UNITED STATES DEPARTMENT OF THE INTERIOR

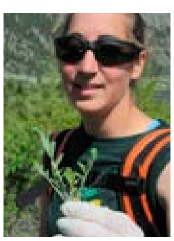
Agency Financial Report FY 2016

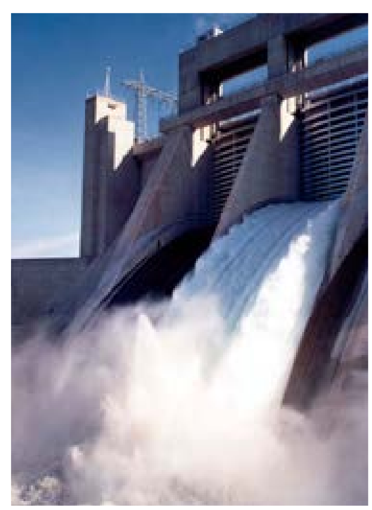


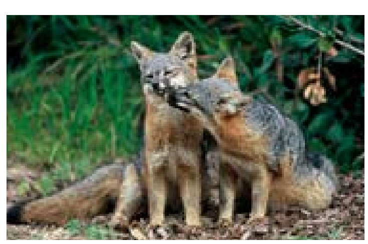










U.S. Department of the Interior

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U.S. DEPARTMENT OF THE INTERIOR

FISCAL YEAR 2016

AGENCY FINANCIAL REPORT

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The Department of the Interior (DOI) is pleased to submit its Agency Financial Report (AFR) for Fiscal Year (FY) 2016. This report presents management, performance, and financial information that demonstrates DOI's commitment to the stewardship of America's resources and the transparent accountable management of DOI's diverse portfolio of programs.

The DOI's broad responsibilities span the Nation, from the northern tip of Maine and the Arctic Ocean in Alaska to the southern tip of Florida. West to east, the lands and resources DOI manages stretch from Midway Island in the Pacific Ocean, to the Virgin Islands in the Caribbean. Last year, DOI contributed $300 billion to the U.S. economy, supporting an estimated 2 million jobs from outdoor recreation and tourism to energy development, livestock grazing, and timber harvesting. The Department manages more than 500 million surface acres, 700 million subsurface acres, and 1.7 billion acres of the Outer Continental Shelf. It oversees responsible development of 21 percent of U.S. energy supplies, is the largest supplier and manager of water in the 17 Western States, maintains relationships with 567 federally recognized tribes, and provides services to more than 2 million American Indian and Alaska Native peoples. Conventional energy produced from the DOI's lands also contributed an estimated $170 billion to the national economy, supporting about 1 million jobs.

The DOI is particularly proud to report its 20th consecutive unmodified audit opinion–a reflection of effective management, which is critically important to achieving strategic priority goals. The DOI continues to emphasize six priorities from the FY 2014-2018 Strategic Plan to guide and focus its efforts. The DOI is pleased to report on its accomplishments based on these priorities.

Celebrating and Enhancing America's Great Outdoors. Collaborative and community-driven efforts and outcome-focused investments are enhancing tourism and recreation opportunities, protecting wildlife populations, and preserving rural landscapes. There are many positive achievements to highlight over the past year:

- In FY 2016, DOI continued its support of President Obama's use of the *Antiquities Act of 1906* and the establishment or expansion of eight national monuments. These include the striking diversity of the 154,000 acre Sand to Snow National Monument running from the Sonoran Desert floor to the San Bernardino Mountains, the irreplaceable historic and scientific resources of 1.6 million acres of the Mojave Trails, and the Belmont-Paul Women's Equality and Stonewall National Monuments, which help to tell America's story and the history of the fights for recognition of the rights of women and the Lesbian, Gay, Bisexual, Transgender, and Queer community.
- The National Park Service (NPS) celebrated its centennial anniversary in 2016 and welcomed an unprecedented number of visitors to its lands and facilities. Record visitation in lesser-known parks indicates that the year-long Find Your Park public awareness campaign stimulated tourism across a range of states and communities.
- Through its Urban Agenda, NPS challenged its parks and programs to rethink how to connect with their neighboring communities and identified 10 model cities to participate in a collaborative discussion on youth, economic vitality, health, and sustainability. The NPS also offered $15 million in grants to develop outdoor recreation in urban areas.
- The NPS distributed $95 million to all 50 States, the Territories, and the District of Columbia through the Land and Water Conservation Fund stateside grants. These Federal matching grants leverage public and private investment in America's state and local public outdoor recreation projects, including baseball fields, community green spaces, and public access to water resources.

- In 2016, the Bureau of Land Management (BLM) sought to develop closer ties with the visitor communities it serves. The BLM Recreation Mapping Project, completed in partnership with the mountain biking community, worked to improve the public's access to public lands by providing interactive mountain bike maps to visitors online.
- In addition to encouraging visitation to America's iconic landscapes, DOI worked to support healthy wildlife populations here and abroad. In 2016, the U.S. Fish and Wildlife Service (FWS) delisted eight species under the Endangered Species Act due to recovery, including the Channel Islands fox, Louisiana black bear, and Delmarva fox squirrel. Nineteen species have recovered and been delisted under this Administration, which is more than under all other Presidents combined.
- The FWS continued to work to combat the devastating effects of poaching protected species and illegal trade in wildlife. Operation Crash, an ongoing international criminal investigation focused on the illegal trade in rhinoceros horn and elephant ivory, made 42 arrests, seized more than $75 million in rhino horns and elephant tusks, and helped establish the first eastern black rhino sanctuary in Kenya through a portion of the fines and seized assets. In July, FWS completed a rulemaking action to codify a near-total ban on commercial trade of African elephant ivory in the United States.
- Finally, FWS exceeded their priority goal of establishing 160,000 acres of habitat for pollinators and monarch butterflies by protecting over 300,000 acres in FY 2016.

Strengthening Tribal Nations and Insular Communities. During the Obama Administration, DOI has made great strides in establishing strong and meaningful government-to-government relationships with tribes, delivering services to American Indians and Alaska Natives, and advancing self-governance and self-determination. In FY 2016, DOI restored tribal homelands across the country, sought to fulfill treaty commitments, and expanded educational opportunities and support for Native youth. Highlights of these efforts include:

- In 2016, the Bureau of Indian Affairs exceeded the Obama Administration's goal of returning at least 500,000 acres to trust status for the benefit of Indian tribes. These acres are in addition to the nearly 2 million acres returned to tribes through the Land Buy-Back Program. Restoring tribal homelands has been an integral part of DOI's commitment to support tribal self-determination and self-governance, empowering tribal leaders to build stronger, more resilient communities.
- The Office of the Solicitor continued to engage in government-to-government negotiations with Indian tribes to resolve claims related to the historic management of funds, lands, and natural resources. In FY 2016, the United States settled claims with 15 Native American tribes for a total of $473 million. Since the beginning of this Administration, DOI has reached settlements with over 100 tribes for approximately $3.3 billion.
- The Bureau of Indian Education (BIE) continued its commitment to reform, which includes modernizing its administrative structure, improving transparency and accountability, and building the capacity of tribal nations. As part of that effort this year, DOI partnered with the National Board for Professional Teaching Standards to support the certification and commitment to excellence of BIE teachers.
- In June 2016, DOI published a final rule implementing the Indian Child Welfare Act (ICWA) for state courts. This final rule promotes consistent compliance with ICWA across the United States and prevents unwarranted separation of Indian children from their families and tribal communities. In addition, DOI, the Department of Health and Human Services, and the Department of Justice signed a memorandum of understanding to memorialize their commitment to the implementation of the ICWA for the health and well-being of Indian children, families, and communities.
- With support from the White House Council on Native American Affairs, DOI signed interagency agreements with seven other Federal agencies to advance the protection of tribal treaty rights. These agreements relate to environmental challenges, climate change, natural resources, and mental health for students.
- In FY 2016, the Office of the Special Trustee for American Indians Office of Appraisal Services staff completed more than 14,500 appraisals that included over 2.1 million acres with cumulative values of $1.8 billion. The Alaska and Great Plains Regions accomplished a zero appraisal backlog, which is a first-time occurrence in over 5 years for these regions.

- The DOI established an administrative procedure, through a rulemaking, for Native Hawaiians to form a unified government to seek a formal government-to-government relationship with the United States. This rule is a historic step forward in the reconciliation process that began in 1993 when Congress offered an apology to Native Hawaiians on behalf of the United States for the overthrow of the Kingdom of Hawaii, and marks the beginning of a new era in Federal-Native Hawaiian relations.

Powering Our Future. The DOI plays a significant role in securing a sustainable energy future. During this Administration, America's dependence on foreign oil has gone down, renewable energy production has doubled, and the Interior Department has set a path for a safe and secure energy future. The DOI's energy reform agenda includes modernizing programs and practices, improving transparency, and strengthening inspection and enforcement. Among the accomplishments this year:

- The Bureau of Ocean Energy Management (BOEM) accelerated the development of offshore renewable energy in the United States. In FY 2016, BOEM held the Nation's fifth competitive lease sale for renewable energy in Federal waters, leasing over 343,000 acres offshore New Jersey for potential wind energy development. To date, the competitive lease sales generated over $16 million in winning bids, and BOEM issued a total of 11 commercial leases.
- The DOI has also continued to make significant progress in facilitating onshore renewable projects. In September, Indian Affairs issued a Record of Decision (ROD) conditionally approving the Aiya Solar Project on the Moapa Band of Paiute Indians Reservation in Nevada. The project is expected to create 300 construction jobs and, when completed, generate enough electricity to power 25,000 homes.
- The Office of Indian Energy and Economic Development provided $4.67 million in Energy and Mineral Development (EMDP) Grants to support 32 renewable energy projects in FY 2016. The Fond du Lac Band of Lake Superior Chippewa's 1 megawatt (MW) solar PV facility, a recipient of an FY 2014 EMDP grant, was brought online in August of 2016.
- The Bureau of Reclamation (Reclamation) continued work to encourage and permit new hydropower development at its facilities in 2016. Three non-Federal hydropower facilities came online with a total of 3.4MW of capacity, and an additional 37 private, conventional hydropower projects are currently being developed on Reclamation infrastructure with a total of 107 MW of capacity.
- With this sustained emphasis and success in permitting, DOI has undertaken several planning efforts to incentivize development in areas with high-quality renewable energy potential where impacts can be managed and mitigated. The Desert Renewable Energy Conservation Plan, for example, streamlines development while conserving unique ecosystems and providing for recreation opportunities across more than 22 million acres of the California desert. In order to institutionalize this approach, BLM also finalized a new competitive leasing process for solar and wind energy in FY16. In addition to encouraging leasing opportunities, the new process creates greater certainty for developers and provides a fair market return to American taxpayers for the use of public lands.
- Similarly, BOEM developed a collaborative strategic plan between DOI and the Department of Energy that presents the Federal actions and innovations needed to reduce offshore wind deployment costs and timelines and provides a roadmap to support the growth and success of the industry. Both the BLM and BOEM strategies are a part of President Obama's Climate Action Plan that will create American jobs and cut carbon pollution by developing America's clean energy resources.
- The DOI also worked to modernize its conventional energy regulatory program to ensure safe and responsible development in public lands and waters. For example, the Bureau of Safety and Environmental Enforcement finalized three major rulemakings that represent some of the most dramatic reforms in offshore safety and environmental protection in decades. These new rules significantly decrease the risk of future losses of well control, update regulations to take into account decades of technological advancement, and in conjunction with BOEM, set a high standard for safe and environmentally responsible oil and gas exploration in the Arctic, ensuring that our ocean and coastal environment is protected and our Nation's valuable resources are conserved.

- In addition, BLM finalized three rules designed to improve the measurement, reporting, and recordkeeping of oil and gas produced from onshore Federal and Indian leases in order to ensure that the appropriate royalties are paid. The rules represent the first comprehensive update since they were issued over 25 years ago and address concerns raised by the Government Accountability Office and DOI's Office of the Inspector General that the oil and gas program may be vulnerable to fraud, waste, abuse, and mismanagement.
- The Office of Surface Mining Reclamation and Enforcement (OSMRE) addressed coal mining policy through the Stream Protection Rule, a comprehensive approach that modernizes 30 year old regulations to take advantage of new advances in science and to improve the balance between environmental protection and the Nation's need for coal as a source of energy. In addition to providing $225 million in Abandoned Mine Land (AML) funding to 28 states and tribes, OSMRE set up a pilot program to award $30 million each in AML grants to unfunded high priority sites in Kentucky, Pennsylvania, and West Virginia. In addition to reclaiming mine lands, these programs will create economic development opportunities in communities adversely impacted by past coal mining activities.
- In December 2015, the United States released its first annual report and data portal as part of the Extractive Industries Transparency Initiative (EITI), a voluntary, global effort designed to strengthen public trust for a country's oil, gas, and mineral resource revenues. The first online EITI report of its kind, the portal will improve accountability and governance of natural resource revenues and highlight the United States' commitment to transparency.

Engaging the Next Generation. To address the growing disconnect between young people and the outdoors, DOI is promoting public-private partnerships and collaborative efforts across all levels of government to connect young people with the land and inspire them to play, learn, serve, and work outdoors. In 2016, significant progress was made across these efforts:

- Following the successful launch of 26 Let's Move! Outside cities in 2015, another 25 cities were announced as part of a nationwide movement to expand locally driven coalitions and opportunities for young people on our public lands. This brings the number of cities participating in this program, part of First Lady Michelle Obama's Let's Move! initiative and funded through a public-private partnership with the American Express Foundation and the YMCA of the USA, to 51.
- The DOI continued to support 21st Century Conservation Service Corps projects across the country. These efforts leverage public investment and private philanthropy to build job skills, improve national parks and public lands, create opportunities for young adults, tribal youth, returning veterans, and create connections to the land for the next generation. The DOI provided employment opportunities to more than 59,700 youth and veterans from 2015-2016, and is on track to reach its 2017 goal.
- The DOI also supported the creation of four new tribal youth conservation corps as part of the RESTORE Council, which provides new opportunities for tribal youth in communities in the Gulf States, and is working with additional tribes to expand these efforts.
- Finally, DOI continued to grow the Every Kid in a Park program, which invites America's fourth graders and their families to visit more than 2,000 Federal sites free of charge. The program is now beginning its second year and continues to reach new audiences. By introducing American youth to public lands in their backyards and beyond at an early age, the innovative Every Kid in a Park initiative delivers a nationwide call to action to build the next generation of outdoor stewards of our country's spectacular and diverse Federal lands and waters.

Ensuring Healthy Watersheds and Sustainable, Secure Water Supplies. The DOI recognizes the importance of water as the foundation for healthy communities and healthy economies and the challenges resulting from climate change, drought conditions, and increasing demand. The DOI is working with states in managing water resources, providing critical data and decision support systems, raising awareness and support for sustainable water usage, maintaining critical infrastructure, promoting efficiency and conservation, supporting healthy rivers and streams, and restoring key ecosystems. Highlights of these efforts include:

- Reclamation anticipates enabling capability to increase available water supply to 1,140,000 acre-feet cumulatively from FY 2010 through FY 2016, exceeding DOI's Priority Goal for Water Conservation.
- In FY 2016, Reclamation provided $25.9 million in WaterSMART Water and Energy Efficiency Grants for 52 projects in 11 states, and $33.3 million for 8 water reclamation and reuse projects. These grants will help stretch water supplies and improve water and energy efficiencies in communities throughout the West to support sustainable uses of our limited resources.
- In FY 2016, Reclamation also provided $5.6 million for 9 drought contingency plans, 14 resiliency projects, and 3 emergency response actions through Reclamation's Drought Response Program, which was established in 2015 to incentivize planning and preparedness rather than crisis response.
- As part of the WaterSMART initiative, the U.S. Geological Survey (USGS) is working closely with statewide resource agencies to improve access to water resource data and create hydrologic models and databases that improve water management. The USGS also continues to enhance the Landsat program to ensure the long term sustainable land imaging that is critical for improved land and water management.
- The BOEM also supported the maintenance of healthy watersheds by providing sand from Federal waters for beach nourishment and coastal restoration. In FY 2016, BOEM issued agreements for projects in North Carolina, South Carolina, Florida, and the Gulf of Mexico for access to over 40 million cubic yards of sand in Federal waters, a critical resource for coastal resilience projects.

Building a Landscape-Level Understanding of Our Resources. Harnessing existing and emerging technologies and information, DOI is elevating our collective understanding of resources at the landscape-scale and urging Federal, state, local, and tribal partners to work together within these landscapes. The DOI has many achievements to highlight in FY 2016:

- The DOI prioritized and streamlined climate change considerations in development planning processes and programs for the Nation's territories, including $52 million in funding for the Marshall Islands. Other climate projects address mangrove forest vulnerability in Micronesia, habitat restoration in American Samoa, invasive species management in Guam, and coral reef protection in Puerto Rico.
- Reclamation launched a data visualization online tool enabling the American public to visualize the regional impacts of climate change and potential adaptation options. The tool allows users to check by basin how temperature, precipitation, snowpack, runoff, and water supplies are projected to be affected. Viewers can also check the projected flow of a river at specific points and times of the year and display adaptation options.
- In FY 2016, BLM took another step forward on an unprecedented collaborative effort to conserve Greater Sage-Grouse and its habitat by issuing seven policies that address oil and gas leasing and development, grazing, and the collection and use of land management data to inform decisionmaking. These policies respond to state and stakeholder desires to see clear and consistent application of the BLM's management activities across the western Greater Sage-Grouse states while providing the flexibility needed to respond to local situations and concerns.
- In August 2016, BLM completed a planning effort addressing how forest and other resources will be managed in western Oregon for years to come. The new plans incorporate new science and updated critical habitat for the Northern Spotted Owl, provide for a sustained yield of timber harvest, and address multiple other resource issues. The BLM worked with over 20 cooperators and held over 40 public meetings during the 4.5 year planning effort.
- Alaska has never been mapped to modern standards. The USGS, in cooperation with State and other Federal partners, is addressing this by producing maps and elevation data up to par with the lower 48 States. The USGS is also mapping Alaska's geology, applying cutting edge technology, and supporting Americas' role as an Arctic nation.

Agency Financial Report

In addition to a high level review of challenges, this 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 financial and performance information presented in this report is fundamentally complete and reliable as required by the Office of Management and Budget. The annual assurance statement, as required by the *Federal Managers' Financial Integrity Act of 1982*, provides reasonable assurance that DOI's internal controls are effective, with the exception of one operational material weaknesses relating to the Management of Grants, Cooperative Agreements, and Tribal Awards.

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. This report includes a brief preview of performance information. The Annual Performance Plan and report to be issued with the 2017 President's budget will provide a more comprehensive account of performance, in accordance with the *Government Performance and Results Modernization Act of 2010.*

In FY 2016, DOI is proud to report that there were no material weaknesses identified. The DOI was successful in obtaining an unmodified audit opinion and mitigating the two prior year material weaknesses as well as successfully remediating the non-compliance and significant deficiency. In FY 2017, DOI is committed to addressing the three remaining significant deficiencies highlighted in the FY 2016 *Independent Auditor's Report.*

The DOI is also proud of this report and of the accomplishments it represents. In particular, DOI recognizes the efforts of its 71,000 employees that carry out the work of this Department. On a daily basis, these individuals demonstrate their dedication to fulfilling the trust of the American people, improving our stewardship of the Nation's resources, upholding our responsibilities to Native Americans, assisting Insular Areas, and strengthening our delivery of programs and services.

Sincerely,

Sally Jewell
Secretary of the Interior
November 15, 2016

ABOUT THIS REPORT

The U.S. Department of the Interior's (DOI) Agency Financial Report (AFR) for fiscal year (FY) 2016 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:

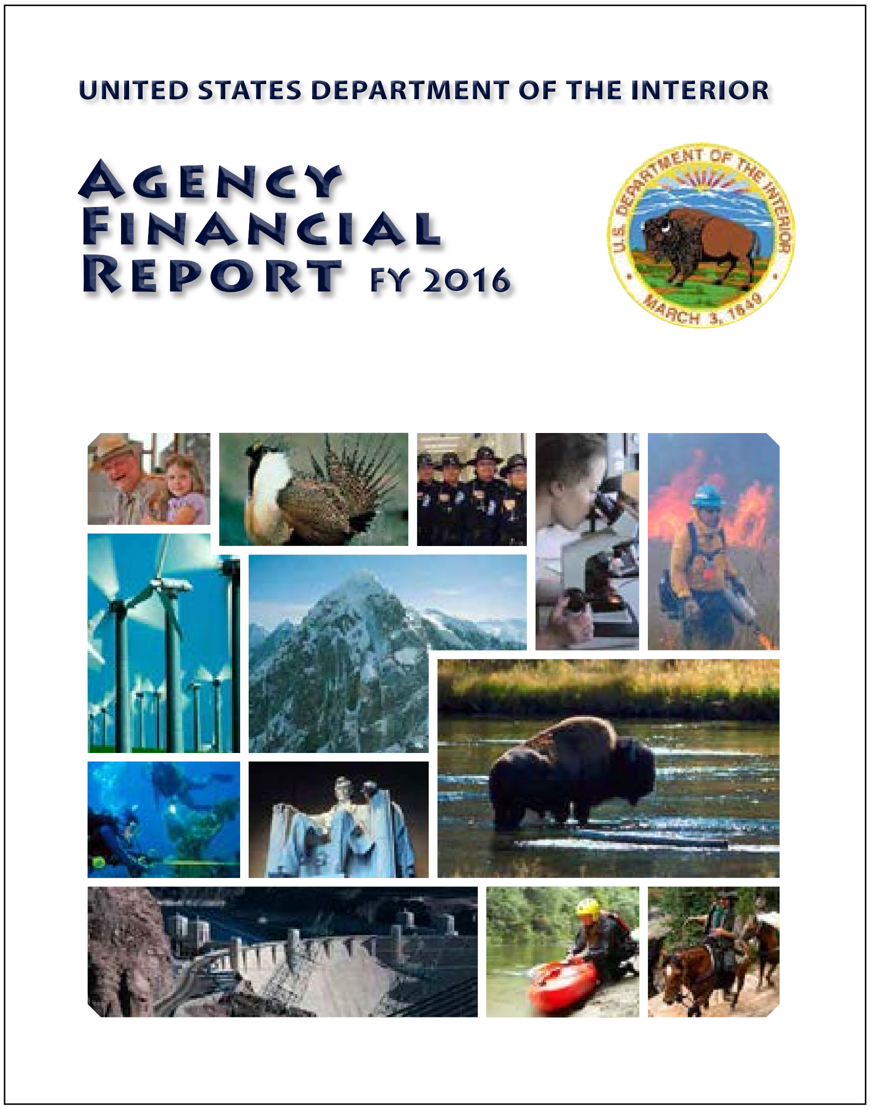
- *Federal Managers' Financial Integrity Act of 1982*;
- *Chief Financial Officers Act of 1990*;
- *Government Management Reform Act of 1994*;
- *Reports Consolidation Act of 2000*;
- Office of Management and Budget Circular No. A-136, *Financial Reporting Requirements;*
- *Improper Payments Elimination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

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 Modernization Act of 2010*, will be provided within the Annual Performance Plan and Report (APP&R) to be transmitted with the release of the FY 2018 Congressional Budget Justification. A Summary of Performance and Financial Information is also produced. It is a citizens' report that summarizes this information in a brief, user friendly format. The AFR may be viewed online at ***www.doi.gov/pfm/afr/index.cfm***.

CERTIFICATE OF EXCELLENCE IN ACCOUNTABILITY REPORTING

The DOI received two FY 2015 Certificate of Excellence in Accountability Reporting (CEAR)© awards–a Certificate of Excellence Award and a Best-in-Class Award for the inclusion of interactive data visualizations. 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 these prestigious awards and is fully committed to excellence in financial reporting and providing a comprehensive understanding of DOI's fiscal and programmatic accomplishments.

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CERTIFICATE OF EXCELLENCE IN ACCOUNTABILITY REPORTING®

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Robert F. Dacey, CGFM, CPA
Chair, Certificate of Excellence in Accountability Reporting Board

Ann Ebberts, MS, PMP
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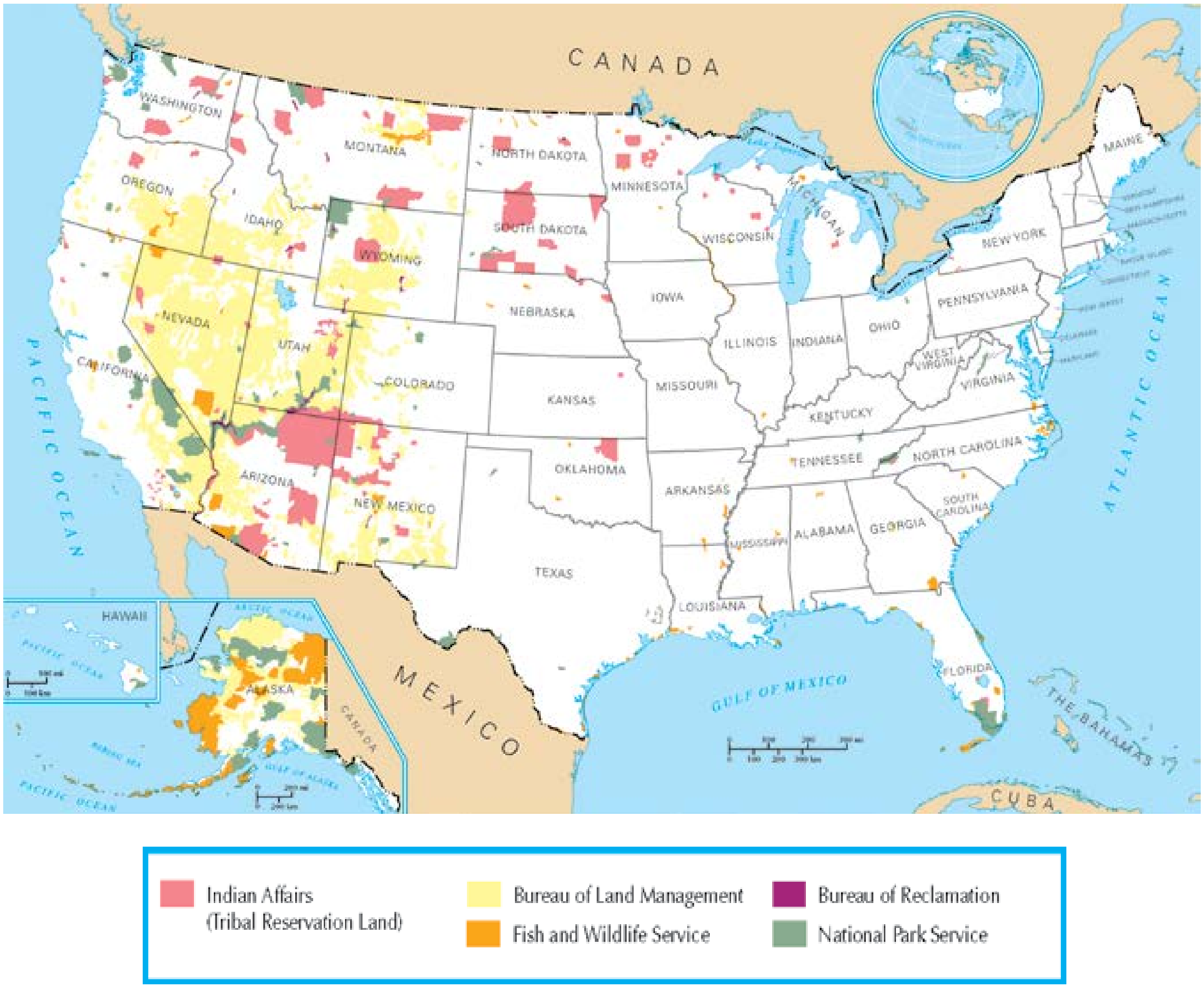
Surface Lands Managed by The Department of the Interior



Mission

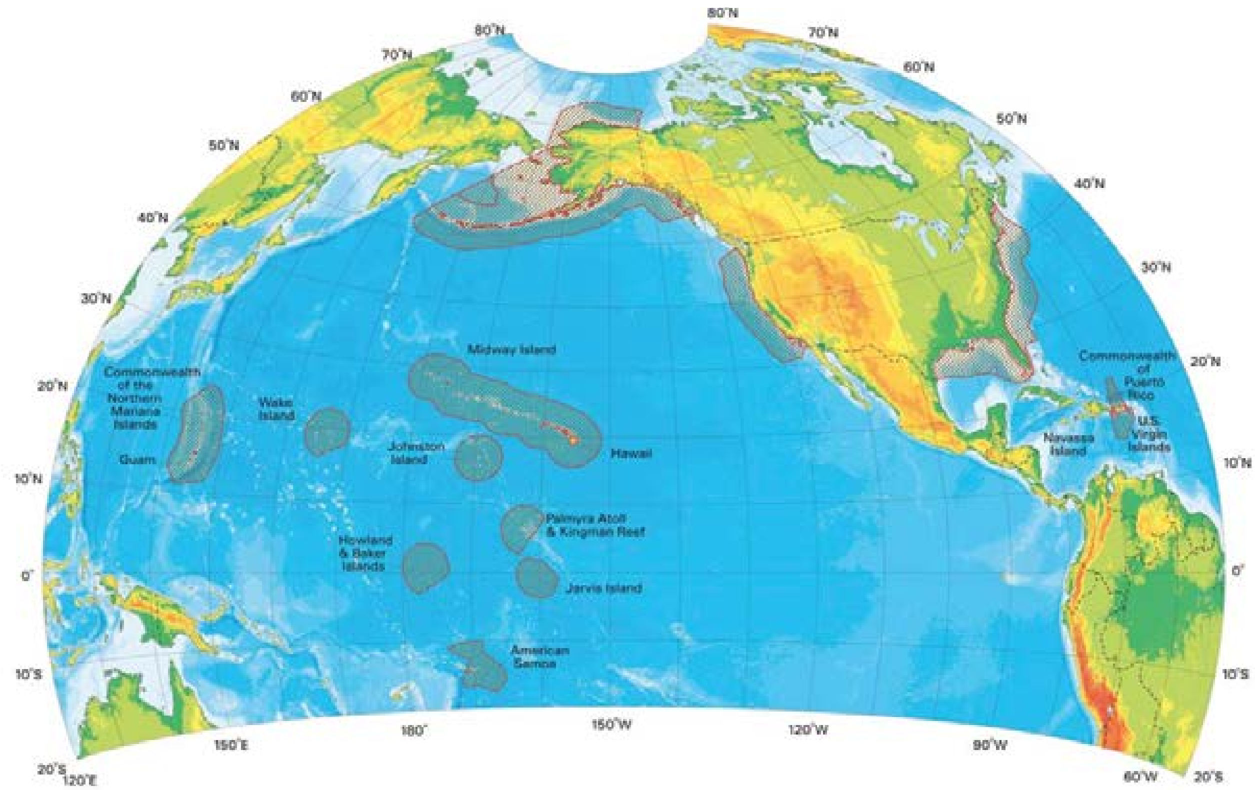
The DOI protects and manages the Nation's natural resources and cultural heritage, provides scientific and other information about those resources, and honors the Nation's trust responsibilities or special commitments to American Indians, Alaska Natives, and affiliated island communities.

History

In 1849, President Polk signed the bill creating DOI, which managed a broad array of programs, including 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 grew in future decades, DOI's mission evolved. Theodore Roosevelt's conservation summit and the early 20th Century conservation movement created increasing urgency to protect and better manage the country's natural resources. Accordingly, DOI's mission shifted to the preservation, management, understanding, and use of the great natural and cultural resources of the land, along with retaining responsibilities related to Indian Nations.

Today, DOI manages the Nation's public lands and minerals, including more than 500 million surface acres of public lands, 700 million acres of subsurface minerals, and 1.7 billion acres of the

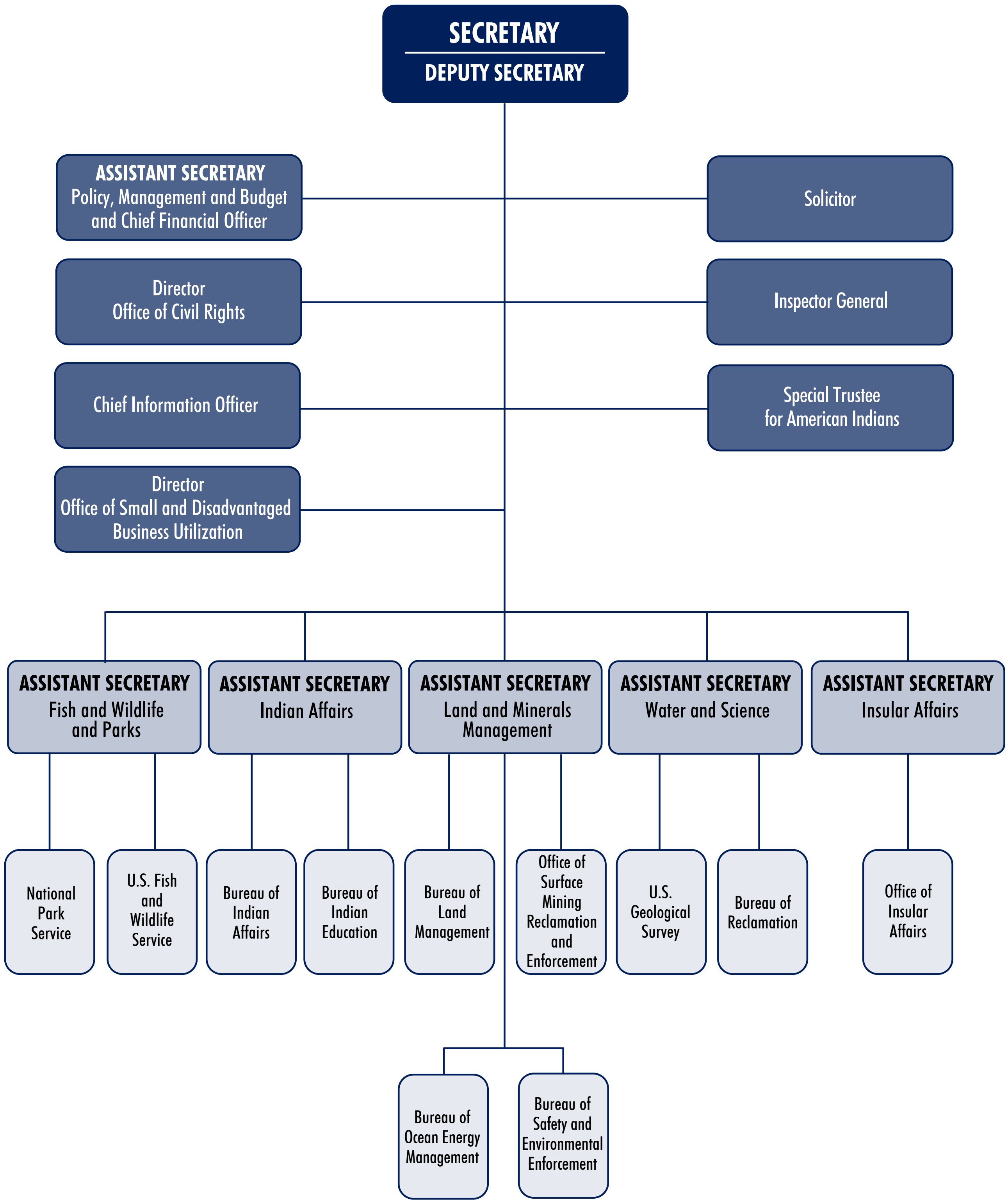
United States Continental Shelf Boundary Areas



Outer Continental Shelf. The DOI is the steward of 20 percent of the Nation's lands, including national parks, national wildlife refuges, and the public lands; manages resources providing 21 percent of the Nation's energy; delivers and manages water in the 17 Western states and is the second-largest supplier of the Nation's hydropower energy; and upholds Federal trust responsibilities to 567 federally recognized Indian tribes and Alaska Native communities. Additionally, DOI is responsible for migratory bird and wildlife conservation; historic preservation; endangered species conservation; surface-mined lands protection and restoration; mapping, geological, hydrological, and biological science for the Nation; and financial and technical assistance for the insular areas.

The 2014-2018 Strategic Plan serves as the organizing framework for DOI's broad portfolio of responsibilities and core missions. The goals and strategies of the Plan's six Mission Areas, described on the following page, capture the activities performed by DOI's 70,968 employees working in bureaus and multiple offices and supported by approximately 509,000 volunteers.

U.S. Department of the Interior



Bureau and Office Summary

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

Bureau of Land Management (BLM)

- Manages and conserves resources for multiple use and sustained yield on approximately 246 million onshore acres of public land, as well as 700 million acres of subsurface Federal mineral estate, including the following:
  - Renewable and conventional energy and mineral development;
  - Forest management, timber, and biomass production;
  - Wild Horse and Burro management;
  - Management of diverse landscapes for the benefit of wildlife, domestic grazing, and recreational uses; and
  - Resource management at sites of natural, scenic, scientific, and historical value including the National Landscape Conservation System.

Bureau of Ocean Energy Management (BOEM)

- Manages access to renewable and conventional energy resources of the Outer Continental Shelf (OCS).
- Administers over 3,600 active fluid mineral leases on approximately 19 million OCS acres.
- Oversees 5 percent of the natural gas and 16 percent of the oil produced domestically.
- Oversees lease and grant issuance for off shore renewable energy projects.

Bureau of Safety and Environmental Enforcement (BSEE)

- Regulates oversight of worker safety, oil spill preparedness, environmental compliance, and conservation of offshore resources on the 1.7 billion acre US Outer Continental Shelf (OCS).
- Conducts inspections on over 2,300 offshore facilities and carries out investigations when serious incidents do occur.
- Supports research to identify, develop, and advance the best and safest technologies to improve offshore safety and oil spill preparedness.

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.

U.S. Geological Survey (USGS)

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

Bureau of Reclamation (BOR)

- Manages, develops, and protects water and related resources in an environmentally and economically sound manner in the interest of the American public.
- Largest wholesale supplier of water in the Nation.
- Manages 475 dams and 337 reservoirs.
- Delivers water to 1 in every 5 western farmers and more than 31 million people.
- America's second largest producer of hydroelectric power.

U.S. Fish and Wildlife Service (FWS)

- Manages the 150 million acre National Wildlife Refuge System primarily for the benefit of fish and wildlife.
- Manages 73 fish hatcheries and other related facilities for endangered species recovery and to restore native fisheries populations.
- Protects and conserves:
  - Migratory birds;
  - Threatened and endangered species; and
  - Certain marine mammals.
- Hosts over 48 million visitors annually at 565 refuges located in all 50 states and 38 wetland management districts.

Indian Affairs (IA)

- Fulfills Indian trust responsibilities.
- Promotes self-determination on behalf of 567 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 over 47,000 students in 23 states.
- Supports 32 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).

National Park Service (NPS)

- Maintains and manages a network of 413 natural, cultural, and recreational sites for the benefit and enjoyment of the American people.
- Manages and protects over 26,000 historic structures, over 44 million acres of designated wilderness, and a wide range of museum collections and cultural and natural landscapes.
- Visits to National Park units exceeded 307 million.
- Provides technical assistance and support to state and local natural and cultural resource sites and programs, and fulfills responsibilities under the *National Historic Preservation Act of 1966*.

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 Analysis;
  - International Affairs;
  - Natural Resource Damage Assessment;
  - Wildland Fire Management;
  - Environmental Policy and Compliance; and
  - Native Hawaiian Relations.
- Office of Inspector General
- Office of the Special Trustee for American Indians
- Assistant Secretary for Insular Affairs and the Office of Insular Affairs

THE DEPARTMENT OF THE INTERIOR'S MISSION AREAS

CELEBRATING AND ENHANCING AMERICA'S GREAT OUTDOORS

The DOI fosters the intrinsic link between healthy economies and healthy landscapes with goals and strategies to balance increased tourism and outdoor recreation with preservation and conservation. Collaborative and community-driven efforts and outcome-focused investments help preserve and enhance rural landscapes, urban parks and rivers, important ecosystems, cultural resources, and wildlife habitat. This Mission Area's goals and strategies incorporate the best available science, a landscape-level understanding, climate change adaptation, and stakeholder input to identify and share conservation priorities.

STRENGTHENING TRIBAL NATIONS AND INSULAR COMMUNITIES

The DOI continues to establish strong and meaningful relationships with tribes, strengthen government-to-government relationships, deliver services to American Indians and Alaska Natives, and advance self-governance and self-determination. These efforts restore tribal homelands, fulfill commitments for Indian water rights, develop energy resources, expand educational opportunities, and assist in the management of climate change. In insular communities, DOI works to create economic opportunity, promote efficient and effective governance, and improve the quality of life in these communities.

POWERING OUR FUTURE AND RESPONSIBLE USE OF THE NATION'S RESOURCES

The DOI plays a significant role in the President's all-of-the-above energy strategy to secure a cleaner and more sustainable energy future for the Nation. The goals and strategies take a landscape-level approach to energy development, modernizing programs and practices, improving transparency, streamlining permitting, and strengthening inspection and enforcement.

ENGAGING THE NEXT GENERATION

The DOI promotes public-private partnerships and collaborative efforts across all levels of government to connect the Next Generation with the land and inspire them to play, learn, serve, and work outdoors. The DOI's efforts include the 21st Century Conservation Service Corps to leverage public investment and private philanthropy to build job skills, improve national parks and public lands, create opportunities for veterans, and create connections to the land for the next generation.

ENSURING HEALTHY WATERSHEDS AND SUSTAINABLE, SECURE WATER SUPPLIES

Water supplies, the foundation for healthy communities and healthy economies, face challenges from climate change, drought conditions, and increasing demand. The DOI works with states in managing water resources, raising awareness and support for sustainable water usage, maintaining critical infrastructure, promoting efficiency and conservation, supporting healthy rivers and streams, and restoring key ecosystems.

BUILDING A LANDSCAPE-LEVEL UNDERSTANDING OF OUR RESOURCES

The DOI works to harness existing and emerging technologies and elevate understanding of resources on a landscape-level by advancing knowledge in the fields of: ecosystem services and resilience, energy and mineral resource assessments, hazard response and mitigation, water security, sacred sites, climate change adaptation, and environmental health. Landscape-level approaches to management hold the promise of a broader based and more consistent consideration of development and conservation. Applied and basic scientific research, as well as the development of science products, inform decision-making by DOI's bureaus and offices and local, state, national, and international communities.

The DOI tracks performance based on the integrated FY 2014-2018 Strategic Plan, which defines the goals, strategies, and performance measures under the following mission areas reflecting the Secretary of the Interior's priorities:

- Celebrating and enhancing America's great outdoors;
- Strengthening tribal nations and insular communities;
- Powering our future and responsible use of the Nation's resources;
- Engaging the next generation;
- Ensuring healthy watersheds and sustainable, secure water supplies; and
- Building a landscape-level understanding of our resources.

The following performance summary uses key indicators, selected from the Strategic Plan, to gauge trends in performance, including preliminary estimates of FY 2016 results. An updated, more complete and in-depth performance assessment will appear in DOI's FY 2017/2018 Annual Performance Plan & Report (APP&R), ***https://www.doi.gov/performance/performance-reports***, with an estimated release of Spring 2017 along with the President's FY 2018 Budget Request. It will be available online at DOI's Budget And Performance Portal, ***www.doi.gov/bpp***.

MISSION AREA ONE: CELEBRATING AND ENHANCING AMERICA'S GREAT OUTDOORS

The DOI has identified three goals with strategies and measures to tracking performance of efforts to effectively manage natural habitats and ensure the condition of the Nation's heritage and cultural assets.

Goal #1: Protect America's landscapes

This goal has two main purposes — to protect DOI-managed lands and waters and safeguard the wildlife and plant inhabitants. The key performance indicator, acres in "desired condition" as defined in locally established management plans, gauges 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, progress has been leveling out near 80 percent while the total acres assessed increases. Favorable weather, the ability to redirect funds to priority projects, and additional partner support helped to especially improve results in FY 2015 and FY 2016. However, maintaining this level of performance is desired but somewhat uncertain as to whether the conditions experienced last year will continue.

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

Bureau	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Target	2016 Preliminary
BLM, FWS, NPS	77%	74%	77%	78%	77%	78%
Acres in desired condition	332,894,215	324,908,501	353,869,240	360,116,825	355,412,221	361,651,952
Total Acres Assessed	432,178,434	436,341,566	461,495,700	461,325,882	461,843,264	462,520,691

The DOI uses a key indicator relating to species' sustainability to assess progress in protecting fish, wildlife, and plant species. Success in species protection, affected by natural and human induced pressures including loss of habitat, requires longer time frames to achieve results and often shows little annual change. Treatments 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. The application of adaptive management strategies, initiated as part of DOI's Agency Priority Goal on Climate Change Adaptation (see table on Agency Priority Goals at the end of this section), as well as the science and collaborative knowledge provided by the activities of Climate Science Centers (CSC) and Landscape Conservation Cooperatives (LCC), will assist in achieving these goals.

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

Bureau	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Target	2016 Preliminary
FWS	72%	72%	73%	73%	73%	73%
Healthy and sustainable bird species	726	726	747	747	747	747
Total bird species	1,007	1,007	1,026	1,026	1,026	1,026

As shown in the table above, migratory bird species' health and sustainability consistently measures in the low 70 percent range, with a steady level of resources and an increase in targeted species. Birds serve as an important gauge of overall environmental health, and this key indicator reflects the ecosystem's ability to support bird species. Performance updates for this measure occur every five years. Species typically require long time frames for condition improvement assuming adequate attention can be paid to their populations and habitat.

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

The condition of historic structures serves as the key indicator in determining success in preserving our cultural and heritage resources. The DOI works to maintain historic structures and the assets they house in good condition. These invaluable assets provide insight into our past and help us understand the story of the Nation's history.

Percent of historic structures in DOI inventory in good condition.

Bureau	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Target	2016 Preliminary
BIA, BLM, FWS, NPS	56%	53%	57%	65%	65%	56%
Structures in good condition	16,316	15,390	14,942	16,932	16,906	14,370
Total structures	29,016	29,173	26,269	26,200	26,192	25,685

The passage of time challenges this goal, as additional damaged and aging structures require more attention than can sometimes be provided given the demands of annual upkeep across the entire inventory. To ensure appropriate attention to significant historic structures, a more refined approach was implemented to identify the highest priority structures. This approach focuses resources on facilities according to priority and need, resulting in the maintenance of a consistent level of historic structures in good condition. This prioritization approach has resulted in a slight decline in the number of prioritized structures from FY 2012 to FY 2014, which had helped to accommodate the declining funding levels in those years. The DOI completed a large number of new/revised historical structure assessments in FY 2015 resulting in increases to total structures in good condition. Further FY 2016 reductions in the historic structure inventory were due to demolition of outdated structures and less processing of NPS structures than originally planned to match available funding.

Goal #3: Provide recreation and visitor experience

The DOI's visitor programs strive to meet high standards for recreation, education, and awareness of the natural world, historic events and cultural resources at parks, refuges, and other DOI lands. The key performance indicator used for this goal, visitor satisfaction, is measured through visitor surveys. Performance remains steady despite resource constraints and increased visitation and use. The challenge of keeping up with the rising costs of operations, maintenance, and restoration of aging facilities can be seen in the slight performance improvements on the following table.

Percent of visitors satisfied with the quality of their experience.						
Bureau	**2012 Actual**	**2013 Actual**	**2014 Actual**	**2015 Actual**	**2016 Target**	**2016 Preliminary**
BLM, FWS, NPS	94%	94%	95%	95%	95%	95%

MISSION AREA TWO: STRENGTHENING TRIBAL NATIONS AND INSULAR COMMUNITIES

The three goals in this mission area focus on restoring the integrity of nation-to-nation relationships with tribes by fulfilling the United States' trust responsibilities, improving the quality of life in tribal and native communities, and empowering insular communities to achieve an improved quality of life.

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

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 funds 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 information initially processed accurately in trust beneficiaries' accounts.						
Bureau	**2012 Actual**	**2013 Actual**	**2014 Actual**	**2015 Actual**	**2016 Target**	**2016 Preliminary**
OST	100%	100%	100%	100%	99%	99%
Total information processed accurately	8,803,464	9,367,301	9,980,933	10,723,816	10,395,000	10,261,456

Goal #2: Improve the quality of life in tribal and native communities

The key performance indicator of this goal, reducing violent crimes in Indian communities, significantly affects the quality of life in tribal communities. Violent crime continues to be a very challenging issue since crime rates are influenced by a variety of factors, many of which are not under the control of DOI. Overall, violent crime rates have been lower since 2006. However, after several years of lower violent crime incidents there is a higher level being reported in FY 2016. This increase is due to more accurate reporting as a result of crime classification training and improved access to reporting databases in over 190 locations. It is critical that crime incidents be accurately categorized, between violent and non-violent crime, and reported so that deployment of assistance can be coordinated with the corresponding needs of the various communities. In addition, the overall national violent crime rate increased, which has spillover effects in Indian Country. The BIA continues to follow-up with Indian Country districts to provide technical assistance and training on crime reporting, particularly in those districts with higher turnover, to better ensure accurate reporting.

Violent (Part 1) crime incidents per 100,000 Indian Country inhabitants receiving law enforcement services.						
Bureau	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Target	2016 Preliminary
BIA	412	442	419	460	433	559
Number of crime incidents*	5,160	5,538	5,245	5,769	5,423	7,003
Total inhabitants (100,000)	12.53	12.53	12.53	12.53	12.53	12.53

*per 100,000 inhabitants

Goal #3: Empower insular communities

The DOI measures performance of Federal programs in island communities in three areas: the degree to which Federal assistance helps improve the quality of life; the completeness of insular communities' financial statements, which detail their use of Federal assistance; and economic development. Availability of clean water serves as a key indicator of quality of life and for this goal, performance assessment is indicated by water system violation notices. Continued economic and aging infrastructure challenges impact the ability to maintain water system conditions. However, the number of community water systems with health-based violations decreased in 2016 for three of the four territories compared to the previous year. The territory with increasing violations, the Commonwealth of the Northern Marianas Islands (CNMI), transitioned water system management in 2015 from the Water Task Force to the Commonwealth Utilities Corporation. The Office of Insular Affairs (OIA) will monitor water system violation trends in the CNMI under its new management.

Percent of community water systems that receive health-based violation notices from the Environmental Protection Agency.						
Bureau	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Target	2016 Preliminary
OIA	14%	19%	8%	13%	10%	8%

MISSION AREA THREE: POWERING OUR FUTURE AND RESPONSIBLE USE OF THE NATION'S RESOURCES

This mission area reflects DOI's collective efforts to effectively manage the access to, and ensure responsible use of, natural resources on onshore and offshore Federally managed areas. One goal addresses energy producing resources and a second addresses land-related resources, including grazing, non-energy minerals, and timber.

Goal #1: Secure America's energy resources

The DOI provides access to oil and gas extraction from Federally managed areas for the benefit of the American public and the economy. The DOI ensures these efforts are conducted in a responsible, safe, and environmentally sensitive manner. For oil and gas operations, DOI's improved oversight includes a criteria-driven approach to ensure inspection of highest priority onshore oil and gas operations being tracked through a DOI Agency Priority Goal. The DOI is also addressing the recommendations made by the Government Accountability Office (GAO) and the Office of Inspector General (OIG) to improve policies and regulations related to oil and gas measurement, and address hiring and retention challenges for key oil and gas personnel.

The Nation's clean energy future relies on developing wind, solar, and geothermal renewable energy resources. Renewable energy resource development is one of DOI's Agency Priority Goals.

Number of megawatts of approved capacity authorized on public land and the outer continental shelf (offshore) for renewable energy development while ensuring full environmental review (cumulative since 2009).						
Bureau	**2012 Actual**	**2013 Actual**	**2014 Actual**	**2015 Actual**	**2016 Target**	**2016 Preliminary**
BLM & BOEM	7,863	13,787	14,608	15,615	16,466	16,062

The DOI has significantly increased the capacity for renewable resource energy generation and transmission on Federal lands over the past five years. However, recent performance targets have become more difficult to achieve as issues and challenges emerge, including locating project sites near sensitive avian and wildlife species, addressing tribal concerns, and delays due to sponsors' ability to finance projects and establish agreements with electric utility companies.

Goal #2: Sustainably manage timber, forage, and non-energy minerals

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, impacting the overall level of performance. Performance of the timber program, displayed in the following table, is used as the key indicator representative of efforts undertaken for this goal. The level of timber offered in FY 2016 was less than offered in FY 2015 due to reductions in staff capacity and uncompleted environmental analyses. In addition, in FY 2016, there was less available fire and insect salvage volume compared to previous fiscal years resulting in a decrease in total volume offered.

Percent of allowable sale quantity timber offered for sale consistent with applicable resource management plans.						
Bureau	**2012 Actual**	**2013 Actual**	**2014 Actual**	**2015 Actual**	**2016 Target**	**2016 Preliminary**
BLM	85%	80%	76%	80%	80%	62%
Offered for sale (mmbf*)	172	162	155	162	162	126
Total allowable timber (mmbf*)	203	203	203	203	203	203

*million board feet of timber

MISSION AREA FOUR: ENGAGING THE NEXT GENERATION

The future of our public lands depends upon the next generation serving as active stewards of the environment throughout their lives. The DOI has a unique opportunity to harness the spirit of community service and volunteerism of our Nation to encourage the next generation to use their time, energy, and talent to better our natural and cultural treasures.

Goals: Play / Learn / Serve / Work

Across Departmental bureaus, innovative program management reforms have been underway to expand and enhance quality conservation jobs, training, and service opportunities for 15 to 35 year olds to help protect and restore America's natural and cultural resources. With potentially high retirement rates in the next four to six years, DOI has a tremendous opportunity to provide entry-level positions for young Americans, returning veterans, and under-served communities experiencing high unemployment rates. Providing conservation-related work and training opportunities to the next generation is one of DOI's Agency Priority Goals. The goal expanded in FY 2015 to include Millennials and the engagement of individuals ages 15-35.

Number of conservation-related work and training opportunities provided to young people.						
Bureau	**2012 Actual**	**2013 Actual**	**2014 Actual**	**2015 Actual**	**2016 Target**	**2016 Preliminary**
All Bureaus	19,175	15,546	16,644	35,952	25,000	23,748

MISSION AREA FIVE: ENSURING HEALTHY WATERSHEDS AND SUSTAINABLE, SECURE WATER SUPPLIES

Healthy watersheds provide sustainable, secure supplies of water, the foundation of healthy communities and economies. However, climate change, record drought conditions, and increasing demands challenge water supplies. Recognizing the states' primary role in managing water resources, DOI works as a partner to increase reliability of water supplies for the benefit of the people, the economy, and the environment by providing better tools for water management, promoting water conservation and efficiency, and wisely maintaining and improving infrastructure.

Goal #1: Manage water and watersheds for the 21st century

The DOI's significant role in managing water resources in the western United States includes collection, storage, and distribution of water resources. 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.

Percent of water infrastructure in good condition as measured by the Facility Reliability Rating.						
Bureau	**2012 Actual**	**2013 Actual**	**2014 Actual**	**2015 Actual**	**2016 Target**	**2016 Preliminary**
BOR	76%	79%	78%	79%	71%	81%
Number of facilities in good condition	260	274	269	272	244	279
Total number of facilities in service	344	345	344	344	344	344

Performance challenges for 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. As the more extensive, and therefore expensive, problems are addressed, the number of facilities in good condition may not be sustainable with current funding and could decline. However, present progress continues to be positive.

