UNITED STATES DEPARTMENT OF THE INTERIOR

Agency Financial Report FY 2014

U.S. DEPARTMENT OF THE INTERIOR
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U.S. Department of the Interior

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U.S. DEPARTMENT OF THE INTERIOR

FISCAL YEAR 2014

AGENCY FINANCIAL REPORT

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The DOI is pleased to submit the U.S. Department of the Interior's (DOI) Agency Financial Report (AFR) for Fiscal Year (FY) 2014. This report presents management, performance, and financial information that demonstrate DOI's commitment to stewardship of America's resources and transparent and accountable management of DOI's diverse portfolio of programs.

The DOI's broad mission responsibilities span the Nation, from the northern tip of Maine and the Arctic Ocean in Alaska to the southern tip of Florida. West to east, the lands and resources DOI manages stretch from Midway Island in the Pacific Ocean to the Virgin Islands in the Caribbean. We manage 530 million acres of lands primarily located in the Western states and 1.7 billion acres on the Outer Continental Shelf. The activities of DOI are an economic engine. In FY 2013, DOI's programs contributed $358 billion to the U.S. economy and supported 2.1 million jobs in activities, including outdoor recreation and tourism, energy development, grazing, timber harvest, and other activities.

The DOI's programs contribute to the quality of life for many people and communities across the country and help to advance national goals for stewardship and energy independence. Nearly every American lives within an hour's drive of lands or waters managed by DOI. In FY 2013, there were 407 million visits to DOI-managed lands. Recreational visits to DOI's lands had an economic benefit to local communities, particularly in rural areas, contributing an estimated $41 billion in economic activity. The DOI oversees the 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 566 federally recognized tribes, and provides services to more than 2 million American Indian and Alaska Native peoples.

The DOI is particularly proud to report its 18th consecutive unmodified audit opinion—a reflection of effective management, which is critically important to achieving strategic and priority goals. Effective management of DOI requires dynamic and modern strategies to confront major trends, including the likelihood of continued and increasingly constrained funding resources, the changing demographics of a population that is becoming more urban and diverse and technologically advanced, and a changing climate that will continue to have impacts on land, water, wildlife, cultural resources, and tribal communities.

In FY 2014, DOI realigned its strategic goals into six priorities to guide and focus efforts for the 2014-2018 Strategic Plan. The DOI is pleased to report on its accomplishments based on these priorities.

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

In FY 2014, DOI allocated $40 million for the collaborative Land and Water Conservation Fund (LWCF) program. This program serves as a model for LWCF programs to invest in the most ecologically important landscapes and in projects with a clear strategy to reach shared goals grounded in science-based planning. Through the collaborative LWCF, DOI and the U.S. Forest Service jointly direct funds to projects that will achieve the highest return on the Federal investment and coordinate land acquisition planning with government and local community partners.

As part of an LWCF grant program for state-identified outdoor-recreation projects, the National Park Service (NPS) distributed $43 million to all 50 States, the Territories, and the District of Columbia. These Federal matching grants leverage public and private investment in America's state and local public outdoor recreation projects. The funds enable state and local governments to establish recreational programs and areas that include baseball fields and community green spaces, provide public access to rivers, lakes, and other water resources, and conserve natural landscapes for public outdoor recreation use and enjoyment.

The DOI also awarded $35 million in grants to 20 states through the Cooperative Endangered Species Conservation Fund to enable collaborative efforts to conserve many of America's imperiled species, ranging from the red-cockaded woodpecker in the Southeast to a variety of bat species in the Midwest to a colorful flower in the Rocky Mountains. These competitive grants allow states to work with private landowners, conservation groups and other government agencies to initiate conservation-planning efforts and acquire and protect habitat that benefits threatened and endangered fish, wildlife, and plants.

In FY 2014, DOI supported President Obama's use of the Antiquities Act to create or modify several national monuments. In March, the President designated the Point Arena-Stornetta Public Lands as part of the California Coastal National Monument. The President's action establishes the first shoreline addition to the monument, protecting approximately 1,665 acres of public lands. The lands provide unmatched vantage points of the California Coastal National Monument, comprising more than 20,000 rocks, islands, exposed reefs, and pinnacles located offshore California's 1,100 mile coast. The expansion builds upon President Clinton's vision when he first established the monument in 2000 to protect the area's scientifically valuable coastal resources.

In May, the President designated the Organ Mountains-Desert Peaks National Monument in south-central New Mexico. The Bureau of Land Management (BLM) currently manages all of the public lands within this new national monument for a range of multiple uses which will continue, including grazing, conservation of natural and archeological resources and outdoor recreation, such as hunting, hiking, biking, and camping. Statewide, BLM-New Mexico hosted 2.9 million visitors at 28 recreation sites in FY 2013. Recreation on BLM managed lands and waters in New Mexico supported more than 1,900 jobs and contributed more than $172 million to the State's economy in FY 2012.

This year, the President also expanded the Pacific Remote Islands Marine National Monument to become the largest marine reserve in the world. The monument, one of the most intact, ecologically sound marine environments, is protected from commercial resource extraction, including commercial fishing. It is also six times its former size, resulting in 490,000 square miles around these islands and atolls in the south-central Pacific Ocean.

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

As part of the Obama Administration's historic commitment to working with tribal leaders to address the challenges facing Indian Country, in FY 2014 DOI partnered with the Department of Education to study how to improve educational outcomes for students at Bureau of Indian Education (BIE) funded schools. The meetings with nearly 400 individuals and four tribal consultations resulted in a Secretarial Order and plan to transform the BIE, which oversees 183 schools, located on 64 reservations in 23 states, serving more than 48,000 students. The goal is for all students attending BIE funded schools to receive a world-class education that is delivered to them by tribes.

The DOI worked to improve relationships with tribal governments by engaging in settlement conversations with litigating tribes. In FY 2014, DOI settled a historic lawsuit regarding the U.S. Government's management of funds and natural resources that it holds in trust for the Navajo Nation. The $554 million settlement resolved a long-standing dispute, with some of the claims dating back more than 50 years, and brought to an end protracted litigation that burdened both governments. This Administration resolved more than 80 tribal-trust settlements with federally recognized tribes, providing more than $2.5 billion in settlements, in addition to the $3.4 billion Cobell Settlement of individual Indian trust claims.

The DOI also saw significant progress on the land consolidation component of the Cobell Settlement, which seeks to restore tribal homelands by purchasing fractional interests in trust or restricted land. In FY 2014, DOI's Land Buy-Back Program for Tribal Nations successfully concluded transactions worth almost $144 million, restoring the equivalent of nearly 280,000 acres of land to tribal governments. Sales of land interests also contribute to the Cobell Education Scholarship Fund, which dispersed more than $1 million to Indian youth.

To implement the President's Executive Order on Climate Change and DOI's climate change efforts, the Office of Insular Affairs modified all of its grant programs to take into account climate change measures and initiatives. In FY 2014, it began the process of establishing a Climate Change Coordinator position to help identify and to improve coordination within DOI and among other Federal agency climate change programs to help the U.S. Territories and Freely Associated States develop a robust response to climate change.

Powering Our Future: Federal lands are boosting energy production in a variety of areas. The DOI plays a significant role in securing a sustainable energy future that makes our Nation self-reliant. The DOI is promoting the President's all-of-the-above energy strategy and taking a landscape-level approach to energy development—an approach that is modernizing programs and practices,improving transparency, streamlining permitting, and strengthening inspection and enforcement.

In 2014, the Bureau of Land Management (BLM) announced a new competitive leasing process to help spur solar and wind energy development on public lands in the West. The proposed regulations would promote the use of "designated leasing areas" that include the BLM's Solar Energy Zones. There are currently 19 designated Solar Energy Zones covering more than 298,000 acres of BLM managed land. If fully developed, projects in the designated leasing areas could produce as much as 27 gigawatts of solar energy – enough to power about 8 million homes.

Oil and gas production on public lands is at record levels. The BLM is responsible for inspection and enforcement of about 100,000 wells nationwide, and is focusing on strengthening its oil and gas inspection capacity, which will provide better service for industry, more certainty that operations are being conducted in an environmentally sound manner, and ensure a fair return on taxpayer investment. The BLM also continues to make appropriate onshore lands available for conventional energy development while ensuring that any environmental impacts are carefully mitigated. In FY 2014, BLM approved 3,769 applications for Permit to Drill and energy companies began 2,544 new wells on public lands, making a significant contribution to increasing the amount of oil and gas produced for the Nation.

The Bureau of Ocean Energy Management (BOEM) continues to safely and responsibly expand both renewable and conventional offshore domestic energy. The BOEM is currently implementing the Five Year OCS Oil and Gas Leasing Program for 2012-2017 (Five Year Program), which makes available more than 75 percent of the undiscovered, technically recoverable oil and gas resources on the Outer Continental Shelf. Since 2012, BOEM held six lease sales that offered more than 60 million acres for energy development and netted $2.4 billion for American taxpayers. In 2014, BOEM kicked off the first step in the development of the next Five Year Program for 2017-2022, which will take 2½ to 3 years to complete and will include robust public engagement.

In FY 2014, BOEM also held the Nation's third competitive lease sale for renewable energy in Federal waters, which offered nearly 80,000 acres offshore of the State of Maryland for potential wind energy development. When fully built, this wind energy area could generate enough energy to power about 300,000 homes. Efforts to spur responsible development of offshore wind energy are part of a series of actions to increase renewable energy both offshore and onshore by improving coordination with state, local, and Federal partners.

The Bureau of Reclamation (Reclamation) further streamlined its permitting processes for private development of hydropower at its facilities in 2014. Thirty private hydropower facilities are being developed on Reclamation facilities equaling 90 megawatts of new, renewable, hydroelectric energy. Reclamation also performed a pumped storage resource assessment at 60 of its facilities to identify projects which could facilitate integration of wind and solar energy into the Nation's electric power grid. In 2014, Reclamation continued to design and deploy systems to optimize operations at its hydropower facilities. When completed in 2017, this program is projected to yield an additional 400,000 to 1,200,000 megawatt-hours of annual generation.

In FY 2014, the United States officially joined a global effort to increase transparency and strengthen public trust in the governance of natural resource revenues as part of the Extractive Industries Transparency Initiative (EITI). The United States is the first G8 country to achieve this status, joining a group of 41 countries around the world that are working actively to improve the management of their oil, gas, and mining sectors. Working with industry and civil society representatives, EITI strengthens accountability and empowers citizens by improving the accessibility of revenue data.

Engaging the Next Generation: To address the growing disconnect between young people and the outdoors, DOI is promoting public-private partnerships and collaborative efforts across all levels of government to connect young people with the land and inspire them to play, learn, serve, and work outdoors. These efforts include the 21st Century Conservation Service Corps (21CSC) leveraging 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.

The DOI identified goals to achieve meaningful progress by 2017. Through partnerships in 50 cities with the YMCA, the National League of Cities, and other organizations, at least 10 million young people will be engaged in active, outdoor play on public lands. Through DOI's diverse programs, at least 10 million young people will be served annually in educational opportunities on DOI lands and through direct engagement and in collaboration with non-profit organizations, at least one million volunteers will be engaged in service on DOI lands annually. Between 2014 and 2017, 100,000 work and training opportunities for young adults and veterans will be supported through private philanthropy and public investment through the 21CSC, with a goal of raising $20 million from the private sector to support these efforts.

In March 2014, DOI issued a Secretarial Order, which led to the development of bureau-specific operational plans for the short and long term, as well as guidance from the Department to streamline metrics and monitoring around the goals to ensure DOI captures the relevant data.

Additionally, more than $2 million has been committed to expanding work and training opportunities through the 21CSC from donations from American Eagle Outfitters, The Coca-Cola Foundation, Camelbak, and others. More than $500,000 has already been distributed to support 23 projects working with conservation corps that employ young people and veterans to help protect and enhance our Nation's public lands for generations to come.

Ensuring Healthy Watersheds and Sustainable, Secure Water Supplies: The DOI's efforts recognize the importance of water as the foundation for healthy communities and healthy economies and the challenges resulting from climate change, drought conditions, and increasing demand. The DOI is working with states in managing water resources, raising awareness and support for sustainable water usage, maintaining critical infrastructure, promoting efficiency and conservation, supporting healthy rivers and streams, and restoring key ecosystems. In FY 2014, DOI provided $17.8 million in WaterSMART Water and Energy Efficiency Grants for 36 projects in 11 states. These WaterSMART grants will help stretch water supplies and improve water and energy efficiencies in communities throughout the West to support sustainable uses of our limited resources. In addition, $1.8 million was made available under the WaterSMART Basin Study program to enable the Reclamation to collaborate with local entities to conduct comprehensive studies of river basins in Montana, Oklahoma, and Oregon. Reclamation also continued funding for the Colorado River basin study "Next Steps" process to continue to work with stakeholders to identify solutions to the imbalance identified in the original study. These basin studies are critical to assess the long-term supply and demand for water and to develop collaborative solutions that will sustain communities and support healthy rivers long into the future.

Since its start in FY 2010, Reclamation's water-conservation-related programs (e.g., WaterSMART Grants, Title XVI Water Reclamation and Reuse, CALFED water-efficiency grants, Water Conservation Field Services, and others) approved projects with a combined water-conservation capacity of more than 860,000 acre-feet, thereby meeting DOI's goal for FY 2014. As part of the National Water Census, U.S. Geological Survey (USGS) completed an assessment of water that thermoelectric power plants use, and completed assessments for its 5-year National Water Use Report that will be issued this fall.

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 by advancing knowledge in the fields of ecosystem services and resilience, energy and mineral resource assessments, hazard response and mitigation, water security, climate change adaptation, cultural-resources management, and environmental health.

Utilizing these technologies and tools, modern landscape-scale approaches to management hold the promise of a more strategic, sustainable, and transparent consideration of development and conservation needs. Secretarial Order 3330 on landscape-scale mitigation and a subsequent report to the Secretary released in 2014 provide a blueprint for implementation of this approach more broadly in the context of mitigation, conservation, restoration, and development. Implementation will focus on linking geospatial mapping resources to critical decision making processes at the landscape-scale and using multi-stakeholder convening bodies such as the Landscape Conservation Cooperatives to ensure appropriate participation in these pre-planning efforts. Participation of the DOI Climate Science Centers ensures that the most recent and accurate climate change information is incorporated into these efforts.

With the release of Eastern Regional Report of the national biological carbon sequestration assessment in June 2014, USGS completed the national biological carbon assessment for ecosystems in the lower 48 states. The assessment is a national inventory of the capacity of land-based and aquatic ecosystems to naturally store or sequester carbon.

In April 2014, the Land Change Science Program released the latest edition of the National Land Cover Database (NLCD); the Nation's most comprehensive look at land surface conditions from coast to coast shows the extent of land cover types from forests to urban areas. Dividing the lower 48 states into 9 billion geographic cells, the massive database provides consistent information about land conditions at regional to nationwide scales. The NLCD program is designed to provide 5-year cyclical updating of our Nation's land cover, similar to the cyclical population updating done by the U.S. Census.

Landscape size and scope are defined not by area but by the scope of the management decisions in question, and for some management decisions, the landscape is best defined as a watershed. In FY 2014, as part of the President's Climate Action Plan, DOI worked with the U.S. Department of Agriculture (USDA) on the Western Watershed Enhancement Partnership, which enables the agencies to partner with local water users to identify and mitigate risks of wildfire to parts of our Nation's water supply, irrigation, and hydroelectric facilities. Flows of sediment, debris, and ash into streams and rivers after wildfires can damage water quality and often require millions of dollars to repair damage to habitat, reservoirs, facilities, historic buildings, and archeological sites.

A landscape-scale approach, along with coordinated efforts with Federal, state and local entities, will be critical to enhanced risk reduction and mitigation for wildland fire going forward. In April 2014, DOI joined USDA Secretary Vilsack in transmitting the final phase of the National Cohesive Wildland Fire Management Strategy – a collaborative response to the wildland fire risks facing the Nation. The strategy coordinates and integrates the efforts of Federal, tribal, state, and non-government partners and private property owners across all lands and jurisdictions. The National Cohesive Strategy aims to use all stakeholders' wildland firefighting resources to achieve maximum efficiency and impact, reflecting a shared responsibility for managing fire prone lands, protecting the Nation's natural, tribal, and cultural resources, and making communities safe and resilient for future generations. The implementation of the National Cohesive Strategy supports the Obama Administration's Climate Action Plan to reduce wildfire risks, which are exacerbated by heat and drought conditions resulting from climate change. Improving the resilience of landscapes will make natural areas and communities less vulnerable to catastrophic fire.

Effective and Efficient Management of the Department of the Interior

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

In FY 2014, DOI implemented an electronic email archiving system and is in the process of implementing a records management system that will support more than 70,000 employees, making it the largest information governance program in the Federal Government. The DOI also established a new contract for Microsoft Enterprise licensing that is the mandatory source for acquiring Microsoft products and licenses. The Office of the Chief Information Officer (OCIO) is working closely with leadership from across DOI to drive shared services for commodity IT. Through shared services, IT strategic sourcing, and consolidations, DOI estimates that IT Transformation will result in cost avoidances of $100 million each year from 2016 to 2020. Since the beginning of the initiative through FY 2014, there was a total of $62 million achieved in cost avoidance.

The successful implementation of the Financial and Business Management System (FBMS) across the Department allowed DOI to realize the benefits of a fully integrated, secure, and modernized business management system. Through the standardization and integration delivered by FBMS, the Department is able to access and share real-time business information that supports effective business decisions for mission delivery, retire outdated legacy systems that no longer comply with current mandates, improve internal controls with segregation of duties and common business practices, develop and share approaches for improved reporting and data management, and track and report administrative efficiencies.

With more than 188 million museum objects, specimens, and archives housed in 562 DOI facilities and 441 non-DOI facilities, DOI is committed to the preservation, documentation, and access to its vast array of museum collections in stewardship for the public. In FY 2014, the DOI Museum Program made significant inroads in streamlining the inventory of museum collections for 10 bureaus and offices, developing partnerships with museums and professional organizations across the country and pursuing strategies to consolidate museum collections in fewer DOI and non-Federal repositories.

Management Challenges

While DOI achieved significant progress in FY 2014, DOI identified additional and continuing challenges in collaboration with the Office of Inspector General (OIG). These are presented in the *Inspector General's Statement Summarizing the Major Management and Performance Challenges Facing the U.S. Department of the Interior*, included in Section 3 of this AFR. The OIG's review addresses the challenges that the Department faces in eight key priority areas: energy management; climate change; water programs; responsibility to American Indians and Insular Areas; information technology; disaster response; operational efficiencies; and public safety.

The DOI's leadership provides ongoing direction on these and other management issues in regular management reviews, quarterly reviews of performance including priority goals, and weekly meetings between the Deputy Secretary, Chief of Staff, and Inspector General. The DOI strives to support an effective risk management culture that enables individuals and groups to report risks in an informed manner and exercise judgment to elevate risks when needed. Reflecting the importance DOI places on these matters, DOI achieved a completion rate of 93 percent (weighted) for successfully addressing FY 2014 planned corrective actions related to OIG and Government Accountability Office audit recommendations as compared to the DOI goal of 85 percent. The DOI provided timely and responsive input to the OIG through audit responses, corrective action plans, and completion of recommended program and policy changes about its plans to address these challenges.

Agency Financial Report

In addition to a high level review of challenges, this AFR provides measurable results of 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 two operational material weaknesses in the Radio Communications program and the Management of Grants, Cooperative Agreements, and Tribal Awards, and one material weakness in financial reporting related to Entity Level Controls and the Impact on Department-Wide Financial Reporting.

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 2016 President's budget will provide a more comprehensive account of performance, in accordance with the *Government Performance and Results Act (GPRA) Modernization Act of 2010*.

MESSAGE FROM THE SECRETARY

In FY 2014, DOI was successful in obtaining an unmodified audit opinion and removing the prior year material weakness and related non-compliance with the Federal Financial Management Improvement Act of 1996. The auditors identified one remaining significant deficiency from the prior year and one new significant deficiency that arose in the current year, which is material. The DOI embraces the critical importance of correcting these weaknesses along with other deficiencies within our control process. As such, DOI continues its corrective actions to remedy the remaining deficiency and has already begun to develop corrective action plans to remedy the new issue in FY 2015.

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

Sincerely,

Sally Jewell
Secretary of the Interior
November 14, 2014

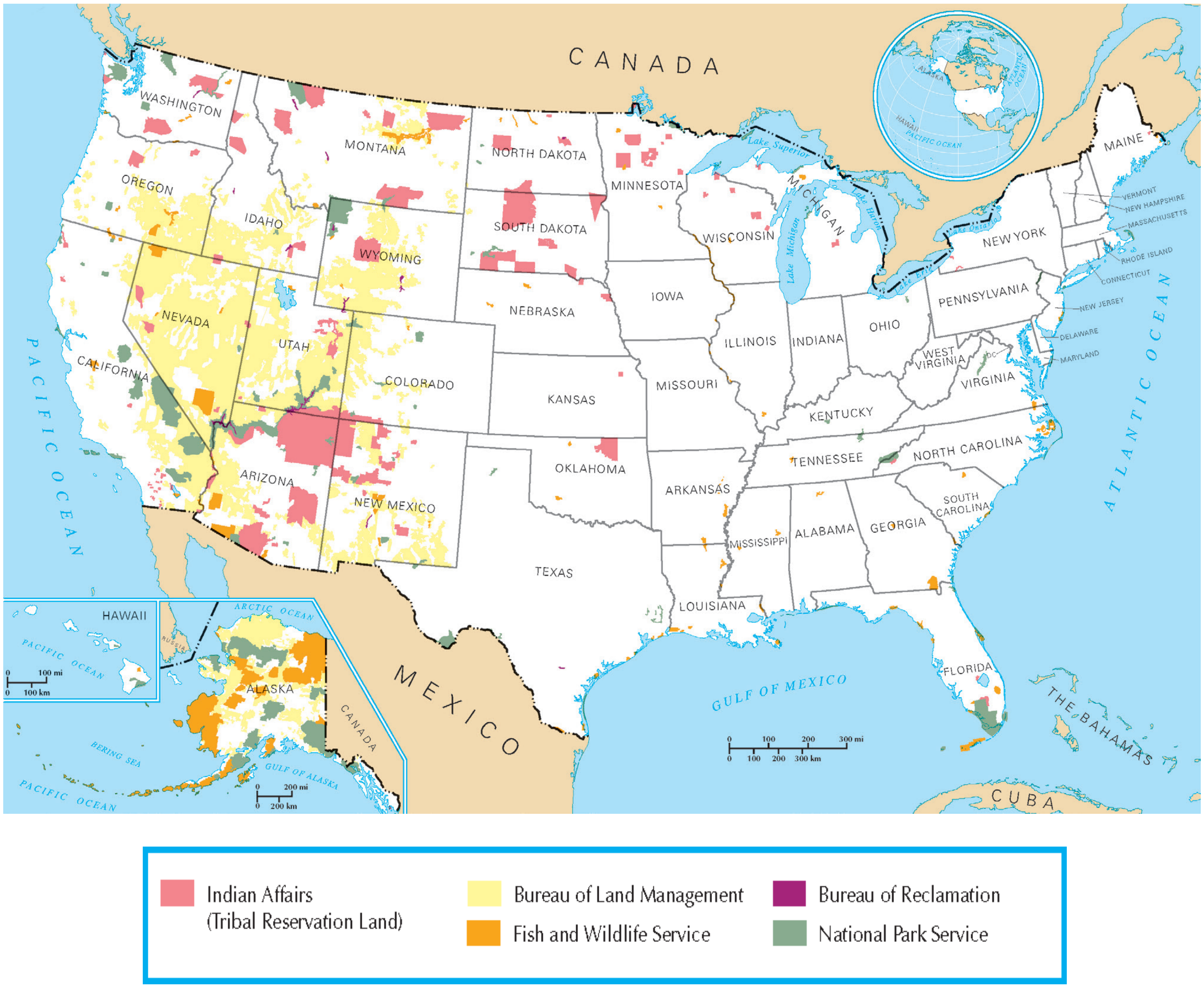
ABOUT THIS REPORT

The U.S. Department of the Interior's (DOI) Agency Financial Report (AFR) for fiscal year (FY) 2014 provides performance and financial information that enables Congress, the President, and the public to assess the performance of Interior relative to its mission and stewardship of the resources entrusted to it. This AFR satisfies the reporting requirements of the following:

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

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 2016 Congressional Budget Justification. A Summary of Performance and Financial Information (SPFI) is also produced. It is a citizens' report that summarizes this information in a brief, user friendly format. The AFR may be viewed online at ***www.doi.gov/pfm/afr/index.cfm*** or by scanning the QR code below with your mobile device:

Surface Lands Managed by The Department of the Interior



Mission

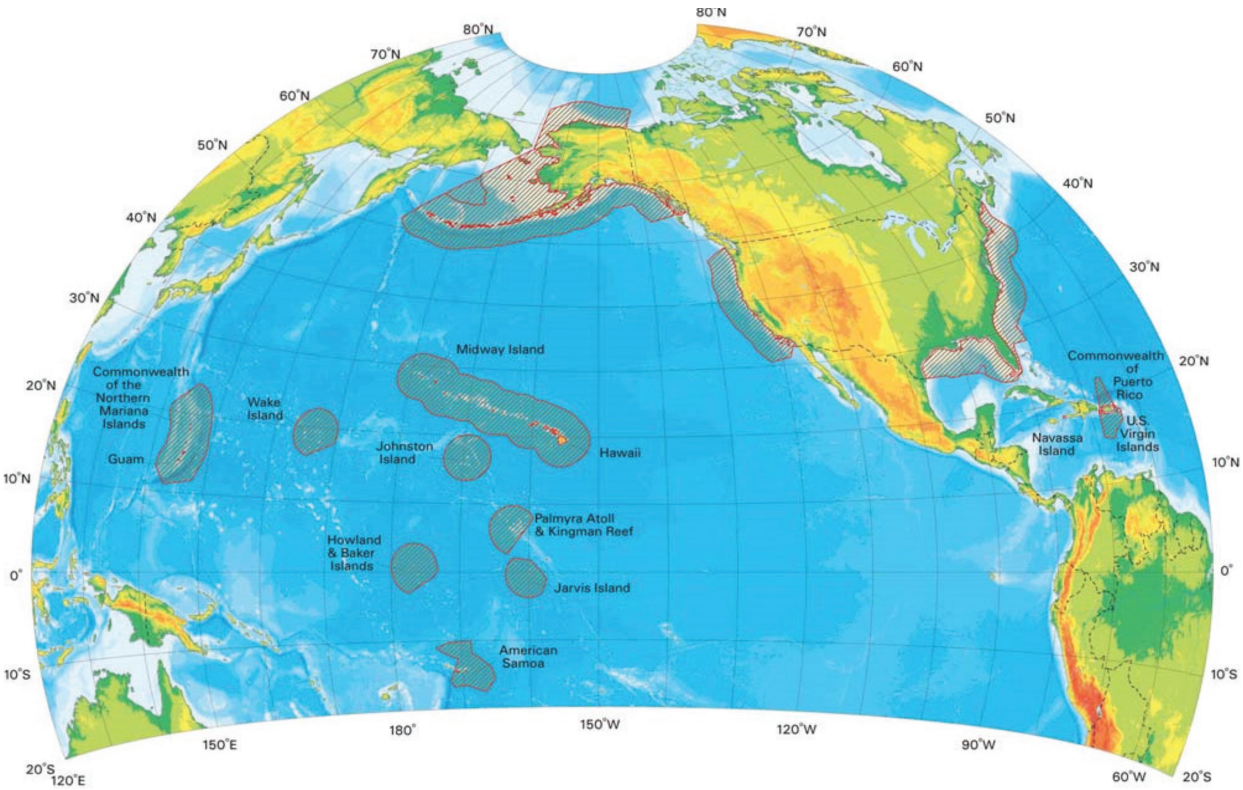
The Department of the Interior (DOI) protects and manages the Nation's natural resources and cultural heritage, provides scientific and other information about those resources, and honors the Nation's trust responsibilities or special commitments to American Indians, Alaska Natives, and affiliated island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

History

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

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

United States Continental Shelf Boundary Areas



Today, DOI manages the Nation's public lands and minerals, including providing access to more than 530 million surface acres of public lands, 700 million acres of subsurface minerals, and 1.7 billion acres of the Outer Continental Shelf. The DOI is the steward of 20 percent of the Nation's lands, including national parks, national wildlife refuges, and the public lands; manages resources that supply 21 percent of the Nation's energy; supplies and manages water in the 17 Western states and supplies 17 percent of the Nation's hydropower energy; and upholds Federal trust responsibilities to 566 federally recognized Indian tribes and Alaska Native communities. The DOI is responsible for migratory bird and wildlife conservation; historic preservation; endangered species conservation; surface-mined lands protection and restoration; mapping, geological, hydrological, and biological science for the Nation; and financial and technical assistance for the insular areas.

The DOI's programs encompassed in its Strategic Plan cover a broad spectrum of activities that are performed by 10 bureaus and multiple offices and are captured in the following presentation of each entity's unique mission and set of responsibilities. The Strategic Plan's 6 mission areas capture the vitality, inventiveness, and potential of the bureaus and offices and DOI's 70,000 dedicated and skilled employees. Along with employees, almost 322,000 volunteers contribute their time in support of bureau and office missions, bringing unique local knowledge to park operations, assisting in recovery from natural disasters, and participating in environmental education, among other activities.

THE DEPARTMENT OF THE INTERIOR'S MISSION AREAS

CELEBRATING AND ENHANCING AMERICA'S GREAT OUTDOORS

Foster the intrinsic link between healthy economies and healthy landscapes with goals and strategies to increase tourism and outdoor recreation in balance with preservation and conservation. Collaborative and community-driven efforts and outcome-focused investments will focus on preserving and enhancing rural landscapes, urban parks and rivers, important ecosystems, cultural resources, and wildlife habitat employing the best available science, a landscape-level understanding, climate change adaptation, and stakeholder input.

STRENGTHENING TRIBAL NATIONS AND INSULAR COMMUNITIES

Establish strong and meaningful relationships with tribes, strengthen the 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. Improve quality of life, create economic opportunity, and promote efficient and effective governance in insular 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 an energy future for the Nation that is cleaner and more sustainable 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

To address the growing disconnect between young people and the outdoors, DOI promotes 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. The DOI efforts encompassed by the goals and strategies 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.

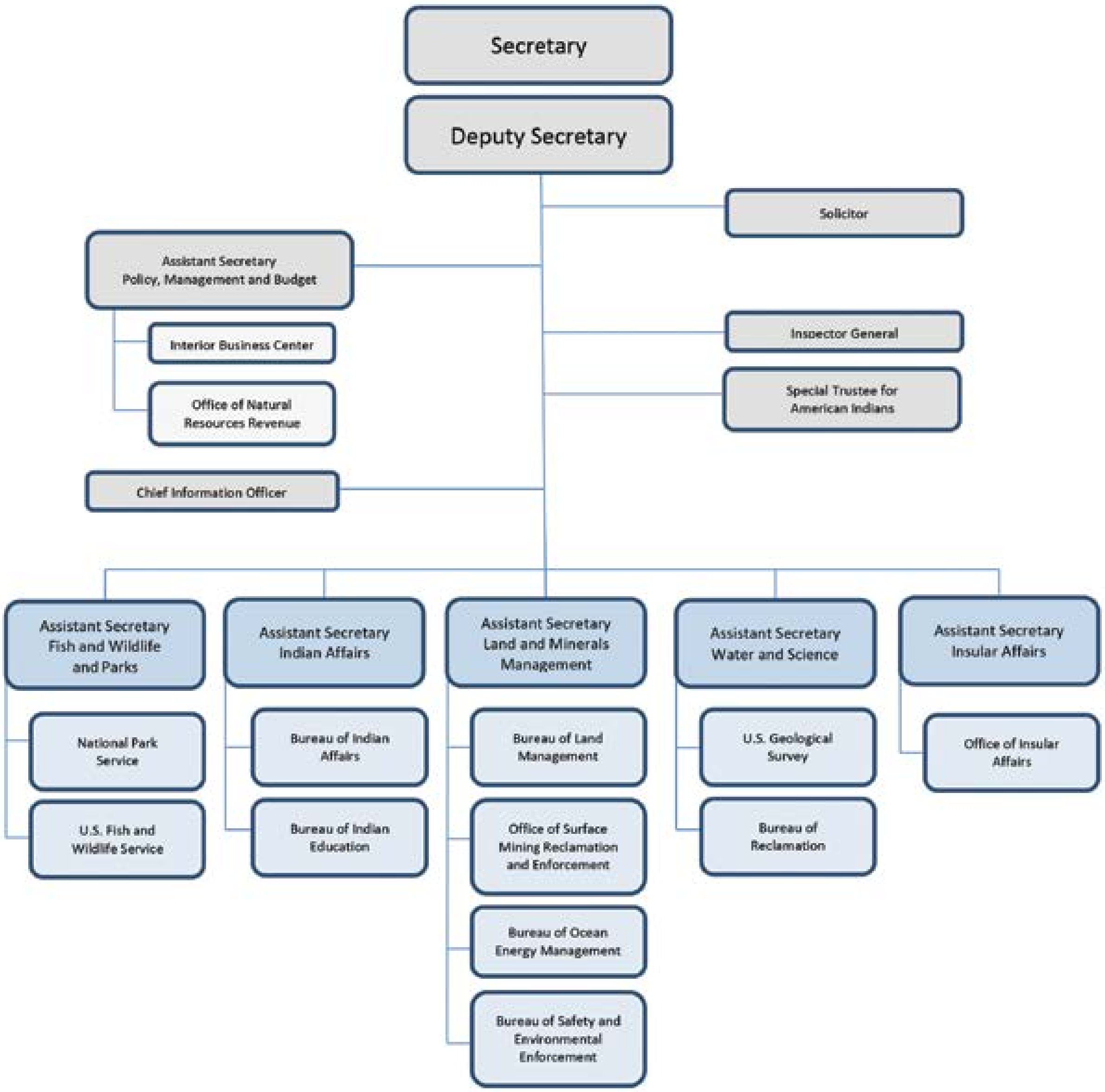
ENSURING HEALTHY WATERSHEDS AND SUSTAINABLE, SECURE WATER SUPPLIES

Water is the foundation for healthy communities and healthy economies which is challenged by 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

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 using applied and basic scientific research and the development of science products to inform decisionmaking by DOI's bureaus and offices and local, state, national, and international communities.

