficient use of Agency resources to identify, reduce, and recover improper payments.

In FY 2018, the DOI had $23.86 billion in outlays for all programs or activities that expend over $1 million or more annually. For efforts conducted outside of payment recapture audits, DOI identified $13.69 million or 0.06 percent in overpayments and recovered $7.94 million. The sources used to identify these overpayments and recovered amounts were primarily obtained from self-reported data gathered from internal control reviews, but also included amounts obtained from Single Audit Reports and OIG Reviews. The DOI will continue its efforts to recapture the remaining amounts in FY 2019.

Agency Improvement of Payment Accuracy with the Do Not Pay Initiative

Executive Order 13250, *Reducing Improper Payments and Eliminating Waste in Federal Programs* and OMB Memorandum M-12-11, *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. The Treasury established the Do Not Pay (DNP) Initiative to help Federal Agencies comply with IPERIA by supporting Agency efforts to prevent improper payments. The DOI utilizes the DNP portal to check data sources such as the Death Master File and the System for Award Management Exclusion Records to determine if improper payments were made. All matches received by DOI have been adjudicated and deemed proper. As such, DOI has not used the DNP Initiative to reduce improper payments or improper awards.

Other Efforts

The following are other efforts that DOI undertakes to identify and recover improper payments Agency-wide:

Prepayment Audit of Government Bills of Lading (GBL). The DOI conducts prepayment audits of freight bills via GBL. 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 undergo prepayment audits.

Invoice Payment Reviews. The DOI conducts various pre and post-payment reviews of vendor invoices across the Bureaus. The reviews are the responsibility of the Bureau and are used to identify inaccurate payments and determine the effectiveness of internal controls over the payment process.

Travel Voucher Audits. The 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.

Risk Assessments

Appendix C requires Agencies to review all programs and activities to determine the risk of making significant improper payments and to perform more in-depth assessments to determine whether those programs meet the criteria for "significant erroneous payments." Utilizing both a quantitative and qualitative risk factor analysis, DOI conducted a full risk assessments in FY 2016, in which 89 programs totaling $22 billion were assessed. The DOI determined that none of the programs and activities were susceptible to significant improper payments. Due to the Department's historical low risk with improper payments, DOI conducts risk assessments based on a three year cycle. The Department's next comprehensive risk assessment of all programs and activities will be performed in FY 2019.

In FY 2018, DOI conducted risk assessments totaling $137 million for seven programs that were new or had experienced significant increase in expenditures in the current fiscal year. Based on the risk assessment conducted, DOI determined that none of these programs and activities were susceptible to significant improper payments. The alternative time period assessed covered fourth quarter FY 2017 and the first three quarters of FY 2018. The DOI elected an alternative time period in order to complete the assessment for the publication of the AFR. In FY 2018, DOI launched a new online tool to determine the susceptibility of programs to make improper payments utilizing only qualitative risk factors. The DOI revised the risk assessment approach based on audit recommendations from the OIG. An average of the qualitative factors yields the program's overall risk score as high, medium, or low. The DOI evaluated the following nine risk factors in performing the risk assessment including: (1) newness of the program to the Agency; (2) program complexity with respect to determining correct payment amounts; (3) volume of payments made annually; (4) payment decision authority, (i.e., whether payment eligibility decisions are made outside of the Agency); (5) recent changes in program funding, authorities, practices or procedures; (6) the level, experience, and quality of training for personnel responsible for making program eligibility determinations or certifying payments are accurate; (7) inherent risks due to the nature of Agency programs or operations; (8) audit report findings that may hinder accurate payment certification; and (9) quality of internal controls. In addition, DOI considered the results of reviews under the *Single Audit Amendments Act* of 1996, the CFO Act, GAO reviews, and audit reviews by DOI OIG when making its assessment.

On June 30, 2016, Congress enacted the *Fraud Reduction and Data Analytics Act of 2015* (FRDAA). The FRDAA requires Agencies to conduct an evaluation of fraud risks; use a risk-based approach to design and implement financial and administrative control activities to mitigate identified fraud risks; collect and analyze data from reporting mechanisms on detected fraud to monitor fraud trends and continuously improve fraud detection through the use of data analytics; and use the results of monitoring, evaluation, audits, and investigations to improve fraud prevention, detection, and response.