Goal #2: Extend water supplies through conservation

Water conservation is an important component of DOI's water management responsibility and helps preserve the existing water supply. Enabling water conservation is tracked through an Agency Priority Goal and has been increasing steadily over the past five years (performance results are cumulative through all prior years since 2010), supported by a corresponding positive investment in funding. Additional FY 2015 and FY 2016 funding provided for approval of more project capacity than originally anticipated.

Acre-feet of water conservation capacity enabled through Reclamation's conservation-related programs such as water reuse and recycling (Title XVI) and WaterSMART grants.						
Bureau	**2012 Actual**	**2013 Actual**	**2014 Actual**	**2015 Actual**	**2016 Target**	**2016 Preliminary**
BOR	616,226	734,851	860,299	977,454	1,039,454	1,144,822

MISSION AREA SIX: BUILDING A LANDSCAPE-LEVEL UNDERSTANDING OF OUR RESOURCES

The DOI must understand and make decisions at the landscape level to effectively carry out its mission. Decisions affecting the siting of energy development, water resource management, recreation, the conservation of habitat for sensitive flora and fauna, the identification of transmission line rights-of- way, mitigation for development activities, and other land uses are increasingly interconnected with one another on an ever changing, climate-impacted landscape. The DOI conducts science to inform these decisions; develops tools to analyze, visualize, translate, and extrapolate science; and leads efforts to apply science at multiple scales and across multiple landscapes and jurisdictions to inform land and resource planning, policy, mitigation, and management.

Goal #1: Provide shared landscape-level management and planning tools

The DOI works with partners to elevate understanding of resources on a landscape level by harnessing emerging technologies, tools, and methodologies. The DOI leverages these partnerships and its role as the managing partner for the National Geospatial Platform to turn vast amounts of data into usable information and advance broader based and more consistent landscape and resource management to inform decisions about powering our future and ensuring healthy landscapes and sustainable supplies of water. This new performance measure began in FY 2014 and shows a continuing increase as more information is added to the platform.

Number of communities on the geospatial platform that provide information relevant to landscape-level decision making.						
Bureau	**2012 Actual**	**2013 Actual**	**2014 Actual**	**2015 Actual**	**2016 Target**	**2016 Preliminary**
USGS	N/A	N/A	17	20	23	23

Goal #2: Provide science to understand, model, and predict ecosystem, climate and land use change

The DOI's efforts for assessing, understanding, and forecasting the impacts of climate change on our ecosystems, natural resources, and communities are tracked through a key indicator measuring the ability to forecast ecosystem change. The following table displays the progress in advancing this emerging area for science, and an indication of the multiple years of effort it takes to fully develop these products.

Percent of targeted ecosystems with information products forecasting ecosystem change.						
Bureau	**2012 Actual**	**2013 Actual**	**2014 Actual**	**2015 Actual**	**2016 Target**	**2016 Preliminary**
USGS	33%	33%	44%	44%	44%	44%
Ecosystems with information products	3	3	4	4	4	4
Ecosystems under study	9	9	9	9	9	9

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

Community and tribal access to DOI's science-based products is represented by the key indicator detailing the percent of completed earthquake and volcano hazard assessments available for high hazard areas. These assessments help communities understand the threats, necessary preparedness, and means for avoidance of natural hazards such as earthquakes and volcanoes. The following table shows an increase in communities provided with this information and an indication of the multiple years of effort it takes to fully develop these products.

Percent completion of earthquake and volcano hazard assessments for moderate to high hazard areas.

Bureau	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Target	2016 Preliminary
USGS	37%	38%	40%	41%	40%	43%
Degree of completed assessments	74	76	80	83	80	86
Number of high hazard areas	200	200	200	200	200	200

Goal #4: Provide water and land data to customers

The DOI continues to monitor and conduct research to generate more precise estimates of water availability for meeting current and future human, environmental, and wildlife requirements. These research and monitoring activities help identify water resources for use by humans and the environment while also developing tools to forecast likely outcomes for landscape-level planning needs including water use and quality; aquatic ecosystem health affected by changes in land use and land cover; natural and engineered infrastructure; and climate. As part of DOI's WaterSMART (Sustain and Manage America's Resources for Tomorrow) initiative, the supported studies allow DOI to work collaboratively with local stakeholders to assess technical aspects of water availability and develop processes to manage this valuable resource for the benefit of all. The key performance indicator below focuses on providing the Nation with water availability data, analysis tools, databases, and studies. This effort, begun in FY 2012 with the first completed information sets available in FY 2014, will help determine the potential effectiveness of this new water resources management approach.

Percent of U.S. with completed consistent water availability products.

Bureau	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Target	2016 Preliminary
USGS	0%	0%	17%	20%	25%	25%
Completed water availability information sets	0	0	352	423	528	528
Number of potential water availability information sets	2,112	2,112	2,112	2,112	2,112	2,112

AGENCY PRIORITY (PERFORMANCE) GOALS

Agency Priority Goals represent DOI priorities to improve near-term performance, with 24 months to improve outcomes or facilitate progress on projects and processes critical to DOI's mission. The Secretary and Deputy Secretary use the visibility of these goals, quarterly progress reviews, and information learned through the collaborative process to ensure adequate resources for supporting programs. Senior level attention to key milestones, accurately quantified performance results compared to plans, and implementation of alternate strategies assist in ensuring results. The following table provides a brief status of the FY 2016-2017 Agency Priority Goals. Further information on the Agency Priority (Performance) Goals is available on ***www.performance.gov***.

Agency Priority Goal Statement	Results achieved as of the 4th Quarter FY 2016
Renewable energy resource development. By September 30, 2017, increase approved capacity authorized for renewable (solar, wind, geothermal, and hydropower) energy resources affecting DOI managed lands, while ensuring full environmental review, to at least 16,600 Megawatts (since the end of FY 2009).	Goal nearly achieved while some cases experienced technical delays; 16,062 mw of capacity approved.
Water conservation. By September 30, 2017, DOI will facilitate the availability of water supplies employing conservation, efficiency, and technology in the western United States through BOR water conservation programs to 1,100,000 acre-feet cumulatively since the end of FY 2009.	Goal achieved; additional funding provided for more proposals to be approved than originally expected through 1,144,822 acre-feet of water conservation capacity.
Safer and More Resilient Communities in Indian Country. By September 30, 2017, reduce rates of repeat incarceration in five target tribal communities by 3% through a comprehensive "alternatives to incarceration" strategy that seeks to address underlying causes of repeat offenses, including substance abuse and social service needs, through tribal and Federal partnerships.	There have been 93 repeat offenses of 150 habitual offenders in the initial three communities and 18 repeat offenses of 60 habitual offenders in two additional communities. While these results are within the goal level, several years of experience are still needed.
Engaging the Next Generation. By September 30, 2017, DOI will provide 100,000 work and training opportunities over four fiscal years (FY 2014 through FY 2017) for individuals age 15 to 35 to support DOI's mission.	This goal was expanded in FY 2015 to include Millennials. There have been 76,344 individuals/opportunities-provided in FY 2014 through FY 2016.
Oil and gas resources management. By September 30, 2017, BLM will complete 100 percent of the inspections for Federal and Indian potential high-risk oil and gas production cases annually to better ensure accountability and safety.	Goal achieved: One-hundred percent of the 1,965 high-risk cases have been inspected in FY 2016.
Climate change adaptation. By September 30, 2017, the DOI will mainstream climate change adaptation and resilience into program and regional planning, capacity building, training, infrastructure, and external programs, as measured by scoring at least 400 of 500 points using the Strategic Sustainability Performance Plan scorecard.	There have been 263 points scored toward addressing the next phase of climate change adaptation strategies.
Monarch butterfly and other pollinators conservation. By September 30, 2017, FWS will double the acres of restored or enhanced habitat for monarch butterflies and other pollinators.	Goal achieved: There are 332,038 acres that are being restored or enhanced toward the targeted achievement of 320,000 acres.
Enhancing Indian Education. By September 30, 2017, DOI will increase the percentage of tribal students attending bureau funded schools who complete high school with a regular diploma within four years of their 9th grade entry date by 5% (relative to 2014-2015 school year) and convert four schools from bureau to tribal operated.	One tribal school has been converted. Graduation rates for the 2015/2016 school year (49%) were lower than the prior school year, requiring further review of activities.

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 Interior;
- Compliance with Other Key Legal and Regulatory Requirements; and
- Financial Management Systems.

Management Assurances

The FMFIA requires agencies to assess the effectiveness of and provide an annual statement of assurance regarding internal accounting and administrative controls, including controls in program, operational, and administrative areas as well as accounting and financial reporting. During FY 2016, 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 2016 annual assurance statement appears on the next page. The basis for the assurance statement conclusions follows.

Federal Managers' Financial Integrity Act of 1982 (FMFIA)

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

- Programs and operations achieve intended results efficiently and effectively;
- Resources are used in accordance with the mission;
- Programs and resources are protected from waste, fraud, and mismanagement;
- Laws and regulations are followed; and
- Timely, accurate, and reliable data are maintained and used for decision making at all levels.

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

- OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, including Appendix A, *Internal Control over Reporting*; Appendix B, *Improving the Management of Government Charge Card Programs*, Appendix C, *Requirements for Effective Measurement and Remediation of Improper Payments;* 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 2016 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 OIG audits, 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.

FY 2016 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, 2016, 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.

Sally Jewell
Secretary of the Interior
November 15, 2016

FMFIA Material Weaknesses and Accounting System Nonconformances

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

At the beginning of FY 2016, DOI had three Department-level FMFIA material weaknesses pending correction carried forward from the previous year: Radio Communications, Management of Grants, Cooperative Agreements, and Tribal Awards, and Department-wide Information Technology (IT) Controls. The Office of the Chief Information Officer (OCIO) and Office of Occupational Safety and Health have implemented a comprehensive management plan for the radio program and related health and safety procedures. As a result, DOI no longer considers the Radio Communications Program an FMFIA material weakness. The Office of Aquisition and Property Management (PAM) office continues to implement corrective actions to mitigate the issues identified in the Management of Grants, Cooperative Agreements, and Tribal Awards. In addition, the FY 2015 material weakness in Department-wide Information Technology Controls was corrected in FY 2016.

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

- Senior management has demonstrated its firm commitment to resolving the material weakness as evidenced by resource deployment and frequent and regular monitoring of corrective action progress;
- Substantial and timely documented progress exists in completing material weakness corrective actions;
- Corrective actions have been substantially completed, remaining actions are minor in scope, and the actions will be completed within the next 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 Weaknesses
as of September 30, 2016

Description	Corrective Actions	FY 2016 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) Provide training on requirements and limitations for monitoring and oversight of P.L. 93-638 tribal awards. 2) Require bureaus to comply 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 ensure proper monitoring of the funds which have been awarded under P.L. 93-638.	1) Issued policies clarifying financial assistance recipient risk assessment and award monitoring as well as the minimum frequency of annual financial reporting for financial assistance recipients. 2) Issued policies implementing OMB's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Omni Circular) pertaining to conflict of interest and mandatory disclosures for financial assistance awards and prohibiting financial assistance awardees from requiring whistleblowers to sign confidentiality agreements. 3) Conducted on-site management control reviews of P.L. 93-638 awards in five Indian Affairs regions. 4) Attended training titled *P.L. 93-638 Issues, Problems and Solutions (Under the Indian Self-Determination Act).* 5) Published a Proposed Rule to establish the DOI Financial Assistance Interior Regulation (FAIR), codified at 2 CFR 1403. The FAIR is the DOI supplement to the Omni Circular. 6) Established the Financial Assistance Management Partnership (FAMP). The FAMP is comprised of bureau financial assistance managers and PAM, and its purpose is to improve timely, quality policy support for the financial assistance community and facilitate effective management of the DOI financial assistance function.	FY 2018	Ongoing

FMFIA Material Weaknesses (continued) as of September 30, 2016				
Description	**Corrective Actions**	**FY 2016 Progress**	**Target Completion Date**	**Status**
Offices: Office of the Chief Information Officer (OCIO) Office of Occupational Safety and Health (OSH) **The DOI Radio Communications Program:** The DOI has an unsafe and unreliable radio communications environment that jeopardizes the health and safety of DOI employees and the public.	The DOI will: 1) Develop a comprehensive management plan for the radio communications program; 2) Identify specific user groups and ensure that user needs are assessed and addressed, guidance is provided and enforced, and training is provided; 3) Enforce existing safety procedures to notify employees and the general public of hazardous site conditions; and 4) Implement best practices, where appropriate.	1) The Radio Executive Steering Committee created a three-tiered governance structure which includes an executive level, working group level which includes representatives from all bureaus, and a field group focused on addressing operational, technical, and facility issues. 2) Initiated a project to develop steps for more effective radio management and organization. 3) Leveraged existing state radio infrastructure to increase sharing between states and Federal bureaus. Some DOI offices now rely solely on state radio systems. 4) Formulated a pilot program to consolidate the radio program among six DOI bureaus and the states of California, New Mexico, Arizona, and Texas. This optimized integration of radio operations and support. 5) The OCIO published OCIO Directive 2009-008 establishing radio facilities standards and the strategy for assessment, remediation and financing the rehabilitation of radio infrastructure. 6) The OSH developed and promulgated a Communication Towers Field Instruction Standard establishing the minimum safety and health requirements to protect DOI employees from hazardous conditions around communication sites. 7) The OSH drafted a Communication Towers Assessment Checklist for use by the bureaus field offices when assessing communication tower sites.	FY 2016	Corrected
Office: Office of the Chief Information Officer (OCIO) **Department-wide IT Controls**	1) Update existing policies related to IT financial systems and general controls; 2) Reinforce policies to ensure consistent operation of IT controls for access and segregation of duties reviews; 3) Implement corrective policies to strengthen access controls where necessary; and 4) Perform a risk assessment of general and IT application controls to identify IT management and maintenance responsibilities.	Implemented new monitoring tools and corrective actions.	FY 2016	Corrected

Internal Control Over Reporting

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

In FY 2016, DOI completed its eleventh 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. 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 2016 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 developments. The OMB requirement to assess control over reporting has strengthened the accountability of DOI managers regarding internal controls and has improved the quality and reliability of DOI's financial information.

Federal Financial Management Improvement Act of 1996 (FFMIA)

The FFMIA builds upon and complements the *Chief Financial Officer's Act of 1990* (CFO Act), *Government Performance and Results Act of 1993* (GPRA), amended by the *GPRA Modernization Act of 2010,* and the *Government Management Reform Act of 1994* (GMRA). The FFMIA requires that Federal agencies substantially comply with: (1) applicable accounting standards; (2) the U.S. Standard General Ledger 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 2016, 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 results of their audits.

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 2016, DOI achieved an implementation rate of 83 percent. This was due to an increase in the number of recommendations scheduled for closure and unforeseen challenges in completing corrective actions. The DOI continues to emphasize completing remediation activities in a timely manner.

FIGURE 1-2

FYs 2016 and 2015 Audited Financial Statements Departmental Material Weakness Corrective Action Plan (as of September 30, 2016)					
Material Weakness Description	**Corrective Actions**	**Fiscal Year**		**Original Target Date**	**Status**
		2016	**2015**		
Controls over Property,Plant, and Equipment	1) Perform a risk assessment of PP&E policies and procedures at all bureaus; 2) Establish reviews and monitoring controls over PP&E reporting; 3) Implement process level PP&E controls to ensure assets under construction exist and are accounted for properly; 4) Implement policies and procedures to require reviews over PP&E records related to the asbestos liability calculation; 5) Reinforce existing policies over PP&E additions and deletions to ensure activities are capitalized and recorded timely; and 6) Reinforce internal controls over property records.		X	9/30/16	Corrected
Department-wide IT Controls	1) Update existing policies related to IT financial systems and general controls; 2) Reinforce policies to ensure consistent operation of IT controls for access and segregation of duties reviews; 3) Implement corrective policies to strengthen access controls where necessary; and 4) Perform a risk assessment of general and IT application controls to identify IT management and maintenance responsibilities.		X	9/30/16	Corrected

FIGURE 1-3

FYs 2016 and 2015 Audited Financial Statements Departmental Noncompliance Corrective Action Plan (as of September 30, 2016)					
Noncompliance Description	**Corrective Actions**	**Fiscal Year**		**Original Target Date**	**Status**
		2016	**2015**		
FFMIA	See corrective actions for the Department-wide IT Controls material weakness noted in Figure 1-2.		X	9/30/16	Corrected

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.

Figures 1-2 and 1-3 summarize the status of material weaknesses corrective action plan. The FY 2015 audit report identified two material weaknesses in Controls over Property, Plant and Equipment (PP&E) and Department-wide IT Controls and one noncompliance with FFMIA due to the IT material weakness. As the Figures indicate, the two material weaknesses and one noncompliance with FFMIA are no longer considered material in FY 2016.

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.

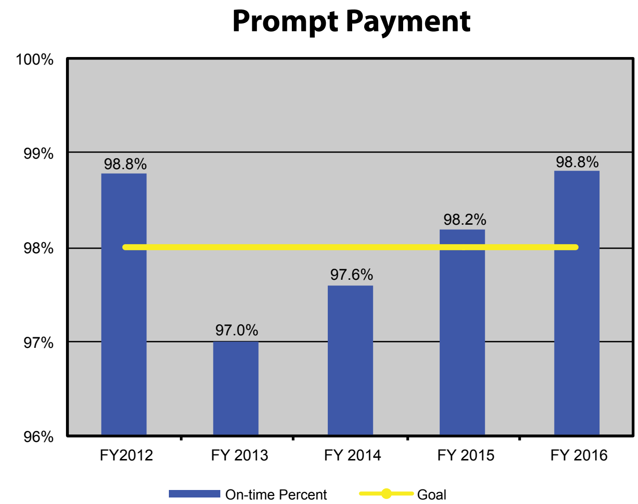
Compliance with Other Key Legal and Regulatory Requirements

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).

Prompt Pay, Debt Collection, and Electronic Funds Transfer

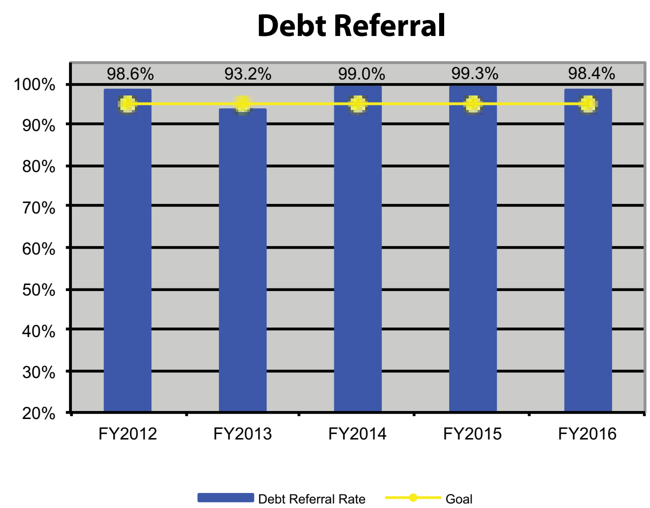
In FY 2016, DOI exceeded its performance goal for PPA and DCIA but did not exceed its performance goal for vendor payments made by EFT. The PPA (Figure 1-4) requires that eligible payments be made within 30 days of receipt of invoice; otherwise, the Federal Government is required to pay interest. The DCIA (Figure 1-5) requires any 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 (Figure 1-6) provision of the DCIA mandates all recipients of Federal vendor payments receive their payments electronically, except for tax refunds.

FIGURE 1-4



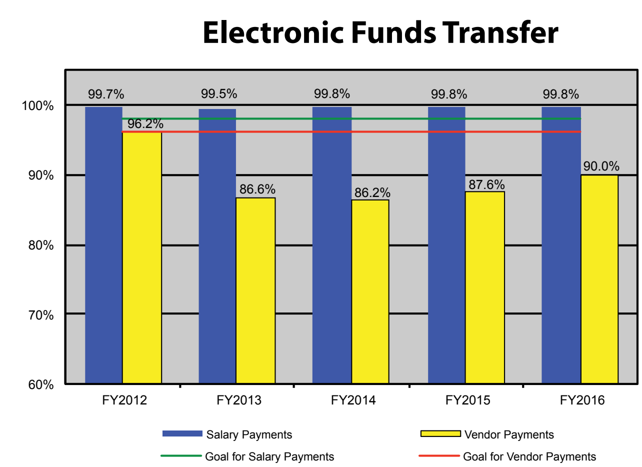
The shortfall of the FY 2016 EFT performance goal has been carried over from FY 2015 and continues to be attributed to a high volume of transactions that DOI has for tort claims, legal settlements, financial assistance, social service payments to individual Indians, and realty payments that are consistently 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.

FIGURE 1-5



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, progress has been achieved with regard to the EFT performance goal, which has risen to 90% for the first time in four years.

FIGURE 1-6



In addition, electronic payment methods such as wire transfers and charge card payments are now included in the EFT compliance numbers for DOI. These actions should continue to result in an improvement in the EFT goal.

FITARA/FISMA

In December 2014, Congress enacted the *Federal Information Technology and Acquisition Reform Act* (FITARA) and the *Federal Information Security Modernization Act of 2014* (FISMA) to strengthen Department-level Chief Information Officers' (CIO) authority and accountability over agency information management and technology (IMT). The DOI's implementation of the FITARA and FISMA establishes a chain of authority and accountability between DOI and its bureaus and offices.

The FITARA is part of a long-term strategy to drive greater central management and accountability for IMT across DOI. In FY 2016, Secretarial Order 3340 (Order), *Strengthening and Securing Information Management and Technology at the Department of Interior,* was signed to implement FITARA at DOI. The Order codifies the direct reporting relationships between the Department's CIO and the bureau and office Information Technology (IT) leadership. Bureaus and offices are aligning their IT resources to report through Associate Chief Information Officers (ACIOs) who have dual reporting relationships with both bureau/office heads and the CIO. The Order further defines the CIO as the approval authority for all IT spending and acquisitions.

The CIO also established the IMT Leadership Team (IMTLT) comprised of bureau ACIOs and the CIO's primary IMT program leaders. The IMTLT is developing a new multi-year IMT strategic plan that will include specific goals, initiatives, and performance measures to recommend to DOI leadership. These changes and other changes, ensure the CIO has the authority and is accountable for the DOI's IMT.

The FISMA Act updated the Federal Government's cybersecurity practices and DOI continued its focus on implementing OMB's Memorandum M-16-04, *Cybersecurity Strategy and Implementation Plan (CSIP) for the Federal Civilian Government*. The DOI worked with the Department of Homeland Security (DHS) on a number of initiatives including assessing its high value assets to identify additional measures that may be needed to further enhance their security, and the Government-wide Continuous Diagnostics and Mitigation (CDM) initiative.

Future Planned Activities

The DOI anticipates achieving initial operating capability during FY 2017 for all of CDM Phase 1 hardware/software asset management, configuration settings management, and vulnerability management capabilities. The DOI expects to achieve full operating capability within the following two years, as supporting processes around those technical solutions begin to fully mature. The DOI anticipates DHS to initiate CDM Phase 2 efforts in FY 2017 to begin privileged management deployment activities.

The DOI is on target to support integration with EINSTEIN 3-Accelerated protection capabilities at DOI's Internet Service Provider in accordance with the *Federal Cybersecurity Enhancement Act of 2015*. EINSTEIN 3-Accelerated is a program to detect malicious traffic targeting Federal Government networks and prevent malicious traffic from harming those networks. The DOI will also focus on efforts to help strengthen its cybersecurity workforce by completing agency actions outlined in the *Federal Cybersecurity Workforce Assessment Act of 2015* and CSIP.

Financial Management Systems

The DOI shares the view of the Government-wide CFO Council that robust financial management systems improve consistency, generate data to assist management, strengthen decisionmaking capabilities, and enable DOI program and financial managers to more effectively achieve mission goals. The DOI recognizes the importance of financial management systems as part of the capital asset portfolio and uses sound IT investment management, program management, and project governance principles to plan, deploy and operate systems. The DOI's goal is to achieve and maintain the objectives stated in OMB Circular No. A-123, Appendix D – to initiate, record, process, and report transactions to support agency missions in making business decisions – through the deployment of Financial and Business Management System (FBMS). In pursuing this goal, DOI is following the IT investment management practices and principles identified in the *Clinger-Cohen Act of 1996* and FISMA.

Financial Management Systems Improvement Strategy

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

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

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

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 2016 Accomplishments

The FBMS is currently in use by all bureaus within DOI. The Business Integration Office (BIO) provides operations and maintenance support to FBMS and its users. The FBMS hosting is provided by a cloud service provider, and OCIO provides the system's help desk support. Some of the accomplishments in FY 2016 include:

- Completed the migration of the final three FBMS environments to a modernized, secure cloud hosting environment to replace obsolete servers and networking storage equipment;
- Increased the speed, reliability, and flexibility of the FBMS hosting infrastructure;
- Began a multi-phase effort to migrate to the next generation of technology, in-memory computing. This improvement will enable more complete data analysis and increase speed across the FBMS application;
- Implemented improvements through data visualization and the ability to share data visualizations across all of DOI;
- Enhanced FBMS capabilities and closed user-prioritized functionality gaps through monthly Point Releases using an Agile development methodology;
- Coordinated *Digital Accountability and Transparency Act of 2014* (DATA Act) activities into a single, comprehensive project including managing the operational relationship with the DATA Act Project Management Office, coordinating comments on data standards, mapping data standards, and completing an impact analysis;
- Developed, tested, and implemented changes to Budget Object Class and Program Activity reporting in preparation for the DATA Act;
- Continued initiatives associated with operationalizing FBMS and achieving its benefits in the following areas:
  - Consolidation of dispersed functions and establishing additional intra-DOI cross-servicing opportunities;
  - DOI-wide strategic sourcing opportunities;
  - Improper payment monitoring and recapture;
  - Commissioning DOI-wide standardized reports in a number of financial and business functions.

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 improvements to the system to address customer service gaps, improve usability, and increase the speed, reliability, and flexibility of the FBMS infrastructure.

The BIO is leading a change in computing technology through the implementation of in-memory computing. The first phase was planned, developed and tested in FY 2016 and will go live in early FY 2017. This first phase is to add the SAP HANA™ Accelerator. The BIO has also researched and planned the remaining phases that will be implemented in the coming years. The second phase, moving the data warehouse to HANA™, began in FY 2016 with planning and data cleansing efforts.

Building on the successful completion and acceptance of DOI's financial systems roadmap, DOI has initiated business and systems roadmaps in several areas complementary to FBMS, such as budget and performance, facilities work order management, and revenue systems. The goal of each of these roadmaps is to create a plan to support the kinds of benefits being realized from FBMS, 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.

Providing Value to the American People

The DOI protects America's natural resources and heritage, honors our cultures and tribal communities, and supplies the energy to power our future. The DOI is made up of nine bureaus and a number of departmental offices charged to accomplish the broad mission entrusted to us by the American people.

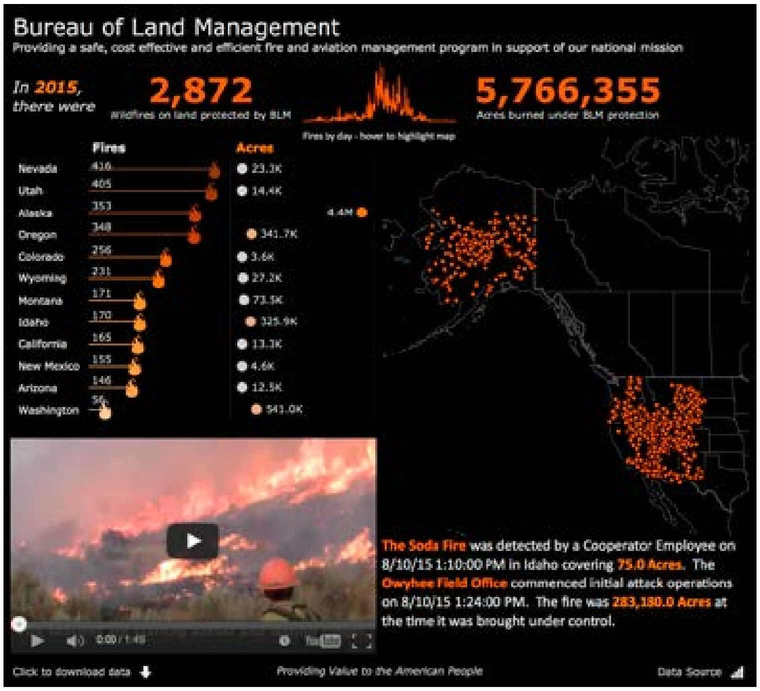
The goal of the following visualizations is to highlight each of the bureaus, a portion of their unique mission, and to demonstrate the value provided to the American people. Each bureau selected data to be presented electronically in an interactive dashboard and published on the Internet. Readers can interact with these dashboards to explore some of the many benefits provided by each of the DOI's bureaus.

Access the data visualization via a web browser here: ***https://www.doi.gov/pfm/afr/2016/visualization/value.*** Clicking on the preview thumbnails will load the interactive presentation for each bureau.

These visualizations and the data on which they are based have not been audited.

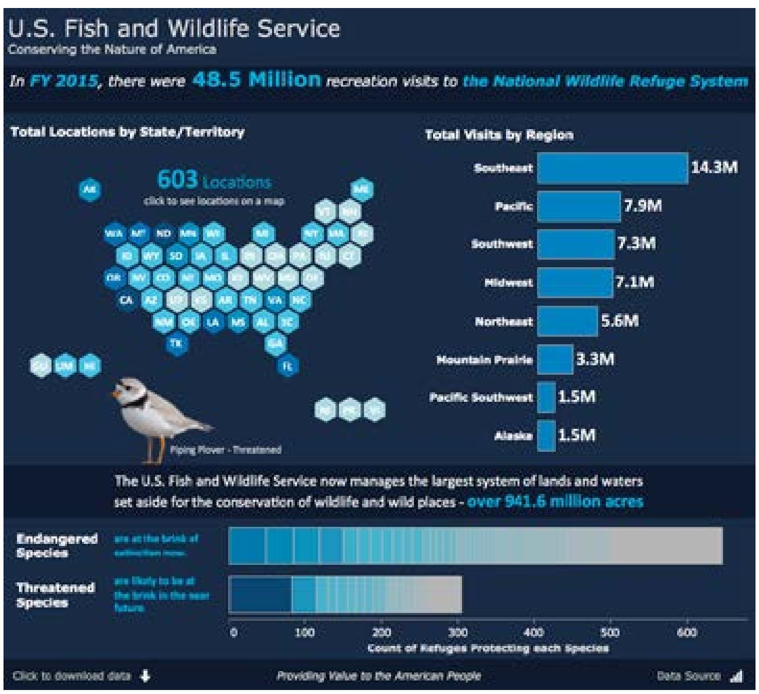
Pictured above is the landing page readers will see when arriving at the website. Click any of the images above to be directed to the interactive presentation.

These visualizations and the data on which they are based have not been audited.



Each dashboard has customized interactivity, but generally readers can interact with the data by filtering, viewing detailed pop-ups, drilling down, or following links for more information, etc.

The following presentation depicts wildfires and acres burned under BLM protection by State during 2015. Readers can hover over the sparkline to highlight fires by day on the map, click on any State to filter the dashboard, and click on any fire location on the map to display specific details about that fire. A wildfire video produced by DOI is embedded to provide additional information.



The following presentation depicts a count of FWS locations by State, FY 2015 recreation visits to the National Wildlife Refuge System by region, and counts of refuges protecting endangered and threatened species. Clicking on a State or Territory will filter the recreation visits and species protected totals and a map will appear to display the geographic locations in each area.

Other data presentations available, but not pictured here, include:

- BSEE – 2015 Safety Inspections, Fines, and FY 2015 Oil and Gas Production;
- IA – 2015 Schools, Colleges and Student Counts;
- USGS – 2016 Hydrologic locations (Streamgages, Groundwater, etc.);
- BOR – 2015 Water Delivery, Agricultural Production, and Hydropower statistics;
- BOEM – Wind farm leases and potential power generation;
- OSMRE – Abandoned Mine Land Projects; and
- NPS – Recreation Visitation over twenty years.

Click any of the images above to be directed to the interactive presentation.

The DOI received, for the 20th 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 to improve financial management and to provide accurate and reliable information that is useful for assessing financial performance and allocating resources. The DOI management is responsible for the integrity and objectivity of the financial information presented in the financial statements. Integrity of the information is supported by the analysis of financial statement line item fluctuations. 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 $9.8 million (unaudited) and $7.9 million (unaudited), as of September 30, 2016 and 2015, respectively.

Overview of Financial Position: The Balance Sheet

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

Analysis of Assets

DOI Assets *(line items summarized) (dollars in thousands)*	FY 2016	FY 2015	Increase/ (Decrease)	% Change
Fund Balance with Treasury	$ 52,938,936	$ 51,877,014	$ 1,061,922	2.0%
Investments, Net	8,297,788	7,609,895	687,893	9.0%
General PP&E, Inventory, and Related Property, Net	21,648,342	21,872,132	(223,790)	-1.0%
Accounts, Loans and Interest Receivable, Net & Other	9,745,203	3,086,014	6,659,189	215.8%
Assets	$ 92,630,269	$ 84,445,055	$ 8,185,214	9.7%

The FY 2016 asset balance increased over the prior fiscal year. This increase includes a material increase in Accounts, and Interest Receivable, Net which is primarily due to the Deepwater Horizon consent decree recorded by DO. For additional information regarding this Deepwater Horizon consent decree, please refer to Note 4, Accounts and Interest Receivable, Net.

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. PP&E is primarily composed of land, structures, and facilities which are used for general operations, power, wildlife enhancement, and recreation.

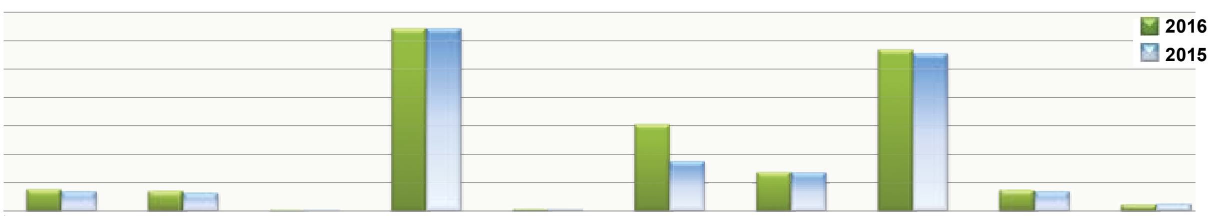
The DOI real property portfolio contains more than 43,000 buildings and 75,000 structures, with a replacement value of more than $260 billion, as well as nearly every type of asset found in a local community. Many of these assets have historic or cultural significance that not only support DOI's mission, 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, 2016, and September 30, 2015, amounts not yet earned under BOR's un-matured repayment contracts were $2.25 billion (unaudited) and $2.38 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 graph presentation.

Assets by Bureau

(dollars in millions)



	IA	BLM	BOEM	BOR	BSEE	DO	FWS	NPS	OSMRE	USGS
FY2016	$3,804	$3,476	$157	$32,165	$231	$15,279	$6,778	$28,395	$3,588	$1,105
FY2015	$3,371	$3,098	$159	$32,113	$242	$8,705	$6,756	$27,721	$3,370	$1,176

Analysis of Liabilities

DOI Liabilities *(line items summarized)* *(dollars in thousands)*	FY 2016	FY 2015	Increase/ (Decrease)	% Change
Accounts & Grant Payable	$ 1,819,354	$ 2,132,021	$ (312,667)	-14.7%
Federal Employee & Veterans Benefits	1,401,100	1,427,798	(26,698)	-1.9%
Trust Land Consolidation Program	901,894	1,148,052	(246,158)	-21.4%
Environmental, Disposal, & Contingent	868,350	1,764,627	(896,277)	-50.8%
Custodial Liability, Payments Due to States	1,038,743	1,505,214	(466,471)	-31.0%
Advances & Deferred Revenue	1,384,429	1,159,300	225,129	19.4%
Liabilitiy for Capital Transfers to the General Fund	1,723,134	1,718,225	4,909	0.3%
Other, Debt, Loan Guarantees	2,628,777	1,562,840	1,065,937	68.2%
Liabilities	$ 11,765,781	$ 12,418,077	$ ($652,296)	-5.3%

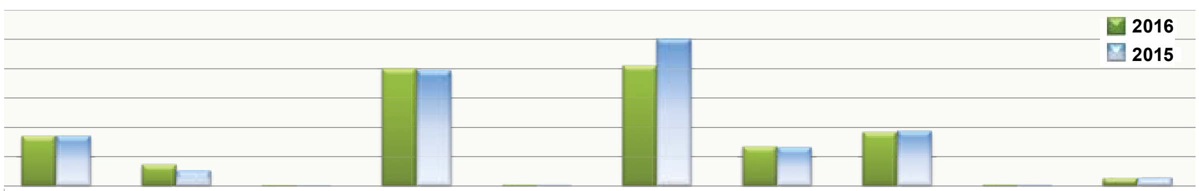
The FY 2016 decrease in liabilities is comprised of a decrease in Trust Land Consolidation, Environmental and Disposal Liability, Contingent Liability, Asbestos, Custodial Liability and Payments Due to States offset by an increase in Other, Debt, and Loan Guarantees.

A decrease to the Contingent Liability and an increase to Other Liabilities are due to the IA settlement of the Ramah Navajo case. As payments are being processed, the liability for Trust Land Consolidation continues to decrease for DO, and the significant decrease in commodity prices causing a decrease in assets is also causing a decrease in liabilities for DO which is offset by an increase in Advances and Deferred Revenue for BLM associated with the Southern Nevada Public Land Management Act as well as Helium.

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
FY2016	$1,700	$743	$24	$4,011	$37	$4,101	$1,350	$1,849	$41	$258
FY2015	$1,704	$500	$22	$3,927	$33	$5,010	$1,315	$1,873	$36	$264

Analysis of Net Costs

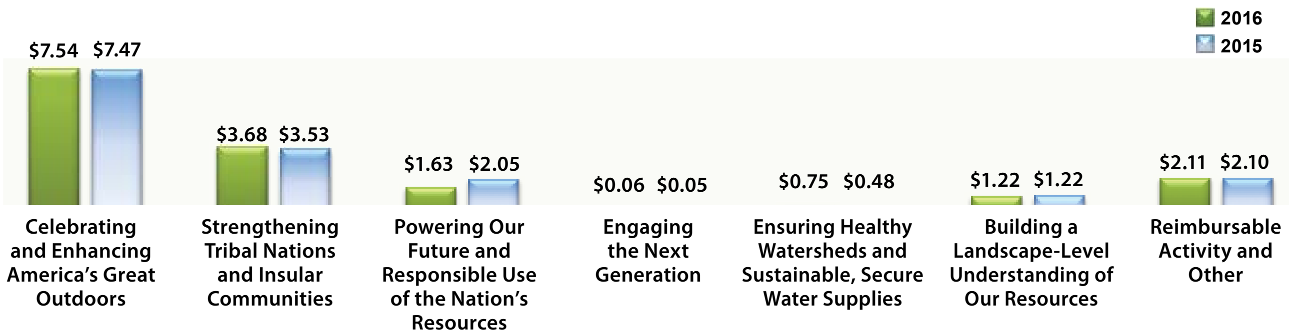
DOI Net Cost *(summarized by Bureau)* *(dollars in thousands)*	FY 2016	FY 2015	Increase/ (Decrease)	% Change
Indian Affairs	$ 3,389,480	$ 3,164,465	$ 225,015	7.1%
Bureau of Land Management	1,519,886	1,312,493	207,393	15.8%
Bureau of Ocean Energy Management	110,855	81,948	28,907	35.3%
Bureau of Reclamation	1,189,190	1,156,444	32,746	2.8%
Bureau of Safety and Environmental Enforcement	129,926	96,864	33,062	34.1%
Departmental Offices	2,937,820	3,218,696	(280,876)	-8.7%
National Park Service	2,900,846	3,069,717	(168,871)	-5.5%
Office of Surface Mining Reclamation and Enforcement	644,276	673,046	(28,770)	-4.3%
U.S. Fish & Wildlife Service	3,108,748	3,002,371	106,377	3.5%
U.S. Geological Survey	1,170,727	1,178,763	(8,036)	-0.7%
Eliminations	(109,418)	(50,025)	(59,393)	118.7%
Net Costs - by Bureau	$ 16,992,336	$ 16,904,782	$ 87,554	0.5%

The Consolidated Statement of Net Cost includes DOI's six Strategic Plan areas: Celebrating and Enhancing America's Great Outdoors; Strengthening Tribal Nations and Insular Communities; Powering Our Future and Responsible Use of the Nation's Resources; Engaging the Next Generation; Ensuring Healthy Watersheds and Sustainable, Secure Water Supplies; and Building a Landscape-Level Understanding of Our Resources. 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. Additional Strategic Plan Information is available on page 14.

The DOI net costs primarily represent services provided to the public. The DOI recognized an increase in costs in FY 2016 due to an increase in costs associated with a change in treatment of a portion of BLM revenue related to a change from non-entity to entity for FY 2015 offset by a decrease for ONRR due to a significant decrease in commodity prices. Comparative net cost by mission area is summarized in the graph below.

Net Cost by Mission Area

(dollars in billions)



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

According to DOI's most recent economic report, DOI plays a substantial role in the U.S. economy, supporting nearly 1.8 million jobs, providing approximately $170 billion value added and $300 billion in economic activity. The DOI's economic contributions are underpinned by substantial investments in facilities, lands, information, and institutional capacity made in past years. Key investments made in the last year include enhancements to the capacity to evaluate and process applications for renewable energy technology on public lands and to provide for safe and efficient offshore energy development.

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

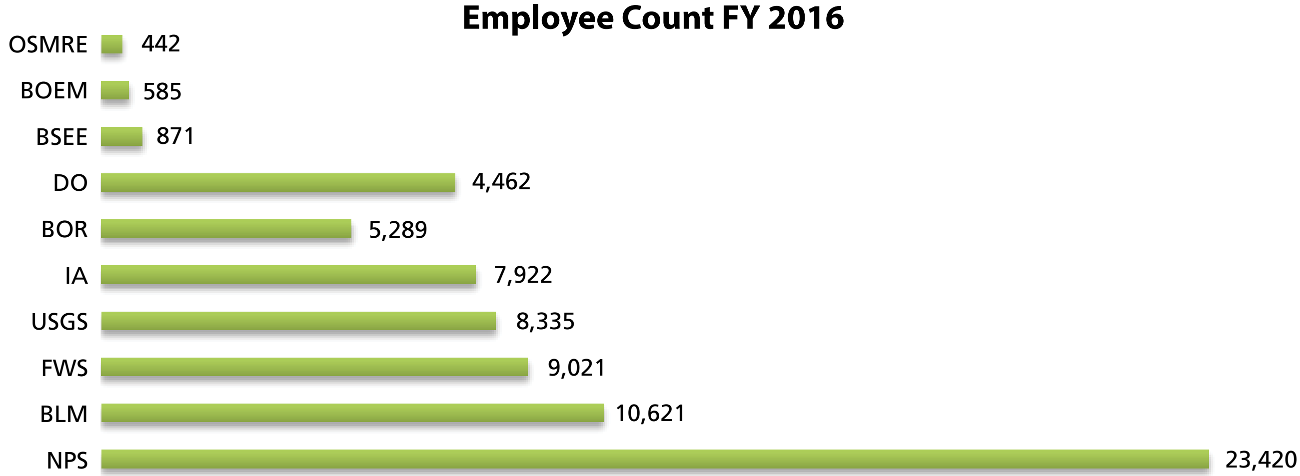
- Recreation and Tourism: Americans and foreign visitors made nearly 443 million visits to DOI-managed lands. These visits supported approximately 396,000 jobs, value added provided by visitors to DOI sites was estimated to be $26 billion, and economic output was estimated to be $45 billion.
- Energy: Oil, gas, and coal produced from DOI-managed lands provided value added of approximately $94 billion; estimated economic output contribution of $166 billion; and an estimated 800 thousand jobs. Hydropower, wind and solar power projects on DOI lands were estimated to contribute $3 billion in economic output and support over 15,000 jobs.
- Water: The DOI stores and delivers water for irrigation, municipal and industrial (M&I), and other uses. The value of water varies widely according to location, type of use and climatic conditions. The DOI irrigation and M&I water activities are associated with $27 billion in value added, $48 billion in economic output, and supported an estimated 361,000 jobs.
- 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 $6.8 billion in value added, economic contributions of $9.4 billion, and supported employment of 90,000 jobs.
- The DOI's support for tribal governments represents an important mechanism to advance government-to-government relationships, facilitate economic development, improve Indian education, and improve the safety of Indian communities. This funding provided $0.8 billion of economic value and contributed approximately $1.2 billion to economic output and supported approximately 9,000 jobs.

Analysis of Net Cost – DOI Workforce

The DOI costs include $6.6 billion in payroll and benefit costs for employees executing DOI's mission and programs. The DOI employs 70,968 people in approximately 2,400 locations with offices across the United States, Puerto Rico, U.S. territories, and Freely Associated States. The total DOI employee count includes 56,269 full time permanent staff. Part-time and seasonal staff of 17,722 are also fundamental to the services that DOI provides.

At DOI, employees take pride in knowing that the work they do every day is of real significance – from managing the Nation's natural resources and cultural heritage to honoring responsibilities to strengthen tribal nations and advocate for America's island communities. The DOI relies on their expertise and commitment to better serve the public and to help achieve organizational goals and objectives. Through a continuing effort to better serve America, DOI continues to broaden the diversity of DOI's workforce. The DOI is committed to identifying, hiring, and retaining the best qualified individuals, wherever they are and whatever their background, to reflect the diversity of the communities in which DOI operates.

Employee Count FY 2016



Employee Count - Total 70,968
(All employees regardless of work schedule or type of appointment)

Total Payroll & Benefits *(dollars in thousands)*	
IA	650,310
BLM	986,504
BOEM	78,596
BOR	565,987
BSEE	107,854
DO	587,926
FWS	929,146
NPS	1,737,329
OSMRE	51,747
USGS	886,542
TOTAL	6,581,941

Work Schedule Information	Full Time Permanent	Other*	Total
IA	4,568	3,354	7,922
BLM	8,759	1,862	10,621
BOEM	572	13	585
BOR	5,059	230	5,289
BSEE	852	19	871
DO	4,211	251	4,462
FWS	7,704	1,317	9,021
NPS	14,715	8,705	23,420
OSMRE	431	11	442
USGS	6,559	1,776	8,335
Total Employees by Bureau	**53,430**	**17,538**	**70,968**

*Other includes Part-Time and Seasonal Employees

Analysis of Net Cost - Stewardship Investments

The DOI net cost includes expenses incurred that are expected to benefit the Nation over time. These expenses are qualitatively material and worthy of highlighting as they represent expenses charged to current operations.

Investment in Research and Development increased in FY 2016. The majority of the increase in Investment in Research and Development is attributed to an increased emphasis on research and development at USGS.

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				
(dollars in millions)	FY 2016	FY 2015	Change	% Change
Non-Federal Physical Property	$ 306	$ 304	$ 2	0.7%
Research and Development	$ 1,210	$ 1,134	$ 76	6.7%
Human Capital	$ 818	$ 807	$ 11	1.4%

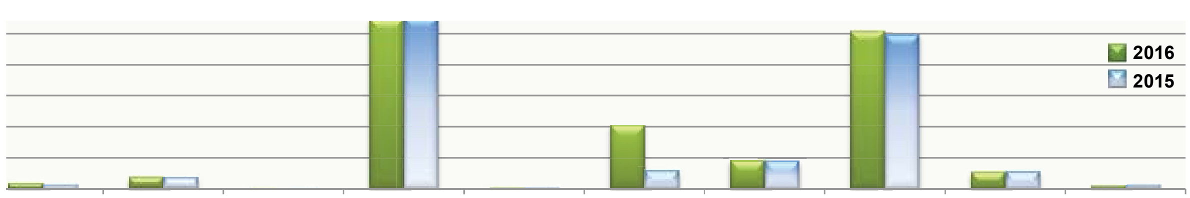
Analysis of Net Position

Net Postion *(dollars in thousands)*	FY 2016	FY 2015	Increase/ (Decrease)	% Change
Unexpended Appropriations	$ 6,536,892	$ 5,791,048	$ 745,844	12.9%
Cumulative Results of Operations	74,327,596	66,235,930	8,091,666	12.2%
Net Position	$ 80,864,488	$ 72,026,978	$ 8,837,510	12.3%

The Net Position of DOI includes Unexpended Appropriations and Cumulative Results of Operations. These two components are displayed on the Statement of Changes in Net Position to provide information regarding the nature of changes to the Net Position of DOI as a whole. The FY 2016 Cumulative Results of Operations increased due to the Deepwater Horizon consent decree recorded by DO. For additional information regarding this Deepwater Horizon consent decree, please refer to Note 4, Accounts and Interest Receivable, Net. Cumulative Results of Operation by Bureau is summarized below.

Cumulative Results of Operations

(dollars in millions)



	IA	BLM	BOEM	BOR	BSEE	DO	FWS	NPS	OSMRE	USGS
FY2016	$908	$1,969	$118	$27,398	$183	$10,334	$4,603	$25,471	$2,797	$548
FY2015	$677	$1,850	$112	$27,648	$188	$2,933	$4,561	$24,842	$2,813	$612

Analysis of Budgetary Resources

Key Budgetary Measures *(dollars in thousands)*	FY 2016	FY 2015	Increase/ (Decrease)	% Change
Unobligated Balance Brought Forward, October 1	$ 9,052,290	$ 8,668,328	$ 383,962	4.4%
Appropriations (discretionary and mandatory)	18,454,163	17,915,125	539,038	3.0%
Recoveries & Other Changes in Unobligated Balance	912,435	1,392,819	(480,384)	-34.5%
Offsetting Collections, Borrowing Authority & Contract Authority	5,548,815	5,339,644	209,171	3.9%
Total Budgetary Resources	$ 33,967,703	$ 33,315,916	$ 651,787	2.0%
New Obligations & Upward Adjustments	24,465,302	24,263,626	201,676	0.8%
Apportioned, Unexpired	9,256,942	8,784,961	471,981	5.4%
Unapportioned, Unexpired & Expired, Unobligated Balance, End of Year	245,459	267,329	(21,870)	-8.2%
Status of Budgetary Resources	$ 33,967,703	$ 33,315,916	$ 651,787	2.0%

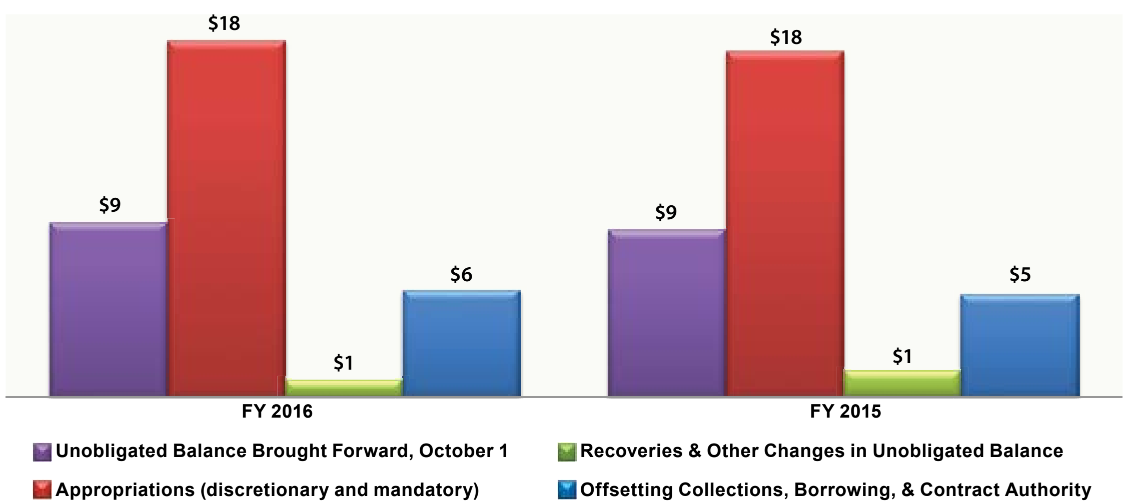
The DOI receives most of its funding from general government funds administered by Treasury and appropriated for DOI's use by Congress. A portion of DOI's resources come from Special and Trust Funds, such as Conservation Funds (the Land and Water Conservation Fund and Historic Preservation Fund), the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

The FY 2016 slight increase in Budgetary Resources is primarily a result of a slight increase in Appropriations offset by a decrease in Recoveries and Other Changes in Unobligated Balance. The increase in Appropriations was related to various new projects / programs at several bureaus. The majority of the decrease is related to the Trust Land Consolidation Fund settlements for DO as offers are being accepted.

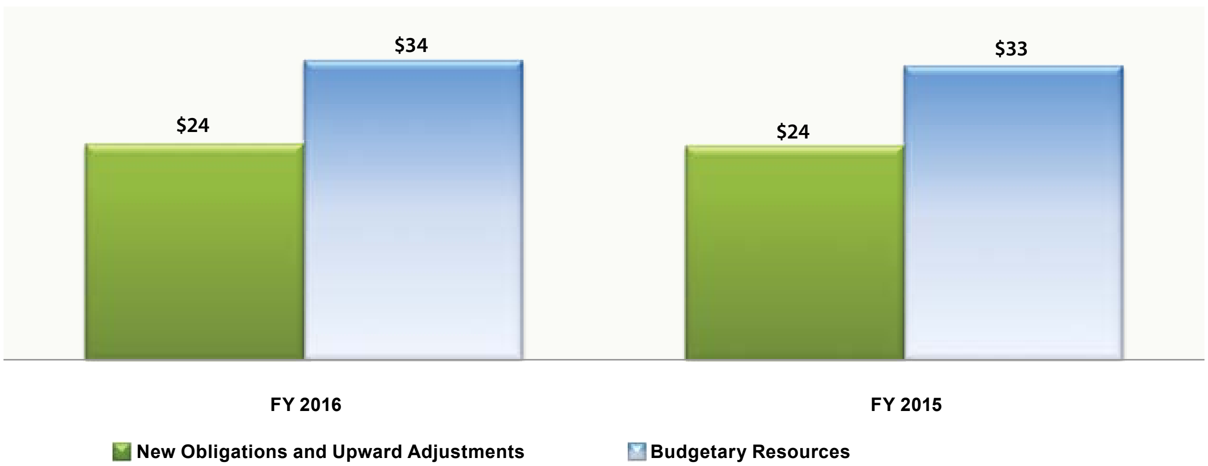
The DOI budgetary sources and new obligations and upward adjustments relative to resources are depicted in the graphs that follow.