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 248 million acres of public land, and an additional 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 6,100 active fluid mineral leases on approximately 33 million OCS acres.
- Oversees 5 percent of the natural gas and 18 percent of the oil produced domestically.
- Oversees lease and grant issuance for offshore renewable energy projects.

Bureau of Safety and Environmental Enforcement (BSEE)

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

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

Bureau of Reclamation (BOR)

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

U.S. Fish and Wildlife Service (FWS)

- Manages the 150 million acre National Wildlife Refuge System primarily for the benefit of fish and wildlife.
- Manages 74 fish hatcheries and other related facilities for endangered species recovery and to restore native fisheries populations.
- Protects and conserves:
  - Migratory birds;
  - Threatened and endangered species; and
  - Certain marine mammals.
- Hosts about 47 million visitors annually at 562 refuges located in all 50 states and 38 wetland management districts.

National Park Service (NPS)

- Maintains and manages a network of 401 natural, cultural, and recreational sites for the benefit and enjoyment of the American people.
- Manages and protects over 26,000 historic structures, over 44 million acres of designated wilderness, and a wide range of museum collections and cultural and natural landscapes.
- Visits to National Park units exceeded 274 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*.

Indian Affairs (IA)

- Fulfills Indian trust responsibilities.
- Promotes self-determination on behalf of 566 federally recognized Indian tribes.
- Funds compact and contracts to support natural resource management, education, law enforcement, and social service programs that are delivered by tribes.
- Operates 183 elementary and secondary schools and dormitories, providing educational services to 48,000 students in 23 states, and supports 29 tribally controlled community colleges, universities, and post-secondary schools.
- Manages over 55 million surface acres of Native American and Alaska Native trust lands.

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

Departmental Offices (DO)

- Immediate Office of the 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

ANALYSIS OF PERFORMANCE GOALS & RESULTS

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

- 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.

For the purposes of the Agency Financial Report (AFR), a performance summary is provided using a collection of key indicators to gauge trends in performance through the expectations provided for FY 2014 based on the information that was reported in the FY 2014/2015 Annual Performance Plan and 2013 Report (APP&R) published in March, 2014. Notable differences in FY 2014 results from prior trends and the targets are possibly due to continuing resolutions and the government shutdown this past year. An updated, more complete and in-depth performance assessment will be presented in DOI's FY 2015/2016 APP&R which is planned to be available in February, 2015, as part of the release of the President's FY 2016 Budget, will be made available on DOI website's Budget and Performance Portal at ***www.doi.gov/bpp***.

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

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

Goal #1: Protect America's landscapes

This goal has two main purposes — to protect DOI-managed lands and waters and to safeguard the wildlife and plants that are its inhabitants. The DOI's progress in ensuring the quality of natural resources, which includes uplands, wetlands, streams, and shorelines, is characterized by the key performance indicator of how much of these natural assets are determined to be in "desired condition," as defined in locally established management plans. Natural resource 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 75 percent as additional acreage is being assessed. As more acres need to be maintained in desired condition, there is relatively less funding available to restore additional acres to desired condition as available funding begins to level out, if not decrease.

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

Bureau	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Target	2014 Preliminary
BLM, FWS, NPS	74%	84%	77%	74%	75%	74%
Acres in desired condition	315,877,213	318,874,261	332,894,215	324,908,501	325,294,973	324,531,399
Total Acres Assessed	426,431,820	380,879,726	432,178,434	436,341,566	436,349,778	436,349,778

Fish, wildlife, and plant species are also under DOI's protection. Progress is characterized using the key indicator of the sustainability of the species. Realizing success requires longer timeframes to achieve results and often shows little change from year to year. These are challenging efforts affected by natural and human induced pressures, including the loss of habitat. Assuming the solution can be implemented and the factors making the situation worse do not escalate faster than treatment can be offered, treatments take several years to take effect. The pursuit of these goals will be assisted by 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). These strategies will be further enhanced by science and collaborative knowledge facilitated by the activities of Climate Science Centers and Landscape Conservation Cooperatives (LCC), which have now all been established.

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

Bureau	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Target	2014 Preliminary
FWS	72%	72%	72%	72%	73%	73%
Healthy and sustainable bird species	725	726	726	726	747	747
Total bird species	1,007	1,007	1,007	1,007	1,026	1,026

In the table above, the sustainability of migratory bird species has been maintained at the same level based on a continuous level of resources and with an increase in FY 2014 as projected. This measure is employed as a key indicator based on the ability of the environment to support species, which is assisted by the efforts of FWS, and recognition of the importance of birds as an indicator of environmental health. This performance indicator is updated on a rotating basis every five years. Species typically take long timeframes to improve their conditions assuming that adequate attention can be paid to their populations and habitat.

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

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

Percent of historic structures in DOI inventory in good condition.

Bureau	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Target	2014 Preliminary
IA, BLM, FWS, NPS	52%	54%	56%	53%	53%	57%
Structures in good condition	16,571	16,006	16,316	15,390	15,423	14,942
Total structures	31,690	29,529	29,016	29,173	29,201	26,269

This goal is challenged particularly by the passage of time, as more damaged/aged structures require more attention than can sometimes be provided given the demands of annual upkeep across the entire inventory. To ensure appropriate attention to significant historic structures, a more refined approach is now being used to identify those historic structures that are of highest priority. This has allowed for resources to be focused according to priority and need, resulting in maintaining a steady level of historic structures in good condition, even though slightly lower in number of prioritized structures, as funding levels have dipped over the past two years.

Goal #3: Provide recreation and visitor experience

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

Percent of visitors satisfied with the quality of their experience.						
Bureau	**2010 Actual**	**2011 Actual**	**2012 Actual**	**2013 Actual**	**2014 Target**	**2014 Preliminary**
BLM, FWS, NPS	92%	91%	94%	94%	94%	95%

MISSION AREA TWO: STRENGTHENING TRIBAL NATIONS AND INSULAR COMMUNITIES

The three goals in this mission area are to restore 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 operate and control accounting activities that properly record all funds received, disbursed, invested, and held in trust for tribal and individual Indian beneficiaries, providing centralized accounting services for trust funds management activities. These funds are trust funds, which in many cases are used by the tribe and individual Indians to improve the quality of life for Indians who live on or near reservations. With the emphasis that is placed on trust management activities, performance continues to remain consistently high.

Percent of financial information initially processed accurately in trust beneficiaries' accounts.						
Bureau	**2010 Actual**	**2011 Actual**	**2012 Actual**	**2013 Actual**	**2014 Target**	**2014 Preliminary**
OST	100%	100%	100%	100%	100%	100%
Total information processed accurately	8,485,028	8,342,464	8,803,464	9,367,301	9,107,750	9,980,933

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

In tracking the performance of this goal, the key indicators are in the areas of Indian education and the level of violent crimes in Indian communities, considered to be significant factors affecting the quality of life in tribal communities.

Secretary Jewell issued a Secretarial Order in June 2014 that redesigns the BIE from a direct provider of education into an innovative organization that will serve as a capacity builder and service provider to tribes with BIE funded schools. The details for implementing such a transformation are currently being developed which will provide other means for measuring performance rather than the previously employed Annual Yearly Progress indicator. This different approach to Indian education is being employed in an attempt to increase the relevance and effectiveness of education in tribal communities.

The number of violent crimes per 100,000 Indian citizens was 442 in FY 2013, higher than the target of 412. Crime reduction efforts continue nationwide; however, the unfortunate sequester reduction directly impacted the law enforcement presence throughout Indian communities. This continues to be a very challenging area to attain results, since crime rates can be affected by several factors many of which are not under the control of DOI and IA Office of Justice Services (OJS). There have been organizational changes within OJS to strengthen management support and accountability in the field offices during this past year, adding expertise to improve technical support to the tribally-run law enforcement programs throughout Indian Country. These changes, along with higher funding in FY 2014 has resulted in decreased violent crime in FY 2014 relative to the previous year (FY 2013), though not as low as targeted.

Violent (Part 1) crime incidents per 100,000 Indian Country inhabitants receiving law enforcement services.

Bureau	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Target	2014 Preliminary
IA	413	454	412	442	416	419
Number of crime incidents*	5,178	5,694	5,160	5,538	5,212	5,245
Total inhabitants (100,000)	12.53	12.53	12.53	12.53	12.53	12.53

*per 100,000 inhabitants

Beginning in FY 2014, IA OJS initiated a pilot activity that is the focus of a new Agency Priority Goal, to utilize social service programs to help in the rehabilitation of past incarcerated individual offenders to reduce the occurrence of repeat offenses.

Goal #3: Empower insular communities

The DOI measures performance of Federal programs in island communities based on the degree to which Federal assistance helps improve the quality of life, the extent to which their financial statements on the use of Federal assistance are completed, and economic development. Availability of clean water is a key indicator of quality of life and for this program performance is captured for violation notices for water systems as displayed in the following table. Data continues to be difficult to attain from the Environmental Protection Agency (EPA) for these regions, is often received late, and has to be realigned to correspond to the appropriate reporting year. It has been difficult to maintain the condition of community water systems especially with continued economic and infrastructure challenges, but a lower occurrence of health-based violations in water systems was achieved in FY 2014. In preparing the APP&R for FY 2014 and FY 2015, it was discovered that the EPA reporting had been one year off sequence and overstated in FY 2010, for which corrections have been made. The EPA reporting for insular areas remains challenging.

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

Bureau	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Target	2014 Preliminary
OIA	11%	15%	14%	19%	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. There are two goals that address energy producing resources and land-related resources including grazing, non-energy minerals, and timber.

Goal #1: Secure America's energy resources

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

The Nation's clean energy future relies on emerging sources of renewable energy resources from wind, solar, and geothermal. Renewable energy resource development is one of DOI's Agency Priority Goals. While 2,448 megawatts (mw) of renewable energy capacity had been approved prior to FY 2010, the strategic plan performance measure has been adjusted to be consistent with the President's goal that 20,000 mw of renewable energy capacity be approved between 2010 and 2020.

Number of megawatts of approved generating capacity authorized on public land and the outer continental shelf (offshore) for renewable energy development while ensuring full environmental review (cumulative since 2009).

Bureau	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Target	2014 Preliminary
BLM & BOEM	84	6,025	7,863	13,787	15,159	14,608

The DOI has significantly increased access to Federal lands for renewable energy during the past 3 years. These targets have been found to be ambitious, due to the complex issues and challenges that were discovered to be associated with the formulation of renewable energy projects which is why the FY 2014 target was not achieved (i.e., some projects take longer to process due to technical concerns). These challenges included locating project sites around sensitive avian and wildlife species, addressing tribal concerns, and delays due to the sponsor's ability to finance a project and establish a power purchase agreement with an electric utility company.

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

The key performance measures for granting non-energy mineral leases, and access for grazing and timber are generally showing level or decreasing trends in permits approved due to the significant number of legal challenges and increased demand for additional assessments to be conducted prior to approving access. As approval of these permits becomes more complicated, there is an increase in processing costs and erosion of budgets that impacts the overall level of performance. Performance of the timber program is displayed in the following table as the key indicator that is representative of this type of effort. Performance is often impacted as the number of legal challenges has increased, as seen particularly in FY 2011. Added funding in FY 2014 provided additional workforce to harvest an increased amount of fire salvaged timber.

Percent of allowable sale quantity timber offered for sale consistent with applicable resource management plans.						
Bureau	**2010 Actual**	**2011 Actual**	**2012 Actual**	**2013 Actual**	**2014 Target**	**2014 Preliminary**
BLM	86%	70%	85%	80%	73%	76%
Offered for sale (mmbf*)	174	143	172	162	149	155
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 young people serving as active stewards of the environment throughout their lives. However, there is a growing disconnect between young people and the outdoors. The DOI has a unique opportunity to harness the spirit of community service and volunteerism of our Nation's youth, and encourage them to use their time, energy, and talent to better our natural and cultural treasures.

Goals: Play / Learn / Serve / Work

Across DOI bureaus, innovative program management reforms have been underway to expand and enhance quality conservation jobs, training, and service opportunities for younger individuals that help protect and restore America's natural and cultural resources. With a potential retirement rate of 40 percent in the next 4 to 6 years, DOI has a tremendous opportunity to provide entry level positions for young Americans, returning veterans, and other under-served communities experiencing high unemployment rates. Providing conservation-related work and training opportunities to young Americans is one of DOI's Agency Priority Goals. Due to limitations in funding, including the effects of sequestration in FY 2013, recent levels of engagement in FY 2012 and FY 2013, as displayed in the following table, have not been as high as desired. However, with additional funding in FY 2014 and a year of experience in implementing the Pathways Program method for linking young individuals with these types of work and training opportunities, engagement levels have increased, yet are still behind expectations.

Number of conservation-related work and training opportunities provided to young people.						
Bureau	**2010 Actual**	**2011 Actual**	**2012 Actual**	**2013 Actual**	**2014 Target**	**2014 Preliminary**
All Bureaus	21,762	20,780	19,175	15,546	20,000	16,000

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

Healthy watersheds provide sustainable, secure water that is the foundation for healthy communities and economies. However, water supplies are being challenged by climate change, record drought conditions, and increasing demands. Recognizing the states' primary role in managing water resources, DOI will work 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 has a significant role in managing water resources in the western United States. These efforts involve providing capability for the collection, storage, and distribution of water resources. The distribution of water is highly dependent upon the condition of facilities that manage and distribute the water, which is why the key performance indicator is based on the percentage of these facilities considered to have a "good" Facility Reliability Rating.

Percent of water infrastructure in good condition as measured by the Facility Reliability Rating.						
Bureau	**2010 Actual**	**2011 Actual**	**2012 Actual**	**2013 Actual**	**2014 Target**	**2014 Preliminary**
BOR	98%	72%	76%	79%	75%	78%
Number of facilities in: • fair to good condition for 2010 • good condition for 2011-2014	337	247	260	274	257	269
Total number of facilities in service	343	343	344	345	344	344

As displayed in the table, prior to FY 2011 this measure included facilities in fair to good condition. During the Strategic Plan update for FY 2011-2016 (and similarly for FY 2014-2018), the measure was strengthened so that only facilities in good condition qualify, resulting in a drop in percent of facilities reported. This refined approach will help add emphasis to improving a broader range of facilities that benefit more from the attention. Performance for this key indicator is challenging as infrastructure ages and the cost of workforce and materials continue to increase faster than available resources. As the more extensive, and therefore expensive, problems are addressed, the number of facilities measuring up to good condition is slowing.

Goal #2: Extend water supplies through conservation

Water conservation is an important component of DOI's water management responsibility as it will contribute to increasing the "effective" water supply. Water conservation is tracked through an Agency Priority Goal and has been increasing steadily over the past 5 years (performance results are cumulative through all prior years), supported by a corresponding positive investment in funding. Additional FY 2014 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	**2010 Actual**	**2011 Actual**	**2012 Actual**	**2013 Actual**	**2014 Target**	**2014 Preliminary**
BOR	N/A	487,939	616,226	734,851	790,000	860,299

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

To effectively carry out its mission, DOI must understand and make decisions at the landscape level. 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 is leading efforts to apply it 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

Harnessing emerging technologies, tools, and methodologies, DOI works with partners to elevate understanding of resources on a landscape level. The DOI will leverage 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. As this is a new performance measure for FY 2014, it is still in the process of being baselined.

Number of communities on the geospatial platform that provide information relevant to landscape-level decision making.						
Bureau	**2010 Actual**	**2011 Actual**	**2012 Actual**	**2013 Actual**	**2014 Target**	**2014 Preliminary**
USGS	N/A	N/A	N/A	N/A	Establish Baseline	17

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

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

Percent of targeted ecosystems with information products forecasting ecosystem change.						
Bureau	**2010 Actual**	**2011 Actual**	**2012 Actual**	**2013 Actual**	**2014 Target**	**2014 Preliminary**
USGS	22%	22%	33%	33%	44%	44%
Ecosystems with information products	2	2	3	3	4	4
Ecosystems under study	9	9	9	9	9	9

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

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

Percent completion of earthquake and volcano hazard assessments for moderate to high hazard areas.						
Bureau	**2010 Actual**	**2011 Actual**	**2012 Actual**	**2013 Actual**	**2014 Target**	**2014 Preliminary**
USGS	31%	34%	37%	38%	40%	40%
Number of completed assessments	62	68	74	76	80	80
Number of high hazard areas	200	200	200	200	200	200

Goal #4: Provide water and land data to customers

The USGS continues to monitor and conduct research to generate a more precise estimate of water availability and use for meeting current and future human, environmental, and wildlife requirements. These research and monitoring activities will 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; water use; and climate. As part of DOI's WaterSMART (Sustain and Manage America's Resources for Tomorrow) initiative, the following key performance indicator tracks the progress of studying selected watersheds where significant competition for water resources exists. These studies will be used by USGS to work collaboratively with local stakeholders to assess technical aspects of water availability and develop processes for more effectively managing this valuable resource for the benefit of all involved. As such, this key performance indicator highlights the ability to apply scientific knowledge with environmental measurement to develop solutions. This is a new effort that has been underway over the past 3 years with the first completed information sets being completed this year, which will help determine the potential effectiveness of this new approach.

Percent of U.S. with completed consistent water availability products.						
Bureau	**2010 Actual**	**2011 Actual**	**2012 Actual**	**2013 Actual**	**2014 Target**	**2014 Preliminary**
USGS	N/A	N/A	0%	0%	5%	17%
Completed water availability information sets	N/A	N/A	0	0	105	352
Number of potential water availability information sets	N/A	N/A	2,112	2,112	2,112	2,112

AGENCY PRIORITY (PERFORMANCE) GOALS

Agency Priority Goals represent DOI priorities to significantly improve near-term performance with 24 months to improve outcomes or speed progress on projects and processes critical to DOI's mission and attainment of national goals. The Secretary and Deputy Secretary have used the visibility of these goals, quarterly progress reviews, and information learned through the collaborative process to ensure supporting programs are adequately resourced. Senior level attention on key milestones, accurately quantified performance results compared to plans, and implementation of alternate strategies where needed, assist in ensuring results are achieved. The following table provides a brief status of the Agency Priority Goals being pursued for FY 2014-2015.

Agency Priority Goal Statement	Results achieved as of the 4th Quarter FY 2014
Renewable energy resource development. By September 30, 2015, increase approved capacity authorized for renewable (solar, wind, and geothermal) energy resources affecting DOI-managed lands, while ensuring full environmental review, to at least 16,500 Megawatts (since 2009).	14,608 mw of capacity approved (since the start of FY2010)
Water conservation. By September 30, 2015, DOI will further enable the capability to increase the available water supply for agricultural, municipal, industrial, and environmental uses in the Western United States through BOR water conservation programs to 840,000 acre-feet, cumulatively since the end of FY 2009.	Additional FY 2014 funding provided for more capacity approvals than expected through 860,000 acre-feet of water conservation
Safer and More Resilient Communities in Indian Country. By September 30, 2015, reduce rates of repeat incarceration in three target tribal communities by 3 percent 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.	New goal; baseline has been established in FY 2014

Agency Priority Goal Statement	Results achieved as of the 4th Quarter FY 2014
Youth stewardship of natural and cultural resources. By September 30, 2015, DOI will provide 40,000 work and training opportunities over two fiscal years (FY 2014 and FY 2015) for individuals age 15 to 25 to support the mission of the Department.	16,000 individuals/opportunities provided
Oil and gas resources management. By September 30, 2015, BLM will increase the completion of inspections of Federal and Indian high risk oil and gas cases by 9 percent over FY 2011 levels, which is equivalent to covering as much as 95 percent of the potential high risk cases.	100 percent of high risk cases inspected, including 200 cases added during the year
Climate change adaptation. By September 30, 2015, DOI will demonstrate maturing implementation of climate change adaptation as scored when carrying out strategies in its Strategic Sustainability Performance Plan.	Goal Achieved; 264 points scored toward addressing identified climate change adaptation strategies

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

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

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

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

Management Assurances

The FMFIA requires agencies to assess the effectiveness of and provide an annual statement of assurance regarding internal accounting and administrative controls, including controls in program, operational, and administrative areas as well as accounting and financial reporting. During FY 2014, 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 2014 annual assurance statement appears on the next page. The basis for the assurance statement conclusions follows.

Federal Managers' Financial Integrity Act of 1982 (FMFIA)

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

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

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

- OMB Circular No. A-123, *Management's Responsibility for Internal Control*, including Appendix A, *Internal Control over Financial Reporting*; Appendix B, *Improving the Management of Government Charge Card Programs*, Appendix C, *Requirements for Effective Measurement and Remediation of Improper Payments;* Appendix D, *Compliance with the Federal Financial Management Improvement Act of 1996*; and
- OMB Circular No. A-130, *Management of Federal Information Resources*.

Internal Control Assessments

The DOI conducts annual assessments of the effectiveness of management, administrative, and accounting systems' controls in accordance with FMFIA and OMB guidelines. The conclusions in the Secretary's FY 2014 annual FMFIA assurance statement are based on the results of numerous internal control reviews that bureaus and offices conduct, including assessment of internal control over financial reporting. The DOI also considered the results of Office of Inspector General (OIG) audits, Government Accountability Office (GAO) program audits, and the financial statement audit conducted by the independent public accounting firm, KPMG LLP. In addition, many of DOI's internal control reviews and related accountability and integrity program activities focused on areas identified as major management challenges.

FMFIA Material Weaknesses and Accounting System Nonconformances

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

FY 2014 ASSURANCE STATEMENT

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

In accordance with the *Federal Managers' Financial Integrity Act* (FMFIA), I have directed an evaluation of internal control at DOI in effect during the fiscal year ending September 30, 2014. The DOI conducted our assessment of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with the requirements of the Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Internal Control*. Based on the results of this evaluation, DOI provides reasonable assurance that the objectives of FMFIA, Section 2 over non-financial operations have been achieved, except for two material weaknesses related to Radio Communications and Management of Grants, Cooperative Agreements, and Tribal Awards as identified in Figure 1-1, and no other material weaknesses were found in the design or operation of the internal controls as of September 30, 2014.

The DOI conducted our assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with OMB Circular A-123, Appendix A. Based on the results of this evaluation, DOI provides reasonable assurance that, as of June 30, 2014, our internal control over financial reporting was operating effectively except for one material weakness related to Entity Level Controls and the Impact on Department-Wide Financial Reporting as identified in Figure 1-1. Subsequent testing through September 30, 2014, did not identify any additional reportable changes in key financial reporting over internal controls. Our financial management systems conformed to the objectives of FMFIA, Section 4 and component requirements under the *Federal Financial Management Improvement Act of 1996*.

Sally Jewell
Secretary of the Interior
November 14, 2014

At the beginning of FY 2014 DOI had one Department-level FMFIA material weakness pending correction carried forward from the previous year: Radio Communications. The OCIO has had primary responsibility for correcting this weakness. In addition, in FY 2014 the Office of Acquisition and Property Management (PAM) identified a material weakness in the Management of Grants, Cooperative Agreements, and Tribal Awards. This deficiency focuses on monitoring and oversight of discretionary grants and cooperative agreements at one DOI component. The OCIO and PAM have developed corrective action plans to mitigate the issues identified in these areas. *(See Figure 1-1)*

The FY 2013 material weakness in Controls Over Unusual and Nonrecurring Transactions was corrected. However, a deficiency in Entity Level Controls and the Impact on Department-Wide Financial Reporting was identified as a material weakness during FY 2014. While DOI successfully implemented the Financial and Business Management System (FBMS) and a new financial statement consolidation and reporting system, users are faced with the challenge of learning the new systems and adjusting legacy processes to be more efficient and improve internal controls over financial reporting. The DOI has already begun to take corrective actions in this matter.

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

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

FIGURE 1-1

FMFIA Material Weaknesses
as of September 30, 2014

Description	Corrective Actions	FY 2014 Progress	Target Completion Date	Status
Office: The Chief Information Officer (OCIO) **The DOI Radio Communications Program:** The DOI has an unsafe and unreliable radio communications environment that jeopardizes the health and safety of DOI employees and the public.	The DOI will: 1) Assign responsibility over the radio communications program to the OCIO; 2) Develop a comprehensive management plan for the radio communications program; 3) Identify specific user groups and ensure that user needs are assessed and addressed, guidance is provided and enforced, and training is provided; 4) Enforce existing safety procedures to notify employees and the general public of hazardous site conditions; and 5) Implement best practices, where appropriate.	1) Established a Radio Executive Steering Committee (Radio ESC) with responsibility for integrated management of radio communications, facilities, planning and budget, and mission area oversight for fire, law enforcement, and emergency management. 2) Created a framework for a comprehensive radio program management plan for which a demonstration project is planned in FY 2015 along the southwest border. 3) Identified specific user groups (fire, law enforcement, emergency management, etc.) and included representation of these users in the Radio ESC to ensure their needs are assessed and addressed. 4) Updated guidance on OCIO Directive 2010-008 (*Radio Facilities Standards*) to close gaps in facilities standards, assessment requirements, and reporting. 5) Implemented best practices by establishing radio asset management in DOI's FBMS to support efficient lifecycle management of radio assets and the planning of future investments and technology. 6) Established an enterprise-wide contract for the acquisition of radio products that vastly increased the availability and use of alternative technologies to support reliable field communications. 7) To properly align responsibilities for safety concerns, the DOI Safety Office has taken over the responsibilities and actions to enforce safety procedures.	FY 2017	Ongoing
Office: The Office of Acqusition and Property Management (PAM) **Management of Grants, Cooperative Agreements, and Tribal Awards Program:** The DOI must improve management and oversight of financial assistance and tribal awards made under Public Law (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.	Identified in FY 2014.	FY 2016	Ongoing

FMFIA Material Weaknesses (continued)
as of September 30, 2014

Description	Corrective Actions	FY 2014 Progress	Target Completion Date	Status
Office: The Office of Financial Management (PFM) **Controls Over Unusual and Nonrecurring Transactions**	The DOI will: 1) Implement policies/ procedures to improve the annual risk assessment process over non-routine events to ensure proper accounting treatment; 2) Implement policies and procedures at PFM to guide the intra-bureau communications and oversight of recording, disclosing, and classifying transactions; and 3) Implement policies/ procedures that require officials in PFM to perform an independent review of significant accounting decisions made at the component level.	Identified in FY 2013.	FY 2014	Corrected
Office: The Office of Financial Management (PFM) **Entity Level Controls and the Impact on Department-Wide Financial Reporting**	The DOI will: 1) Perform an assessment of employee resources in the Office of Financial Management and the Bureaus, to ensure that personnel with appropriate skills are in key positions and have authority to implement new policies to strengthen internal controls; 2) Perform a thorough risk assessment at the financial statement assertion level to identify process level risks, and assess the effectiveness of key process level controls to respond to the risks at the Department level; 3) Implement key monitoring controls to ensure control effectiveness throughout the financial reporting process; and 4) Develop robust policies and procedures to increase oversight, review, and accountability of accounting events to ensure the successful implementation of an effective internal control environment.	Identified in FY 2014.	FY 2015	Ongoing

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

Internal Control Over Financial Reporting

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

In FY 2014, DOI completed its ninth annual assessment of the effectiveness of internal control over financial reporting. The results of the assessment revealed that DOI has a material weakness in Entity Level Controls and the Impact on Department-Wide Financial Reporting. Other deficiencies were found in some reporting processes but compensating controls and corrective actions adequately address these deficiencies. Except for its weakness in Entity Level Controls and the Impact on Department-Wide Financial Reporting, DOI can reasonably assure the safeguarding of assets from waste, loss, and mismanagement, as well as compliance with laws and regulations pertaining to financial reporting. *(See FY 2014 Assurance Statement, paragraph 2)*

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

Federal Financial Management Improvement Act of 1996 (FFMIA)

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

Federal agencies are required to address compliance with the requirements of FFMIA in the management representations made to the financial statement auditor. The auditor is required to report in the Independent Auditors' Report on the agency's compliance with FFMIA requirements. 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 reguard to DOI's financial management systems, no lack of substantial compliance was noted.

Inspector General Act Amendments (Audit Follow-up)

The DOI has instituted a comprehensive audit follow-up program to ensure that audit recommendations are implemented in a timely and cost-effective manner and that disallowed costs and other funds due from contractors and grantees are collected or offset. In FY 2014, 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.

To further underscore the importance of timely implementation of OIG and GAO audit recommendations, DOI has a performance goal of implementing at least 85 percent (weighted) of all GAO and OIG recommendations where implementation was scheduled to occur during the current year or in previous years. The DOI set its performance goal at 85 percent to allow for impacts, challenges, and unforeseeable delays when initial corrective action plans were developed; some corrective actions can span multiple years. In FY 2014, DOI exceeded its performance goal with an implementation rate of 93 percent.

Results of Financial Statement Audit

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

Figures 1-2 and 1-3 summarize the status of the material weakness identified in the audit report for FY 2014. This report identified one material weakness in Entity Level Controls and the Impact on Department-Wide Financial Reporting, and one significant deficiency in Controls over Property, Plant, and Equipment and the related liability for asbestos-related cleanup costs. A previous material weakness in the Controls over Unusual and Nonrecurring Transactions is considered corrected. The FY 2104 material weakness related to DOI's Entity Level Controls and the Impact on Department-Wide Financial Reporting will be given additional attention throughout FY 2015.

Major Management Challenges Confronting Interior

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

FIGURE 1-2

FYs 2014 and 2013 Audited Financial Statements
Departmental Material Weakness Corrective Action Plan (as of September 30, 2014)

Material Weakness Description	Corrective Actions	Fiscal Year		Original Target Date	Status
		2014	2013		
Controls Over Unusual and Nonrecurring Transactions	1) Implement policies and procedures to improve the annual risk assessment process over non-routine events to ensure proper accounting treatment; 2) Implement policies and procedures at PFM to guide intra-bureau communications and oversight of recording, disclosing, and classifying transactions; and 3) Implement policies and procedures that require officials in DOI to perform an independent review of significant accounting decisions made at the component level.		X	9/30/14	Corrected
Entity Level Controls and the Impact on Department-Wide Financial Reporting	1) Perform an assessment of employee resources in the Office of Financial Management and the Bureaus, to ensure that personnel with appropriate skills are in key positions and have authority to implement new policies to strengthen internal controls; 2) Perform a thorough risk assessment at the financial statement assertion level to identify process level risks, and assess the effectiveness of key process level controls to respond to the risks at the Department level; 3) Implement key monitoring controls to ensure control effectiveness throughout the financial reporting process; and 4) Develop robust policies and procedures to increase oversight, review, and accountability of accounting events to ensure the successful implementation of an effective internal control environment.	X		9/30/15	Ongoing

FIGURE 1-3

FYs 2014 and 2013 Audited Financial Statements
Departmental Noncompliance Corrective Action Plan (as of September 30, 2014)

Noncompliance Description	Corrective Actions	Fiscal Year		Original Target Date	Status
		2014	2013		
FFMIA	See corrective actions for the material weakness noted in Figure 1-2.		X	9/30/14	Corrected

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 2014, DOI exceeded its performance goal for DCIA but did not exceed its performance goals for PPA and payments made by EFT. The PPA (Figure 1-4) requires that eligible payments be made within 30 days of receipt of invoice; otherwise, the Federal Government is required to pay interest. The DCIA (Figure 1-5) requires any nontax debt owed to the United States that has been delinquent for a period of over 180 days be turned over to the Department of the Treasury for collection. The EFT (Figure 1-6) provision of the DCIA mandates all recipients of Federal payment receive their payments electronically, except for tax refunds.