To implement the FRDAA, DOI is following key principles within GAO's Special Publication, *A Framework for Managing Fraud Risks in Federal Programs*: commitment to combating fraud; conducting fraud risk assessments to determine a fraud risk profile; implementing control activities to mitigate assessed fraud risks; and evaluation of outcomes to improve fraud risk management. Moreover, DOI is evaluating key concepts and implementation strategies outlined in the U.S. Chief Financial Officers Council's AntiFraud Playbook. The DOI's strategy leverages existing activities with planned enhancements to effectively manage and reduce fraud:

- The DOI uses FBMS, a consolidated, standardized financial and business management system that provides DOI with the ability to view transactions across all organizational units, see trends and anomalies, as well as monitor risk and metrics DOI-wide. In addition, transaction processing is more standardized, and automated controls are enhanced (i.e., required purchasing approvals, segregation of duties, etc.). This integrated financial system provides a solid foundation for DOI's fraud risk program.
- The DOI assesses the "tone-at-the-top" to measure leadership's commitment to program integrity, ethical values, and combatting fraud. The Entity Level assessment tool, which includes the Green Book's assessment of fraud risk principles, is completed annually by senior leadership in Bureaus and Offices. The DOI evaluated this process for opportunities to align the tool for improved fraud management.
- Management evaluated the current organization structure to manage fraud and implemented enhancements such as reiterating travel and charge card policies within DOI and emphasizing the standards of ethical conduct for all employees to ensure proper use of taxpayer dollars.
- Fraud risk training was provided to the Bureaus' and Offices' internal control coordinators in conjunction with the OIG to enhance skills to prevent, detect, and respond to fraud as well as promote a commitment to fraud prevention and detection throughout DOI.
- The DOI continued to develop its initial fraud risk assessment by meeting with senior leadership to evaluate fraud risks related to financial assistance, payroll, and purchase and travel cards at the enterprise level; identifying generic and business specific fraud risks; and mapping existing controls to mitigate those risks.
- Under DOI's existing A-123 programmatic and administrative control program, Bureaus and Offices: assess program risks to determine the level of inherent risk, including fraud risk, for all DOI programs; evaluate whether internal controls mitigate those risks to acceptable levels; and conduct risk-based internal control reviews to determine whether controls are operating as intended.
- The DOI's audit follow-up program tracks corrective action plans to address internally identified deficiencies and external auditor recommendations. The DOI holds senior management accountable for resolving audit recommendations by including a critical element for audit recommendation closure in Senior Executive Service performance plans. Any significant fraud risk deficiencies identified in the fraud risk profile will be formally tracked and reported in the audit follow-up program.
- As mentioned above, DOI's current A-123 programmatic and administrative control program includes strategic risk responses for testing the design and operating effectiveness of controls. This program will be augmented to include improving data analytics and the testing of risk treatments for any fraud risks identified in the fraud risk profiles, based on cost benefit analysis.

- Due to their ongoing nature, monitoring activities can serve as an early warning tool to identify and resolve issues. The DOI will evaluate the outcomes of its fraud risk management program and adapt activities to counter any deficiencies noted with a particular focus on improved outcomes.
- Staff will prepare reports to inform management of the fraud risk program results, highlighting the collection of data, testing analysis, and strategic improvement.

REDUCE THE FOOTPRINT

The DOI adopted OMB's Reduce the Footprint (RtF) directive, detailed in OMB Memorandum M-17-08, *Amending OMB Memorandum M-12-12, Promoting Efficient Spending to Support Agency Operations*. The directive mandates that Executive Agencies move aggressively to dispose of excess properties held by the Federal Government and make more efficient use of the Government's real estate assets. More specifically, Agencies are to reduce the square footage of agency-controlled office and warehouse space from FY 2015 levels in an effort to improve utilization and control spending associated with real property.

The DOI issued an RtF policy to Bureaus/Offices requiring actions and controls similar to those identified by OMB. The policy required development of Bureau/Office Real Property Efficiency Plans with structured components that are used to identify and promote strategies within and across Bureaus/Offices, evaluate compliance, and provide a framework for dialog between the DOI Senior Real Property Officer, Bureau Senior Asset Management Officers and Bureau/Office CFOs.