Budgetary Resources

(dollars in billions)



New Obligations and Upward Adjustments
(dollars in billions)

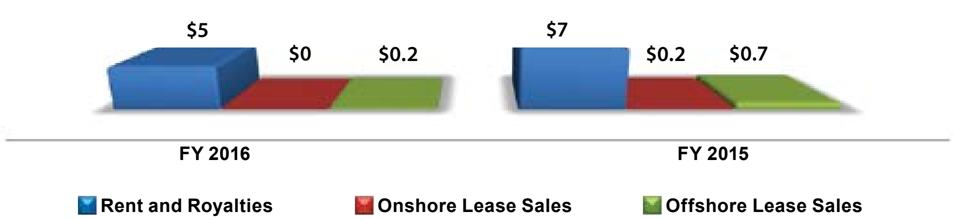


Analysis of Custodial Activity

Custodial Activity *(dollars in thousands)*	FY 2016	FY 2015	Increase/ (Decrease)	% Change
Rents and Royalties	$ 4,817,280	$ 6,944,402	$ (2,127,122)	-30.6%
Onshore Lease Sales	60,426	171,562	(111,136)	-64.8%
Offshore Lease Sales	168,953	661,023	(492,070)	-74.4%
Total Custodial Revenue	$ 5,046,659	$ 7,776,987	$ (2,730,328)	-35.1%

The DOI custodial activity 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 2016 decrease in custodial activity is attributable to a decrease in commodity prices.

Custodial Revenue
(dollars in billions)



Limitations of Financial Statements

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

Today, the mission of DOI is complex-to protect and manage the Nation's natural resources and cultural heritage, provide scientific and other information about those resources, supply the energy to power our future, and honor its trust responsibilities and special commitments to American Indians, Alaska Natives, and affiliated island communities. The DOI's people, programs, and responsibilities impact Americans across all 50 States. The DOI is the steward of 20 percent of the Nation's lands, managing national parks, national wildlife refuges, and public lands and assisting States, Tribes, and others in the management of natural and cultural resources. DOI grants access to public lands and offshore areas for renewable and conventional energy development—covering roughly a quarter of the Nation's domestic supplies of oil and natural gas—while ensuring safety, environmental protection and revenue collection for the American public. DOI oversees the protection and restoration of surface mined lands and is the largest supplier and manager of water in the 17 Western States, assisting others with water conservation and extending water supplies and providing hydropower resources to power much of the 17 Western States. The DOI serves as Trustee to American Indians and Alaska Natives, fulfilling essential trust responsibilities to tribal communities. DOI's OIA carries out the responsibilities for U.S. affiliated Insular Areas, which include the territories of Guam, American Samoa, the U.S. Virgin Islands, the Commonwealth of the Northern Mariana Islands, and three sovereign freely associated states (the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau). The DOI supports cutting edge research in geology, hydrology, and biology, informing resource management and community protection decisions at DOI and across the world. A Strategic Plan and a set of Priority Performance Goals guide DOI's activities. The following initiatives exemplify how DOI will maintain and build the capacity to carry out these responsibilities on behalf of the American people in the future.

Celebrating and Enhancing America's Great Outdoors - - In 2010, President Obama launched the America's Great Outdoors (AGO) initiative to develop a "21st Century conservation and recreation strategy." Each year national parks and monuments, wildlife refuges, and DOI's other public lands provide hundreds of millions of visitors the opportunity to recreate on America's land and appreciate the Nation's cultural and natural resources. The AGO initiative reinvigorated conservation partnerships and reconnected the public with the lands and waters that are the shared heritage of all Americans. Investments in America's great outdoors create millions of jobs and spur billions of dollars in national economic activity through outdoor recreation and tourism.

The FWS national wildlife refuge system is a critical component of the AGO initiative. The refuge system delivers conservation on a landscape level, delivering benefits such as improved water quality, flood mitigation, and important habitat for the survival and protection of endangered species. It also offers recreational opportunities such as fishing and wildlife watching. With 80 percent of the U.S. population residing in urban areas, these activities and outdoor experiences are unfamiliar to many. To address this challenge, FWS developed the Urban Wildlife Conservation Program and designated 17 Urban Wildlife Refuge Partnerships in demographically and geographically varied cities. The Valle de Oro National Wildlife Refuge—the location of the Southwest's first urban refuge partnership—will serve as an oasis for both wildlife and people on a former dairy farm just a few miles south of Albuquerque, New Mexico's largest metropolitan area. The partnership will provide meaningful nature-based activities for students from area schools. Students will engage in approximately six hours of instructional time over the course of four days, blending classroom and field science experiences at the refuge. This new refuge will offer unique environmental education and recreation opportunities while encouraging conservation of wildlife and their habitats for the benefit of present and future generations of Americans.

In 2016, NPS celebrated 100 years of preserving and sharing America's natural, cultural, and historic treasures. The centennial year of 2016 kicked off a second century of stewardship of America's national parks and community engagement through recreation, conservation, and historic preservation programs. The NPS will make investments to connect a new generation to America's parks and to care for and maintain the national parks for the next 100 years. The NPS is developing Centennial Challenge projects and programs to benefit visitors in the NPS second century. For example, NPS recently announced the opening in Ohio of the first phase of Cuyahoga Valley National Park's first mountain biking trail. This 2.3-mile section of the East Rim Trail system gives mountain bikers, hikers, and runners a challenging new trail to explore in the Cleveland/Akron, Ohio area. Designed to follow the natural topography of the valley, the trail passes through dense woodlands and open meadows. When complete, the full East Rim Trail system will measure nearly 10 miles and connect to a system of bike trails over 100 miles long.

Strengthening Tribal Nations and Insular Communities - The DOI maintains strong and meaningful relationships with Native and insular communities, strengthens government-to-government relationships with federally recognized tribes, promotes efficient and effective governance, and supports nation-building and self-determination. The DOI's programs deliver community services, restore tribal homelands, and fulfill commitments related to water and other resource rights, execute fiduciary trust responsibilities, support the stewardship of energy and other natural resources, create economic opportunity, expand access to education, and assist in supporting community resilience in the face of a changing climate.

The FY 2017 budget included key investments to support the Generation Indigenous, an initiative focused on addressing barriers to success for American Indian and Alaska Native children and teenagers. In addition to DOI, multiple agencies—Education, Housing and Urban Development, Health and Human Services, Agriculture, Labor, and Justice—are working collaboratively with tribes on new and increased investments to implement education reforms and address issues facing youth. The Generation Indigenous initiative will support educational outcomes and provide wraparound services to help address barriers and provide opportunities for youth, including behavioral and mental health, and substance abuse services.

To promote public safety and community resilience in Indian communities, the FY 2017 law enforcement budget builds on recent successes in reducing violent crime and expands efforts to lower repeat incarceration in Indian Country, which is a DOI priority goal. The BIA Office of Justice Services will continue pilot programs at five sites that seek to lower rates of repeat incarceration, with the goal of reducing recidivism by a total of three percent within these communities by September 30, 2017. To achieve this goal, BIA will implement comprehensive alternatives to incarceration strategies that seek to address underlying causes of repeat offenses—including substance abuse and social service needs—by utilizing alternative courts, increased treatment opportunities, probation programs, and interagency and intergovernmental partnerships with tribal, Federal, and state stakeholders.

The 2017 budget request for Indian water rights settlements continues the Administration's strong commitment to resolve tribal water rights claims and ensure Tribes have access to use and manage water to meet domestic, economic, cultural, and ecological needs. Many of the projects supported in these agreements bring clean and potable water to tribal communities, while other projects repair crumbling irrigation and water delivery infrastructure on which tribal economies depend. These investments not only improve the health and well-being of tribal members and preserve existing economies but also, over the long term, bring the potential for jobs and economic development. This funding will support a more robust, coordinated, Interior-wide approach to working with and supporting Tribes in resolving water rights claims and supporting sustainable stewardship of tribal water resources. Funds will strengthen the engagement, management, and analytical capabilities of the Secretary's Indian Water Rights Office; increase coordination and expertise among bureaus and offices that work on these issues; and increase support to Tribes.

Powering Our Future and Responsible Use of the Nation's Resources - The DOI protects and enables development of America's shared natural resources to supply the energy that powers the Nation's future. The DOI's efforts are critical to ensure all development—energy, timber, forage, and non-energy mineral—are managed safely, smartly, and comply with the highest scientific and environmental standards. As a steward of lands, water, wildlife, and cultural heritage, DOI strives to ensure the sustainability of these assets to support the American economy, communities, and the well-being of the planet.

To encourage these resource stewardship and development objectives, DOI is shifting from a reactive, project-by-project resource planning approach to more predictable and effective management of its lands and resources. The goal is to provide greater certainty for project developers when it comes to permitting and better outcomes for conservation through more effective and efficient project planning. This approach to smart development is being incorporated into all of DOI's energy and natural resource planning and is an important part of the plan to accomplish President Obama's all-of-the-above energy strategy. The DOI's focus on powering America's energy future supports an all-inclusive approach—one that responsibly balances the development of conventional and renewable resources on the Nation's public lands.

The DOI has made the development of renewable energy resources on America's public lands one of its top priorities. Public lands contribute 15 percent of hydropower, three percent of windpower, 57 percent of geothermal energy, and 43 percent of installed solar energy to the Nation's renewable energy generation capacity. In 2017, BLM will continue to aggressively pursue the President's goal for increasing renewable energy development in an environmentally sound manner in which renewable energy development is managed in an accelerated but responsible manner to ensure the protection of signature landscapes, wildlife habitats, and cultural resources. Collaboration through close working relationships with local communities, State regulators, private industry, and other Federal agencies is the foundation of the "smart from the start" approach. Renewable energy projects authorized by BLM constitute a major contribution not only to the Nation's energy grid, but also to the national economy. Renewable energy projects on public lands have already garnered an estimated $8.6 billion in capital investments, with the potential for an additional $28 billion for approved projects pending construction.

Engaging the Next Generation– The future of America's public lands depends on young people becoming active stewards of the environment throughout their lives. The DOI has a unique opportunity to harness the strong spirit of community service and volunteerism alive within the Nation's youth, and encourage them to use their time, energy, and talent to enjoy and conserve America's natural and cultural treasures. The DOI plays a key role in improving the Nation's future by introducing, involving, and encouraging the next generation as stewards of culture, history, land, water, and wildlife. In this dynamic and changing Nation, more and more people are isolated from the outdoors in cities and large urban areas.

Young people are increasingly drawn indoors and are becoming inactive and disconnected from nature. To address the growing disconnect between young people and the outdoors, DOI developed strategies to promote public-private partnerships and collaborative efforts across all levels of government to connect young people with the land and inspire them to play, learn, serve, and work outdoors. Youth engagement objectives continue to be a priority for DOI bureaus. In FY 2017, the FWS will expand youth programs and partnerships, including the partnership with the 21st Century Conservation Service Corps (21CSC), which is an important tool in reaching urban youth. The 21CSC puts young Americans to work protecting and restoring public and tribal lands and waters. Mobilization of the 21st Century Conservation Service Corps resulted in several high impact initiatives, including the Latino Heritage internship, an engineering internship pilot in the field of materials and corrosion; developing the Next Generation of Conservationists grants; continuing the AmeriCorp Environmental Summer Steward program; and expansion of the Urban Wildlife Conservation Program. These initiatives enabled significant progress towards Interior's goal to provide 100,000 work and training opportunities to young people and veterans by the end of 2017.

Through the Urban Wildlife Conservation Program, FWS is inviting city dwellers to enjoy the outdoors by creating opportunities near urban communities. An additional $5.5 million is requested in the 2017 budget to extend successful partnerships in Baltimore, Maryland, and Albuquerque, New Mexico, to other refuges across the Country. The FWS will use this increase to create additional urban community partnerships to engage youth in nature-related activities and programs. Along with communities and partners near Denver, Colorado, FWS is working with kids to help turn a degraded retention pond in an underserved neighborhood into a local park that connects to the nearby Rocky Mountain Arsenal National Wildlife Refuge. This will allow a healthy watershed to flourish, bridging the gap between young people and the great outdoors.

Ensuring Healthy Watersheds and Sustainable, Secure Water Supplies – The Nation, and particularly the West, which is the fastest growing region in the United States, faces serious water challenges related to climate change and competing demands. Adequate and safe water supplies are fundamental to the health, economy, security, and environment of the country. Intensifying droughts, variable hydrology, and extreme weather events aggravate water shortages and floods, contribute to impaired water quality, and deplete groundwater resources. At the same time, population growth and new demands, including energy development, are increasing competition for supplies. Extreme and exceptional drought continues in many basins and in some places reservoir supplies are averaging almost half of their historic levels. Snowpack, which acts like reservoir storage for many western basins, is diminishing. The aquifers on which millions of Americans rely for freshwater are being depleted at an accelerating rate, particularly where drought is forcing water users to increasingly depend on underground sources of freshwater. At the same time, the cost of maintaining water infrastructure continues to increase. New approaches are needed to ensure the resilience of the Nation's water infrastructure in the face of climate change and more volatile natural events, and to provide prudent maintenance necessary to reliably deliver water supplies.

The DOI's WaterSMART initiative works to secure and enhance water supplies to benefit people, the economy, and the environment, and identifies adaptive measures that help to address climate change and future demands. WaterSMART enables the USGS and BOR to make focused and leveraged investments to address the water resource challenges facing the Nation. The programs included in WaterSMART are collaborative in nature and work across jurisdictional boundaries to achieve sustainable water management. Coordination between BOR and USGS has existed from the very beginning of the WaterSMART initiative. For example, the two bureaus have been working together on preparations for new WaterSMART assessments in the Rio Grande and Red River basins—2016 to 2018—as well as on a National Brackish Groundwater Assessment, with the production and post processing of a national database that will provide critical information on brackish groundwater availability and quality. The WaterSMART program's basin studies component leverages funding and technical expertise from BOR in a collaborative effort with knowledgeable state, tribal, and local water practitioners. Basin studies aim to identify practical, implementable solutions to existing or anticipated water shortages and to support related efforts to ensure sustainable water supplies. The basin studies conducted to date advance the state of knowledge about the dynamics of each particular watershed and generate a collective expertise to formulate constructive actions to address imbalances.

Interior's WaterSMART programs also include the USGS National Water Census. This USGS research program focuses on national water availability and use and develops new water accounting tools that assess water availability at regional and national levels. Use of the diverse research on water availability contained in the National Water Census provides stakeholders with the information needed to make water management decisions and enhances the understanding of the connection between water quality and availability. In 2017, USGS is requesting funding to support decision support systems, provide grants to State water resource agencies to improve the base data at the necessary resolution for effective decision making, and create hydrologic models and databases that factor in economic, environmental, and societal values within watersheds to provide for communities' needs. The USGS budget also provides increases to: enhance access and use of water information through the new Open Water Data initiative; improve decisions on the quality and availability of surface and ground water resources; integrate data and models better; and enable adaptive management of watersheds to support the resilience of dependent communities and ecosystems.

Building a Landscape-Level Understanding of Our Resources – To effectively carry out its mission and priorities, DOI recognizes the need to consider resource management decisions and resilience across large landscapes. The DOI analyzes the effects of management decisions across broad scales and multiple jurisdictions and balances development with conservation to enhance ecosystems and improve community resilience. This approach requires strong applied and basic scientific research, data collection and monitoring systems, and shared information and tools to bolster partnership efforts. The DOI's premier science agency, USGS, and the scientific capabilities across other DOI bureaus provide the expertise needed to support this landscape level strategy.

The Nation is facing a rising number of extreme natural events—including severe storms, wildfires, and drought—which are expected to increase in both frequency and intensity in the future. In the past months, Americans have battled high intensity wildfires in the West and Pacific Northwest, floods in the Midwest, mudslides in California, and intense tornadoes in the South. As the population grows in coastal areas, major cities, and the wildland-urban interface, Americans are more vulnerable to these severe events, as well as other natural hazards, such as earthquakes and storm surges. Coastal erosion in the Arctic and other sensitive areas is also putting communities and infrastructure at-risk.

The 2017 budget applies the insights gained during extreme events of the past year, including the historic western drought, wildfires, and severe flooding in the Southeast. It reflects the importance of building resilient landscapes and communities, and proposes wise investments that help address vulnerabilities. The 2017 budget also proposes investments throughout DOI to improve scientific understanding related to resource management and expands access to and benefits from this important information. The DOI continues to face the challenge of providing relevant scientific information to land, water, and wildlife managers on a regular basis. The DOI also must continue to work effectively and efficiently across landscapes and watersheds with other Federal agencies, states, local and tribal governments, and private partners to formulate shared understandings and common strategies for land and resource managers to adapt to the challenges and ensure the resilience of our Nation's resources.

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MESSAGE FROM THE CHIEF FINANCIAL OFFICER

The Agency Financial Report (AFR) provides extensive program, performance, and financial information, which demonstrates our approach to sound management. I am proud to announce that the Department of the Interior (DOI) achieved its 20th consecutive unmodified opinion on the Fiscal Year (FY) 2016 consolidated financial statements. This sustained achievement underscores our commitment to sound financial management and our high standards of accountability, transparency, and ethics.

As stewards of our Nation's lands and resources, DOI managers understand the need for accountability, the obligation to operate effective and efficient programs, and that sound financial management is a cornerstone of program performance.

We continually advocate for strong internal controls and appreciate they are critical to effective execution of our programs and providing the best value to citizens. This year we were successful in mitigating our two prior year material weaknesses related to Controls over General Property, Plant, and Equipment as well as Department-wide Information Technology Controls and the related non-compliance with the *Federal Financial Management Improvement Act of 1996.* In addition, we were successful in remediating the prior year significant deficiency related to Financial Reporting. Unfortunately, we incurred a new significant deficiency relating to accrued liabilities but are confident we will successfully remediate this issue in the current year. We are very proud to be able to say that we were successful in mitigating all issues reported in the prior year.

The DOI will work toward implementing corrective actions to remediate the three deficiencies in the FY 2016 *Independent Auditors' Report.* Similarly, DOI continues to address the management challenges highlighted in the *Inspector General's Statement Summarizing the Major Management and Performance Challenges Facing the U.S. Department of the Interior.*

In FY 2016, DOI continued to strengthen its efficiency in operations and improve its operational performance. There are many positive achievements to highlight over the past year, including:

- Making progress toward the implementation of the *Digital Accountability and Transparency Act of 2014* and the *Federal Information Technology Acquisition Reform Act*.
- Providing reasonable assurance that our internal controls over financial reporting were operating effectively as of September 30, 2016.
- Successfully remediating the long-standing operational material weakness on Radio Communications. While our issues with Grants and Tribal Awards as reported last year persist, we will continue working to implement corrective actions in the year ahead.
- Receiving our 14th Association of Government Accountants' Certificate of Excellence in Accountability Reporting award for our FY 2015 AFR as well as a Best-in-Class award for our interactive data visualizations. The Certificate of Excellence recognizes outstanding accountability reporting and is the highest form of recognition in Federal Government management reporting.
- Addressing the Office of Management and Budget's revised Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control* by aligning our Enterprise Risk Management processes to complement our strong internal control environment.

Looking forward, I am excited to see the results of our corrective actions and efforts to achieve an internal control audit report with no significant deficiencies. In addition, our investments in improved internal control, improved reporting capabilities, and transparency in general should yield very interesting and positive results.

This AFR provides timely information that the American public can use to better understand DOI's programs and mission. The DOI hopes the public will follow our progress in advancing DOI's strategic plan and high priority performance goals and our efforts to improve transparency and accountability. The inclusion of an interactive dashboard demonstrates our strong commitment to making information readily available and easily understandable in a transparent and easily digestible manner. I am proud of the hard work and dedication of the entire financial management community as we continue to ensure taxpayer dollars are managed with integrity and accuracy and that the systems and processes used for all aspects of financial management demonstrate the highest level of accountability and transparency.

Sincerely,

Elizabeth Klein
Principal Deputy Assistant Secretary
for Policy, Management, and Budget
and Chief Financial Officer
November 15, 2016

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

NOV 15 2016

Memorandum

To: Secretary Jewell

From: Mary L. Kendall
Deputy Inspector General

Subject: Independent Auditors' Report on the U.S. Department of the Interior Financial Statements for Fiscal Years 2016 and 2015
Report No. 2016-FIN-025

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) 2016 and 2015. 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 DOI's financial statements.

Under a contract issued by DOI and monitored by the Office of Inspector General, KPMG, an independent public accounting firm, performed an audit of DOI's FYs 2016 and 2015 financial statements. The contract required the audit to be performed in accordance with the Generally Accepted Government Auditing Standards (GAGAS), issued by the Comptroller General of the United States, and Office of Management and Budget Bulletin No. 15-02, "Audit Requirements for Federal Financial Statements."

Results of Independent Audit

KPMG's audit report includes (1) an opinion on the consolidated financial statements of DOI, (2) a report on internal controls, and (3) a report on compliance with laws and regulations:

1. The consolidated financial statements were fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles.
2. KPMG identified no material weaknesses in internal controls, but it did identify three significant deficiencies[1]:
    - Lack of Sufficient Controls over General Property, Plant, and Equipment
    - Lack of Sufficient Controls over Accrued Liabilities
    - Lack of Sufficient General Information Technology Controls
3. KPMG identified no instances of noncompliance with laws or regulations.

[1] 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.

Office of Inspector General | Washington, DC

Evaluation of KPMG's Audit Performance

To fulfill our oversight responsibilities under the Chief Financial Officers Act of 1990 for ensuring that high quality audit work is performed, we reviewed KPMG's report and related documentation and questioned KPMG auditors regarding the audit. We performed several tasks, to include—

- Reviewing KPMG's approach and planning of the audit;
- Evaluating the qualifications and independence of the auditors;
- Monitoring the progress of the audit at key points;
- Attending periodic meetings with DOI management and KPMG auditors to discuss audit progress, findings, and recommendations; and
- Reviewing KPMG's audit report.

Our review, as differentiated from an audit in accordance with GAGAS, was not intended to enable us to express—and we do not express—an opinion on DOI's financial statements, internal controls, or compliance with laws and regulations. KPMG is responsible for the attached auditors' report and the conclusions expressed. Our review of the report, however, disclosed no instances where KPMG did not comply, in all material respects, with GAGAS.

Report Distribution

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 appreciate the courtesies and cooperation extended to KPMG and our staff during this audit. If you have any questions regarding the report, please contact me at 202-208-5745.

Attachment

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

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the U.S. Department of the Interior (the Department), which comprise the consolidated balance sheets as of September 30, 2016 and 2015, 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. 15-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 15-02 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.

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Opinion on the Financial Statements

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, 2016 and 2015, 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.

Other Matters

Interactive Data

Management has elected to reference 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 (FASAB). 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, Message from the Chief Financial Officer, and Other Information 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, 2016, 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

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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.

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 certain deficiencies in internal control, described below under items A., B., and C., that we consider to be significant deficiencies.

A. Lack of Sufficient Controls over General Property, Plant, and Equipment (PP&E), net

Criteria

The standards and guidelines, issued by GAO, in the *Standards for Internal Control in the Federal Government* (Green Book), dated September 2014, states:

Control Activities Principle 10: *Design Control Activities*:

10.02 – *Response to Objectives and Risks:*

"Management designs control activities in response to the entity's objectives and risks to achieve an effective internal control system. Control activities are the policies, procedures, techniques, and mechanisms that enforce management's directives to achieve the entity's objectives and address related risks. As part of the control environment component, management defines responsibilities, assigns them to key roles, and delegates authority to achieve the entity's objectives. As part of the risk assessment component, management identifies the risks related to the entity and its objectives, including its service organizations; the entity's risk tolerance; and risk responses. Management designs control activities to fulfill defined responsibilities and address identified risk responses."

10.03 – *Accurate and timely recording of transactions:*

"Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded."

Statement of Federal Financial Accounting Standards (SFFAS) No. 6, *Accounting for Property, Plant, and Equipment,* paragraphs 34 and 38 state that:

> 34. PP&E shall be recognized when title passes to the acquiring entity or when the PP&E is delivered to the entity or to an agent of the entity. In the case of constructed PP&E, the PP&E shall be recorded as construction work in process until it is placed in service, at which time the balance shall be transferred to general PP&E.
>
> 38. In the period of disposal, retirement, or removal from service, general PP&E shall be removed from the asset accounts along with associated accumulated depreciation/amortization. Any difference between the book value of the PP&E and amounts realized shall be recognized as a gain or a loss in the period that the general PP&E is disposed of, retired, or removed from service.

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Condition

During our FY2016 testing of general property, plant, and equipment, net, we noted the following:

- Additions and deletions of general property, plant, and equipment, net were not recorded accurately and timely.
- Due to the previous policies, procedures, and controls being inconsistently applied and the newly implemented policies not being in effect for the full fiscal year, assets under construction were not adequately monitored to allow management to determine the validity of the project's classification and to ensure associated transactions were recorded accurately and timely. Specifically, eight assets, totaling $319 million, were placed in service in prior years but were not transferred out of the assets under construction account until FY2016.

Cause

The Department's internal controls are not properly designed, implemented, and operating effectively to ensure general property, plant, and equipment, net transactions are accurately and timely recorded to allow management to validate the classification of general property, plant, and equipment, net is complete, accurate, and valid. In addition, newly implemented policies, procedures, and controls for monitoring assets under construction was not in effect for the full fiscal year and previous policy was not consistently applied.

Effect

As a result of the errors noted above, the Department reclassified $319 million of general property, plant, and equipment, net during the fiscal year. In addition, the Department's general property, plant and equipment, net, as of September 30, 2016, may be overstated by an estimated $36 million. Furthermore, the lack of adequate policies, procedures, and controls over the classification of general property, plant, and equipment, net increases the risk that errors may occur and not be detected in the general property, plant, and equipment, net footnote disclosure.

Recommendations

We recommend that the Department and Bureaus maintain effective internal controls over general property, plant, and equipment, net to prevent a misstatement as follows:

- Reinforce existing policies, procedures, and controls over the additions, deletions, and transfers of general property, plant, and equipment, net to ensure transactions are recorded accurately and timely; and,
- Reinforce newly implemented and existing policies, procedures, and controls over assets under construction to ensure projects are monitored timely and that transactions are recorded accurately and timely.

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B. Lack of Sufficient Controls over Accrued Liabilities

Criteria

The Green Book, dated September 2014, states:

Control Activities Principle 10: *Design Control Activities*:

10.02 – *Response to Objectives and Risks:*

"Management designs control activities in response to the entity's objectives and risks to achieve an effective internal control system. Control activities are the policies, procedures, techniques, and mechanisms that enforce management's directives to achieve the entity's objectives and address related risks. As part of the control environment component, management defines responsibilities, assigns them to key roles, and delegates authority to achieve the entity's objectives. As part of the risk assessment component, management identifies the risks related to the entity and its objectives, including its service organizations; the entity's risk tolerance; and risk responses. Management designs control activities to fulfill defined responsibilities and address identified risk responses."

It further states:

10.03 – Design *of Appropriate Types of Control Activities:*

"Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained."

Additionally, the Green Book, states:

Monitoring Principle 16: *Perform Monitoring Activities*:

16.09 – *Evaluation of Results*:

"Management evaluates and documents the results of ongoing monitoring and separate evaluations to identify internal control issues. Management uses this evaluation to determine the effectiveness of the internal control system. Differences between the results of monitoring activities and the previously established baseline may indicate internal control issues, including undocumented changes in the internal control system or potential internal control deficiencies."

FASAB SFFAS 5 *Accounting for Liabilities of the Federal Government,* paragraphs 19 and 25 state that:

> 19. A liability for federal accounting purposes is a probable future outflow or other sacrifice of resources as a result of past transactions or events. General purpose federal financial reports should recognize probable and measurable future outflows or other sacrifices of resources arising from (1) past exchange transactions, (2) government-related events, (3) government-acknowledged events, or (4) nonexchange transactions that, according to current law and applicable policy, are unpaid amounts due as of the reporting date.
>
> 25. Many grant and certain entitlement programs are nonexchange transactions. When the federal government creates an entitlement program or gives a grant to state or local governments, the provision of the payments is determined by federal law rather than through an exchange transaction.

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Further, FASAB Technical Release 12: *Accrual Estimate for Grant Programs* paragraphs 14, 16, and 26 state that:

> 14. Agencies must accumulate sufficient relevant and reliable data on which to base accrual estimates. Each agency should prepare grant accrual estimates based upon the best available data at the time the estimates are made.
>
> 16. In the absence of sufficient relevant and reliable historical data on which to base accrual estimates, agencies should prepare estimates based upon the best available data at the time the estimates are made.
>
> 26. As part of the agencies' internal control procedures to ensure that grant accrual estimates for the basic financial statements were reasonable, agencies should validate grant accrual estimates by comparing the estimates with subsequent grantee reporting.

DOI Financial Management Memorandum 2010-008 Vol. II.B, *Estimation Methodology and Validation for Certain Accruals* states:

> Bureaus must develop an accrual (estimation) methodology that provides valid, timely financial estimates. Estimation methodologies must be determined for all types of accruals. Documentation must be developed and tests should be conducted over the accrual methodologies, the results of which should be provided to Office of Financial Management for review.

Condition

During our FY2016 testing of Department's accrued liabilities, we noted the following:

- Bureaus performed a retrospective review of the September 30, 2015 accrued liabilities and drew inaccurate conclusions about the reasonableness of the estimation methodologies.
- The Department performed a consolidated review of the Bureaus' analysis of the retrospective review of the September 30, 2015 accrued liabilities in total showing a net impact, but did not take appropriate action for large variances at the financial statement line item level, resulting in an inaccurate conclusion about the completeness and accuracy of the accrued liabilities recorded in the Department's financial statements.

Cause

Controls are not properly designed, implemented, and operating effectively to ensure that the results of the Bureau's retrospective reviews are validating the reasonableness of the accrued liabilities estimation methodology and, if warranted, adjustments are made to the methodology and calculations in subsequent periods.

Effect

The Department's accrued liabilities and gross costs, as of September 30, 2016 and for the year then ended, may be overstated by an estimated $131 million and $74 million, respectively.

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Recommendations

We recommend that the Department and Bureaus improve controls over the monitoring and accounting of accrued liabilities as follows:

- Redefine policies and procedures to establish an appropriate precision threshold to be used in the operation of the Department's control and document the monitoring procedures performed and the conclusions reached at the Department level.
- Perform the Department's accrued liability analysis at the financial statement line item level.
- Ensure that inputs into the Bureau estimation methodology are complete and accurate.
- Consider the results of the retrospective review analysis when determining whether modifications to the estimation methodology are warranted.

C. Lack of Sufficient General Information Technology Controls

Criteria

The Green Book provides the overall framework for establishing and maintaining an effective internal control system. In addition, OMB Circular No. A-123 provides specific requirements for assessing and reporting on controls in the federal government.

The standards and guidelines issued by the National Institute of Standards and Technology (NIST), *Special Publication 800-53, Revision 4*, define IT security and related business process application control objectives supporting the structure, policies, and procedures that apply to the use, operability, interface, edit, and monitoring controls of a financial IT application.

The Department of Interior, Security Control Standards, specifies organization-defined parameters that are deemed necessary or appropriate to achieve a consistent security posture across the Department of the Interior.

In addition, the Department of Interior, Departmental Manual, provides the standards, guidelines, and implementation plans necessary to effectively establish the information security program of the Department.

Condition

During our FY2016 testing of the significant financial IT systems of the Department, we identified several control deficiencies that we have classified into the following categories:

Provisioning of Access and Segregation of Duties:

Preventive controls, such as provisioning of IT access, are controls designed to reduce the risk of unauthorized and/or inappropriate access to the relevant financial IT systems. When IT personnel or users are given, or can gain, access privileges beyond those necessary to perform their assigned duties, a breakdown in segregation of duties can occur. This unauthorized access could result in inappropriate and/or unauthorized transactions or changes to programs or data that affect the consolidated financial statements. Deficiencies were identified in the annual recertification of user access rights, the granting of privileged access to several individuals through a shared privileged account, and the timely removal of user access rights due to changes in assigned duties or separations.

Security and Vulnerability Management:

Detective controls, such as credentialed vulnerability scanning and safeguards, are controls designed to detect and protect systems that are exposed to risks related to misconfiguration, out-of-date patches or internal/external threats. Deficiencies were identified in the Department's untimely remediation of identified vulnerabilities and documented risk assessment/acceptance. In addition, the Department has failed to fully

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implement the relevant security control standards and guidelines of NIST *Special Publication 800-53, Revision 4*.

System Audit Log Reviews and Change Management:

Detective controls, such as system audit logs and change management, are controls designed to determine that changes to financial IT systems are authorized, tested, approved, properly implemented, and documented. Deficiencies were identified in the Department's ability to track all system-generated configuration changes and in the Department's failure to review system patches in a test environment before moving to a production environment.

Cause

The Department does not have sufficient procedures and controls in place to ensure compliance with Green Book and the Department's Security Control Standards and Manuals. In addition, the Department has not fully implemented the requirements of NIST, Special Publication 800-53, Revision 4, into the procedures and controls reference above.

Effect

The aforementioned IT control deficiencies pose a risk to the completeness, accuracy, and integrity of the Department's financial information, which could ultimately affect the Department's ability to produce accurate and timely consolidated financial statements. The Department is at risk that unauthorized, unanticipated, and/or inappropriate activities or changes, made to the relevant financial IT systems, may go undetected by management. The related systems are at risk of data leakage, denial-of-service, or unauthorized modification of data held within the financial IT systems that are necessary for the complete and accurate presentation of the consolidated financial statements.

Recommendations

We recommend that the Department develop and maintain effective general information technology controls to reduce the risks posed to the completeness, accuracy, and integrity of the Department's financial information. Specifically, the Chief Information Officer should:

1. Develop policies, procedures and controls to address the provisioning of access, security and vulnerability management, system audit log review, and change management control deficiencies identified in the Department's financial IT systems;

2. Continue to formalize and disseminate security control standards and guidelines to the bureaus and formally establish security control implementation and testing policies and procedures; and,

3. Monitor progress to ensure that procedures and controls are appropriately designed, implemented, and maintained.

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 of compliance disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 15-02.

We also performed tests of its compliance with certain provisions referred to in Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of

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FFMIA 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 Responses to Findings

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

Purpose of the Other Reporting Required by Government Auditing Standards

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

KPMG LLP

Washington, D.C.
November 15, 2016

United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, DC 20240

NOV 15 2016

Memorandum

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: Elizabeth Klein
Principal Deputy Assistant Secretary for Policy, Management and Budget and Chief Financial Officer

Subject: Management's Response to Independent Auditors' Report for FY 2016 (Assignment No. 2016-FIN-025)

The Department of the Interior (Department) reviewed the Auditors' Report prepared by KPMG LLP. We are pleased that the result of the audit is an unmodified opinion on the Department's Consolidated Financial Statements and that the Department was able to eliminate the prior year material weaknesses. We plan to address the three significant deficiencies with the same vigor used to address last year's material weaknesses. The Department appreciates the recommendations from the auditors and we look forward to working with you to continue improving financial management in our Department. Our response to the findings and recommendations follows.

INTERNAL CONTROL OVER FINANCIAL REPORTING

A. Lack of Sufficient Controls over General Property, Plant, and Equipment (PP&E)

Management concurs. In fiscal year (FY) 2016, the Department strengthened policies and procedures to aggregate and analyze property, plant, and equipment activities on a Department-wide basis. In the current year, we will reinforce existing policies, procedures, and controls over the additions, deletions, and transfers of PP&E as well as assets under construction to ensure transactions are recorded accurately and timely.

B. Lack of Sufficient Controls over Accrued Liabilities

Management concurs. In FY 2017, the Department will improve controls over the monitoring and accounting of accrued liabilities through a combination of improved policies and procedures, appropriate precision thresholds, and oversight of bureau and office accruals.

Page 2

C. Lack of Sufficient General Information Technology Controls

Management concurs. In FY 2017, the Department will pursue additional policies and monitoring activities to address the provisioning of access, security, and vulnerability management; system audit log review; and change management control deficiencies in the Department's financial Information Technology systems. In addition, we will continue to formalize and disseminate security control standards and guidelines to the bureaus as well as formally establish security control implementation and testing policies and procedures. Finally, we will monitor progress to ensure that procedures and controls are appropriately designed, implemented, and maintained.

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

PRINCIPAL FINANCIAL STATEMENTS

The DOI's financial statements have been prepared to report the financial position, results of operations, net position, budgetary resources, and custodial activity of DOI pursuant to the requirements of the CFO Act, GMRA, and OMB Circular No. A-136, *Financial Reporting Requirements*. The statements have been prepared in accordance with 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 DOI's Statement of Net Cost presents the net cost of operations for the six mission areas established in DOI's Strategic Plan. It also presents reimbursable costs related to services provided to other Federal agencies and incurred costs that are not part of DOI's core mission.

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

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

- **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, 2016 and September 30, 2015

(dollars in thousands)	FY 2016	FY 2015
ASSETS (Note 8)		
Intragovernmental Assets:		
Fund Balance with Treasury (Note 2)	$ 52,938,936	$ 51,877,014
Investments, Net (Note 3)	8,120,986	7,366,333
Accounts and Interest Receivable (Note 4)	1,530,180	1,559,034
Other	4,788	3,563
Total Intragovernmental Assets	$ 62,594,890	$ 60,805,944
Cash	409	425
Investments, Net (Note 3)	176,802	243,562
Accounts and Interest Receivable, Net (Note 4)	8,023,536	1,327,625
Loans and Interest Receivable, Net (Note 5)	56,719	58,933
Inventory and Related Property, Net (Note 6)	77,315	105,960
General Property, Plant, and Equipment, Net (Note 7)	21,571,027	21,766,172
Other	129,571	136,434
TOTAL ASSETS	$ 92,630,269	$ 84,445,055
Stewardship PP&E (Note 9)		
LIABILITIES (Note 14)		
Intragovernmental Liabilities:		
Accounts Payable	$ 607,595	$ 607,058
Debt (Note 10)	44,646	47,504
Other:		
Liability for Capital Transfers to the General Fund (Note 11)	1,723,134	1,718,225
Advances and Deferred Revenue	411,135	444,434
Custodial Liability	700,241	915,468
Other Miscellaneous Liabilities	1,687,936	631,077
Total Intragovernmental Liabilities	$ 5,174,687	$ 4,363,766
Accounts Payable	697,583	1,004,081
Loan Guarantee Liability (Note 5)	34,117	36,993
Federal Employee and Veteran Benefits (Note 12)	1,401,100	1,427,798
Environmental and Disposal Liabilities (Note 13)	829,698	715,842
Other:		
Contingent Liabilities (Note 13)	38,652	1,048,785
Trust Land Consolidation Program Liability	901,894	1,148,052
Advances and Deferred Revenue	973,294	714,866
Payments Due to States	338,502	589,746
Grants Payable	514,176	520,882
Other Miscellaneous Liabilities	862,078	847,266
TOTAL LIABILITIES	$ 11,765,781	$ 12,418,077
Commitments and Contingencies (Notes 13 and 15)		
NET POSITION (NOTE 16)		
Unexpended Appropriations - Funds from Dedicated Collections	790,706	475,993
Unexpended Appropriations - All Other Funds	5,746,186	5,315,055
Cumulative Results of Operations - Funds from Dedicated Collections	71,190,531	61,995,185
Cumulative Results of Operations - All Other Funds	3,137,065	4,240,745
TOTAL NET POSITION	$ 80,864,488	$ 72,026,978
TOTAL LIABILITIES AND NET POSITION	$ 92,630,269	$ 84,445,055

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

Consolidated Statement of Net Cost

for the years ended September 30, 2016 and September 30, 2015

(dollars in thousands)	FY 2016	FY 2015
Celebrating and Enhancing America's Great Outdoors		
Gross Costs	$ 8,681,915	$ 8,719,252
Less: Earned Revenue	1,144,761	1,247,820
Net Cost	7,537,154	7,471,432
Strengthening Tribal Nations and Insular Communities		
Gross Costs	3,984,028	3,886,239
Less: Earned Revenue	301,317	356,328
Net Cost	3,682,711	3,529,911
Powering Our Future and Responsible Use of the Nation's Resources		
Gross Costs	2,331,325	2,713,650
Less: Earned Revenue	699,513	665,044
Net Cost	1,631,812	2,048,606
Engaging the Next Generation		
Gross Costs	56,238	52,527
Less: Earned Revenue	54	133
Net Cost	56,184	52,394
Ensuring Healthy Watersheds and Sustainable, Secure Water Supplies		
Gross Costs	1,325,439	1,149,234
Less: Earned Revenue	575,517	670,839
Net Cost	749,922	478,395
Building a Landscape-Level Understanding of Our Resources		
Gross Costs	1,618,916	1,606,050
Less: Earned Revenue	398,790	383,247
Net Cost	1,220,126	1,222,803
Reimbursable Activity and Other		
Gross Costs	3,834,553	3,692,014
Less: Earned Revenue	1,720,126	1,590,773
Net Cost	2,114,427	2,101,241
TOTAL		
Gross Costs	21,832,414	21,818,966
Less: Earned Revenue	4,840,078	4,914,184
Net Cost of Operations (Notes 18 and 20)	$ 16,992,336	$ 16,904,782

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

Consolidated Statement of Changes in Net Position

for the years ended September 30, 2016 and September 30, 2015

(dollars in thousands)	FY 2016 Combined Funds from Dedicated Collections (Note 16)	FY 2016 Combined All Other	FY 2016 Eliminations	FY 2016 Consolidated	FY 2015 Combined Funds from Dedicated Collections (Note 16)	FY 2015 Combined All Other	FY 2015 Eliminations	FY 2015 Consolidated
UNEXPENDED APPROPRIATIONS								
Beginning Balance	$ 476,073	$ 5,315,055	$ (80)	$ 5,791,048	$ 369,690	$ 5,441,803	$ -	$ 5,811,493
Budgetary Financing Sources								
Appropriations Received, General Funds	394,518	12,700,340	-	13,094,858	254,069	11,737,959	-	11,992,028
Appropriations Transferred In/(Out)	-	8,198	(197)	8,001	-	24,989	(80)	24,909
Appropriations - Used	(79,805)	(12,236,609)	-	(12,316,414)	(144,143)	(11,834,552)	-	(11,978,695)
Other Adjustments	-	(40,601)	-	(40,601)	(3,543)	(55,144)	-	(58,687)
Net Change	314,713	431,328	(197)	745,844	106,383	(126,748)	(80)	(20,445)
Ending Balance - Unexpended Appropriations	$ 790,786	$ 5,746,383	$ (277)	$ 6,536,892	$ 476,073	$ 5,315,055	$ (80)	$ 5,791,048
CUMULATIVE RESULTS OF OPERATIONS								
Beginning Balance	$ 61,433,479	$ 4,802,371	$ 80	$ 66,235,930	$ 59,963,199	$ 4,850,008	$ -	$ 64,813,207
Adjustments								
Changes in Funds from Dedicated Collection Classification	-	-	-	-	(8,920)	8,920	-	-
Beginning Balance, as adjusted	61,433,479	4,802,371	80	66,235,930	59,954,279	4,858,928	-	64,813,207
Budgetary Financing Sources								
Appropriations - Used	79,805	12,236,609	-	12,316,414	144,143	11,834,552	-	11,978,695
Royalties Retained	2,814,863	1,200	-	2,816,063	3,666,748	1,612	-	3,668,360
Non-Exchange Revenue	8,616,539	118,828	-	8,735,367	1,285,283	113,013	-	1,398,296
Transfers In/(Out) without Reimbursement	437,187	(2,729)	138,998	573,456	494,057	114,746	105,433	714,236
Donations and Forfeitures of Cash and Cash Equivalents	63,385	-	-	63,385	163,925	1	-	163,926
Other Financing Sources								
Donations and Forfeitures of Property	26,816	(1,582)	-	25,234	8,248	13,532	-	21,780
Transfers In/Out without Reimbursement (Notes 16 & 20)	(137,356)	271,505	(138,801)	(4,652)	(51,770)	169,416	(105,353)	12,293
Imputed Financing from Costs Absorbed by Others (Note 17)	144,912	852,657	(109,417)	888,152	109,191	678,643	(50,025)	737,809
Other Non-Budgetary Financing Sources/(Uses)	(38,745)	(290,672)	-	(329,417)	(147,547)	(220,343)	-	(367,890)
Total Financing Sources	12,007,406	13,185,816	(109,220)	25,084,002	5,672,278	12,705,172	(49,945)	18,327,505
Net Cost of Operations	(3,905,707)	(13,196,046)	109,417	(16,992,336)	(4,193,078)	(12,761,729)	50,025	(16,904,782)
Net Change	8,101,699	(10,230)	197	8,091,666	1,479,200	(56,557)	80	1,422,723
Ending Balance - Cumulative Results of Operations	$ 69,535,178	$ 4,792,141	$ 277	$ 74,327,596	$61,433,479	$ 4,802,371	$ 80	$ 66,235,930
TOTAL NET POSITION	$ 70,325,964	$ 10,538,524	$ -	$ 80,864,488	$61,909,552	$ 10,117,426	$ -	$ 72,026,978

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

Combined Statement of Budgetary Resources

for the years ended September 30, 2016 and September 30, 2015

(dollars in thousands)	Budgetary Accounts FY 2016	Non-Budgetary Credit Program Financing Accounts FY 2016	Budgetary Accounts FY 2015	Non-Budgetary Credit Program Financing Accounts FY 2015
Budgetary Resources:				
Unobligated balance brought forward, October 1	$ 9,005,805	$ 46,485	$ 8,603,283	$ 65,045
Recoveries of prior year unpaid obligations	1,071,490	-	1,544,776	-
Other changes in unobligated balance	(156,594)	(2,461)	(151,875)	(82)
Unobligated balance from prior year budget authority, net	9,920,701	44,024	9,996,184	64,963
Appropriations (discretionary and mandatory)	18,454,652	(489)	17,915,125	-
Borrowing authority (discretionary and mandatory)	-	1,310	-	(110)
Spending authority from offsetting collections (discretionary and mandatory)	5,519,501	28,004	5,320,784	18,970
Total Budgetary Resources	**$ 33,894,854**	**$ 72,849**	**$ 33,232,093**	**$ 83,823**
Status of Budgetary Resources:				
New obligations and upward adjustments (total)	$ 24,451,417	$ 13,885	$ 24,226,288	$ 37,338
Unobligated balance, end of year:				
Apportioned, unexpired accounts	9,197,978	58,964	8,738,476	46,485
Unapportioned, unexpired accounts	50,482	-	85,163	-
Unexpired, unobligated balance, end of year	9,248,460	58,964	8,823,639	46,485
Expired, unobligated balance, end of year	194,977	-	182,166	-
Unobligated balance, end of year (total)	9,443,437	58,964	9,005,805	46,485
Total Budgetary Resources	**$ 33,894,854**	**$ 72,849**	**$ 33,232,093**	**$ 83,823**
Change in Obligated Balance:				
Unpaid obligations:				
Unpaid obligations, brought forward, October 1	$ 11,010,695	$ -	$ 11,377,433	$ -
New obligations and upward adjustments (total)	24,451,417	13,885	24,226,288	37,338
Outlays (gross) (-)	(22,715,231)	(13,885)	(23,048,250)	(37,338)
Recoveries of prior year unpaid obligations (-)	(1,071,490)	-	(1,544,776)	-
Unpaid obligations, end of year	11,675,391	-	11,010,695	-
Uncollected payments:				
Uncollected payments, Federal sources, brought forward, October 1 (-)	(3,066,485)	(3,042)	(3,087,980)	(4,307)
Change in uncollected payments, Federal sources	14,876	261	21,495	1,265
Uncollected payments, Federal sources, end of year (-)	(3,051,609)	(2,781)	(3,066,485)	(3,042)
Obligated balance, start of year	$ 7,944,210	$ (3,042)	$ 8,289,453	$ (4,307)
Obligated balance, end of year	$ 8,623,782	$ (2,781)	$ 7,944,210	$ (3,042)
Budget Authority and Outlays, Net:				
Budget authority, gross (discretionary and mandatory)	23,974,153	28,825	$ 23,235,909	$ 18,860
Actual offsetting collections (discretionary and mandatory)	(5,587,557)	(29,482)	(5,381,097)	(20,235)
Change in uncollected payments, Federal sources	14,876	261	21,495	1,265
Recoveries of Prior Year Paid Obligations (discretionary and mandatory)	2,162	-	1,824	-
Budget authority, net (total) (discretionary and mandatory)	**$ 18,403,634**	**$ (396)**	**$ 17,878,131**	**$ (110)**
Outlays, gross (discretionary and mandatory)	22,715,231	13,885	23,048,250	37,338
Actual offsetting collections (discretionary and mandatory)	(5,587,557)	(29,482)	(5,381,097)	(20,235)
Outlays, net (total) (discretionary and mandatory)	17,127,674	(15,597)	17,667,153	17,103
Distributed offsetting receipts (-)	(4,443,289)	-	(5,339,598)	-
Agency outlays, net (discretionary and mandatory)	$ 12,684,385	$ (15,597)	$ 12,327,555	$ 17,103

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

Consolidated Statement of Custodial Activity
for the years ended September 30, 2016 and September 30, 2015

(dollars in thousands)	FY 2016	FY 2015
Revenues on Behalf of the Federal Government		
Mineral Lease Revenue		
Rents and Royalties	$ 4,817,280	$ 6,944,402
Onshore Lease Sales	60,426	171,562
Offshore Lease Sales	168,953	661,023
Total Revenue	$ 5,046,659	$ 7,776,987
Disposition of Revenue		
Distribution to Department of the Interior		
Departmental Offices	1,275,215	1,786,528
National Park Service Conservation Funds	883,970	1,038,555
Bureau of Reclamation	1,012,603	1,401,739
Bureau of Ocean Energy Management	68,370	94,868
Bureau of Safety and Environmental Enforcement	90,275	105,872
Bureau of Land Management	10,286	17,894
Fish and Wildlife Service	5,196	1,272
Distribution to Other Federal Agencies		
Department of the Treasury	2,203,857	3,333,267
Department of Agriculture	76,230	137,723
Department of Commerce	31	1,007
Distribution to States and Others	14,682	22,166
Change in Untransferred Revenue	(594,056)	(163,904)
Total Disposition of Revenue	$ 5,046,659	$ 7,776,987
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, DOI has responsibility for most of the Nation's publicly owned lands and natural resources. The DOI protects and manages the Nation's natural resources and cultural heritage; provides scientific and other information about those resources; and honors its trust responsibilities 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 the 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.

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

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

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

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

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

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

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

E. Investments, Net

The DOI invests funds in Federal Government and public securities on behalf of various DOI programs and for amounts held in certain escrow accounts. The Federal government securities include marketable Treasury securities and/or nonmarketable, market-based securities issued by the Federal Investment Branch of the Bureau of the Fiscal Service. Market-based securities are Treasury securities that are not traded on any securities exchange but mirror the prices of marketable securities with similar terms. Federal security maturity dates range from October 3, 2016 to February 15, 2046.

Public securities include marketable securities issued by government-sponsored entities and consist of mortgage backed securities with a maturity term of January 2019.

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

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

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

F. Accounts and Interest Receivable, Net

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

On April 4, 2016, a Federal court in New Orleans, Louisiana (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. Some amounts have already been paid, but billions of dollars are still owed to several Federal agencies, including DOI, as well as the impacted gulf coast states.

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 amount of the Federal loan subsidy is computed. The loan subsidy includes estimated delinquencies and defaults, net of recoveries, the interest rate differential between the loan rates and Treasury borrowings, offsetting fees, and other estimated cash flows associated with these loans. The value of loans receivable is reduced by the present value of the expected subsidy costs. The allowance for subsidy cost is reestimated annually.

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

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

H. Inventory and Related Property, Net

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

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

The BLM maintains a helium stockpile inventory which is stored in a partially depleted natural gas reservoir. The inventory is valued at cost and the volume of helium is accounted for on a perpetual basis. Annually, the volume is verified by collecting reservoir data and using generally accepted petroleum engineering principles to calculate the volume. The values shown for stockpile helium are net of the estimated unrecoverable amount. Gas and storage rights for the storage of helium are recorded at historical cost.

Under the *Helium Privatization Act of 1996*, DOI is authorized to store, transport, and withdraw crude helium and maintain and operate crude helium storage facilities that were in existence when the Helium Privatization Act of 1996 was enacted. This act designates a portion of the crude stockpile helium to be held in reserve in the interest of national security and authorizes DOI to offer the excess helium inventory for sale.

On October 2, 2013, the *Helium Stewardship Act of 2013* (Act) was signed by the President. The Act requires BLM to sell and auction crude helium to private refiners and non-refiners until 3 billion cubic feet (BcF) of helium remains in geological storage. Once the 3 Bcf storage threshold is met, the Act instructs BLM to sell crude helium only to Federal agencies through September 30, 2021. The Act directs BLM to dispose of all Federal Helium System assets by September 30, 2021.

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

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

I. General Property, Plant, and Equipment, Net

General Purpose Property, Plant, & 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 purchased prior to October 1, 2003, capitalization thresholds were established by the individual bureaus and generally ranged from $50 thousand to $500 thousand. For these same items purchased subsequent to September 30, 2003, 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 (COTS) software, contractor-developed software, and software that was internally developed by agency employees. Internal use software is capitalized at cost and amortized over a useful life of five years, if the acquisition cost is $100 thousand or more.

Impairment. In FY 2015, DOI implemented Statement of Federal Financial Accounting Standards (SFFAS) No. 44: *Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use.* The SFFAS No. 44 requires that the net book value of general PP&E be tested for impairment by determining whether there is a significant and permanent decline in service utility for general PP&E or expected service utility for construction in progress. The DOI considers the impact of the decline in service utility on its operations when determining if the decline is significant, and DOI treats the decline as permanent when DOI 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. The DOI identifies potential impairment to general PP&E through the periodic asset condition assessment processes, as part of response actions for disasters, or other facilities management activities.

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, *Stewardship PP&E*, 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. Advances and Prepayment

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

L. Liabilities

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

The DOI estimates certain accounts payable and grants 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.

Environmental and Disposal Liabilities. Environmental and Disposal Liabilities include the Environmental Remediation Liability and the Asbestos Cleanup Liability in accordance with SFFAS 5, *Accounting for Liabilities of the Federal Government*, and the FASAB Technical Bulletin 2006-1, *Recognition and Measurement of Asbestos-Related Cleanup Costs*.

The DOI has a responsibility to remediate the sites on DOI land that have environmental contamination. The DOI has accrued an Environmental Remediation Liability when losses are determined to be probable and the amounts can be estimated. Such liabilities are probable when the government is responsible for creating the hazard or is otherwise legally liable to clean up the contamination. 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 chooses to accept financial responsibility, it is considered government acknowledged and the range of the cleanup costs is disclosed in Note 13. When DOI accepts financial responsibility for cleanup, has appropriated funds for the cleanup, and has incurred cleanup costs, any unpaid amounts for work performed are reported as accounts payable.

Asbestos is categorized as either friable or non-friable. Friable asbestos poses an immediate health threat and DOI reports the related liability for cleanup costs 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. A majority of the DOI-owned real property assets does not contain asbestos in the construction materials and these assets are exempt from the asbestos cleanup liability. For the remaining non-exempt assets, DOI estimates the asbestos liability by applying an appropriate cost factor to the gross square footage of the assets. Using the survey costs and the estimated cleanup costs from surveys from existing DOI asbestos surveys, the DOI developed two cost factors: a higher cost per gross square foot for assets built prior to 1980 and a lower cost per gross square foot for assets built in 1980 and after. The appropriate cost factor is applied to the inventory of non-exempt real property measured in square feet depending on the year the asset was built. The average cost of surveys is applied to those assets not measured in square feet to estimate the cleanup liability.