The shortfall of the PPA performance goal is attributed to ongoing issues experienced by DOI bureaus as a result of their deployment onto FBMS. During FY 2014, as users were learning the system, bureaus were adjusting legacy processes to be more efficient with FBMS. Bureaus identified payment delays due to budget availability errors for interest charges. As bureaus become more familiar with the tools available and Business Integration Office (BIO) continues to enhance reporting and workflow based on bureau feedback, the numbers for Prompt Pay will continue to improve.

Regarding EFT, DOI has a large number of transactions for Tort Claims, legal settlements, social service payments to Indian tribes and realty payments that are consistently being processed with EFT waiver requests. In addition, a large number of waivers were converted with vendor records from legacy financial systems. Those waivers were given a two-year grace period and are now expiring. A system change is being 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 enable DOI to reduce the number of vendors who receive checks. In addition, electronic payment methods such as wire transfers and charge card payments as EFT and are now included in the EFT compliance numbers for DOI. These actions should result in an improvement in the EFT goal.

FIGURE 1-4

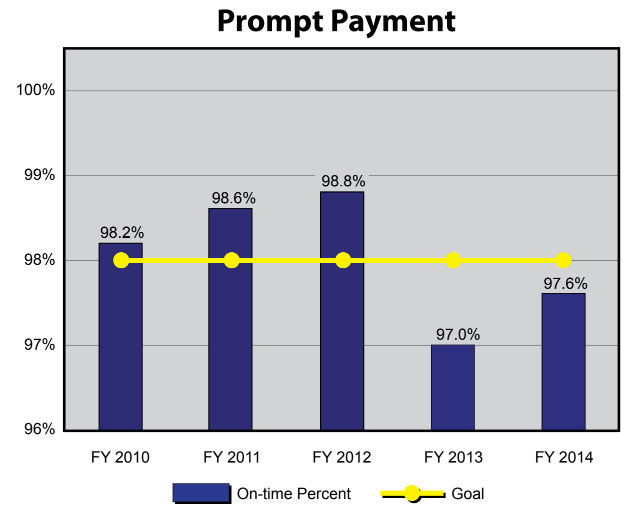


FIGURE 1-5

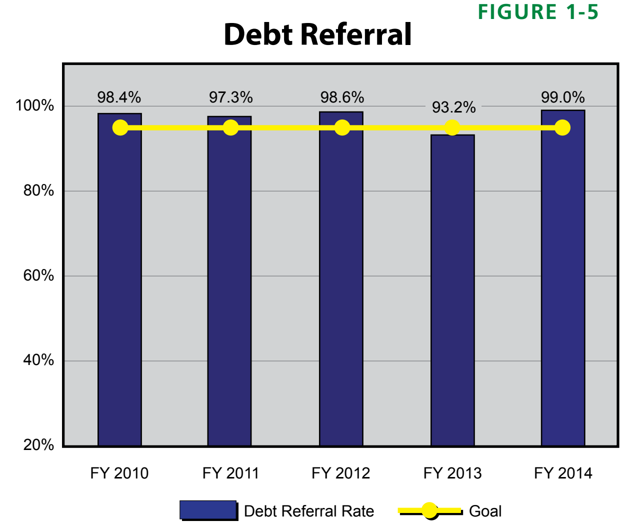
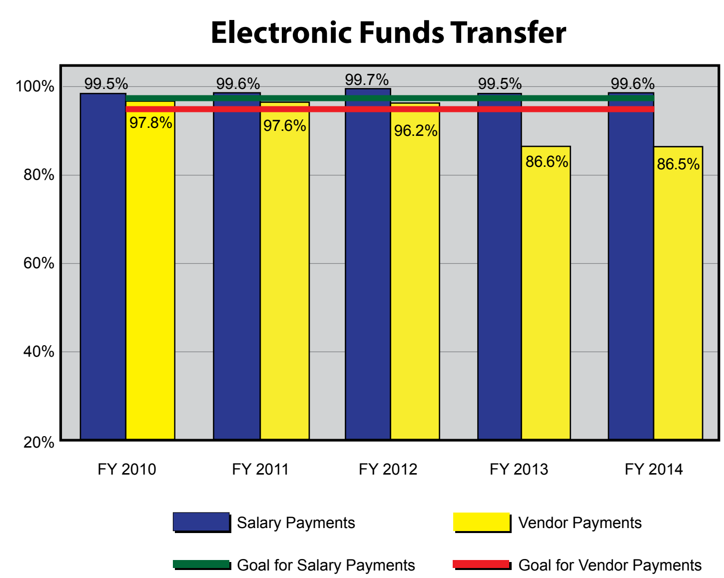


FIGURE 1-6



IT Transformation

The DOI is currently into a multi-year IT Transformation initiative to align IT resources under a single Chief Information Officer (CIO). In support of this effort, the Office of the Chief Information Officer (OCIO) is working closely with leadership to drive shared services for commodity IT across DOI. Once completed, IT Transformation is expected to result in cost avoidances of $100 million each year from 2016 to 2020, for a cumulative total of $500 million. Since the beginning of the initiative through FY 2014, a total of $62 million has been achieved in cost avoidance. (*See Figure 1-7*)

Through IT Transformation, DOI has already benefited from major accomplishments such as:

- Awarded contracts valued up to $10 billion that will expedite DOI's move to the cloud;
- Initiated the migration of FBMS, DOI's enterprise finance and business management system, to the cloud;
- Implemented a Mandatory Use Policy for the Foundation Cloud Hosting Services Contract requiring all bureaus and offices to evaluate cloud services first when refreshing technologies or standing up new initiatives;
- Completed an internal hosting study evaluating hosting services across DOI to include workforce, data centers and hosted applications and services (high level application rationalization) resulting in a series of recommendations to move DOI towards a strategic hosting shared services model;
- Launched DOI's data center consolidation plan to support OMB's Federal Data Center Consolidation Initiative (FDCCI). To-date, 81 data centers have been consolidated and 6 DOI data centers have been categorized as core centers;
- Implemented a records management and electronic archiving system;
- Established a new contract for Microsoft Enterprise licensing that is the mandatory source for acquiring Microsoft products and licenses; and
- Consolidated Wide Area Network connectivity in 87 locations.

FIGURE 1-7

IT Transformation Cost Avoidance

(dollars in thousands)	FY 2011	FY 2012	FY 2013	FY 2014	Total
System Decommissioning		$ 100	$ 100	$ 500	$ 700
Shared Service Migration		$ 400	$ 1,300	$ 4,200	$ 5,900
Data Center Consolidation		$ 4,500	$ 1,600	$ 500	$ 6,600
Commodity IT Consolidation			$ 5,400	$ 5,300	$ 10,700
Strategic Sourcing		$ 500	$ 8,100	$ 3,300	$ 11,900
Human Capital	$ 5,400	$ 5,300	$ 8,400	$ 7,200	$ 26,300
Total	$ 5,400	$ 10,800	$ 24,900	$ 21,000	$ 62,100

Financial Management Systems

The DOI shares the view of the Government-wide CFO Council that robust financial management systems improve consistency, generate data to assist management and strengthen 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 a part of the capital asset portfolio and uses sound IT investment management, program management, and project governance principles to plan, deploy and operate systems. The DOI's goal is to achieve and maintain the objectives stated in OMB Circular No. A-123, Appendix D – to initiate, record, process, and report transactions to support agency missions in making business decisions – through the deployment of FBMS. In pursuing this goal, DOI is following the IT investment management practices and principles identified in the *Clinger-Cohen Act of 1996* and the *Federal Information Security Management Act of 2002*. The DOI is also furthering a number of the goals set forward in the *25 Point Implementation Plan* to reform Federal IT management through the implementation of FBMS.

Financial Management Systems Improvement Strategy

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

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

Some systems are managed at the bureau level, some at the Departmental level, and some are Government-wide systems on which DOI relies. Collectively, they represent DOI's financial management systems architecture. The DOI has viewed the movement toward a single, integrated financial system as encompassing four interrelated elements that drive business process, improvements, and financial integrity. They are: (1) improvement of internal controls; (2) elimination of redundant data entry; (3) enabling end-to-end transaction processing; and (4) standardization of data for improved information quality. The DOI's current, major financial management system improvement effort centers on FBMS. In early FY 2014, DOI implemented the final FBMS bureau deployment and it is now operational across the entire DOI.

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 financials, 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 2014 Accomplishments

The FBMS is currently in use by all of DOI. The BIO, formerly the FBMS Project Management Office, provides operations and maintenance support to FBMS. The OCIO is the system's infrastructure, hosting, and help desk provider. Some of the accomplishments in FY 2014 include:

- Implemented FBMS at BOR, the final bureau deployment;
- Enhanced FBMS capabilities and closed functionality gaps through monthly Point Releases;
- Initiated the migration to a modernized cloud hosting environment to replace obsolete servers and networking storage equipment;
- Conducted and met the requirements of a preliminary design review, critical design review, test readiness review, and integration testing for release activities to upgrade and optimize the existing footprint of FBMS;
- Implemented an integrated Financial Consolidation and Reporting Module for DOI; and
- 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; and
- 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 successful completion of the migration to a cloud-hosting solution.

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, unified platforms; transparent reporting using modern analytical tools; increased automated controls and information security; and support for Government-wide initiatives.

The DOI received, for the 18th 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. Variances in excess of 10 percent and material to DOI are discussed below. The discussion also includes significant qualitative financial management information of interest.

Special Account Funds

The NPS has 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 statements of NPS. The concessioners reported that these Special Accounts balances totaled approximately $9.2 million (unaudited) and $16.5 million (unaudited), as of September 30, 2014 and 2013, 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 2014	FY 2013	Increase/ (Decrease)	% Change
Fund Balance with Treasury	$ 50,307,541	$ 48,595,659	$ 1,711,882	3.5%
Investments	7,163,003	7,552,876	(389,873)	-5.2%
PP&E, Inventory, and Related Property	22,161,208	22,094,061	67,147	0.3%
Accounts, Loans and Int Receivable & Other	4,297,554	7,958,081	(3,660,527)	-46.0%
Assets	**$ 83,929,306**	**$ 86,200,677**	**$ ($2,271,371)**	**-2.6%**

The FY 2014 decrease in assets is primarily attributable to the decrease in Intra-governmental Loans and Interest Receivable, Net. This decrease is a result of a transfer of program management responsibility from DOI to the Department of Energy (DOE). The transfer eliminated the receivable from DOE in DOI's statements. For additional information regarding this transfer, please refer to Note 5, Intragovernmental Loans and Interest Receivable, Net.

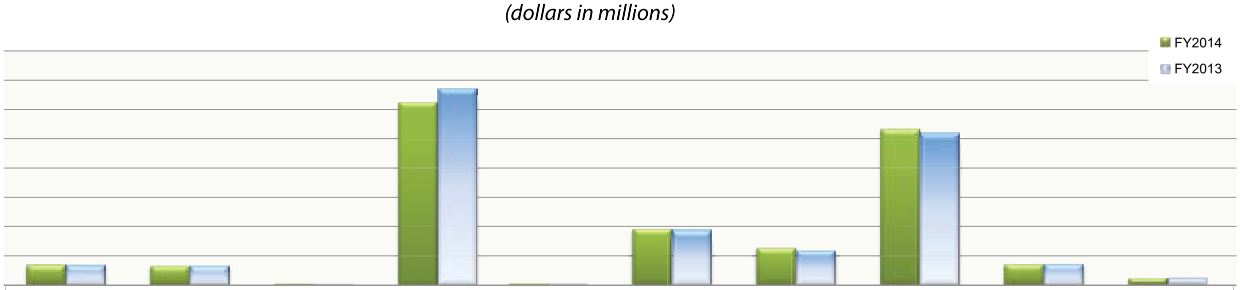
The DOI is authorized to use Fund Balance with Treasury to pay liabilities resulting from operational activity and consists of funds received from direct appropriations, transfers, offsetting receipts, recoveries, and funds held in budget clearing accounts. Property, Plant, and Equipment (PP&E) is primarily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

The DOI real property portfolio contains approximately 42,500 buildings and 73,500 structures, with a replacement value of more than $240 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 Interior's mission, but are important to our Nation's heritage.

The DOI's reported values for PP&E exclude stewardship assets in accordance with accounting standards. Stewardship assets benefit the nation as a whole and are considered priceless. It is not possible to assign an identifiable value to these assets. An in-depth discussion of stewardship assets is presented in the Notes to the Financial Statements Section and the Required Supplementary Information section of the AFR. 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
FY2014	$3,384	$3,263	$163	$31,431	$244	$9,553	$6,744	$26,878	$3,485	$1,197
FY2013	$3,318	$3,232	$150	$33,572	$205	$9,506	$6,354	$25,965	$3,484	$1,260

Analysis of Liabilities

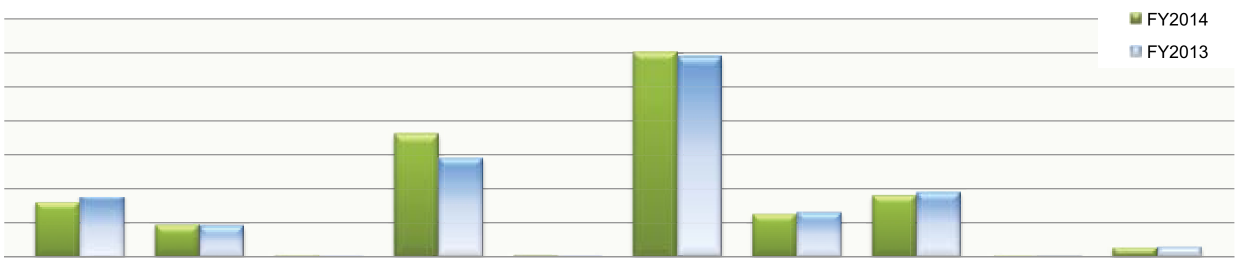
DOI Liabilities *(line items summarized)* *(dollars in thousands)*	FY 2014	FY 2013	Increase/ (Decrease)	% Change
Accounts & Grant Payable	$ 1,993,990	$ 2,019,899	(25,909)	-1.3%
Employee & Veterans Benefits	1,490,031	1,509,331	(19,300)	-1.3%
Trust Land Consolidation	1,736,300	1,896,910	(160,610)	-8.5%
Asbestos Cleanup	539,270	537,601	1,669	0.3%
Environmental, Disposal, Contingent	1,025,947	1,227,705	(201,758)	-16.4%
Custodial Liability, Payments Due to States	1,770,710	1,886,383	(115,673)	-6.1%
Advances & Deferred Revenue	1,300,615	1,048,544	252,071	24.0%
Treasury General Fund	1,594,870	1,887,892	(293,022)	-15.5%
Other, Debt, Loan Guarantees	1,852,873	2,184,519	(331,646)	-15.2%
Liabilities	**$ 13,304,606**	**$ 14,198,784**	**$ (894,178)**	**-6.3%**

The FY 2014 decrease in liabilities is primarily attributable to the decrease in the Treasury General Fund Liability as well as a decrease in Contingent Liabilities. The decrease in the Treasury General Fund Liability is a result of a repayment to Treasury for the Lower Colorado Region Visitors Center by BOR. The decrease in Contingent Liabilities is a result of the settlement of an Indian Trust case at IA.

Comparative liabilities by bureau are displayed in the graph below. The sum of bureau liabilities is not equal to the 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
FY2014	$1,564	$941	$22	$3,718	$37	$6,048	$1,294	$1,805	$31	$259
FY2013	$1,747	$917	$23	$2,873	$33	$5,923	$1,313	$1,906	$27	$283

Analysis of Net Costs

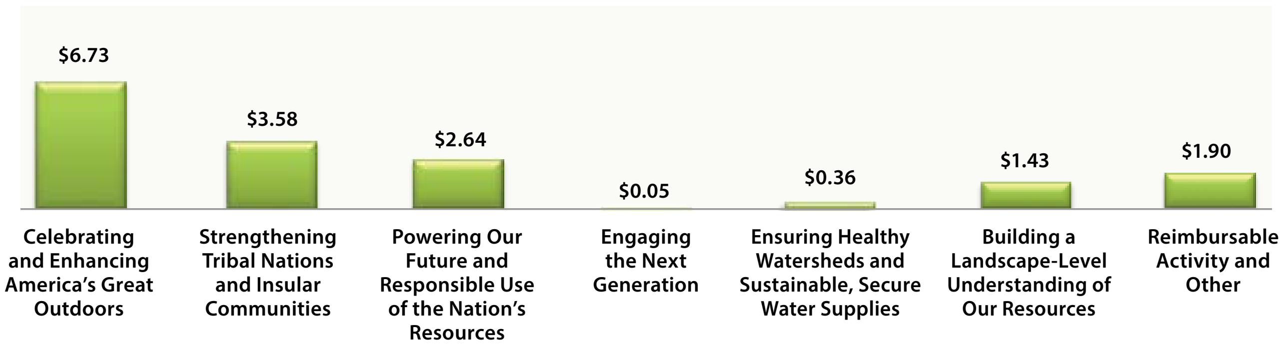
DOI Net Cost *(summarized by Bureau)* *(dollars in thousands)*	FY 2014	FY 2013	Increase/ (Decrease)	% Change
Indian Affairs	$ 3,226,157	$ 3,089,927	$ 136,230	4.4%
Bureau of Land Management	1,386,285	1,589,630	(203,345)	-12.8%
Bureau of Ocean Energy Management	52,752	(4,525)	57,277	-1265.8%
Bureau of Reclamation	840,120	532,181	307,939	57.9%
Bureau of Safety and Environmental Enforcement	70,592	103,919	(33,327)	-32.1%
Departmental Offices	3,840,273	3,420,428	419,845	12.3%
National Park Service	2,729,091	2,868,694	(139,603)	-4.9%
Office of Surface Mining Reclamation and Enforcement	605,612	680,084	(74,472)	-11.0%
U.S. Fish & Wildlife Service	2,781,668	2,866,491	(84,823)	-3.0%
U.S. Geological Survey	1,171,406	1,113,049	58,357	5.2%
Eliminations	(15,152)	(37,153)	22,001	-59.2%
Net Costs - by Bureau	**$ 16,688,804**	**$ 16,222,725**	**$ 466,079**	**2.9%**

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 12.

The DOI net costs primarily represent services provided to the public. The DOI recognized a slight increase in costs in FY 2014. This is a net result of a decrease due to the Cobell Settlement in FY 2013 and an increase relating to the depreciation of a satellite for USGS, Landsat 8, which was transferred to USGS in May 2013. Current year 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 2.1 million jobs, providing approximately $199 billion value added and $358 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 407 million visits to DOI-managed lands. These visits supported approximately 355,000 jobs, value added provided by visitors to DOI sites was estimated to be $25 billion, and economic output was estimated to be $41 billion.

- Energy: Oil, gas, and coal produced from DOI-managed lands provided value added of approximately $121 billion; estimated economic output contribution of $220 billion; and an estimated 1 million jobs. Hydropower, wind and solar power projects on DOI lands were estimated to contribute $5 billion in economic output and support about 20,000 jobs.

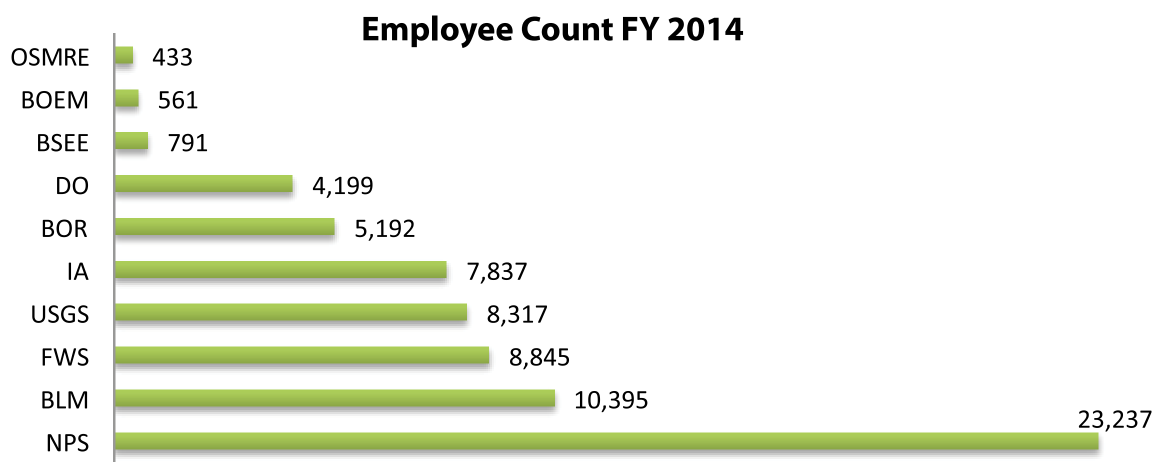
- Water: The DOI stores and delivers water for irrigation, municipal and industrial (M&I), and other uses. The value of water varies widely according to location, type of use and climatic conditions. The DOI irrigation and M&I water activities are associated with $32 billion in value added, $60 billion in economic output, and supported an estimated 378,000 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 $6.2 billion in value added, economic contributions of $8.3 billion, and supported employment of 70,000 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 about 10,000 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 69,807 people in approximately 2,400 locations with offices across the United States, Puerto Rico, U.S. territories, and Freely Associated States. The total DOI employee count primarily includes full time permanent staff. Part-time and seasonal staff is also fundamental to the services that DOI provides. At DOI, employees take pride in knowing that the work they do every day is of real significance – from managing the Nation's natural resources and cultural heritage to honoring responsibilities to strengthen tribal nations and advocate for America's island communities. The DOI relies on their expertise and commitment to better serve the public and to help achieve organizational goals and objectives. Through a continuing effort to better serve America, DOI continues to broaden the diversity of DOI's workforce. The DOI is committed to identifying, hiring, and retaining the best qualified individuals, wherever they are and whatever their background, to reflect the diversity of the communities in which DOI operates.



Employee Count - Total 69,807
(All employees regardless of work schedule or type of appointment)

Total Payroll & Benefits *(dollars in thousands)*	
IA	$ $656,585
BLM	992,485
BOEM	71,904
BOR	558,777
BSEE	94,616
DO	550,796
FWS	929,402
NPS	1,750,695
OSMRE	52,086
USGS	899,032
TOTAL	$ 6,556,378

Work Schedule Information	Full Time Permanent	Other*	Total
IA	4,376	3,461	7,837
BLM	8,665	1,730	10,395
BOEM	551	10	561
BOR	4,939	253	5,192
BSEE	778	13	791
DO	3,970	229	4,199
FWS	7,613	1,232	8,845
NPS	14,946	8,291	23,237
OSMRE	421	12	433
USGS	6,569	1,748	8,317
Total Employees by Bureau	**52,828**	**16,979**	**69,807**

*Other includes Part-Time and Seasonal Employees

Analysis of Net Cost - Stewardship Investments

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

Non-Federal Physical Property investments decreased in FY 2014. Stewardship investment in Non-Federal Physical Property refers to expenses incurred by the Federal government for the purchase, construction, or the major renovation of physical property owned by State or local governments. This decrease was due to a reduction in BOR deferred maintenance for Dams and Other Water Structures as well as a result of FWS providing less funding to State and local government for purchases of land compared to FY 2013.

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

Stewardship Investments				
(dollars in millions)	FY 2014	FY 2013	Change	% Change
Non-Federal Physical Property	$ 303	$ 364	$ (61)	-16.8%
Research and Development	$ 1,068	$ 1,044	$ 24	2.3%
Human Capital	$ 705	$ 728	$ (23)	-3.2%

Analysis of Net Position

Net Postion *(dollars in thousands)*	FY 2014	FY 2013	Increase/ (Decrease)	% Change
Unexpended Appropriations	$ 5,811,493	$ 5,102,758	$ 708,735	13.9%
Cumulative Results of Operations	64,813,207	66,899,135	(2,085,928)	-3.1%
Net Position	**$ 70,624,700**	**$ 72,001,893**	**$ (1,377,193)**	**-1.9%**

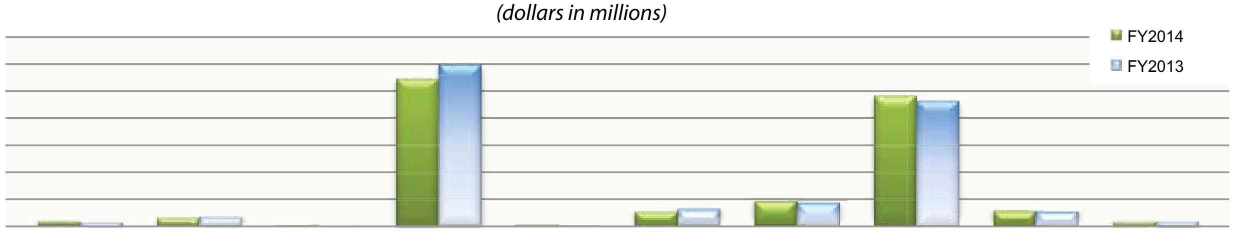
The Net Position of DOI includes Unexpended Appropriations and Cumulative Results of Operations. These two components are displayed on the Statement of Changes in Net Position to provide information regarding the nature of changes to the Net Position of DOI as a whole. The FY 2014 Net Position decrease is primarily attributable to transfer of programmatic responsibilities from BOR to DOE. The transfer eliminated the receivable from DOE as of September 30, 2014. For additional information regarding this transfer, please refer to Note 5, Intragovernmental Loans and Interest Receivable, Net.

This decrease in Net Position is offset by an increase as a result of the settlement of an Indian Trust case at IA.

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
FY2014	$817	$1,682	$109	$27,212	$164	$2,723	$4,611	$24,042	$2,837	$618
FY2013	$619	$1,702	$97	$30,115	$141	$3,183	$4,390	$23,156	$2,823	$674

Analysis of Budgetary Resources

Key Budgetary Measures *(dollars in thousands)*	FY 2014	FY 2013	Increase/ (Decrease)	% Change
Unobligated Balance Brought Forward, October 1	$ 9,255,277	$ 6,550,557	$ 2,704,720	41.3%
Appropriations (discretionary and mandatory)	17,952,707	19,095,886	(1,143,179)	-6.0%
Recoveries & Other Changes in Unobligated Balance	334,828	583,128	(248,300)	-42.6%
Offsetting Collections, Borrowing Authority & Contract Authority	5,734,050	5,225,372	508,678	9.7%
Total Budgetary Resources	**$ 33,276,862**	**$ 31,454,943**	**$ 1,821,919**	**5.8%**
Obligations Incurred	24,608,534	22,199,666	2,408,868	10.9%
Unobligated Balance Available	8,383,504	9,097,265	(713,761)	-7.8%
Unobligated Balance Not Available	284,824	158,012	126,812	80.3%
Status of Budgetary Resources	**$ 33,276,862**	**$ 31,454,943**	**$ 1,821,919**	**5.8%**

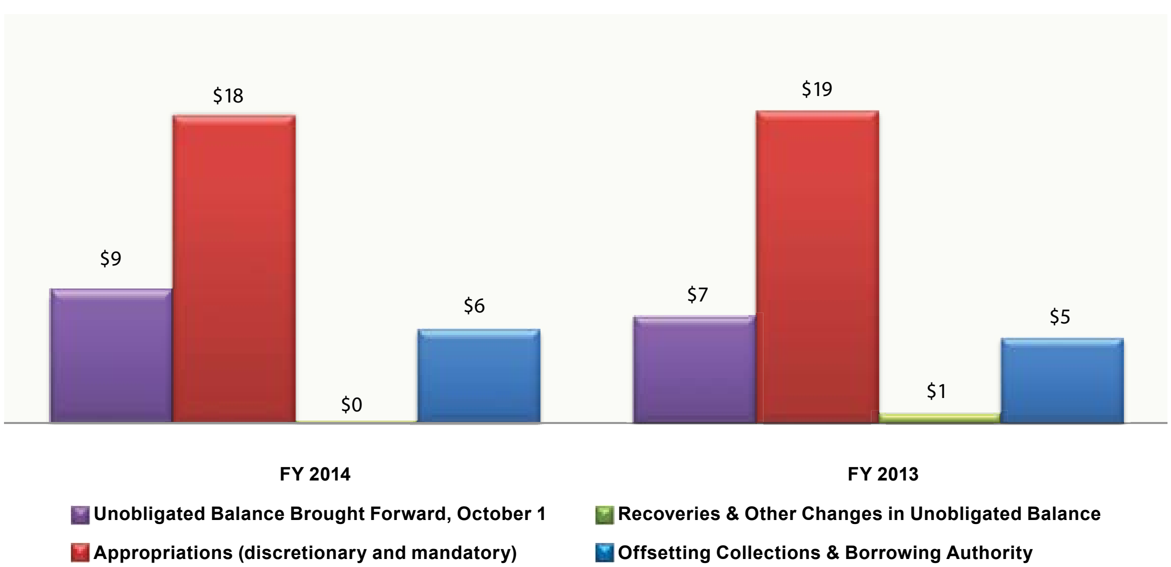
The DOI receives most of its funding from general government funds administered by the U.S. Treasury and appropriated for DOI's use by Congress. A portion of DOI's resources come from Special and Trust Funds, such as Conservation Funds (the Land and Water Conservation Fund, Historic Preservation Fund,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

The FY 2014 increase in Budgetary Resources is primarily the result of increased appropriations for water and related resources as well as an increase in funding to support the disaster relief efforts for Hurricane Sandy.

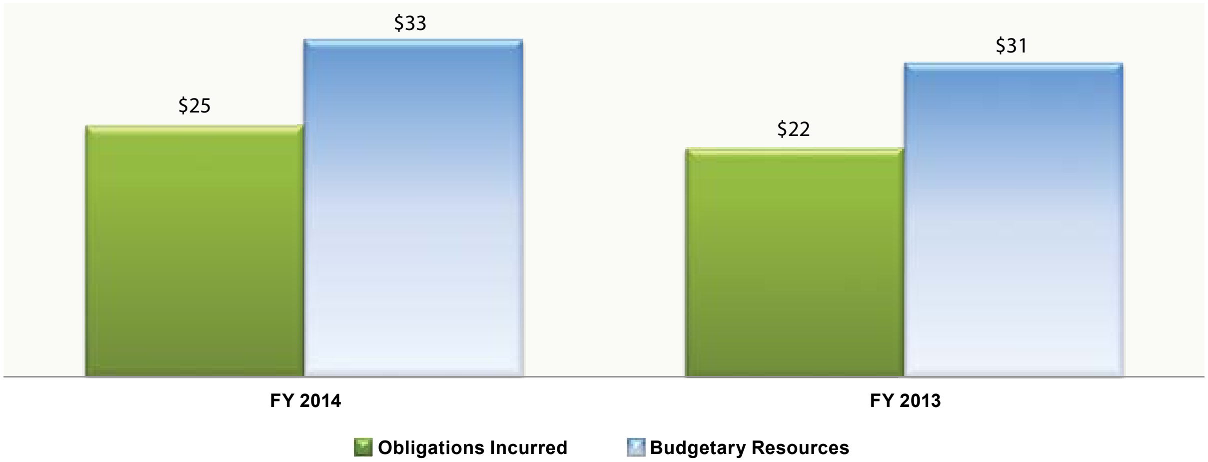
The DOI budgetary sources and obligations incurred relative to resources are depicted in the graphs that follow.

Budgetary Resources

(dollars in billions)



Obligations Incurred
(dollars in billions)



Analysis of Custodial Activity

Custodial Activity *(dollars in thousands)*	FY 2014	FY 2013	Increase/ (Decrease)	% Change
Rents and Royalties	$ 10,878,759	$ 10,091,011	$ 787,748	7.8%
Onshore Lease Sales	248,367	236,185	12,182	5.2%
Offshore Lease Sales	998,107	2,304,960	(1,306,853)	-56.7%
Total Custodial Revenue	**$ 12,125,233**	**$ 12,632,156**	**$ (506,923)**	**-4.0%**

The DOI custodial activity includes mineral leasing revenue collected by DOI resulting from Outer Continental Shelf and onshore oil, gas, and mineral sales and royalties. This activity is considered to be revenue of the Federal Government as a whole and is therefore excluded from DOI's Statement of Net Cost. The FY 2014 decrease is attributable to a decrease in offshore lease sales.

Custodial Revenue
(dollars in billions)

Limitations of Financial Statements

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

Today, the mission of DOI is simple but profound- to protect and manage the Nation's natural resources and cultural heritage, provide scientific and other information about those resources, supplying 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 affect Americans across all 50 States. The DOI is the steward of 20 percent of the Nation's lands, managing national parks, national wildlife refuges, and public lands and assisting states, tribes, and others in the management of natural and cultural resources. The DOI grants access to public lands and offshore areas for renewable and conventional energy development—covering 21 percent of the Nation's domestic supplies of oil and natural gas—while ensuring safety, environmental protection, and revenue collection for the American public. The DOI oversees the protection and restoration of surface mined lands and is the largest supplier and manager of water in the 17 Western states, assisting others with water conservation, and extending water supplies and providing hydropower resources. The DOI serves as Trustee to American Indians and Alaska Natives, fulfilling essential trust responsibilities to tribal communities. The DOI supports innovative research in geology, hydrology, and biology, informing resource management and community protection decisions at DOI and across the world. A Strategic Plan and a set of Priority Performance Goals guide DOI's activities. The following initiatives exemplify how DOI will maintain and build the capacity to carry out these responsibilities on behalf of the American people in the future.