The DOI continues to place emphasis on mitigating the impacts of escalating rental costs for direct leases and GSA-provided space, and redirecting savings toward maintenance of owned facilities, which is underfunded when compared to industry standards. The DOI will continue communicating and emphasizing the impacts of such rent increases on Bureau mission delivery. The DOI will achieve these objectives through consolidations, co-locations, and returning unneeded space to GSA.

Figure 3-3 illustrates the total FY 2017 square footage associated with DOI office and warehouse assets compared to the FY 2015 RtF baseline (as assigned by GSA), and the annual operating costs as reported in the most recent Federal Real Property Profile submittal for owned and direct-leased facilities that are subject to the RtF policy.

FIGURE 3-3

Reduce the Footprint Baseline Comparison			
	FY 2015 Baseline	**FY 2017**	**Change (FY 2015 Baseline - FY 2017)**
Square Footage (SF in millions)	38.51	37.51	1.0

Reporting of Operations and Maintenance Costs - Owned and Direct Lease Buildings*			
	FY 2015 Reported Cost	**FY 2017**	**Change (FY 2015 Baseline - FY 2017)**
Operation and Maintenance Costs ($ in thousands)	$ 138,069	$ 152,536	$ - 14,467

* This data does not include costs for GSA Occupancy Agreements totaling more than $270 million.

CIVIL MONETARY PENALTY ADJUSTMENT FOR INFLATION

The Federal Civil Penalties Inflation Adjustment Act of 1990, as amended by the *Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015* (collectively "the Act"), requires Agencies to make regular and consistent inflationary adjustments of civil monetary penalties (CMP) to maintain their deterrent effect. For FY 2018, DOI performed annual inflationary adjustments of CMP utilizing a cost-of living adjustment multiplier of 1.02041 in accordance with OMB Memorandum M-18-03, *Implementation of Penalty Inflation Adjustments for 2018, Pursuant to the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015*. Figure 3-4 provides the FY 2018 CMP inflation adjustments published in the Federal Register subject to the Act and OMB guidance.

FIGURE 3-4

Statutory Authority	Penalty Name and Description	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty (Dollar Amount or Range)	Bureau Name	Location for Penalty Update Details
African Elephant Conservation Act - 16 U.S.C. 4224(b); 50 CFR 11.33	Any violation	1988	2018	$10,260	U.S. Fish & Wildlife Service	83 FR 5950 (February 12, 2018) https://www.federalregister.gov/documents/2018/02/12/2018-02769/civil-penalties-2018-inflation-adjustments-for-civil-monetary-penalties
Bald and Golden Eagle Protection Act - 16 U.S.C. 668(b); 50 CFR 11.33	Any violation	1940	2018	$12,964	U.S. Fish & Wildlife Service	83 FR 5950 (February 12, 2018) https://www.federalregister.gov/documents/2018/02/12/2018-02769/civil-penalties-2018-inflation-adjustments-for-civil-monetary-penalties
Endangered Species Act of 1973 - 16 U.S.C. 1540(a)(1); 50 CFR 11.33	(1) Knowing violation of section 1538	1973	2018	$51,302	U.S. Fish & Wildlife Service	83 FR 5950 (February 12, 2018) https://www.federalregister.gov/documents/2018/02/12/2018-02769/civil-penalties-2018-inflation-adjustments-for-civil-monetary-penalties
Endangered Species Act of 1973 - 16 U.S.C. 1540(a)(1); 50 CFR 11.33	(2) Other knowing violation	1973	2018	$24,625	U.S. Fish & Wildlife Service	83 FR 5950 (February 12, 2018) https://www.federalregister.gov/documents/2018/02/12/2018-02769/civil-penalties-2018-inflation-adjustments-for-civil-monetary-penalties
Endangered Species Act of 1973 - 16 U.S.C. 1540(a)(1); 50 CFR 11.33	(3) Any other violation	1973	2018	$1,296	U.S. Fish & Wildlife Service	83 FR 5950 (February 12, 2018) https://www.federalregister.gov/documents/2018/02/12/2018-02769/civil-penalties-2018-inflation-adjustments-for-civil-monetary-penalties
Federal Oil & Gas Royalty Management Act of 1982 - 30 U.S.C. 1719(a); 43 CFR 3163.2(b)(1)	Failure to comply	1983	2018	$1,069	Bureau of Land Management	83 FR 3992 (January 29, 2018) https://www.federalregister.gov/documents/2018/01/29/2018-01628/onshore-oil-and-gas-operations-annual-civil-penalties-inflation-adjustments
Federal Oil & Gas Royalty Management Act of 1982 - 30 U.S.C. 1719(b); 43 CFR 3163.2(b)(2)	If corrective action is not taken	1983	2018	$10,697	Bureau of Land Management	83 FR 3992 (January 29, 2018) https://www.federalregister.gov/documents/2018/01/29/2018-01628/onshore-oil-and-gas-operations-annual-civil-penalties-inflation-adjustments
Federal Oil & Gas Royalty Management Act of 1982 - 30 U.S.C. 1719(a); 43 CFR 3163.2(d)	If transporter fails to permit inspection for documentation	1983	2018	$1,069	Bureau of Land Management	83 FR 3992 (January 29, 2018) https://www.federalregister.gov/documents/2018/01/29/2018-01628/onshore-oil-and-gas-operations-annual-civil-penalties-inflation-adjustments
Federal Oil & Gas Royalty Management Act of 1982 - 30 U.S.C. 1719(c); 43 CFR 3163.2(e)	Failure to permit inspection, failure to notify	1983	2018	$21,393	Bureau of Land Management	83 FR 3992 (January 29, 2018) https://www.federalregister.gov/documents/2018/01/29/2018-01628/onshore-oil-and-gas-operations-annual-civil-penalties-inflation-adjustments