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 Other Liability on the Balance Sheet in the instances where DOI is responsible for reimbursement to the Judgment

Fund, pursuant to the *Contract Disputes Act*. Congressional appropriations are often required for reimbursement.

Trust Land Consolidation Program. A $1.9 billion 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, at fair market value (FMV) as defined in the *Indian Land Consolidation Act of 1983*, fractional interest in trust or restricted land that individuals are willing to sell to DOI. Acquired interests will remain in trust or restricted status through transfer to tribes. As an incentive to participate in the program, when individuals sell fractional interests, up to $60 million from the Fund will go to an Indian Education Scholarship Fund for American Indian and Alaska Native students. In addition, DOI is authorized to spend no more than 15 percent of the total Fund (or $285 million) for purposes of implementing TLCP and paying the costs related to the work of the Secretarial Commission on Trust Reform, including the costs of consultants to the Commission and audits recommended by the Commission. In recognition of DOI's responsibility to fulfill the terms of the Act, the initially recorded liability will be reduced through the execution of the program.

M. Revenues and Financing Sources

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

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

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

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

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

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

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

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

N. Personnel Compensation and Benefits

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

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

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

The second component is the 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 the 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 United States Park Police (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 up to 10 percent of their pay to the Thrift Savings Plan. 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 (OASDI) 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. 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.

O. Federal Government Transactions

The DOI's financial activities interact with and are dependent upon the financial activities of the centralized management functions of the Federal Government. These activities include public debt and cash management activities and employee retirement, life insurance, and health benefit programs. The financial statements of DOI do not contain the costs of centralized financial decisions and activities performed for the benefit of the entire government. However, 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.

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

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

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

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

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

Q. Liability for Capital Transfers to the General Fund

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

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

R. Funds from Dedicated Collections

Funds from Dedicated Collections are financed by specifically identified revenues and other financing sources, provided to the government by non-Federal sources. These funds are required by statute to be used for designated activities or purposes and must be accounted for separately from the Federal Government's General Fund.

S. Allocation Transfers

The DOI is a party to allocation transfers with other Federal agencies as both a transferring (parent) entity and a receiving (child) entity. Allocation transfers are legal delegations by one department to obligate budget authority and outlay funds to another department. A separate fund (allocation account) is created 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 USDA, the Department of Transportation (DOT), and the Army Corps of Engineers. The DOI receives allocation transfers, as the child, from the USDA, the Department of Health and Human Services, DOL, DOT, the Army Corps of Engineers, and the U.S. Agency for International Development.

T. Income Taxes

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

U. Estimates

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

V. Fiduciary Activities

Fiduciary activities are the collection or receipt, and the management, protection, accounting, investment, and disposition by the Federal Government of cash or other assets in which non-Federal individuals or entities have an ownership interest the Federal government must uphold. Fiduciary cash and other assets are not assets of the Federal government and are not recognized on DOI's balance sheet. Note 21, *Fiduciary Activities*, provides additional information.

W. Reclassifications

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

NOTE 2. FUND BALANCE WITH TREASURY

Fund Balance with Treasury by fund type as of September 30, 2016 and 2015, consists of the following:

(dollars in thousands)	FY 2016	FY 2015
General Funds	$ 8,164,786	$ 7,514,116
Special Funds	41,479,051	41,179,181
Revolving Funds	1,978,932	1,652,801
Trust Funds	370,277	407,380
Other Fund Types	945,890	1,123,536
Total Fund Balance with Treasury by Fund Type	$ 52,938,936	$ 51,877,014

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

The status of the Fund Balance with Treasury may be classified as unobligated available, unobligated unavailable, or obligated. Unobligated funds, depending on budget authority, are generally available for new obligations in current operations. The unavailable balance also includes amounts appropriated in prior fiscal years, which are not available to fund new obligations. The obligated but not yet disbursed balance represents amounts designated for payment of goods and services ordered but not yet received; or goods and services received, but for which payment has not yet been made. The unavailable 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.

Status of Fund Balance with Treasury as of September 30, 2016 and September 30, 2015, consists of the following:

(dollars in thousands)	FY 2016	FY 2015
Unobligated		
Available	$ 5,406,881	$ 6,121,763
Unavailable	441,527	481,214
Obligated Not Yet Disbursed	8,572,413	7,401,359
Subtotal	14,420,821	14,004,336
Fund Balance with Treasury Not Covered by Budgetary Resources		
Unavailable Receipt Accounts	37,572,221	36,749,142
Clearing and Deposit Accounts	945,894	1,123,536
Subtotal	38,518,115	37,872,678
Total Status of Fund Balance with Treasury	$ 52,938,936	$ 51,877,014

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

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 collection in the same manner that all other government expenditures are financed.

Investments as of September 30, 2016, consist of the following:

(dollars in thousands)	Cost	Net Amortized (Premium)/ Discount	Investments, Net	Market Value Disclosure
U.S. Treasury Securities				
Marketable	$ 67,279	$ -	$ 67,279	$ 67,279
Nonmarketable, market-based	8,071,682	(30,151)	8,041,531	8,173,817
Total U.S. Treasury Securities	8,138,961	(30,151)	8,108,810	8,241,096
Accrued Interest	12,176	-	12,176	-
Total Non-Public Investments	$ 8,151,137	$ (30,151)	$ 8,120,986	$ 8,241,096
Public Securities				
Marketable	170,939	5,863	176,802	178,640
Total Investments	$ 8,322,076	$ (24,288)	$ 8,297,788	$ 8,419,736

Investments as of September 30, 2015, consist of the following:

(dollars in thousands)	Cost	Net Amortized (Premium)/ Discount	Investments, Net	Market Value Disclosure
U.S. Treasury Securities				
Marketable	$ -	$ -	$ -	$ -
Nonmarketable, market-based	7,369,684	(17,995)	7,351,689	7,460,405
Total U.S. Treasury Securities	7,369,684	(17,995)	7,351,689	7,460,405
Accrued Interest	14,644	-	14,644	-
Total Non-Public Investments	$ 7,384,328	$ (17,995)	$ 7,366,333	$ 7,460,405
Public Securities				
Marketable	239,485	4,077	243,562	247,186
Total Investments	$ 7,623,813	$ (13,918)	$ 7,609,895	$ 7,707,591

NOTE 4. ACCOUNTS AND INTEREST RECEIVABLE, NET

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

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

Unmatured repayment contracts are recognized on the Balance Sheet when the annual repayment amount is earned, at which time current accounts receivable and current period exchange revenue are recorded.

Due from Federal Agencies. Accounts receivable due from Federal agencies arise from the sale of products and services to other Federal agencies, including the sale of maps, the performance of environmental and scientific services, and administrative and other services. These reimbursable arrangements generally reduce the duplication of effort within the Federal Government resulting in a lower cost of Federal programs and services. Substantially, all receivables from other Federal agencies are considered to be collectible, as there is no credit risk. Although allowance for doubtful accounts is used occasionally to recognize billing disputes, no allowance existed for FY 2016 or FY 2015.

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. The BP is to pay DOI $7.1 billion for natural resource damages, which will be paid in annual installments on the anniversary of the effective date of the Consent Decree starting in 2017 through 2031. The BP is also ordered to pay additional funds, not to exceed $700 million, which consists of interest earned on the $7.1 billion as well as a $232 million payment due on the 16th anniversary of the effective date of the Consent Decree. The interest is calculated based on the terms of the Consent Decree. The calculated interest rate is 0.75%. In addition, BP is to pay DOI $3 million in 2017 for unreimbursed natural resource damage assessments costs, as well as

$31.5 million for royalty payments, to be paid in annual installments on the anniversary of the effective date of the Consent Decree starting in 2017 through 2023. As of September 30, 2016, DOI has recorded $7.4 billion in accounts receivable and $26 million in interest receivable. Likewise, DOI has recorded over $7.3 billion of non-exchange revenue. Reference the Consolidated Statement of Changes in Net Position, Cumulative Results of Operations, Budgetary Financing Sources, Non-Exchange Revenue Line for this disclosure.

Accounts and Interest Receivable from Federal agencies consist of the following as of September 30, 2016 and September 30, 2015:

(dollars in thousands)	FY 2016	FY 2015
Accounts and Interest Receivable from Federal Agencies		
Billed	$ 1,276,390	$ 1,314,263
Unbilled	253,790	244,771
Total Accounts and Interest Receivable from Federal agencies	$ 1,530,180	$ 1,559,034

Accounts and Interest Receivable from the Public consist of the following as of September 30, 2016 and September 30, 2015:

(dollars in thousands)	FY 2016	FY 2015
Accounts and Interest Receivable from the Public		
Billed	$ 7,557,669	$ 365,402
Unbilled	544,987	1,016,841
Total Accounts and Interest Receivable from the Public	8,102,656	1,382,243
Allowance for Doubtful Accounts	(79,120)	(54,618)
Total Accounts and Interest Receivable from the Public, Net	$ 8,023,536	$ 1,327,625

NOTE 5. LOANS AND INTEREST RECEIVABLE, NET

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

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

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

DOI recorded interest rate and technical reestimates in FY 2016 and FY 2015 for direct loans disbursed and loan guarantees. The interest rate reestimates are the result of a reduction to projected interest costs associated with the loans and guarantees over the repayment period. The technical reestimates are the result of a change to projected cash flows associated with the loans. 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 reestimates.

Indian Affairs. The IA provides guaranteed loans to Indian tribes and organizations, Indian individuals, and Alaska Natives for economic development purposes. The IA loan program includes the Indian Direct Loan Program (which ceased providing loans in 1995), the Indian Loan Guarantee Program under the FCRA, and a Liquidating Fund for loans made prior to 1992. In FY 2016, four Direct Loans were re-instated which resulted in an increase to the principal, Loans Receivable balance.

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

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

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

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

The subsidy expense reported for FY 2016 and FY 2015 includes a technical reestimate.

Departmental Offices (DO). 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. Each year DOI reserves an allowance amount that determines how much will be disclosed as outstanding.

A. Direct Loan and Loan Guarantee Program Names: *(dollars in thousands)*

	FY 2016	FY 2015
Indian Affairs - Direct Liquidating Loans (Pre-Credit Reform)	$ 1,257	$ 403
Indian Affairs - Direct Loans (Credit Reform)	3,366	3,899
Indian Affairs - Guaranteed Liquidating Loans (Pre-Credit Reform)	277	315
Indian Affairs - Guaranteed Loans (Credit Reform)	1,100	1,272
Bureau of Reclamation - Direct Loans (Pre-Credit Reform)	10,065	11,031
Bureau of Reclamation - Direct Loans (Credit Reform)	31,749	32,812
Departmental Offices - American Samoa Government (Credit Reform)	8,905	9,201
Total Loans and Interest Receivable, Net	$ 56,719	$ 58,933

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

	Direct Loan Programs (Pre-Credit Reform)	Loans Receivable Gross	Interest Receivable	Allowance For Loan Losses	Foreclosed Property	Direct Loans, Net
	Indian Affairs	$ 1,950	$ 178	$ (871)	$ -	$ 1,257
	Bureau of Reclamation	17,320	-	(7,255)	-	10,065
FY 2016	Total	$ 19,270	$ 178	$ (8,126)	$ -	$ 11,322
	Indian Affairs	$ 1,199	$ 197	$ (993)	$ -	$ 403
	Bureau of Reclamation	18,286	-	(7,255)	-	11,031
FY 2015	Total	$ 19,485	$ 197	$ (8,248)	$ -	$ 11,434

Outstanding loan balances, as of September 30, 2016 and September 30, 2015, are summarized as follows:

C. Direct Loans Obligated After FY 1991:						*(dollars in thousands)*
	Direct Loan Programs (Credit Reform)	Loans Receivable Gross	Interest Receivable	Foreclosed Property	Allowance for Subsidy Cost	Value of Assets Related to Direct Loans
	Indian Affairs	$ 971	$ 144	$ -	$ 2,251	$ 3,366
	Bureau of Reclamation	35,977	-	-	(4,228)	31,749
	Departmental Offices - American Samoa Government	10,237	-	-	(1,332)	8,905
FY 2016	Total	$ 47,185	$ 144	$ -	$ (3,309)	$ 44,020
	Indian Affairs	$ 1,061	$ 158	$ -	$ 2,680	$ 3,899
	Bureau of Reclamation	37,706	-	-	(4,894)	32,812
	Departmental Offices - American Samoa Government	10,459	-	-	(1,258)	9,201
FY 2015	Total	$ 49,226	$ 158	$ -	$ (3,472)	$ 45,912

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	$ -	$ (150)	$ 767	$ 617
	Bureau of Reclamation	-	-	-	-
	Departmental Offices - American Samoa Government	-	-	-	-
FY 2016	Total	$ -	$ (150)	$ 767	$ 617
	Indian Affairs	$ -	$ (406)	$ 693	$ 287
	Bureau of Reclamation	-	-	(40)	(40)
	Departmental Offices - American Samoa Government	-	-	-	-
FY 2015	Total	$ -	$ (406)	$ 653	$ 247

Total Direct Loan Subsidy Expense			
	Direct Loan Programs (Credit Reform)	FY 2016	FY 2015
	Indian Affairs	$ 617	$ 287
	Bureau of Reclamation	-	(40)
	Departmental Offices - American Samoa Government	-	-
	Total	$ 617	$ 247

E. Schedule for Reconciling Direct Loan Subsidy Cost Allowance Balances (Post-1991 Direct Loans): *(dollars in thousands)*		
	FY 2016	FY 2015
Beginning balance of the subsidy cost allowance	$ 3,472	$ 5,754
Adjustments:		
(a) Loans written off	27	(617)
(b) Subsidy allowance amortization	(728)	(665)
(c) Other	(79)	(1,247)
Ending balance of the subsidy cost allowance before reestimates	2,692	3,225
Add or subtract subsidy reestimates by component:		
(a) Interest rate reestimate	(150)	(406)
(b) Technical/default reestimate	767	653
Total of the above reestimate components	617	247
Ending balance of the subsidy cost allowance	$ 3,309	$ 3,472
The Allowance for Subsidy Account reflects the unamortized credit reform subsidy for direct loans.		

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

Guaranteed Liquidating Loans (Pre-Credit Reform)	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance for Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans, Receivable, Net
FY 2016	$ 704	$ 88	$ -	$ (515)	$ 277
FY 2015	$ 812	$ 88	$ -	$ (585)	$ 315

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

Guaranteed Liquidating Loans (Credit Reform)	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Defaulted Guaranteed Loans, Receivable, Net
FY 2016	$ 10,497	$ 1,003	$ -	$ (10,400)	$ 1,100
FY 2015	$ 12,083	$ 1,268	$ -	$ (12,079)	$ 1,272

H. Guaranteed Loans Outstanding as of September 30, 2016:		*(dollars in thousands)*
Loan Guarantee Programs	**Outstanding Principal of Guaranteed Loans, Face Value**	**Amount of Outstanding Principal Guaranteed**
FY 1992-2014	$ 459,073	$ 412,721
FY 2015	86,482	77,838
FY 2016	62,596	56,337
Total	$ 608,151	$ 546,896
New Guaranteed Loans Disbursed (Current reporting year):		
Amount Paid in Current FY for Prior Years	$ 43,506	$ 39,155
Amount Paid in Current FY for Guarantees	70,682	63,614
FY 2016 Total	$ 114,188	$ 102,769
Amount Paid in Prior FY for Prior Years	$ 60,951	$ 54,856
Amount Paid in Prior FY for Prior FY Guarantees	64,933	58,439
FY 2015 Total	$ 125,884	$ 113,295

I. Liability for Loan Guarantees:			*(dollars in thousands)*
Guaranteed Liquidation Loans (Pre-Credit Reform)	**Liabilities for Losses on Pre-1992 Guarantees, Estimated Future Default Claims**	**Liabilities for Loan Guarantees, for Post-1991 Guarantees, Present Value**	**Total Liabilities for Loan Guarantees**
Liability for Loan Guarantees (Estimated Future Default Claims for pre-1992 guarantees):			
FY 2016	$ -	$ 34,117	$ 34,117
FY 2015	$ -	$ 36,993	$ 36,993

J. Subsidy Expense for Loan Guarantees by Program and Component:					*(dollars in thousands)*
Guaranteed Loans (Credit Reform)	**Interest Supplements**	**Defaults**	**Fees and Other Collections**	**Other**	**Total**
Subsidy Expense for New Loan Guarantees:					
FY 2016	$ 3,988	$ 4,992	$ (2,044)	$ -	$ 6,936
FY 2015	$ 4,406	$ 5,735	$ (2,262)	$ -	$ 7,879

Guaranteed Loans (Credit Reform)	**Modifications**	**Interest Rate Reestimates**	**Technical Reestimates**	**Total**
Modifications and Reestimates:				
FY 2016	$ -	$ (3,442)	$ (19,487)	$ (22,929)
FY 2015	$ -	$ (498)	$ (5,729)	$ (6,227)

Total Loan Guarantee Program Subsidy Expense	**FY 2016**	**FY 2015**
Indian Affairs	$ (15,993)	$ 1,651

K. Subsidy Rates for Loan Guarantees by Program and Component:					
Guaranteed Loans (Credit Reform)	**Interest Supplements**	**Defaults**	**Fees and Other Collections**	**Other**	**Total**
Budget Subsidy Rates for Loan Guarantees for the Current Year's Cohorts:					
FY 2016	3.6%	4.2%	-1.8%	0.0%	6.0%
FY 2015	3.6%	5.0%	-1.8%	0.0%	6.8%

L. Schedule for Reconciling Loan Guarantee Liability Balances: *(dollars in thousands)*	FY 2016	FY 2015
Beginning balance of the loan guarantee liability	$ 36,993	$ 63,972
Add: Subsidy expense for guaranteed loans disbursed during the reporting years by component:		
(a) Interest supplement costs	3,988	4,406
(b) Default costs (net of recoveries)	4,992	5,735
(c) Fees and other collections	(2,044)	(2,262)
Total of the above subsidy expense components	$ 6,936	$ 7,879
Adjustments:		
(a) Fees received	$ 964	$ 2,262
(b) Interest supplements paid	(1,064)	(1,038)
(c) Claim payments to lenders	(3,602)	(1,960)
(d) Interest accumulation on the liability balance	3,089	1,587
(e) Other (recovery, revenue, and prior period adjustments)	13,730	(29,482)
Ending balance of the loan guarantee liability before reestimates	$ 57,046	$ 43,220
Add or subtract subsidy reestimates by component:		
(a) Interest rate reestimate	$ (3,442)	$ (498)
(b) Technical/default reestimate	(19,487)	(5,729)
Total of the above reestimate components	$ (22,929)	$ (6,227)
Ending balance of the loan guarantee liability	$ 34,117	$ 36,993

M. Administrative Expense:			*(dollars in thousands)*
Direct Loans (Credit Reform)		**Guaranteed Loans Programs**	
FY 2016	$ -	**FY 2016**	$ 1,262
FY 2015	$ 972	**FY 2015**	$ 967

NOTE 6. INVENTORY AND RELATED PROPERTY, NET

The DOI's inventory and related property is primarily composed of published maps; gas and storage rights; operating supplies for the Working Capital Fund; Operational Land Imager operating materials; airplane parts and fuel; and recoverable, below-ground, crude helium. These inventories were categorized based on DOI's major activities and the services DOI provides to the Federal Government and the public. Except for crude helium, there are currently no restrictions on these inventories.

The USGS maintains Operational Land Imager operating materials; maps and map products that are located at several Earth Science Information Centers across the United States. The BLM maintains a helium stockpile inventory that is stored in a partially depleted natural gas reservoir as discussed in Note 1.H. Aircraft fuel and parts are held in inventory as operating materials to be consumed and are valued at historical cost, based on the moving average cost method. The value of this inventory is adjusted based on the results of periodic physical inventories. The DOI's Working Capital Fund maintains an inventory of operating materials that will be consumed during future operations.

Inventory and Related Property as of September 30, 2016 and 2015, consist of the following:

(dollars in thousands)	FY 2016	FY 2015
Inventory		
Published Maps Held for Current Sale	$ 2,470	$ 2,548
Gas and Storage Rights held for Current Sale	807	814
Operating Materials		
Working Capital Fund: Inventory Held for Use	5,435	5,592
Operational Land Imager: Inventory Held for Use	1,965	15,754
Airplane Parts and Fuel Held for Use	1,998	1,859
Stockpile Materials		
Recoverable Below-Ground Crude Helium Held in Reserve	36,174	36,174
Recoverable Below-Ground Crude Helium Held for Sale*	28,466	43,219
Total Inventory and Related Property	$ 77,315	$ 105,960

* The difference in carrying value and the estimated selling price of recoverable below ground helium held for sale is $217,050 ($245,516 - $28,466) and $336,710 ($379,929 - $43,219) at September 30, 2016 and 2015 respectively.

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

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

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

In accordance with the standards, DOI recorded certain general PP&E acquired on or before September 30, 1996, at its estimated net book value (i.e., gross cost less accumulated depreciation) or its estimated gross cost. The DOI estimated these costs and net book values based on available historic supporting documents, current replacement cost deflated to date of acquisition, and the cost of similar assets at the time of acquisition. These assets are fully depreciated and have no net impact.

The PP&E categories with corresponding acquisition cost and accumulated depreciation as of September 30, 2016, are shown in the following table:

(dollars in thousands)	Acquisition Cost	Accumulated Depreciation	Net Book Value
Land and Land Improvements	$ 2,351,686	$ (179,742)	$ 2,171,944
Buildings	5,538,927	(2,327,214)	3,211,713
Structures and Facilities	24,361,765	(11,794,692)	12,567,073
Leasehold Improvements	60,945	(36,171)	24,774
Construction in Progress			
Construction in Progress - General	1,876,853	-	1,876,853
Construction in Progress in Abeyance	412,330	-	412,330
Equipment, Vehicles, and Aircraft	3,007,893	(1,822,857)	1,185,036
Internal Use Software			
In Use	579,485	(483,315)	96,170
In Development	25,134	-	25,134
Total Property, Plant, and Equipment	$ 38,215,018	$ (16,643,991)	$ 21,571,027

The PP&E categories with corresponding acquisition cost and accumulated depreciation as of September 30, 2015, are shown in the following table:

(dollars in thousands)	Acquisition Cost	Accumulated Depreciation	Net Book Value
Land and Land Improvements	$ 2,341,229	$ (161,076)	$ 2,180,153
Buildings	5,338,396	(2,200,120)	3,138,276
Structures and Facilities	23,396,082	(11,424,205)	11,971,877
Leasehold Improvements	60,945	(33,821)	27,124
Construction in Progress			
Construction in Progress - General	2,436,984	-	2,436,984
Construction in Progress in Abeyance	635,085	-	635,085
Equipment, Vehicles, and Aircraft	2,916,219	(1,716,101)	1,200,118
Internal Use Software			
In Use	569,509	(421,073)	148,436
In Development	28,119	-	28,119
Total Property, Plant, and Equipment	$ 37,722,568	$ (15,956,396)	$ 21,766,172

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, 2016, are summarized into the following categories:

(dollars in thousands)	Entity	Non-Entity	FY 2016
Intragovernmental Assets			
Fund Balance with Treasury	$ 52,063,611	$ 875,325	$ 52,938,936
Investments, Net	8,111,960	9,026	8,120,986
Accounts and Interest Receivable	911,245	618,935	1,530,180
Advances and Prepayments	4,788	-	4,788
Total Intragovernmental Assets	$ 61,091,604	$ 1,503,286	$ 62,594,890
Cash	409	-	409
Investments, Net	176,802	-	176,802
Accounts and Interest Receivable, Net	7,507,913	515,623	8,023,536
Loans and Interest Receivable, Net	56,719	-	56,719
Inventory and Related Property, Net	77,315	-	77,315
General Property, Plant, and Equipment, Net	21,571,027	-	21,571,027
Advances and Prepayments	110,059	-	110,059
Other Miscellaneous Assets	19,512	-	19,512
TOTAL ASSETS	$ 90,611,360	$ 2,018,909	$ 92,630,269

The DOI's assets as of September 30, 2015, are summarized into the following categories:

(dollars in thousands)	Entity	Non-Entity	FY 2015
Intragovernmental Assets			
Fund Balance with Treasury	$ 50,818,328	$ 1,058,686	$ 51,877,014
Investments, Net	7,357,341	8,992	7,366,333
Accounts and Interest Receivable	939,719	619,315	1,559,034
Advances and Prepayments	3,563	-	3,563
Total Intragovernmental Assets	$ 59,118,951	$ 1,686,993	$ 60,805,944
Cash	425	-	425
Investments, Net	243,562	-	243,562
Accounts and Interest Receivable, Net	174,302	1,153,323	1,327,625
Loans and Interest Receivable, Net	58,933	-	58,933
Inventory and Related Property, Net	105,960	-	105,960
General Property, Plant, and Equipment, Net	21,766,172	-	21,766,172
Advances and Prepayments	105,959	-	105,959
Other Miscellaneous Assets	30,475	-	30,475
TOTAL ASSETS	$ 81,604,739	$ 2,840,316	$ 84,445,055

NOTE 9. STEWARDSHIP PP&E

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

The predominant laws governing the management of stewardship land are the *National Park Service Organic Act of 1916,* 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 Lands

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

Donated Stewardship Land

In FY 2016, NPS received donated stewardship land associated with the following additions to national park units: Belmont-Paul Women's Equality National Monument, Stonewall National Monument, and Katahdin Woods and Waters National Monument. The fair market value for these donated lands is undetermined.

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.

Primary Land Management Categories		As of 10/1/2014	Increase	Decrease	As of 9/30/2015	Increase	Decrease	As of 9/30/2016
IA	Regional Offices	12	-	-	12	-	-	12
BLM	Geographic Management Areas	129	1	2	128	1	2	127
BOR	Federal Water and Related Projects	135	-	-	135	-	-	135
FWS	National Wildlife Refuges	562	1	-	563	2	-	565
FWS	Coordination Areas	50	-	-	50	-	-	50
FWS	Wetland Management Districts	38	-	-	38	-	-	38
FWS	National Fish Hatcheries	68	-	-	68	-	-	68
FWS	Fish Technology Centers	6	-	-	6	-	1	5
FWS	Associated Fish Facilities	15	-	-	15	-	-	15
NPS	Park Units	390	8	-	398	4	-	402
OS	Commission Land	1	-	-	1	-	-	1
Total Number of Units		1,406	10	2	1,414	7	3	1,418

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.

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

Research Natural Area. The BLM manages Fossil Forest Research Natural Area, 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

Non-Collectible Heritage Asset Categories	As of 10/1/2014	Increase	Decrease	As of 9/30/2015	Increase	Decrease	As of 9/30/2016
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)	214	2	1	215	2	-	217
National Historic Sites	78	-	-	78	-	-	78
National Historic Trails	13	-	-	13	-	-	13
National Historical Parks	46	3	-	49	1	-	50
National Lakeshores	4	-	-	4	-	-	4
National Memorials	29	1	-	30	-	-	30
National Military Parks	9	-	-	9	-	-	9
National Monuments	105	7	2	110	7	-	117
National Natural Landmarks (NNL)	114	1	-	115	1	-	116
National Parks	59	-	-	59	-	-	59
National Parkways	4	-	-	4	-	-	4
National Preserves	18	1	-	19	-	-	19
National Recreation Areas	20	-	-	20	-	-	20
National Recreation Trails	111		-	111	1	-	112
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	562	1	-	563	2	-	565
Outstanding Natural Areas	3	-	-	3	-	-	3
International Historic Site	1	-	-	1	-	-	1
Wilderness Areas	357	2	-	359	2	-	361
Research Natural Area	1	-	-	1	-	-	1
Archaeological Protection Areas	2	-	-	2	-	-	2
Special Areas	5	-	-	5	-	-	5
Other	11	-	-	11	-	-	11
Total	1,919	18	3	1,934	16	-	1,950

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 10/1/2014	Increase	Decrease	As of 9/30/2015	Increase	Decrease	As of 9/30/2016
Total	7	-	-	7	-	-	7

Interior Museum Collections	As of 10/1/2014	Increase	Decrease	As of 9/30/2015	Increase	Decrease	As of 9/30/2016
Held at Interior Facilities	562	5	1	566	3	2	567
Held at Non-Interior Facilities	441	13	5	449	3	2	450
Total	1,003	18	6	1,015	6	4	1,017

NOTE 10. DEBT

Intragovernmental debt to Treasury activity as of September 30, 2016 and 2015 is summarized as follows:

(dollars in thousands)	FY 2015 Beginning Balance	Borrowing / (Repayments), Net	FY 2015 Ending Balance	Borrowing / (Repayments), Net	FY 2016 Ending Balance
Credit Reform Borrowings	$ 47,695	$ (191)	$ 47,504	$ (2,858)	$ 44,646
Total Debt Due to Treasury	$ 47,695	$ (191)	$ 47,504	$ (2,858)	$ 44,646

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

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

Maturity dates for the amounts borrowed from Treasury range from 2023-2025. Interest rates for these securities range from 6.65% percent to 7.46 percent.

Bureau of Reclamation

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

NOTE 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 2016 and FY 2015 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.

Costs incurred, collections and repayment activity as of September 30, 2016 and 2015, are summarized in the table below. In FY 2015, a $127 million upward adjustment for BOR was processed against the outstanding Liability to the General Fund Payable of the Treasury as a result of a reconciliation of FY2013 - FY2014 data.

(dollars in thousands)	FY 2016	FY 2015
Beginning Balance	$ 1,718,225	$ 1,594,870
Costs Incurred	35,890	39,259
Collections	(21,665)	(33,240)
Repayments to Treasury	(9,316)	(9,978)
Adjustments	-	127,314
Ending Balance	$ 1,723,134	$ 1,718,225

NOTE 12. FEDERAL EMPLOYEE AND VETERAN BENEFITS

Federal Employee and Veteran Benefits as of September 30, 2016, and 2015, consisted of the following:

(dollars in thousands)	FY 2016	FY 2015
Federal Employee and Veteran Benefits		
U.S. Park Police Pension Actuarial Liability	$ 588,125	$ 613,613
U.S. Park Police Pension Current Liability	38,975	39,387
Federal Employees Compensation Actuarial Liability	774,000	774,798
Total Federal Employee and Veteran Benefits	$ 1,401,100	$ 1,427,798

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 3.5 percent in FY 2016 and 3.7 percent in FY 2015 matched the discount rates used by OPM for the CSRS plan, but differed from the 4.0 percent in FY 2016 and 4.1 percent in FY 2015 discount rates used for the FERS plan. The NPS discount rate is consistent with the rate established by OPM based on the demographics of the USPP Pension Plan participants and the updated Mortality Improvement Scale MP-2016, which was released in October 2016. The updated Mortality Improvement Scale MP-2016 has no material impact on NPS's numbers as it reflects the same updated longevity assumptions NPS has made for the past several years in reporting the USPP pension liability.

Additionally, the USPP Pension Plan inflationary rates of 1.5 percent in FY 2016 and 1.7 percent in FY 2015 differed from the 1.9 percent CSRS and 1.6 percent FERS in FY 2016 and 2.3 percent CSRS and 1.8 percent FERS in FY 2015 inflationary rates used by OPM. However, the plan's cost of living adjustment is based on increases in basic pay, not general inflation. As a computational shortcut, the inflation rate has been set to match the 10-year average of the Federal General Schedule of Salary Increases.

Economic Assumptions Used Expressed in Percentages	FY 2016	FY 2015
Interest Rate	3.50	3.70
Inflationary Rate	1.50	1.70
Projected Salary Increase	1.50	1.70

USPP Pension Plan Liability *(dollars in thousands)*	FY 2016	FY 2015
Beginning Balance	$ 653,000	$ 643,397
Pension Expenses		
Normal Costs	-	-
Interest on liability	23,400	24,000
Actuarial (gains) or losses from experience	(10,025)	(6,610)
Actuarial (gains) or losses from assumption changes	(300)	31,600
Total Pension Expenses	13,075	48,990
Less Benefit Payments	(38,975)	(39,387)
Ending Balance	$ 627,100	$ 653,000

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 2016, in *Ramah Navajo Chapter v. Jewell,* the Government settled a class action lawsuit for $940 million, filed on behalf of all tribal contractors for unpaid contract support costs under the *Indian Self Determination Act*. The settlement was paid by the Judgment Fund in June 2016, pursuant to the *Contract Disputes Act.* An equal amount was recognized by DOI in Unfunded Other Liability as DOI is required to reimburse the Judgment Fund for payments pursuant to the Contract Disputes Act. Congressional appropriation will be required for reimbursement. In FY 2015, in *Chickasaw Nation and Choctaw Nation v. United States Department of the Interior*, DOI agreed to a settlement of $186M that was executed and signed by all parties on September 24, 2015, where the Indian tribes were seeking an accounting of their trust funds and trust assets.

The accrued and potential Contingent Liabilities as of September 30, 2016 and 2015, are summarized in the table below:

FY 2016-Contingent Liabilities	**Accrued Liabilities**	**Estimated Range of Loss**	
(dollars in thousands)		**Lower End of Range**	**Upper End of Range**
Contingent Liabilities			
Probable	$ 38,652	$ 38,652	$ 112,357
Reasonably Possible	$ -	$ 211,266	$ 2,456,519

FY 2015-Contingent Liabilities	**Accrued Liabilities**	**Estimated Range of Loss**	
(dollars in thousands)		**Lower End of Range**	**Upper End of Range**
Contingent Liabilities			
Probable	$ 1,048,785	$ 1,048,785	$ 1,256,753
Reasonably Possible	$ -	$ 680,168	$ 2,789,805

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

Certain 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.

In FY 2016, in order to conform to OMB Circular A-136, Financial Reporting Requirements, Environmental and Disposal Liabilities include both the Environmental Remediation Liability and the Asbestos Related Cleanup Liability on the Balance Sheet and in Note 13. In FY 2015, the Environmental and Disposal Liability reported on the Balance Sheet and in Note 13 only included the Environmental Remediation Liability. The Asbestos Related Cleanup Liability was presented as an Other Liability on the Balance Sheet and disclosed separately in Note 14.

FY 2016-Environmental & Disposal Liabilities	Accrued Liabilities	Estimated Range of Loss	
(dollars in thousands)		Lower End of Range	Upper End of Range
Environmental Remediation Liability			
Probable	$ 285,810	$ 285,810	$ 1,366,394
Reasonably Possible	-	74,511	290,094
Asbestos Related Cleanup Liability	543,888		
Total Environmental & Disposal Liability	$ 829,698		

FY 2015-Environmental & Disposal Liabilities	Accrued Liabilities	Estimated Range of Loss	
(dollars in thousands)		Lower End of Range	Upper End of Range
Environmental Remediation Liability			
Probable	$ 176,439	$ 176,439	$ 1,176,462
Reasonably Possible	-	56,164	122,387
Asbestos Related Cleanup Liability	539,403		
Total Environmental & Disposal Liability	$ 715,842		

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

Liabilities covered by budgetary resources are funded liabilities to be paid with existing budgetary resources. Liabilities not covered by budgetary resources represent those unfunded liabilities for which Congressional action is needed before budgetary resources can be provided. Current liabilities are expected to be paid within one year from the reporting date, while non-current liabilities are not expected to be paid within one year.

The DOI's liabilities not covered by budgetary resources and other liabilities as of September 30, 2016, are as follows:

(dollars in thousands)	Not Covered by Budgetary Resources	Covered by Budgetary Resources	FY 2016
A. Liabilities Not Covered by Budgetary Resources			
Intragovernmental Liabilities:			
Accounts Payable	$ 601,366	$ 6,229	$ 607,595
Debt	-	44,646	44,646
Other Intergovernmental Liabilities	4,036,144	486,302	4,522,446
Total Intragovernmental Liabilities	$ 4,637,510	$ 537,177	$ 5,174,687
Public Liabilities:			
Accounts Payable	$ -	$ 697,583	$ 697,583
Loan Guarantee Liability	-	34,117	34,117
Federal Employee and Veteran Benefits	1,362,125	38,975	1,401,100
Environmental and Disposal Liabilities	829,698	-	829,698
Other Public Liabilities	1,200,793	2,427,803	3,628,596
Total Public Liabilities	$ 3,392,616	$ 3,198,478	$ 6,591,094
Total Liabilities	$ 8,030,126	$ 3,735,655	$ 11,765,781

(dollars in thousands)	Current	Non-Current	FY 2016
B. Other Liabilities			
Other Intragovernmental Liabilities:			
Liability for Capital Transfers to the General Fund	$ 155,652	$ 1,567,482	$ 1,723,134
Advances and Deferred Revenue	411,078	57	411,135
Custodial Liability	669,694	30,547	700,241
Accrued Employee Benefits	68,595	23,081	91,676
Judgment Fund Liability	-	1,215,940	1,215,940
Unfunded FECA Liability	51,020	76,530	127,550
Miscellaneous Other Intragovernmental Liabilities	65,310	187,460	252,770
Total Other Intragovernmental Liabilities	$ 1,421,349	$ 3,101,097	$ 4,522,446
Other Public Liabilities:			
Contingent Liabilities	$ -	$ 38,652	$ 38,652
Trust Land Consolidation Program Liability	128,842	773,052	901,894
Advances and Deferred Revenue	820,261	153,033	973,294
Payments due to States	334,725	3,777	338,502
Grants Payable	514,176	-	514,176
Accrued Payroll and Benefits	216,076	-	216,076
Unfunded Annual Leave	38,539	374,083	412,622
Natural Disaster Liability	2,659	4,938	7,597
Miscellaneous Other Public Liabilities	24,273	201,510	225,783
Total Other Public Liabilities	$ 2,079,551	$ 1,549,045	$ 3,628,596

The DOI's liabilities not covered by budgetary resources and other liabilities as of September 30, 2015, are as follows:

(dollars in thousands)	Not Covered by Budgetary Resources	Covered by Budgetary Resources	FY 2015
A. Liabilities Not Covered by Budgetary Resources			
Intragovernmental Liabilities:			
Accounts Payable	$ 600,956	$ 6,102	$ 607,058
Debt	-	47,504	47,504
Other Intergovernmental Liabilities	3,231,472	477,732	3,709,204
Total Intragovernmental Liabilities	$ 3,832,428	$ 531,338	$ 4,363,766
Public Liabilities:			
Accounts Payable	$ -	$ 1,004,081	$ 1,004,081
Loan Guarantee Liability	-	36,993	36,993
Federal Employee and Veteran Benefits	1,388,411	39,387	1,427,798
Environmental and Disposal Liabilities	715,842	-	715,842
Other Public Liabilities	2,326,655	2,542,942	4,869,597
Total Public Liabilities	$ 4,430,908	$ 3,623,403	$ 8,054,311
Total Liabilities	$ 8,263,336	$ 4,154,741	$ 12,418,077

(dollars in thousands)	Current	Non-Current	FY 2015
B. Other Liabilities			
Other Intragovernmental Liabilities:			
Liability for Capital Transfers to the General Fund	$ 429,556	$ 1,288,669	$ 1,718,225
Advances and Deferred Revenue	444,259	175	444,434
Custodial Liability	827,050	88,418	915,468
Accrued Employee Benefits	47,114	22,072	69,186
Judgment Fund Liability	-	202,954	202,954
Unfunded FECA Liability	52,803	79,204	132,007
Miscellaneous Other Intragovernmental Liabilities	25,050	201,880	226,930
Total Other Intragovernmental Liabilities	$ 1,825,832	$ 1,883,372	$ 3,709,204
Other Public Liabilities:			
Contingent Liabilities	$ -	$ 1,048,785	$ 1,048,785
Trust Land Consolidation Program Liability	164,008	984,044	1,148,052
Advances and Deferred Revenue	542,008	172,858	714,866
Payments due to States	504,795	84,951	589,746
Grants Payable	520,882	-	520,882
Accrued Payroll and Benefits	171,700	-	171,700
Unfunded Annual Leave	36,166	366,580	402,746
Natural Disaster Liability	11,113	20,638	31,751
Miscellaneous Other Public Liabilities	28,525	212,544	241,069
Total Other Public Liabilities	$ 1,979,197	$ 2,890,400	$ 4,869,597

In FY 2016, DOI changed the presentation of the financial statement note disclosing liabilities not covered by budgetary resources. The FY 2015 liabilities not covered by budgetary resources have been presented in this new format for comparative purposes. This change in presentation conforms to OMB Circular No. A-136, *Financial Reporting Requirements.*

NOTE 15. LEASES

Operating Leases

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

For non-cancellable operating leases, future payments are calculated based on the terms of the agreement or an annual inflationary factor of 1.80 percent for FY 2017 and after is applied. The inflationary factor is applied against the actual 2016 rental expense.

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

Future payments due under non-cancellable operating leases as of September 30, 2016 , consist of the following:

Future Operating Leases *(dollars in thousands)*	**Real Property**		**Totals**
	Federal	**Public**	
FY 2017	$ 32,390	$ 25,072	$ 57,462
FY 2018	32,445	24,749	57,194
FY 2019	31,093	23,884	54,977
FY 2020	28,718	21,347	50,065
FY 2021	26,827	20,237	47,064
Thereafter	163,842	74,623	238,465
Total Future Operating Lease Payments	$ 315,315	$ 189,912	$ 505,227

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 deposits are transferred from ONRR to NPS. Each year, amounts from the HPF are transferred via warrants to bureaus within DOI and to USFS. During FY 2016, Congress did not reauthorize funding under the *National Historic Preservation Act*; therefore, no funding was received. 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 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 (AML) 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 (USCG) 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 an Restoration Fund - Exxon Valdez Restoration
- Operation & Maintenance - Indian Irrigation Systems
- Alaska Resupply Program
- Indian Water Rights and Habitat Acquisition Program, 117 Stat. 11
- Operation & Maintenance - Indian Power Systems
- Gifts & Donations

Bureau of Land Management

- Helium Fund
- Federal Land Deposit Account
- Service Charges, Deposits, and Forfeitures
- Road Maintenance Deposits
- Land Acquisition
- Operation & Maintenance Of Quarters
- Payments To Nevada, Clark County Lands
- Grazing Fees Range Improvement
- Forest Ecosystem Health and Recovery
- Timber Pipeline Restoration Fund
- Naval Oil Shale Petroleum Restoration
- White Pine County Act
- Recreational Enhancement Fee Program, Bureau of Land Management
- Lincoln County Land Act
- Secure Rural Schools and Community Self-Determination Act
- Stewardship Contract Product Sale
- Washington County UT Land Acquisition
- Owyhee Land Acquisition
- Carson City Special Account
- Silver Saddle Endowment Account
- State 5% Carson City Land Sales
- Permit Processing Fund Mineral Leases
- Naval Petroleum Reserve #2 Leases
- Payments to Counties, Oregon and California Grant Lands
- Payments to Coos Bay & Douglas Counties
- Land and Resources Management Trust Fund
- Land Sale Deschutes County
- Geothermal Steam Act Implementation Fund
- Ojito Land Acquisition
- Sale of Water, Mineral Leasing Act of 1920

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 Transfer 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 Demonstration Program
- Park Building, Lease, and Maintenance
- National Park Service Transportation Systems
- Natural Resource Damage Assessment Restoration Fund
- National Maritime Heritage
- Filming and Photos Public Lands Location Fee
- 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
- Recreation, Entrance and Use Fees
- Land and Water Conservation Fund, Federal Infrastructure Improvement
- Educational Expenses, Children of Employees, Yellowstone National Park
- Advances Without Orders from Non-Federal Sources

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, 2016, consist of the following:

(dollars in thousands)	Land and Water Conservation Fund	Historic Preservation Fund	Reclamation Fund	Water and Related Resources	Lower Colorado River Basin Fund	Upper Colorado River Basin Fund
ASSETS						
Fund Balance with Treasury	$ 20,500,767	$ 3,290,689	$ 12,935,980	$ 1,498,396	$ 104,693	$ 424,934
Investments, Net	-	-	-	-	358,756	-
Accounts Receivable, Net	-	129	215,734	18,042	425	73
General Property, Plant, and Equipment, Net	-	-	-	8,701,102	2,732,052	2,504,407
Other Assets	-	-	-	20,361	61,128	17,820
TOTAL ASSETS	$ 20,500,767	$ 3,290,818	$ 13,151,714	$ 10,237,901	$ 3,257,054	$ 2,947,234
LIABILITIES						
Accounts Payable	$ -	$ -	$ 19	$ 69,320	$ 2,264	$ 18,933
Other Liabilities	-	12,004	1,977	2,161,042	9,272	238,532
TOTAL LIABILITIES	$ -	$ 12,004	$ 1,996	$ 2,230,362	$ 11,536	$ 257,465
NET POSITION						
Unexpended Appropriations	$ -	$ -	$ -	$ 173,258	$ 161,393	$ 183,918
Cumulative Results of Operations	20,500,767	3,278,814	13,149,718	7,834,281	3,084,125	2,505,851
TOTAL NET POSITION	20,500,767	3,278,814	13,149,718	8,007,539	3,245,518	2,689,769
TOTAL LIABILITIES AND NET POSITION	$ 20,500,767	$ 3,290,818	$ 13,151,714	$ 10,237,901	$ 3,257,054	$ 2,947,234
COST/REVENUE						
Gross Costs	$ -	$ 55,365	$ 1,494	$ 1,441,102	$ 261,055	$ 134,779
Earned Revenue	(343)	-	(181,061)	(149,401)	(224,207)	(154,211)
NET COST OF OPERATIONS	$ (343)	$ 55,365	$ (179,567)	$ 1,291,701	$ 36,848	$ (19,432)
NET POSITION						
Net Position, Beginning Balance	$ 20,050,238	$ 3,334,179	$ 12,971,669	$ 8,085,981	$ 3,443,486	$ 2,590,811
Appropriations Received/Transferred	-	-	-	172,560	5,454	92,596
Royalties Retained	900,275	-	835,675	-	-	-
Non-Exchange Revenue and donation and forfeitures	-	-	7,653	26,713	-	103
Other Financing Sources						
Transfers In/(Out) without Reimbursement	(450,089)	-	(844,849)	918,587	(166,575)	(20,093)
Imputed Financing from Costs Absorbed by Others	-	-	3	133,670	-	6,920
Other	-	-	-	(38,271)	1	-
Net Cost of Operations	343	(55,365)	179,567	(1,291,701)	(36,848)	19,432
Change in Net Position	450,529	(55,365)	178,049	(78,442)	(197,968)	98,958
NET POSITION, ENDING BALANCE	$ 20,500,767	$ 3,278,814	$ 13,149,718	$ 8,007,539	$ 3,245,518	$ 2,689,769

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 2016 Combined Dedicated Collections
$ 99,933	$ 33,392	$ 134,817	$ 54,273	$ 5	$ 3,154,199	$ 42,232,078
2,787,618	647,271	1,996,195	-	1,439,646	898,386	8,127,872
2,801	64	96	1,261,801	-	7,624,865	9,124,030
1,068	106,406	-	-	-	615,930	14,660,965
5	7	3	-	-	69,244	168,568
$ 2,891,425	$ 787,140	$ 2,131,111	$ 1,316,074	$ 1,439,651	$ 12,362,624	$ 74,313,513
$ 238	$ 879	$ 917	$ 601,504	$ -	$ 78,776	$ 772,850
17,034	16,262	124,464	71,245	-	562,867	3,214,699
$ 17,272	$ 17,141	$ 125,381	$ 672,749	$ -	$ 641,643	$ 3,987,549
$ 87,777	$ -	$ -	$ -	$ -	$ 184,440	$ 790,786
2,786,376	769,999	2,005,730	643,325	1,439,651	11,536,541	69,535,178
2,874,153	769,999	2,005,730	643,325	1,439,651	11,720,981	70,325,964
$ 2,891,425	$ 787,140	$ 2,131,111	$ 1,316,074	$ 1,439,651	$ 12,362,624	$ 74,313,513
$ 225,940	$ 38,378	$ 670,383	$ 452,613	$ -	$ 2,416,187	$ 5,697,296
(6)	(81,387)	-	-	-	(1,000,973)	(1,791,589)
$ 225,934	$ (43,009)	$ 670,383	$ 452,613	$ -	$ 1,415,214	$ 3,905,707
$ 2,817,927	$ 739,109	$ 1,882,872	$ 654,392	$ 1,408,157	$ 3,930,731	$ 61,909,552
90,000	-	-	-	-	34,062	394,518
-	-	-	-	-	1,078,913	2,814,863
188,570	-	793,251	-	31,494	7,658,956	8,706,740
-	(12,119)	-	441,571	-	433,398	299,831
3,590	-	-	-	-	729	144,912
-	-	(10)	(25)	-	(440)	(38,745)
(225,934)	43,009	(670,383)	(452,613)	-	(1,415,214)	(3,905,707)
56,226	30,890	122,858	(11,067)	31,494	7,790,404	8,416,412
$ 2,874,153	$ 769,999	$ 2,005,730	$ 643,325	$ 1,439,651	$ 11,720,981	$ 70,325,964

The DOI's funds from dedicated collections as of and for the year ended September 30, 2015, consist of the following:

(dollars in thousands)	Land and Water Conservation Fund	Historic Preservation Fund	Reclamation Fund	Water and Related Resources & Recovery Act	Lower Colorado River Basin Fund	Upper Colorado River Basin Fund
ASSETS						
Fund Balance with Treasury	$ 20,050,238	$ 3,347,284	$ 12,577,512	$ 1,331,326	$ 17,358	$ 344,039
Investments, Net	-	-	-	-	462,387	-
Accounts Receivable, Net	-	-	396,057	25,260	2	266
General Property, Plant, and Equipment, Net	-	-	-	8,807,743	2,916,352	2,493,535
Other Assets	-	-	-	27,714	67,126	13,796
TOTAL ASSETS	$ 20,050,238	$ 3,347,284	$ 12,973,569	$ 10,192,043	$ 3,463,225	$ 2,851,636
LIABILITIES						
Accounts Payable	$ -	$ -	$ -	$ 77,654	$ 3,631	$ 11,590
Other Liabilities	-	13,105	1,900	2,028,409	16,108	249,234
TOTAL LIABILITIES	$ -	$ 13,105	$ 1,900	$ 2,106,063	$ 19,739	$ 260,824
NET POSITION						
Unexpended Appropriations	$ -	$ -	$ -	$ 164,158	$ 7,520	$ 124,513
Cumulative Results of Operations	20,050,238	3,334,179	12,971,669	7,921,822	3,435,966	2,466,299
TOTAL NET POSITION	20,050,238	3,334,179	12,971,669	8,085,980	3,443,486	2,590,812
TOTAL LIABILITIES AND NET POSITION	$ 20,050,238	$ 3,347,284	$ 12,973,569	$ 10,192,043	$ 3,463,225	$ 2,851,636
COST/REVENUE						
Gross Costs	$ -	$ 72,544	$ 1,461	$ 1,310,415	$ 264,646	$ 140,926
Earned Revenue	(95)	-	(120,881)	(183,729)	(225,010)	(147,497)
NET COST OF OPERATIONS	$ (95)	$ 72,544	$ (119,420)	$ 1,126,686	$ 39,636	$ (6,571)
NET POSITION						
Net Position, Beginning Balance	$ 19,452,609	$ 3,255,511	$ 12,418,874	$ 8,225,464	$ 3,485,651	$ 2,480,947
Change in Funds from Dedicated Collections Classification	-	-	-	-	-	-
Net Position, Beginning Balance as Adjusted	19,452,609	3,255,511	12,418,874	8,225,464	3,485,651	2,480,947
Appropriations Received/Transferred	-	-	-	142,681	6,425	80,917
Royalties Retained	903,611	150,000	1,133,876	-	-	-
Non-Exchange Revenue and donation and forfeitures	-	-	18,395	3,451	-	4,797
Other Financing Sources						
Transfers In/(Out) without Reimbursement	(306,077)	1,212	(718,896)	922,719	(8,954)	(6,108)
Imputed Financing from Costs Absorbed by Others	-	-	-	65,677	-	23,688
Other	-	-	-	(147,326)	-	-
Net Cost of Operations	95	(72,544)	119,420	(1,126,686)	(39,636)	6,571
Change in Net Position	597,629	78,668	552,795	(139,484)	(42,165)	109,865
NET POSITION, ENDING BALANCE	$ 20,050,238	$ 3,334,179	$ 12,971,669	$ 8,085,980	$ 3,443,486	$ 2,590,812

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 2015 Combined Dedicated Collections
$ 9,827	$ 49,940	$ 116,275	$ 41,989	$ 5	$ 3,448,675	$ 41,334,468
2,819,572	594,419	1,878,615	-	1,408,151	271,850	7,434,994
1,480	69	-	1,286,319	-	501,563	2,211,016
1,425	104,204	2	19	-	469,049	14,792,329
5	7	4	-	-	83,662	192,314
$ 2,832,309	$ 748,639	$ 1,994,896	$ 1,328,327	$ 1,408,156	$ 4,774,799	$ 65,965,121
$ 209	$ 637	$ 547	$ 601,086	$ -	$ 86,270	$ 781,624
14,173	8,894	111,476	72,849	-	757,797	3,273,945
$ 14,382	$ 9,531	$ 112,023	$ 673,935	$ -	$ 844,067	$ 4,055,569
$ -	$ -	$ -	$ -	$ -	$ 179,882	$ 476,073
2,817,927	739,108	1,882,873	654,392	1,408,156	3,750,850	61,433,479
2,817,927	739,108	1,882,873	654,392	1,408,156	3,930,732	61,909,552
$ 2,832,309	$ 748,639	$ 1,994,896	$ 1,328,327	$ 1,408,156	$ 4,774,799	$ 65,965,121
$ 243,954	$ 87,329	$ 610,244	$ 428,219	$ -	$ 2,888,173	$ 6,047,911
(49)	(77,438)	-	-	-	(1,100,134)	(1,854,833)
$ 243,905	$ 9,891	$ 610,244	$ 428,219	$ -	$ 1,788,039	$ 4,193,078
$ 2,841,361	$ 781,888	$ 1,783,187	$ 650,563	$ 1,364,948	$ 3,591,886	$ 60,332,889
(8,920)	-	-	-	-	-	(8,920)
2,832,441	781,888	1,783,187	650,563	1,364,948	3,591,886	60,323,969
-	-	-	-	-	20,503	250,526
-	-	-	-	-	1,479,261	3,666,748
225,236	-	710,059	-	43,208	452,310	1,457,456
(2)	(32,889)	-	432,048	-	159,234	442,287
4,157	-	-	-	-	15,669	109,191
-	-	(129)	-	-	(92)	(147,547)
(243,905)	(9,891)	(610,244)	(428,219)	-	(1,788,039)	(4,193,078)
(14,514)	(42,780)	99,686	3,829	43,208	338,846	1,585,583
$ 2,817,927	$ 739,108	$ 1,882,873	$ 654,392	$ 1,408,156	$ 3,930,732	$ 61,909,552

Total Dedicated Collections:

FY 2016 and FY 2015 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 2016 Consolidating Net Position *(dollars in thousands)*	Combined	Consolidating Eliminations	Consolidated
Unexpended Appropriations -Dedicated Collections (Note 16)	$ 790,786	$ (80)	$ 790,706
Unexpended Appropriations -Other Funds	5,746,383	(197)	5,746,186
Cumulative Results of Operations -Dedicated Collections (Note 16)	69,535,178	1,655,353	71,190,531
Cumulative Results of Operations -Other Funds	4,792,141	(1,655,076)	3,137,065
Total Net Position	$ 80,864,488	$ -	$ 80,864,488

FY 2015 Consolidating Net Position *(dollars in thousands)*	Combined	Consolidating Eliminations	Consolidated
Unexpended Appropriations -Dedicated Collections (Note 16)	$ 476,073	$ (80)	$ 475,993
Unexpended Appropriations -Other Funds	5,315,055	-	5,315,055
Cumulative Results of Operations -Dedicated Collections (Note 16)	61,433,479	561,706	61,995,185
Cumulative Results of Operations -Other Funds	4,802,371	(561,626)	4,240,745
Total Net Position	$ 72,026,978	$ -	$ 72,026,978

NOTE 17. COSTS

By law, DOI, as an agency of the Federal Government, is dependent upon other Government agencies for centralized services. Some of these services, such as tax collection and management of the public debt, are not directly identifiable to DOI and are not reflected in DOI's financial condition and results. However, in certain cases, other Federal agencies incur costs that are directly identifiable to DOI operations, including payment of claims and litigation by Treasury's Judgment Fund, and the partial funding of retirement benefits by OPM. In accordance with SFFAS No. 30, *Inter-Entity Cost Implementation Amending SFFAS 4, Managerial Cost Accounting Standards and Concepts*, DOI recognizes identified costs paid for DOI by other agencies as expenses of DOI. The funding for these costs is reflected as imputed financing sources on the Statement of Changes in Net Position. Costs paid by other agencies on behalf of DOI were $888 million and $738 million during FY 2016 and FY 2015, respectively.