Celebrating and Enhancing America's Great Outdoors - Throughout American history, the great outdoors have shaped the Nation's character and strengthened its economy. Each year parks, national 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. President Obama launched the America's Great Outdoors (AGO) Initiative to develop a 21st Century conservation and recreation agenda. The AGO takes as its premise that lasting conservation solutions should come from the American people - that the protection of our natural heritage is a non-partisan objective that is shared by all Americans. Instead of dictating policies, this initiative turns to communities for local, grassroots conservation initiatives. Instead of growing bureaucracy, it calls for reworking inefficient policies and making the Federal Government a better partner with states, tribes, and local communities. In August 2016, the Nation will celebrate the 100th anniversary of the NPS, recognizing the significance of preserving these lands for this and future generations. The DOI is launching the Centennial Initiative with increased investments in current appropriations of $40.0 million in FY 2015, combined with permanent investments of $1.2 billion over 3 years. Overall, the Centennial initiative will allow NPS to ensure that 1,700, or 20 percent, of the highest priority park assets are restored to good condition. The effort creates thousands of jobs over three years, provides over 10,000 work and training opportunities to young people, and engages more than 322,000 volunteers in support of public lands.

Strengthening Tribal Nations Insular Communities - The DOI will build upon progress made over the past four years to establish strong and meaningful relationships with tribes, strengthen the government-to-government relationships, deliver services to American Indians and Alaska Natives, and advance self-governance and self-determination. To enhance the Nation-to-Nation relationship, IA is continuing its comprehensive look at the regulations addressing how Indian groups apply for and receive Federal recognition as an Indian Tribe. The FY 2015 budget proposes language to clarify DOI's authority to take Indian land into trust and amend the *Indian Reorganization Act of 1934*, thereby reducing significant delays in processing land into trust applications.

As part of the President's commitment to protect and promote the development of prosperous tribal communities, IA proposes the Tiwahe Initiative, a new effort to support community and cultural awareness in Indian Country. Tiwahe means family in the Lakota language. Indian communities are plagued by high rates of poverty, substance abuse, suicide, and violent crime. The FY 2015 budget increase of $11.6 million for social services and job training programs will support the initiative by providing culturally appropriate services with the goal of empowering individuals and families through health promotion, family stability, and strengthening tribal communities as a whole. In its initial phase, the Tiwahe Initiative will expand IA's capacity in current programs that address Indian children and family issues and job training needs.

The DOI empowers insular communities by improving the quality of life, creating economic opportunity, and promoting efficient and effective governance. The U.S.-affiliated insular areas include the territories of American Samoa, Guam, the U.S. Virgin Islands, and the Commonwealth of the Northern Mariana Islands. The DOI also administers and oversees Federal assistance provided to the three freely associated States: the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau.

The FY 2015 budget provides increased funding to improve safety conditions in insular school facilities. The budget also includes $3.0 million in Empowering Insular Communities to implement energy projects identified by the Territories in their comprehensive sustainable energy strategies.

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 an energy future for the Nation that is cleaner and more sustainable. 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. Since 2009, DOI has approved 52 wind, solar, and geothermal utility-scale projects on public or tribal lands, including associated transmission corridors and infrastructure to connect to established power grids. When built, these projects could provide about 14,000 megawatts – enough energy to power nearly 4.8 million homes and support more than 20,000 construction and operations jobs. As part of the President's comprehensive *Climate Action Plan*, he has challenged DOI to re-double efforts on its renewable energy program by approving an additional 10,000 megawatts of renewable energy production, for a total of 20,000 megawatts on public lands and waters by 2020.

Complementing the Secretary's Powering Our Future initiative are efforts to facilitate efficient delivery of energy to the markets where it is needed to meet growing demands. The West's aging electrical infrastructure is an impediment to efficient energy transmission and maximizing renewable energy development. The BLM has a critical role in expanding electric transmission infrastructure through the issuance of rights-of-way. To support the necessary upgrades needed to improve reliability and increase capacity, the budget includes a $5.0 million increase in the Cadastral, Lands and Realty Management program to enhance BLM's ability to identify and designate energy corridors in low conflict areas and to site high-voltage transmission lines, substations, and related infrastructure in an environmentally sensitive manner.

Engaging the Next Generation – The DOI plays a key role in improving the Nation's future by introducing, involving, and encouraging the next generation as stewards of cultures, history, lands, waters, 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 and the outdoors. The DOI's unique assets provide great opportunities to connect this generation to the outdoors and the Nation's natural and cultural resources, in exciting and meaningful ways.

The DOI is a Federal leader for land and resource based youth programs, working with the U.S. Forest Service and other agencies to plan and implement 21CSC. The 21CSC is a bold, national effort designed to put America's youth and veterans to work restoring and enhancing the great outdoors. As a dynamic and innovative initiative, the Corps inspires and engages youth in communities across the Nation. Secretary Jewell has established ambitious goals to engage and employ the next generation in America's great outdoors. To support the goal of providing 100,000 work and training opportunities to young people and veterans on public lands, Secretary Jewell plans to raise $20 million from private partners by 2017 to support 21CSC.

The IA youth programs and partnerships promote quality participant experiences and pathways to careers and accomplish high priority projects on tribal lands. The FY 2015 budget includes $2.5 million focused on projects that engage youth in the natural sciences and for an office to coordinate youth programs in IA. In FY 2014, IA established a youth biological inventory program designed for up to 20 tribally sponsored summer youth crews within LCC boundaries. The crews inventory indicator species vulnerable to climate change and plants used in traditional practices to develop ecoregion baseline data for use by tribal Trust land managers and partners. Previous and existing internships in IA have been successful in leveraging resources and forming alliances with academia, other Federal agencies, and tribal Nations. Field internships have worked with conservation projects through the Agricultural/Rangeland, Forestry, and Water Resources programs within IA's Trust Services.

Ensuring Healthy Watersheds and Sustainable, Secure Water Supplies – The health, security, economic, and ecological well-being of the American people depend on adequate supplies of clean water. Water availability and quality are a constant and increasing challenge across the Country as intensifying droughts, increasing climate variability, and changing hydrology exacerbate water shortages, deplete groundwater resources, and contribute to impaired water quality. At the same time, population growth and new needs, including energy development, are increasing demand and competition for supplies.

In FY 2015, DOI will continue to implement the WaterSMART Program. The program works to secure and stretch water supplies to benefit people, the economy, and the environment, and identify adaptive measures needed to address climate change and future demands. The DOI's FY 2015 budget request includes $52.1 million for WaterSMART initiatives that improve water management through science, collaboration, and cooperation. These approaches were demonstrated through the Water Census, Reclamation Basin Studies, and Cooperative Watershed Management programs, and through joint activities, such as the Urban Waters Federal Partnership. Comprehensive basin-wide approaches like these will be critical to assessing water needs, evaluating the availability of and risks to water supplies, and planning for the impacts of reduced availability and increasing demands in collaboration with DOI's partners.

In the Colorado River Basin, BOR is working with the seven Basin States to craft new strategies to ensure critical infrastructure, such as the Hoover and Glen Canyon Dams, continue to operate as intended and assist agricultural and municipal users to address current and future water challenges. In addition, BOR and the International Boundary and Water Commission are implementing a new agreement with the Republic of Mexico to allow storage of Mexican water in U.S. reservoirs, reducing and delaying the need for extraordinary shortage measures in the U.S. In the Klamath River Basin, DOI is working with other Federal agencies, the states of California and Oregon, tribes, and non-governmental organizations to restore the Basin while also sustaining the communities that rely on the resources of the Basin.

Building a Landscape-Level Understanding of Our Resources. – The complexity of natural resource issues and the rates of change to landscapes, both naturally and human induced, are increasing faster than anyone could have predicted just a decade ago. The DOI recognizes in order to effectively carry out its mission and priorities it must understand and make decisions at the landscape level, rather than local scale. Landscape level approaches to management hold the promise of a broader based and more consistent consideration of development and conservation. The DOI's landscape level understanding of the Nation's resources is focused on tools and technologies to gather and deliver data and information, develop a scientifically-robust foundation for landscape understanding, and apply science to support Interior responsibilities.

The FY 2015 budget includes a $30 million increase in DOI's Wildland Fire Management account to establish a new "Resilient Landscapes" activity. This activity will improve the integrity and resilience of forests and rangelands by restoring natural vegetation landscapes to specific conditions and maintain fire resiliency. Treatments will be strategically placed within landscapes where ecosystem structure and function is at a high risk from wildfire and other disturbances. Examples of treatments that will be conducted include thinning of overstocked stands in areas with critical wildlife habitat and removing trees encroaching on meadows or wetlands with significant resource value. Importantly, the Resilient Landscapes activity will be coordinated with and supported by the resource management programs of the four DOI bureaus that participate in the Wildland Fire program.

As the managing partner for the Geospatial Platform, DOI leverages 21st century geographic information system tools to transform vast amounts of data on landscapes and resources into useful information to inform decisions to help power the future, ensure healthy landscapes, and achieve sustainable supplies of water. Decisions affecting the siting of energy development, water resource allocations, recreation, conservation of habitat, identification of transmission line rights-of-way, mitigation for development activities, and other land uses are increasingly interconnected on an ever changing, climate-impacted landscape. 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.

The Fiscal Year (FY) 2014 audit resulted in the Department of the Interior's (DOI) 18th consecutive unmodified opinion on the 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's managers understand the need for accountability, the challenges of operating effective and efficient programs, and that sound financial management is a cornerstone of program performance. The Agency Financial Report (AFR) provides extensive program, performance, and financial information, which demonstrates our approach to sound management.

The DOI's programs contribute to the quality of life of people and communities across our Nation, and produce robust national impacts –

- The estimated FY 2013 value added and economic contributions associated with DOI's programs and activities were about $199 billion and $358 billion, respectively. These economic contributions support 2.1 million American jobs. The DOI serves as the leading mineral asset manager for the Federal Government, the states, and the American people. With jurisdiction for 1.7 billion acres of the Outer Continental Shelf, more than 530 million surface acres, and 700 million acres of subsurface minerals, DOI's lands and waters produce approximately 21 percent of the Nation's energy. Conventional and renewable energy and other minerals produced on DOI-managed public lands and offshore areas resulted in $238 billion in economic activity and $129 billion in value added. In FY 2014, the estimated present value of Federal royalties from oil, gas, and coal resources, which is further discussed in the Required Supplementary Information section of this report, was $90.7 billon.

- Water supply, forage, and timber activities, primarily on public lands in the West, contributed $63 billion in economic activity and $33 million in value added; visitation to DOI-managed parks, refuges, and monuments supported about $41 billion in economic activity and provided $25 billion in value added. The DOI's lands hosted an estimated 407 million visits in FY 2013, supporting about 355,000 jobs.

- As part of our Indian trust responsibility and ongoing efforts to improve the government-to-government relationship with tribes, DOI works to build stronger economies and safer communities. Also as part of our trust responsibility, DOI manages 55 million surface acres and 57 million acres of subsurface mineral estates.

- In total, DOI manages about 20 percent of the land area of the United States and 53 million acres of submerged land in 5 Pacific marine national monuments. As stewards of these lands, DOI strives to ensure that habitats support healthy fish and wildlife programs, to protect unique ecological or historical features, and to use a landscape scale approach to management that holds the promise of a more strategic, sustainable, and transparent consideration of development and conservation needs and of addressing broad-influencing stressors such as climate change.

- Every DOI bureau engages in restoration, from physical structures to habitat, populations of trust species, and cultural resources. The DOI Restoration Program works across bureaus to ensure that responsible parties – not taxpayers – bear the cost of restoring injured resources following a release of oil or other hazardous substances at hundreds of sites around the Nation, where over 122,000 acres and more than 330 miles of stream and shoreline were enhanced/restored or managed/protected in FY 2013.

Effective execution of programs in support of fulfilling these responsibilities requires sound financial management and a strong set of internal controls. The DOI succeeded in obtaining an unmodified audit opinion and removing the prior year material weakness and the related non-compliance with the *Federal Financial Management Improvement Act of 1996*. Unfortunately, one significant deficiency remained from the prior year and a new material weakness arose in the current year. The DOI understands the critical nature of these deficiencies and takes seriously the need to correct them. As such, DOI will continue to develop corrective action plans to remedy the remaining deficiency and develop corrective action plans to remedy the new issue in FY 2015. In FY 2014, the Department closed 93 percent (weighted) of the FY 2014 planned corrective actions in our goal base related to Government Accountability Office and Office of Inspector General findings, which surpassed our Departmental goal of 85 percent.

The DOI also worked diligently to correct instances of material weaknesses and internal control deficiencies identified as a result of the FY 2013 audit. The Department implemented all of the recommendations noted in the FY 2013 audit and fully closed all nine findings identified. Similarly, the 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* and achieved significant improvements in each of the eight areas identified.

Realizing the importance of addressing our weaknesses and challenges, the DOI also has many positive achievements to highlight over the past year. In FY 2014, DOI successfully completed the migration of business operations to the Financial and Business Management System (FBMS) with the last deployment at the Bureau of Reclamation going live in November 2013. The Department is optimistic about the benefits and efficiencies that are available with all of DOI deployed on a single enterprise system. With FBMS fully deployed, DOI is focusing on improvements to the system to address customer service gaps, improve usability, and successfully completing the migration to a cloud hosting solution.

The DOI currently has a multi-year IT Transformation initiative to align IT resources under a single Chief Information Officer (CIO). In support of this effort, the Office of the Chief Information Officer is working closely with leadership from across DOI to drive shared services for commodity IT. Once completed, IT Transformation will provide an estimated $100 million in cost avoidance each year from FY 2016 to FY 2020, for a cumulative total of $500 million. Since the beginning of the initiative through FY 2014, DOI achieved a total of $62 million in cost avoidance. Through IT Transformation, DOI is benefitting from many accomplishments. Key successes in FY 2014 include: implementing an electronic email archiving system and soon to implement a records management system that will support over 70,000 employees, making it the largest information governance program in the Federal Government, and maintaining DOI's progress to consolidate 95 data centers by the end of December 2015.

Other noteworthy accomplishments achieved in FY 2014 include –

- Expanding data visualization capabilities to "put a picture on the numbers" for increased transparency and public consumption. These interactive presentations allow DOI to communicate a large quantity of data in a simple and meaningful way that can be understood quickly and uniquely tailored to each reader. For FY 2014, DOI published two interactive dashboards that provide: 1) real property buildings by postal code, state, use, bureau, legal interest, and square footage; and 2) estimated oil, gas, and coal royalties (amounts and quantities) of Federal leases.

- Reducing the risk in DOI programs considered to be on the Government Accountability Office's high risk list by closing 60 percent of the open recommendations. The DOI made it a high priority goal to address the management issues identified in the oil and gas and revenue management programs that resulted in its inclusion in the 2011 Government Accountability Office High Risk Report. To this end, the Department undertook a holistic approach to reviewing relevant open recommendations from the various GAO reports with an eye toward identifying common themes and issues and leveraging resources and expertise to maximize success. These efforts focused on oil and gas management, revenue collection, ensuring the taxpayer receives fair value, and developing and implementing a robust suite of tools to recruit, train, and retain a diverse workforce prepared to meet the goals and challenges ahead. The DOI's ongoing commitment is to develop effective, durable, solutions with measurable results.

- Exceeding our Travel Campaign to Cut Waste target of $47 million for FY 2014.
- Documenting and testing internal controls over financial reporting and issuing the statement of assurance including the results of the assessment.
- Issuing DOI policy to accelerate payment to all prime contractors, to the full extent permitted by law, with the goal of making payment within 15 days of receipt of proper invoices, in compliance with OMB Memorandum M-12-16, *Providing Prompt Payment to Small Business Subcontractors*, and to stimulate our Nation's economy. In September 2014, DOI accelerated 99 percent of its payments to contractors.
- Releasing the *DOI Memorandum of Agreement (MOA) On Intra-Agency Support during Emergency Incidents* and the *DOI All-Hazards Supplement to the Interagency Incident Business Management Handbook* (DOI Supplement) to enable DOI to provide mutual aid efficiently and immediately during emergency incidents while maintaining the integrity of DOI's financial system and internal controls. As a result of both efforts, DOI resources can be mobilized rapidly to support community needs while remaining accountable to the taxpayer.

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.

Sincerely,

Kristen J. Sarri
Principal Deputy Assistant Secretary
for Policy, Management and Budget and
Chief Financial Officer

November 14, 2014

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

NOV 14 2014

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 2014 and 2013
Report No. X-IN-MOA-0005-2014

Introduction

This memorandum transmits the KPMG LLP (KPMG) auditors' report of the U.S. Department of the Interior (DOI) financial statements for fiscal years (FYs) 2014 and 2013. The Chief Financial Officers Act of 1990 (Public Law 101-576), as amended, requires the DOI Inspector General or an independent auditor, as determined by the Inspector General, to audit the DOI financial statements.

Under a contract issued by DOI and monitored by the Office of Inspector General (OIG), KPMG, an independent public accounting firm, performed an audit of the DOI FY 2014 and FY 2013 financial statements. The contract required the audit to be performed in accordance with the generally accepted Government Auditing Standards, issued by the Comptroller General of the United States and Office of Management and Budget Bulletin No. 14-02, "Audit Requirements for Federal Financial Statements."

Results of Independent Audit

In its audit report, KPMG issued an unmodified opinion on the DOI financial statements. KPMG identified one material weakness and one significant deficiency in internal control over financial reporting.

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

Evaluation of KPMG Audit Performance

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

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

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

Report Distribution

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

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

Attachment

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

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the U.S. Department of the Interior (the Department), which comprise the consolidated balance sheets as of September 30, 2014 and 2013, 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.

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; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements (as amended)*. Those standards and OMB Bulletin No. 14-02 (as amended), 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.

KPMG

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, 2014 and 2013, 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

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, and/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 Introduction, Message From the Chief Financial Officer, and Other Accompanying Information sections are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit 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, 2014, 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*.

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

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

A. Entity Level Controls and the Impact on Department-Wide Financial Reporting

OMB Circular A-123, *Management's Responsibility for Internal Control,* states that management is responsible for developing and maintaining internal control activities that comply with the key objectives including: control environment, risk assessment, control activities, information and communications, and monitoring. The GAO *Standards of Internal Control for Federal Government* state that an effective internal control system requires that each of the five components (listed above) are effectively designed, implemented, and operating together in an integrated manner. In fiscal year 2014, the Department completed a multi-year, Department-wide enterprise risk management system (ERP) implementation, as well as an implementation of a financial statement consolidation and reporting system while implementing new policies and procedures to identify and track significant accounting events. However, the Department has not adequately considered the five components of internal control (collectively referred to as entity level controls), during the implementation of its new ERP system and related policies and procedures. This led to a Department-wide control environment where entity level controls are not working effectively, and consequently, material misstatements in the financial statements may not be detected and corrected in a timely manner. We noted the following weaknesses in entity level controls throughout the Department in FY2014:

- Failure to design and implement controls where certain potential control gaps or ineffective controls existed at both the Bureau and Department level in key process areas such as revenue, expenses, property, plant, and equipment (PP&E), and budgetary accounting (risk assessment);
- Failure to monitor key controls to ensure effectiveness throughout the financial reporting process including reviews of journal vouchers, the preparation of financial reporting packages, and the draft Agency Financial Report (AFR) (monitoring); and
- Lack of clear oversight, review, and accountability at the Department and Bureau level, including a clear hierarchy for reporting and analysis of account activities (control environment and communication).

Recommendations
We recommend that the Department perform an assessment of its entity level controls, and improve controls over risk assessment, monitoring, the control environment and communication as follows:

KPMG

- Perform an assessment of employee resources in the Office of Financial Management and the Bureaus, to ensure that personnel with appropriate skills are in key positions and have authority to implement new policies to strengthen internal controls.
- Perform a thorough risk assessment at the financial statement assertion level to identify process level risks, and assess the effectiveness of key process level controls to respond to the risks at both the Bureau and Department level;
- Implement key monitoring controls to ensure control effectiveness throughout the financial reporting process; and
- Develop robust policies and procedures to increase oversight, review, and accountability of accounting events to ensure the successful implementation of an effective internal control environment.

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

B. Controls over Property, Plant, and Equipment and the Related Liability for Asbestos-Related Cleanup Costs

During the prior fiscal year, the Department adopted FASAB Technical Bulletin 2006-01, *Recognition and Measurement of Asbestos-Related Cleanup Costs*, and implemented a cost estimation methodology to calculate a liability for asbestos-related cleanup costs for non-friable asbestos. This methodology is based on cost factors developed with existing asbestos surveys and the square footage of real property inventory thought to contain non-friable asbestos. The Department continued the use of its methodology for asbestos related clean-up costs into FY14. Additionally, the Department implemented policies and procedures during the current year to aggregate and analyze property, plant, and equipment activities on a Department-wide basis.

The Department's controls over property, plant, and equipment and the asbestos cleanup liability were not fully effective in fiscal 2014. Specifically, we noted the Department:

- Lacks policies and procedures requiring detailed reviews over real property asset code classification, key underlying attributes such as gross square footage, construction completion date, and cost factor survey data;
- Lacks policies and procedures to perform methodology validation on an annual basis to ensure the cost factor methodology and application is reasonable;
- Has ineffective controls over property records to effectively validate and review property records and ensure supporting documentation is readily available for audit; and
- Lacks policies and procedures to perform a reconciliation of property records from the operational subsidiary ledgers to the financial accounting system.

Recommendations

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

KPMG

- Develop policies and procedures at the Bureau level requiring detailed reviews over property, plant, and equipment records including asset code classification, gross square footage, and cost factor survey data;
- Develop monitoring policies and procedures at the Department level to validate and review key attributes of the estimation methodology;
- Reinforce existing internal controls over property records to effectively validate and review property records and ensure supporting documentation is readily available for audit; and
- Develop policies and procedures to require a reconciliation of property records from the operational subsidiary ledgers to the financial accounting system.

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, and certain provisions of other laws and regulations specified in OMB Bulletin No. 14-02 (as amended). However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 14-02 (as amended).

We also performed tests of its compliance with certain provisions referred to in Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of FFMIA disclosed 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. The Department's responses 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 14, 2014

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United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, DC 20240

NOV 1 4 2014

Memorandum

To: Ms. Mary L. Kendall
Deputy Inspector General

U.S. Department of the Interior
Office of Inspector General
1849 C Street, NW MS 4428
Washington, DC 20240-0001

From: Kristen J. Sarri
Principal Deputy Assistant Secretary for Policy, Management and Budget
and Chief Financial Officer

Subject: Management's Response to Independent Auditors' Report for
Fiscal Year (FY) 2014 (Assignment No. X-IN-MOA-0005-2014)

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 mitigate the prior year material weakness and related non-compliance with the *Federal Financial Management Improvement Act of 1996* to the point of removal from the report. The Department appreciates the recommendations from the auditors to further improve our financial management. We look forward to working with you to continue improving financial management in the Department. Our response to the findings and recommendations follow.

INTERNAL CONTROL OVER FINANCIAL REPORTING

A. Entity Level Controls and the Impact on Department-Wide Financial Reporting

Management concurs. In FY 2014, the Department completed a multi-year, Department-wide enterprise risk management system implementation as well as an implementation of a financial statement consolidation and reporting system. While the implementation was successful across the Department, users faced the challenge of learning the new systems and adjusting legacy processes to be more efficient. We understand the critical nature of this deficiency and take seriously the need to correct it. We are in the process of developing corrective action plans to remedy the deficiency in FY 2015.

B. <u>Controls over Property, Plant, and Equipment and the Related Liability for Asbestos-Related Cleanup Costs</u>

Management concurs. In FY 2014, the Department implemented policies and procedures to aggregate and analyze property, plant, and equipment activities on a Department-wide basis. We continue to make progress in improving controls over recording the liability for asbestos-related cleanup costs through coordination efforts with finance, facilities, and real property communities. We will continue our corrective actions to remedy this issue in FY 2015 including continued statistical sampling to determine if our implemented solutions are effective.

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

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

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

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

Balance Sheet

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

Statement of Net Cost

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

For FY 2013, the Statement of Net Cost mission areas were aligned with the Department's FY 2011 - 2016 Strategic Plan. For FY 2014, the mission areas were aligned with the Department's new FY 2014 – 2018 Strategic Plan. Due to the adoption of the new Strategic Plan, the FY 2014 Statement of Net Cost balances are not comparable with balances presented for FY 2013. All operating costs reported reflect full costs which includes both direct and indirect costs. Costs are reduced by earned revenues to arrive at net costs.

Statement of Changes in Net Position

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

Statement of Budgetary Resources

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

Statement of Custodial Activity

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

Balance Sheet

as of September 30, 2014 and September 30, 2013

(dollars in thousands)	FY 2014	FY 2013
ASSETS		
Intragovernmental Assets:		
Fund Balance with Treasury (Note 2)	$ 50,307,541	$ 48,595,659
Investments, Net (Note 3)	6,867,667	7,552,860
Accounts and Interest Receivable (Note 4)	1,885,390	1,811,045
Loans and Interest Receivable, Net (Note 5)	-	3,352,753
Other	2,244	2,688
Total Intragovernmental Assets	$ 59,062,842	$ 61,315,005
Cash	457	437
Investments, Net (Note 3)	295,336	16
Accounts and Interest Receivable, Net (Note 4)	2,087,223	2,482,214
Loans and Interest Receivable, Net (Note 6)	64,462	61,622
Inventory and Related Property, Net (Note 7)	121,412	130,066
General Property, Plant, and Equipment, Net (Note 8)	22,039,796	21,963,995
Other	257,778	247,322
TOTAL ASSETS (Note 10)	$ 83,929,306	$ 86,200,677
Stewardship Assets (Note 9)		
LIABILITIES		
Intragovernmental Liabilities:		
Accounts Payable	$ 627,272	$ 632,208
Debt (Note 11)	47,695	97,329
Other		
Resources Payable to Treasury (Note 21)	1,594,870	1,887,892
Advances and Deferred Revenue	405,198	303,101
Custodial Liability	830,153	873,276
Other Liabilities	766,579	910,633
Total Intragovernmental Liabilities	$ 4,271,767	$ 4,704,439
Accounts Payable	882,415	971,896
Loan Guarantee Liability (Note 6)	63,972	29,445
Federal Employee and Veteran Benefits (Note 12)	1,490,031	1,509,331
Environmental and Disposal Liabilities (Note 13)	190,168	192,142
Other		
Contingent Liabilities (Note 13)	835,779	1,035,563
Trust Land Consolidation Program	1,736,300	1,896,910
Asbestos Cleanup Liability	539,270	537,601
Advances and Deferred Revenue	895,417	745,443
Payments Due to States	940,557	1,013,107
Grants Payable	484,303	415,795
Other Liabilities	974,627	1,147,112
TOTAL LIABILITIES (Note 14)	$ 13,304,606	$ 14,198,784
Commitments and Contingencies (Notes 13 and 15)		
Net Position		
Unexpended Appropriations - Funds from Dedicated Collections (Note 20)	369,690	489,938
Unexpended Appropriations - Other Funds	5,441,803	4,612,820
Cumulative Results of Operations - Funds from Dedicated Collections (Note 20)	60,407,823	61,849,547
Cumulative Results of Operations - Other Funds	4,405,384	5,049,588
Total Net Position	$ 70,624,700	$ 72,001,893
TOTAL LIABILITIES AND NET POSITION	$ 83,929,306	$ 86,200,677

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

Statement of Net Cost
for the year ended September 30, 2014

(dollars in thousands)	FY 2014
Celebrating and Enhancing America's Great Outdoors	
Gross Costs	$ 7,795,790
Less: Earned Revenue	1,063,049
Net Cost	6,732,741
Strengthening Tribal Nations and Insular Communities	
Gross Costs	3,877,715
Less: Earned Revenue	302,881
Net Cost	3,574,834
Powering Our Future and Responsible Use of the Nation's Resources	
Gross Costs	3,221,018
Less: Earned Revenue	578,407
Net Cost	2,642,611
Engaging the Next Generation	
Gross Costs	50,822
Less: Earned Revenue	106
Net Cost	50,716
Ensuring Healthy Watersheds and Sustainable, Secure Water Supplies	
Gross Costs	1,129,737
Less: Earned Revenue	771,348
Net Cost	358,389
Building a Landscape-Level Understanding of Our Resources	
Gross Costs	1,817,154
Less: Earned Revenue	388,668
Net Cost	1,428,486
Reimbursable Activity and Other	
Gross Costs	3,433,782
Less: Earned Revenue	1,532,755
Net Cost	1,901,027
TOTAL	
Gross Costs	21,326,018
Less: Earned Revenue	4,637,214
Net Cost of Operations (Notes 17 and 19)	$ 16,688,804

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

Statement of Net Cost
for the year ended September 30, 2013

(dollars in thousands)	FY 2013
Provide Natural and Cultural Resource Protection	
Gross Costs	$ 8,143,558
Less: Earned Revenue	933,285
Net Cost	7,210,273
Manage Energy, Water & Natural Resources	
Gross Costs	3,723,092
Less: Earned Revenue	1,870,900
Net Cost	1,852,192
Advance Government to Government Relationships	
Gross Costs	3,793,235
Less: Earned Revenue	295,788
Net Cost	3,497,447
Provide a Scientific Foundation for Decision Making	
Gross Costs	1,532,820
Less: Earned Revenue	372,442
Net Cost	1,160,378
Building a 21st Century Department of the Interior	
Gross Costs	354,438
Less: Earned Revenue	8,390
Net Cost	346,048
Reimbursable Activity and Other	
Gross Costs	3,749,915
Less: Earned Revenue	1,593,528
Net Cost	2,156,387
TOTAL	
Gross Costs	21,297,058
Less: Earned Revenue	5,074,333
Net Cost of Operations (Notes 17 and 19)	$ 16,222,725

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

Statement of Changes in Net Position

for the years ended September 30, 2014 and September 30, 2013

(dollars in thousands)	FY 2014 Funds from Dedicated Collections (Note 20)	FY 2014 All Other	FY 2014 Consolidated	FY 2013 Funds from Dedicated Collections (Note 20)	FY 2013 All Other	FY 2013 Consolidated
UNEXPENDED APPROPRIATIONS						
Beginning Balance	$ 489,938	$ 4,612,820	$ 5,102,758	$ 573,615	$ 4,760,058	$ 5,333,673
Budgetary Financing Sources						
Appropriations Received, General Funds	264,939	11,631,618	11,896,557	265,537	12,422,943	12,688,480
Appropriations Transferred In/(Out)	-	22,090	22,090	-	14,363	14,363
Appropriations - Used	(386,313)	(10,779,792)	(11,166,105)	(337,916)	(11,967,679)	(12,305,595)
Other Adjustments	1,126	(44,933)	(43,807)	(11,298)	(616,865)	(628,163)
Net Change	(120,248)	828,983	708,735	(83,677)	(147,238)	(230,915)
Ending Balance - Unexpended Appropriations	$ 369,690	5,441,803	$ 5,811,493	$ 489,938	4,612,820	$ 5,102,758
CUMULATIVE RESULTS OF OPERATIONS						
Beginning Balance	$ 61,849,547	$ 5,049,588	$ 66,899,135	$ 59,167,026	$ 1,220,737	$ 60,387,763
Adjustments						
Changes in Funds from Dedicated Collection Classification	8,537	(8,537)	-	-	-	-
Change in Accounting Principle	-	-	-	(27,273)	(510,328)	(537,601)
Beginning Balance, as adjusted	61,858,084	5,041,051	66,899,135	59,139,753	710,409	59,850,162
Budgetary Financing Sources						
Appropriations - Used	386,313	10,779,792	11,166,105	337,916	11,967,679	12,305,595
Royalties Retained	4,831,801	2,027	4,833,828	4,130,985	1,897	4,132,882
Non-Exchange Revenue	1,173,829	119,867	1,293,696	1,254,570	43,995	1,298,565
Transfers In/(Out) without Reimbursement	497,523	(24,794)	472,729	517,556	1,951,008	2,468,564
Donations and Forfeitures of Cash and Cash Equivalents	98,358	-	98,358	43,097	-	43,097
Other Adjustments	(1,212)	(351)	(1,563)	(26)	26	-
Other Financing Sources						
Donations and Forfeitures of Property	275	12,890	13,165	249,429	25,301	274,730
Transfers In/Out without Reimbursement (Notes 5, 19, and 20)	(4,741,840)	9,256	(4,732,584)	(69,924)	630,011	560,087
Imputed Financing from Costs Absorbed by Others (Note 16)	56,906	1,243,871	1,300,777	121,132	2,295,593	2,416,725
Other Non-Budgetary Financing Sources/(Uses)	274,636	(116,271)	158,365	(22,041)	(206,506)	(228,547)
Total Financing Sources	2,576,589	12,026,287	14,602,876	6,562,694	16,709,004	23,271,698
Net Cost of Operations	(4,026,850)	(12,661,954)	(16,688,804)	(3,852,900)	(12,369,825)	(16,222,725)
Net Change	(1,450,261)	(635,667)	(2,085,928)	2,709,794	4,339,179	7,048,973
Ending Balance - Cumulative Results of Operations	$ 60,407,823	$ 4,405,384	$ 64,813,207	$ 61,849,547	$ 5,049,588	$ 66,899,135
TOTAL NET POSITION	$ 60,777,513	$ 9,847,187	$ 70,624,700	$ 62,339,485	9,662,408	$ 72,001,893