Statutory Authority	Penalty Name and Description	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty (Dollar Amount or Range)	Bureau Name	Location for Penalty Update Details
Federal Oil & Gas Royalty Management Act of 1982 - 30 U.S.C. 1719(d); 43 CFR 3163.2(f)	False or inaccurate documents; unlawful transfer or purchase	1983	2018	$53,484	Bureau of Land Management	83 FR 3992 (January 29, 2018) https://www.federalregister.gov/documents/2018/01/29/2018-01628/onshore-oil-and-gas-operations-annual-civil-penalties-inflation-adjustments
Federal Oil & Gas Royalty Management Act of 1982 - 30 U.S.C. 1719(a)(2); 30 CFR 1241.52(a)(2)	Failure to comply	1983	2018	$1,220	Office of Natural Resources Revenue	83 FR 2907 (January 22, 2018) https://www.federalregister.gov/documents/2018/01/22/2018-00969/inflation-adjustments-to-civil-monetary-penalty-rates-for-calendar-year-2018
Federal Oil & Gas Royalty Management Act of 1982 - 30 U.S.C. 1719(b); 30 CFR 1241.52(b)	If corrective action is not taken	1983	2018	$12,211	Office of Natural Resources Revenue	83 FR 2907 (January 22, 2018) https://www.federalregister.gov/documents/2018/01/22/2018-00969/inflation-adjustments-to-civil-monetary-penalty-rates-for-calendar-year-2018
Federal Oil & Gas Royalty Management Act of 1982 - 30 U.S.C. 1719(c)(3); 30 CFR 1241.60(b)(1)	Knowingly or willfully fails to make any royalty payment	1983	2018	$24,421	Office of Natural Resources Revenue	83 FR 2907 (January 22, 2018) https://www.federalregister.gov/documents/2018/01/22/2018-00969/inflation-adjustments-to-civil-monetary-penalty-rates-for-calendar-year-2018
Federal Oil & Gas Royalty Management Act of 1982 - 30 U.S.C. 1719(d)(3); 30 CFR 1241.60(b)(2)	Knowingly or willfuly prepares, maintains, or submits	1983	2018	$61,055	Office of Natural Resources Revenue	83 FR 2907 (January 22, 2018) https://www.federalregister.gov/documents/2018/01/22/2018-00969/inflation-adjustments-to-civil-monetary-penalty-rates-for-calendar-year-2018
Indian Gaming Regulatory Act - 25 U.S.C. 2713(a); 25 CFR 575.4	Per violation	1988	2018	$51,302	National Indian Gaming Commission	83 FR 2059 (January 16, 2018) https://www.federalregister.gov/documents/2018/01/16/2018-00505/annual-adjustment-of-civil-monetary-penalty-to-reflect-inflation
Lacey Act as amended 1981 - 16 U.S.C. 3373(a)(1); 50 CFR 11.33	(1) Violations referred to in 16 U.S.C. 3373(a)(1)	1981	2018	$25,928	U.S. Fish & Wildlife Service	83 FR 5950 (February 12, 2018) https://www.federalregister.gov/documents/2018/02/12/2018-02769/civil-penalties-2018-inflation-adjustments-for-civil-monetary-penalties
Lacey Act as amended 1981 - 16 U.S.C. 3373(a)(2); 50 CFR 11.33	(2) Violations referred to in 16 U.S.C. 3373(a)(2)	1981	2018	$648	U.S. Fish & Wildlife Service	83 FR 5950 (February 12, 2018) https://www.federalregister.gov/documents/2018/02/12/2018-02769/civil-penalties-2018-inflation-adjustments-for-civil-monetary-penalties
Marine Mammal Protection Act of 1972 - 16 U.S.C. 1375; 50 CFR 11.33	Any violation	1972	2018	$25,928	U.S. Fish & Wildlife Service	83 FR 5950 (February 12, 2018) https://www.federalregister.gov/documents/2018/02/12/2018-02769/civil-penalties-2018-inflation-adjustments-for-civil-monetary-penalties
Native American Graves Protection and Repatriation Act - 25 U.S.C. 3007; 43 CFR 10.12(g)(2)	Failure of museum to comply	1990	2018	$6,666	National Park Service	83 FR 4151 (January 30, 2018) https://www.federalregister.gov/documents/2018/01/30/2018-01680/civil-penalties-inflation-adjustments
Native American Graves Protection and Repatriation Act - 25 U.S.C. 3007; 43 CFR 10.12(g)(3)	Continued failure to comply per day	1990	2018	$1,334	National Park Service	83 FR 4151 (January 30, 2018) https://www.federalregister.gov/documents/2018/01/30/2018-01680/civil-penalties-inflation-adjustments