During FY 2016 and FY 2015, the costs associated with acquiring, constructing, and renovating heritage assets were $225 million and $191 million, respectively. The costs associated with acquiring and improving stewardship lands were $134 million and $268 million during FY 2016 and FY 2015, respectively.

NOTE 18. COSTS AND EXCHANGE REVENUE BY RESPONSIBILITY SEGMENT

The OMB Circular No. A-136, *Financial Reporting Requirements*, requires that the presentation of the Statement of Net Cost align directly with the goals and outcomes identified in the strategic plan. The DOI's Strategic Plan for FYs 2014 to 2018 consist of six Mission Areas: Celebrating and Enhancing America's Great Outdoors, Strengthening Tribal Nations and Insular Communities, Powering Our Future and Responsible Use of the Nation's Resources, Engaging the Next Generation, Ensuring Healthy Watersheds and Sustainable, Secure Water Supplies, and Building a Landscape-Level Understanding of Our Resources.

Reimbursable costs related to services provided to other Federal agencies and costs that are not part of DOI's core mission are presented as Reimbursable Activity and Other. The DOI's reimbursable activity is predominately the intra-governmental acquisition of goods and services through DOI's Working Capital Funds and Franchise Fund for general support of DOI's mission and goals.

In the following tables, DOI presents the FY 2016 and FY 2015 earned revenue and gross costs by the six Mission Areas.

Costs and exchange revenue by responsibility segment for the year ended September 30, 2016, 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	$ 108,361	$ 490,985	$ 1,209	$ 12,941	$ -
Public Costs	125,275	1,210,412	2,318	43,003	-
Total Costs	233,636	1,701,397	3,527	55,944	-
Intragovernmental Earned Revenue	1,299	104,515	1,511	1,338	-
Public Earned Revenue	(194)	297,081	4,032	-	-
Total Earned Revenue	1,105	401,596	5,543	1,338	-
Net Costs	$ 232,531	$ 1,299,801	$ (2,016)	$ 54,606	$ -
Strengthening Tribal Nations and Insular Communities					
Intragovernmental Costs	$ 1,539,141	$ -	$ -	$ 77,996	$ -
Public Costs	1,785,521	-	-	705,721	-
Total Costs	3,324,662	-	-	783,717	-
Intragovernmental Earned Revenue	248,152	-	-	20,646	-
Public Earned Revenue	26,411	-	-	20,073	-
Total Earned Revenue	274,563	-	-	40,719	-
Net Costs	$ 3,050,099	$ -	$ -	$ 742,998	$ -
Powering Our Future and Responsible Use of the Nation's Resources					
Intragovernmental Costs	$ -	$ 116,061	$ 174,204	$ 25,465	$ 74,829
Public Costs	-	335,490	283,794	1,135,288	110,946
Total Costs	-	451,551	457,998	1,160,753	185,775
Intragovernmental Earned Revenue	-	15,509	(1,101)	-	1,349
Public Earned Revenue	-	215,957	317,903	-	73,574
Total Earned Revenue	-	231,466	316,802	-	74,923
Net Costs	$ -	$ 220,085	$ 141,196	$ 1,160,753	$ 110,852
Engaging the Next Generation					
Intragovernmental Costs	$ -	$ -	$ -	$ -	$ 1
Public Costs	-	-	-	-	2
Total Costs	-	-	-	-	3
Intragovernmental Earned Revenue	-	-	-	-	-
Public Earned Revenue	-	-	-	-	-
Total Earned Revenue	-	-	-	-	-
Net Costs	$ -	$ -	$ -	$ -	$ 3
Ensuring Healthy Watersheds and Sustainable, Secure Water Supplies					
Intragovernmental Costs	$ 122,787	$ -	$ 488,110	$ 4,458	$ -
Public Costs	92,663	-	1,003,180	913	-
Total Costs	215,450	-	1,491,290	5,371	-
Intragovernmental Earned Revenue	1,423	-	36,834	-	-
Public Earned Revenue	107,177	-	462,823	15	-
Total Earned Revenue	108,600	-	499,657	15	-
Net Costs	$ 106,850	$ -	$ 991,633	$ 5,356	$ -
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	$ -	$ -	$ 251,269	$ 652,688	$ -
Public Costs	-	-	281,240	2,787,057	-
Total Costs	-	-	532,509	3,439,745	-
Intragovernmental Earned Revenue	-	-	432,535	2,454,455	-
Public Earned Revenue	-	-	41,597	11,183	-
Total Earned Revenue	-	-	474,132	2,465,638	-
Net Costs	$ -	$ -	$ 58,377	$ 974,107	$ -
Total					
Intragovernmental Costs	$ 1,770,289	$ 607,046	$ 914,792	$ 773,548	$ 74,830
Public Costs	2,003,459	1,545,902	1,570,532	4,671,982	110,948
Total Costs	3,773,748	2,152,948	2,485,324	5,445,530	185,778
Intragovernmental Earned Revenue	250,874	120,024	469,779	2,476,439	1,349
Public Earned Revenue	133,394	513,038	826,355	31,271	73,574
Total Earned Revenue	384,268	633,062	1,296,134	2,507,710	74,923
Net Cost of Operations	$ 3,389,480	$ 1,519,886	$ 1,189,190	$ 2,937,820	$ 110,855

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 2016
$ -	$ 814,681	$ 8,312	$ 439,825	$ -	$ (459,802)	$ 1,416,512
-	2,646,680	301,048	2,936,667	-	-	7,265,403
-	3,461,361	309,360	3,376,492	-	(459,802)	8,681,915
-	86,964	-	185,999	-	(149,272)	232,354
-	529,722	21	81,745	-	-	912,407
-	616,686	21	267,744	-	(149,272)	1,144,761
$ -	$ 2,844,675	$ 309,339	$ 3,108,748	$ -	$ (310,530)	$ 7,537,154
$ -	$ -	$ -	$ -	$ -	$ (124,351)	$ 1,492,786
-	-	-	-	-	-	2,491,242
-	-	-	-	-	(124,351)	3,984,028
-	-	-	-	-	(13,965)	254,833
-	-	-	-	-	-	46,484
-	-	-	-	-	(13,965)	301,317
$ -	$ -	$ -	$ -	$ -	$ (110,386)	$ 3,682,711
$ 98,302	$ -	$ 18,510	$ -	$ -	$ (271,614)	$ 235,757
128,735	-	101,315	-	-	-	2,095,568
227,037	-	119,825	-	-	(271,614)	2,331,325
58	-	148	-	-	(19,511)	(3,548)
95,625	-	2	-	-	-	703,061
95,683	-	150	-	-	(19,511)	699,513
$ 131,354	$ -	$ 119,675	$ -	$ -	$ (252,103)	$ 1,631,812
$ 7	$ 8,696	$ -	$ -	$ -	(39)	$ 8,665
42	47,529	-	-	-	-	47,573
49	56,225	-	-	-	(39)	56,238
-	-	-	-	-	-	-
-	54	-	-	-	-	54
-	54	-	-	-	-	54
$ 49	$ 56,171	$ -	$ -	$ -	$ (39)	$ 56,184
$ -	$ -	$ -	$ -	$ -	$ (386,672)	$ 228,683
-	-	-	-	-	-	1,096,756
-	-	-	-	-	(386,672)	1,325,439
-	-	-	-	-	(32,755)	5,502
-	-	-	-	-	-	570,015
-	-	-	-	-	(32,755)	575,517
$ -	$ -	$ -	$ -	$ -	$ (353,917)	$ 749,922
$ -	$ -	$ -	$ -	$ 444,076	$ (85,405)	$ 358,671
-	-	-	-	1,260,245	-	1,260,245
-	-	-	-	1,704,321	(85,405)	1,618,916
-	-	-	-	318,659	(134,804)	183,855
-	-	-	-	214,935	-	214,935
-	-	-	-	533,594	(134,804)	398,790
$ -	$ -	$ -	$ -	$ 1,170,727	$ 49,399	$ 1,220,126
$ 11,220	$ -	$ 5	$ -	$ -	$ (393,882)	$ 521,300
29,669	-	215,287	-	-	-	3,313,253
40,889	-	215,292	-	-	(393,882)	3,834,553
42,366	-	29	-	-	(1,262,040)	1,667,345
-	-	1	-	-	-	52,781
42,366	-	30	-	-	(1,262,040)	1,720,126
$ (1,477)	$ -	215,262	$ -	$ -	$ 868,158	$ 2,114,427
$ 109,529	$ 823,377	$ 26,827	$ 439,825	$ 444,076	$ (1,721,765)	$ 4,262,374
158,446	2,694,209	617,650	2,936,667	1,260,245	-	17,570,040
267,975	3,517,586	644,477	3,376,492	1,704,321	(1,721,765)	21,832,414
42,424	86,964	177	185,999	318,659	(1,612,347)	2,340,341
95,625	529,776	24	81,745	214,935	-	2,499,737
138,049	616,740	201	267,744	533,594	(1,612,347)	4,840,078
$ 129,926	$ 2,900,846	$ 644,276	$ 3,108,748	$ 1,170,727	$ (109,418)	$ 16,992,336

Costs and exchange revenue by responsibility segment for the year ended September 30, 2015, 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	$ 43,135	$ 479,780	$ 14,125	$ 20,416	$ -
Public Costs	175,380	1,201,301	19,307	27,639	-
Total Costs	218,515	1,681,081	33,432	48,055	-
Intragovernmental Earned Revenue	2,255	105,923	1,592	1,177	-
Public Earned Revenue	3,307	379,136	46,002	-	-
Total Earned Revenue	5,562	485,059	47,594	1,177	-
Net Costs	$ 212,953	$ 1,196,022	$ (14,162)	$ 46,878	$ -
Strengthening Tribal Nations and Insular Communities					
Intragovernmental Costs	$ 472,387	$ -	$ -	$ 68,890	$ -
Public Costs	2,739,624	-	-	718,959	-
Total Costs	3,212,011	-	-	787,849	-
Intragovernmental Earned Revenue	236,805	-	-	22,198	-
Public Earned Revenue	87,943	-	-	20,571	-
Total Earned Revenue	324,748	-	-	42,769	-
Net Costs	$ 2,887,263	$ -	$ -	$ 745,080	$ -
Powering Our Future and Responsible Use of the Nation's Resources					
Intragovernmental Costs	$ -	$ 125,537	$ 149,799	$ 24,320	$ 72,850
Public Costs	-	347,052	212,353	1,570,025	108,208
Total Costs	-	472,589	362,152	1,594,345	181,058
Intragovernmental Earned Revenue	-	19,039	20,232	-	1,344
Public Earned Revenue	-	337,079	98,688	-	97,814
Total Earned Revenue	-	356,118	118,920	-	99,158
Net Costs	$ -	$ 116,471	$ 243,232	$ 1,594,345	$ 81,900
Engaging the Next Generation					
Intragovernmental Costs	$ -	$ -	$ -	$ -	$ 9
Public Costs	-	-	-	-	39
Total Costs	-	-	-	-	48
Intragovernmental Earned Revenue	-	-	-	-	-
Public Earned Revenue	-	-	-	-	-
Total Earned Revenue	-	-	-	-	-
Net Costs	$ -	$ -	$ -	$ -	$ 48
Ensuring Healthy Watersheds and Sustainable, Secure Water Supplies					
Intragovernmental Costs	$ 35,971	$ -	$ 453,381	$ 6,112	$ -
Public Costs	143,819	-	860,928	(558)	-
Total Costs	179,790	-	1,314,309	5,554	-
Intragovernmental Earned Revenue	976	-	32,055	-	-
Public Earned Revenue	114,565	-	551,845	-	-
Total Earned Revenue	115,541	-	583,900	-	-
Net Costs	$ 64,249	$ -	$ 730,409	$ 5,554	$ -
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	$ -	$ -	$ 241,825	$ 607,982	$ -
Public Costs	-	-	438,541	2,536,193	-
Total Costs	-	-	680,366	3,144,175	-
Intragovernmental Earned Revenue	-	-	435,371	2,302,843	-
Public Earned Revenue	-	-	48,030	14,493	-
Total Earned Revenue	-	-	483,401	2,317,336	-
Net Costs	$ -	$ -	$ 196,965	$ 826,839	$ -
Total					
Intragovernmental Costs	$ 551,493	$ 605,317	$ 859,130	$ 727,720	$ 72,859
Public Costs	3,058,823	1,548,353	1,531,129	4,852,258	108,247
Total Costs	3,610,316	2,153,670	2,390,259	5,579,978	181,106
Intragovernmental Earned Revenue	240,036	124,962	489,250	2,326,218	1,344
Public Earned Revenue	205,815	716,215	744,565	35,064	97,814
Total Earned Revenue	445,851	841,177	1,233,815	2,361,282	99,158
Net Cost of Operations	$ 3,164,465	$ 1,312,493	$ 1,156,444	$ 3,218,696	$ 81,948

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 2015
$ -	$ 801,693	$ 8,378	$ 416,393	-	$ (441,965)	$ 1,341,955
-	2,750,683	298,270	2,904,717	-	-	7,377,297
-	3,552,376	306,648	3,321,110	-	(441,965)	8,719,252
-	60,339	5	234,578	-	(145,651)	260,218
-	474,698	298	84,161	-	-	987,602
-	535,037	303	318,739	-	(145,651)	1,247,820
$ -	$ 3,017,339	$ 306,345	$ 3,002,371	$ -	$ (296,314)	$ 7,471,432
$ -	$ -	$ -	$ -	$ -	$ (113,621)	$ 427,656
-	-	-	-	-	-	3,458,583
-	-	-	-	-	(113,621)	3,886,239
-	-	-	-	-	(11,189)	247,814
-	-	-	-	-	-	108,514
-	-	-	-	-	(11,189)	356,328
$ -	$ -	$ -	$ -	$ -	$ (102,432)	$ 3,529,911
$ 80,834	$ -	$ 18,438	$ -	$ -	$ (224,126)	$ 247,652
128,130	-	100,230	-	-	-	2,465,998
208,964	-	118,668	-	-	(224,126)	2,713,650
106	-	-	-	-	(21,268)	19,453
111,997	-	13	-	-	-	645,591
112,103	-	13	-	-	(21,268)	665,044
$ 96,861	$ -	$ 118,655	$ -	$ -	$ (202,858)	$ 2,048,606
$ 1	$ 8,094	$ -	$ -	$ -	$ (36)	$ 8,068
2	44,418	-	-	-	-	44,459
3	52,512	-	-	-	(36)	52,527
-	2	-	-	-	(1)	1
-	132	-	-	-	-	132
-	134	-	-	-	(1)	133
$ 3	$ 52,378	$ -	$ -	$ -	$ (35)	$ 52,394
$ -	$ -	$ -	$ -	$ -	$ (350,419)	$ 145,045
-	-	-	-	-	-	1,004,189
-	-	-	-	-	(350,419)	1,149,234
-	-	-	-	-	(28,602)	4,429
-	-	-	-	-	-	666,410
-	-	-	-	-	(28,602)	670,839
$ -	$ -	$ -	$ -	$ -	$ (321,817)	$ 478,395
$ -	$ -	$ -	$ -	$ 432,408	$ (83,528)	$ 348,880
-	-	-	-	1,257,170	-	1,257,170
-	-	-	-	1,689,578	(83,528)	1,606,050
-	-	-	-	300,107	(127,568)	172,539
-	-	-	-	210,708	-	210,708
-	-	-	-	510,815	(127,568)	383,247
$ -	$ -	$ -	$ -	$ 1,178,763	$ 44,040	$ 1,222,803
$ 10,366	$ -	$ -	$ -	$ -	$ (421,645)	$ 438,528
30,695	-	248,057	-	-	-	3,253,486
41,061	-	248,057	-	-	(421,645)	3,692,014
41,061	-	11	-	-	(1,251,036)	1,528,250
-	-	-	-	-	-	62,523
41,061	-	11	-	-	(1,251,036)	1,590,773
$ -	$ -	$ 248,046	$ -	$ -	$ 829,391	$ 2,101,241
$ 91,201	$ 809,787	$ 26,816	$ 416,393	$ 432,408	$ (1,635,340)	$ 2,957,784
158,827	2,795,101	646,557	2,904,717	1,257,170	-	18,861,182
250,028	3,604,888	673,373	3,321,110	1,689,578	(1,635,340)	21,818,966
41,167	60,341	16	234,578	300,107	(1,585,315)	2,232,704
111,997	474,830	311	84,161	210,708	-	2,681,480
153,164	535,171	327	318,739	510,815	(1,585,315)	4,914,184
$ 96,864	$ 3,069,717	$ 673,046	$ 3,002,371	$ 1,178,763	$ (50,025)	$ 16,904,782

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.

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's new obligations and upward adjustments for the year ended September 30, 2016 and 2015, are as follows:

Undelivered Orders		
(dollars in thousands)	FY 2016	FY 2015
Undelivered Orders	$ 10,168,303	$ 9,600,263

FY 2016 *(dollars in thousands)*	Apportioned	Exempt from Apportionment	Total
New Obligations And Upward Adjustments:			
Direct	$ 19,302,281	$ -	$ 19,302,281
Reimbursable	5,163,021	-	5,163,021
Total New Obligations And Upward Adjustments	$ 24,465,302	$ -	$ 24,465,302

FY 2015 *(dollars in thousands)*	Apportioned	Exempt from Apportionment	Total
New Obligations And Upward Adjustments:			
Direct	$ 19,099,838	$ 8	$ 19,099,846
Reimbursable	5,163,780	-	5,163,780
Total New Obligations And Upward Adjustments	$ 24,263,618	$ 8	$ 24,263,626

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 the ASG that is due to be paid in full September 30, 2027.

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

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

Legal Arrangements Affecting Use of Unobligated Balances. Unobligated balances, whose period of availability has expired (i.e., expired authority), are not available to fund new obligations, but are available to pay for adjustments to new obligations and upward adjustments prior to expiration. The DOI's unapportioned balances as of September 30, 2016, and 2015, are disclosed in the table below.

Available Borrowing/Contract Authority, End of the Period. The DOI did not have any available budgetary borrowing or contract authority for the years ended September 30, 2016 and 2015. The DOI does have permanent indefinite nonbudgetary 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 2016, DOI exercised $1,310 thousand in new borrowing authority, with zero repayments. In FY 2015, DOI exercised $1,288 thousand in new borrowing authority and made repayments of borrowing authority for $1,398 thousand, resulting in net borrowing authority of $(110) thousand.

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 2016 has not been published at the time these financial statements were prepared. The FY 2017 Budget of the United States Government with the actual FY 2015 amounts was released in February 2016. The FY 2018 Budget of the United States Government will include the FY 2016 actual amounts, and is estimated to be released in February 2017. 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 2015 differences are explained in the Explanation of Differences between the Combined Statement of Budgetary Resources and the Budget of the United States Government table.

Legal Arrangements Affecting Use of Unobligated Balances		
(dollars in thousands)	**FY 2016**	**FY 2015**
Unapportioned amounts unavailable for future apportionments	$ 50,482	$ 85,163
Expired Authority	194,977	182,166
Unapportioned	$ 245,459	$ 267,329

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 2015 Combined Statement of Budgetary Resources	$ 33,316	$ 24,263	$ 5,340	$ 17,684
Office of the Special Trustee for American Indians Fiduciary activity included in the Budget of the US Government that is excluded from the SBR	247	207	190	207
National Park Service Concessionaire activity included in the Budget of the US Government that is excluded from the SBR	13	5	3	5
Expired resources included in the SBR that are excluded from the Budget of the U.S. Government	(205)	-	-	-
Other activity	(8)	(2)	-	(5)
Subtotal	$ 47	$ 210	$ 193	$ 207
Budget of the U.S. Government	$ 33,363	$ 24,473	$ 5,533	$ 17,891

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. Note the decrease in "Change in Undelivered Orders" and "Recoveries of Prior Year Unpaid Obligations" are a result of DO establishing the Trust Land Consolidation Fund program in FY 2013. In addition, the decrease to "Offsetting Receipts" and "Offsetting Receipts that do not Affect Net Cost of Operations" is due to a decrease in commodity prices related to ONRR activity.

The reconciliation of net cost of operations to budgetary accounts for the years ended September 30, 2016 and September 30, 2015, is as follows:

(dollars in thousands)	FY 2016	FY 2015
Resources Used to Finance Activities		
Current Year Gross Obligations	$ 24,465,302	$ 24,263,626
Budgetary Resources from Offsetting Collections		
Spending Authority from Offsetting Collections		
Actual offsetting collections (discretionary and mandatory)	(5,617,039)	(5,401,332)
Change in uncollected customer payments from Federal sources	15,137	22,760
Recoveries of Prior Year Unpaid Obligations	(1,071,490)	(1,544,776)
Distributed Offsetting Receipts	(4,443,289)	(5,339,598)
Other Financing Resources		
Transfers In (Out) without Reimbursement	(4,652)	12,293
Donations (Forfeitures) of Property	25,234	21,780
Imputed Financing Sources	888,152	737,809
Other	(329,417)	(367,890)
Total Resources Used to Finance Activity	$ 13,927,938	$ 12,404,672
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	$ 3,701	$ (62,638)
Change in Undelivered Orders	(568,040)	381,935
Current Year Capitalized Purchases	(678,570)	(659,934)
Deferred Revenue	(7,838)	12,395
Change in Expended Authority in Loan Funds	(11,001)	(34,380)
Change in Budgetary Collections in Loan Funds	52,521	22,012
Distributed Offsetting Receipts that do not Affect Net Cost of Operations	4,443,289	5,339,598
Imputed Financing Sources	(888,152)	(737,809)
Revenues, Gains, and Losses that do not affect Net Cost Operations	(645,340)	(694,370)
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	26,835	(21,886)
Costs without Current Year Budgetary Effect		
Depreciation and Amortization	818,840	682,997
Disposition of Assets	70,743	118,963
Re-evaluation of liabilities	(394,060)	(741,161)
Imputed costs	888,152	737,809
Bad Debt Expense	21,830	5,550
Change in Other Expenses Not Requiring Budgetary Resources	(68,512)	151,029
Net Cost of Operations	$ 16,992,336	$ 16,904,782

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 2016	FY 2015
Fiduciary Net Assets, Beginning	$ 5,074,102	$ 5,076,431
Contributions	1,123,990	1,578,119
Investment Earnings	119,465	126,189
Gain (Loss) on Disposition of Investments, Net	8,101	5,929
Administrative and Other Expenses	30	(18)
Disbursements to and on Behalf of Beneficiaries	(1,215,153)	(1,712,548)
Increases/(Decrease) Net Assets	36,433	(2,329)
Fiduciary Net Assets, End	$ 5,110,535	$ 5,074,102

Fiduciary Net Assets	Fiduciary Funds	
(dollars in thousands)	FY 2016	FY 2015
Cash and Cash Equivalents	$ 895,646	$ 712,173
Investments	4,085,217	4,230,048
Accrued Interest Receivable	26,914	30,127
Other Income Receivable	102,773	102,397
Less: Accounts Payable	(15)	(643)
Total Fiduciary Net Assets	$ 5,110,535	$ 5,074,102

Schedule of Changes in Non-Valued Fiduciary Assets*	Fiduciary Assets	
Regions	FY 2016	FY 2015
Beginning Quantity	12	12
Additions	0	0
Dispositions	0	0
Net Increase/Decrease	0	0
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, 2016, and 2015. 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.

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, 2016 *(dollars in thousands)*	Interior Franchise Fund	Working Capital Fund	Water and Related Resources	National Park Service Operations	Management of Land and Resources
Budgetary Resources:					
Unobligated balance, brought forward, Oct 1	$ 112,704	$ 451,746	$ 648,803	$ 108,675	$ 136,372
Recoveries of prior year unpaid obligations	47,522	72,645	75,879	27,063	37,113
Other changes in unobligated balance	-	-	(2,712)	(14,470)	-
Unobligated balance from prior year budget authority, net	160,226	524,391	721,970	121,268	173,485
Appropriations (discretionary and mandatory)	-	67,559	1,024,867	2,370,359	1,076,448
Spending authority from offsetting collections (discretionary and mandatory)	1,091,381	1,140,581	450,035	29,639	68,918
Total Budgetary Resources	$ 1,251,607	$ 1,732,531	$ 2,196,872	$ 2,521,266	$ 1,318,851
Status of Budgetary Resources:					
New obligations and upward adjustments (total)	1,118,292	1,445,779	1,436,392	2,398,826	1,192,156
Unobligated balance, end of year:					
Apportioned, unexpired accounts	133,315	267,141	760,477	67,260	126,212
Unapportioned, unexpired accounts	-	19,611	3	-	482
Unexpired, unobligated balance, end of year	133,315	286,752	760,480	67,260	126,694
Expired, unobligated balance, end of year	-	-	-	55,180	1
Unobligated balance, end of year (total)	133,315	286,752	760,480	122,440	126,695
Total Budgetary Resources	$ 1,251,607	$ 1,732,531	$ 2,196,872	$ 2,521,266	$ 1,318,851
Change in Obligated Balance:					
Unpaid Obligations:					
Unpaid obligations, brought forward beginning of fiscal year	908,146	714,111	1,035,105	507,151	400,285
New obligations and upward adjustments (total)	1,118,292	1,445,779	1,436,392	2,398,826	1,192,156
Outlays (gross)	(982,186)	(1,436,439)	(1,231,794)	(2,298,305)	(1,089,246)
Recoveries of prior year obligations	(47,522)	(72,645)	(75,879)	(27,063)	(37,113)
Unpaid obligations, end of year (gross)	996,730	650,806	1,163,824	580,609	466,082
Uncollected payments:					
Uncollected customer payments from Federal sources, brought forward, beginning of fiscal year	(688,432)	(777,961)	(350,044)	-	(36,797)
Change in uncollected payments, Federal sources	(68,812)	218,655	(73,752)	-	(333)
Uncollected customer payments, Federal sources, end of year (-)	(757,244)	(559,306)	(423,796)	-	(37,130)
Obligated balance, start of year	$ 219,714	$ (63,850)	$ 685,061	$ 507,151	$ 363,488
Obligated balance, end of year	$ 239,486	$ 91,500	$ 740,028	$ 580,609	$ 428,952
Budget Authority and Outlays, Net:					
Budget authority, gross (discretionary and mandatory)	1,091,381	1,208,140	1,474,902	2,399,998	1,145,366
Actual offsetting collections (discretionary and mandatory)	(1,022,568)	(1,359,694)	(376,283)	(29,639)	(72,358)
Change in uncollected payments, Federal sources	(68,812)	218,655	(73,752)	-	(333)
Recoveries of prior year paid obligations (discretionary and mandatory)					
Budget authority, net (total) (discretionary and mandatory)	$ 1	$ 67,101	$ 1,024,867	$ 2,370,359	$ 1,072,675
Outlays, gross (discretionary and mandatory)	982,186	1,436,439	1,231,794	2,298,305	1,089,246
Actual offsetting collections (discretionary and mandatory)	(1,022,568)	(1,359,694)	(376,283)	(29,639)	(72,358)
Outlays, net (total) (discretionary and mandatory)	(40,382)	76,745	855,511	2,268,666	1,016,888
Distributed offsetting receipts (-)	-	-	(632)	-	-
Agency outlays, net (discretionary and mandatory)	$ (40,382)	$ 76,745	$ 854,879	$ 2,268,666	$ 1,016,888

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
$ 99,635	$ 638,720	$ 315,112	$ -	$ 611,611	$ 497,912	$ 757,565	$ 4,626,950	$ 9,005,805
17,501	9,446	31,621	-	27,908	16,544	323,917	384,331	1,071,490
28,889	350	(4,945)	-	821	(5,167)	(9,890)	(149,470)	(156,594)
146,025	648,516	341,787	-	640,340	509,289	1,071,592	4,861,812	9,920,701
893,928	142,398	1,238,770	1,295,972	2,267,924	1,062,000	-	7,014,427	18,454,652
47,137	-	267,031	-	270,943	530,430	-	1,623,406	5,519,501
$ 1,087,090	$ 790,914	$ 1,847,589	$ 1,295,972	$ 3,179,207	$ 2,101,719	$ 1,071,592	$ 13,499,644	$ 33,894,854
956,653	82,768	1,511,101	1,295,972	2,563,379	1,569,387	651,932	8,228,780	24,451,417
130,437	707,288	310,313	-	570,461	502,657	419,660	5,202,757	9,197,978
-	858	-	-	-	15,999	-	13,529	50,482
130,437	708,146	310,313	-	570,461	518,656	419,660	5,216,286	9,248,460
-	-	26,175	-	45,367	13,676	-	54,578	194,977
130,437	708,146	336,488	-	615,828	532,332	419,660	5,270,864	9,443,437
$ 1,087,090	$ 790,914	$ 1,847,589	$ 1,295,972	$ 3,179,207	$ 2,101,719	$ 1,071,592	$ 13,499,644	$ 33,894,854
308,559	109,890	569,729	-	368,457	336,293	389,790	5,363,179	11,010,695
956,653	82,768	1,511,101	1,295,972	2,563,379	1,569,387	651,932	8,228,780	24,451,417
(936,755)	(92,105)	(1,481,211)	(1,295,972)	(2,521,234)	(1,538,792)	(234,154)	(7,577,038)	(22,715,231)
(17,501)	(9,446)	(31,621)	-	(27,908)	(16,544)	(323,917)	(384,331)	(1,071,490)
310,956	91,107	567,998	-	382,694	350,344	483,651	5,630,590	11,675,391
(11,697)	-	(289,251)	-	(122,133)	(506,165)	-	(284,005)	(3,066,485)
(2,076)	-	3,673	-	(44,934)	(41,939)	-	24,394	14,876
(13,773)	-	(285,578)	-	(167,067)	(548,104)	-	(259,611)	(3,051,609)
$ 296,862	$ 109,890	$ 280,478	$ -	$ 246,324	$ (169,872)	$ 389,790	$ 5,079,174	$ 7,944,210
$ 297,183	$ 91,107	$ 282,420	$ -	$ 215,627	$ (197,760)	$ 483,651	$ 5,370,979	$ 8,623,782
941,065	142,398	1,505,802	1,295,972	2,538,867	1,592,430	-	8,637,832	23,974,153
(45,061)	-	(271,403)	-	(226,247)	(488,492)	-	(1,695,812)	(5,587,557)
(2,076)	-	3,673	-	(44,934)	(41,939)	-	24,394	14,876
-	-	700	-	238	1	-	1,223	2,162
$ 893,928	$ 142,398	$ 1,238,772	$ 1,295,972	$ 2,267,924	$ 1,062,000	$ -	$ 6,967,637	$ 18,403,634
936,755	92,105	1,481,211	1,295,972	2,521,234	1,538,792	234,154	7,577,038	22,715,231
(45,061)	-	(271,403)	-	(226,247)	(488,492)	-	(1,695,812)	(5,587,557)
891,694	92,105	1,209,808	1,295,972	2,294,987	1,050,300	234,154	5,881,226	17,127,674
-	(145,587)	-	(1,252,775)	-	-	-	(3,044,295)	(4,443,289)
$ 891,694	$ (53,482)	$ 1,209,808	$ 43,197	$ 2,294,987	$ 1,050,300	$ 234,154	$ 2,836,931	$ 12,684,385

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, 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, 2016:

Deferred Maintenance and Repairs as of September 30, 2016		
PP&E Category *(dollars in thousands)*	**Beginning DM&R Balance**	**Ending DM&R Balance**
General PP&E	$ 10,036,564	$ 10,070,783
Heritage Assets	5,675,629	4,918,287
Stewardship Land	427,065	439,971
Total	$ 16,139,258	$ 15,429,041

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, 2016, is $89 million. This estimate is comprised of approximately $7.6 million in Audit and Compliance Management, approximately $69.7 state and tribal audit, and approximately $11.7 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 plays an integral part in the implementation of the President's *Blueprint for a Clean and Secure Energy Future*, designed to build a safe, secure energy future by using cleaner, alternative fuels to power our homes and economies, producing more oil and gas at home, and improving energy efficiency. The DOI is responsible for managing the Nation's oil and natural gas resources and the mineral revenues on Federal lands, both onshore and on the OCS. This management process can be broken down into six essential analysis components: pre-leasing; post-leasing and pre-production; production and post-production; revenue collection; fund disbursement; and compliance.

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

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

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

The ONRR is responsible for the management and collection of revenues associated with Federal offshore and onshore mineral leases issued under the *Mineral Leasing Act of 1920* and the *Outer Continental Shelf Lands Act of 1953*. 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 promote safety, protect the environment, and conserve resources offshore through vigorous regulatory oversight and enforcement.

Stewardship Policies for Federal Oil and Gas Resources

The DOI's responsibilities as stewards of 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. The Secretary implemented Onshore Leasing Reform to ensure public involvement in all aspects of the leasing process. Since some form of onshore oil and gas leasing has been in effect since the 1920's, the process of determining mineral ownership is more complex than in the OCS. Mineral ownership may be divided jointly by more than one Federal jurisdictional agency, may be fragmented, or in some cases deeds may have shared ownership. In the case of oil and gas development overall, this planning process is designed to consider both the environmental and economic concerns of the Nation by providing opportunities for input from the public, the private sector, states, and Congress. The BLM and BOEM conduct public planning processes for each individual lease sale.

Once a lease is completed, BLM and BOEM determine whether bids can be accepted and a lease issued. The BLM must adjudicate all protests to any onshore parcels with winning bids, prior to lease issuance. Once a lease is assigned to a winning bidder, BLM and BOEM begin post-leasing and preproduction activities. These activities include a permitting and approval process for exploration, development, and production activities proposed by the lease operators. 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.

Once a lease is in place, Federal oil and gas leasing laws, including MLA, FOGRMA, or the OCSLA, and lease terms determine the Federal Government's share of production from both offshore and onshore operations. Through royalty revenue collection and fund disbursement, ONRR achieves optimal value by ensuring that all revenues from Federal oil and gas leases are efficiently, effectively, and accurately collected, accounted for, and disbursed to states and counties, other Federal component entities, and 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 **(http://www.blm.gov/wo/st/en/prog/energy.html)**, and BOEM's Resource Evaluation Program webpage **(http://www.boem.gov/resource-evaluation-program)**.

Schedule of Estimated Federal Oil and Gas Petroleum Royalties
Asset Present Value as of September 30, 2016
(in thousands)

Offshore[1]	Gulf of Mexico	Pacific[2]				Total
Oil and Lease Condensate	$ 21,836,593	$ 1,888,089				$ 23,724,682
Natural Gas, Wet After Lease Separation	2,555,183	78,529				2,633,712
Total Offshore	**$ 24,391,776**	**$ 1,966,618**				**$ 26,358,394**

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	$ 101	$ 2,033,587	$ 4,960,430	$ 4,817,693	$ 957,376	$ 12,769,187
Natural Gas, Wet After Lease Separation	3,038	223,220	3,606,949	8,299,798	137,353	12,270,358
Total Onshore	**$ 3,139**	**$ 2,256,807**	**$ 8,567,379**	**$ 13,117,491**	**$ 1,094,729**	**$ 25,039,545**

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

Total Offshore and Onshore 2016	
Total Oil and Lease Condensate	$ 36,493,869
Total Natural Gas, Wet After Lease Separation	14,904,070
Total Offshore and Onshore	**$ 51,397,939**

Schedule of Estimated Federal Oil and Gas Petroleum Royalties
Asset Present Value as of September 30, 2015
(in thousands)

Offshore[1]	Gulf of Mexico	Pacific[2]				Total
Oil and Lease Condensate	$ 29,076,890	$ 2,543,635				$ 31,620,525
Natural Gas, Wet After Lease Separation	2,729,171	71,758				2,800,929
Total Offshore	**$ 31,806,061**	**$ 2,615,393**				**$ 34,421,454**

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	$ 128	$ 2,430,218	$ 5,117,034	$ 5,879,614	$ 1,309,126	$ 14,736,120
Natural Gas, Wet After Lease Separation	3,581	244,515	3,815,379	9,935,814	135,644	14,134,933
Total Onshore	**$ 3,709**	**$ 2,674,733**	**$ 8,932,413**	**$ 15,815,428**	**$ 1,444,770**	**$ 28,871,053**

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

Total Offshore and Onshore 2015	
Total Oil and Lease Condensate	$ 46,356,645
Total Natural Gas, Wet After Lease Separation	16,935,862
Total Offshore and Onshore	**$ 63,292,507**

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, 2016, and September 30, 2015. Inputs to these estimates were measured as of this effective date, or were extrapolated to this effective date. The Federal Government's estimated petroleum royalties have as their basis the Department of Energy's Energy Information Administration (DOE/EIA) estimates of proved reserves. The DOE/EIA proved reserves estimates are published annually, covering all Federal areas onshore and offshore. The DOE/EIA provides such estimates directly for Federal offshore areas and 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 2014, the 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 2017 budget. The nominal price estimates are based on futures contract averages. Beyond the 11-year OMB forecasts, the prices in the projections are assumed to continue at the constant rates established in the last years of the OMB forecast. Those growth rates are 2.0 percent per year for oil and 3.2 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 2017 budget. The rates begin at 2.77 percent for FY 2016 and rise to 4.25 percent for FY 2024 and 2025. The rates were assumed to remain at 4.25 percent beyond FY 2025, 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, 2016 and September 30, 2015
(in thousands)

	FY 2016	FY 2015
Other Federal Bureaus and Agencies		
Department of the Treasury	$ 29,553,215	$ 37,337,302
Interior - Reclamation Fund	8,843,326	10,722,124
Other Federal Bureaus and Agencies	1,050,129	1,234,197
States and Others	11,951,269	13,998,884
Total Estimated Petroleum Royalties to be Distributed to Others	**$ 51,397,939**	**$ 63,292,507**

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

Revenue Reported by Category FY 2016 and FY 2015
(in thousands)

	FY 2016			FY 2015		
(dollars in thousands)	Federal Offshore	Federal Onshore	Total	Federal Offshore	Federal Onshore	Total
Royalties from Oil & Lease Condensate	$ 2,237,851	$ 790,748	$ 3,028,599	$ 3,812,302	$ 1,287,362	$ 5,099,664
Accrual Adjustment - Oil & Lease Condensate	(12,465)	(8,242)	(20,707)	(301,204)	(100,625)	(401,829)
Royalties from Natural Gas	$ 255,891	$ 630,432	$ 886,323	$ 525,328	$ 1,078,999	$ 1,604,327
Accrual Adjustment - Natural Gas	(1,554)	(6,742)	(8,296)	(40,485)	(87,461)	(127,946)
Subtotal	$ 2,479,723	$ 1,406,196	$ 3,885,919	$ 3,995,941	$ 2,178,275	$ 6,174,216
Rent	156,104	33,430	189,534	214,271	41,461	255,732
Bonus Bid	166,034	56,549	222,583	651,728	142,616	794,344
Subtotal	$ 322,138	$ 89,979	$ 412,117	$ 865,999	$ 184,077	$ 1,050,076
Total	**$ 2,801,861**	**$ 1,496,175**	**$ 4,298,036**	**$ 4,861,940**	**$ 2,362,352**	**$ 7,224,292**

The above tables of revenue reported by category presents royalty revenue reported to DOI in FY 2016 and FY 2015 for oil and lease condensate, 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 2016 and FY 2015
(in thousands)

Oil and Lease Condensate (Bbl)

Federal Offshore	FY 2016 Quantity	FY 2016 Average Purchase Price ($)[1]	FY 2016 Average Royalty Rate (%)	FY 2015 Quantity	FY 2015 Average Purchase Price ($)[1]	FY 2015 Average Royalty Rate (%)
Gulf of Mexico[2]	4,053,552	$ 38.19	12.95%	4,324,868	$ 56.93	13.27%
Pacific (including Alaska Federal OCS)	308,679	32.23	14.79%	298,684	44.70	17.17%
Subtotal Federal Offshore	4,362,231			4,623,552		
Federal Onshore						
East Coast (PADD 1)	21	$ 39.36	12.50%	21	$ 59.02	12.50%
Midwest (PADD 2)	403,776	34.29	12.06%	393,192	47.64	12.45%
Gulf Coast (PADD 3)	1,003,930	37.24	12.39%	791,336	51.00	12.50%
Rocky Mountain (PADD 4)	1,037,647	34.88	12.03%	969,471	48.69	12.07%
West Coast (PADD 5)	209,596	36.23	11.68%	223,119	53.96	11.53%
Subtotal Federal Onshore	2,654,970			2,377,139		
Total	**7,017,201**			**7,000,691**		

Natural Gas, Wet After Lease Separation (Mcf)

Federal Offshore	FY 2016 Quantity	FY 2016 Average Purchase Price ($)[1]	FY 2016 Average Royalty Rate (%)	FY 2015 Quantity	FY 2015 Average Purchase Price ($)[1]	FY 2015 Average Royalty Rate (%)
Gulf of Mexico[2]	7,123,258	$ 2.42	11.74%	6,698,764	$ 3.25	12.82%
Pacific (including Alaska Federal OCS)	204,462	2.80	12.67%	160,070	3.58	14.34%
Subtotal Federal Offshore	7,327,720			6,858,834		
Federal Onshore						
East Coast (PADD 1)	9,673	$ 2.00	12.46%	11,206	$ 2.93	12.48%
Midwest (PADD 2)	730,672	2.00	11.40%	649,420	3.00	11.78%
Gulf Coast (PADD 3)	12,380,461	2.29	10.13%	11,169,291	3.08	10.77%
Rocky Mountain (PADD 4)	31,308,415	2.30	9.42%	34,122,141	3.16	9.75%
West Coast (PADD 5)	407,486	4.14	12.49%	358,735	4.49	12.48%
Subtotal Federal Onshore	44,836,707			46,310,793		
Total	**52,164,427**			**53,169,627**		

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 2016 and FY 2015. The prices and royalty rates are based upon historical averages, include estimates, exclude prior period adjustments, and are affected by such factors as accounting adjustments and transportation allowances, resulting in effective royalty rates. Prices are valued at the lease rather than at the market center, and differ from those used to compute the asset estimated present values, which are forecasted and discounted based upon OMB economic assumptions.

[1]Average Purchase Price ($) represents the average of the regional average, and is generally defined for oil as the First Purchase Price which is the actual amount paid by the first purchaser 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 884,304 thousand barrels of proved oil reserves and 1,104,284 million cubic feet 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 $4,960,300,854.

Federal Regional Oil and Gas Information
FY 2016 and FY 2015
(in thousands)

Oil and Lease Condensate Information - Offshore

	FY 2016				FY 2015			
	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	448,967	$ 17,233,746	$ 2,201,486	$ 631,017	421,962	$ 27,442,896	$ 3,665,255	$ 967,097
Pacific	7,544	244,237	36,365	N/A	17,299	888,929	147,047	-
Total	**456,511**	**$ 17,477,983**	**2,237,851**	**$ 631,017**	**439,261**	**$ 28,331,825**	**$ 3,812,302**	**$ 967,097**

Natural Gas Information - Offshore

	FY 2016				FY 2015			
	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	964,425	$ 2,341,910	$ 257,651	$ 105,179	1,140,439	$ 4,229,568	$ 519,147	$ 149,186
Pacific	2,935	8,379	(1,760)[1]	N/A	13,363	53,272	6,181	-
Total	**967,360**	**$ 2,350,289**	**$ 255,891**	**$ 105,179**	**1,153,802**	**$ 4,282,840**	**$ 525,328**	**$ 149,186**

Oil and Lease Condensate Information - Onshore

	FY 2016				FY 2015			
	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	$ 38	$ 5	N/A	1	$ 79	$ 10	$ -
Midwest (PADD 2)	26,198	941,071	112,507	N/A	24,354	1,429,712	178,876	-
Gulf Coast (PADD 3)	80,001	3,071,060	379,154	N/A	77,356	4,498,774	561,173	-
Rocky Mountain (PADD 4)	58,276	2,001,570	241,605	N/A	65,218	3,696,325	447,021	-
West Coast (PADD 5)	13,427	489,599	57,477	N/A	14,421	875,470	100,282	-
Total	**177,903**	**$ 6,503,338**	**$ 790,748**	**N/A**	**181,350**	**$ 10,500,360**	**$ 1,287,362**	**$ -**

Natural Gas Information - Onshore

	FY 2016				FY 2015			
	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)	226	$ 450	$ 56	N/A	318	$ 1,031	$ 129	$ -
Midwest (PADD 2)	64,366	132,421	15,327	N/A	53,856	193,655	22,885	-
Gulf Coast (PADD 3)	926,146	2,208,750	226,909	N/A	896,117	3,168,378	349,187	-
Rocky Mountain (PADD 4)	1,749,744	3,935,156	376,751	N/A	2,058,358	7,226,812	692,284	-
West Coast (PADD 5)	23,667	91,046	11,389	N/A	26,028	116,367	14,514	-
Total	**2,764,149**	**$ 6,367,823**	**$ 630,432**	**N/A**	**3,034,677**	**$ 10,706,243**	**$ 1,078,999**	**$ -**

[1] Negative Royalty Revenue Earned due to several companies reporting transportation and processing allowances of -$2.67 million for Sales Months January 2012 to December 2014 from prior fiscal years.

Federal Regional Oil and Gas Information (Continued) *(in thousands)*								
Oil and Lease Condensate Information - Offshore and Onshore								
	FY 2016				**FY 2015**			
	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	**634,414**	**$ 23,981,321**	**$ 3,028,599**	**$ 631,017**	**620,611**	**$ 38,832,185**	**$ 5,099,664**	**$ 967,097**

Natural Gas Information - Offshore and Onshore								
	FY 2016				**FY 2015**			
	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	**3,731,509**	**$ 8,718,112**	**$ 886,323**	**$ 105,179**	**4,188,479**	**$ 14,989,083**	**$ 1,604,327**	**$ 149,186**

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 2016 and FY 2015.

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[1] National Assessment of Undiscovered Oil and Gas Resources of the Nation's OCS, the remaining resource endowment of the Federal OCS is estimated at 177 billion barrels of oil equivalent (BBOE). Of these resources, 16 percent (29 BBOE) are reserves in OCS areas currently available for leasing and/or development. The remaining 84 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, 37 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 2016, BLM estimates the remaining undiscovered resource endowment of Federal Onshore Mineral Estate to be 52 BBOE. Of these resources, 40 percent are currently available for leasing and/or development. The remaining 60 percent (31.2 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 are at present off limits to leasing and development due to an existing congressional legislative mandate. 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 7.5 BBOE and lesser amounts, totaling

[1] Estimates are based on BOEM 2016 Resource Assessment as adjusted for intermediate production from the effective date of those estimates (1/1/2014 to 1/1/2016).

about 1.8 BBOE are contained within the Mancos Formation in Utah (PADD IV), the New Mexico Permian Basin and Texas Eagle Ford (PADD III), and Niobrara Formation of Colorado and Wyoming (PADD IV) shale oil basins. In May 2012, due to environmental concerns, including ground water protection issues associated with the use of hydraulic fracturing (HF) to produce these resources, BLM proposed and drafted a rule inviting comments. The proposed HF rule was revised and published as a supplemental rule on May 24, 2013. The BLM received 1.35 million comments on the supplemental rule at the end of the comment period in August 2013. These comments were analyzed and addressed by DOI's HF team, resulting in a further revision of the rule. This draft final version of the rule was sent to OMB on August 26, 2014 for review and finalization. The BLM's HF rule was published in the *Federal Register*/Vol.80, No. 58/Thursday, March 26, 2015/P. 16128-16222. A subsequent correction notice was published in the *Federal Register* on March 30, 2015. The rule applies to any hydraulic fracturing operations on Federal and/or Indian minerals after the effective date. The rule was challenged in the District of Wyoming by two associations of oil and gas firms, and the States of Colorado, North Dakota, Utah and Wyoming. Five citizen-environmentalist groups intervened in support of the rule. Several entities and groups have filed amicus briefs for or against the rule, or BLM's statutory authority. The rule is in litigation in the 10th Circuit Court of Appeals. The District of Wyoming set aside the rule, holding that BLM lacked authority over hydraulic fracturing operations under the *Mineral Leasing Act* and the *Federal Land Policy and Management Act*, and that any authority was negated by the amendments to the *Safe Drinking Water Act* enacted in the *Energy Policy Act of 2005*. The litigation is an opportunity for the Court of Appeals to declare that BLM has broad authority to regulate all oil and gas operations on Federal and Indian lands. Conversely, if the court rules against the BLM, such a ruling could not only prevent BLM from regulating hydraulic fracturing activities, but potentially many other activities integral to oil and gas operations. No specific date is set for the Court of Appeals hearing on this case at this time.

Additionally, much of the onshore Federal mineral acreage is scattered, or adjacent to mix ownership including shared mineral estate. The Secretary of the Interior, through the *Mineral Leasing Act of 1920 (MLA)*, also authorized the BLM to issue oil and gas leases and drilling permits on Federal lands under the jurisdiction of other Federal Agencies such as FWS, the USFS, and the U.S. Army Corp of Engineers, with their consent. Until these Agencies come to a consensus with BLM on the appropriate National Environmental Policy Documents to issue and applicable stipulations to attach, lease approval is not certain or may be delayed. If jurisdictional Agencies do not consent eventually to leasing, the remaining 1.9 BBOE of UTRR will remain off limits to production.

Coal Royalties

Management of Federal Coal Resources

The DOI plays an integral part in the implementation of the President's *Blueprint for a Clean and Secure Energy Future*, designed to build a safe, secure energy future by using cleaner, alternative fuels to power our homes and economies, producing more oil and gas at home, and improving energy efficiency. The DOI is responsible for managing the Nation's coal resources and revenues on Federal lands.

The BLM manages Federal coal leases that make significant contributions to the domestic energy supply. The BLM works to achieve the maximum economic recovery of coal resources, protect the environment through regulatory oversight and enforcement, and conserve resources.

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, 2016
(in thousands)

	Powder River Basin[1]	Colorado	Utah	All Other[2]	Total
Total Coal	$ 7,030,566	$ 767,061	$ 233,522	$ 748,500	$ 8,779,649

Schedule of Estimated Federal Coal Royalties
Asset Present Value as of September 30, 2015
(in thousands)

	Powder River Basin[1]	Colorado	Utah	All Other[2]	Total
Totals	$ 8,674,230	$ 749,303	$ 272,831	$ 814,332	$ 10,510,696

[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, and Washington

The above tables present the estimated present value of future Federal royalty receipts on estimated recoverable reserves as of September 30, 2016 and September 30, 2015. 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, 2016 and September 30, 2015
(in thousands)

	FY 2016	FY 2015
Other Federal Bureaus and Agencies		
Department of the Treasury	$ 965,761	$ 1,156,177
Interior - Reclamation Fund	3,511,860	4,204,278
States and Others	**4,302,028**	**5,150,241**
Total Estimated Coal Royalties to be Distributed to Others	**$ 8,779,649**	**$ 10,510,696**

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 2016 and FY 2015
(in thousands)

	Coal Totals FY 2016	Coal Totals FY 2015
Coal Royalties	$ 530,312	$ 681,139
Accrual Adjustment - Coal Royalties	1,120	($11,245)
Subtotal	**$ 531,432**	**$ 669,894**
Rent	1,250	1,276
Bonus Bid	-	20,899
Subtotal	$ 1,250	$ 22,175
Totals	**$ 532,682**	**$ 692,069**

The above table of revenue reported by category represents royalty revenue reported to ONRR in FY 2016 and FY 2015 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 2016 and FY 2015
(in thousands)

	FY 2016			FY 2015		
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]	6,393,976	$ 13.17	12.44%	6,663,111	$ 13.26	12.34%
Colorado	422,678	35.17	7.61%	464,379	33.78	5.98%
Utah	96,255	34.01	7.03%	119,434	33.91	7.09%
All Other[2]	487,638	33.05	7.10%	502,177	38.97	6.83%
Total Federal	**7,400,547**			**7,749,101**		

[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, and Washington

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 2016 and FY 2015. 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 2016 and FY 2015 *(in thousands)*						
Area	FY 2016			FY 2015		
	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]	259,950	$ 3,424,996	$ 425,584	339,506	$ 4,536,263	$ 559,580
Colorado	11,172	459,288	34,148	18,425	736,278	43,486
Utah	11,991	460,979	32,337	12,172	451,033	32,082
All Other[2]	15,982	539,014	38,243	17,607	674,393	45,991
Total Federal	299,095	$ 4,884,277	$ 530,312	387,710	$ 6,397,967	$ 681,139

[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, and Washington

The above table of Federal coal sales information reflects reported sales volume, sales value, and royalty revenue for FY 2016 and FY 2015.

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 2016, the BLM, in collaboration with the ONRR, estimated the remaining recoverable coal reserves on currently authorized Federal coal leases to be approximately 7.4 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 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, 2016, the estimated net present value of future royalties from trona from the Green River Basin is $870 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, 2016, the estimated net present value of future royalties from potash, and the muriates of potash, is $240 million.

Investment in Research and Development						*(dollars in thousands)*
Category	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**Total**
Basic Research	$ 84,000	$ 84,000	$ $86,000	$ 99,000	$ 99,000	$ 452,000
Applied Research	933,000	824,000	841,000	890,000	937,000	4,425,000
Developmental Research	148,000	136,000	141,000	145,000	174,000	744,000
TOTAL	$ 1,165,000	$ 1,044,000	$ 1,068,000	$ 1,134,000	$ 1,210,000	$ 5,621,000

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 BSEE is responsible for oversight of exploration, development, and production operations for oil and natural gas on the Outer Continental Shelf (OCS). It is also responsible for oil spill preparedness for facilities in both Federal and State offshore waters of the U.S. As offshore operations continue to evolve in complexity and location, continued investment in research and development is required to ensure the safety of offshore operations and protection of the environment.