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

Statement of Budgetary Resources
for the years ended September 30, 2014 and September 30, 2013

(dollars in thousands)	Total Budgetary Accounts FY 2014	Non-Budgetary Credit Program Financing Accounts FY 2014	Total Budgetary Accounts FY 2013	Non-Budgetary Credit Program Financing Accounts FY 2013
Budgetary Resources:				
Unobligated balance brought forward, October 1	$ 9,190,442	$ 64,835	$ 6,493,319	$ 57,238
Recoveries of prior year unpaid obligations	591,576	-	607,245	-
Other Changes in unobligated balance	(251,612)	(5,136)	(24,046)	(71)
Unobligated balance from prior year budget authority, net	9,530,406	59,699	7,076,518	57,167
Appropriations (discretionary and mandatory)	17,952,707	-	19,096,882	(996)
Borrowing authority (discretionary and mandatory)	-	(293)	-	4,028
Contract Authority (discretionary and mandatory)	60,000	-	-	-
Spending authority from offsetting collections (discretionary and mandatory)	5,661,887	12,456	5,207,970	13,374
Total Budgetary Resources	**$ 33,205,000**	**$ 71,862**	**$ 31,381,370**	**$ 73,573**
Status of Budgetary Resources:				
Obligations incurred	$ 24,601,717	$ 6,817	$ 22,190,928	$ 8,738
Unobligated balance, end of year:				
Apportioned	8,318,400	65,045	9,032,371	64,835
Exempt from apportionment	59	-	59	-
Unapportioned	284,824	-	158,012	-
Total unobligated balance, end of year	8,603,283	65,045	9,190,442	64,835
Total Status of Budgetary Resources	**$ 33,205,000**	**$ 71,862**	**$ 31,381,370**	**$ 73,573**
Change in Obligated Balance:				
Unpaid obligations:				
Unpaid obligations, brought forward, October 1	$ 10,031,863	$ -	$ 10,575,801	$ -
Obligations incurred	24,601,717	6,817	22,190,928	8,738
Outlays (gross) (-)	(22,664,571)	(6,817)	(22,127,621)	(8,738)
Recoveries of prior year unpaid obligations (-)	(591,576)	-	(607,245)	-
Unpaid obligations, end of year	11,377,433	-	10,031,863	-
Uncollected payments:				
Uncollected payments, Federal sources, brought forward, October 1	(2,711,610)	(3,416)	(2,737,350)	(4,491)
Change in uncollected payments, Federal sources	(376,370)	(891)	25,740	1,075
Uncollected payments, Federal sources, end of year	(3,087,980)	(4,307)	(2,711,610)	(3,416)
Obligated balance, start of year	$ 7,320,253	$ (3,416)	$ 7,838,451	$ (4,491)
Obligated balance, end of year	$ 8,289,453	$ (4,307)	$ 7,320,253	$ (3,416)
Budget Authority and Outlays, Net:				
Budget authority, gross (discretionary and mandatory)	$ 23,674,594	$ 12,163	$ 24,304,854	$ 16,407
Actual offsetting collections (discretionary and mandatory)	(5,441,392)	(11,565)	(5,249,521)	(14,449)
Change in uncollected customer payments from Federal sources	(376,370)	(891)	25,740	1,075
Budget authority, net (discretionary and mandatory)	**$ 17,856,832**	**$ (293)**	**$ 19,081,073**	**$ 3,033**
Outlays, gross (discretionary and mandatory)	22,664,571	6,817	22,127,621	8,738
Actual offsetting collections (discretionary and mandatory)	(5,441,392)	(11,565)	(5,249,521)	(14,449)
Outlays, net (discretionary and mandatory)	17,223,180	(4,748)	16,878,100	(5,711)
Distributed offsetting receipts (-)	(5,964,434)	-	(7,310,103)	-
Agency outlays, net (discretionary and mandatory)	$ 11,258,745	$ (4,748)	$ 9,567,997	$ (5,711)

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

Statement of Custodial Activity
for the years ended September 30, 2014 and September 30, 2013

(dollars in thousands)	FY 2014	FY 2013
Revenues on Behalf of the Federal Government		
Mineral Lease Revenue		
Rents and Royalties	$ 10,878,759	$ 10,091,011
Onshore Lease Sales	248,367	236,185
Offshore Lease Sales	998,107	2,304,960
Total Revenue	$ 12,125,233	$ 12,632,156
Disposition of Revenue		
Distribution to Department of the Interior		
Departmental Offices	2,250,850	2,074,225
National Park Service Conservation Funds	1,045,258	1,045,580
Bureau of Reclamation	1,769,529	1,593,537
Bureau of Ocean Energy Management	101,209	162,802
Bureau of Safety and Environmental Enforcement	102,421	52,602
Bureau of Land Management	20,636	20,389
Fish and Wildlife Service	1,062	2,655
Distribution to Other Federal Agencies		
Department of the Treasury	6,960,763	8,293,960
Department of Agriculture	143,520	110,457
Department of Commerce	106	-
Department of Energy	50,000	50,000
Distribution to Indian Tribes and Agencies	-	9
Distribution to States and Others	34,113	46,648
Change in Untransferred Revenue	(354,234)	(820,708)
Total Disposition of Revenue	**$ 12,125,233**	**$ 12,632,156**
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 or special commitments to American Indians, Alaska Natives, and affiliated island communities.

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

B. Organization and Structure of DOI

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

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

The U.S. Bureau of Mines (BOM) was abolished in 1996. Although it no longer exists, certain transactions and data related to BOM programs and activities are reflected in DOI's FY 2014 and FY 2013 financial statements and notes.

C. Basis of Accounting and Presentation

These financial statements have been prepared to report the financial position, net cost, changes in net position, budgetary resources, and custodial activities of DOI as required by the *Chief Financial Officers Act of 1990* (CFO Act) and the *Government Management Reform Act of 1994*. 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 the U.S. Department of the Treasury except for imprest fund accounts. Treasury processes cash receipts and disbursements on behalf of DOI and DOI's accounting records are reconciled with those of Treasury on a monthly basis.

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

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

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

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

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

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

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

E. Investments, Net

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

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

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

G. Loans and Interest Receivable, Net

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

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

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

H. Inventory and Related Property, Net

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

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

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

Under the *Helium Privatization Act of 1996*, DOI is authorized to store, transport, and withdraw crude helium and maintain and operate crude helium storage facilities that were in existence when the *Helium Privatization Act 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 are capitalized at acquisition cost and depreciated using the straight-line amortization method over the estimated useful lives of the property. Buildings, structures, and facilities are depreciated over a useful life from 10 to 80 years, with the exception of dams and certain related property, which are depreciated over useful lives of up to 100 years. Equipment, vehicles, and aircraft are depreciated over useful lives generally ranging from 2 to 50 years. Capital leases and leasehold improvements are amortized over the shorter of the estimated useful life or the life of the lease.

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

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

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

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

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

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

J. Stewardship Assets

Stewardship assets consist of public domain land, 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 Assets*, provides additional information concerning stewardship land and heritage assets. The Required Supplementary Information Section provides information on the condition of stewardship land and heritage assets.

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

K. Advances and Prepayment

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

L. Liabilities

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

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

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

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

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

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

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

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 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, a $1.9 billion liability was initially recorded in FY 2013 for TLCP. The 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 Statement of Federal Financial Accounting Standards (SFFAS) No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, DOI reports these state amounts as "Royalties Retained," and other budgetary financing sources on the Statement of Changes in Net Position, rather than on the Statement of Net Cost. This is mainly because DOI incurred minimal costs in earning this revenue.

Custodial Revenue. The 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 U.S. Treasury accounts, other Federal agencies, states, and coastal political subdivisions. The DOI is authorized to retain a portion of the custodial rental income collected to fund operating costs. The DOI records custodial revenue based on accounts reported by producers. Custodial revenue is reported when the government has a legal claim to the revenue.

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

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

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

N. Personnel Compensation and Benefits

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

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

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

The second component is the 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. The projected annual benefit payments are discounted to present value using OMB's economic assumptions for 10-year Treasury notes and bonds. To provide for the effects of inflation on the liability, wage inflation factors (i.e., cost of living adjustments) and medical inflation factors (i.e., consumer price index for medical adjustments) are applied to the calculation of projected future benefit payments. These factors are also used to adjust historical benefit payments to current-year constant dollars. A discounting formula is used to recognize the timing of benefit payments as 13 payments per year rather than an annual lump sum.

Federal Employees' Group Life Insurance Program (FEGLI). Most of DOI's employees are entitled to participate in the FEGLI Program. Participating employees can obtain "basic life" term life insurance, with the employee paying two-thirds of the cost and DOI paying one-third. Additional coverage is optional, to be paid fully by the employee. The basic life coverage may be continued into retirement if certain requirements are met. The OPM administers this program and is responsible for the reporting of liabilities. For each fiscal year, 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 five retirement programs: (1) the Civil Service Retirement System (CSRS); (2) the Federal Employees Retirement System (FERS), which became effective on January 1, 1987; (3) the Federal Employees Retirement System - Revised Annuity Employees (FERS-RAE), which became effective on January 1, 2013; (4) the Federal Employees Retirement System - Further Revised Annuity Employees (FERS-FRAE), which became effective on January 1, 2014; or (5) the United States Park Police (USPP) Pension Plan. The majority of DOI employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, could elect to either join FERS and Social Security or remain in CSRS. Employees covered by CSRS are neither subject to Social Security taxes, nor are they entitled to accrue Social Security benefits for wages subject to CSRS.

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

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

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

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

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

O. Federal Government Transactions

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

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

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

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

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

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

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

Q. Resources Payable to the General Fund of the Treasury

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

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

R. Funds from Dedicated Collections

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

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

S. Allocation Transfers

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

T. Income Taxes

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

U. Estimates

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

V. Fiduciary Activities

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

NOTE 2. FUND BALANCE WITH TREASURY

Fund Balance with Treasury by fund type as of September 30, 2014 and 2013, consists of the following:

(dollars in thousands)	FY 2014	FY 2013
General Funds	$ 7,593,999	$ 7,192,810
Special Funds	40,302,688	39,272,798
Revolving Funds	1,493,475	1,336,972
Trust Funds	332,146	244,442
Other Fund Types	585,233	548,637
Total Fund Balance with Treasury by Fund Type	$ 50,307,541	$ 48,595,659

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

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

Obligated and unobligated balances reported for the status of Fund Balance with Treasury do not agree with obligated and unobligated balances reported in the *Combined Statement of Budgetary Resources*. 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, 2014 and September 30, 2013, consists of the following:

(dollars in thousands)	FY 2014	FY 2013
Unobligated		
Available	$ 5,618,516	$ 6,199,445
Unavailable	583,642	332,310
Obligated Not Yet Disbursed	8,409,521	6,822,779
Subtotal	14,611,679	13,354,534
Fund Balance with Treasury Not Covered by Budgetary Resources		
Unavailable Receipt Accounts	35,186,600	34,741,982
Clearing and Deposit Accounts	509,262	499,143
Subtotal	35,695,862	35,241,125
Total Status of Fund Balance with Treasury	$ 50,307,541	$ 48,595,659

NOTE 3. INVESTMENTS, NET

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

Public securities include marketable securities issued by government-sponsored entities and consist of mortgaged back securities, where cost approximates fair value. These securities have a maturity term of January, 2019.

Investments as of September 30, 2014, consist of the following:

(dollars in thousands)	Cost	Net Amortized (Premium)/ Discount	Investments, Net	Market Value Disclosure
U.S. Treasury Securities				
Marketable	$ 58,986	$ -	$ 58,986	$ 58,986
Nonmarketable, market-based	6,830,918	(36,619)	6,794,298	6,854,734
Total U.S. Treasury Securities	6,889,904	(36,619)	6,853,284	6,913,720
Accrued Interest	14,383		14,383	
Total Non-Public Investments	$6,904,287	$(36,619)	$6,867,667	$6,913,720
Public Securities				
Marketable	293,352	1,984	295,336	295,336
Total Investments	$ 7,197,639	$ (34,636)	$ 7,163,003	$ 7,209,056

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

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

NOTE 4. ACCOUNTS AND INTEREST RECEIVABLE, NET

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

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

Unmatured repayment contracts are recognized on the Balance Sheet when the annual repayment amount is earned, at which time current accounts receivable and current period exchange revenue are recorded. As of September 30, 2014 and September 30, 2013, amounts not yet earned under unmatured repayment contracts were $2.38 billion and $2.41 billion, respectively.

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

Accounts and Interest Receivable from Federal agencies consist of the following as of September 30, 2014 and September 30, 2013:

(dollars in thousands)	FY 2014	FY 2013
Accounts and Interest Receivable from Federal Agencies		
Billed	$ 1,257,489	$ 1,272,288
Unbilled	627,901	538,757
Total Accounts and Interest Receivable from Federal agencies	**$ 1,885,390**	**$ 1,811,045**

Accounts and Interest Receivable from the Public consist of the following as of September 30, 2014 and September 30, 2013:

(dollars in thousands)	FY 2014	FY 2013
Accounts and Interest Receivable from the Public		
Billed	$ 339,193	$ 362,375
Unbilled	1,803,046	2,200,758
Total Accounts and Interest Receivable from the Public	2,142,239	2,563,133
Allowance for Doubtful Accounts	(55,016)	(80,919)
Total Accounts and Interest Receivable from the Public, Net	**$ 2,087,223**	**$ 2,482,214**

NOTE 5. INTRAGOVERNMENTAL LOANS AND INTEREST RECEIVABLE, NET

Intragovernmental Loans and Interest Receivable, as of September 30, 2014 and September 30, 2013, are summarized as follows:

(dollars in thousands)	FY 2014	FY 2013
Principal	$ -	$ 7,306,501
Interest	-	3,169,060
Cumulative Repayments	-	(6,792,803)
Allowance for Non-Reimbursable Costs	-	(330,005)
Intragovernmental Loans and Interest Receivable, Net	$ -	$ 3,352,753

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

In FY 2014, BOR transferred program management responsibility to DOE for specific receipt accounts within the Reclamation fund associated with the hydroelectric power programs of Western Area Power and Bonneville Power Administrations. Prior to this transfer, the entirety of the Reclamation Fund was programmatically the responsibility of BOR. The loan receivable presented in the above table represented the power investment cost recovery due to the Reclamation Fund. The FY 2014 transfer assigned DOE the programmatic responsibility for portions of the Reclamation Fund specific to power cost recovery. As a result, the loan receivable is no longer held by DOI as of the balance sheet date.

NOTE 6. LOANS AND INTEREST RECEIVABLE, NET

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

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

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

In FY 2014 and FY 2013 there were no other changes in economic conditions, other risk factors, legislation, credit policies, and assumptions that have had a significant and measurable effect on subsidy rates, subsidy expense, and subsidy re-estimates. For FY 2014 and FY 2013, there were no new direct loans disbursed, therefore there were no appropriations for subsidy expense for new direct loans disbursed and its components.

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

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

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

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

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

The subsidy expense reported for FY 2014 and FY 2013 includes a technical reestimate.

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

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

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

In FY 2014 and FY 2013, NPS granted the full $60,000 credit to Wolf Trap. The monies received in repayment of this loan may be retained by NPS until expended, in consultation with the Wolf Trap Foundation, for the maintenance of structures, facilities, and equipment of the park.

Outstanding loan balances, as of September 30, 2014 and September 30, 2013, are summarized as follows:

A. Direct Loan and Loan Guarantee Program Names:	*(dollars in thousands)*	
	FY 2014	FY 2013
Indian Affairs - Direct Liquidating Loans (Pre-Credit Reform)	$ 4,322	$ 4,652
Indian Affairs - Direct Loans (Credit Reform)	2,926	4,630
Indian Affairs - Guaranteed Liquidating Loans (Pre-Credit Reform)	371	412
Indian Affairs - Guaranteed Loans (Credit Reform)	1,135	834
Bureau of Reclamation - Direct Loans (Pre-Credit Reform)	12,230	14,186
Bureau of Reclamation - Direct Loans (Credit Reform)	33,849	34,867
Departmental Offices - American Samoa Government (Credit Reform)	9,269	1,239
National Park Service - Wolf Trap Foundation (Pre-Credit Reform)	360	802
Total Loans and Interest Receivable, Net	$ 64,462	$ 61,622

B. Direct Loans Obligated Prior to FY 1992 (Allowance for Loss Method):						*(dollars in thousands)*
	Direct Loan Programs (Pre-Credit Reform)	Loans Receivable Gross	Interest Receivable	Allowance For Loan Losses	Foreclosed Property	Direct Loans, Net
	Indian Affairs	$ 3,373	$ 1,819	$ (870)	$ -	$ 4,322
	Bureau of Reclamation	19,485	-	(7,255)	-	12,230
	National Park Service - Wolf Trap Foundation	360	-	-	-	360
FY 2014	Total	$ 23,218	$ 1,819	$ (8,125)	$ -	$ 16,912
	Indian Affairs	$ 3,659	$ 1,867	$ (874)	$ -	$ 4,652
	Bureau of Reclamation	21,441	-	(7,255)	-	14,186
	National Park Service - Wolf Trap Foundation	802	-	-	-	802
FY 2013	Total	$ 25,902	$ 1,867	$ (8,129)	$ -	$ 19,640

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	$ 1,578	$ 264	-	$ 1,084	$ 2,926
	Bureau of Reclamation	39,440	-	-	(5,591)	33,849
	Departmental Offices - American Samoa Government	10,516	-	-	(1,247)	9,269
FY 2014	Total	$ 51,534	$ 264	$ -	$ (5,754)	$ 46,044
	Indian Affairs	$ 2,724	$ 249	$ -	$ 1,657	$ 4,630
	Bureau of Reclamation	41,244	-	-	(6,377)	34,867
	Departmental Offices - American Samoa Government	10,787	299	-	(9,847)	1,239
FY 2013	Total	$ 54,755	$ 548	$ -	$ (14,567)	$ 40,736

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

Modifications and Re-estimates		Total Modifications	Interest Rate Re-estimates	Technical Re-estimates	Total Re-estimates
	Direct Loan Programs (Credit Reform)				
	Indian Affairs	$ -	$ -	$ -	$ -
	Bureau of Reclamation	-	-	-	-
	Departmental Offices - American Samoa Government	-	-	-	-
FY 2014	Total	$ -	$ -	$ -	$ -
	Indian Affairs	$ -	$ (1,053)	$ 479	$ (574)
	Bureau of Reclamation	-	-	89	89
	Departmental Offices - American Samoa Government	-	-	(1,101)	(1,101)
FY 2013	Total	$ -	$ (1,053)	$ (533)	$ (1,586)

Total Direct Loan Subsidy Expense	FY 2014	FY 2013
Direct Loan Programs (Credit Reform)		
Indian Affairs	$ -	$ (574)
Bureau of Reclamation	-	89
Departmental Offices - American Samoa Government	-	(1,101)
Total	$ -	$ (1,586)

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

	FY 2014	FY 2013
Beginning balance of the subsidy cost allowance	$ 14,567	$ 16,145
Adjustments:		
(a) Loans written off	-	-
(b) Subsidy allowance amortization	13,325	(853)
(c) Other	(22,138)	861
Ending balance of the subsidy cost allowance before reestimates	5,754	16,153
Add or subtract subsidy reestimates by component:		
(a) Interest rate reestimate	-	(1,053)
(b) Technical/default reestimate	-	(533)
Total of the above reestimate components	-	(1,586)
Ending balance of the subsidy cost allowance	$ 5,754	$ 14,567

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 2014	$ 962	$ 98	$ -	$ (689)	$ 371
FY 2013	$ 1,079	$ 97	$ -	$ (764)	$ 412

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 2014	$ 10,370	$ 1,963	$ -	$ (11,198)	$ 1,135
FY 2013	$ 7,775	$ 1,126	$ -	$ (8,067)	$ 834

H. Guaranteed Loans Outstanding as of September 30, 2014: *(dollars in thousands)*

	Loan Guarantee Programs	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
	FY 1992-2012	$ 460,939	$ 414,300
	FY 2013	53,795	48,415
	FY 2014	23,573	21,215
	Total	$ 538,307	$ 483,930
	New Guaranteed Loans Disbursed (Current reporting year):		
	Amount Paid in FY 2013 for Prior Years	$ 15,125	$ 13,613
	Amount Paid in FY 2013 for 2013 Guarantees	24,328	21,895
FY 2014	Total	$ 39,453	$ 35,508
	Amount Paid in FY 2012 for Prior Years	$ 28,367	$ 25,531
	Amount Paid in FY 2012 for 2012 Guarantees	44,954	40,458
FY 2013	Total	$ 73,321	$ 65,989

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 2014	$ -	$ 63,972	$ 63,972
FY 2013	$ -	$ 29,445	$ 29,445

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 2014	$ 1,372	$ 1,586	$ (701)	$ -	$ 2,257
FY 2013	$ 2,552	$ 3,630	$ (1,289)	$ -	$ 4,893

Guaranteed Loans (Credit Reform)	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total
Modifications and Reestimates:				
FY 2014 Total	$ -	$ (2,220)	$ 6,254	$ 4,034
FY 2013 Total	$ -	$ (7,737)	$ (19,790)	$ (27,527)

Total Loan Guarantee Program Subsidy Expense	FY 2014	FY 2013
Indian Affairs	$ 6,291	$ (22,634)

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 2014	3.6%	4.1%	-1.8%	0.0%	5.9%
FY 2013	4.0%	4.0%	-2.0%	0.0%	6.0%

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

	FY 2014	FY 2013
Beginning balance of the loan guarantee liability	$ 29,445	$ 29,425
Add: Subsidy expense for guaranteed loans disbursed during the reporting years by component:		
(a) Interest supplement costs	1,372	2,552
(b) Default costs (net of recoveries)	1,586	3,630
(c) Fees and other collections	(701)	(1,289)
Total of the above subsidy expense components	$ 2,257	$ 4,893
Adjustments:		
(a) Fees received	$ 716	$ 1,318
(b) Interest supplements paid	(1,084)	(1,209)
(c) Claim payments to lenders	(1,910)	(3,715)
(d) Interest accumulation on the liability balance	3,452	2,836
(e) Other (recovery, revenue, and prior period adjustments)	27,062	23,424
Ending balance of the loan guarantee liability before reestimates	$ 59,938	$ 56,972
Add or subtract subsidy reestimates by component:		
(a) Interest rate reestimate	$ (2,220)	$ (7,737)
(b) Technical/default reestimate	6,254	(19,790)
Total of the above reestimate components	$ 4,034	$ (27,527)
Ending balance of the loan guarantee liability	$ 63,972	$ 29,445

M. Administrative Expense:					(dollars in thousands)	
Direct Loans (Credit Reform)				Guaranteed Loans Programs		
FY 2014	$	18		FY 2014	$	898
FY 2013	$	10		FY 2013	$	1,077

NOTE 7. INVENTORY AND RELATED PROPERTY, NET

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

The USGS maintains Operational Land Imager operating materials; maps and map products that are located at several Earth Science Information Centers across the United States. The BLM maintains a helium stockpile inventory that is stored in a partially depleted natural gas reservoir as discussed in Note 1.H. The *Helium Stewardship Act of 2013* (signed in FY 2014) required an additional 2.4 billion cubic feet of Helium be held in reserve. In accordance with this requirement, the BLM inventory classification of stockpile materials was adjusted in FY 2014 reflecting an increase over the balance held in reserve in FY 2013. 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, 2014 and 2013, consist of the following:

(dollars in thousands)	FY 2014	FY 2013
Inventory		
Published Maps Held for Current Sale	$ 2,592	$ 2,626
Gas and Storage Rights held for Current Sale	821	830
Operating Materials		
Working Capital Fund: Inventory Held for Use	5,943	1,857
Operational Land Imager: Inventory Held for Use	15,754	14,465
Airplane Parts and Fuel Held for Use	1,964	1,798
Stockpile Materials		
Recoverable Below-Ground Crude Helium Held in Reserve	36,174	7,235
Recoverable Below-Ground Crude Helium Held for Sale*	58,164	101,255
Total Inventory and Related Property	121,412	130,066
Allowance for Obsolescence	-	-
Inventory and Related Property, Net	$ 121,412	$ 130,066

* The difference in carrying value and the estimated selling price of recoverable below ground helium held for sale is $400,089 ($458,253 - $58,164) and $604,121 ($705,376-$101,255) at September 30, 2014 and 2013, respectively.

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

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

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

The PP&E categories with corresponding acquisition cost and accumulated depreciation as of September 30, 2014, are shown in the following table:

(dollars in thousands)	Acquisition Cost	Accumulated Depreciation	Net Book Value
Land and Land Improvements	$ 2,307,578	$ (149,267)	$ 2,158,311
Buildings	5,182,556	(2,078,297)	3,104,259
Structures and Facilities	23,339,111	(11,173,510)	12,165,601
Leasehold Improvements	60,630	(31,509)	29,121
Construction in Progress			
Construction in Progress - General	2,456,474	-	2,456,474
Construction in Progress in Abeyance	635,085	-	635,085
Equipment, Vehicles, and Aircraft	2,847,551	(1,599,494)	1,248,057
Internal Use Software			
In Use	571,965	(356,591)	215,374
In Development	27,514	-	27,514
Total Property, Plant, and Equipment	$ 37,428,464	$ (15,388,668)	$ 22,039,796

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

(dollars in thousands)	Acquisition Cost	Accumulated Depreciation	Net Book Value
Land and Land Improvements	$ 2,277,080	$ (135,782)	$ 2,141,299
Buildings	4,986,018	(1,959,400)	3,026,618
Structures and Facilities	23,093,218	(10,830,903)	12,262,315
Leasehold Improvements	60,629	(29,163)	31,466
Construction in Progress			
Construction in Progress - General	2,208,532	-	2,208,532
Construction in Progress in Abeyance	639,242	-	639,242
Equipment, Vehicles, and Aircraft	2,819,067	(1,472,374)	1,346,693
Internal Use Software			
In Use	452,943	(286,331)	166,612
In Development	141,218	-	141,218
Total Property, Plant, and Equipment	$ 36,677,947	$ (14,713,953)	$ 21,963,995

NOTE 9. STEWARDSHIP ASSETS

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

The predominant laws governing the management of stewardship land are the *National Park Service Organic Act of 1916,* 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. Today the System includes more than 109 million acres, about 2/3 of which 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

The DOI did not receive any donated stewardship land in either FY 2014 or FY 2013.

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 the initial agreement or subsequent agreements. Although the structures constructed on these lands may be considered operational in nature, the lands on which these structures reside are managed in a stewardship manner to provide services to the tribe/reservation.

Regional Offices. Land owned by IA generally consists of parcels located within the boundaries of Indian reservations which have been temporarily withdrawn for administrative uses and are held

Primary Land Management Categories		As of 10/1/2012	Increase	Decrease	As of 9/30/2013	Increase	Decrease	As of 9/30/2014
IA	Regional Offices	12	-	-	12	-	-	12
BLM	Geographic Management Areas	129	-	-	129	-	-	129
BOR	Federal Water and Related Projects	137	-	2	135	-	-	135
FWS	National Wildlife Refuges	560	1	-	561	1	-	562
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	-	-	6
FWS	Associated Fish Facilities	15	-	-	15	-	-	15
NPS	Park Units	385	5	-	390	-	-	390
OS	Commission Land	1	-	-	1	-	-	1
Total Number of Units		1,401	6	2	1,405	1	-	1,406

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

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 are the Navajo region, which includes parts of Arizona, Utah, and New Mexico; and, the Eastern Oklahoma region, which includes the eastern section of Oklahoma.

Bureau of Land Management

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

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

Bureau of Reclamation

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

U.S. Fish and Wildlife Service

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

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

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

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

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

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

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

National Park Service

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

Office of the Secretary

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

Heritage Assets

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

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

Non-Collectible Heritage Assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

National Military Parks.
See National Battlefields section.

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

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

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

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

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

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

National Recreation Trails.
See National Historic Trail section.

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

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

National Scenic Trails.
See National Historic Trail section.

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

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

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

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

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

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

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

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

Special Areas. The BLM manages five Secretarially-designated Special Areas in Alaska. The Utukok River Uplands contains critical habitat for caribou. Teshekpuk Lake and its watershed are an important habitat for a large number of ducks, geese, and swans. Colville River provides critical nesting habitat for the arctic peregrine falcon. Kasegaluk Lagoon was designated as a Special Area where special precautions are necessary to control activities which would disrupt resource values.

Other. This category includes those park units that cannot be readily included in any of the standard categories. Examples include Catoctin Mountain

Non-Collectible Heritage Asset Categories	As of 10/1/2012	Increase	Decrease	As of 9/30/2013	Increase	Decrease	As of 9/30/2014
Cooperative Management and Protection Area	1	-	-	1	-	-	1
Headwaters Forest Reserve	1	-	-	1	-	-	1
Lake Todatonten Special Management Area	1	-	-	1	-	-	1
National Battlefield Parks	4	-	-	4	-	-	4
National Battlefield Site	1	-	-	1	-	-	1
National Battlefields	11	-	-	11	-	-	11
National Conservation/ Conservation Areas	17	-	-	17	-	-	17
National Historic Landmarks (NHL)	207	6	-	213	1	-	214
National Historic Sites	78	-	-	78	-	-	78
National Historic Trails	13	-	-	13	-	-	13
National Historical Parks	46	-	-	46	-	-	46
National Lakeshores	4	-	-	4	-	-	4
National Memorials	29	-	-	29	-	-	29
National Military Parks	9	-	-	9	-	-	9
National Monuments	98	6	1	103	2	-	105
National Natural Landmarks (NNL)	108	6	-	114	-	-	114
National Parks	58	1	-	59	-	-	59
National Parkways	4	-	-	4	-	-	4
National Preserves	18	-	-	18	-	-	18
National Recreation Areas	20	-	-	20	-	-	20
National Recreation Trails	106	4	-	110	1	-	111
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	560	1	-	561	1	-	562
Outstanding Natural Areas	3	-	-	3	-	-	3
International Historic Site	1	-	-	1	-	-	1
Wilderness Areas	355	-	-	355	2	-	357
Research Natural Area	1	-	-	1	-	-	1
Archaeological Protection Areas	2	-	-	2	-	-	2
Special Areas	4	1	-	5	-	-	5
Other	11	-	-	11	-	-	11
Total	1,888	25	1	1,912	7	-	1,919

Park, Maryland; Constitution Gardens, District of Columbia; National Capital Parks in the District of Columbia, Maryland, and Virginia; the White House; the National Mall; and Wolf Trap National Park for the Performing Arts located in Virginia.

Collectible Heritage Assets

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

Library Collections

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

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

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

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

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

Museum Collections

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

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

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

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

Library Collections	As of 10/1/2012	Increase	Decrease	As of 9/30/2013	Increase	Decrease	As of 9/30/2014
Total	7	-	-	7	-	-	7

Interior Museum Collections	As of 10/1/2012	Increase	Decrease	As of 9/30/2013	Increase	Decrease	As of 9/30/2014
Held at Interior Bureau Facilities	573	1	8	566	4	8	562
Held at Non-Interior Bureau Facilities	440	8	3	445	5	9	441
Total	1,013	9	11	1,011	9	17	1,003

NOTE 10. ASSETS ANALYSIS

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

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

The DOI's assets as of September 30, 2014, are summarized into the following categories:

(dollars in thousands)	Entity	Non-Entity	FY 2014
Intragovernmental Assets			
Fund Balance with Treasury	$ 49,664,114	643,427	$ 50,307,541
Investments, Net	6,842,231	25,436	6,867,667
Accounts and Interest Receivable	951,061	934,329	1,885,390
Loans and Interest Receivable, Net	-	-	-
Advances and Prepayments	2,244	-	2,244
Total Intragovernmental Assets	57,459,650	1,603,192	59,062,842
Cash	$ 457	-	$ 457
Investments, Net	295,336	-	295,336
Accounts and Interest Receivable, Net	164,360	1,922,863	2,087,223
Loans and Interest Receivable, Net	64,462	-	64,462
Inventory and Related Property, Net	121,412	-	121,412
General Property, Plant, and Equipment, Net	22,039,796	-	22,039,796
Advances and Prepayments	43,991	-	43,991
Other Miscellaneous Assets	213,787	-	213,787
TOTAL ASSETS	$ 80,403,251	3,526,055	$ 83,929,306

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

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

NOTE 11. DEBT

Intragovernmental debt to Treasury activity as of September 30, 2014 and 2013 is summarized as follows:

(dollars in thousands)	FY 2013 Beginning Balance	Borrowing / (Repayments), Net	FY 2013 Ending Balance	Borrowing / (Repayments), Net	FY 2014 Ending Balance
Helium Fund	$ 44,204	$ -	$ 44,204	$ (44,204)	$ -
Credit Reform Borrowings	50,164	2,961	53,125	(5,430)	47,695
Total Debt Due to Treasury	$ 94,368	$ 2,961	$ 97,329	$ (49,634)	$ 47,695

A. Helium Fund - Bureau of Land Management

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

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

Interest was accrued prior to 1996; however, with the passage of the *Helium Privatization Act of 1996*, no further interest is being accrued on this debt. In FY 2011, the accrued interest was fully paid and DOI started repaying the principal on the debt. As of September 30, 2014, the principal was fully paid.