Statutory Authority	Penalty Name and Description	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty (Dollar Amount or Range)	Bureau Name	Location for Penalty Update Details
Oil Pollution Act of 1990 - 33 U.S.C. 2716(a); 30 CFR 553.51(a)	Failure to comply per day per violation	1990	2018	$46,192	Bureau of Ocean Energy Management	83 FR 8930 (March 2, 2018) https://www.federalregister.gov/documents/2018/03/02/2018-04248/oil-and-gas-and-sulfur-operations-in-the-outer-continental-shelf-civil-penalties-inflation
Outer Continental Shelf Lands Act of 1953 - 43 U.S.C. 1350(b)(1); 30 CFR 550.1403	Failure to comply per day per violation	2006	2018	$43,576	Bureau of Ocean Energy Management	83 FR 8930 (March 2, 2018) https://www.federalregister.gov/documents/2018/03/02/2018-04248/oil-and-gas-and-sulfur-operations-in-the-outer-continental-shelf-civil-penalties-inflation
Outer Continental Shelf Lands Act of 1953 - 43 U.S.C. 1350(b)(1); 30 CFR 250.1403	Failure to comply per-day, per-violation	2006	2018	$43,576	Bureau of Safety and Environmental Enforcement	83 FR 2538 (January 18, 2018) https://www.federalregister.gov/documents/2018/01/18/2018-00920/oil-and-gas-and-sulfur-operations-on-the-outer-continental-shelf-civil-penalty-inflation-adjustment
Recreational Hunting Safety Act of 1994 - 16 U.S.C. 5202(b); 50 CFR 11.33	(1) Violation involving use of force or violence or threatened use of force or violence	1994	2018	$16,499	U.S. Fish & Wildlife Service	83 FR 5950 (February 12, 2018) https://www.federalregister.gov/documents/2018/02/12/2018-02769/civil-penalties-2018-inflation-adjustments-for-civil-monetary-penalties
Recreational Hunting Safety Act of 1994 - 16 U.S.C. 5202(b); 50 CFR 11.33	(2) Any other violation	1994	2018	$8,249	U.S. Fish & Wildlife Service	83 FR 5950 (February 12, 2018) https://www.federalregister.gov/documents/2018/02/12/2018-02769/civil-penalties-2018-inflation-adjustments-for-civil-monetary-penalties
Rhinoceros and Tiger Conservation Act of 1998 - 16 U.S.C. 5305a(b)(2); 50 CFR 11.33	Any violation	1998	2018	$18,049	U.S. Fish & Wildlife Service	83 FR 5950 (February 12, 2018) https://www.federalregister.gov/documents/2018/02/12/2018-02769/civil-penalties-2018-inflation-adjustments-for-civil-monetary-penalties
Surface Mining Control and Reclamation Act of 1977 - 30 U.S.C. 1268(a); 30 CFR 723.14	Penalty range based upon points assigned under 30 CFR 723.13	1977	2018	$65 - $16,401	Office of Surface Mining Reclamation and Enforcement	83 FR 10611 (March 12, 2018) https://www.federalregister.gov/documents/2018/03/12/2018-04909/civil-monetary-penalty-inflation-adjustments
Surface Mining Control and Reclamation Act of 1977 - 30 U.S.C. 1268(a); 30 CFR 723.15(b)	Assessment of separate violations for each day	1977	2018	$2,460	Office of Surface Mining Reclamation and Enforcement	83 FR 10611 (March 12, 2018) https://www.federalregister.gov/documents/2018/03/12/2018-04909/civil-monetary-penalty-inflation-adjustments
Surface Mining Control and Reclamation Act of 1977 - 30 U.S.C. 1268(a); 30 CFR 724.14(b)	Individual civil penalties	1977	2018	$16,401	Office of Surface Mining Reclamation and Enforcement	83 FR 10611 (March 12, 2018) https://www.federalregister.gov/documents/2018/03/12/2018-04909/civil-monetary-penalty-inflation-adjustments
Surface Mining Control and Reclamation Act of 1977 - 30 U.S.C. 1268(a); 30 CFR 845.14	Penalty range based upon points assigned under 30 CFR 845.13	1977	2018	$65 - $16,401	Office of Surface Mining Reclamation and Enforcement	83 FR 10611 (March 12, 2018) https://www.federalregister.gov/documents/2018/03/12/2018-04909/civil-monetary-penalty-inflation-adjustments
Surface Mining Control and Reclamation Act of 1977 - 30 U.S.C. 1268(a); 30 CFR 845.15(b)	Assessment of separate violations for each day	1977	2018	$2,460	Office of Surface Mining Reclamation and Enforcement	83 FR 10611 (March 12, 2018) https://www.federalregister.gov/documents/2018/03/12/2018-04909/civil-monetary-penalty-inflation-adjustments