To accomplish the dual agency missions of safety and environmental stewardship, BSEE pursues research and development through the Technology Assessment Program (TAP) and the Oil Spill Response Research (OSRR) Program. Each has its own unique focus. Research conducted by the TAP supports the development of risk-mitigation measures for oil and gas exploration, and development and production activities with the goal of safe and pollution-free operations. Research conducted by the OSRR Program is focused on the development or testing of equipment and strategies to improve the efficiencies of oil spill response in the offshore environment with the goal of reducing impacts to sensitive environmental resources.

Significant Outcomes/Accomplishments in TAP, (formerly known as Technology Assessment & Research Program) include the following:

Decommissioning Methodology and Cost Evaluation for Alaska

The BSEE completed a study on cost estimating regarding decommissioning a typical arctic, gravel island-based oil and gas exploration/production facility. The study considered standard industry practice, available technology, current regulations, and market conditions. The study found that, while no tool can account for every eventuality, the decommissioning estimating tool, along with the provided support documentation, provides the BSEE Alaska Region with a defendable method for estimating the ultimate decommissioning cost for a gravel-island facility.

Fatigue of Sea Ice Alaska Project

The overall goal of the proposed research is to better predict fracture of the ice cover on the Arctic Ocean and of attendant effects on the safety of ships and offshore structures used in the exploration and 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 experiments will be performed in Dartmouth's Ice Research Laboratory and will measure the effects of stress and strain amplitude, rate of cycling, temperature, and salinity on the fatigue life of saline ice. The results will be useful in predicting conditions under which the ice cover self-destructs.

Composite Repair Guideline Document for Nonmetallic Repairs for Offshore Applications

The BSEE and the Pipeline and Hazardous Materials Safety Administration collectively funded a study to evaluate the use of composite repair systems for reinforcing offshore pipelines and risers, as well as to provide further assessments to validate their use onshore for reinforcing high pressure gas and liquid transmission pipelines. This study could be the foundation for future regulations, Notice to Lessees and/or policy guidelines that may need to be developed by BSEE concerning the use of composite wrap repairs in not just the Gulf of Mexico Region but other regions as well.

Significant Outcomes/Accomplishments in the Oil Spill Response Research (OSRR) Program

The OSRR Program was established to support BSEE's regulatory requirement to ensure that industry is prepared to respond to an oil spill in the marine environment. The OSRR operates primarily through contracts with universities, private firms, national labs, and agreements with other government agencies to perform necessary applied research and development projects. The OSRR staff also designs and then conducts research at the Ohmsett facility to support regulatory decision-making requirements. Work also continues on improving Arctic environmental response management application to support spill response in the Arctic and other cold water projects such as burning of oil in ice cavities.

Development of an Autonomous Oil Skimmer (AOS)

The goal of this project was to develop a strap-on navigation, sensor, and computer control system that could be used to direct a variety of COTS skimmers and vessels to autonomously maneuver and skim the oil from a given area with automatic tracking and reporting of progress and performance. This system was designed to monitor the thickness of the oil being skimmed in real time and track oil thickness versus position as it was skimming. Based on the oil thickness gradients, the tracking algorithm directed the vessel/skimmer to head in the direction of thickest oil concentration. As oil was recovered, statistics on oil thickness and oil recovery rate as a function of position were tabulated for real-time performance monitoring. During this effort a proof of concept prototype was developed and tested at the Ohmsett facility.

Capabilities-Based Framework for Designing and Evaluating Oil Spill Response Exercises

The objective of this project was to develop a framework to identify capabilities critical to marine oil spill response readiness. These capabilities would then be mapped to the design concepts and evaluation techniques for each capability within an exercise. The research team researched existing literature and coupled that with their experience in other industries to develop a set of capabilities, exercise design concepts, and evaluation techniques. They observed four oil spill response exercises to collect data for analysis using 'Atlas.ti' software. This information was used to identify measureable elements within an exercise that demonstrates a capability. The final report provides guidelines for using the framework to design and evaluate oil spill response exercises to ensure that each exercise is effective in testing and improving oil spill response readiness.

Enhanced Oil Recovery from Oil-Seawater Mixtures through the Coupling of Magnetic Nanoparticles and Electrically Conducting Ultrafiltration Membranes

The objective of this project was to develop a continuous oil/seawater separation process that could be deployed in arctic conditions aboard oil skimming vessels to recover a majority of skimmed oil while producing an oil-free water stream that could be safely discharged. This separation technique relies on the coupling of electrically conducting ultrafiltration membranes with ferromagnetic nanoparticle-stabilized oil droplets allowing for efficient collection and separation of spilled oil without the need for storing vast volumes of contaminated water. This project resulted in a bench scale oil/water separation treatment prototype which was able to produce a discharge stream containing less than seven parts per million of hydrocarbon.

In addition to BSEE programs, the following are highlights of other DOI research and development projects:

Researchers Find Widespread Occurrence of Intersex Characteristics in Fish Inhabiting National Wildlife Refuges

The USGS Contaminant Biology Program and Toxic Substances Hydrology Program scientists, in partnership with FWS, found widespread occurrence of intersex in black bass inhabiting National Wildlife Refuges in the Northeast. Intersex is when one sex develops characteristics of the opposite sex. Researchers found intersex in 85 percent of smallmouth bass and 27 percent of largemouth bass tested in or near the waters of 19 National Wildlife Refuges in the northeastern U.S. Since the study was designed to identify locations that may warrant further investigation, it was not clear what the specific cause of intersex was for these fish.

Study Shows First Observed Occurrence of Pesticides in Wild-Caught Native Bees

The USGS Toxic Substances Hydrology Program completed a reconnaissance study that demonstrates the first observed occurrence of pesticides, including neonicotinoid insecticides, in wild-caught native bees. The results of this study indicate that native bees collected in an agricultural landscape are exposed to complex mixtures of multiple pesticides including insecticides, fungicides, and herbicides. This reconnaissance study is the first step in understanding the exposure of native bee populations to pesticides in relation to the surrounding landscape.

Updated Assessment of Unconventional Oil and Gas Resources in the Mancos Shale Released

The USGS Energy Resources Program (ERP) recently released an updated estimate of continuous (unconventional) oil and gas resources in the Mancos Shale within the Piceance Basin of Colorado. The ERP estimated a mean of 66 trillion cubic feet of natural gas, 74 million barrels of oil, and 45 million barrels of natural gas liquids that are undiscovered and technically recoverable in the Mancos Shale. Since the last assessment in 2003, more than 2,000 wells have been drilled and completed in one or more intervals within the Mancos Shale of the Piceance Basin. In addition, the USGS ERP drilled a research core in the southern Piceance Basin that provided significant new geologic and geochemical data that were used to refine the 2003 assessment of undiscovered, technically recoverable oil and gas in the Mancos Shale.

Report and Hazard Maps on Earthquakes in the Central and Eastern U.S.

The USGS released a major report on the ground-shaking hazard posed by both human-induced and natural earthquakes in the central and eastern U.S. (CEUS), including maps showing the likelihood of damaging ground motion during calendar year 2016. This is the first one-year outlook for the nation's earthquake hazards, and is a supplement to the existing USGS national seismic hazard model that provides a 50-year forecast suitable for informing the review and possible revision of building codes. The report shows that induced seismicity--primarily resulting from deep injection of wastewater from oil and gas production--has raised the seismic hazard in portions of Oklahoma, Kansas, Texas, Colorado, New Mexico and Arkansas. Within a few portions of the CEUS, the chance of damage from all types of earthquakes is similar to that of natural earthquakes in high-hazard areas of California.

Evaluating Effects of Solar Power Plants on Birds and Other Sensitive Species

The USGS, working with FWS and BLM, has begun development of evidence-based methodologies to evaluate the potential impacts of solar power plants on wildlife. In one study, researchers evaluated the efficacy of existing wildlife monitoring technologies to detect and observe flying birds, bats and insects in the vicinity of energy flux fields produced at solar power towers. In another study, USGS biostatisticians developed a monitoring methodology specific to solar energy facilities to better estimate total bird fatalities at the sites.

Alaska Carbon Assessment

The USGS scientists, in cooperation with researchers from the U.S. Forest Service and the University of Alaska Fairbanks, completed an extensive assessment of the carbon stock and flux rates in Alaska, finding that the state is relatively neutral in either producing (emitting) or storing (sequestering) carbon that might contribute to the concentration of greenhouse gasses in the atmosphere. An upward trend in wildfires is projected to further increase over the next century, as temperatures rise and permafrost thaws, and could expose substantial stores of carbon in the region to loss. The results of the assessment help identify additional scientific investigations that will contribute to understanding climate variability in Alaska in relation to land management actions.

The Gunnison Sage-grouse and Changing Landscapes: The Impacts of Landscape Heterogeneity over time on Gunnison Sage-grouse Habitat Conservation Project

Through BLM and many partners, this project will support continued research and analysis of an ongoing Gunnison sage-grouse (GUSG) study with USGS in the Crawford, Colorado subpopulation area. The GUSG is a species of special concern for all Federal and state natural resource management agencies throughout its range and was recently listed as threatened under the *Endangered Species Act*. Loss and alteration of sage-steppe habitat, due to many factors, has been identified as a primary reason for declines in GUSG populations. Early GUSG location data analysis has validated the hypothesis that mesic--moist or needs a fair amount of moisture--areas play a key role in fulfilling seasonal habitat requirements. Knowledge of this relationship will provide management with a foundation to develop drought scenario adaptation plans.

The Atlantic Rim Mule Deer Collaring Project

This project involves using GPS technology to assess potential impacts to winter range and migration routes, evaluate mitigation measures implemented, and improve management of the Baggs mule deer. This project provides agencies and industry with the ability to evaluate how and if mule deer respond to different development scenarios. Additional coal bed methane development is expected to occur in and adjacent to designated winter ranges and migration routes. Further, large-scale wind development is proposed for portions of the summer range and other migration routes. Continued monitoring and research of the deer herd will help assess potential impacts and evaluate mitigation measure.

The National Oceanographic Partnership Program (NOPP)

In FY 2016, BOEM, through NOPP, has initiated the Atlantic Deepwater Ecosystem Observatory Network, an integrated system for long-term monitoring of ecological and human factors on the OCS, with National Oceanic and Atmospheric Administration and the Office of Naval Research as partners. BOEM requires a mechanistic understanding of variable biological, physicochemical, and human use dynamics in Atlantic deep waters to address the potential impacts of oil and gas exploration and development activities. This study will establish an ecosystem observatory network in Mid-and South Atlantic deep waters to provide baseline measurements and environmental monitoring capabilities across multiple disciplines. Also in FY 2016, BOEM started a study in collaboration with BSEE to estimate the potential impacts to commercial and recreational fish and fisheries resulting from explosive severance decommissioning activities on the Gulf of Mexico’s outer continental shelf.

Project EROS – Landsat

September 21, 2016 marked the 50th Anniversary of Secretary Stewart Udall’s announcement in 1966 of “Project EROS”, which led to the first Landsat satellite launch six years later and nearly five decades of continuous monitoring of the Earth’s land surfaces. The world’s first and longest civilian system for Earth observation, Landsat is used for tracking land cover and land use change, managing and forecasting agriculture and forest health, making water resource decisions, responding to natural hazards, monitoring ecosystems, and informing urban planning and development. In recognition of the importance of Landsat to the Nation, DOI recently signed an Interagency Agreement with National Aeronautics and Space Administration to govern the new joint-agency Sustainable Land Imaging program, to ensure Landsat continuity for the next two decades, beginning with the current development and 2020 launch of the newest Landsat mission--Landsat 9.

Investment in Human Capital						(dollars in thousands)
Category	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	Total
Educational Programs	$ 763,000	$ 728,000	$ 705,000	$ 807,000	$ 818,000	$ 3,821,000

Investment in Human Capital

Investment in human capital refers to education and training programs financed by the Federal Government for the benefit of the public; investment in human capital does not include education and training expenses for Federal employees. The DOI plays a vital role in providing quality educational opportunities from early childhood throughout life, with consideration given to the mental, physical, emotional, spiritual, and cultural aspects of the people served.

Education Programs

The School Operations Program provides Basic education for Indian children in grades K through 12 including funding for school staff, textbooks and general supplies at IA schools. The Adult Education Program provides opportunities for adult Indians and Alaska Natives to obtain the General Equivalency Diploma or improve their employment skills and abilities. The Post-Secondary Education Programs support grants and supplemental funds for tribal colleges and universities.

The vision and long-range goal is to unite and promote healthy Indian communities through lifelong learning. This goal is implemented through the commitment to provide quality educational opportunities throughout life.

Investment in Non-Federal Physical Property						(dollars in thousands)
Category	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	Total
Dams and Other Water Structures	$ 555,000	$ 200,000	$ 144,000	$ 172,000	$ 163,000	$ 1,234,000
Land	77,000	84,000	58,000	60,000	59,000	338,000
Road and Bridges	-	3,000	2,000	3,000	1,000	9,000
Schools and Public Buildings	82,000	63,000	77,000	41,000	40,000	303,000
Ranges	1,000	3,000	10,000	9,000	4,000	27,000
Not Classified	30,000	11,000	12,000	19,000	39,000	111,000
TOTAL	$ 745,000	$ 364,000	$ 303,000	$ 304,000	$ 306,000	$ 2,022,000

Investment in Non-Federal Physical Property

The DOI provides a long term benefit to the public by maintaining its commitment to investing in non-Federal physical property. Non-Federal physical property refers to expenses incurred by the Federal government for the purchase, construction, or major renovation of physical property owned by state and local governments and Insular Areas, including major additions, alterations, and replacements; the purchase of major equipment; and the purchase or improvement of other physical assets.

The DOI's investment in non-Federal physical property is multifaceted and includes a varied assortment of structures, facilities, and equipment. Investment in these assets results in improved tribal roads and educational facilities; irrigation infrastructure and water quality improvement projects; species protection and habitat loss prevention programs; recreational activities; and wildlife management.

The Office of Facility Management and Construction provides funds for buildings with historic and architectural significance. The Utah Reclamation Mitigation & Conservation Commission invests in habitat improvements for fish and wildlife on non-Federal properties to mitigate the impact of reclamation projects in Utah on wildlife resources beyond the boundaries of those projects.

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

Inspector General's Statement Summarizing the Major Management and Performance Challenges Facing the U.S. Department of the Interior

Report No.: 2016-ER-049

November 2016

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

NOV 0 4 2016

Memorandum

To: Secretary Jewell

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. 2016-ER-049

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 DOI's "Agency Financial Report" for fiscal year 2016.

We met with DOI officials, including Deputy Secretary Connor and Chief of Staff Beaudreau, to gain their perspective and together agreed on the challenge areas. These areas are important to DOI's mission, involve large expenditures, require continuous management improvements, or involve significant fiduciary relationships.

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

cc: Tommy Beaudreau, Chief of Staff, U.S. Department of the Interior
Michael Connor, Deputy Secretary, U.S. Department of the Interior
Douglas Glenn, Director, Office of Financial Management
Teresa Hunter, Deputy Director, Office of Financial Management

Table of Contents

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). These are the challenges OIG sees as potential barriers to departmental efforts to promote economy, efficiency, and effectiveness in its bureaus' management and operations. By statute this list is required to be included in DOI's "Agency Financial Report."

The identified challenge areas reflect continuing vulnerabilities and emerging issues faced by DOI. Each area is connected to DOI's mission, includes large expenditures, requires continuous management improvements, and involves significant fiduciary relationships.

OIG identified the top management and performance challenges as—

- energy management;
- climate effects;
- information technology (IT);
- water programs;
- responsibility to American Indians and Insular Areas;
- acquisition and financial assistance;
- public safety and disaster response; and
- operational efficiencies.

In the years immediately after Hurricane Sandy we set disaster response as its own challenge area to allow for depth of analysis, but as those projects wind down we have decided to fold disaster response into the public safety challenge area in this year's report.

These eight challenges are not presented in order of priority. Each is critical to the management or performance of DOI operations.

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 DOI's programs and operations. Our analysis generally considers the accomplishments that DOI reported as of September 30, 2016.

We introduce each challenge area with background and discussion of the themes that have emerged from our work in that area over the past several years. We then provide a forward-thinking, Department-focused context for critical topics identified within each challenge area. Some topics are so broad that discussion of them spills across multiple challenge areas. This intermingling is sometimes unavoidable when one challenge exacerbates or modifies another and should serve as a reminder of the complex nature of DOI's mission.

Our approach this year sought enterprise-level guidance from the Deputy Secretary, Assistant Secretaries, and Bureau Directors in an effort to gain top-down perspective on the challenge areas. We received varying degrees of input from the Bureau of Land Management (BLM), Bureau of Ocean Energy Management (BOEM), Bureau of Reclamation (USBR), Bureau of Safety and Environmental Enforcement (BSEE), U.S. Fish and Wildlife Service (FWS), and U.S. Geological Survey (USGS). We received no response from the Bureau of Indian Affairs (BIA)/Bureau of Indian Education (BIE), National Park Service (NPS), Office of Surface Mining Reclamation and Enforcement (OSMRE), Office of the Secretary, Office of Policy, Management and Budget, Office of Insular Affairs, Office of the Solicitor, Office of the Chief Information Officer, Office of the Special Trustee for American Indians, and the Office of Subsistence Management. We also provided a draft copy of our views to Department officials and considered all comments received when finalizing this report.

We reviewed 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). GAO's High-Risk List for 2015 identifies issues in three of our challenge areas—energy management, climate effects, and information technology—as well as in strategic human capital management, which we describe as having impacts across multiple challenge areas. GAO's findings inform and guide actions to resolve management and operational challenges.

Energy Management

The development of domestic energy resources and oil, gas, and coal forms the cornerstone of our Nation's energy base and powers America's future. DOI plays a critical role in this process, having jurisdiction over 1.7 billion acres of the Outer Continental Shelf (OCS) and 500 million acres of the Nation's landmass, as well as 700 million acres of subsurface minerals. DOI manages resources that supply 30 percent of the Nation's domestically produced energy. DOI's programs advance responsible stewardship of resources and help make energy independence possible. DOI's strategic plan for fiscal years (FYs) 2014 – 2018 provides the framework for these efforts and emphasizes safe and responsible energy development.

DOI manages energy activities both onshore and offshore, promotes clean energy development, and collects and disburses royalties and revenues related to energy production (oil, gas, coal, minerals, geothermal, and renewables such as wind, wave, and solar) on Federal and tribal lands and from the OCS. In FY 2015, DOI disbursed $9.87 billion in revenues, a decrease from the $13.4 billion it disbursed in FY 2014. The decline in disbursements was primarily attributed to substantially lower oil and gas prices during the year.

OIG findings have highlighted the same or similar issues for multiple years. Specifically, we have found problems with the collection, verification, and distribution of revenues; inadequate oversight and management of oil and gas production; and barriers to renewable energy development. These significant issues could not only jeopardize public safety and environmental integrity but also increase the financial burden on the American public.

Oil and Gas Revenues and Oversight

Problems continue to plague DOI's ability to effectively manage its oil and gas resources. GAO has observed that DOI does not have reasonable assurance that it is collecting its share of royalties for oil and natural gas extracted from leased Federal lands and waters.[1] In addition, current oil, gas, and coal valuation regulations, originally put in place in the late 1980s, have not kept pace with changes that have occurred in the domestic energy markets since that time.

Compounding the situation, the Energy Policy Act of 2005 (Pub. L. No. 109-58) mandated royalty relief for some offshore leases over a 5-year period. Because DOI has not always conducted adequate production inspections, it is uncertain whether onshore oil and natural gas operators accurately reported oil and natural

[1] Specifically, Report No. GAO 12-423 (August 29, 2012); Report No. GAO 14-50 (December 17, 2013); Report No. GAO 14-205 (February 19, 2014); and Report No. GAO-15-39 (May 6, 2015).

gas production from Federal leases and in turn remitted the appropriate royalties.[2] Consequently, GAO listed management of Federal oil and gas resources in its High-Risk List for 2015 and highlighted royalty determination and collection as an ongoing concern.

In June 2016, DOI updated regulations designed to improve valuation and revenue collection for the production of mineral resources on public lands and waters. The updates are meant to provide greater clarity on determining market value for royalty purposes and ensure that every dollar due is collected by the Office of Natural Resources Revenue (ONRR). Slated to become effective on January 1, 2017, the final Consolidated Federal Oil and Gas and Federal and Indian Coal Valuation Reform Rule is a key step in improving transparency and accountability in the Federal coal program.

Management of Onshore Operations

During FY 2015, BLM held 23 oil and gas lease sales, offering 4 million acres for lease by industry. These 23 lease sales generated $143 million in fees. While energy production on BLM-managed lands plays a critical role in meeting our national energy needs, BLM has struggled with updating its regulations for onshore oil and gas measurement. GAO has expressed concerns about the adequacy of BLM's existing rules and regulations governing the verification of oil and gas produced from Federal and Indian leases—specifically, whether BLM's rules have kept pace with changes in technology. Since royalties are determined based on measurements of production, accurate measurements are critical.

In FY 2015, BLM issued proposed regulations to update requirements for onshore oil and gas measurement (the "onshore orders"). These rules were completed and signed in FY 2016 to provide updated measurement instructions and conform to modern industry standards and practices. The new rules also include mechanisms allowing the Bureau to review and approve the use of new technologies as they are developed and demonstrated to be sufficiently reliable. BLM anticipates that the rules will be published in the Federal Register for comment in early FY 2017.

In addition to updating the onshore orders, BLM actions to improve its oil and gas program have also included a rule to limit venting and flaring of natural gas, and a rule to allow for online lease sales. BLM anticipates that these new regulations will improve the effectiveness and efficiency of its oversight and management responsibilities. The subsequent challenge for BLM, however, will be developing and implementing measures to test the effectiveness of the new rules.

Finally, we have noted in previous years a need for increased effectiveness and efficiency in BLM's processing of Federal permits to drill. Extended review times

[2] GAO Key Issues, "Oil and Natural Gas," retrieved from: http://www.gao.gov/key_issues/oil_and_natural_gas/issue_summary.

create uncertainties for both industry and DOI. These delays could result in lost royalties to the Federal Government and American Indian mineral owners; if not corrected, delays will likely cause some wells not to be drilled, resulting in additional losses in production and revenues. To address inefficiencies in the permit process, BLM has deployed a new Application for Permit to Drill (APD) module in its updated Automated Fluids Minerals Support System (AFMSS II). This module allows for electronic filing of notices of staking and applications for permit to drill, which should reduce permit processing and review times, increase transparency, and facilitate resources sharing across BLM offices. BLM has indicated that additional AFMSS II modules to support inspection and enforcement activities are in development and additional funds have been requested in the FY 2017 budget to support AFMSS II expansion.

Management of Offshore Operations

Offshore oil and gas production continues to pose substantial risks to the environment and human safety. In 2012, GAO completed a study on the reorganization of the Minerals Management Service into BOEM and BSEE and recommended that DOI increase its capacity for categorizing offshore oil and gas activities according to risk, to improve oversight of these activities. Adopting risk-based capacity enables DOI to develop criteria to prospectively evaluate drilling operations according to risk.[3] Although it took DOI several years to take action, in July 2016 GAO indicated that DOI is taking steps to address its concerns about risk assessment. These include publishing a regulation for systematic collection and maintenance of reliable risk data in offshore operations. Successful implementation of risk-based assessments will require sustained coordination among senior management. BOEM and BSEE will need to commit resources, track progress, and provide correction when and where feasible.

The Outer Continental Shelf Lands Act, or OCSLA (43 U.S.C. §§ 1331 et seq.), requires the Secretary of the Interior, through BOEM, to prepare and maintain a schedule of proposed oil and gas lease sales in Federal waters every 5 years (called the "Five Year Program"). Every oil and gas lease sale by BOEM must be included in the Five Year Program. The proposed Five Year Program for 2017 – 2022 schedules 13 potential lease sales—10 in the Gulf of Mexico, and one lease sale each in the Chukchi Sea, Beaufort Sea, and Cook Inlet Program Areas offshore Alaska. Oversight will continue to be a challenge as DOI implements its new Five Year Program. DOI will need to seek a wide array of input, including information on the economic, social, and environmental values of all OCS resources, as well as the potential environmental and human impacts of oil and gas exploration.

In July 2016, DOI announced final regulations regarding exploratory drilling activities on the Arctic Outer Continental Shelf (OCS), intended to ensure safe and responsible exploration of Arctic OCS oil and gas resources and protect the

[3] GAO memo to Secretary Jewell on status of open DOI recommendations, July 8, 2016.

marine, coastal, and human environments and Alaska Natives' cultural traditions. More stringent than rules governing other OCS locations, the rule imposes new requirements, including the development of comprehensive plans that take into account the unique Arctic conditions. It also requires that operators demonstrate their preparedness to respond to any number of issues that may arise on the Arctic OCS. The rule only applies to Arctic OCS exploratory drilling activities that use mobile offshore drilling units (MODUs); exploratory drilling operations that use non-MODU technology continue to be subject to the existing OCS oil and gas regulatory regime.

Industry groups have challenged the basis for the final rule, arguing that some of the new requirements may not improve safety and may inhibit innovation and technological advancements. Others have suggested that the rule does not accurately reflect current industry capabilities and includes unnecessary requirements. On the other hand, some environmental groups have alleged that the final rule does not go far enough, suggesting that DOI released only minimal regulations that need strengthening.

Given that operators are scaling back on investments in Artic OCS exploration due to lower oil prices, DOI will also need to weigh the benefits and losses associated with its increased OCS regulations in the Artic. DOI will need to continue to commit resources, track progress, and provide corrective actions when and where necessary. Factors such as uncertainties about the Federal budget, priorities of the new administration, and the changing price of oil and gas will likely continue to affect DOI's energy management role.

Hiring and Retention

DOI continues to face challenges in hiring and retaining staff with key skills for oil and gas operations. These challenges have made it difficult to carry out Federal management and oversight activities, including collection of royalties and conducting inspections of oil and gas facilities, potentially placing human health and safety and the environment at risk. GAO's 2015 update to its High-Risk List noted human capital challenges at the bureaus responsible for oversight and management of Federal oil and gas (BLM, BOEM, and BSEE).[4] Two primary factors contribute to these hiring and retention challenges: lower salaries and a slow hiring process compared with private industry.

To improve hiring and retention, the bureaus are taking a number of steps:

- BLM continues to refine its Operational Workforce Plans with a focus on mission-critical positions, including general biologists, environmental protection specialist, petroleum engineers (PEs), and petroleum engineering technicians (PETs). For short-term coverage, existing PEs, PETs, and environmental compliance inspectors are being cross-trained to

[4] GAO Report No. GAO-15-290, "High-Risk Series: An Update," February 11, 2015.

conduct production inspections. OPM has approved BLM's request for special pay for critical positions in critical field locations, which (pending funding in the FY 2017 budget) is expected to help retain and recruit employees to these positions. BLM has indicated that these actions have enabled it to carry out high-priority inspections in some field offices, but many field offices continue to share staffing within their State boundaries. Although sharing of staff and cross-training provide a stopgap, failure to resolve the larger issue of staff shortfalls will impede BLM's ability to provide effective management and oversight of onshore oil and gas operations.

- BSEE has implemented a special pay rate to compete with the higher salaries offered by private industry, and continues to monitor the impact of these salary enhancements on recruitment and retention. Forty-nine percent of BSEE employees are in mission-critical occupations, including engineers, inspectors, and geoscientists. Since FY 2012, BSEE has increased its number of full-time equivalent (FTE) employees, with a goal of obtaining full staffing levels by FY 2017. In addition, BSEE is strengthening staff leadership and technical skills through its National Offshore Training Program, designed to keep staff current on new technologies and processes and promote strong leadership skills. To increase efficiency in human resources offices, BSEE has trained hiring managers, contracted for recruitment support with Monster Government Solutions, and used open position trackers for collecting data related to the overall hiring process. BSEE is revising processes and developing tools to help reduce applicant processing time and decrease long-term system operating costs.

- Steps taken by BOEM include (1) expanding the use of recruitment, retention, and relocation incentives and (2) collecting data on hiring times to analyze delays and expedite hiring. BOEM pays a special salary rate (premium) for employees who provide oversight of offshore oil and gas management, including petroleum engineers, geologists and geophysicists. In FY 2015, BOEM issued guidance to all managers and supervisors to expedite the steps they control in the hiring process. BOEM has reduced hiring time since FY 2012 and continues to work toward an 80-day hiring goal.

Although DOI and its bureaus have identified the causes of delays in the hiring process, work remains before changes can be implemented. GAO noted that DOI needs to collect and maintain complete and accurate data on hiring times—such as the time required to prepare a job description, announce the vacancy, create a list of qualified candidates, conduct interviews, and perform background and security checks—to effectively make changes to expedite the hiring process.[5] DOI also needs to consider how it will address staffing shortfalls over time. Current efforts

[5] GAO Report No. GAO-15-290, "High-Risk Series: An Update," February 11, 2015.

address short-term issues, but long-term needs remain essentially unaddressed. DOI must broaden its focus to improve hiring and retention of qualified employees.

Renewable Energy Development

Renewable energy resources—such as wind, solar, geothermal, and hydropower—are currently in development in the United States. Since 2009, DOI has permitted 58 utility-scale renewable energy projects on the Nation's public lands, including 35 solar, 11 wind, and 12 geothermal projects and associated transmission infrastructure. Together, these 58 projects could generate nearly 15,500 megawatts of electricity and represent $40 billion in potential private capital investments. In addition to the noted 58 permitted projects, DOI has also permitted 10 non-Federal hydroelectric projects through a "lease of power privilege" (permission to use a Federal facility for electric power generation). These 10 projects total 30.2 megawatts of capacity.

Although these resources are typically much cleaner to produce and to use than conventional energy resources, the potential environmental impacts must be examined, with efforts made to limit or prevent negative consequences through responsible development practices and careful oversight. BLM, BOEM, and USBR are the bureaus with primary responsibility: BLM manages 30 million acres of public lands with solar potential, and 20.6 million acres of the lands that hold the potential to generate wind power. BOEM manages 1.7 billion acres on the OCS with enormous wind-energy potential. USBR is the second largest U.S. producer of hydroelectric power, annually generating more than 41 million kilowatts of energy—enough to meet the needs of 3.5 million homes.

Although renewable energy sources provide a number of benefits, access barriers do exist. As we identified in previous management challenges reports, price competitiveness is perhaps the most significant barrier to renewable energy installations. Government can play a supportive role in renewable energy investment through a wide variety of tax incentives, including credits, grant funds, and accelerated depreciation (allowing larger deductions in the earlier years of an energy asset's life).

Similar to oil and gas projects, renewable energy projects face a challenging series of reviews and permitting approvals governed by an array of Federal and State agencies. As a result delays can arise—as one example, the Cape Wind offshore project in Massachusetts took up the decade between 2001 and 2011. Although delays in the development of the Cape Wind offshore project were primarily due to litigation, delays can happen when a cooperating agency in the environmental review process does not seriously participate in reviewing the project proposal until late in the process after design decisions have been made. The late-reviewing agency's concerns then become more difficult to address.

The December 2015 passage of the Fixing America's Surface Transportation (FAST) Act was designed to address this type of issue by increasing process transparency and setting deadlines for steps in infrastructure projects, including those connected with renewable or conventional energy production and water resources. These new legal requirements require the attention of the bureaus and DOI. New permitting requirements may affect the United States' ability to develop the types of energy projects needed to meet its climate goals. The FAST Act adopts many of the innovative approaches that have been employed by industry to improve the timing and quality of environmental reviews and multi-agency permitting processes. Implementation may help standardize how multiple agencies work together to complete environmental reviews and permitting processes and accomplish them in a timelier manner with better environmental results.

Our Nation's pivot toward a clean energy economy will require major new infrastructure investments. When combined with issues resulting from delays in permitting and the human capital challenges described previously, together these factors will have an adverse effect on both private industry and Government efforts. Additional infrastructure and environmental concerns may also slow the development of renewable resources. DOI is actively engaging with other Federal agencies and domestic and international parties to ensure effective coordination during the planning and permitting processes, incorporate best practices, and exchange scientific and environmental information.

Legal Challenges to Hydraulic Fracturing Regulations

Hydraulic fracturing, also known as fracking, has provided greatly increased access to shale oil and gas resources across the country and production of oil and gas from rock formations that previously could not be developed. Currently, BLM estimates that 90 percent of oil and gas wells are hydraulically fractured on Federal and tribal lands.

DOI has faced multiple hurdles in its effort to regulate fracking in recent years. DOI first proposed fracking rules in May 2012 but after receiving more than 170,000 public comments, revised rules were proposed in May 2013.

In March 2015, DOI finalized new fracking regulations to support safe and responsible hydraulic fracturing on public and American Indian lands.[6] The new rule contained provisions similar to or based on existing State or tribal rules and industry best practices, intended to improve safety and help protect groundwater by updating requirements for well-bore integrity, wastewater disposal, and public disclosure of chemicals. Prior to the rule's scheduled effective date of June 2015,

[6] Federal Register, Vol. 80 No. 58 (March 26, 2015): DOI BLM, "Oil and Gas; Hydraulic Fracturing on Federal and Indian Lands; Final Rule," http://www.gpo.gov/fdsys/pkg/FR-2015-03-26/pdf/2015-06658.pdf.

several industry groups filed a petition for review in Wyoming's Federal district court, and shortly thereafter the States of Wyoming, Colorado, North Dakota, and Utah joined the lawsuit opposing the rule. On June 21, 2016, the U.S. District Court of Wyoming struck down the hydraulic fracturing regulations, finding that DOI (more specifically, BLM) did not have congressional authority to issue the regulations.

BLM cited its "broad authority" to regulate oil and gas operations and hydraulic fracturing under several statutes, including the Federal Land Policy and Management Act of 1976, or FLPMA (43 U.S.C. § 1701 et seq.), the Mineral Leasing Act of 1920 (30 U.S.C. § 181 et seq.), the Indian Mineral Leasing Act of 1938 (25 U.S.C. § 396a-g), and the Indian Mineral Development Act of 1982 (25 U.S.C. § 2102 et seq.). The court disagreed, finding no broad authority for BLM in the FLPMA or other cited statutes. Similarly, courts have upheld challenges to the Federal Government's authority to regulate fracking, based on an argument that these activities fall within the State's jurisdiction.

On June 24, 2016, BLM appealed the decision to the U.S. Court of Appeals for the Tenth Circuit. DOI may face similar future challenges regarding its jurisdiction to promulgate other new Federal regulations for oil and gas activities on Federal and tribal lands.

Federal Coal Program Review

Federally managed coal accounts for approximately 45 percent of the coal produced in the Nation. DOI bureaus play multiple roles in the oversight and management of coal activities; for example, BLM is responsible for coal leasing on about 570 million acres of Federal lands, as well as private lands where the Federal Government has retained the mineral rights.

Since 1979, regulations for leasing land for coal extraction have had only minor adjustments. In January 2016, Secretarial Order No. 3338 directed BLM to prepare a discretionary programmatic environmental impact statement (PEIS) that analyzes potential leasing and management reforms to the current Federal coal program (excluding coal on tribal lands and OSMRE and ONRR activities). The PEIS is designed to help DOI undertake a comprehensive review of the program and consider whether and how to improve and modernize it. DOI will release an interim report on the PEIS by the end of 2016, but the full review is expected to take approximately 3 years.

In 2016 DOI also launched a series of reforms to improve transparency and administration of the Federal coal program, including establishing a publicly available database to account for the carbon emitted from fossil fuels developed on public lands, requiring BLM offices to publicly post information about pending requests to lease coal or reduce royalties, and facilitating the capture of waste mine methane.

Together, these actions build on existing efforts to modernize the Federal coal program. The PEIS will examine environmental impact, but DOI will also need to consider stakeholder concerns that American taxpayers are not receiving a fair return on public coal resources and that the Federal coal program conflicts with the Administration's climate policy and our national climate goals. Concerns have also been raised about the Federal coal program's effects on current and future coal markets. DOI must remain attentive and make every effort within its means to ensure that environmental concerns are adequately addressed, appropriately monitored, and remedied when violations are identified.

Environmental and Safety Concerns Associated With Offshore Oil

An FY 2015 OIG evaluation identified an issue specific to BSEE, but that affects DOI as a whole, particularly with respect to safety and environmental concerns. While reviewing BSEE's Incident Investigation Program, OIG learned that BSEE was realigning the organization and developing new policies related to its new National Program Manager initiative. We suspended the evaluation to allow BSEE's management more time to finish its realignment; however, we issued a report with findings and recommendations developed during the survey phase of our evaluation.[7] Specifically, we determined that four recommendations made in our December 2010 report "A New Horizon: Looking to the Future of the Bureau of Ocean Energy Management, Regulation and Enforcement"[8] and considered implemented and closed were in fact not implemented. These recommendations focused on improvements to BSEE's accident investigation program, including ensuring that the program was appropriately staffed and monitored. In addition, contradictions between BSEE's policies and Secretarial Order No. 3304 (issued June 29, 2010), which established BSEE's Investigations and Review Unit, caused the unit to be left out of regional incident investigations. OIG recommended that BSEE reopen and implement the four recommendations made in the "New Horizon" report. In addition, OIG recommended that BSEE review all of the report's 64 recommendations, reopen and implement any recommendations as necessary, revise or rescind contradictory policy, and implement the requirements set forth in Secretarial Order No. 3304.

OIG also issued a management advisory in October 2015 recommending that BSEE develop an action plan for the implementation of its National Program Manager initiative. BSEE had been discussing the new initiative for more than a year, but had not provided us with timelines associated with milestones for implementation. We asked BSEE to provide quarterly progress reports regarding its organizational realignment and development of the Incident Investigation Program. To date, BSEE has provided three quarterly updates that show little

[7] DOI OIG Report No. CR-EV-BSEE-0014-2014, "The Bureau of Safety and Environmental Enforcement, Incident Investigation Program," August 2015.
[8] DOI OIG Report No. CR-EV-MMS-0015-2010 "A New Horizon: Looking to the Future of the Bureau of Ocean Energy Management, Regulation and Enforcement" December 2010.

progress; however, at the most recent quarterly reporting meeting in August 2016, BSEE reported 32 project work plans identified for immediate attention.

Given the safety and environmental risks associated with offshore oil activities, DOI needs to focus more attention on these issues within BSEE. Not doing so will make it much more difficult to prepare for and prevent incidents like the *Deepwater Horizon* explosion and oil spill.

Climate Effects

The lands and resources managed by DOI face increasingly complex and widespread challenges associated with climate effects. Climate trends are continuing to break records—with the first 6 months of 2016 setting the record of hottest half-year since the 19th century, 2016 is on track to be the hottest year on record.[9] GAO has included the significant financial risk to the Federal Government posed by climate effects on its High-Risk List since 2013.[10] The U.S. Global Change Research Program found that changes in Earth's climate—including higher temperatures, rising sea levels, changing precipitation, and more intense and frequent severe weather events such as wildfires and drought—are expected to grow over time.[11] The Intergovernmental Panel on Climate Change reports that climate effects will likely continue and cause pervasive and irreversible damage to people, species, and ecosystems.[12]

Addressing climate effects is one of the high-priority performance goals reflected in the President's Climate Action Plan[13] and embedded in DOI's strategic plan for FYs 2014 – 2018. To further its overarching response strategy (established in 2009 by Secretarial Order No. 3289), DOI issued a climate change adaptation plan in 2014 and by the end of FY 2017 plans to mainstream climate change adaptation and resilience into programs and infrastructure.

The Administration plays a critical role via funding for Federal agencies, State and local governments, and other stakeholders. We have previously noted that maintaining adequate internal controls for grants management is a challenge for climate effects programs at DOI. If not corrected, issues surrounding transparency, competition, and proper training on the financial assistance process will impair these programs. We have found similar issues across all grants management within DOI; see "Acquisition and Financial Assistance" in this management challenges report for further discussion.

Wildland Fire Costs and Strategy

Climate effects such as higher temperatures and earlier arrival of spring make for drier soils, increased likelihood of drought, and a longer wildland fire season. The 2015 wildfire season was the costliest on record, with $417.5 million spent by

[9] K. Deamer, "Hottest Year Ever? 2016 Burns Through Heat Records, NASA Says," Live Science, July 20, 2016, http://www.livescience.com/55469-2016-could-be-hottest-year-on-record.html.
[10] GAO Report No. GAO-15-290, "High-Risk Series: An Update," February 11, 2015.
[11] U.S. Global Change Research Program, "Highlights of Climate Change Impacts in the United States: The Third National Climate Assessment," October 2014, http://nca2014.globalchange.gov/highlights.
[12] Intergovernmental Panel on Climate Change, "Climate Change 2014 Synthesis Report," 2015, http://www.ipcc.ch/pdf/assessment-report/ar5/syr/SYR_AR5_FINAL_full_wcover.pdf.
[13] "The President's Climate Action Plan," June 2013, https://www.whitehouse.gov/sites/default/files/image/president27sclimateactionplan.pdf.

DOI to respond to more than 68,000 wildfires that burned a record 10 million acres across the United States. Nationwide, more than 4,600 homes and structures were destroyed, and the lives of 13 wildland firefighters were lost in the line of duty. Enacted funding for the FY 2016 wildland fire includes $330.4 million for fire preparedness and $317.7 million for fire suppression.

In the last 15 years, DOI has exceeded its wildland fire suppression budget six times. These budget shortfalls are covered through transferring, or "borrowing," funds from other critical programs, including those that can help keep forests and rangelands healthy and make them less vulnerable to future wildfires. Catastrophic fires that account for 2 percent of wildland fires consume 30 percent of annual suppression dollars. The costs of wildfire preparedness and suppression in FY 2016 now account for 71 percent of the DOI wildland fire budget and reduces the amount of funds available for fuels management and restoration efforts. These activities are essential for reducing risks of catastrophic fires, increasing the resiliency of lands to recover from fire, and protecting communities and infrastructure.

Current legislative proposals seek to address this issue by classifying major fires as natural disasters (which would release Federal disaster relief funds), but to date these bills have not been passed. In September 2015, the Secretary of the Interior, the Secretary of Agriculture, and the Director of OMB issued a joint letter to multiple members of Congress requesting that Congress allow DOI to use an emergency fund for firefighting spending when 70 percent of the 10-year average of wildfire suppression costs have been spent.

The goals set forth in the National Cohesive Wildland Fire Management Strategy (published April 2014) and Secretarial Order No. 3336 (signed January 5, 2015) include resilient landscapes, fire-adapted communities, and safe and effective wildfire response. To prepare for the 2016 wildfire season, DOI applied landscape treatments to help prevent wildfires by allowing controlled prescribed fire to burn, thinning forest trees and vegetation in areas of critical habitat, and controlling invasive weeds that increase the risk of wildfire.

GAO has recommended that DOI clarify financial responsibilities for suppressing fires across multiple jurisdictions, expand efforts to collect information on firefighting aircraft in the Federal fleet, and update strategy documents to include analysis based on information such as aircraft performance and effectiveness. DOI must take action on these GAO recommendations to improve management of wildland fires.

Tribal Impact

Climate effects threaten the culture and way of life of American Indian and Alaska Native tribes, potentially affecting tribal lands, housing, and infrastructure, as well as access to traditional foods and adequate water. DOI upholds the Federal

Government's trust responsibilities to 567 American Indian and Alaska Native tribes and villages.

During the first 7 months of 2016, temperatures in Alaska broke records for warming, averaging 33.9 degrees Fahrenheit, or 8.1 degrees above the 20th century average of 25.8 degrees Fahrenheit.[14] According to the Third National Climate Assessment, increasing temperatures have caused a significant reduction in sea ice, increased erosion, a rise in sea levels, and changing times for snowfall. These conditions pose dire problems for Alaska Native communities, including injury from falling through thin sea ice, unsafe hunting and fishing conditions, malnutrition from food scarcity, contamination of food and water, loss of homes and buildings, and increasing social and mental stress from loss of traditional culture. Many tribes have been forced to relocate or consider relocating from their traditional communities as a result of climate effects, forcing Native communities to adapt to unfamiliar landscapes and natural resources.

GAO reported that 31 Alaska Native villages are imminently threatened by flooding and erosion.[15] For example, inhabitants of Kivalina and Shishmaref face severe coastal erosion and flooding. The costs of relocating inhabitants are estimated to range from $95 million to $125 million for Kivalina, and from $100 million to $200 million for Shishmaref. The President has proposed new funding to build resilience of Alaskan communities and natural resources against climate effects in the FY 2017 budget. Roughly $400 million of the proposed $2 billion for DOI's Coastal Climate Resilience Program will be allocated to fund challenges like the relocation of Alaska Native villages. This program provides high-risk coastal communities with resources to support preparation and adaption to climate effects over a 10-year period. An additional $5 million is proposed for BIA to support resilience planning and subsistence activities in Alaska.

Climate effects are felt not just in Alaska, but across many American Indian lands. For example, the Quinault Indian Nation, located on the Pacific coast in Washington, is developing a plan for relocation since a significant portion of its village is experiencing flooding and landslides from sea level rise and intensified storms. 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 members fear losing their cultural identity and traditions once they leave their homes. DOI needs to develop and implement climate adaptation and resilience strategies to help preserve American Indian and Alaska Native ways of life.

[14] S. Visser, "Alaska Has Record Warmth This Year," CNN, August 9, 2016, http://www.cnn.com/2016/08/09/us/alaska-record-warmth-this-year/.
[15] GAO Report No. GAO-09-551 "Alaska Native Villages Limited Progress Has Been Made on Relocating Villages Threatened by Flooding and Erosion," June 2009.

Water Scarcity

Climate effects are altering weather and streamflow patterns that framed the development of water and power systems in Western States. As the largest wholesaler of water in the country, USBR provides water for 31 million people and 10 million acres of farmland. Changes in water supplies, water demands, and the increased duration and frequency of droughts have the potential to affect USBR's ability to fulfill its mission. For example, in May 2016 the essential Lake Mead reservoir on the drought-stricken Colorado River reached a record low and was only 37 percent full.[16] At maximum capacity, the reservoir's water would measure 1,221 feet in elevation; as of September 2016, Lake Mead was at 1,075 feet. USBR projections show that water levels will be under 1,075 feet in April 2017.[17] If the elevation is projected to be under 1,075 feet on January 1, USBR would declare a shortage and decrease the allocation of water to residents of Arizona by 11 percent and Nevada by 4 percent.[18]

According to USBR's 2016 "SECURE Water Act Report," temperatures will increase 5 to 7 degrees Fahrenheit by 2100, precipitation will decrease in the southwestern and south-central areas of the United States, and a higher incidence of toxic algal blooms (a rapid growth of algae) and pollutants may occur. These climate effects threaten the water sustainability, particularly in Western States where water supply and operations are at significant risk. Watershed integrity, human health, fish and wildlife habitat, water recreation, and ecological resources are at risk due to climate effects.

In light of these challenges, USBR is implementing its Climate Change Adaptation Strategy and communicating with its stakeholders about the significance of the risks posed by climate effects and the importance of taking proactive steps to adaptation. The strategy identifies new activities to extend climate effects adaptation efforts across USBR mission responsibilities, including immediate and longer term actions. USBR faces a shortage of technically qualified staff needed to implement this strategy. To address this capacity challenge, USBR is collaborating with USGS and other agencies to provide staff with training in climate science, assessment methods, and incorporation of assessment results into planning efforts.

Coordination and Controls at LCCs and CSCs

DOI's FY 2017 budget includes $1 billion for research and development activities, an increase of $84.5 million from the FY 2016 enacted level. Landscape conservation cooperatives (LCCs) and climate science centers (CSCs)

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[16] NASA Earth Observatory, "Visualizing the Highs and Lows of Lake Mead," May 27, 2016, http://earthobservatory.nasa.gov/IOTD/view.php?id=88099&src=eoa-iotd.
[17] USBR, "Operation Plan for Colorado River Reservoirs," September 2016, http://www.usbr.gov/lc/region/g4000/24mo.pdf.
[18] DOI, "Colorado River Interim Guidelines for Lower Basin Shortages and the Coordinated Operations for Lake Powell and Lake Mead," December 2007, http://www.usbr.gov/lc/region/programs/strategies/RecordofDecision.pdf.

are allocated $201 million of that FY 2017 amount, a $37 million increase from the previous year. Requested funds will support conservation initiatives on the front lines of the effort to address a changing climate and help confront the unpredictable nature of its impacts—primarily through research awards made by CSCs and LCCs, which are the cornerstone of DOI's climate response strategy. With similar missions, CSCs and LCCs must ensure that duplication of research efforts does not occur, so that Federal funds are not wasted.

In a 2015 review of LCCs, the National Academy of Sciences found inadequate controls and project tracking at several LCCs.[19] Ongoing evaluation of LCCs needs to be improved to ensure that metrics are captured to track the contributions made by all partner agencies toward common objectives. If metrics are not tracked, the effectiveness and achievements of LCCs may not be understood, leading Congress to reduce or seize funding.

USGS has expressed concern that CSCs are operating out of compliance with legislation and rules that govern contracts and grants, unlike the USGS Cooperative Research Units program on which the enterprise is modeled. The CSCs have maximized operating flexibility to the extent possible under current USGS regulations, but are not able to form long-term cooperative approaches with partners. DOI should define how the CSCs should operate within Federal law, which would help ensure that CSCs operate as originally envisioned.

Sea Level Rise, Ocean Acidification, and Coastal Community Impact

Sea levels have risen roughly twice as fast in the past 20 years as they rose in the preceding 80 years.[20] Cascading effects can include increased storm surge, coastal erosion, wetland and coastal plain flooding, property damage or loss, and loss of habitats for fish, birds, and other wildlife and plants. Levels of carbon dioxide, or CO2, in the atmosphere are also rising.[21] Ocean absorption of CO2 emissions changes the water chemistry by increasing the amount of acid. Called ocean acidification, this process may severely disrupt oceanic food chains, degrade marine ecosystems, and decrease the viability and availability of shellfish and coral reefs. The National Academies reported that ocean acidification may be contributing to the decrease in coral growth,[22] which is troubling, as coral reefs can protect low-lying areas against flooding, erosion, and other coastal hazards.

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[19] National Academies of Sciences, Engineering, and Medicine, "A Review of the Landscape Conservation Cooperatives," December 2015, https://www.nap.edu/catalog/21829/a-review-of-the-landscape-conservation-cooperatives.

[20] National Geographic, "Sea Level Rise: Ocean Levels Are Getting Higher—Can We Do Anything About It?" http://ocean.nationalgeographic.com/ocean/critical-issues-sea-level-rise/.

[21] GAO Report No. GAO-14-736 "Ocean Acidification Federal Response Under Way, but Actions Needed to Understand and Address Potential Impacts," September 2014.

[22] National Research Council of the National Academies, "Ocean Acidification: Starting With the Science," 2013, http://dels.nas.edu/resources/static-assets/materials-based-on-reports/booklets/OA1.pdf.

Both sea level rise and ocean acidification could have a negative impact on tourism and the economy in affected areas. For example, the Suquamish Tribe relies on Puget Sound ecosystems for economic, nutritional, and cultural needs; about 20 percent of the tribe's members earn income from harvesting fish and shellfish.[23] Further, according to research by scientists at NPS and Western Carolina University, national park infrastructures and historic and cultural resources totaling more than $40 billion are at high risk of damage from sea level rise caused by climate effects.[24] In the high-exposure category are iconic sites such as the Statue of Liberty and the Golden Gate Bridge. Because the report only examined 40 of the 118 national parks considered vulnerable to sea level rise, the $40 billion figure may only represent a fraction of assets that could be lost. Managing and prioritizing planning within these coastal parks to account for sea level rise poses a challenge to NPS park officials.

Sea level rise also disproportionately affects many of our Insular Areas, where populations are generally concentrated along coastlines of islands with average elevation of only 2 meters above sea level that can experience waves as high as 5 to 7 meters. The area available for human habitation, water and food sources, and ecosystems is limited and extremely vulnerable to sea-level rise. For example, unexpected high tides and 5-meter swells have wreaked havoc on the Marshall Islands in 2014 to such an extent that a state of emergency was declared. In FY 2016, DOI authorized grants for Insular Areas including $286,000 for the Commonwealth of the Northern Mariana Islands to better coordinate climate response and invasive species policies and initiatives, $828,050 for the U.S. Virgin Islands to develop a robust, multi-sector climate adaptation strategy, and $1 million to Insular Areas to address the impacts of climate effects and other threats to coral reefs. The FY 2017 budget proposal includes $4 million to the Office of Insular Affairs (OIA) for community, landscape and infrastructure adaptation and resilience initiatives. With FY 2017 funding, OIA plans to provide support for the development of adaptation plans, vulnerability assessments, and resiliency strategies for the Insular Areas. To combat negative climate effects and sea level rise, OIA will endeavor to coordinate the sharing of knowledge and policies, plans, assessments, data, tools, and other essential resources.

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[23] U.S. Resilience Toolkit, "Suquamish Build Resilience to Ocean Acidification Through Education," August 9, 2016, https://toolkit.climate.gov/taking-action/suquamish-build-resilience-ocean-acidification-through-education.

[24] NPS and Western Carolina University, "Adapting to Climate Change in Coastal Parks: Estimating the Exposure of Park Assets to 1 m of Sea-Level Rise," June 23, 2015.

Information Technology

Cyber threats are one of the most serious economic and national security challenges facing our Nation. Federal information security has been on GAO's High-Risk List since 1997. In 2003, GAO expanded the listing to include cyber critical infrastructure protection, and in 2015 added protection of personally identifiable information.[25]

Threats to cyber assets include insider threats from disaffected or careless employees and business partners, escalating and emerging threats from around the globe, the ease of obtaining and using hacking tools, the steady advance in sophistication of attack technology, and the emergence of new and more destructive attacks. Ineffective protection of cyber assets can result in the loss, unauthorized disclosure, or alteration of information. This could have serious consequences—such as disruption to operations, unauthorized use of IT resources, and damage to networks and equipment—and result in substantial harm to individuals and the Federal Government. Because no single technology or tool can protect against all cyber threats, GAO recommends a multi-layered, "defense in depth" approach to information security.[26]

DOI relies on complex information systems and electronic data to carry out its daily operations. Specifically, DOI spends about $1 billion annually on its portfolio of IT assets, which includes 150 information systems, to support DOI programs and activities.

For decades DOI has struggled to implement an IT governance approach that effectively aligns authority and responsibility commensurate with DOI's overall mission. Ineffective IT governance poses challenges to DOI's ability to protect its computer systems and networks against cyber attacks, manage and secure both hardware and software assets, harness the benefits of Cloud computing, and implement departmentwide IT security initiatives for continuous diagnostics and mitigation.

Insider/Outsider Threats

External threats to Federal information systems are persistent and increasing, and the risk for real damage is high. Because of the large size of its networks, and because those networks contain sensitive information, DOI is a regular target of cyber attacks. In addition, DOI's substantial connectivity with outside organizations—such as other Federal agencies, private sector companies, and universities—makes protecting its network essential for preventing sophisticated attackers from using security flaws in a DOI system to gain unauthorized access

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[25] GAO Report No. GAO-15-290, "High-Risk Series: An Update," February 11, 2015.