B. Intragovernmental Debt to Treasury under Credit Reform

The IA, BOR, and DO (Office of Insular Affairs), have borrowed funds from Treasury in accordance with the *Federal Credit Reform Act of 1990* (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 2022 to 2026. Interest rates for these securities range from 3.85 percent to 7.46 percent.

Bureau of Reclamation

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

NOTE 12. FEDERAL EMPLOYEE AND VETERAN BENEFITS

Federal Employee and Veteran Benefits as of September 30, 2014, and 2013, consisted of the following:

(dollars in thousands)	FY 2014	FY 2013
Federal Employee and Veteran Benefits		
U.S. Park Police Pension Actuarial Liability	$ 603,367	$ 622,894
U.S. Park Police Pension Current Liability	40,030	39,803
Federal Employees Compensation Actuarial Liability	846,634	846,634
Total Federal Employee and Veteran Benefits	$ 1,490,031	$ 1,509,331

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

The following table presents the significant economic assumptions used to estimate the USPP Pension Plan liability, and the changes in the USPP Pension Plan liability balances. The USPP Pension Plan discount rate of 3.9 percent in FY 2014 and 4.1 percent in FY 2013 matched the discount rate used by OPM for the CSRS plan, but differed from the 4.4 percent in FY 2014 and 4.3 percent in FY 2013 discount rates used for the FERS plan. Additionally, the USPP Pension Plan inflationary rates of 1.9 percent in FY 2014 and 2.2 percent in FY 2013 differed from the 2.5 percent (CSRS) and 1.9 percent (FERS) in FY 2014 and 2.5 percent (both CSRS and FERS) in FY 2013 inflationary rates used by OPM. The NPS calculated its discount rate based on the demographics of the USPP Pension Plan participants and an updated longevity assumption.

Economic Assumptions Used Expressed in Percentages	FY 2014	FY 2013
Interest Rate	3.90	4.10
Inflationary Rate	1.90	2.20
Projected Salary Increase	1.90	2.20

USPP Pension Plan Liability *(dollars in thousands)*	FY 2014	FY 2013
Beginning Balance	$ 662,697	$ 701,600
Pension Expenses		
Normal Costs	-	-
Interest on liability	26,400	29,000
Actuarial (gains) or losses from experience	(7,369)	(15,197)
Actuarial (gains) or losses from assumption changes	1,500	(12,900)
Total Pension Expenses	20,531	903
Less Benefit Payments	(39,831)	(39,806)
Ending Balance	$ 643,397	$ 662,697

NOTE 13. CONTINGENT LIABILITIES AND ENVIRONMENTAL AND DISPOSAL LIABILITIES

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

The accrued and potential Contingent Liabilities and Environmental and Disposal Liabilities as of September 30, 2014, and 2013, are summarized in the categories below.

FY 2014	Accrued Liabilities	Estimated Range of Loss	
(dollars in thousands)		Lower End of Range	Upper End of Range
Contingent Liabilities			
Probable	$ 835,779	$ 835,779	$ 1,152,916
Reasonably Possible		99,333	515,109
Environmental and Disposal Liabilities			
Probable	190,168	190,168	1,205,595
Reasonably Possible		$ 60,944	$ 117,572

FY 2013	Accrued Liabilities	Estimated Range of Loss	
(dollars in thousands)		Lower End of Range	Upper End of Range
Contingent Liabilities			
Probable	$ 1,035,563	$ 1,035,563	$ 1,309,415
Reasonably Possible		262,917	1,552,196
Environmental and Disposal Liabilities			
Probable	192,142	192,142	1,271,460
Reasonably Possible		$ 661,991	$ 138,796

General Contingent Liabilities

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

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

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

In FY 2014, in Navajo Nation v. United States, in which the Indian tribe seeks damages relating to management of tribal trust funds and assets, the Federal government settled the case for $554 million, an amount representing the largest settlement with a single Indian tribe. The $554 million was not recorded as a liability in FY 2013 as the settlement negotiation was ongoing.

Environmental and Disposal Liability

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

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

NOTE 14. LIABILITIES ANALYSIS

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

The Cobell Settlement, as confirmed by the *Claims Resolution Act of 2010*, provides for a $1.9 billion Trust Land Consolidation Fund (Fund). The Settlement charges DOI with the responsibility to use the Fund within a 10-year period to acquire, at fair market value as defined in the *Indian Land Consolidation Act* (ILCA), fractional interests in trust or restricted land that individuals are willing to sell to DOI. Acquired interests will remain in trust or restricted status through transfer to tribes. As an incentive to participate in the program, when individuals sell fractional interests, up to $60 million from the Fund will go to an Indian Education Scholarship Fund for American Indian and Alaska Native students. In addition, DOI is authorized to spend no more than 15 percent of the total Trust Land Consolidation Fund to administer the program. In recognition of DOI's responsibility to fulfill the terms of the settlement, DOI initially recorded a liability of $1.9 billion for the Trust Land Consolidation Program. The liability is reduced through the execution of the program. In FY 2014, DOI determined that the funding received in FY 2013 for the Trust Land Consolidation Fund was a distributed offsetting receipt, as defined by OMB A-136. Accordingly, the distributed offsetting receipts balance, as presented in the FY 2013 Statement of Budgetary Resources and Note 19, *Reconciliation of Net Cost of Operations to Budget*, was increased by $1.9 billion.

The DOI's liabilities covered and not covered by budgetary resources as of September 30, 2014, are as follows:

	Covered by Budgetary Resources		Not Covered by Budgetary Resources		FY 2014
(dollars in thousands)	Current	Non-Current	Current	Non-Current	
Intragovernmental Liabilities:					
Accounts Payable	$ 165,971	$ -	$ 150,799	$ 310,502	$ 627,272
Debt	12	47,683	-	-	47,695
Other					
Resources Payable to Treasury	-	-	398,717	1,196,153	1,594,870
Advances and Deferred Revenue	403,239	-	1,945	14	405,198
Custodial Liability	-	-	554,027	276,126	830,153
Other Liabilities					
Accrued Employee Benefits	29,476	-	14,035	23,858	67,369
Judgment Fund	-	-	-	202,832	202,832
Unfunded FECA Liability	-	-	53,462	80,194	133,656
Other Miscellaneous Liabilities	-	-	362,722	-	362,722
Total Other Liabilities	29,476	-	430,219	306,884	766,579
Total Other Intragovernmental Liabilities	432,715	-	1,384,908	1,779,177	3,596,800
Total Intragovernmental Liabilities	598,698	47,683	1,535,707	2,089,679	4,271,767
Public Liabilities:					
Accounts Payable	882,415	-	-	-	882,415
Loan Guarantee Liability	-	63,972	-	-	63,972
Federal Employee and Veteran Benefits					
U.S. Park Police Pension Actuarial Liability	-	-	-	603,367	603,367
U.S. Park Police Pension Current Liability	40,031	-	-	-	40,031
FECA Actuarial Liability	-	-	-	846,633	846,633
Total Federal Employee and Veteran Benefits	40,031	-	-	1,450,000	1,490,031
Environmental and Disposal Liabilities	-	-	-	190,168	190,168
Other					
Contingent Liabilities	-	-	-	835,779	835,779
Trust Land Consolidation Program	217,038	1,519,262	-	-	1,736,300
Asbestos Cleanup Liability	-	-	-	539,270	539,270
Advances and Deferred Revenue	700,953	52,665	140,144	1,655	895,417
Payments Due to States	-	-	675,259	265,298	940,557
Grants Payable	484,303	-	-	-	484,303
Other Liabilities					
Accrued Payroll and Benefits	146,648	-	-	-	146,648
Unfunded Annual Leave	-	-	32,745	362,204	394,949
Custodial Liability	-	-	265	-	265
Secure Rural Schools Act Payable	-	-	43	-	43
Storm Damage	18,903	35,106	-	-	54,009
Other Miscellaneous Liabilities	5,395	99,147	209,759	64,412	378,713
Total Other Liabilities	170,946	134,253	242,812	426,616	974,627
Total Other Public Liabilities	1,573,240	1,706,180	1,058,215	2,068,618	6,406,253
Total Public Liabilities	2,495,686	1,770,152	1,058,215	3,708,786	9,032,839
Total Liabilities	$ 3,094,384	$ 1,817,835	$ 2,593,922	$ 5,798,465	$ 13,304,606

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

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

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 1.6 percent for FY 2015 and 1.02 percent for FY 2016 and after is applied. The inflationary factors are applied against the actual 2014 rental expense.

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

Future payments due under non-cancellable operating leases as of September 30, 2014 , consist of the following:

Future Operating Leases *(dollars in thousands)*	Real Property		Totals
	Federal	Public	
FY 2015	$ 27,060	$ 25,841	$ 52,901
FY 2016	26,272	25,243	51,515
FY 2017	25,556	24,949	50,505
FY 2018	24,350	25,025	49,375
FY 2019	22,647	24,574	47,221
Thereafter	108,783	120,089	228,872
Total Future Operating Lease Payments	$ 234,668	$ 245,721	$ 480,389

NOTE 16. COSTS

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

Costs paid by other agencies on behalf of the DOI were $1.3 billion and $2.4 billion during FY 2014 and FY 2013, respectively. The DOI's imputed costs that were recognized on the Statement of Net Cost but eliminated for consolidation purposes were $15,152 thousand and $37,153 thousand during FY 2014 and FY 2013, respectively.

During FY 2014 and FY 2013, the costs associated with acquiring, constructing, and renovating heritage assets were $131,619 thousand and $148,157 thousand, respectively. The costs associated with acquiring and improving stewardship lands were $113,924 thousand and $139,389 thousand during FY 2014 and FY 2013, respectively.

NOTE 17. 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. In FY 2014, DOI updated its Strategic Plan for fiscal years 2014 to 2018 to reflect the vison for the Secretary of the Interior and senior leadership. Within the FY 2014 – 2018 Strategic Plan framework are 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 the Department's mission and goals.

In the following tables, DOI presents the FY 2014 earned revenue and gross costs by the 6 Mission Areas from DOI's FY 2014 – FY 2018 Strategic Plan, and the FY 2013 earned revenue and gross costs by the 5 Mission Goals from DOI's FY 2011 – 2016 Strategic Plan.

Costs and exchange revenue by responsibility segment for the year ended September 30, 2014, 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	$ 47,984	$ 411,863	$ 4,936	$ 12,668	$ -
Public Costs	162,135	957,285	19,984	22,678	-
Total Costs	$ 210,119	$ 1,369,148	$ 24,920	$ 35,346	$ -
Intragovernmental Earned Revenue	866	84,320	18,975	847	-
Public Earned Revenue	1,094	222,017	30,435	-	-
Total Earned Revenue	1,960	306,337	49,410	847	-
Net Costs	$ 208,159	$ 1,062,811	$ (24,490)	$ 34,499	$ -
Strengthening Tribal Nations and Insular Communities					
Intragovernmental Costs	$ 1,013,559	$ -	$ -	$ 69,964	$ -
Public Costs	2,208,472	-	-	699,272	-
Total Costs	$ 3,222,031	$ -	$ -	$ 769,236	$ -
Intragovernmental Earned Revenue	243,194	-	-	20,617	-
Public Earned Revenue	40,507	-	-	9,766	-
Total Earned Revenue	283,701	-	-	30,383	-
Net Costs	$ 2,938,330	$ -	$ -	$ 738,853	$ -
Powering Our Future and Responsible Use of the Nation's Resources					
Intragovernmental Costs	$ -	$ 92,577	$ 143,239	$ 21,845	$ 69,063
Public Costs	-	273,241	209,805	2,237,370	88,631
Total Costs	$ -	$ 365,818	$ 353,044	$ 2,259,215	$ 157,694
Intragovernmental Earned Revenue	-	10,328	15,476	-	387
Public Earned Revenue	-	264,256	86,740	-	104,555
Total Earned Revenue	-	274,584	102,216	-	104,942
Net Costs	$ -	$ 91,234	$ 250,828	$ 2,259,215	$ 52,752
Engaging the Next Generation					
Intragovernmental Costs	$ -	$ -	$ -	$ -	$ -
Public Costs	-	-	-	-	-
Total Costs	$ -	$ -	$ -	$ -	$ -
Intragovernmental Earned Revenue	-	-	-	-	-
Public Earned Revenue	-	-	-	-	-
Total Earned Revenue	-	-	-	-	-
Net Costs	$ -	$ -	$ -	$ -	$ -
Ensuring Healthy Watersheds and Sustainable, Secure Water Supplies					
Intragovernmental Costs	$ 36,513	$ -	$ 384,392	$ 6,389	$ -
Public Costs	150,098	-	860,157	335	-
Total Costs	$ 186,611	$ -	$ 1,244,549	$ 6,724	$ -
Intragovernmental Earned Revenue	1,581	-	70,859	-	-
Public Earned Revenue	105,362	-	612,929	40	-
Total Earned Revenue	$ 106,943	-	683,788	40	-
Net Costs	79,668	$ -	$ 560,761	$ 6,684	$ -
Building a Landscape-Level Understanding of Our Resources					
Intragovernmental Costs	$ -	$ 60,147	$ -	$ -	$ -
Public Costs	-	203,113	-	-	-
Total Costs	$ -	$ 263,260	$ -	$ -	$ -
Intragovernmental Earned Revenue	-	9,559	-	-	-
Public Earned Revenue	-	21,460	-	-	-
Total Earned Revenue	-	31,019	-	-	-
Net Costs	$ -	$ 232,241	$ -	$ -	$ -
Reimbursable Activity and Other					
Intragovernmental Costs	$ -	$ -	$ 243,755	$ 539,954	$ -
Public Costs	-	-	291,494	2,466,276	-
Total Costs	$ -	$ -	$ 535,249	$ 3,006,230	$ -
Intragovernmental Earned Revenue	-	-	432,408	2,194,190	-
Public Earned Revenue	$ -	-	49,820	11,019	-
Total Earned Revenue	$ -	-	482,228	2,205,209	-
Net Costs	$ -	$ -	$ 53,021	$ 801,021	$ -
Total					
Intragovernmental Costs	$ 1,098,056	$ 564,587	$ 776,322	$ 650,820	$ 69,063
Public Costs	2,520,705	1,433,639	1,381,440	5,425,931	88,631
Total Costs	$ 3,618,761	$ 1,998,226	$ 2,157,762	$ 6,076,751	$ 157,694
Intragovernmental Earned Revenue	245,641	104,207	537,718	2,215,654	387
Public Earned Revenue	146,963	507,733	779,924	20,825	104,555
Total Earned Revenue	392,604	611,940	1,317,642	2,236,479	104,942
Net Cost of Operations	$ 3,226,157	$ 1,386,286	$ 840,120	$ 3,840,272	$ 52,752

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 2014
$ -	$ 806,015	$ 7,973	$ 415,144	$ -	$ (421,687)	$ 1,284,896
-	2,348,199	269,419	2,731,194	-	-	6,510,894
$ -	$ 3,154,214	$ 277,392	$ 3,146,338	$ -	(421,687)	$ 7,795,790
-	55,139	75	281,048	-	$ (136,118)	305,152
-	420,700	29	83,622	-	-	757,897
-	475,839	104	364,670	-	(136,118)	1,063,049
$ -	$ 2,678,375	$ 277,288	$ 2,781,668	$ -	$ (285,569)	$ 6,732,741
$ -	$ -	$ -	$ -	$ -	$ (113,552)	$ 969,971
-	-	-	-	-	-	2,907,744
$ -	$ -	$ -	$ -	$ -	$ (113,552)	$ 3,877,715
-	-	-	-	-	(11,203)	252,608
-	-	-	-	-	-	50,273
-	-	-	-	-	(11,203)	302,881
$ -	$ -	$ -	$ -	$ -	$ (102,349)	$ 3,574,834
$ 78,266	$ -	$ 17,278	$ -	$ -	$ (207,873)	$ 214,395
101,934	-	95,642	-	-	-	3,006,623
$ 180,200	$ -	$ 112,920	$ -	$ -	$ (207,873)	$ 3,221,018
184	-	132	-	-	(13,119)	13,388
109,424	-	44	-	-	-	565,019
109,608	-	176	-	-	(13,119)	578,407
$ 70,592	$ -	$ 112,744	$ -	$ -	$ (194,754)	$ 2,642,611
$ -	$ 8,264	$ -	$ -	$ -	$ -	$ 8,264
-	42,558	-	-	-	-	42,558
$ -	$ 50,822	$ -	$ -	$ -	$ -	$ 50,822
-	12	-	-	-	-	12
-	94	-	-	-	-	94
-	106	-	-	-	-	106
$ -	$ 50,716	$ -	$ -	$ -	$ -	$ 50,716
$ -	$ -	$ -	$ -	$ -	$ (308,147)	$ 119,147
-	-	-	-	-	-	1,010,590
$ -	$ -	$ -	$ -	$ -	$ (308,147)	$ 1,129,737
-	-	-	-	-	(19,423)	53,017
-	-	-	-	-	-	718,331
-	-	-	-	-	(19,423)	771,348
$ -	$ -	$ -	$ -	$ -	$ (288,724)	$ 358,389
$ -	$ -	$ -	$ -	$ 456,774	$ (127,089)	$ 389,832
-	-	-	-	1,224,209	-	1,427,322
$ -	$ -	$ -	$ -	1,680,983	$ (127,089)	$ 1,817,154
-	-	-	-	308,265	(151,928)	165,896
-	-	-	-	201,312	-	222,772
-	-	-	-	509,577	(151,928)	388,668
$ -	$ -	$ -	$ -	$ 1,171,406	$ 24,839	$ 1,428,486
11,000	$ -	$ -	$ -	$ -	$ (362,109)	$ 432,600
27,828	-	215,584	-	-	-	3,001,182
38,828	$ -	$ 215,584	$ -	$ -	$ (362,109)	$ 3,433,782
38,817	-	4	-	-	(1,193,514)	1,471,905
11	-	-	-	-	-	60,850
38,828	-	4	-	-	(1,193,514)	1,532,755
$ -	$ -	$ 215,580	$ -	$ -	$ 831,405	$ 1,901,027
$ 89,266	$ 814,279	$ 25,251	$ 415,144	$ 456,774	$ (1,540,457)	$ 3,419,105
129,762	2,390,757	580,645	2,731,194	1,224,209	-	17,906,913
$ 219,028	$ 3,205,036	$ 605,896	$ 3,146,338	$ 1,680,983	$ (1,540,457)	$ 21,326,018
39,001	55,151	211	281,048	308,265	(1,525,305)	2,261,978
109,435	420,794	73	83,622	201,312	-	2,375,236
148,436	475,945	284	364,670	509,577	(1,525,305)	4,637,214
$ 70,592	$ 2,729,091	$ 605,612	$ 2,781,668	$ 1,171,406	$ (15,152)	$ 16,688,804

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

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

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

NOTE 18. STATEMENT OF BUDGETARY RESOURCES

The Statement of Budgetary Resources provides information about how budgetary resources were made available as well as their status at the end of the period.

Apportionment of Obligations Incurred

The following table contains only Category B apportionments since DOI does not receive Category A apportionments. Category B apportionments typically distribute budgetary resources by activities, projects, objects, or a combination of these categories. The DOI's obligations incurred for the year ended September 30, 2014 and 2013, are as follows:

Undelivered Orders		
(dollars in thousands)	FY 2014	FY 2013
Undelivered Orders	$ 9,982,198	$ 8,342,331

FY 2014 *(dollars in thousands)*	Apportioned	Exempt from Apportionment	Total
Obligations Incurred:			
Direct	$ 19,532,018	460	$ 19,532,478
Reimbursable	5,076,056	-	5,076,056
Total Obligations Incurred	$ 24,608,074	460	$ 24,608,534

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

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

Borrowings are repaid upon collection of the loan or default from the public. The repayment term associated with BOR direct loans are not more than 40 years from the date when the principal benefits of the projects first became available. The IA did not exercise any new borrowing authority as of September 20, 2014, and September 30, 2013. The IA's direct loan program ended in 1995. However, borrowings arising from direct loans made between 1992 and 1995 are still outstanding. These borrowings are being repaid as scheduled. The DO has one direct loan outstanding to the ASG that is due to be paid in full September 30, 2027.

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

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

Legal Arrangements Affecting Use of Unobligated Balances. Unobligated balances, whose period of availability has expired (i.e., expired authority), are not available to fund new obligations, but are available to pay for adjustments to obligations incurred prior to expiration. The DOI's unapportioned balances as of September 30, 2014, and 2013, 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, 2014 and 2013. The DOI does have permanent indefinite non-budgetary borrowing authority for the execution of direct loan and loan guarantee programs in accordance with the *Credit Reform Act of 1990*. The amount borrowed will fluctuate dependent upon the actual performance of the borrower as compared to the projected performance and the applicable Treasury interest rate. The DOI did not realize new borrowing authority in FY 2014. The realized borrowing for non-budgetary credit programs was $4,028 thousand for the period ending September 30, 2013.

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 2014 has not been published at the time these financial statements were prepared. The FY 2015 Budget of the United States Government with the actual FY 2013 amounts was released in February 2014. The FY 2016 Budget of the United States Government will include the FY 2014 actual amounts, and is estimated to be released in February 2015. The Budget of the United States Government is available on the OMB website, ***www.whitehouse.gov/omb***.

There are legitimate reasons for differences between balances reported in the Statement of Budgetary Resources and the actual balances reported in the Budget of the United States Government. The FY 2013 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 2014	FY 2013
Unapportioned amounts unavailable for future apportionments	$ 117,410	$ 8,017
Expired Authority	167,414	149,995
Unapportioned	$ 284,824	$ 158,012

Reconciliation of the Statement of Budgetary Resources to the Budget of the United States Government				
(dollars in millions)	Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
FY 2013 Combined Statement of Budgetary Resources	**$ 31,455**	**$ 22,200**	**$ 7,310**	**$ 16,872**
Office of the Special Trustee for American Indians Fiduciary activity included in the Budget of the US Government that is excluded from the SBR	481	419	373	419
National Park Service Concessionaire activity included in the Budget of the US Government that is excluded from the SBR	39	20	14	20
Expired resources included in the SBR that are excluded from the Budget of the U.S. Government	(184)	-	-	-
Other immaterial activity	-	-	14	-
Subtotal	$ 336	$ 439	$ 401	$ 439
Budget of the U.S. Government	**$ 31,791**	**$ 22,639**	**$ 7,711**	**$ 17,311**

NOTE 19. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

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

The schedule below illustrates this reconciliation by listing the inherent differences in timing and recognition between the accrual proprietary accounting method used to calculate net cost and the budgetary accounting method used to calculate budgetary resources and obligations. Note that the large variance in the "Transfers In (Out) without Reimbursement" and "Revenues, Gains, and Losses that do not affect Net Cost Operations" between FY 2014 and FY 2013 is primarily due to the transfer of program management responsibility from DOI to DOE as discussed in further detail in Note 5, *Intragovernmental Loans and Interest Receivable*, Net as well as Note 20, *Funds from Dedicated Collection*s. In addition, the decrease in "Imputed Financing Source", "Re-evaluation of Liabilities", and "Imputed Costs" is a result of the payment in FY 2013 for the Cobell Settlement as well as a settlement of an Indian Trust case in the current year.

The reconciliation of net cost of operations to budgetary accounts for the years ended September 30, 2014 and September 30, 2013, is as follows:

(dollars in thousands)	FY 2014	FY 2013
Resources Used to Finance Activities		
Current Year Gross Obligations	$ 24,608,534	$ 22,199,666
Budgetary Resources from Offsetting Collections		
Spending Authority from Offsetting Collections		
Actual offsetting collections (discretionary and mandatory)	(5,452,956)	(5,263,970)
Change in uncollected customer payments from Federal sources	(377,261)	26,815
Recoveries of Prior Year Unpaid Obligations	(591,576)	(607,245)
Distributed Offsetting Receipts	(5,964,434)	(7,310,103)
Other Financing Resources		
Transfers In (Out) without Reimbursement	(4,732,584)	560,087
Donations (Forfeitures) of Property	13,165	274,730
Imputed Financing Sources	1,300,777	2,416,725
Other	158,365	(228,547)
Total Resources Used to Finance Activity	$ 8,962,030	$ 12,068,158
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	$ 618,265	$ (185,844)
Change in Undelivered Orders	(1,639,867)	579,359
Current Year Capitalized Purchases	(809,752)	(817,872)
Deferred Revenue	(57,728)	159,707
Capital Lease Obligations	-	-
Change in Expended Authority in Loan Funds	(3,706)	(5,501)
Change in Budgetary Collections in Loan Funds	14,220	42,603
Distributed Offsetting Receipts that do not Affect Net Cost of Operations	5,964,434	7,310,103
Imputed Financing Sources	(1,300,777)	(2,416,725)
Revenues, Gains, and Losses that do not affect Net Cost Operations	3,069,102	(1,889,105)
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	12,915	(41,122)
Costs without Current Year Budgetary Effect		
Depreciation and Amortization	764,859	695,776
Disposition of Assets	(1,020)	39,513
Re-evaluation of liabilities	(442,855)	(1,740,516)
Imputed costs	1,300,777	2,401,069
Bad Debt Expense	(856)	9,845
Change in Other Expenses Not Requiring Budgetary Resources	238,763	13,277
Net Cost of Operations	$ 16,688,804	$ 16,222,725

NOTE 20. FUNDS FROM DEDICATED COLLECTIONS

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

The DOI's significant funds from dedicated collections are:

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

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

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

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

Reclamation Fund. The Reclamation Fund was established by the *National Reclamation Act of 1902* (32 Statute [Stat.] 388). It is a restricted, unavailable receipt fund into which a portion of BOR's revenues (mostly repayment of capital investment costs, associated interest, and operation and maintenance reimbursements from water and power users) and receipts from other Federal agencies (primarily revenues from certain Federal mineral royalties from ONRR and hydropower transmission collected by Western Area Power Administration) are deposited. No expenditures are made directly from the Reclamation Fund; however, funds are transferred from the Reclamation Fund into BOR's appropriated expenditure funds or to other Federal agencies pursuant to Congressional appropriation acts to invest and reinvest in the reclamation of arid lands in the Western states. The funds are considered inflows of resources to the Government. In FY 2014, BOR transferred program management responsibility to DOE for specific receipt accounts within the Reclamation fund associated with the hydroelectric power programs of Western Area Power and Bonneville Power Administrations. The FY 2014 transfer assigned DOE the programmatic responsibility for portions of the Reclamation Fund specific to power cost recovery in the amount of $4.7 billion. For additional information regarding this transfer, please refer to Note 5, *Intragovernmental Loans and Interest Receivable, Net* and Note 19, *Reconciliation of Net Cost of Operations to Budget*.

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

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

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

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

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

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

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

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

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

Sport Fish Restoration and Boating Trust Fund (SFRBTF). The DOI's component of the SFRBTF (previously referred to as Aquatic Resources Trust Fund) receives funding from excise tax receipts collected from manufacturers of equipment used in fishing, hunting, and sport shooting, and on motorboat fuels. SFRBTF provides funding to three components: Interior's Sport Fish Restoration Account (SFRA); the U.S. Coast Guard's (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
- Shivwits Band Paiute, Utah
- Operation & Maintenance - Indian Power Systems
- Gifts & Donations

Bureau of Land Management

- Helium Fund
- Payments to states, Mineral Leasing Act
- Service Charges, Deposits, 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
- Federal Land Transaction Facilitation
- 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
- Trustee Fund, Alaska Town sites
- Payments to States from Proceeds of Sales
- Payments to States from Grazing Fees, etc. on Public Lands outside Grazing Districts
- Payments to States from Grazing Fees, etc. on Public Lands within Grazing Districts
- Payments to States from Grazing Fees, etc. on Public Lands within Grazing Districts, Misc.
- Payments to Counties, National GrassLands (Farm Tenant Lands)
- Southern Nevada Public Land Management, Bureau of Land Management
- Ojito Land Acquisition

Bureau of Reclamation

- North Platte Project-Facility Operations
- North Platte - Farmers Irrigation District -Facility Operations
- Administration Expenses
- Klamath - Water and Energy
- Operation and Maintenance of Quarters
- Central Valley Project Restoration Fund
- Natural Resource Damage Assessment and Restoration Fund
- Water and Related Resources Reclamation Fund
- San Gabriel Restoration Fund
- San Joaquin River Restoration Fund
- Reclamation Water Settlement Fund
- Colorado River Dam Fund - Boulder Canyon Project
- Reclamation Trust Funds

Bureau of Safety and Environmental Enforcement

- Oil Spill Research

Office of Surface Mining Reclamation and Enforcement

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

Departmental Offices

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

Fish & Wildlife Service

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

National Park Service

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

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, 2014, 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	$ 19,453,487	$ 3,256,889	$ 11,753,978	$ 1,269,758	$ 3,020	$ 287,899
Investments, Net	-	-	-	-	489,030	-
Accounts Receivable, Net	-	-	665,879	7,009	7,808	40
Loans Receivable, Net	-	-	-	-	-	-
General Property, Plant, and Equipment, Net	-	-	-	8,908,496	2,961,943	2,465,317
Other Assets	-	23	-	20,230	41,698	932
TOTAL ASSETS	$ 19,453,487	$ 3,256,912	$ 12,419,857	$ 10,205,493	$ 3,503,499	$ 2,754,188
LIABILITIES						
Accounts Payable	$ -	$ 188	-	$ 68,708	$ 342	$ 9,260
Debt	-	-	-	-	-	-
Other Liabilities	878	1,213	983	1,911,321	17,506	263,981
TOTAL LIABILITIES	$ 878	$ 1,401	$ 983	$ 1,980,029	$ 17,848	$ 273,241
NET POSITION						
Unexpended Appropriations	$ -	$ -	$ -	$ 172,561	$ 7,351	$ 67,968
Cumulative Results of Operations	19,452,609	3,255,511	12,418,874	8,052,903	3,478,300	2,412,979
TOTAL NET POSITION	19,452,609	3,255,511	12,418,874	8,225,464	3,485,651	2,480,947
TOTAL LIABILITIES AND NET POSITION	$ 19,453,487	$ 3,256,912	$ 12,419,857	$ 10,205,493	$ 3,503,499	$ 2,754,188
COST/REVENUE						
Gross Costs	$ -	$ 48,309	$ (805)	$ 1,199,877	$ 257,339	$ 35,015
Earned Revenue	(878)	(1,212)	(140,584)	(142,755)	(223,737)	(119,392)
NET COST OF OPERATIONS	$ (878)	$ 47,097	$ (141,389)	$ 1,057,122	$ 33,602	$ (84,377)
NET POSITION						
Net Position, Beginning Balance	$ 18,863,161	$ 3,153,820	$ 16,160,994	$ 7,623,230	$ 3,511,039	$ 2,360,733
Change in Funds from Dedicated Collection Classification	-	-	-	-	-	-
Net Position, Beginning Balance as Adjusted	18,863,161	3,153,820	16,160,994	7,623,230	3,511,039	2,360,733
Budgetary Financing Sources: Appropriations Received/ Transferred/Other	-	-	-	133,467	8,211	60,195
Royalties Retained	895,380	150,000	1,660,800	(9)	3	-
Non-Exchange Revenue and donation and forfeitures	-	-	5,782	74	-	-
Other Financing sources						
Transfers In/(Out) without Reimbursement	(306,810)	(1,212)	(5,550,091)	1,175,186	-	3
Imputed Financing from Costs Absorbed by Others	-	-	-	76,002	-	(24,361)
Other	-	-	-	274,636	-	-
Net Cost of Operations	878	(47,097)	141,389	(1,057,122)	(33,602)	84,377
Change in Net Position	589,448	101,691	(3,742,120)	602,234	(25,388)	120,214
NET POSITION, ENDING BALANCE	$ 19,452,609	$ 3,255,511	$ 12,418,874	$ 8,225,464	$ 3,485,651	$ 2,480,947

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	Eliminations Impacting Funds from Dedicated Collections	FY 2014
$ 9,833	$ 116,814	$ 757,307	$ 60,637	$ 5	$ 2,981,513	$ -	$ 39,951,140
2,825,611	571,176	1,113,932	-	1,364,943	598,832	-	6,963,524
9,575	63	-	1,240,411	-	791,085	(642,660)	2,079,210
-	-	-	-	-	-	-	-
1,728	111,001	3	21	-	486,600	-	14,935,109
-	5	5	-	-	272,177	(1,108)	333,962
2,846,747	799,059	1,871,247	1,301,069	1,364,948	5,130,207	(643,768)	64,262,945
$ 189	$ 3,926	$ 490	$ 580,136	$ -	$ 43,445	(21,514)	$ 685,170
-	-	-	-	-	-	-	-
5,197	13,245	87,570	70,370	-	1,494,880	(1,202,944)	2,664,200
$ 5,386	$ 17,171	$ 88,060	$ 650,506	$ -	$ 1,538,325	$ (1,224,458)	$ 3,349,370
$ -	$ -	$ -	$ -	$ -	$ 121,810	$ -	$ 369,690
2,841,361	781,888	1,783,187	650,563	1,364,948	3,470,072	444,628	60,407,823
2,841,361	781,888	1,783,187	650,563	1,364,948	3,591,882	444,628	60,777,513
$ 2,846,747	$ 799,059	$ 1,871,247	$ 1,301,069	$ 1,364,948	$ 5,130,207	$ (779,830)	$ 64,126,883
187,218	107,736	489,916	$ 431,166	$ -	$ 3,369,861	$ (450,861)	$ 5,674,771
(102)	(59,609)	-	-	-	(997,856)	38,204	(1,647,921)
$ 187,116	$ 48,127	$ 489,916	$ 431,166	$ -	$ 2,372,005	$ (412,657)	$ 4,026,850
$ 2,798,126	$ 850,830	$ 1,448,079	$ 667,933	$ 1,338,335	$ 3,563,205	$ -	$ 62,339,485
-	-	-	-	-	8,537	-	8,537
2,798,126	850,830	1,448,079	667,933	1,338,335	3,571,742	-	62,348,022
-	-	-	-	-	62,978	2	264,853
-	-	-	-	-	2,125,627	-	4,831,801
230,351	-	825,024	-	26,613	184,618	-	1,272,462
-	-	-	-	-	-	-	-
-	(20,815)	-	413,796	-	3,375	42,251	(4,244,317)
-	-	-	-	-	15,547	(10,282)	56,906
-	-	-	-	-	-	-	274,636
(187,116)	(48,127)	(489,916)	(431,166)	-	(2,372,005)	412,657	(4,026,850)
43,235	(68,942)	335,108	(17,370)	26,613	20,140	444,628	(1,570,509)
$ 2,841,361	$ 781,888	$ 1,783,187	$ 650,563	$ 1,364,948	$ 3,591,882	$ 444,628	$ 60,777,513

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

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

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

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

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 2014 and FY2013 ranged from 2.63 percent to 9.84 percent, respectively. Repayment is generally over a period not to exceed 50 years from the time revenue producing assets are placed in service. Repayment to Treasury's General Fund is dependent upon actual water and power delivered to customers (through the Western Area Power Administration); as such, there is no structured repayment schedule.