Statutory Authority	Penalty Name and Description	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty (Dollar Amount or Range)	Bureau Name	Location for Penalty Update Details
Surface Mining Control and Reclamation Act of 1977 - 30 U.S.C. 1268(a); 30 CFR 846.14(b)	Individual civil penalties	1977	2018	$16,401	Office of Surface Mining Reclamation and Enforcement	83 FR 10611 (March 12, 2018) https://www.federalregister.gov/documents/2018/03/12/2018-04909/civil-monetary-penalty-inflation-adjustments
Wild Bird Conservation Act of 1992 - 16 U.S.C. 4912(a)(1); 50 CFR 11.33	(1) Violation of section 4910(a)(1), section 4910(a)(2), or any permit issued under section 4911	1992	2018	$43,488	U.S. Fish & Wildlife Service	83 FR 5950 (February 12, 2018) https://www.federalregister.gov/documents/2018/02/12/2018-02769/civil-penalties-2018-inflation-adjustments-for-civil-monetary-penalties
Wild Bird Conservation Act of 1992 - 16 U.S.C. 4912(a)(1); 50 CFR 11.33	(2) Violation of section 4910(a)(3)	1992	2018	$20,874	U.S. Fish & Wildlife Service	83 FR 5950 (February 12, 2018) https://www.federalregister.gov/documents/2018/02/12/2018-02769/civil-penalties-2018-inflation-adjustments-for-civil-monetary-penalties
Wild Bird Conservation Act of 1992 - 16 U.S.C. 4912(a)(1); 50 CFR 11.33	(3) Any other violation	1992	2018	$870	U.S. Fish & Wildlife Service	83 FR 5950 (February 12, 2018) https://www.federalregister.gov/documents/2018/02/12/2018-02769/civil-penalties-2018-inflation-adjustments-for-civil-monetary-penalties