[26] GAO Report No. GAO-15-725T, "Recent Data Breaches Illustrate Need for Strong Controls Across Federal Agencies," June 24, 2015.

to the outside networks DOI is connected to. Over the past few years, hackers and foreign intelligence services have compromised DOI's computer networks by exploiting vulnerabilities in publicly accessible systems on multiple occasions. These security incidents resulted in the loss of sensitive data and disruption of bureau operations.

Mitigation of insider IT threats is also a challenge. Insider threats could result in private or sensitive information being exposed, compromised, or stolen, whether intentionally or unintentionally. Safeguards—such as adequate policies, procedures, and training; firewalls; antivirus/anti-malware protection; data encryption; password protection; and two-factor authentication logins—must be properly planned and implemented to help ensure against unauthorized access to or transfer of data, and modification of data or disruption of services or systems. DOI is working to address some of these issues, for example through implementation of two-factor authentication for computer access in 2015 and required PIV-login for email in 2016.

Physical structures are at risk from cyber attack as well. For example, protection of USBR's inventory of assets, which includes 471 dams and dikes, is critical because a breach could result in human casualties, property destruction, and economic loss, as well as erode public trust and confidence. DOI has asked USBR to implement a program to analyze and improve its cybersecurity of industrial control systems (ICSs), which are IT control networks and systems, often interconnected and mutually dependent, that support the operation of critical infrastructures. ICS security is integral in protecting USBR dam sites from attack.

With the ever-increasing threat of cyber attacks, protection of IT systems and the data needed to operate and maintain critical infrastructure is essential. Further, attack detection and response are just as critical as prevention controls. DOI must be positioned to intercept and deflect any unauthorized IT intrusion from inside or outside. DOI's response to any cybersecurity incident must be swift and effective, to minimize any damage that might be caused, alleviate the system weaknesses that were exploited, and restore IT services. Establishing rigorous cyber policies and controls is crucial to maintaining DOI operations. Security issues will continue to expand unless funding, strategic planning, and policy are improved.

Continuous Monitoring

The Federal Information Security Management Act, or FISMA (Pub. L. No. 107-347) requires that Federal agencies evaluate information security programs annually to determine whether they are effective and comply with standards set by the National Institute of Standards and Technology (NIST). FISMA also requires that Federal agencies develop information security protections commensurate with the risk of malicious or unintentional impairment of agency IT assets.

Recent FISMA guidance shifted the focus of agency oversight from fixed-time assessments and compliance reporting to using appropriate tools and techniques to continuously monitor IT security controls. If designed and managed properly, a continuous monitoring program can turn security control assessment and risk determination into a more active process to provide crucial, real-time information regarding a system's security status. This continuous monitoring enables officials to make appropriate risk-based decisions and take proper risk mitigation actions in a timely manner regarding IT systems operation.

Due to recent high-profile cybersecurity breaches in both the Federal Government and the private sector, the significance of continuous monitoring is gaining greater public awareness. The objective of a continuous monitoring program is to determine whether an information system's planned, required, and deployed security controls continue to be effective over time as inevitable changes occur to the hardware, software, firmware, or operating environment. To effectively support continuous data monitoring systems, DOI will need the most advanced technology (including vulnerability scanning tools and network scanning devices) and highly qualified IT personnel. DOI will need to make an additional effort to realize a continuous monitoring program and provide security and risk assessments.

Cloud Computing

Cloud computing is the practice of using remote, Internet-based servers for data storage and processing instead of local servers. Secure Cloud services include infrastructure, storage, and web applications through public and private Clouds.

To harness the benefits of Cloud computing, OMB adopted a "Cloud First" policy in 2011 to require agencies to evaluate secure Cloud computing options before making any new IT investments. Cloud computing offers DOI the opportunity to be more efficient and agile, by making more effective use of IT investments, applying innovations developed in the private sector, and leveraging Cloud infrastructure without having to acquire hardware, which lowers both time and cost barriers to deployment.

In late 2013, DOI issued contracts potentially totaling approximately $10 billion with 10 companies (IBM, AT&T, Verizon, Unisys, Lockheed Martin, Aquilent, Smartronix, CGI Group, Autonomic Resources, and Global Technology Resources) to acquire unlimited Cloud hosting services. In January 2016, DOI completed the migration of its financial and business management system (FBMS) to the Cloud, making it the first Federal agency to do so.

DOI's move to Cloud computing represents a paradigm shift from buying IT as a capital expenditure to buying IT as a service. DOI believes the money it will save from optimizing its IT environment, including moving to the Cloud, will outweigh the costs, and estimates saving $100 million a year between 2016 and 2020 in IT costs.

Even though DOI is ahead of other departments in Federal use of Cloud computing, improvements to strengthen IT governance and risk management practices are needed to help ensure that all Federal and Department IT security requirements are met to mitigate the chance that a bureau's operations might be disrupted, data lost, or public funds misused. Specifically, improved coordination between DOI's chief information officer (CIO) and its bureaus could add more oversight so that unapproved and unsecured Cloud services are not implemented, and to ensure that Cloud-computing contracts incorporate best practices while meeting all Federal requirements. Further, weaknesses in DOI's risk management and an absence of controls to monitor and manage Cloud service providers and the data residing within their systems could subject DOI data stored in the public Cloud to the risk of loss or exposure to unauthorized parties.

Wi-Fi in National Parks

Some lawmakers have recently called for increased availability of wi-fi—a technology that allows computers, some mobile phones, iPads, game consoles, and other devices to communicate over a wireless signal—in national parks. Proponents argue that wi-fi would improve public safety, increase availability of interpretive services, boost tourism, and better meet the needs of the visiting public.

Increasing wi-fi access in national parks could cause significant IT and infrastructure challenges, and it could be costly. Out of the 412 designated units in the National Park System, 59 are national parks with varying degrees of wireless service. In addition to deciding how pervasive the wi-fi coverage should be and ensuring that wi-fi hotspots (physical locations that provide wireless access) have sufficient connections to the Internet, NPS would need to ensure that it has adequate IT infrastructure to secure the network. Also, new wi-fi infrastructure would need to be able to integrate with the natural environment inside the parks and withstand the elements.

Software and License Management

Each year, the Federal Government spends more than $6 billion on software through more than 42,000 transactions, which results in a fragmented and inefficient marketplace. GAO has indicated that agencies buy and manage software licenses in a decentralized manner, struggle to create accurate inventories, often purchase unneeded capabilities, and generally do not facilitate better purchasing by sharing pricing or terms and conditions across the Government.[27]

Regarding DOI specifically, GAO reported that DOI had not established a comprehensive policy for management of software licenses; had a decentralized management of licenses; and did not regularly track, manage, and report on the

[27] GAO Report No. GAO-14-413, "Federal Software Licenses: Better Management Needed to Achieve Significant Savings Government-Wide," May 22, 2014.

majority of software licenses. Poor software asset management can lead to overbuying, maintaining expensive and underutilized software assets, and even cybersecurity vulnerabilities.

To address these and other IT challenges and enhance implementation of the Federal Information Technology Acquisition Reform Act, or FITARA (Pub. L. No. 113-291), OMB issued new policy on June 2, 2016, directing agency CIOs to appoint a software manager. Each agency's software manager will be responsible for managing all agencywide commercial software agreements and licenses, leading an agencywide effort to centralize license management, implementing strategies to reduce duplication, and ensuring the adoption of software management best practices, among other duties. OMB is also requiring agencies to compile a baseline inventory of their custom and commercial-off-the-shelf software licenses purchased, deployed, and in use. Further, beginning November 30, 2016, and each quarter thereafter, all departments and agencies are required to report to OMB all cost savings and cost avoidance attributable to improved software license management.

DOI must move quickly. Leveraging the Government's vast buying power and implementing coordinated strategies, such as increasing the number and use of Governmentwide software agreements and improving software license management practices through automated IT asset discovery tools and business intelligence software, could help reduce duplication of effort.

Staffing and Procurement Difficulties

Hiring and retaining talented IT and cybersecurity professionals is a growing challenge and likely to affect operations in the short and long terms. The demand for skilled IT professionals in the private sector is extremely high, and attracting those individuals to Government service with the current Federal pay structure can be difficult. This is especially true for the IT security sector. These factors, coupled with time-consuming hiring processes, have resulted in longer vacancies within DOI. Accurate classification of IT positions has been an issue,[28] and development of an automated classification tool to standardize and speed up the classification process would help with hiring IT professionals. Age disparity within the IT workforce is another factor that may impact operations, as retirements produce gaps in leadership and institutional knowledge.

FITARA was the first major overhaul of Federal IT in almost 20 years, giving department-level CIOs more authority and requiring them to modernize IT operations and services. Specifically, FITARA established Governmentwide IT

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[28] According to GAO, the classification system cannot easily keep pace with the Government's evolving IT requirements. Agency personnel who classify occupations and develop position descriptions may not understand the technical nuances between similar occupations, and thus may classify positions inconsistently, which may result in unequal treatment of comparable employees. For more information, see GAO Report No. GAO-14-677, "OPM Needs to Improve the Design, Management, and Oversight of the Federal Classification System," July 31, 2014.

management controls, tracking and risk management for IT investments, expanded authority and accountability for agency CIOs, and more strategic IT acquisition policies. While these efforts should improve transparency and help DOI get a better grasp on how IT funds are expended, streamlining related processes and automating reporting would help reduce any additional operational burden. To further improve IT acquisitions, contracting staff with specialized understanding of IT purchasing and regulations are needed.

Demand for IT services is growing faster than funding, further complicating how DOI handles staffing and procurement challenges. To strengthen compliance with FITARA requirements, DOI's Office of the Chief Information Officer (OCIO) is implementing a series of technology innovations and efficiencies to deliver improved services across the Department at lower costs. These initiatives include reducing operating costs and energy consumption by consolidating and centralizing DOI's IT infrastructure and compliance functions. Because DOI's largely decentralized IT environment can create challenges in coordinating IT budgets and activities, the OCIO is also working to align IT capabilities with business and mission areas, to increase effectiveness, improve transparency and service delivery, and increase productivity and customer satisfaction.

In addition, data center consolidation efforts are underway, but require careful planning to ensure that operational improvements and efficiency are achieved. As a complicating factor, these consolidation efforts require initial investments but may not realize cost savings for several years. The initial push toward consolidation is resulting in mostly colocation, rather than actual consolidation, of services. Also, migrating data to a core data center can be costly, and the difficulties of coordinating between multiple bureaus at individual locations may increase physical security concerns. Capturing savings in facility costs from data center consolidation initiatives presents additional issues and challenges—for example, the difficulty of calculating accurate estimates for space and utility needs, and how to account for space once occupied by closed data centers in DOI offices. As DOI moves to Cloud-based services, the use of the Cloud could help accelerate data and service consolidation.

Water Programs

The quality and availability of water are increasing concerns across the country. Further, maintaining the Nation's water infrastructure is becoming more costly over time due to cost increases and the perpetual need for facility maintenance, rehabilitation, and replacement.

In many areas of the country, especially the arid West, lengthening droughts, limited water supplies, and rising demand for water are forcing communities, stakeholders, and governments to explore new ideas and find new solutions that will help ensure stable, secure water supplies for future generations. USBR and USGS play key roles in helping the Nation manage and sustain the current supply of fresh water in rivers, lakes, aquifers, and other sources and preserve a healthy ecosystem to ensure the future supply.

USBR operations are informed and supported by research and analysis provided by USGS. For example, the National Water Census is a USGS research program that develops new water accounting tools and assesses water availability at regional and national scales. Through the Water Census, USGS integrates diverse research on water availability and use to increase understanding of the connection between water quality and water availability.

OIG findings related to water management have centered on insufficient oversight of Government-funded projects. This can lead to misappropriation of assets, project failure, and theft. In addition, we have previously noted inaccurate accounting practices for interagency agreements and water projects, specifically in the calculation of cost allocations and overhead rates. These miscues can cause overages in costs and charges.

Infrastructure and Expanding Water Demand

USBR is the largest wholesaler of water in the country, delivering water to more than 31 million people and providing one out of five Western farmers with irrigation water for 10 million acres of farmland. USBR is also the second largest hydroelectric power producer in the West, generating more than 40 billion kilowatt hours of electricity (enough to supply over 3.5 million U.S. households) and collecting nearly $1 billion in gross power revenues for the Federal Government. In addition, the Western United States is one of the fastest growing regions of the country. Urbanization has created demands for water, power, and recreational facilities, but also has created public health and safety issues. For example, one-time rural canals now flow through residential subdivisions, increasing the risk of damage to private property in the event of infrastructure failure or malfunction.

Protecting and extending the life of aging water infrastructure are significant challenges facing USBR and DOI, and maintenance, rehabilitation, and replacement will become more costly over time. Due to the declining Federal budget, USBR's ability to dedicate funds to support this effort is limited. Therefore, USBR is exploring ways to help water users (both individuals and companies) improve infrastructure without interruption in water services, such as through extended repayment, title transfer of Federal facilities to non-Federal customers or water contractors to give them greater autonomy, use of excess capacity in USBR projects for the storage and conveyance of nonproject water, and private financing in partnership with public entities.

In addition, USBR is aggressively monitoring the condition of its facilities near urbanized areas and using a risk-based approach to prioritize mitigation activities. Additional authorities and other legislation may be needed to ensure the continued availability of water and power to these communities.

Extreme Drought

Every year, drought affects millions of Americans and poses a serious threat to the resilience and security of communities nationwide. Extreme, widespread drought challenges the security of the U.S. food supply and the integrity of critical infrastructure, causes extensive economic impacts, and increases energy costs. Climate effects are expected to increase the frequency, intensity, and duration of droughts in many regions, and persistent drought could force foundational changes in the way communities use and live on the land.

DOI is challenged to provide reliable water supplies for community water systems, agriculture, energy production, and manufacturing, while at the same time preserving rivers, streams, and other aquatic ecosystems for future generations. As the largest supplier and manager of water in the Western States, DOI needs to be prepared to mitigate the negative consequences associated with the expansion of water needs in that region. Meanwhile, current drought conditions have placed unprecedented pressure on DOI's ability to address the imbalance between supply and demand of water in the West. DOI has outlined the growing risk to Western water management and cites warmer temperatures, changes in precipitation and snowpack, and the timing and quality of streamflow runoff across major river basins as threats to water sustainability.

DOI combats extreme drought through several programs and initiatives. As part of the National Drought Resilience Partnership, DOI coordinates long-term drought resilience efforts and information-sharing at all levels of government to give communities the drought assistance they need. In March 2016, the National Drought Resilience Partnership published a "Long-Term Drought Resilience" action plan that outlines activities to respond to drought and build national capabilities for long-term resilience. USBR's WaterSMART (Sustain and Manage America's Resources for Tomorrow) Basin Studies Program is another program used to address drought conditions. This collaborative study program is used to evaluate the impacts of climate effects and identify potential options to resolve current and future water supply and demand imbalances. USBR's WaterSMART

Program also includes the Drought Response Program, initiated in 2015, which provides assistance to States, tribes, and local government entities for drought contingency planning that includes consideration of climate effects, and for implementation projects that build long-term resiliency to drought. In FY 2016, 23 projects from the Drought Response Program were selected alongside 53 WaterSMART Water and Energy Efficiency Grants to provide a total of $30.5 million for efficiency improvements, drought contingency planning, and drought resiliency projects. Without effective monitoring and oversight, these grants are subject to the risk of project failure, misappropriation, and theft.

Another challenge for DOI, and an extension of human capital challenges described previously, is a shortage of technically qualified USBR staff to support implementation of climate adaptation planning efforts, including planning related to drought. USBR continues to invest in training to build staff knowledge and capabilities; but cross-training will not overcome the shortfall of qualified individuals or accomplish increasing workloads in the near term.

Rural Water Systems

Current data indicate that millions of Americans still live without safe drinking water. Many rural communities face significant challenges in financing the costs of replacing or upgrading aging and obsolete facilities and systems. Federal agencies estimate that the costs of replacing infrastructure in these communities will total more than $140 billion in the coming decades.[29]

Extending the lives of these structures and making efficiency improvements is a challenge. USBR is one of seven Federal agencies that provide funding or technical assistance to rural communities to develop drinking water and wastewater systems. The presence of this many Federal entities, plus State and local governments, can raise concerns about duplication of effort, inefficient processing of applications for aid, and increased fees to local communities to fund multiple environmental and engineering studies. USBR must coordinate policies and procedures and prioritize funding for projects that reduce waste and accomplish meaningful goals.

USBR's FY 2016 budget request included $36.6 million for rural water projects, including $18.6 million for continued construction of authorized projects. An additional $47 million was also authorized for construction in FY 2016. Congress authorized USBR to undertake the design and construction of six projects in FY 2016 intended to deliver potable water supplies to the following water systems: Dry Prairie Rural Water System (in Montana), Eastern New Mexico Water Supply, Jicarilla Apache Rural Water System (in New Mexico), Lewis and Clark Rural Water System (spanning South Dakota, Minnesota, and Iowa), Pick

[29] GAO Report No. GAO-15-450T, "Rural Water Infrastructure: Federal Agencies Provide Funding But Could Increase Coordination to Help Communities," February 27, 2015.

Sloan-Missouri Basin Program (in North Dakota), and the Rocky Boy's/North Central Rural Water System (in Montana).

Some organizations have voiced concerns about the environmental costs of dams and levees, such as hampered fish migration, downstream erosion, and degraded water quality. USBR is involved in more than a dozen river restoration programs benefiting fish species that have been affected by years of drought and environmental decline. Another challenge for DOI is that improvements to our large-scale water infrastructure must be accomplished in ways that do not harm aquatic species and ecosystems and must be designed to ensure resiliency in the face of increasing climate effects and natural hazard events.

Responsibility to American Indians and Insular Areas

DOI's mission includes fulfilling trust responsibilities or special commitments to American Indians, Alaska Natives, and affiliated island communities.

Fulfilling responsibility to American Indians is consistently a top management challenge for DOI. Through BIA and BIE, DOI provides services to 567 federally recognized tribes with a population of about 1.9 million American Indian and Alaska Natives, has trust responsibilities for 55 million surface acres and 57 million acres of subsurface mineral estates, and provides education services to about 42,000 Indian students in 183 schools and dormitories. DOI funds Indian Country programs that provide social services, law enforcement and detention services, tribal justice systems, housing assistance, repair and maintenance of roads and bridges, and economic development programs in some of the most isolated and economically depressed areas of the United States.

In the Insular Areas, DOI executes administrative responsibilities through the Office of Insular Affairs (OIA) to coordinate Federal policy for the territories of American Samoa, the Commonwealth of the Northern Mariana Islands (CNMI), Guam, and the U.S. Virgin Islands. OIA also administers and oversees Federal financial assistance to the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau, as well as provides technical and financial assistance to all of the Insular Areas.

OIG findings have highlighted the same or similar issues for multiple years. Specifically, substantial work is needed to improve the Indian education system, particularly in creating environments where children are safe and have adequate means to thrive. In addition, both American Indian and Insular Area operations have longstanding deficiencies in records management and inadequate policies and procedures, which continue to hinder their accountability when handling public funds. BIA continues to struggle to develop and retain crucial personnel, which reduces the effectiveness of key programs. Issues persist within BIA detention system as safety measures have continued to be ignored or overlooked. Overall failures in the management of various responsibilities entrusted to BIA compound these findings, making it difficult for BIA to achieve its mission goals.

Management of Contracts and Grants

DOI awarded more than $2.1 billion in contracts, grants, and other financial assistance to Indian Country and more than $300 million to Insular Areas during FY 2016. Historically, single audits and OIG audits have identified severe deficiencies and material weaknesses in the capacity of tribes and Insular Areas to effectively manage taxpayer funds. DOI-funded programs and operations in Indian Country and Insular Areas are susceptible to fraud, waste, mismanagement, and abuse, due in part to the absence of spending oversight and insufficient procurement resources.

Tribes receive funding from a number of Government agencies, such as BIA, USBR, the U.S. Department of Transportation, and the U.S. Department of Education. BIA regional and agency staff are responsible for oversight of these funds. Examples of inadequate oversight by BIA staff of tribal use of Government funds include inaccurate documentation filed by tribes to certify how they are spending funds and BIA's failure to review single audits submitted by tribes. BIA and BIE are also challenged by a limited number of warranted contracting officers and contracting officer's representatives, who are responsible for monitoring and overseeing contracts.

In the Insular Areas, transparent procurement continues to be a challenge. For example, Guam's procurement activities are backlogged and requisition processing times delayed due to staffing shortages and training gaps.

Each Insular Area government has an Office of the Public Auditor (OPA) or equivalent entity that helps ensure the integrity of government operations and spending. OPAs face challenges in competing for and retaining qualified audit and investigative staff, largely due to insufficient budgets and limited labor pools. Through a Capacity Building Program, OIG offers technical training to the public auditors in Insular Area governments, designed to strengthen accountability and help ensure good governance.

Land Buy-Back Program

Across Indian Country, more than 245,000 owners of 3 million fractionated interests, spanning about 150 Indian reservations, are eligible to participate in the Land Buy-Back Program. The program was created to implement 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.

Land fractionation is a serious problem throughout Indian Country. As lands are passed down through generations, they gain more owners. Many tracts now have hundreds and in some cases thousands of individual owners. It can be challenging to obtain the required approvals for leases or other uses of such lands. As a result, many highly fractionated tracts are unoccupied and unavailable for any beneficial purpose, which hinders tribal communities' process of self-determination and impedes DOI in fulfilling its trust responsibilities to American Indians.

To date, the Land Buy-Back Program has paid more than $740 million to individual landowners and restored the equivalent of nearly 1.5 million acres of land to tribal governments. DOI has entered into agreements with 31 tribal nations to cooperatively implement the Land Buy-Back Program. DOI has identified 42 locations where land consolidation activities such as planning, outreach, mapping, mineral evaluations, appraisals, or acquisitions are expected to take place through the middle of 2017. These communities represent 83 percent of all outstanding fractional interests across Indian Country.

As stated in last year's management challenges report, DOI faces several challenges in its effort to consolidate all land fractionation interests across Indian Country. Among these challenges are a dependence on coordination with other programs and agencies, and the sensitivity surrounding acquisition of Indian lands by the Federal Government. The breadth and scale of the task, limited funding, and the bounded lifespan established for the program are further major challenges to DOI's Land Buy-Back Program.

Indian Country Schools

In a May 2015 statement before the U.S. Senate Committee on Indian Affairs, BIE leadership acknowledged that their Bureau faces unique and urgent challenges in providing a high-quality education to Indian students attending BIE schools. They attributed these challenges to—

- difficulty in attracting effective teachers to BIE schools;
- difficulty in adopting research-based reforms at BIE schools;
- no access to certain programs that are designed, through funding opportunities, to build State educational agency (SEA) and local educational agency (LEA) capacity[30]
- ongoing organizational and budgetary restructuring efforts; and
- inconsistent BIE leadership (the Bureau has had 33 directors since 1979).

A high-quality education is also hampered by crumbling school infrastructure and limited broadband Internet access. All of these challenges contribute to low graduation rates for Native students. Nationally, the American Indian/Alaskan Native high school graduation rate is 69 percent, below the national average of 81 percent.

Moreover, DOI is failing to collect comprehensive and accurate information on school safety and health conditions at all BIE schools, and failing to provide schools with support in addressing deficiencies identified in annual safety reports.[31] Conducting thorough annual inspections at all BIE schools is essential for protecting the safety and health of students.

In last year's management challenges report, we highlighted BIE's planned restructuring, as recommended in the 2014 "Blueprint for Reform," which recommended a shift in BIE's role from direct provider of education into a

[30] SEAs and LEAs not only provide guidance on compliance with State and Federal education laws, but also provide direction, technical assistance, and resources that schools can leverage to help increase student achievement.
[31] GAO Report No. GAO-16-313, "Key Actions Needed to Ensure Safety and Health at Indian Schools Facilities," March 2016.

capacity-builder and service-provider to tribes that run their own schools. Greater tribal control of schools promotes self-governance and self-determination, giving tribes more power to engage children, infuse schools with tribal cultural values and native languages, and improve educational outcomes. BIE's goal is commendable, but the transition may require more technical and financial assistance for tribes than BIE can provide. Moreover, in order to make this transition successful and to ensure that funds are spent effectively, tribes need to have the capacity to run their own schools.

To address some of these complex challenges, DOI's FY 2016 budget included $45 million for school construction projects and funding for a public-private partnership to provide more than 1,000 American Indian students nationwide with improved access to digital technology in their classrooms and dorms. In addition, the FY 2017 budget request proposes $1 billion to support a comprehensive redesign and reform of BIE, including $138 million to improve facility conditions and $25 million to extend broadband Internet and computer access at BIE-funded schools and dormitories.

To effectively use its Federal funding in addressing these challenges, BIE needs to improve its oversight of school expenditures. In a 2014 report, GAO stated that BIE continues to be challenged with the development of process documents that detail how BIE oversees expenditures for major programs.[32] BIE also needs to develop procedures that detail the requirements for consistent documentation of monitoring activities and remediation actions to resolve financial weaknesses identified at schools.

Energy Development and Management on Tribal Lands

Indian Country energy resources are underdeveloped relative to surrounding non-Indian resources, but have significant potential. BIA has primary authority for managing Indian energy development and generally holds final decision-making authority for leases and other permits required for development. Indian-owned oil and gas resources are one of the largest revenue generators in Indian Country, with royalty income of $826 million in 2015.

In 2015, GAO identified BIA "management shortcomings" as a major hindrance to energy development in Indian Country.[33] Management shortcomings, coupled with a complex regulatory framework, limited capital and infrastructure, and varied tribal capacity to address issues, can lead to lost revenue for American Indians. GAO recommended that DOI take steps to address data limitations, track its review process, and provide clarifying guidance, among other actions to

[32] GAO Report No. GAO-15-121, "Indian Affairs: Bureau of Indian Education Needs to Improve Oversight of School Spending," November 2014.
[33] GAO Report No. GAO-15-502, "Indian Energy Development: Poor Management by BIA Has Hindered Energy Development on Indian Lands," June 2015.

improve energy development and management on tribal lands. In 2016, GAO pointed out that BIA is also faced with an extensive backlog, in part due to inadequate staffing and a complicated review and approval process for Indian oil and gas revenue-sharing agreements, known as communitization agreements.[34] In July and August 2015, DOI issued guidance intended to streamline the review process and reduce the approval times administered by BLM and BIA. GAO expressed concern that the guidance did not provide sufficient approval timeframes, systematic methods to track the Federal review process on these agreements, or a robust plan to evaluate the effects of such guidance on timely review.

Among the tools available for promoting energy and resource development in Indian Country are tribal energy resource agreements (TERAs), which aim to promote tribal oversight and management of energy and mineral resource development on tribal lands and to further the goal of self-determination. Federal policy allows for interested tribes to pursue TERAs, which would enable tribes to develop energy-related business agreements, award leases, and grant rights-of-way for energy facilities without having to obtain further approval from the Secretary of the Interior. Although TERAs create an avenue for tribal-directed energy and resource development, according to GAO testimony before the U.S. Senate Committee on Indian Affairs in 2015 and an OIG report issued a year later, no tribe has entered into a TERA. This is due in part to the complexity of TERA regulations; thus TERA has not proved a viable option for tribes.

BIA is attempting to improve energy management shortcomings, as recommended by GAO, by developing processes to track review and response times for energy-related documents and collect relevant data. BIA has set a goal to implement a tracking and monitoring mechanism for oil and gas leases by the end of FY 2017. Ensuring efficiency, effectiveness, and transparency in the handling of energy-related documents should improve BIA's ability to appropriately develop Indian energy resources.

Recent legal action surrounding the Dakota Access Pipeline further highlights the complex nature of natural resource development on tribal lands. The Dakota Access Pipeline is a proposed project to transport crude oil from production areas in North Dakota to refineries in Illinois. The Standing Rock Sioux Tribe in North Dakota has argued that the pipeline could endanger both its water supplies and sacred sites and has filed a legal challenge to the project. The outcome of this dispute could affect how DOI handles future energy and resource planning and transactions.

In FY 2016, DOI received initial funding to establish an Indian Energy Service Center, to expedite the leasing, permitting, and reporting for conventional and renewable energy. By instituting streamlined processes, standardized procedures,

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[34] GAO Report No. GAO-16-553, "Interior Could Do More to Improve Its Process for Approving Revenue-Sharing Agreements," June 2016.

and best practices for all types of energy transactions, the center intends to remediate backlogs and provide expedient energy-related services and support to tribes nationwide. The creation of this center can also improve cross-bureau communication among the BIA regional offices, the BLM field and State offices, and the Office of the Special Trustee for American Indians' fiduciary trust officers and regional trust administrators. Once this center is operational, DOI will need to conduct regularly scheduled assessments to ensure it is efficiently and effectively mitigating the issues it was designed to address.

Energy Development and Management in Insular Areas

Without indigenous fossil fuels, Insular Areas face great challenges in achieving reliable, affordable, and secure energy. This can have a severe economic effect on the island communities, which depend almost entirely on imported petroleum products for energy. Because DOI is responsible for administering technical and financial assistance provided by the U.S. Government to assist with the development of energy resources, it is critical that DOI work to establish efficient processes and oversight to ensure fiscal responsibility.

OIA has partnered with the U.S. Department of Energy, specifically the Office of Energy Efficiency and Renewable Energy and the National Renewable Energy Lab (NREL), to support energy transformation, planning, and capacity building for the Insular Areas. Moreover, the NREL provides technical assistance to help islands reduce their dependence on fossil fuels and increase their energy security by implementing energy efficiency measures and leveraging indigenous renewable resources. For example, with NREL assistance, the U.S. Virgin Islands has evaluated its clean energy opportunities, undertaken major energy efficiency upgrades, and made a $65 million investment in solar power, which OIA should monitor to ensure progress. OIA will continue its efforts and partnerships to help the Insular Areas develop technologies for renewable energy resources.

Acquisition and Financial Assistance

OIG has consistently identified acquisition management as an area in need of improvement. It's also an area of significant spending: DOI awarded approximately $10.1 billion in new grants and contracts in FY 2016.

Preventing or remediating problems in acquisition and financial assistance processes is always critical, especially in times of fiscal constraint. As in previous years, we found problems with DOI's presolicitation planning and competition as well as post-award performance monitoring. Similar to staffing challenges noted for other technical specialties, bureaus do not have an adequate number of trained staff to effectively award and manage contracts, grants, and cooperative agreements. Without enough qualified contracting personnel, bureaus run the risk of inconsistently applying regulations and providing poor oversight of awards.

Historically, single audits and OIG audits of tribal nations have identified numerous and significant problems, including improper payments to related parties, general financial mismanagement issues resulting in significant deficiencies, inadequate segregation of duties resulting in stolen funds, unallowable commingling of Federal funds with tribal funds, and flawed reporting systems. Some tribes need assistance with referring instances of suspected or identified fraud to our investigative unit. This would help prevent these types of issues from recurring.

Uniform Guidance

OMB guidance issued in 2013, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards," will continue to significantly affect day-to-day management and administration of Federal financial assistance awards. Often referred to as the "Super-Circular," it requires agencies to integrate risk management and internal control functions, and also establishes a mandatory assessment process to review internal controls over operations.

Together, this relatively new guidance and the need for qualified grant specialists means that DOI will likely continue to face challenges with the monitoring of Federal financial assistance awards.

Public Law 93-638 Contracts

DOI awarded about $1 billion in new contracts and grants to Indian Country recipients during FY 2016. Our prior audit work has consistently identified high-risk issues with awards made under Public Law 93-638—tribal self-governance contracts—regarding contract oversight, pre-award processes, and post-award monitoring. These tribal awards from BIA and other bureaus are a major part of

DOI's funding obligations, with these "638 contracts" accounting for approximately 17 percent of the FY 2016 assistance award obligation.

There are major differences between 638 contracts and traditional Federal acquisition contracts. For example, Public Law 93-638 allows Indian tribes to contract with the bureaus on a noncompetitive basis. Also, 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 the shortage of qualified contracting personnel, make 638 contracts a high risk.

A shortage of qualified personnel has a significant impact on the acquisitions process. To administer 638 contracts, staff need to have extensive training and experience, beyond the procurement training sufficient at other bureaus. Becoming awarding officials can take years to accomplish, posing a human resource challenge for BIA and other bureaus that award 638 contracts.

Public Safety and Disaster Response

At national parks and federally managed lands, ensuring the health and safety of visitors is just as critical for DOI as protecting and preserving these areas.

Millions of people visit DOI's national parks and monuments, wildlife refuges, and recreational sites each year. DOI is responsible for serving these visitors and for maintaining and protecting thousands of facilities and millions of acres of property. In some cases, lands and facilities are in isolated locations, presenting unique vulnerabilities and making it a challenge to protect public safety.

DOI also addresses disaster response in connection with public safety. Disaster response and emergency management can involve the efforts of multiple Federal agencies, multiple levels of government, and the private and nonprofit sectors. Given the breadth of its mission, DOI responds to a wide range of disaster events, including wildland fires, oil and hazardous substance spills, natural and biological hazards, critical infrastructure incidents, emergency medical incidents, and search and rescue activities, among others. In any emergency, DOI's primary concern is taking needed action on DOI lands, at DOI facilities, and in support of DOI-managed resources. DOI is also responsible for providing assistance to State and local officials with immediate emergency response and supporting interagency response plans with application of designated DOI resources.

Occasionally, OIG project work covers public safety and disaster response topics. Our Office of Investigations has noted public safety concerns on DOI-managed lands. One investigation, conducted jointly with the U.S. Environmental Protection Agency (EPA), found that proper safety procedures were not followed when three people were killed on an offshore energy platform.

Safety and Security at Parks

Safety incidents at national parks continue to appear in the news. In July 2016, NPS rangers assisted with local response to two missing people in Badlands National Park. Fatalities in the past year have included a woman who slipped off an observation point along a hiking trail at the Grand Canyon and a man at Yellowstone National Park who fell into a geyser. A former park ranger was killed by a bear just outside Glacier National Park in Montana, and a runner was attacked by a bear at Valles Caldera National Preserve in New Mexico.

In addition, more tourists are visiting national parks and federally managed lands each year, which increases DOI responsibilities. In 2014, NPS reported 292.8 million recreational visits; in 2015, that number climbed to 307.2 million. This increase in activity raises safety concerns, especially in remote regions of the parks, during inclement weather, or with regard to protecting more visitors from wild animals. Risk management and injury prevention require manpower and resources—a significant challenge due to limited funding and competing priorities at parks. Increased tourism can also strain infrastructure, sometimes requiring additional roads and facilities, and often accelerating deterioration in the current infrastructure.

In August 2016, the Washington Monument was forced to shut down for an extended period due to issues with its elevator. This closing happened after two previous closings in the same week. After investigating, NPS decided to shut down the monument until the elevator control system could be completely overhauled. NPS will need to complete the work as promptly as possible while ensuring that visitor safety is a top priority.

Due to the wide range of activities that park visitors engage in, their diverse backgrounds and experience levels, and the inherent risks that cannot be managed or transferred away, visitor risk management in the national parks continues to be a difficult challenge. As visits increase, a corresponding growth in special park uses, concessions, and commercial uses makes risk management even more complex. NPS has a Visitor and Resource Protection Directorate to focus on operations including fire management, law enforcement, emergency services, commercial and special park uses, and fee management. Directorate employees have the challenge and responsibility to safeguard both park visitors and park resources. Increasing numbers of visitors to national parks will challenge NPS to manage risk, promote safety, and accommodate increased demands on its budget and staffing.

Safety and Security on Other Public Lands

The Western United States is the fastest growing region in the country, with residential subdivisions taking the place of farmland and uninhabited desert areas. This urbanization has not only increased demands for water and power but also created public health and safety issues.

When most USBR dams, reservoirs, canals, and other facilities in the West were built, the surrounding areas were sparsely populated. Now some of these facilities have residential neighbors who want to access USBR lands for recreation—creating safety hazards and liabilities and requiring additional Federal land management planning. With respect to the dangers of recreational activities in or near facilities not intended for such use, educating the public about the hazards associated with unauthorized use should help avoid accidental drownings and other safety incidents.

This population growth has also resulted in greater urgency for USBR facility repair and maintenance activities. Historically, canal leaks or ruptures had limited impacts on nearby crops and land. Now, canals flow through residential subdivisions where even a minor seep from a canal can threaten homes, lives, and property and requires immediate attention. The operational and financial consequences can be significant. USBR and its operating partners do not have the financial resources to address all possible impacts on the public's health and safety.

USBR is aggressively monitoring the condition of its facilities near urbanized areas and using a risk-based approach to prioritize mitigation activities, as well as updating its inventory of facilities in urbanized areas as population densities change. USBR is also working with the operators of facilities it does not manage to ensure that each has an emergency response plan and access to emergency funding if needed to address imminent threats to public health or safety, or property.

Offshore energy development activities also have health and safety ramifications. In November 2015, three companies and three individuals were charged with crimes related to an offshore oil production platform explosion that led to the deaths of three individuals. A joint investigation by OIG and the EPA resulted in multiple charges, including involuntary manslaughter, failing to follow safety practices under the OCSLA, and violation of the Clean Water Act.[35]

As discussed previously under "Energy Management," the oil and gas industry and various courts have challenged the applicability of the OCSLA in circumstances involving contractors and servicing agencies that work offshore. In part, the basis for the challenge is the wording of the regulations, which is inconsistent with the language in the law. Legal challenges can affect DOI's ability to regulate offshore activities, which has direct impact on public safety and the surrounding environment.

Hazards Associated With Hydraulic Fracturing

In addition to challenges related to oversight and regulation of hydraulic fracturing, or fracking (discussed previously under "Energy Management"), environmental and health concerns continue to be raised about this method of oil and gas extraction. New research from Johns Hopkins University shows that asthma sufferers who live near wells that use fracking to extract natural gas are up to four times more likely to have an asthma attack than those who live farther away.[36]

In last year's management challenges report, we discussed an EPA draft assessment of the potential impacts on drinking water resources from fracking. This year, a 30-member science advisory panel to the EPA challenged the report, concluding that it was "comprehensive but lacking in several critical areas." The

[35] DOJ Press Release, "Three Companies and Three Individuals Charged in Fatal 2012 Gulf Of Mexico Oil Drilling Platform Explosion," November 19, 2015, https://www.justice.gov/opa/pr/three-companies-and-three-individuals-charged-fatal-2012-gulf-mexico-oil-drilling-platform.

[36] Johns Hopkins Bloomberg School of Public Health, "Study: Fracking Industry Wells Associated With Increased Risk of Asthma Attack," July 18, 2016, http://www.jhsph.edu/news/news-releases/2016/study-fracking-industry-wells-associated-with-increased-risk-of-asthma-attacks.html.

advisory panel's evaluation and critique of the draft study was wide ranging, but focused closely on the EPA's assertion that fracking operations had not led to "widespread, systemic impacts on drinking water resources." The panel said that this conclusion had not been backed up quantitatively by the EPA, adding that the report "did not clearly describe the system(s) of interest (e.g., groundwater, surface water), the scale of impacts (i.e., local or regional), nor the definitions of 'systemic' and 'widespread.' "[37]

Increased use of fracking has generated opposition as well as support. New research continues to examine the public health and safety aspects. Public interest is high, and new studies are debated even while they are in draft form. DOI must monitor the current research and weigh the economic benefits of this method of oil and gas extraction against potential environmental and health concerns.

Human and Environmental Costs of Wildland Fire

In addition to escalating costs of fire suppression activities and budget shortfalls that affect other critical programs (discussed previously under "Climate Effects"), wildland fires have led to lost lives, damaged property and infrastructure, and devastated forests and rangelands. In May 2016, Secretary Jewell announced $10 million in funding to increase wildfire resiliency and better mitigate its impact on landscapes across the country. She also called on Congress to fix how wildland fire suppression is budgeted. President Obama's FY 2017 budget also seeks to change how the Federal Government allots funds for fire suppression costs by treating spending on firefighting like other Federal disaster response activities.

Wildland fires have burned thousands of acres this year along the West Coast and into the central United States as far as Colorado. In California, homes were evacuated and several fatalities occurred due to wildland fire. In Nevada, two BLM firefighters were killed while returning from a patrol looking for lightning-sparked wildland fires. In Colorado, two people were arrested for leaving a poorly extinguished fire at a campsite, which resulted in a wildland fire that burned more than 500 acres in Boulder County and forced residents to evacuate.

Wildland fires have also affected DOI lands. Wildland fire and smoke led to the closing of a connecting road between Yellowstone and Grand Teton Nation Parks in August 2016. The lightning-caused Berry Fire covered 6,800 acres and caused the closing of U.S. Highway 89.[38] The Maple Fire in Yellowstone was one of several fires in the park and covered more than 30,000 acres. Firefighters had to construct a firebreak in order to reduce the risk of the fire spreading to the nearby

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[37] C. Mooney, S. Mufson, and B. Dennis, "EPA's Science Advisers Challenge Agency Report on the Safety of Fracking," The Washington Post, August 12, 2016, https://www.washingtonpost.com/news/energy-environment/wp/2016/08/11/epas-science-advisers-challenge-agency-report-on-the-safety-of-fracking/?utm_term=.b3f51db7cd93.

[38] R. Prevost, "Wildfire Forces Closure of South Entrance to Yellowstone National Park," Reuters, August 24, 2016, http://www.reuters.com/article/us-yellowstone-wildfire-idUSKCN10Z2YR.

town of West Yellowstone.[39] With fires as an ever-present threat on DOI lands, the Department must be ready to respond to preserve not only its lands but also the areas surrounding them.

As part of its efforts to fight wildland fire, DOI has contracted with a manufacturer for up to 40 drones for aerial surveillance and fire management. Using drones will allow DOI to conduct missions that were previously impossible due to limited resources and costs associated with using manned aircraft, expanding wildfire suppression capabilities and enhancing firefighter safety.[40] DOI plans to equip all firefighter teams with drones to detect, assess, and attack wildfires by 2020.[41] To ensure effective implementation, DOI will need to manage the costs of unmanned aircraft equipment, training, and use. DOI must also finalize protocols for drone use and develop procedures for rapid deployment in response to emergencies across the country.

On the other hand, the increased popularity of private drone ownership for hobby use poses serious risks to fire-suppression efforts. Between 2015 and 2016, the number of drones sold in the United States increased 289 percent.[42] In 2015, firefighters spotted more than 20 drones flying over active wildfires. In some instances, pilots of firefighting aircraft had to take evasive action to avoid colliding with a drone.[43] The Federal Aviation Administration has specific safety regulations for unmanned aircraft, and Federal regulations (43 CFR § 9212.1(f)) prohibit interference with firefighting efforts. DOI is working to educate the public about the dangers and penalties associated with wildland fire encroachment and is developing a smartphone app that provides real-time alerts and geofencing alarms to drone pilots if they approach wildland fire zones.

Wildland fire continues to cause damage across the country, threaten public safety, and take the lives of firefighters in the line of duty. The Secretary has called on Congress to make wildland firefighting and prevention a priority and should continue to seek additional resources to help prevent against loss of life and damage to property. DOI must remain vigilant in both preventing and fighting wildland fires to minimize their effects on human lives and safety and DOI assets.

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[39] InciWeb Report, "Maple Fire," Accessed August 26, 2016, http://inciweb.nwcg.gov/incident/4944/.
[40] DOI Press Release, "U.S. Department of the Interior Awards Contract for Small Unmanned Aircraft Systems," August 24, 2016, https://www.doi.gov/pressreleases/us-department-interior-awards-contract-small-unmanned-aircraft-systems.
[41] White House Press Release, "Fact Sheet: Enabling a New Generation of Aviation Technology," June 21, 2016, https://www.whitehouse.gov/the-press-office/2016/06/21/fact-sheet-enabling-new-generation-aviation-technology.
[42] The NPD Group, "Drones: Technology's High-Flying Category," April 6, 2016, https://www.npd.com/lps/pdf/drone-high-flying-technology.pdf.
[43] DOI Press Release, "Federal Agencies Working Together to Combat Unauthorized Drone Use during Wildfire Operations," June 10, 2016, https://www.doi.gov/pressreleases/federal-agencies-working-together-combat-unauthorized-drone-use-during-wildfire.

USGS Flood Response

In August 2016, flooding from extreme rainfall led to more than a dozen deaths and damaged tens of thousands of homes across multiple parishes in Louisiana. Although not a first-responder agency, USGS played a significant role during these floods, as it does for flooding throughout the United States. USGS data and tools are used during and immediately after floods, as well as throughout the long-term recovery.

USGS uses tools called streamgages and other measurement stations to provide flood data to the National Weather Service, the U.S. Army Corps of Engineers, and State and local first responders. "Streamgaging" is the common term for measuring how much water is flowing in a stream or river. USGS uses streamgage measurements to help analyze water conditions, assess the impacts of climate and land-use change, forecast flood behavior, and coordinate flood response. After a flood, USGS will often partner with other agencies, particularly the Federal Emergency Management Agency (FEMA), to do high-water-mark measurements in urban areas affected by flooding.[44] As the floodwaters recede, USGS crews focus on repairing damaged equipment. Since streamgages are located on rivers and creeks, they are at risk of damage or destruction from floodwaters. Because streamgages are an essential part of USGS flood response, repairing them is a high priority and a continuing challenge for USGS.

Earlier this year, USGS provided an overview to the National Security Council on the activities it undertakes during flood response and the challenges faced in funding these efforts outside of mission assignments. Costs associated with these activities have been funded through various sources, including USGS-appropriated funding and reimbursable funding from Federal, State, regional, tribal, and local partners—but in recent years expenses have exceeded these funding sources. USGS flood response expenses have totaled about $2 million per year on average since 2011, and USGS science funds have been redirected in an ad hoc manner to help cover these costs. This makes less funding available for USGS mission areas such as natural hazards and environmental health, which support safety, preparedness, and incident response efforts. USGS is challenged to solve these budgetary shortfalls in flood response without impacting its mission responsibilities in other areas.

USGS' role in disaster response aids many other agencies in determining where flooding will occur and to what extent. These vital data inform the response and help guide responding officials to areas most in need of help. Similar to budgeting challenges identified for wildland fires, the excessive cost to USGS for flood activities takes funds away from other mission-critical programs. Data-gathering related to floods, which has been shown to be of use during the Louisiana flooding, must be funded in order to continue this mission.

[44] USGS Press Release, "Fighting the Floods," August 22, 2016, https://www.usgs.gov/news/fighting-floods.

Operational Efficiencies

In today's fiscal environment, Government leaders must function with fewer resources and find new ways to tackle complex challenges. How well they manage the operations and performance of their agencies directly affects their ability to achieve effective outcomes.

DOI faces challenges in hiring and retaining qualified staff across the board—from IT and cybersecurity professionals to specialists in science and engineering fields. Specific hiring and retention problems we have identified include not enough individuals trained in science, technology, engineering, and mathematics (STEM); the inability to compete with higher salaries in the private sector; and an aging and retiring workforce.

Operational issues also exist in the management of resources and programs. We have specifically identified issues with fee pricing and collection at recreational areas, which have negative effects on both the bureaus and the public who use the facilities.

Hiring and Retention

DOI faces departmentwide challenges in hiring and retaining staff. Hiring and retention are hindered by lower salaries and a slower hiring process compared with similar positions in private industry. DOI's mission requires employees with highly specialized skills, including engineers, biologists, geologists, hydrologists, electricians, welders, economists, project managers, and IT specialists, among others. Fewer people choosing STEM as a career field has led to a smaller pool of qualified job applicants, making it more difficult to compete for and retain top-tier staff. A shortage of talented information specialists and scientists exists across the Federal Government, not just at DOI.

GAO has identified key areas that need attention: (1) revising the General Schedule classification system to make it more modern, flexible, and simple; (2) determining Governmentwide skills gaps in mission-critical occupations and taking action to address them; (3) improving performance management; and (4) strengthening employee engagement.[45]

DOI bureaus face additional challenges related to their operations or activities. For example, a 2016 report from the U.S. Equal Employment Opportunity Commission highlighting diversity problems in STEM-related fields included Native Americans among the groups that are underrepresented.[46] BIE funding

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[45] GAO Report No. GAO-15-619T, "Human Capital: Update on Strategic Management Challenges for the 21st Century," May 20, 2015.
[46] U.S. Equal Employment Opportunity Commission, "Diversity in High Tech," May 2016, https://www.eeoc.gov/eeoc/statistics/reports/hightech/.

challenges might be a contributing factor in Native American underrepresentation in STEM fields as well as other educational outcomes: Teachers in BIE-funded schools that educate Native students often work with shoestring budgets, teach up to nine classes, and work in small communities with limited opportunities to collaborate with colleagues. One researcher has suggested that teachers in BIE schools could help Native students succeed in STEM courses by showing them how their schoolwork connects to their communities and real lives.[47]

As another example, USGS points to its geographically dispersed workforce (400+ locations nationwide) as a particular obstacle to workforce diversity. USGS is taking steps to align recruitment and hiring efforts with workforce plans to bring diverse, qualified talent into the bureau, including initiatives focused specifically on women, veterans, and persons with disabilities. BOEM, BSEE, and BLM have specific problems with recruiting and retaining energy professionals. USBR struggles with a limited talent pool for the employees who design, operate, and maintain its water programs and projects in the Western United States.

DOI needs a top-notch workforce to meet its mission and programmatic goals. Ongoing and emerging gaps in critical skills will erode DOI's ability to carry out its mission. In addition, as current employees reach the end of their careers, retirements could lead to further shortages in leadership and institutional knowledge. Strategic management approaches are required to overcome staffing obstacles and prepare workforces to meet mission requirements and achieve organizational success.

Workers' Compensation Program

In 2010, President Obama established a 4-year initiative called Protecting Our Workers and Ensuring Reemployment (POWER), which set aggressive performance targets for collecting and analyzing agency performance data, including data on the causes and consequences of frequent or severe workplace injury and illness and safety and health management programs. Because the initiative ended in FY 2014, no agency performance targets were established for FY 2015, and DOI still awaits the next presidential initiative or successor to POWER. DOI continues to work to improve management of the compensation program, its data and related costs.

In addition, DOI faces challenges in processing employee claims for workers' compensation benefits (which include medical benefits, income replacement, and certain supportive services) to Federal civilian employees with work-related illnesses or injuries, or in the case of death, survivor benefits to family members. The costs of workers' compensation benefits are initially paid by the U.S.

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[47] J. Zubrzycki, "For Native Youth, Putting STEM in Context," Education Week, July 29, 2016, http://blogs.edweek.org/edweek/curriculum/2016/07/indigenous_youth_and_stem.html.

Department of Labor (DOL) through the Employee Compensation Fund and reimbursed by DOI at the end of each fiscal year.

One barrier to operational efficiency is that DOI does not have access to DOL's web-based portal for electronic filing of key claim forms, called the Employees' Compensation Operations and Management Portal (ECOMP). Most bureaus and offices in DOI use a separate system (called Safety Management Information System, or SMIS) that is not compatible with ECOMP. The effect is slower processing of employee claims and more time and resources to manage the process.

Although DOI has improved its occupational safety and health and workers' compensation programs over the years, deficiencies continue to be identified in these programs. Data integrity in SMIS remains a problem, and SMIS does not capture information that could help specify and prioritize program improvement efforts. For example, there are no system controls that require employees to fill out the claim form in its entirety, so critical sections like injury type can be left blank; this also leads to persistent data integrity problems caused by instances of cases being input into the system years after the injury date. For example, in a 2016 inspection, OIG found that 355 claims were created more than a year after the injury date. Further, most bureaus have not adopted a longstanding policy DOI intended to encourage accountability on health and safety issues and reduce costs.[48] Likewise, the Designated Agency Safety and Health Official (DASHO) Council, charged with driving safety policy and priorities throughout DOI, is not fulfilling its intended purpose; key safety reports are not timely; the DASHO Council does not have sufficient authority and visibility; and no safety program exists to cover Office of the Secretary employees.

Recreation Fees

The Federal Lands Recreation Enhancement Act (FLREA), which authorizes agencies including NPS, FWS, BLM, and USBR to collect recreation fees from visitors to national parks and other Federal sites, is scheduled to expire on September 30, 2018, unless reauthorized by Congress. Should the FLREA expire, NPS in particular stands to lose a significant source of funding that supplements an already strained budget, which will affect the visitor experience, availability of amenities and services, and conservation and preservation efforts.

The FLREA requires agencies to report to Congress every third year on their fee programs. According to DOI's 2015 FLREA report, total recreation revenues collected for FY 2014 were $278 million, of which NPS collected $185.3 million. (In comparison, NPS' FY 2014 proposed operating budget was nearly $2.3 billion.)

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[48] In May 1992, the Secretary of the Interior directed bureaus to manage workers' compensation costs by identifying them at the organizational level where the injury occurred. DOI issued this policy to increase field managers' awareness of the cost of accidents, as well as their responsibility for maintaining a viable safety program. OIG found that most bureaus have never complied with this policy.

More than 300 million people from around the world visited national parks in 2015, which was approximately 14 million more than in 2014; attendance in 2016 is projected to be even higher. Recreation fees are a critical component of DOI's budget and have direct impact on DOI's ability to ensure the best possible experience for visitors to public lands.

BOEM Cost Recovery Fees

BOEM manages the exploration and development of offshore energy resources, including oil and gas lease sales. BOEM recovers costs for application processing, leasing and adjudication, exploration plans, resource evaluation permits, and appeals, among other program aspects. These recovered costs are one type of offsetting collection, so called because they reduce (or "offset") the Bureau's congressional funding. The FY 2016 budget request included total appropriations of $170.9 million for BOEM, of which $96.6 million would be derived from offsetting collections, for a net appropriation of $74.2 million. The $96.6 million in offsetting collections consisted of $3.7 million in cost recovery fees.

A particular challenge is that cost recovery fees are set for specific services, but do not always reflect current, actual costs. Thus, cost recovery fees need to be assessed periodically to ensure they reflect actual costs. This is a significant task to undertake. In FY 2016, BOEM initiated a comprehensive review to systematically update its cost recovery fees, as required by the Independent Offices Appropriations Act of 1952 (as amended) and OMB Circular A-25. BOEM is also updating its risk management practices, adding criteria and financial assurance requirements for offshore oil and gas lessees. Current requirements are approximately 22 years old and do not reflect the scale, complexity, and costs of today's offshore operations.

BOEM issued a contract to analyze and update each of its cost recovery fees, and also to examine its internal control functions. The updates to cost recovery fees will account for inflation and compensate BOEM for additional reviews related to risk management for industry activities on the OCS. BOEM is also updating its financial assurance protocols and standards, which are necessary to ensure that the Federal Government is protected from financial loss when lessees fail to meet their financial and operational obligations. For example, in FY 2016, BOEM issued a notice to lessees and operators[49] to clarify and modernize its approach to determining their financial strength and reliability, including requiring additional security in the form of supplemental bonds for plugging, abandoning, and decommissioning OCS wells, platforms, and other facilities.

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[49] BOEM NTL No. 2016-N01, "Notice to Lessees and Operators of Federal Oil and Gas, and Sulfur Leases, and Holders of Pipeline Right-of-Way and Right-of-Use and Easement Grants in the Outer Continental Shelf, Requiring Additional Security" effective September 12, 2016, /http://www.boem.gov/BOEM-NTL-2016-N01/.

Conclusion

The challenges described in this report encompass both the vulnerabilities that OIG has identified in the past and the emerging issues that DOI will face in the coming years. 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 DOI's mission.