As noted in the table below, collections and repayment activity in FY 2014 increased over that presented for FY 2013. In FY 2014, BOR made a $125 million repayment to the General Fund of the Treasury for the Lower Colorado Region Visitor's Center. The BOR Upper Colorado Region also received collections of $132 million for multiple projects. Adjustments reflected in the table occur each year due to changes in estimates concerning the reimbursable portions of BOR projects

(dollars in thousands)	FY 2014	FY 2013
Beginning Balance	$ 1,887,892	$ 1,850,922
Costs Incurred	(24,740)	124,911
Collections	(140,879)	(84,171)
Repayments to Treasury	(127,133)	(3,059)
Adjustments	(270)	(711)
Ending Balance	$ 1,594,870	$ 1,887,892

NOTE 22. FIDUCIARY ACTIVITIES

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

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

Separately Issued Financial Statements

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

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

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

Audit Results. With OIG oversight, independent auditors audited the Tribal and Other Trust Funds and the IIM Trust Funds financial statements as of September 30, 2014 and 2013. 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 unqualified opinion from the auditors.

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

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

Schedule of Fiduciary Activity	Fiduciary Funds	
(dollars in thousands)	FY 2014	FY 2013
Fiduciary Net Assets, Beginning	$ 4,709,913	$ 4,512,078
Contributions	1,858,784	1,306,202
Investment Earnings	111,346	108,966
Gain (Loss) on Disposition of Investments, Net	7,421	9,050
Administrative and Other Expenses	(20)	-
Disbursements to and on Behalf of Beneficiaries	(1,611,013)	(1,226,388)
Increases/(Decrease) Net Assets	366,518	197,830
Fiduciary Net Assets, End	$ 5,076,431	$ 4,709,908

Fiduciary Net Assets	Fiduciary Funds	
(dollars in thousands)	FY 2014	FY 2013
Cash and Cash Equivalents	$ 850,666	$ 840,226
Investments	4,070,485	3,741,609
Accrued Interest Receivable	25,926	25,273
Other Income Receivable	129,996	102,800
Less: Accounts Payable	(642)	-
Total Fiduciary Net Assets	$ 5,076,431	$ 4,709,908

Schedule of Changes in Non-Valued Fiduciary Assets*	Fiduciary Assets	
Regions	FY 2014	FY 2013
Beginning Quantity	12	12
Additions	0	-
Dispositions	0	-
Net Increase/Decrease	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 12 administrative regions.

Unaudited, see accompanying Auditors' Report

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

Combining Statement of Budgetary Resources for the Year Ended September 30, 2014 *(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	$ **94,799**	$ **315,496**	$ **334,338**	$ **74,335**	$ **154,308**
Recoveries of prior year unpaid obligations	66,274	70,734	40,616	21,009	46,781
Other changes in unobligated balance	-	-	958	(15,234)	-
Unobligated balance from prior year budget authority, net	161,073	386,230	375,912	80,110	201,089
Appropriations (discretionary and mandatory)	-	57,000	1,044,258	2,236,941	956,874
Contract Authority (discretionary and mandatory)	-	-	-	-	-
Spending authority from offsetting collections (discretionary and mandatory)	1,025,314	1,251,291	497,570	30,446	69,265
Total Budgetary Resources	$ **1,186,387**	$ **1,694,521**	$ **1,917,740**	$ **2,347,497**	$ **1,227,228**
Status of Budgetary Resources:					
Obligations incurred	1,059,731	1,368,931	1,423,355	2,259,554	1,082,045
Unobligated balance, end of year:					
Apportioned	126,656	325,590	494,385	54,216	144,736
Exempt from apportionment	-	-	-	-	-
Unapportioned	-	-	-	33,727	447
Total unobligated balance, end of year	**126,656**	**325,590**	**494,385**	**87,943**	**145,183**
Total Status of Budgetary Resources	$ **1,186,387**	$ **1,694,521**	$ **1,917,740**	$ **2,347,497**	$ **1,227,228**
Change in Obligated Balance:					
Unpaid Obligations:					
Unpaid obligations, brought forward October 1 (gross)	800,779	688,024	826,919	463,049	380,198
Obligations incurred	1,059,731	1,368,931	1,423,355	2,259,554	1,082,045
Outlays (gross) (-)	(883,548)	(1,286,363)	(1,164,048)	(2,216,791)	(1,023,736)
Recoveries of prior year obligations (-)	(66,274)	(70,734)	(40,616)	(21,009)	(46,781)
Unpaid obligations, end of year	910,688	699,858	1,045,610	484,803	391,726
Uncollected payments:					
Uncollected payments, Federal sources, brought forward, October 1 (gross)	(633,511)	(717,759)	(89,853)	-	(63,854)
Change in uncollected payments, Federal sources	(92,096)	8,958	(181,578)	-	13,547
Uncollected payments, Federal sources, end of year (-)	(725,607)	(708,801)	(271,431)	-	(50,307)
Obligated balance, start of year	$ **167,268**	$ **(29,735)**	$ **737,066**	$ **463,049**	$ **316,344**
Obligated balance, end of year	$ **185,081**	$ **(8,943)**	$ **774,179**	$ **484,803**	$ **341,419**
Budget Authority and Outlays, Net:					
Budget authority, gross (discretionary and mandatory)	1,025,314	1,308,291	1,541,828	2,267,387	1,026,139
Actual offsetting collections (discretionary and mandatory)	(933,218)	(1,259,791)	(315,993)	(30,446)	(82,811)
Change in uncollected customer payments from Federal sources	(92,096)	8,958	(181,578)	-	13,547
Budget authority, net (discretionary and mandatory)	$ **-**	$ **57,458**	$ **1,044,257**	$ **2,236,941**	$ **956,875**
Outlays, gross (discretionary and mandatory)	883,548	1,286,363	1,164,048	2,216,791	1,023,736
Actual offsetting collections (discretionary and mandatory)	(933,218)	(1,259,791)	(315,993)	(30,446)	(82,811)
Outlays, net (discretionary and mandatory)	(49,670)	26,572	848,055	2,186,345	940,925
Distributed offsetting receipts	-	-	(305)	-	-
Agency outlays, net (discretionary and mandatory)	$ **(49,670)**	$ **26,572**	$ **847,750**	$ **2,186,345**	$ **940,925**

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
$ 82,481	$ 543,514	$ 258,295	$ -	$ 557,184	$ 416,894	$ 1,876,943	$ 4,481,855	$ 9,190,442
15,524	29,308	24,227	-	35,137	14,278	-	227,688	591,576
-	(11,469)	(5,713)	-	1,456	(1,567)	(4,555)	(215,488)	(251,612)
98,005	561,353	276,809	-	593,777	429,605	1,872,388	4,494,055	9,530,406
800,479	95,462	1,207,306	2,142,424	2,378,764	1,032,000	-	6,001,199	17,952,707
-	-	-	-	-	-	-	60,000	60,000
38,598	-	362,114	-	256,534	475,542	-	1,655,213	5,661,887
$ 937,082	**$ 656,815**	**$ 1,846,229**	**$ 2,142,424**	**$ 3,229,075**	**$ 1,937,147**	**$ 1,872,388**	**$ 12,210,467**	**$ 33,205,000**
841,090	94,268	1,533,784	2,142,424	2,603,881	1,489,786	1,140,651	7,562,217	24,601,717
95,992	562,411	290,809	-	590,033	433,062	731,737	4,468,773	8,318,400
-	-	-	-	-	-	-	59	59
-	136	21,636	-	35,161	14,299	-	179,418	284,824
95,992	**562,547**	**312,445**	**-**	**625,194**	**447,361**	**731,737**	**4,648,250**	**8,603,283**
$ 937,082	**$ 656,815**	**$ 1,846,229**	**$ 2,142,424**	**$ 3,229,075**	**$ 1,937,147**	**$ 1,872,388**	**$ 12,210,467**	**$ 33,205,000**
250,283	310,165	546,930	-	369,939	340,042	16,349	5,039,186	10,031,863
841,090	94,268	1,533,784	2,142,424	2,603,881	1,489,786	1,140,651	7,562,217	24,601,717
(806,489)	(183,380)	(1,482,586)	(2,142,424)	(2,573,507)	(1,484,772)	(154,355)	(7,262,572)	(22,664,571)
(15,524)	(29,308)	(24,227)	-	(35,137)	(14,278)	-	(227,688)	(591,576)
269,360	191,745	573,901	-	365,176	330,778	1,002,645	5,111,143	11,377,433
(11,377)	-	(332,668)	-	(159,620)	(455,468)	-	(247,500)	(2,711,610)
1,919	-	(40,073)	-	44,991	(40,832)	-	(91,206)	(376,370)
(9,458)	-	(372,741)	-	(114,629)	(496,300)	-	(338,706)	(3,087,980)
$ 238,906	**$ 310,165**	**$ 214,262**	**$ -**	**$ 210,319**	**$ (115,426)**	**$ 16,349**	**$ 4,791,686**	**$ 7,320,253**
$ 259,902	**$ 191,745**	**$ 201,160**	**$ -**	**$ 250,547**	**$ (165,522)**	**$ 1,002,645**	**$ 4,772,437**	**$ 8,289,453**
839,077	95,462	1,569,420	2,142,424	2,635,298	1,507,542	-	7,716,412	23,674,594
(40,517)	-	(322,041)	-	(301,526)	(434,710)	-	(1,720,339)	(5,441,392)
1,919	-	(40,073)	-	44,991	(40,832)	-	(91,206)	(376,370)
$ 800,479	**$ 95,462**	**$ 1,207,306**	**$ 2,142,424**	**$ 2,378,763**	**$ 1,032,000**	**$ -**	**$ 5,904,867**	**$ 17,856,832**
806,489	183,380	1,482,586	2,142,424	2,573,507	1,484,772	154,355	7,262,572	22,664,571
(40,517)	-	(322,041)	-	(301,526)	(434,710)	-	(1,720,339)	(5,441,392)
765,972	183,380	1,160,545	2,142,424	2,271,981	1,050,062	154,355	5,542,233	17,223,179
-	(103,779)	-	(2,199,445)	-	-	-	(3,660,905)	(5,964,434)
$ 765,972	**$ 79,601**	**$ 1,160,545**	**$ (57,021)**	**$ 2,271,981**	**$ 1,050,062**	**$ 154,355**	**$ 1,881,328**	**$ 11,258,745**

Deferred Maintenance and Repairs

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

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

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

Planning to Reduce Deferred Maintenance and Repairs

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

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

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

Condition Assessment Surveys

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

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

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

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

FY 2014 Deferred Maintenance and Repairs as of September 30, 2014						
Type of Deferred Maintenance and Repairs *(dollars in thousands)*	General PP&E		Stewardship PP&E		Total	
	Low End of Range	High End of Range	Low End of Range	High End of Range	Low End of Range	High End of Range
Roads, Bridges and Trails	$ 3,771,248	$ 5,545,970	$ 2,867,042	$ 4,089,395	$ 6,638,290	$ 9,635,365
Irrigation, Dams, and Other Water Structures	1,141,267	1,727,637	761,440	1,136,543	1,902,707	2,864,180
Buildings (e.g., Administration, Education, Housing, Historic Buildings, etc.)	1,656,786	2,424,406	916,648	1,348,263	2,573,434	3,772,669
Other Structures (e.g., Recreation sites, Hatcheries, etc.)	1,271,788	1,860,241	818,125	1,203,125	2,089,913	3,063,366
Total	$ 7,841,089	$ 11,558,254	$ 5,363,255	$ 7,777,326	$ 13,204,344	$ 19,335,580

Condition of Stewardship Lands and Heritage Assets

Condition of Stewardship Lands

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

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

Primary Land Management Categories	As of 9/30/2014	Condition	
		Acceptable	Needs Intervention
IA - Regional Offices	12	100%	
BLM - Geographic Management Areas	129	100%	
BOR - Federal Water and Related Projects	135	99%	1%
FWS - National Wildlife Refuges	562	99%	1%
FWS - Coordination Areas	50	100%	
FWS - Wetland Management Districts	38	100%	
FWS - National Fish Hatcheries	68	100%	
FWS - Fish Technology Centers	6	100%	
FWS - Associated Fish Facilities	15	100%	
NPS - Park Units	390	100%	
OS - Commission Land	1	100%	
Total Number of Units	1,406	99%	1%

Condition of Heritage Assets

Non-Collectible Heritage Assets

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

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

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

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

Primary Non-Collectible Heritage Asset Categories	Land Based			Structurally Based			
	As of 9/30/14	Acceptable	Needs Intervention	As of 9/30/14	Acceptable	Unacceptable	Unknown
Cooperative Management and Protection Area	1	100%					
Headwaters Forest Reserve	1	100%					
Lake Todatonten Special Management Area	1	100%					
National Battlefield Parks	4	100%					
National Battlefield Site	1	100%					
National Battlefields	11	100%					
National Conservation/ Conservation Areas	17	100%					
National Historic Landmarks (NHL)	1	100%		213	86%	8%	6%
National Historic Sites	78	100%					
National Historic Trails	13	100%					
National Historical Parks	46	100%					
National Lakeshores	4	100%					
National Memorials	29	100%					
National Military Parks	9	100%					
National Monuments	105	100%					
National Natural Landmarks (NNL)	114	100%					
National Parks	59	100%					
National Parkways	4	100%					
National Preserves	18	100%					
National Recreation Areas	20	100%					
National Recreation Trails	37	100%		74	100%		
National Reserves	2	100%					
National Rivers	5	100%					
National Scenic Trails	8	100%					
National Seashores	10	100%					
National Wild and Scenic Rivers	92	100%					
National Wildlife Refuges	562	99%	1%				
Outstanding Natural Areas	3	100%					
International Historic Site	1	100%					
Wilderness Areas	357	100%					
Research Natural Area	1	100%					
Archeological Protection Areas	2	100%					
Special Areas	5	100%					
Other	11	100%					
Total	1,632	100%	0%	287	90%	6%	4%

Collectible Heritage Assets

Interior Library Collections	As of 9/30/2014	Condition of Library Collections		
		Good	Fair	Poor
Library Collections	7	14%	86%	0%

Library Collections

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

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

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

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

Unknown – Assessment not conducted.

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

Museum Collections

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

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

Interior Museum Collections	As of 9/30/2014	Condition of Museum Collections			
		Good	Fair	Poor	Unknown
Held at Interior Bureau Facilities	562	58%	36%	4%	2%
Held at Non-Interior Bureau Facilities	441	49%	42%	1%	8%
Total	1,003	54%	38%	3%	5%

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

Management's best estimate of additional custodial revenues that may potentially be collected from compliance assessments and pre-assessment work in process as of September 30, 2014, is $25.9 million. This estimate is comprised of approximately $11.5 million in Audit and Compliance Management (ACM), approximately $7 million in civil penalties, approximately $4.1 million in state and tribal audit, and approximately $3.3 million in other compliance assessments and pre-assessment work in process.

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

Oil and Gas Petroleum Royalties

Management of Federal Oil and Gas Resources

The DOI plays an integral part in the implementation of the President's *Blueprint for a Clean and Secure Energy Future*, designed to build a safe, secure energy future by using cleaner, alternative fuels to power our homes and economies, producing more oil and gas at home, and improving energy efficiency. The DOI is responsible for managing the nation's oil and natural gas resources and the mineral revenues on Federal lands, both onshore and on the Outer Continental Shelf (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* (MLA) and the *Outer Continental Shelf Lands Act of 1953* (OCSLA). The ONRR achieves optimal value by ensuring that all natural resource revenues are efficiently and accurately collected and disbursed to recipients in a timely manner and by performing audit and revenue compliance activities; all in accordance with the *Federal Oil and Gas Royalty Management Act of 1982* (FOGRMA) and CFR Parts 1201-1290.

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

Stewardship Policies for Federal Oil and Gas Resources

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

Once a 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 perform onshore inspections and BSEE staff perform offshore inspections to confirm that activities are conducted in an environmentally and physically safe manner. Similar inspections also occur during the production and post-production activities to help ensure the Federal Government is receiving accurate royalties from production and facilities are decommissioned in a manner that protects the environment.

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

Through this mineral asset management process, DOI serves as the leading mineral asset manager for the Federal Government, the states, and the American people. Additional information regarding federal natural resources, including oil and gas, can be found on many of DOI's websites. Two examples where additional information can be found are USGS's National Minerals Information Center (**http://minerals.usgs.gov/minerals**) and BLM's New Energy for America webpage (**http://www.blm.gov/wo/st/en/prog/energy.html**).

Schedule of Estimated Federal Oil and Gas Petroleum Royalties
Asset Present Value as of September 30, 2014
(in thousands)

Offshore[1]	Gulf of Mexico	Pacific[2]				Total
Oil and Lease Condensate	$ 36,768,527	$ 2,864,532				$ 39,633,059
Natural Gas, Wet After Lease Separation	4,135,330	352,242				4,487,572
Total Offshore	**$ 40,903,857**	**$ 3,216,774**				**$ 44,120,631**

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	$ 313	$ 2,077,018	$ 5,033,359	$ 6,768,485	$ 1,638,871	$ 15,518,046
Natural Gas, Wet After Lease Separation	6,285	262,042	5,186,228	13,412,546	289,878	19,156,979
Total Onshore	**$ 6,598**	**$ 2,339,060**	**$ 10,219,587**	**$ 20,181,031**	**$ 1,928,749**	**$ 34,675,025**

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

Total Offshore and Onshore 2014	
Total Oil and Lease Condensate	$ 55,151,105
Total Natural Gas, Wet After Lease Separation	23,644,551
Total Offshore and Onshore	**$ 78,795,656**

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

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

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

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

Total Offshore and Onshore 2013	
Total Oil and Lease Condensate	$ 51,396,191
Total Natural Gas, Wet After Lease Separation	30,406,395
Total Offshore and Onshore	**$ 81,802,586**

Onshore Regions are reported consistent with EIA Petroleum Administration for Defense Districts (PADD):
(The underlined States have oil/condensate and/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, 2014 and September 30, 2013. Inputs to these estimates were measured as of this effective date, or were extrapolated to this effective date. The Federal Government's estimated petroleum royalties have as their basis the DOE's Energy Information Administration (EIA) estimates of proved reserves. The DOE/EIA proved reserves estimates are published annually, covering all Federal areas onshore and offshore. The DOI/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 2012, 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, i.e., in a developing region, production rates may be low in comparison to abundant proved reserves, indicating that rates will continue to build for a time before beginning their natural decline.

Future royalties were then estimated from these production streams by applying future price estimates by OMB, and effective royalty rates. The OMB price estimates are 11-year estimates prepared for the mid-session review of Administration's FY 2015 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 5.5 percent per year for gas. Unique gas price projections were calculated for each region based on the proportion of gas related revenue received over the last 3 years from wet gas royalties, dry gas royalties, and NGL royalties. Assuming that this 3-year average proportional relationship continues, gas prices were adjusted to account for the proportional relative values of each of these gas related products. This method is assumed to capture the value of royalties from the 3 gas related products from the single wet gas production stream, reported together as 'Natural Gas, Wet After Lease Separation' to most accurately reflect the actual wellhead volumes 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 convert the market bases 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 2015 budget. The rates begin at 3.8 percent for FY 2015 and rise to 5.17 percent for FY 2023 and 2024. The rates were assumed to remain at 5.15 percent beyond FY 2024, 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, 2014 and September 30, 2013
(in thousands)

	FY 2014	FY 2013
Other Federal Bureaus and Agencies		
Department of the Treasury	$ 47,440,035	$ 44,741,844
Interior - Reclamation Fund	13,223,433	15,204,930
Other Federal Bureaus and Agencies	1,948,445	2,161,281
States and Others	16,183,743	19,694,531
Total Estimated Petroleum Royalties to be Distributed to Others	**$ 78,795,656**	**$ 81,802,586**

The above table presents an estimate of Federal oil and gas petroleum royalties to be distributed to others, based upon a historical percentage of distributions of royalties to others over the preceding 12 months.

Revenue Reported by Category FY 2014 and FY 2013
(in thousands)

	FY 2014			FY 2013		
(dollars in thousands)	Federal Offshore	Federal Onshore	Total	Federal Offshore	Federal Onshore	Total
Royalties from Oil & Lease Condensate	$ 5,381,143	$ 1,606,675	$ 6,987,818	$ 5,320,145	$ 1,425,388	$ 6,745,533
Accrual Adjustment - Oil & Lease Condensate	240,748	81,262	322,010	75,724	24,766	100,490
Royalties from Natural Gas	689,502	1,427,611	2,117,113	659,411	1,263,856	1,923,267
Accrual Adjustment - Natural Gas	12,296	54,290	66,586	14,641	25,201	39,842
Subtotal	6,323,689	3,169,838	9,493,527	6,069,921	2,739,211	8,809,132
Rent	213,553	55,892	269,445	225,964	53,427	279,391
Bonus Bid	995,360	232,201	1,227,561	2,301,845	207,377	2,509,222
Subtotal	$ 1,208,913	$ 288,093	$ 1,497,006	$ 2,527,809	$ 260,804	$ 2,788,613
Total	**$ 7,532,602**	**$ 3,457,931**	**$ 10,990,533**	**$ 8,597,730**	**$ 3,000,015**	**$ 11,597,745**

The above tables of revenue reported by category presents royalty revenue reported to DOI in FY 2014 and FY 2013 for oil and lease condensate, and for natural gas, as well as rent revenue and bonus bid revenue by offshore and onshore leases. The revenue accrual adjustments represent activity for current month production for which reporting of volumes and categories occurs in the months following production; and for royalty payments that have been received but have not been matched with related royalty reports, and therefore are not yet associated to volumes or categories. Amounts include oil and gas revenue only, and do not include revenue 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 2014 and FY 2013
(in thousands)

Oil and Lease Condensate (Bbl)

Federal Offshore	FY 2014 Quantity	FY 2014 Average Purchase Price ($)[1]	FY 2014 Average Royalty Rate ($)	FY 2013 Quantity	FY 2013 Average Purchase Price ($)[1]	FY 2013 Average Royalty Rate ($)
Gulf of Mexico[2]	4,627,752	$ 99.61	13.45%	4,092,794	$ 106.41	13.65%
Pacific (including Alaska Federal OCS)	289,682	89.43	16.90%	319,336	96.02	16.95%
Subtotal Federal Offshore	4,917,434			4,412,130		
Federal Onshore						
East Coast (PADD 1)	45	$ 97.80	12.50%	71	$ 93.01	12.50%
Midwest (PADD 2)	293,252	87.09	12.39%	258,227	90.05	12.32%
Gulf Coast (PADD 3)	655,394	92.08	12.36%	531,419	89.71	12.28%
Rocky Mountain (PADD 4)	969,076	86.35	12.04%	961,890	85.91	12.03%
West Coast (PADD 5)	229,331	99.07	11.55%	232,771	103.28	11.64%
Subtotal Federal Onshore	2,147,098			1,984,378		
Total	**7,064,532**			**6,396,508**		

Natural Gas, Wet After Lease Separation (Mcf)

Federal Offshore	FY 2014 Quantity	FY 2014 Average Purchase Price ($)[1]	FY 2014 Average Royalty Rate ($)	FY 2013 Quantity	FY 2013 Average Purchase Price ($)[1]	FY 2013 Average Royalty Rate ($)
Gulf of Mexico[2]	7,968,685	$ 4.93	13.51%	7,754,245	$ 4.12	13.65%
Pacific (including Alaska Federal OCS)	618,568	5.29	14.01%	689,079	4.46	14.80%
Subtotal Federal Offshore	8,587,253			8,443,324		
Federal Onshore						
East Coast (PADD 1)	14,727	$ 4.33	11.44%	26,522	$ 3.52	11.09%
Midwest (PADD 2)	562,103	5.16	11.99%	575,065	4.42	12.05%
Gulf Coast (PADD 3)	11,795,018	4.72	11.20%	13,820,319	3.94	10.94%
Rocky Mountain (PADD 4)	35,120,939	4.82	10.32%	42,575,415	3.93	10.11%
West Coast (PADD 5)	605,850	5.32	12.47%	566,188	4.75	12.46%
Subtotal Federal Onshore	48,098,637			57,563,509		
Total	**56,685,890**			**66,006,833**		

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 2014 and FY 2013. The prices and royalty rates are based upon historical averages, include estimates, exclude prior period adjustments, and are affected by such factors as accounting adjustments and transportation allowances, resulting in effective royalty rates. Prices are valued at the lease rather than at the market center, and differ from those used to compute the asset estimated present values, which are forecasted and discounted based upon OMB economic assumptions.

[1]Average Purchase Price ($) represents the average of the regional average, and is generally defined for oil as the First Purchase Price which is the actual amount paid by the first purchaser 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 564,081 thousand barrels of proved oil reserves and 728,049 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 $5,326,031,082.

Federal Regional Oil and Gas Information
FY 2014 and FY 2013
(in thousands)

Oil and Lease Condensate Information - Offshore

	FY 2014				FY 2013			
	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	375,457	$ 38,100,810	$ 5,124,908	$ 980,542	347,097	$ 36,695,389	$ 5,028,720	$ 1,324,592
Pacific	17,149	1,555,821	256,235	0	18,356	1,732,619	291,425	0
Total	**392,606**	**$ 39,656,631**	**$ 5,381,143**	**$ 980,542**	**365,453**	**$ 38,428,008**	**$ 5,320,145**	**$ 1,324,592**

Natural Gas Information - Offshore

	FY 2014				FY 2013			
	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	1,049,104	$ 5,052,767	$ 681,850	$ 143,608	1,165,662	$ 4,698,539	$ 652,289	$ 147,633
Pacific	11,144	56,351	7,652	$0	12,799	54,490	7,122	0
Total	**1,060,248**	**$ 5,109,118**	**$ 689,502**	**$ 143,608**	**1,178,461**	**$ 4,753,029**	**$ 659,411**	**$ 147,633**

Oil and Lease Condensate Information - Onshore

	FY 2014				FY 2013			
	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	$ 136	$ 17	$ 0	1	$ 123	$ 15	$ 0
Midwest (PADD 2)	17,340	1,541,070	192,402	0	17,196	1,460,256	179,334	0
Gulf Coast (PADD 3)	55,205	5,221,741	645,410	0	50,316	4,359,007	535,297	0
Rocky Mountain (PADD 4)	55,364	4,862,431	582,283	0	52,278	4,284,872	515,927	0
West Coast (PADD 5)	15,733	1,607,404	186,563	0	16,303	1,672,692	194,815	0
Total	**143,643**	**$ 13,232,782**	**$ 1,606,675**	**$ 0**	**136,094**	**$ 11,776,950**	**$ 1,425,388**	**$ 0**

Natural Gas Information - Onshore

	FY 2014				FY 2013			
	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)	488	$ 1,972	$ 231	$ 0	474	$ 1,692	$ 194	$ 0
Midwest (PADD 2)	40,618	209,535	25,763	0	34,999	151,358	19,202	0
Gulf Coast (PADD 3)	864,360	4,107,610	464,124	0	954,186	3,754,451	422,216	0
Rocky Mountain (PADD 4)	1,894,074	9,734,882	924,439	0	2,131,679	8,763,380	809,525	0
West Coast (PADD 5)	18,491	120,888	13,054	0	21,788	102,371	12,719	0
Total	**2,818,031**	**$ 14,174,887**	**$ 1,427,611**	**$ 0**	**3,143,126**	**$ 12,773,252**	**$ 1,263,856**	**$ 0**

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

Oil and Lease Condensate Information - Offshore and Onshore

	FY 2014				FY 2013			
	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	536,249	$ 52,889,413	$ 6,987,818	$ 980,542	501,547	$ 50,204,958	$ 6,745,533	$ 1,324,592

Natural Gas Information - Offshore and Onshore

	FY 2014				FY 2013			
	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	3,878,279	$ 19,284,005	$ 2,117,113	$ 143,608	4,321,587	$ 17,526,281	$ 1,923,267	$ 147,633

The above tables of Federal regional oil and gas sales information reflect reported sales volume, sales value, royalty revenue, and estimated value for royalty relief for FY 2014 and FY 2013.

Sales volume represents the quantity of a mineral commodity sold during the reporting period. Sales value represents the dollar value of the mineral commodity sold during the reporting period. Royalty revenue earned represents a stated share or percentage of the value of the mineral commodity produced.

Royalty relief is the reduction, modification, or elimination of any royalty payment due, to promote development, increase production, or encourage production of marginal resources on certain leases or categories of leases. The value for royalty relief is based upon amounts reported to ONRR in accordance with royalty reporting requirements, less estimated transportation costs.

The sales volume, sales value, royalty revenue earned, and the value for royalty relief are presented on a regional basis, and include adjustments and estimates. The information is presented on a regional basis to provide users of the financial statements with the regional variances in oil and gas activity for decision-making purposes, and to reflect the estimated amount of royalty relief granted in the fiscal year.

Other Significant Federal Oil and Gas Resources

In 2014[1] BOEM estimates the remaining resource endowment of the Federal Outer Continental Shelf (OCS) to be 195 billion barrels of oil equivalent (BBOE). Of these resources, 17 percent (33 BBOE) are reserves in OCS areas currently available for leasing and/or development. The remaining 83 percent (162 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 162 BBOE of UTRR, 38 BBOE are located in Pacific, Atlantic, Alaska, and Eastern Gulf of Mexico OSC areas currently not being considered for leasing.

In 2014, 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. 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 U.S. Geological Survey estimates that the Naval Petroleum Reserve-Alaska contains at least 6 BBOE. Many of the UTRR onshore oil reserves are associated with shale oil resources contained within PADDs II, III and IV that includes the Rocky Mountain and Midwest regions of the U.S. The highly- visible Bakken Shale and Three Forks formations in North Dakota (PADD II) and Montana (PADD IV) contains an estimated 7.5 BBOE and lesser amounts, totaling 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

[1]Estimates are based on BOEM 2011 Resource Assessment as amended by the 2014 update to Atlantic Region resources; totals are adjusted for intermediate production from the effective date of those estimates (1/1/2009) to 1/1/2014.

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 the OMB on August 26, 2014 for review and finalization. The BLM expects that the rule will be finalized and published by the end of 2014. 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, authorized BLM to issue oil and gas leases and drilling permits on Federal lands under the jurisdiction of other Federal Agencies such as the Department of Defense, the U.S. Forest Service, 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 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 energy 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 through coal exploration and development activity. BLM is responsible for all coal pre-leasing, post leasing, pre-production, and production phases including production verification and the diligent development of all Federal coal reserves.