GRANTS OVERSIGHT AND NEW EFFICIENCY (GONE) ACT

The *Grants Oversight and New Efficiency Act* (GONE Act), enacted on January 28, 2016, requires the head of each Agency to submit, with their FY 2018 AFR, a summary discussion on the progress made in closing out grant and cooperative agreements included in the 2017 GONE Act report. In addition, a table is required showing the total number of grant and cooperative agreements awards and balances for which closeout has not yet occurred but for which the period of performance has elapsed more than two years with zero dollar balances and undisbursed balances. The narrative and table below is submitted in fulfillment of the reporting requirement. In FY 2017 and FY 2018, DOI implemented several corrective actions to close all awards identified in the DOI FY 2017 GONE Act report. These corrective actions include:

- Creating enhancements to FBMS to automate the reconciliation between FBMS and the Treasury's Automated Standard Application for Payments (ASAP) system. This enhancement allows DOI closeout actions to be reflected in ASAP within 24 hours after being initiated in FBMS, thereby eliminating latency between the two systems, improving reliability of account information in ASAP, and reducing the need for additional closeout actions by awarding officials;
- Establishing a department-wide electronic dashboard for tracking awards that require closeout; and,
- Evaluating DOI-wide policy to determine the need for new policy that establishes a closeout process for open awards for which the period of performance has expired.

These efforts resulted in the successful closeout of the 10 awards that were inactive for over two years after the period of performance ended, and were identified for closure in the DOI 2017 GONE Act report. The DOI also exceeded GONE Act requirements by closing an additional 6,925 awards in FY 2018 for which the period of performance ended, but the period of inactivity was less than two years. Since the implementation of GONE Act reporting, DOI has closed a total of 12,037 awards, which has saved thousands of hours in administrative time and redirected nearly $400 million in undisbursed balances to mission delivery.

Figure 3-5 shows the total number of Federal grant and cooperative agreement awards and balances for which closeout has not yet occurred but the period of performance has elapsed by more than two years for FY 2018. As shown below, the number and dollar value of these grants are zero given the Department's efforts to close grants timely as described above.

FIGURE 3-5

CATEGORY	2-3 Years	3-5 Years	> 5 Years
Number of Grants/Cooperative Agreements with Zero Dollar Balances	0	0	0
Number of Grants/Cooperative Agreements with Undisbursed Balances	0	0	0
Total Amount of Undisbursed Balances ($ in thousands)	$ 0	$ 0	$ 0