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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 2016 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 2016					
Audit Opinion	Unmodified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Controls over Property Plant and Equipment	1	0	1	0	0
Department-wide IT Controls	1	0	1	0	0
Total Material Weaknesses	2	0	2	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 accounting and financial management and reporting. During FY 2016, 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 2016 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
Department-wide IT Controls	1	0	1	0	0	0
Total Material Weaknesses	1	0	1	0	0	0

Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance	Modified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Radio Communications Program	1	0	1	0	0	0
Management of Grants, Cooperative Agreements, and Tribal Awards	1	0	0	0	0	1
Total Material Weaknesses	2	0	1	0	0	1

Conformance with Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance	Federal Systems Conform 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

SUMMARY OF IMPROPER PAYMENTS

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. As defined by IPERIA, significant improper payments are improper payments exceeding both 1.5 percent of program outlays and $10 million of all program or activity payments, or $100 million. On October 20, 2014, OMB released M-15-02, an update to the OMB Circular A-123, Appendix C, *Requirements for Effective Estimation and Remediation of Improper Payments*, to transform the improper payment compliance framework to create a more unified, comprehensive and less burdensome set of requirements.

In FY 2015, DOI was not fully compliant with IPERIA as it did not complete the required risk assessments timely and did not report a statistically valid improper payment rate related to disaster-relief funding as required by OMB. The DOI was compliant with all other provisions of IPERIA. In FY 2016, DOI implemented corrective actions to address prior year non-compliance by strengthening the program procedures, performing the required risk assessments, and determining a statistically valid improper payment rate. The DOI is committed to ensuring compliance in FY 2016 and achieving the most cost effective strategy on the reduction of improper payments.

Risk Assessments

The OMB requires agencies to review all programs and activities to determine the risk susceptibility of making significant improper payments and to perform more in-depth assessments to determine whether those programs meet the criteria for "significant erroneous payments."

On January 29, 2013, the President signed into law the *Disaster Relief Appropriations Act of 2013* (Disaster Relief Act), which provided $50.5 billion in aid for Hurricane Sandy disaster victims and their communities. In accordance with OMB Memorandum M-13-07, *Accountability for Funds Provided by the Disaster Relief Appropriations Act*, section 904(b), provides that all programs and activities receiving funds under that Act shall be deemed to be "susceptible to significant improper payments" for the purposes of IPIA. Therefore, all Federal programs or activities receiving funds under the *Disaster Relief Act* are automatically considered susceptible to significant improper payments, regardless of any previous improper payment risk assessment results, and are required to calculate and report an improper payment estimate. As such DOI will continue to test Hurricane Sandy related outlays for programs and activities receiving this funding until fully expended.

In FY 2016, DOI conducted 89 risk assessments totaling $22 billion for DOI programs. The alternative time period assessed covered fourth quarter FY 2105 and the first three quarters of FY 2016. The DOI elected an alternative time period in order to complete the assessment for the publication of the AFR. The susceptibility of programs to make improper payments was determined using both qualitative and quantitative risk analysis. A weighted average of 65 percent for qualitative factors and 35 percent for quantitative risk yields the program's overall risk score as high, medium, or low. A quantitative high risk rating automatically results in an overall high risk rating regardless of the overall risk score.

The DOI evaluated the following nine OMB risk factors in performing the qualitative risk assessments: (1) newness of the program to the agency; (2) program complexity with respect to determining correct payment amounts; (3) volume of annual payments; (4) payment decision authority, (i.e., whether payment eligibility decisions are made outside of the agency); (5) recent major changes in program funding, authorities, practices or procedures; (6) 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 payment accuracy; and (9) results from prior improper payment reviews, such as OMB Circular A-123 assessments and other internal reviews designed to prevent or detect improper payments. In addition, DOI considered the results of reviews under the *Single Audit Amendments of 1996*, the CFO Act, GAO reviews, and audit reviews by DOI OIG when making its assessment. Based on the risk assessments conducted, DOI determined that none of its programs and activities listed on the following pages is susceptible to significant improper payments at or above the thresholds established by OMB.

FY 2016 DOI Programs Assessed for Risk of Improper Payments

- Abandoned Mine Reclamation
- Abandoned Well Remediation Fund
- Administrative Operations (DO)
- BLM Fire Management
- BLM Management of Land and Resources
- California Bay-Delta Restoration
- Central Utah Project
- Central Valley Project Restoration Fund
- Climate & Land Use Change (USGS)
- Coastal Impact Assistance (FWS)
- Colorado River Dam Fund, Boulder Canyon Project
- Construction Program (BIA)
- Construction Program (FWS)
- Construction Program (NPS)
- Contract Support Costs (BIA and BIE)
- Contributions from Annuity Benefits
- Cooperative Endangered Species Conservation Fund from LWCF (FWS)
- Cooperative Endangered Species Conservation Fund (FWS)
- Core Science System (USGS)
- DO Wildland Fire (BIA)
- DO Wildland Fire (FWS)
- Donations (NPS)
- Ecosystems (USGS)
- Energy, Minerals, and Environmental Health (USGS)
- Facilities (USGS)
- Federal Aid To Wildlife Restoration (FWS)
- Federal Aid-Highways (Liquidation of Contract Authorization)
- Helium Fund
- Historic Preservation Fund - Special
- Indian Guaranteed Loan Program Account
- Indian Land and Water Claim Settlements
- Interior Franchise Fund, Departmental Management
- Land Acquisition and State Assistance (NPS)
- Land Acquisition (FWS)
- Land and Resource Management Trust Funds
- Land and Water Conservation Fund (DO)
- Land Buy Back
- Lower Colorado River Basin Development Fund
- Migratory Bird Conservation Account (FWS)
- Multinational Species Conservation Fund (FWS)
- National Indian Gaming Commission, Gaming Activity Fees (DO)
- National Recreation and Preservation
- National Wildlife Refuge Fund (FWS)
- Natural Hazards (USGS)
- Natural Resource Damage Assessment and Restoration Fund (OS)
- North American Wetlands Conservation Fund (FWS)
- Natural Resource Damage Assessment Program (FWS)
- Operations (Insular Affairs)
- Operations (OIG)
- Operations (Office of the Solicitor)
- Operations (Office of the Special Trustee for American Indians)

- Operations (USGS)
- Offshore Safety and Environmental Enforcement
- Oil Spill Research
- Operation and Maintenance of Quarters
- Operation and Maintenance, Indian Irrigation System
- Operation of Indian Programs
- Operations of the National Park System
- Oregon and California Grant Lands
- Park Concessions Franchise Fees
- Payments in Lieu of Cal Fee Receipts
- Payments in Lieu of Taxes
- Payments to State and Counties Oregon and California Grant Lands
- Payments to State and Counties Nevada Land Sales
- Payments to States from Receipts Under Mineral Leasing, Public and Acquired Military Lands (ONRR)
- Payments to States, Flood Control Act of 1954 (ONRR)
- Permit Processing Fund
- Policy and Administration
- Power Systems, Indian Irrigation Projects
- Recreation Enhancement Fee Program (BLM)
- Recreation Enhancement Fee Program (NPS)
- Regulation and Technology
- Resource Management (FWS)
- Royalty Offshore (BOEM)
- Service Charges, Deposits and Forfeitures
- Southern Nevada Public Land Management
- Sport Fish Restoration Account (FWS)
- State and Tribal Wildlife Grants (FWS)
- Supplement Payments to United Mine Workers of America
- Transportation Systems Fund
- Upper Colorado River Basin Fund
- Water Programs (USGS)
- Water and Related Resources (BOR)
- Wildland Fire Management (DO)
- Wildland Fire Management (NPS)
- Working Capital Fund (BLM)
- Working Capital Fund (BOR)
- Working Capital Fund (DO)
- Working Capital Fund (USGS)

Sampling and Estimation

Due to the required timing of publishing the AFR, it is not feasible for DOI to sample and report on current FY activity. As such, DOI obtained OMB's approval to elect an alternative 12 month period – the prior FY. The DOI's sampling and estimation methodology uses statistical and alternative sampling to estimate the percentage of improper payments. The DOI reports an improper payment estimate and error rate based on the results of testing FY 2015 outlays of Hurricane Sandy recovery funds. Based on previous risk assessments, no other programs or activities were determined to be susceptible to significant improper payments. As such, DOI's sampling methodology approach is limited to testing Hurricane Sandy recovery efforts. In developing the sampling and estimation plan, DOI consulted with certified statisticians to ensure our methodology will produce statistically valid estimates.

In FY 2015, eight DOI Bureaus and Offices that received Hurricane Sandy recovery funds had $137 million of net outlays as indicated in Figure 3-3. The DOI statistically sampled 90 percent of the population, which includes NPS, FWS, and USGS. Alternative methods, primarily census (100 percent) testing, was used for the remaining population, which includes BOEM, BSEE, OIG, BLM, and DO.

Current and Projected Improper Payment Rates

The DOI statistically projected an improper payment amount of $565 thousand or 0.41 percent[1] as indicated in Figure 3-3. Of this amount, $253 thousand was identified by OIG contract audits that resulted in questioned vendor costs and unsupported payments. Per OMB Memorandum M-15-02, improperly supported payments must be reported as improper regardless of amount or accuracy. The DOI did not include $304 thousand in OIG questioned costs for FY 2015 Hurricane Sandy recovery programs, as this amount was resolved in FY 2016. The DOI continues to work with the OIG for final resolution of the remaining audit findings related to the ineligible costs and insufficient documentation.

The FY 2016 outlays and estimated FY 2017 and FY 2018 outlays anticipated for Hurricane Sandy recovery programs are identified in Figure 3-3. The DOI is committed to recovery efforts for FY 2015 and improvement in control efforts to monitor improper payments over the next three years and maintain a 0% (rounded) improper payment rate. The DOI will evaluate the most cost effective and efficient use of agency resources to further reduce improper payments. The Hurricane Sandy recovery program funds are expected to be fully expended by FY 2019.

FIGURE 3-3 (OMB TABLE 1)

FY 2016 Improper Payment (IP) Reduction Outlook
(dollars in thousands)

Program or Activity	PY Outlays $	PY IP %	PY IP $	CY Outlays $	CY IP %	CY IP $	CY Over-payment $	CY Under-payment $
Hurricane Sandy - Disaster Relief Act Program	$ 90,994	3.27%	$ 2,973	$ 137,285	0.41%	$ 565	$ 565	$ -

Program or Activity	CY + 1 Outlays $	CY + 1 Est. IP %	CY + 1 Est. IP $	CY + 2 Est. Outlays $	CY + 2 Est. IP %	CY + 2 Est. IP $	CY + 3 Est. Outlays $	CY + 3 Est. IP %	CY + 3 Est. IP $
Hurricane Sandy - Disaster Relief Act Program	$ 156,990	0%	$ 646	$ 129,000	0%	$ 531	$ 45,000	0%	$185

KEY: **CY** – Current FY 2015 **PY** – Prior FY 2014 **Est. –** Estimate

[1] In FY 2015, DOI reported an improper payment rate of 0.0004 percent that was based on the results of payment recapture audits that were conducted in FY 2014 for payments in FYs 2010-2012. In FY 2014, the improper payment rate of 3.27 percent is a result of questioned costs from OIG audits. In FY 2014 and FY 2015, the OIG found DOI non-compliant with IPERIA as it did not report a statistically valid improper payment rate. To ensure compliance in FY 2016, DOI's revised approach resulted in a correction to prior year information as previously reported in the Improper Payment Reduction Outlook section of the FY 2015 AFR. The prior year correction is reflected in Figure 3-3 (OMB Table 1).

Improper Payment Root Cause Categories

Figure 3-4 describes the root cause categories for the FY 2015 improper payments identified in Figure 3-3. For the improper payment category of *Administrative or Process Error Made by Federal Agency*, DOI estimated $468 thousand of overpayments and $0 underpayments. For the improper payment category of *Insufficient Documentation to Determine*, DOI estimated $97 thousand of overpayments and $0 underpayments.

FIGURE 3-4 (OMB TABLE 2)

FY 2016 Improper Payment Root Cause Category Matrix
(dollars in thousands)

Reason for Improper Payment		Hurricane Sandy - Disaster Relief Act Program	
		Overpayments	Underpayments
Program Design or Structural Issue		$ -	$ -
Inability to Authenticate Eligibility		$ -	$ -
Failure to Verify	Death Data	$ -	$ -
	Financial Data	$ -	$ -
	Excluded Party Data	$ -	$ -
	Prisoner Data	$ -	$ -
	Other Eligibility Data (explain)	$ -	$ -
Administrative or Process Error Made by:	Federal Agency	$ 468	$ -
	State or Local Agency	$ -	$ -
	Other Party (e.g., participating lender, health care provider, or any other organization administering Federal dollars)	$ -	$ -
Medical Necessity		$ -	$ -
Insufficient Documentation to Determine		$ 97	$ -
Other Reason (a) explain		$ -	$ -
TOTAL		$ 565	$ -

Improper Payment Corrective Actions

The DOI's corrective action plan to reduce improper payments caused by agency administrative or process errors and insufficient documentation includes the following efforts:

- Ensuring IPERIA compliance through annual OMB Circular A-123 internal control review processes including (a) annual testing of programs deemed susceptible to significant improper payments, and (b) periodic risk assessments of DOI programs and activities;
- Following-up with vendors, grantees, and other recipients to obtain appropriate documentation for unsupported costs and/or collection of outstanding claims when payments are determined to be improper;
- Monitoring OIG contract audit reports to identify, track, adjudicate, and resolve questioned costs, and to recapture improper payments identified;
- Utilizing the Continuous Monitoring Do Not Pay (DNP) feature by updating DNP with FBMS vendor files in accordance with IPERIA and the service agreement with Treasury; and
- Consulting with Treasury to explore DNP Data Analytics Services to establish customized analysis, including matching payment files against currently available data sources. The results will be analyzed for irregularities to determine if additional OMB Circular A-123 audit-related procedures are necessary.

The DOI maintains an adequate system of internal controls to prevent improper payments. However, DOI's improper payment rate of 0.41 percent, which resulted from the FY 2015 transaction testing, may be reduced further through more thorough reviews and monitoring of vendor claims. In addition, DOI will remain cognizant of the costs and benefits of any new procedures.

Internal Control Over Payments

FIGURE 3-5 (OMB TABLE 3)

FY 2016 Status of Internal Controls

Internal Control Standards	Hurricane Sandy - Disaster Relief Act Program
Control Environment	3
Risk Assessment	3
Control Activities	3
Information and Communication	3
Monitoring	3

KEY:
4 = Sufficient controls are in place to prevent improper payments (IPs)
3 = Controls are in place to prevent IPs but there is room for improvement
2 = Minimal controls are in place to prevent IPs
1 = Controls are not in place to prevent IPs

Accountability, Information Systems and Barriers

In order to reduce and recapture improper payments, DOI managers, accountable officers and programs are required to scrutinize payment requests prior to approving the disbursement of funds. The DOI monitors field offices by testing, in accordance with OMB Circular A-123, the effectiveness of internal controls in selected business processes. In addition, assurance statements attesting that DOI programs and operations have sufficient internal controls in place are collected annually.

The FBMS is the DOI system of record. The functionality of FBMS, which requires several levels of edit checks and approvals, strengthens DOI's internal control environment with business and internal control processes around expenditure payments. The payroll payments in FBMS are integrated with DOI's human resources Federal payroll payment system while employee travel expenses are paid through DOI's travel system.

Based on the statutory threshold, DOI does not have any regulatory barriers that would limit any corrective actions in reducing improper payments.

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 at the DOI level. The DOI continues to have a low improper payment rate and circumstances have not changed within the program to make a payment recapture audit cost-effective. As such, DOI did not perform recapture audits for improper payments in FY 2016. 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. The DOI recaptured $15 thousand in overpayments outside of payment recapture audits as indicated in Figure 3-6. The $392 thousand includes the actual improper payments identified through DOI's testing as well as OIG contract audits that resulted in questioned vendor costs and unsupported payments.[2]

Other Efforts

The DOI undertakes other efforts to identify and recover improper payments agency wide. These efforts include prepayment audits of government bills of lading, invoice payment review, and travel voucher audits as discussed below.

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 receive 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 not

Payment Recapture Audits

FIGURE 3-6 (OMB TABLE 4)

FY 2016 Overpayments Recaptured outside of Payment Recapture Audits
(dollars in thousands)

Program or Activity	Amount Identified	Amount Recaptured
Hurricane Sandy - Disaster Relief Act Program	$ 392	$ 15

[2] Note: For ease of presentation, DOI did not display the OMB A-136 columns of Figure 3-6 (OMB Table 4) that relate to overpayment payment recaptures with recapture audit programs as well as OMB Table 5 and OMB Table 6, as they do not apply to DOI.

only identify inaccurate payments but also 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.

Do Not Pay Initiative

Agency Reduction of Improper Payments 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. These databases are housed in the Do Not Pay Business Center, also known as Do Not Pay (DNP). DNP was established by Treasury to help federal agencies seamlessly comply with IPERIA by supporting agency efforts to prevent and detect improper payments. Through DNP agencies can access the Do Not Pay Portal, which is a multi-functional analytics tool and one-stop data shop for grant and loan managers, procurement officials, benefit providers and certifying officers. The DNP Portal offers agencies a secure online single entry point to check multiple data sources at no cost to the agency. The DOI utilizes the DNP Portal to check data sources such as the Death Master File (DMF) and the System for Award Management (SAM) Exclusion Records for matches to determine if improper payments were made.

The data in Figure 3-7 represent twelve months of the number and dollar payments from October 2015 to September 2016. In Column 1, the number of payments reviewed for possible improper payments includes both DMF and SAM records. The payments, including matches to SAM exclusions, (i.e., 12 million in total number of payments and $27 billion in total amount of payments), are from the September 2016 Payment Activity Report. In Column 5, the number of improper payments reviewed and determined accurate includes the total of matches identified by DNP that were adjudicated as proper payments by the agency.

Working in collaboration with Treasury on the DNP initiative, the Bureau of the Fiscal Service prepared an Agency Insight Report (AIR) on DOI and the Interior Business Center (IBC) payment data disbursed for the period October 2014 through February 2016. The AIR provides an overview of key findings and insights derived from agencies' payment data. According to the AIR, the data quality tests revealed that 98.04 percent and 99.87 percent of DOI and IBC payments, respectively, have valid tax identification numbers, while 99.99 percent of DOI and IBC payments have valid payee names. The complete and valid data are key elements to using effective data matching for detecting potential improper payments. As such, the AIR further supports that the DNP initiative confirms DOI's low risk of improper payments.

FIGURE 3-7 (OMB TABLE 7)

FY 2016 Results of the Do Not Pay Initiative in Preventing Improper Payments
($ in thousands)

	Number (#) of payments reviewed for possible improper payments	Dollars ($) of payments reviewed for possible improper payments	Number (#) of payments stopped	Dollars ($) of payments stopped	Number (#) of potential improper payments reviewed and determined accurate	Dollars ($) of potential improper payments reviewed and determined accurate
Reviews with the IPERIA specified databases	12,116,977	$ 27,228,742	0	$ -	1,850	$ 688
Reviews with databases not listed in IPERIA	0	$ -	0	$ -	0	$ -

FREEZE THE FOOTPRINT

The DOI adopted OMB's Freeze the Footprint (FtF) directive, introduced in OMB Memorandum M-12-12, *Promoting Efficient Spending to Support Agency Operations* and further detailed in OMB Management Procedures Memorandum No. 2013-02, *Implementation of OMB Memorandum M-12-12 Section 3: Freeze the Footprint*. These directives mandated that Executive agencies freeze the square footage of agency-controlled office and warehouse space at FY 2012 levels in an effort to improve utilization and control spending associated with real property.

The DOI issued a FtF policy to bureaus/offices requiring actions and controls similar to those identified by OMB. The policy required development of bureau and office Real Property Strategic Plans with structured components which are used to identify and promote strategies within and across bureaus/offices, evaluate compliance, and provide a framework for dialog between DOI Senior Real Property Officers, 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 are underfunded when compared to industry standards. The DOI will continue communicating and emphasizing the impacts of such rent increases on bureau mission delivery as the agency implements OMB's Reduce the Footprint initiative, which requires agencies to aggressively reduce office and warehouse space, improve space utilization, and dispose of unneeded buildings. The DOI will achieve these objectives through consolidations, co-locations, and returning space to GSA.

The following charts illustrate the total FY 2015 square footage associated with DOI office and warehouse assets compared to the FY 2012 FtF 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 FtF policy.

FIGURE 3-8

Freeze the Footprint Baseline Comparison

	FY 2012 Baseline	FY 2015	Change (FY 2012 Baseline - FY 2015)
Square Footage (SF in millions)	42.87	40.97	-1.9

Reporting of Operations and Maintenance Costs - Owned and Direct Lease Buildings*

	FY 2012 Reported Cost	FY 2015	Change (FY 2012 Baseline - FY 2015)
Operation and Maintenance Costs ($ in thousands)	$ 161,236	$ 141,988	$ - 19,248

* This data does not include costs for GSA Occupancy Agreements totaling more than $300 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*, requires agencies to make regular and consistent inflationary adjustments of civil monetary penalties (CMP) to maintain their deterrent effect. In accordance with OMB Memorandum M-16-06, *Implementation of the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015*, DOI conducted the required CMP inflationary adjustments including: 1) performed interim final rulemaking (IFR) to adjust the level of civil monetary penalties in FY 2016 with an initial "catch-up" adjustment; and 2) published IFRs with new penalty levels in the *Federal Register* from July 11 through August 1, 2016, and 3) implemented the new CMP in FY 2016. The following are those CMP and inflationary adjustments performed this year in accordance with the Acts.

FIGURE 3-9

Statutory Authority	Penalty (Name or Description)	Year Enacted	Latest Year of Adjustment (Via Statute or Regulation)	Current Penalty Level ($ Amount or Range)	Sub-Agency/ Bureau/Unit	Location for Penalty Update Details
Endangered Species Act of 1973 (ESA) - 16 U.S.C. 1540 (a)	Knowing violation (per 16 U.S.C. 1538)	1973	1988	$0-$49,467	US Fish & Wildlife Service	*Federal Register* 81 (28 July 2016) 41862-41866. https://www.federalregister.gov/articles/2016/06/28/2016-15268/civil-penalties-inflation-adjustments-for-civil-monetary-penalties
Endangered Species Act of 1973 (ESA) - 16 U.S.C. 1540 (a)	Other Knowing Violation (not per 16 U.S.C. 1538)	1973	1988	$0-$23,744	US Fish & Wildlife Service	*Federal Register* 81 (28 July 2016) 41862-41866. https://www.federalregister.gov/articles/2016/06/28/2016-15268/civil-penalties-inflation-adjustments-for-civil-monetary-penalties
Endangered Species Act of 1973 (ESA) - 16 U.S.C. 1540 (a)	Otherwise violation	1973	1978	$0-$1,250	US Fish & Wildlife Service	*Federal Register* 81 (28 July 2016) 41862-41866. https://www.federalregister.gov/articles/2016/06/28/2016-15268/civil-penalties-inflation-adjustments-for-civil-monetary-penalties
Federal Oil & Gas Royalty Management Act of 1982 (FOGRMA) - 30 U.S.C. 1719	Failure to comply... per violation for each day such violation continues	1983	1987	$0-$1,031	Bureau of Land Management	*Federal Register* 81 (28 July 2016) 41860-41862. https://www.federalregister.gov/articles/2016/06/28/2016-15129/onshore-oil-and-gas-operations-civil-penalties-inflation-adjustments
Federal Oil & Gas Royalty Management Act of 1982 (FOGRMA) - 30 U.S.C. 1719	Per violation for each day the violation continues, not to exceed a maximum of 60 days	1983	1987	$0-$10,314	Bureau of Land Management	*Federal Register* 81 (28 July 2016) 41860-41862. https://www.federalregister.gov/articles/2016/06/28/2016-15129/onshore-oil-and-gas-operations-civil-penalties-inflation-adjustments
Federal Oil & Gas Royalty Management Act of 1982 (FOGRMA) - 30 U.S.C. 1719	Transporter fails to permit inspection for major violation	1983	1987	$0-$1,031	Bureau of Land Management	*Federal Register* 81 (28 July 2016) 41860-41862. https://www.federalregister.gov/articles/2016/06/28/2016-15129/onshore-oil-and-gas-operations-civil-penalties-inflation-adjustments
Federal Oil & Gas Royalty Management Act of 1982 (FOGRMA) - 30 U.S.C. 1719	For each day such violation continues, not to exceed a maximum of 20 days	1983	1987	$0-$20,628	Bureau of Land Management	*Federal Register* 81 (28 July 2016) 41860-41862. https://www.federalregister.gov/articles/2016/06/28/2016-15129/onshore-oil-and-gas-operations-civil-penalties-inflation-adjustments
Federal Oil & Gas Royalty Management Act of 1982 (FOGRMA) - 30 U.S.C. 1719	For each day such violation continues, not to exceed a maximum of 20 days	1983	1987	$0-$51,570	Bureau of Land Management	*Federal Register* 81 (28 July 2016) 41860-41862. https://www.federalregister.gov/articles/2016/06/28/2016-15129/onshore-oil-and-gas-operations-civil-penalties-inflation-adjustments

Statutory Authority	Penalty (Name or Description)	Year Enacted	Latest Year of Adjustment (Via Statute or Regulation)	Current Penalty Level ($ Amount or Range)	Sub-Agency/ Bureau/Unit	Location for Penalty Update Details
Federal Oil & Gas Royalty Management Act of 1982 (FOGRMA) - 30 U.S.C. 1719	Initial penality under 43 CFR 3163.2(a) for a major violation	1983	1987	$0-$1,031	Bureau of Land Management	*Federal Register* 81 (28 July 2016) 41860-41862. https://www.federalregister.gov/articles/2016/06/28/2016-15129/onshore-oil-and-gas-operations-civil-penalties-inflation-adjustments
Federal Oil & Gas Royalty Management Act of 1982 (FOGRMA) - 30 U.S.C. 1719	Maximum penality under 43 CFR 3163.2(a) for a major violation	1983	1987	$0-$2,063	Bureau of Land Management	*Federal Register* 81 (28 July 2016) 41860-41862. https://www.federalregister.gov/articles/2016/06/28/2016-15129/onshore-oil-and-gas-operations-civil-penalties-inflation-adjustments
Federal Oil & Gas Royalty Management Act of 1982 (FOGRMA) - 30 U.S.C. 1719	Initial penality under 43 CFR 3163.2(b) for a major violation	1983	1987	$0-$10,314	Bureau of Land Management	*Federal Register* 81 (28 July 2016) 41860-41862. https://www.federalregister.gov/articles/2016/06/28/2016-15129/onshore-oil-and-gas-operations-civil-penalties-inflation-adjustments
Federal Oil & Gas Royalty Management Act of 1982 (FOGRMA) - 30 U.S.C. 1719	Maximum penality under 43 CFR 3163.2(b) for a major violation	1983	1987	$0-$20,628	Bureau of Land Management	*Federal Register* 81 (28 July 2016) 41860-41862. https://www.federalregister.gov/articles/2016/06/28/2016-15129/onshore-oil-and-gas-operations-civil-penalties-inflation-adjustments
Federal Oil & Gas Royalty Management Act of 1982 (FOGRMA) - 30 U.S.C. 1719	Initial penality under 43 CFR 3163.2(d) for a major violation	1983	1987	$0-$1,031	Bureau of Land Management	*Federal Register* 81 (28 July 2016) 41860-41862. https://www.federalregister.gov/articles/2016/06/28/2016-15129/onshore-oil-and-gas-operations-civil-penalties-inflation-adjustments
Federal Oil & Gas Royalty Management Act of 1982 (FOGRMA) - 30 U.S.C. 1719	Maximum penality under 43 CFR 3163.2(e) for a major violation	1983	1987	$0-$20,628	Bureau of Land Management	*Federal Register* 81 (28 July 2016) 41860-41862. https://www.federalregister.gov/articles/2016/06/28/2016-15129/onshore-oil-and-gas-operations-civil-penalties-inflation-adjustments
Federal Oil & Gas Royalty Management Act of 1982 (FOGRMA) - 30 U.S.C. 1719	Maximum penality under 43 CFR 3163.2(f) for a major violation	1983	1987	$0-$51,570	Bureau of Land Management	*Federal Register* 81 (28 July 2016) 41860-41862. https://www.federalregister.gov/articles/2016/06/28/2016-15129/onshore-oil-and-gas-operations-civil-penalties-inflation-adjustments
Federal Oil & Gas Royalty Management Act of 1982 (FOGRMA) - 30 U.S.C. 1719	Initial penality under 43 CFR 3163.2(a) for a minor violation	1983	1987	$0-$103	Bureau of Land Management	*Federal Register* 81 (28 July 2016) 41860-41862. https://www.federalregister.gov/articles/2016/06/28/2016-15129/onshore-oil-and-gas-operations-civil-penalties-inflation-adjustments
Federal Oil & Gas Royalty Management Act of 1982 (FOGRMA) - 30 U.S.C. 1719	Initial penality under 43 CFR 3163.2(b) for a minor violation	1983	1987	$0-$1,031	Bureau of Land Management	*Federal Register* 81 (28 July 2016) 41860-41862. https://www.federalregister.gov/articles/2016/06/28/2016-15129/onshore-oil-and-gas-operations-civil-penalties-inflation-adjustments
Federal Oil & Gas Royalty Management Act of 1982 (FOGRMA) - 30 U.S.C. 1719	Maximum penality under 43 CFR 3163.2(a) for a minor violation	1983	1987	$0-$206	Bureau of Land Management	*Federal Register* 81 (28 July 2016) 41860-41862. https://www.federalregister.gov/articles/2016/06/28/2016-15129/onshore-oil-and-gas-operations-civil-penalties-inflation-adjustments
Federal Oil & Gas Royalty Management Act of 1982 (FOGRMA) - 30 U.S.C. 1719	Maximum penality under 43 CFR 3163.2(b) for a minor violation	1983	1987	$0-$2,063	Bureau of Land Management	*Federal Register* 81 (28 July 2016) 41860-41862. https://www.federalregister.gov/articles/2016/06/28/2016-15129/onshore-oil-and-gas-operations-civil-penalties-inflation-adjustments
Federal Oil & Gas Royalty Management Act of 1982 (FOGRMA) - 30 U.S.C. 1719(a)(2)	Failure to comply	1983	1983	$0-$1,177	Office of Natural Resources Revenue	*Federal Register* 81 (11 July 2016) 37153-37156). https://www.federalregister.gov/articles/2016/06/09/2016-13462/civil-monetary-penalties-inflation-adjustment

Statutory Authority	Penalty (Name or Description)	Year Enacted	Latest Year of Adjustment (Via Statute or Regulation)	Current Penalty Level ($ Amount or Range)	Sub-Agency/ Bureau/Unit	Location for Penalty Update Details
Federal Oil & Gas Royalty Management Act of 1982 (FOGRMA) - 30 U.S.C. 1719(b)	If corrective action is not taken	1983	1983	$0-$11,774	Office of Natural Resources Revenue	*Federal Register* 81 (11 July 2016) 37153-37156). https://www.federalregister.gov/articles/2016/06/09/2016-13462/civil-monetary-penalties-inflation-adjustment
Federal Oil & Gas Royalty Management Act of 1982 (FOGRMA) - 30 U.S.C. 1719(c)(3)	Knowingly or willfully fails to make any royalty payment....	1983	1983	$0-$23,548	Office of Natural Resources Revenue	*Federal Register* 81 (11 July 2016) 37153-37156). https://www.federalregister.gov/articles/2016/06/09/2016-13462/civil-monetary-penalties-inflation-adjustment
Federal Oil & Gas Royalty Management Act of 1982 (FOGRMA) - 30 U.S.C. (d)(3)	Knowingly or willfuly prepares, maintains, or submits....	1983	1983	$0-$58,871	Office of Natural Resources Revenue	*Federal Register* 81 (11 July 2016) 37153-37156). https://www.federalregister.gov/articles/2016/06/09/2016-13462/civil-monetary-penalties-inflation-adjustment
Lacey Act as amended 1981 - 16 U.S.C. 3373(a)	Sale and Purchase Violation	1981	1981	$0-$25,000	US Fish & Wildlife Service	*Federal Register* 81 (28 July 2016) 41862-41866. https://www.federalregister.gov/articles/2016/06/28/2016-15268/civil-penalties-inflation-adjustments-for-civil-monetary-penalties
Lacey Act as amended 1981 - 16 U.S.C. 3373(a)	Marking Violation	1981	1981	$0-$625	US Fish & Wildlife Service	*Federal Register* 81 (28 July 2016) 41862-41866. https://www.federalregister.gov/articles/2016/06/28/2016-15268/civil-penalties-inflation-adjustments-for-civil-monetary-penalties
Lacey Act as amended 1981 - 16 U.S.C. 3373(a)	False Labeling	1981	1981	$0-$25,000	US Fish & Wildlife Service	*Federal Register* 81 (28 July 2016) 41862-41866. https://www.federalregister.gov/articles/2016/06/28/2016-15268/civil-penalties-inflation-adjustments-for-civil-monetary-penalties
Lacey Act as amended 1981 - 16 U.S.C. 3373(a)	Other than Marking Violation	1981	1981	$0-$25,000	US Fish & Wildlife Service	*Federal Register* 81 (28 July 2016) 41862-41866. https://www.federalregister.gov/articles/2016/06/28/2016-15268/civil-penalties-inflation-adjustments-for-civil-monetary-penalties
Native American Graves Protection and Repatriation Act (NAGPRA) - 25 U.S.C. 3007	Museum fails to comply	1990	2003	$0-$6,428	National Park Service	*Federal Register* 81 (28 July 2016) 41858-41860. https://www.federalregister.gov/articles/2016/06/28/2016-15168/civil-penalties-inflation-adjustments
Native American Graves Protection and Repatriation Act (NAGPRA) - 25 U.S.C. 3007	Continued failure to comply per day	1990	2003	$0-$1,286	National Park Service	*Federal Register* 81 (28 July 2016) 41858-41860. https://www.federalregister.gov/articles/2016/06/28/2016-15168/civil-penalties-inflation-adjustments
Oil Pollution Act of 1990 (OPA) - 33 U.S.C. 2716(a)	Not to exceed per day of violation	1990	1990	$0-$44,539	Bureau of Ocean Energy Management	*Federal Register* 81 (1 August 2016) 43066-43069. https://www.federalregister.gov/articles/2016/07/01/2016-15607/oil-and-gas-and-sulphur-operations-in-the-outer-continental-shelf-civil-penalties-inflation
Outer Continental Shelf Lands Act of 1953 (OSCLA) - 43 U.S.C. 1350(b)(1) (30CFR 550.1403)	Failure to comply per day	2006	2011	$0-$42,017	Bureau of Ocean Energy Management	*Federal Register* 81 (1 August 2016) 43066-43069. https://www.federalregister.gov/articles/2016/07/01/2016-15607/oil-and-gas-and-sulphur-operations-in-the-outer-continental-shelf-civil-penalties-inflation
Outer Continental Shelf Lands Act of 1953 (OSCLA) - 43 U.S.C. 1350(b)(1) (30CFR 550.1403)	Failure to comply per day	2006	2011	$0-$42,017	Bureau of Safety and Environmental Enforcement	*Federal Register* 81 (28 July 2016) 41801-41803. https://www.federalregister.gov/articles/2016/06/28/2016-15157/civil-penalty-inflation-adjustment

Statutory Authority	Penalty (Name or Description)	Year Enacted	Latest Year of Adjustment (Via Statute or Regulation)	Current Penalty Level ($ Amount or Range)	Sub-Agency/ Bureau/Unit	Location for Penalty Update Details
Surface Mining Control and Reclamation Act of 1977 (SMCRA) - 30 U.S.C. 1268(a)	Up to $8,500 per violation, depending upon the number of points assessed	1977	1979	$0-$15,814	Office of Surface Mining Reclamation and Enforcement	*Federal Register* 81 (1 August 2016) 44535-44541. https://www.federalregister.gov/articles/2016/07/08/2016-16190/civil-penalties-inflation-adjustments
Surface Mining Control and Reclamation Act of 1977 (SMCRA) - 30 U.S.C. 1268(a)	Per day that the violation is not abated within the abatement period	1977	1979	$0-$2,372	Office of Surface Mining Reclamation and Enforcement	*Federal Register* 81 (1 August 2016) 44535-44541. https://www.federalregister.gov/articles/2016/07/08/2016-16190/civil-penalties-inflation-adjustments
Surface Mining Control and Reclamation Act of 1977 (SMCRA) - 30 U.S.C. 1268(a)	Up to a maximum of 30 days, or $30,750	1977	1979	$0-$71,160	Office of Surface Mining Reclamation and Enforcement	*Federal Register* 81 (1 August 2016) 44535-44541. https://www.federalregister.gov/articles/2016/07/08/2016-16190/civil-penalties-inflation-adjustments
Surface Mining Control and Reclamation Act of 1977 (SMCRA) - 30 U.S.C. 1268	Up to $8,500 per violation, depending upon the number of factors involved	1977	1979	$0-$17,395	Office of Surface Mining Reclamation and Enforcement	*Federal Register* 81 (1 August 2016) 44535-44541. https://www.federalregister.gov/articles/2016/07/08/2016-16190/civil-penalties-inflation-adjustments

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FIGURE 3-10

Combining Schedule of Spending **For the Year Ended September 30, 2016** *(dollars in thousands)*	**DOI**	**OS**	**BOR**	**NPS**	**USGS**
What Money is Available to Spend?					
Total Resources	$ 33,967,703	$ 8,448,998	$ 4,075,907	$ 4,864,828	$ 2,296,011
Less Amount Available But Not Agreed to be Spent	(9,256,942)	(2,071,479)	(1,453,151)	(1,139,886)	(608,731)
Less Amount Not Available to be Spent	(245,459)	(29,861)	(8,815)	(78,965)	(29,676)
Total Amounts Agreed to be Spent	$ 24,465,302	$ 6,347,658	$ 2,613,941	$ 3,645,977	$ 1,657,604
How was the Money Spent/Issued?					
Non-Financial Assistance Direct Payments	$ 7,083,646	$ 691,390	$ 682,006	$ 1,821,036	$ 934,062
Contracts	10,620,081	3,157,337	1,643,697	1,500,102	578,480
Grants	5,172,384	1,653,778	124,643	153,551	116,056
Financial Assistance Direct Payments	1,438,267	806,072	160,006	166,750	-
Insurance	46,361	38,074	1,008	4,446	172
Interest and Dividends	3,437	505	2,595	-	-
Other Payment Types	101,126	502	(14)	92	28,834
Total Amounts Agreed to be Spent	$ 24,465,302	$ 6,347,658	$ 2,613,941	$ 3,645,977	$ 1,657,604

Combining Schedule of Spending **For the Year Ended September 30, 2015** *(dollars in thousands)*	**DOI**	**OS**	**BOR**	**NPS**	**USGS**
What Money is Available to Spend?					
Total Resources	$ 33,315,916	$ 9,116,687	$ 3,776,461	$ 4,694,326	$ 2,227,503
Less Amount Available But Not Agreed to be Spent	(8,784,961)	(2,313,929)	(1,339,794)	(1,054,708)	(557,405)
Less Amount Not Available to be Spent	(267,329)	(45,981)	(8,079)	(76,377)	(47,467)
Total Amounts Agreed to be Spent	$ 24,263,626	$ 6,756,777	$ 2,428,588	$ 3,563,241	$ 1,622,631
How was the Money Spent/Issued?					
Non-Financial Assistance Direct Payments	$ 7,037,411	$ 660,134	$ 671,955	$ 1,939,875	$ 905,723
Contracts	10,436,693	3,155,666	1,495,846	1,374,219	563,253
Grants	5,337,518	2,157,750	105,272	114,581	117,705
Financial Assistance Direct Payments	1,277,594	729,797	152,675	132,505	-
Insurance	46,062	40,960	759	1,930	226
Interest and Dividends	2,962	507	2,105	-	-
Other Payment Types	125,386	11,963	(24)	131	35,724
Total Amounts Agreed to be Spent	$ 24,263,626	$ 6,756,777	$ 2,428,588	$ 3,563,241	$ 1,622,631

The Schedule of Spending (SOS) presents, at a high-level view, how and where DOI is spending money. The data used to populate this schedule is the same underlying data used to populate the Statement of Budgetary Resources (SBR). The SOS presents total budgetary resources and fiscal year to date total obligations for DOI.

Although the basic premise of the SOS is complete, certain details are still being developed. Accordingly, the reporting of this information is included in the Other Information to permit DOI to explore the optimal means of presenting spending taxpayers' money. To further achieve this objective, DOI will request public feedback on the Schedule. To provide feedback, please follow the instructions in the "We Would Like To Hear From You" section located on the last page of this report.

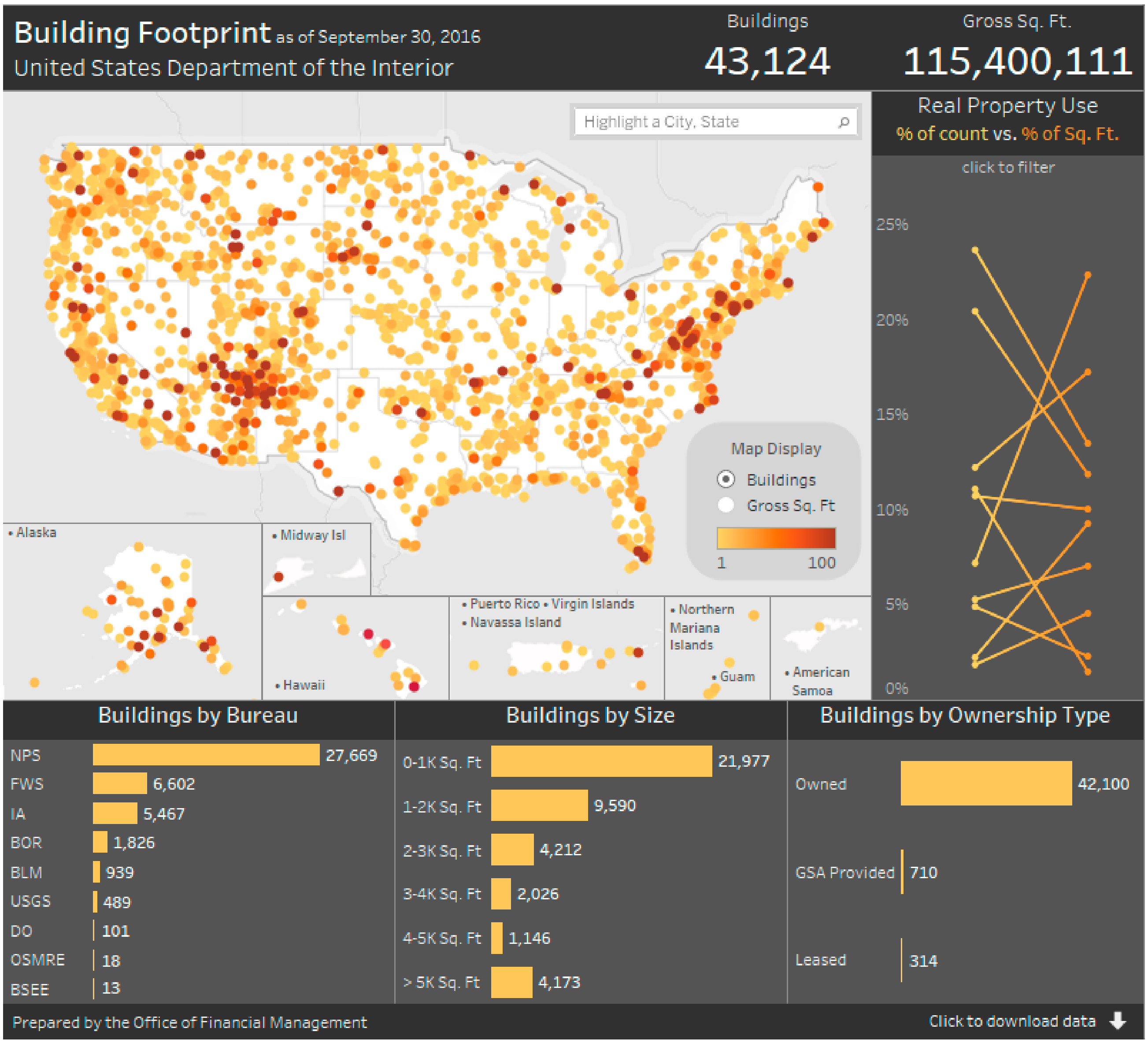
BLM	FWS	OSMRE	BOEM	IA	BSEE
$ 3,703,332	$ 4,653,528	$ 1,062,535	$ 213,525	$ 4,325,481	$ 323,558
(1,477,692)	(1,274,311)	(103,683)	(24,593)	(1,022,078)	(81,338)
(1,473)	(26,175)	(12,184)	(4,915)	(49,252)	(4,143)
$ 2,224,167	$ 3,353,042	$ 946,668	$ 184,017	$ 3,254,151	$ 238,077
$ 1,052,300	$ 996,230	$ 54,391	$ 81,686	$ 658,969	$ 111,576
932,210	607,230	199,845	90,415	1,786,112	124,653
838	1,680,759	692,429	-	750,330	-
238,241	-	-	11,538	53,874	1,786
592	614	3	378	1,012	62
-	-	-	-	337	-
(14)	68,209	-	-	3,517	-
$ 2,224,167	$ 3,353,042	$ 946,668	$ 184,017	$ 3,254,151	$ 238,077

BLM	FWS	OSMRE	BOEM	IA	BSEE
$ 3,400,639	$ 4,707,089	$ 738,875	$ 214,465	$ 4,085,077	$ 354,794
(1,300,828)	(1,221,207)	(69,827)	(30,287)	(828,640)	(68,336)
(620)	(26,631)	(9,665)	(1,683)	(49,450)	(1,376)
$ 2,099,191	$ 3,459,251	$ 659,383	$ 182,495	$ 3,206,987	$ 285,082
$ 1,029,459	$ 960,158	$ 52,678	$ 77,013	$ 640,289	$ 100,127
885,125	724,707	192,959	98,007	1,762,325	184,586
765	1,699,887	413,655	-	727,903	-
182,875	-	-	7,452	71,933	357
969	550	91	23	542	12
-	-	-	-	350	-
(2)	73,949	-	-	3,645	-
$ 2,099,191	$ 3,459,251	$ 659,383	$ 182,495	$ 3,206,987	$ 285,082

DATA VISUALIZATION

The DOI continues to believe in the insight, flexibility and value of alternative reporting methods, such as data visualization. Data visualization allows readers to identify trends, relationships, patterns, and to easily absorb vast amounts of information quickly. An interactive presentation allows readers to focus on specific aspects of the data that are important to them, thus expanding the audience engagement and increasing transparency. In addition to the *Providing Value to the American People* visualization (described on page 33), DOI developed two interactive dashboards to demonstrate the power and flexibility of using technology to present Federal data.

Department of the Interior Building Footprint as of September 30, 2016.

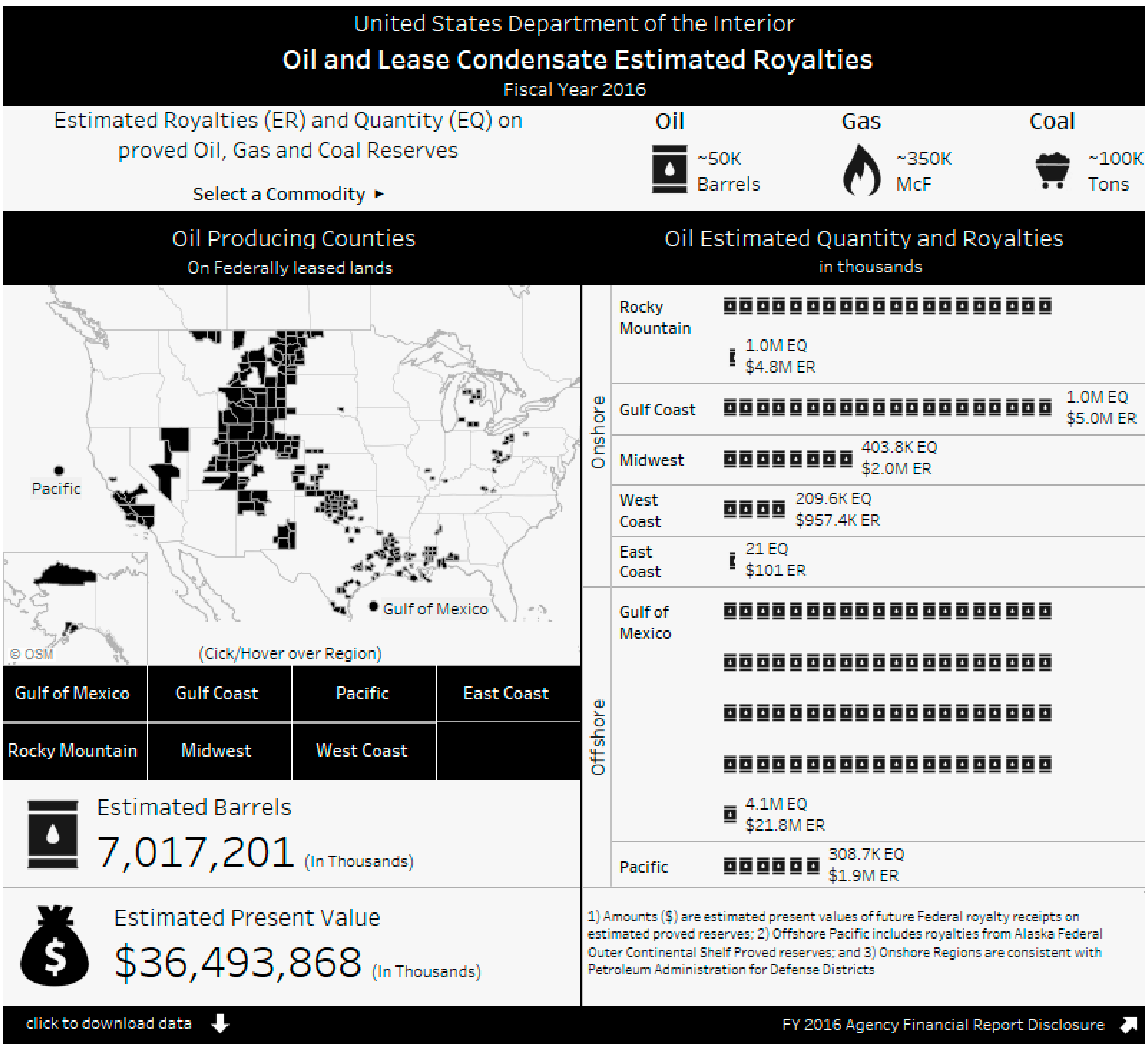


These visualizations and the data on which they are based have not been audited.

Access the visualization here: *https://www.doi.gov/pfm/afr/2016/visualization/buildings*

The Building Footprint visualization on the previous page depicts the approximate locations of DOI buildings by postal code. Readers can choose to color the map by building count or gross square feet (GSF). The bar charts display building counts by bureau, by building size in GSF, and by ownership type. The slope chart displays the percent of count vs. the percent of GSF for each real property use (i.e., offices, warehouses, etc.). For example, Offices rank 6th in total building count, but are 1st in GSF. Readers can drill into the data by clicking on the bar or slope charts.

Estimated present values of future Federal royalty receipts on proved oil, gas and coal reserves.



These visualizations and the data on which they are based have not been audited.

Access the visualization here: *https://www.doi.gov/pfm/afr/2016/visualization/royalty*

This map depicts the counties where oil, gas, or coal production is occurring on Federally leased lands and the icons depict the estimated proved reserves in each Region. Readers can click on the commodity icons to change the view.

GLOSSARY OF ACRONYMS

21CSC	21st Century Conservation Service Corps.
ACIO	Associate Chief Information Officers
AFR	Agency Financial Report
AGO	America's Great Outdoors
AIR	Agency Insight Report
AML	Abandoned Mine Land
APP&R	Annual Performance Plan and Report
ARRA	*American Reinvestment and Recovery Act of 2009*
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
BOM	Bureau of Mines
BOR	Bureau of Reclamation
BP	British Petroleum
BPCNA	BP Corporation North America, Inc.
BPXP	BP Exploration Production, Inc.
BSEE	Bureau of Safety and Environmental Enforcement
CDM	Continuous Diagnostics and Mitigation
CEAR	Certificate of Excellence in Accountability Reporting
CEUS	Central and Eastern Unites States
CFO	Chief Financial Officer
CFR	Code of Federal Regulations
CIO	Chief Information Officer
CIAP	Coastal Impact Assistance Program
CIP	Construction in Progress
CMP	Civil Monetary Penalties
CNMI	Commonwealth of the Northern Marianas Islands
COLA	Cost of Living Adjustment
COTS	Commercial Off-the-Shelf
CPIM	Consumer Price Index Medical
CSC	Climate Science Center
CSIP	Cybersecurity Strategy and Implementation Plan
CSRS	Civil Service Retirement System
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*
DMF	Death Master File
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
EPA	Environmental Protection Agency
ERP	Energy Resources Program

FAIR	Financial Assistance Interior Regulation
FAMP	Financial Assistance Management Partnership
FASAB	Federal Accounting Standards Advisory Board
FBMS	Financial and Business Management System
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
FERS-RAE	Federal Employees Retirement System - Revised Annuity Employees
FFMIA	*Federal Financial Management Improvement Act*
FISMA	*Federal Information Security Modernization Act of 2004*
FITARA	*Federal Information Technology and Aquisition 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*
FtF	Freeze the Footprint
FWS	U.S. Fish and Wildlife Service
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GBL	Government Bills of Lading
GMRA	*Government Management Reform Act*
GPA	Guam Power Authority
GPRA	*Government Performance and Results Act*
GPS	Global Positioning System
GSA	General Services Administration
GSF	Gross Square Feet
GUSG	Gunnison Sage-Grouse
HF	Hydraulic Fracturing
HPF	Historic Preservation Fund
IA	Indian Affairs
IBC	Interior Business Center
IIM	Individual Indian Monies
IMT	Information Management and Technology
IMTLT	IMT Leadership Team
IPERA	*Improper Payments Elimination and Recovery Act of 2012*
IT	Information Technology
ITT	Information Technology Transformation
LCC	Landscape Conservation Cooperative
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*
NOPP	National Oceanographic Partnership Program
NPS	National Park Service

GLOSSARY OF ACRONYMS

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
OJS	Office of Justice Services
OMB	Office of Management and Budget
ONRR	Office of Natural Resources Revenue
OPA	Office of the Public Auditor
OPM	Office of Personnel Management
OS	Office of the Secretary
OSH	Office of Occupational Safety and Health
OSMRE	Office of Surface Mining Reclamation and Enforcement
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
SAM	System for Award Management
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*
SNPLM	Southern Nevada Public Land Management
SOS	Schedule of Spending
TAP	Technology Assessment Program
TLCP	Trust Land Consolidation Program
TNC	Treasury Nominal Coupon Issues
Treasury	U.S. Department of the Treasury
UDO	Undelivered Order
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
WaterSMART	Sustain and Manage America's Resources for Tomorrow
WMD	Wetland Management District

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