GLOSSARY OF ACRONYMS

ACIO	Associate Chief Information Officers
AFR	Agency Financial Report
APAC	Acquisition Program Advisory Council
APP&R	Annual Performance Plan and Report
ASAP	Automated Standard Application for Payments
ASG	American Samoa Government
Bbl	Oil Barrel
BBOE	Billion Barrels of Oil Equivalent
BcF	Billion Cubic Feet
BIA	Bureau of Indian Affairs
BIE	Bureau of Indian Education
BIO	Business Integration Office
BLM	Bureau of Land Management
BOEM	Bureau of Ocean Energy Management
BOR	Bureau of Reclamation
BSEE	Bureau of Safety and Environmental Enforcement
CDM	Continuous Diagnostics and Mitigation
CEAR	Certificate of Excellence in Accountability Reporting
CFO	Chief Financial Officer
CFR	Code of Federal Regulations
CIO	Chief Information Officer
CIP	Construction in Progress
CMP	Civil Monetary Penalties
CNMI	Commonwealth of the Northern Mariana Islands
CSRS	Civil Service Retirement System
CUI	Controlled Unclassified Information
DATA Act	*Digital Accountability and Transparency Act of 2014*
DCIA	*Debt Collection Improvement Act*
DHS	Department of Homeland Security
Disaster Relief Act	*Disaster Relief Appropriations Act*
DM&R	Deferred Maintenance and Repairs
DNP	Do Not Pay
DO	Departmental Offices
DOE	Department of Energy
DOI	Department of the Interior
DOL	Department of Labor
DOT	Department of Transportation
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
FBwT	Fund Balance with Treasury
FCI	Facility Condition Index
FCLAA	*Federal Coal Leasing Amendments Act of 1976*
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*
FISMA	*Federal Information Security Modernization Act of 2004*
FITARA	*Federal Information Technology and Acquisition Reform Act*

FLPMA	*Federal Land Policy and Management Act*
FMFIA	*Federal Managers' Financial Integrity Act*
FMV	Fair Market Value
FOGRMA	*Federal Oil and Gas Royalty Management Act of 1982*
FOIA	*Freedom of Information Act*
FRDAA	*Fraud Reduction and Data Analytics Act of 2015*
FWS	U.S. Fish and Wildlife Service
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GBL	Government Bill of Lading
GMRA	*Government Management Reform Act*
GONE Act	*Grants Oversight and New Efficiency Act*
GPRA	*Government Performance and Results Act*
GSA	General Services Administration
HF	Hydraulic Fracturing
HHS	Department of Health and Human Services
HPF	Historic Preservation Fund
IA	Indian Affairs
ICAM	Identity, Credential, and Access Management
IIM	Individual Indian Monies
IMT	Information Management and Technology
IMTLT	IMT Leadership Team
IPERIA	*Improper Payments Elimination and Recovery Act of 2012*
IT	Information Technology
LCRBDF	Lower Colorado River Basin Development Fund
LWCF	Land and Water Conservation Fund
M&I	Municipal and Industrial
Mcf	One Thousand Cubic Feet
MLA	*Mineral Leasing Act for Acquired Lands of 1947*
NEPA	*National Environmental Policy Act*
NFWF	National Fish and Wildlife Foundation
NPF	National Park Foundation
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
OMB	Office of Management and Budget
ONRR	Office of Natural Resources Revenue
OPM	Office of Personnel Management
OS	Office of the Secretary
OSMRE	Office of Surface Mining Reclamation and Enforcement
OSRR	Oil Spill Response Research
OST	Office of the Special Trustee for American Indians
PADD	Petroleum Administration for Defense Districts
PAM	Office of Acquisition and Property Management
PFM	Office of Financial Management
PI/LSI	Possessory Interest or Leasehold Surrender Interest

PPA	*Prompt Payment Act of 2002*
PP&E	Property, Plant, and Equipment
P. L.	Public Law
RtF	Reduce the Footprint
SBR	Statement of Budgetary Resources
SFFAS	Statement of Federal Financial Accounting Standard
SFRBTF	Sport Fish Restoration and Boating Trust Fund
SMCRA	*Surface Mining Control and Reclamation Act of 1977*
SNPLMA	*Southern Nevada Public Land Management Act*
TAP	Technology Assessment Program
TLCP	Trust Land Consolidation Program
Treasury	U.S. Department of the Treasury
USBR	U.S. Bureau of Reclamation
USCG	U.S. Coast Guard
USDA	U.S. Department of Agriculture
USFS	U.S. Forest Service
USGS	U.S. Geological Survey
USPP	United States Park Police
UTRR	Undiscovered Technically Recoverable Resources
WMD	Wetland Management District

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MS 5530-MIB
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UNITED STATES DEPARTMENT OF THE INTERIOR

Bureau of Land Management

Bureau of Ocean Energy Management

Bureau of Reclamation

Bureau of Safety and Environmental Enforcement

Indian Affairs

National Park Service

Office of the Secretary

Office of Surface Mining Reclamation and Enforcement

U.S. Fish and Wildlife Service

U.S. Geological Survey