The ONRR is responsible for the management and collection of revenues associated with Federal coal leases issued under the *Mineral Leasing Act of 1920* (MLA) and the *Mineral Leasing Act for Acquired Lands of 1947*. The ONRR is responsible for the collection of all coal production and royalty reporting data which is a critical component to achieve 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, U.S. Forest Service, private or state land owners, or other Federal agencies. The DOI receives coal leasing revenues from a bonus paid (1/5 due at the time of the lease sale and the remaining deferred bonus to be paid over the next four years), annual rent payment of $3.00 per acre, and royalties paid on the value of the coal sold. The royalty rate for surface-mining methods is 12.5 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: (1) identification of coal with potential for development; (2) determination if the lands are suitable for coal development; (3) consideration of multiple use conflicts; and (4) surface owner consultation.

The MLA, 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 fair market value (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 BLM is also responsible for estimating the amount of minable/recoverable coal reserves within the proposed lease and this information is used in the coal bonus calculation. Industry makes a proposed $/ton bid times the number of estimated minable/recoverable reserve tons to obtain the lease for sale. The BLM evaluates the bid amount to determine if it meets the FMV and the minimum bid requirement for the lease to be approved. Once BLM approves the lease they will notify ONRR through their accounting advice process and transfer the 1st year's rent and the 1/5 deferred bonus payment to ONRR.

Once a lease is issued, federal coal leasing laws, regulations, and lease terms determine all requirements a coal lessee must follow to be in compliance with lease terms. The BLM manages all production and mine planning aspects of the operation including any adjustment to the amount of recoverable reserves tied to a lease or mine. The ONRR provides BLM with all coal production and royalty data and also verifies whether the lease is in compliance with all reporting and payment requirements. The ONRR performs a series of revenue compliance activities to ensure the Federal Government has received the proper amount of royalties 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, 2014
(in thousands)

	Powder River Basin[1]	Colorado	Utah	All Other[2]	Total
Totals	$ 9,835,118	$ 904,756	$ 323,595	$ 825,785	$ 11,889,254

[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 presents the estimated present value of future Federal royalty receipts on estimated recoverable reserves as of September 30, 2014. 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, 2014 *(in thousands)*		
	FY 2014	
Other Federal Bureaus and Agencies		
Department of the Treasury	$	1,307,818
Interior - Reclamation Fund	$	4,755,702
States and Others	**$**	**5,825,734**
Total Estimated Coal Royalties to be Distributed to Others	**$**	**11,889,254**

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

Revenue Reported by Category Fiscal Year 2014 *(in thousands)*		
	Coal Total	
Coal Royalties	$	695,548
Accrual Adjustment - Coal Royalties	$	43,252
Subtotal	**$**	**738,800**
Rent	$	1,277
Bonus Bid	$	2,302
Subtotal	$	3,579
Total	**$**	**742,379**

The above table of revenue reported by category represents royalty revenue reported to ONRR in FY 2014 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 Fiscal Year 2014
(in thousands)

Area	Quantity (in tons)	Average Purchase Price ($) per ton		Average Royalty Rate (%)
Other Federal Bureaus and Agencies				
Powder River Basin[1]	6,949,231	$	13.17	12.26%
Colorado	571,698	$	34.13	5.36%
Utah	151,681	$	36.17	7.19%
All Other[2]	495,581	$	38.67	6.12%
Total Federal	**8,168,191**			

[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 2014. The prices and royalty rates are based upon a historical 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
Fiscal Year 2014
(in thousands)

Area	Sales Volume (in tons)	Sales Value ($)	Royalty Revenue Earned ($)
Powder River Basin[1]	355,460	$ 4,774,138	$ 577,219
Colorado	17,012	695,082	34,858
Utah	14,994	605,969	43,538
All Other[2]	16,489	651,068	39,933
Totals	**403,955**	**$ 6,726,257**	**$ 695,548**

[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 2014.

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 2014, BLM, in collaboration with ONRR, estimated the remaining recoverable coal reserves on currently authorized Federal coal leases to be approximately 8.2 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.

Investment in Research and Development *(dollars in thousands)*

Category	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	Total
Basic Research	$ 73,000	$ 60,000	$ 84,000	$ 84,000	$ $86,000	$ $387,000
Applied Research	967,000	796,000	933,000	824,000	841,000	4,361,000
Developmental Research	83,000	83,000	148,000	136,000	$141,000	591,000
TOTAL	**$ 1,123,000**	**$ 939,000**	**$ 1,165,000**	**$ 1,044,000**	**$ 1,068,000**	**$ 5,339,000**

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 Emerging Technologies Program

The BSEE, through the Emerging Technologies Program, conducts research on operational safety and pollution prevention technologies related to offshore oil, natural gas, and renewable energy exploration and development to ensure that industry operations on the outer continental shelf incorporate the use of the Best Available and Safest Technologies required by the *OCS Lands Act* amendments and in compliance with the *National Environmental Policy Act* (NEPA). In FY 2014, BSEE completed five research projects related to enhancing OCS safety, including the cementing operations research project to determine "best practice"; an assessment of Blowout Preventer technology; the potential use of real-time monitoring on the OCS; the evaluation of pipeline safety issues, and the gathering of ice data off the coast of Alaska.

The Oil Spill Response Research (OSRR) Program

The BSEE provides research leadership to improve the knowledge and capability for the detection, quantification, containment, recovery, treatment, and cleanup of oil spills in waters. The program involves research on mechanical recovery of oil on water, the use of dispersant in both surface and subsurface application, *in situ* burn, remote sensing, booming strategies, common operating pictures, and other areas that influence how effectively an oil spill can be mitigated. The BSEE also manages Ohmsett, the national oil spill response research and renewable energy test facility.

The Effects of Cattle Grazing on Greater Sage-grouse Research Project

The This project will quantify the effects of spring cattle grazing on demographic traits of greater sage-grouse. Sage-grouse may be listed under the Endangered Species Act in 2015, and cattle grazing is the most extensive land use within sage-grouse habitat. The results will help BLM as well as FWS managers throughout the west to make scientifically credible decisions regarding whether different levels of spring cattle grazing are compatible with persistence of sage-grouse populations.

The Fruitland Buffer Zone Coal Bed Methane (CBM) Development Modeling

The purpose of the project is to determine if there are CBM development scenarios that will significantly reduce methane seepage at the outcrop. With over 10,000,000 cubic feet of methane venting to the atmosphere every day along the Fruitland outcrop, it is important that this resource be captured for both economic reasons and to reduce greenhouse gas emissions. This project will build on the 3M models, and run up to 6 scenarios to evaluate the potential effectiveness of wells on certain densities within the current buffer zone. The methane, if produced to a pipeline for use, would ultimately be combusted to CO2, a much less potent greenhouse gas on molecule to molecule basis.

Biological Carbon Sequestration Project

The USGS has completed the national biological carbon assessment for ecosystems in the lower 48 states. The assessment is a national inventory of the capacity of land-based and aquatic ecosystems to naturally store or sequester carbon, and the assessment showed that forests, wetlands and farms in the eastern United States naturally store 300 million tons of carbon a year which is nearly 15 percent of the greenhouse gas emissions that the EPA estimates the country emits each year or an amount that exceeds and offsets yearly U.S. car emissions.

Ultraviolet Light Screening Tool to Identify Bats with White-nose Syndrome

The USCG, in collaboration with federal, state, and other organizations, discovered a new screening tool using ultraviolet light to identify bats with White-nose syndrome, a devastating fungal bat disease that have killed millions of bats. Prior to the discovery, the only way to confirm presence of disease was to euthanize the bats and send them back to a laboratory for testing.

Napa Earthquake - Prototype Earthquake Early Warning System (EEWS)

The prototype EEWS, ShakeAlert, which is built upon the existing Advanced National Seismic System, worked as-designed during the August 24, 2014 earthquake centered near Napa, CA. The warning time at University of California at Berkeley, which is relatively close to the epicenter, was 5 seconds; approximately the same for the California Office of Emergency Services in Sacramento, and longer for other locations in the San Francisco Bay area. Prompt situational awareness among test-system users of ShakeAlert was better for this earthquake than any past California earthquake.

Effect of Endocrine Disruption on Fish Health

New USGS-led research suggests that fish exposed to estrogenic endocrine-disrupting chemicals may have increased susceptibility to infectious disease. Exposure to endocrine-disrupting chemicals can affect the reproductive system and cause the development of characteristics of the opposite sex, such as eggs in the testes of male fish. Estrogenic endocrine-disrupting chemicals are derived from a variety of sources from natural estrogens to synthetic pharmaceuticals and agrochemicals that enter the waterways. This work moves researchers one step closer to better understanding the consequences of exposure to estrogenic substances on the immune function in fish.

Investment in Human Capital *(dollars in thousands)*						
Category	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**Total**
Educational Programs	$ 688,000	$ 727,000	$ 763,000	$ 728,000	$ 705,000	$ 3,611,000

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 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**Total**
Dams and Other Water Structures	$ 399,000	$ 416,000	$ 555,000	$ 200,000	$ 144,000	$ 1,714,000
Land	191,000	197,000	77,000	84,000	58,000	607,000
Road and Bridges	2,000	1,000	-	3,000	2,000	8,000
Schools and Public Buildings	125,000	174,000	82,000	63,000	77,000	521,000
Ranges	1,000	2,000	1,000	3,000	10,000	17,000
Not Classified	47,000	27,000	30,000	11,000	12,000	127,000
TOTAL	**$ 765,000**	**$ 817,000**	**$ 745,000**	**$ 364,000**	**$ 303,000**	**$ 2,994,000**

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.: ER-SP-MOI-0008-2014 October 2014

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

OCT 2 0 2014

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. ER-SP-MOI-0008-2014

In accordance with the Reports Consolidation Act of 2000, the Office of Inspector General (OIG) is submitting what it determined are the most significant management and performance challenges facing the U.S. Department of the Interior (DOI). The challenges listed are for inclusion in DOI's "Agency Financial Report" for fiscal year 2014. These challenges reflect those that OIG considers significant to departmental efforts to promote economy, efficiency, and effectiveness in its bureaus' management and operations.

We identified the top management and performance challenges as—

- energy management;
- climate change;
- water programs;
- responsibility to American Indians and Insular Areas;
- information technology;
- disaster response;
- operational efficiencies; and
- public safety.

We met with DOI officials to gain their perspective and together agreed on the challenge areas. These areas are important to DOI's mission, involve large expenditures, require continuous management improvements, or involve significant fiduciary relationships. We believe DOI would benefit by developing strategies to identify and address challenges in these areas, especially in those that span bureau and program lines.

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Introduction and Approach

In accordance with the Reports Consolidation Act of 2000, the Office of Inspector General (OIG) is submitting what it has determined to be the most significant management and performance challenges facing the U.S. Department of the Interior (DOI). These challenges reflect those that OIG considers significant to departmental efforts to promote economy, efficiency, and effectiveness in its bureaus' management and operations.

OIG identified the top management and performance challenges as—

- energy management;
- climate change;
- water programs;
- responsibility to American Indians and Insular Areas;
- information technology;
- disaster response;
- operational efficiencies; and
- public safety.

The 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 those accomplishments that DOI reported as of September 30, 2014.

Eight challenge areas are included in this year's report. These areas are connected to DOI's mission, involve large expenditures, require continuous management improvements, and involve significant fiduciary relationships. We believe DOI would benefit by developing strategies to identify and address challenges in these areas, especially in those that span bureau and program lines. In addition to providing summaries of OIG work, as done in previous reports, this year's report introduces a "Looking Ahead" section that offers a more forward-thinking context for critical topics under each challenge area.

Energy Management

DOI plays a central and essential role in powering America's future through the development of our Nation's domestic energy resources. The Department has jurisdiction over 1.7 billion acres of the Outer Continental Shelf (OCS), manages 500 million acres of public lands, and manages 700 million acres of subsurface minerals throughout the Nation. Approximately 30 percent of the Nation's energy production comes from projects on DOI-managed lands and offshore areas.

Through modernizing practices, leveraging technology, and looking across the Government and industry for best practices, DOI aims to manage and develop energy resources in an environmentally and economically responsible manner.

DOI's oversight of Federal lands encompasses the responsibility to protect the environment and preserve the country's natural resources for current and future generations. DOI's role in clean energy development was solidified in June 2013, when the President's Climate Action Plan challenged DOI to permit 20 gigawatts of clean energy on public lands by 2020.

Government Accountability Office's High-Risk List

In February 2011, GAO added DOI's management of Federal oil and gas resources to its biennial list of Federal programs and operations at high risk for waste, fraud, abuse, and mismanagement or in need of broad-based transformation.[1] The GAO report specified ongoing challenges in three broad areas: (1) collection of revenue from oil and gas produced on Federal lands; (2) hiring, training, and retaining staff; and (3) restructuring oil and gas programs.

In a 2013 update, GAO noted that progress had been made in DOI's management of Federal oil and gas resources but that the program remained on the High-Risk List.[2] The GAO report specified ongoing challenges in the two areas of revenue collection and human capital. GAO initiated three reviews related to the management of Federal oil and gas resources on public land and Federal waters in the OCS.

The first report[3] addressed GAO's concerns related to the quality and continuity of operations during the reorganization that created the Bureau of Ocean Energy Management (BOEM) and the Bureau of Safety and Environmental Enforcement (BSEE). GAO noted that DOI's inspections of offshore Gulf of Mexico oil and gas drilling rigs and production platforms routinely identified violations and that the Department's database was missing data on when violations were identified as well as violation correction dates for about half of the violations issued. GAO

[1] GAO Report GAO-11-278: "High-Risk Series: An Update." Published February 16, 2011.
[2] GAO Report GAO-13-283: "High-Risk Series: An Update." Published February 14, 2013.
[3] GAO Report GAO-12-423: "Oil and Gas Management: Interior's Reorganization Complete, But Challenges Remain in Implementing New Requirements." Published July 30, 2012.

noted that DOI does not know on a real-time basis whether or when all violations were identified and corrected, potentially allowing unsafe conditions to continue for extended periods. Although DOI began implementing a number of policy changes to improve both its inspection and civil penalty programs, GAO noted that the Department had not assessed how these changes would affect its ability to conduct monthly drilling rig inspections. Additionally, GAO noted that DOI continues to face challenges following its reorganization that may affect its ability to oversee oil and gas activities in the Gulf of Mexico. Specifically, DOI's capacity to identify and evaluate risk remains limited, raising questions about the effectiveness with which it allocates its oversight resources. GAO made recommendations for improving the effectiveness of inspections, categorizing oil and gas activities according to risk, and planning strategically for information technology and workforce efforts.

GAO's second report focused on human capital for oil and gas management in BOEM, BSEE, and the Bureau of Land Management (BLM).[4] GAO found that DOI continues to face challenges hiring and retaining key oil and gas staff primarily because of higher industry salaries and the lengthy Federal hiring process. DOI has taken some actions to address hiring and retention challenges; however, ongoing hiring and retention challenges have made it more difficult to carry out some oversight activities. GAO recommended that DOI (1) expand use of existing authorities, including recruitment, relocation, and retention incentives; and (2) systematically collect and analyze data on hiring times for key oil and gas positions to identify the causes of delays in the hiring process.

GAO's third report focused on oil and gas revenue management in BOEM, BSEE, and the Office of Natural Resources Revenue (ONRR).[5] GAO reviewed DOI's collection of oil and gas revenue and steps the Department has taken to ensure the public receives a fair return on oil and gas resources. GAO found that DOI has taken some steps to help ensure a fair return, but does not have procedures for periodically conducting assessments of the fiscal system. GAO recommended that DOI establish documented procedures for (1) periodically assessing the fiscal system and (2) determining whether and how to change new offshore lease terms. BOEM is developing procedures, which are due in fiscal year (FY) 2016.

Summary of OIG Work

During FY 2014, OIG conducted five reviews that focused on oil and gas permitting and the management of oil and gas activities. During this same period, approximately 18 percent of OIG investigations were identified as energy-related.

[4] GAO Report GAO-14-205: "Oil and Gas: Interior Has Begun To Address Hiring and Retention Challenges But Needs To Do More." Published January 31, 2014.
[5] GAO Report GAO-14-50: "Oil and Gas Resources: Action Needed for Interior to Better Ensure a Fair Return." Published December 6, 2013.

Onshore Oil and Gas

Onshore Oil and Gas Permitting

Oil and gas production is a major activity on Federal and Indian lands, with annual royalty revenues averaging $3 billion. About 92,000 oil and gas wells currently exist on Federal lands, and industry drills more than 3,000 new wells annually. Prior to drilling a well using a Federal permit, an operator must submit an application for permit to drill (APD). BLM has primary responsibility for approving the APD, but coordinates with other Federal agencies—primarily the Bureau of Indian Affairs (BIA) and the U.S. Department of Agriculture's Forest Service—when the proposed well site is under these agencies' jurisdiction. BLM receives about 5,000 new APDs each year, which it processes at 33 field offices, mostly in the Western States.

In June 2014, OIG completed an evaluation of the effectiveness and efficiency of BLM's drilling permit process. We found long review times, insufficient process management, and inadequate database management. In addition, we found that BLM does not have a results-oriented performance goal to address processing times. Delays in the permitting process can result in lost royalties to the Federal Government and Indian mineral owners. We made six recommendations that we believe should significantly increase BLM's capability to process APDs, thereby reducing processing times and lessening the burden on industry and BLM.

BLM Oil and Gas Trespass

OIG issued an inspection report on BLM's policies and procedures to detect and deter trespass and drilling without approval (DWOA) into the Federal oil and gas mineral estate. We found that BLM does not have nationwide policies and procedures to detect trespass and DWOA. We also found that BLM has no nationwide policies to deter or process trespass. Lastly, we found that BLM's weak policies do not significantly deter cases of DWOA.

With industry's increasing use and expansion of horizontal drilling, the potential for trespass or DWOA into Federal minerals has also increased. Since Federal and private lands are often in close proximity, it is easier for operators of wells on private lands to drill into the Government's subsurface mineral estate. The Federal Government is at risk, therefore, of not receiving royalty payments. This is particularly true in States with highly fragmented Federal mineral ownership, such as North Dakota and Oklahoma. In the past several years, for example, BLM's North Dakota Field Office identified about 10 cases of potential trespass and 70 cases of DWOA, and BLM's Oklahoma Field Office identified about 40 cases of DWOA. We made four recommendations to help BLM monitor and deter trespass and DWOA and ensure uniform and appropriate handling of these violations.

Osage Agency's Management of the Osage Nation's Energy Resources

OIG issued a report that assessed BIA's Osage Agency's effectiveness in managing the Osage Nation's oil and gas program. The Osage Nation is a federally recognized tribe, primarily located on the Osage Reservation in Pawhuska, OK. The Osage Agency oversees and provides services to the Osage Nation and its mineral estate, which covers approximately 1.5 million acres in Osage County, OK. The combined oil and gas royalties in FYs 2010 and 2011 were $224 million. Osage Agency officials expect that operators will drill an additional 7,500 wells between FYs 2012 and 2027, generating $13.6 billion in estimated royalties.

Our evaluation found weaknesses in many aspects of the Osage Agency's oil and gas activities, including issues with policies and procedures, environmental compliance, planning and mineral resource management, and data management. A substantial cause for these deficiencies is poor oversight by prior Osage Agency superintendents and insufficient capabilities of Osage Agency staff. We made 33 recommendations to help correct the identified weaknesses and improve the Osage Agency's management of the mineral estate.

Evaluation of DOI Underground Injection Control Well Activities

After completing the survey phase of an evaluation into Class II underground injection control wells on DOI lands, we determined that further review of these wells was not warranted and issued a closeout memorandum on December 19, 2013. The U.S. Environmental Protection Agency (EPA) defines Class II wells as injection wells associated with oil and gas production, disposal of fluids associated with oil and gas production, and hydrocarbon storage (but not hydraulic fracturing unless diesel fuel is used). In the closeout memorandum issued to BIA, BLM, the U.S. and Wildlife Service (FWS), and the National Park Service (NPS), we identified three issues that merited DOI's attention: (1) the need for clear and consistent memoranda of understanding to govern well operations; (2) misclassification of certain wells in a State database; and (3) abandoned oil and gas equipment in a wildlife refuge. We have initiated a separate OIG review of orphaned and abandoned oil and gas wells on wildlife refuges.

Offshore Energy

Evaluation of Offshore Oil and Gas Permitting Activities

OIG issued an evaluation report that assessed BSEE's effectiveness and efficiency in reviewing and approving oil and gas permits on the OCS, as well as to follow up on the seven permitting recommendations from our 2010 OCS report, four of which have been closed in the past 4 years.

This permitting program annually returns more than $5 billion in royalties to the Federal Government, and its efficient management plays a critical role in safeguarding this Nation's natural resources. Our evaluation found that BSEE conducts drilling permit activities with limited oversight from its headquarters office in Washington, DC. This creates policy differences among regions as each region develops its own policies without headquarters review or, conversely, develops its own procedures in the absence of preexisting headquarters policies.

We made 9 recommendations to enhance management of the offshore oil and gas permitting program. These recommendations should help BSEE standardize policies and procedures among its regions; improve communication concerning newly created policies; and implement its electronic permit system across all regions to increase transparency and efficiency.

Deepwater Horizon Task Force

OIG continued to provide resources to the Deepwater Horizon Task Force that was formed to investigate the worst environmental catastrophe in U.S. history. As a result of the task force's investigation, three companies have pleaded guilty.

Five individuals have also been charged in this case. On December 18, 2013, a jury in New Orleans, LA, convicted a former engineer of intentionally destroying evidence related to the oil spill. In January 2014, a former manager was sentenced to 1 year of probation after pleading guilty to destroying evidence related to the case. Obstruction and false statements charges are pending against a former executive, and manslaughter and other charges remain against two former well site leaders.

Looking Ahead

Oil and Gas Revenues and Permitting

Although DOI has restructured its oil and gas program, transferring offshore oversight responsibilities to BOEM and BSEE and assigning the revenue collection function to ONRR, this restructuring did not include BLM's management of onshore Federal oil and gas activities. BLM is charged with one of the most complex missions of any land-use agency—managing for multiple use and sustainability of more than 250 million surface acres and 700 million acres of mineral estate.

Long review times associated with the APD process have created uncertainties for both industry and BLM. Both the Federal Government and Indian mineral owners risk losing royalties from delayed oil and gas production, and if not corrected, delays in the process will likely cause some wells not to be drilled, resulting in additional losses in production and revenues. BLM has been developing and executing plans to address these and other deficiencies identified in reports issued by OIG and GAO.

BOEM manages about 6,100 active OCS leases, covering more than 33 million acres, with the vast majority in the Gulf of Mexico. Of those, 1,023 are producing leases, covering over 5 million producing acres. In 2013, OCS oil and gas leases accounted for about 18 percent of domestic oil production and 5 percent of domestic natural gas production. The Outer Continental Shelf Lands Act requires the Secretary of the Interior, through BOEM, to prepare and maintain a schedule of proposed oil and gas lease sales in Federal waters, indicating the size, timing, and location of auctions that would best meet national energy needs for the 5-year period following its approval. In developing the schedule ("Five Year Program"), the Secretary is required to achieve an appropriate balance among the potential for environmental impacts, for discovery of oil and gas, and for adverse effects on the coastal zone.

The current Five Year Program (for 2012 – 2017), which expires in August 2017, schedules 15 potential lease sales in six planning areas with the greatest resource potential, including more than 75 percent of the estimated undiscovered, technically recoverable oil and gas resources in Federal offshore waters. DOI is currently developing the next schedule (2017 – 2022) of potential offshore oil and gas lease sales in Federal waters. Per statute and consistent with previous efforts, BOEM will need to evaluate all of the OCS planning areas during this first stage. In doing so, BOEM 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 impact of oil and gas exploration and development on other resource values of the OCS and the marine, coastal, and human environments.

Hiring and Retention

GAO identified DOI challenges in hiring and retaining staff with key skills needed to manage and oversee oil and gas operations on Federal leases. DOI has noted two major factors that contribute to these challenges at the three bureaus (BLM, BOEM, and BSEE) that manage oil and gas activities—the first is lower salaries, and the second is a slow hiring process, when compared with similar positions in private industry. The three bureaus have all reported ongoing difficulties filling vacancies, particularly for petroleum engineers and geologists.

Although DOI and the three bureaus have taken some actions to address their hiring and retention challenges, they have not fully used their existing authorities to supplement salaries or collect and analyze hiring data to identify the causes of delays in the hiring process. BLM, BOEM, and BSEE officials have noted that recruitment, relocation, and retention incentives are key options to help hire and retain staff, but use of these incentives to attract and retain petroleum engineers and inspectors has been limited. Bureau officials have cited steps they have taken to address vacancies in key positions, such as borrowing staff from other offices or using overtime, but these solutions are not sustainable. Through the Consolidated Appropriations Act of 2012 (Pub. L. No. 112-74), Congress provided the authority for BOEM and BSEE to establish higher pay rates for specific employees. This authority has been extended through FY 2015 under the Consolidated Appropriations Act of 2014 (Pub. L. No. 113-76), and higher pay rates have been applied to 142 BOEM employees.

The FY 2012 attrition rate for petroleum engineers at BLM was over 20 percent, or more than double the average Federal attrition rate of 9.1 percent. However, the attrition rate for other key oil and gas staff during FY 2012 was lower than the Federal average. Nonetheless, attrition remains a concern because some BLM field offices have only a few employees in any given position, and a single separation could significantly affect operations. DOI records also show that the average time required to hire petroleum engineers and inspectors exceeds 120 calendar days—much longer than OPM's target of 80 calendar days—much longer than OPM's target of 80 calendar days.

In March 2014, BLM issued guidance on the implementation of special pay rates for all petroleum engineers and petroleum engineering technicians in General Schedule grades 5 through 14 working in the oil and gas production program. In an effort to ensure BLM's competitiveness to recruit and retain qualified petroleum engineers and petroleum engineering technicians, BLM established mandatory recruitment and relocation incentives in May 2014. According to BLM, BOEM, and BSEE officials, hiring and retention challenges have made it more difficult to carry out oversight activities in some field offices. For example, many BLM and BSEE officials surveyed by GAO reported that vacancies have resulted in reduced numbers of inspections conducted.

Retention is significant concern within DOI, and the hiring and retention issues have direct impact on DOI's ability to collect its share of revenue from oil and gas produced on Federal lands, and to provide oversight and management of oil and gas operations on Federal lands and waters.

Renewable Energy

The President's Climate Action Plan directs DOI by 2020 to permit 20,000 megawatts of renewable energy on public lands, or enough to power more than 6 million homes. Toward this end, since 2009, DOI has approved 48 solar, wind, and geothermal utility-scale projects on public lands, including associated transmission corridors and infrastructure to connect to established power grids. When built, these projects add up to more than 13,300 megawatts—enough energy to power nearly 4.62 million homes and support more than 19,900 construction and operations jobs. To date, BOEM has awarded five commercial wind energy leases off the Atlantic coast: two noncompetitive leases (Cape Wind in Nantucket Sound off Massachusetts and an area off Delaware) and three competitive leases (two offshore Massachusetts-Rhode Island and another offshore Virginia). Competitive lease sales have generated about $4.7 million in bonus revenue for about 277,550 acres in Federal waters.

In August 2014, BOEM offered two additional leases covering 80,000 acres located off the Maryland coast for commercial wind energy development in a competitive lease sale generating additional high bids of $8.7 million. BOEM is expected to hold additional competitive auctions for wind energy areas for offshore Massachusetts and New Jersey in the coming year. These areas cover 742,000 acres and nearly 344,000 acres, respectively.

As with oil and gas, issues resulting from delays in permitting, as well as the lack of qualified personnel with offshore renewable energy experience needed for inspection and enforcement programs, will likely have the potential to adversely affect both industry and Government efforts. Combined with environmental impact issues that may also impede the development of renewable resources, the potential exists for not only lost revenues but also lost energy production. By addressing these issues, DOI stands to recoup lost revenues and take the lead in renewable energy.

Hydraulic Fracturing on Federal and Indian Lands

Hydraulic fracturing ("fracking"), directional drilling, and other advanced technologies have allowed the production of oil and gas from rock formations that previously could not be developed.

Approximately 90 percent of wells drilled on Federal and Indian lands use hydraulic fracturing, but BLM's current regulations governing these operations on public lands are more than 30 years old and were not written to address modern hydraulic fracturing activities. In 2013, BLM released a revised proposed rule designed to modernize its management of hydraulic fracturing operations and help establish baseline environmental safeguards for these operations across all public and Indian lands. In August 2014, DOI sent its final rulemaking package to the Office of Management and Budget (OMB). GAO released a report in June 2014[6] indicating that existing regulations do not protect against contamination that could occur after earthquakes, which is increasingly a concern at injection wells and fracking sites in Ohio and the West (as seismic activity may increase following hydraulic fracturing). As pressure increases to use Federal and Indian lands, DOI must take appropriate steps to ensure that environmental concerns are adequately addressed and appropriately monitored.

[6] GAO Report GAO-14-555: "EPA Program to Protect Underground Sources from Injection of Fluids Associated with Oil and Gas Production Needs Improvement." Published June 27, 2014.

Climate Change

In its 2014 Strategic Plan,[7] GAO identified climate change as an emerging area of potentially high risk. Climate change risks to environmental and economic systems—including agriculture, infrastructure, ecosystems, and human health—present a significant issue for the United States.

DOI's responsibilities for management of lands, waters, and wildlife provide firsthand experience of the impacts of a rapidly changing climate. Impacts observed by Federal resource managers include drought, severe flooding, increased fire seasons, interrupted pollination of crops, changes in wildlife and prey behavior, warmer rivers and streams, and rise in sea level. The scope and magnitude of the effects of climate change, combined with the difficulty in developing response strategies, have continued to pose significant management challenges. The lands and resources managed by DOI face increasingly complex and widespread environmental challenges associated with climate change.

Climate change is a complex, cross-cutting issue that affects virtually every facet of DOI. Secretarial Order No. 3289 (issued in 2009 by then-Secretary Salazar) established a Department-wide approach to understanding climate change and responding effectively to its impacts on our country's natural resources and public and tribal lands.

Summary of OIG Work

FY 2014 projects under climate change included review of Climate Science Center grants management and sustainable-buildings goals.

Climate Science Center Grants Management

Climate Science Centers (CSCs) and Landscape Conservation Cooperatives (LCCs) form the cornerstone of DOI's climate-change-response strategy established under Secretarial Order No. 3289. DOI has established and uses 8 CSCs and 22 LCCs as vehicles through which to address climate change and other ecological stresses.

In FY 2014, OIG began an audit of grants management at the U.S. Geological Survey's (USGS) CSCs. Pursuant to Secretarial Order No. 3289 and the Consolidated Appropriations Act of 2008 (Pub. L. No. 110-161), CSCs are regional partnerships that seek to provide climate change impact data and analysis geared to the needs of fish and wildlife managers. USGS uses grant and cooperative agreement money to fund hosting agreements, staff, and climate-focused scientific research.

[7] GAO Report GAO-14-1SP: "GAO Strategic Plan: Serving the Congress and the Nation 2014 – 2019." Published February 28, 2014.

Using findings from last year's audit of LCCs, OIG applied similar strategies in the CSC grants management review. Thus far, we have issued two Notices of Potential Findings and Recommendations, with which USGS has concurred. We anticipate completing the review by early FY 2015.

DOI's Sustainable-Buildings Initiative

In October 2009, the President issued Executive Order No. 13514, "Federal Leadership in Environmental, Energy, and Economic Performance," which identifies greenhouse gas reduction as a Federal priority and requires agencies to implement "high performance sustainable Federal building design, construction, operation and management, maintenance, and deconstruction." The Executive order specifically requires the head of each agency to ensure that at least 15 percent of the agency's existing buildings that are over 5,000 gross square feet meet 100 percent of an agreed-upon set of guiding principles by FY 2015.

OIG initiated a review of DOI's sustainable-buildings initiative to determine whether the Department has implemented sustainable-buildings principles for new, existing, and leased Federal buildings. During our review, we learned that DOI had implemented a two-phase strategy for assessing its properties and meeting the FY 2015 sustainable-buildings goal of 15 percent. DOI had already begun the first phase when the strategy was rejected by OMB because it did not capture the "spirit and intent" of Executive Order No. 13514. DOI never launched the second phase of the strategy. We also learned that DOI will be participating in a pilot program that will help agencies meet the goals of the initiative. Based on these circumstances, we elected to postpone our evaluation until the pilot program's methodologies are established and we can assess its impact.

OIG identified two areas that present challenges to DOI in meeting the intent of Executive Order No. 13514: (1) prohibitive costs associated with making DOI buildings green—an estimated total cost of $561 million for building assessments and upgrades, and (2) stringent guiding principles that do not accommodate the buildings in DOI's inventory—approximately 23 percent of DOI's properties are historical and cannot fully comply with the guiding principles for sustainable buildings. DOI has increased the sustainability of buildings in its inventory, however—for example, some buildings that were once only 40 percent sustainable are now 80, 90, or even 96 percent sustainable—yet these buildings are not considered part of the percentage of sustainable buildings because they do not meet 100 percent of the guiding principles' requirements.

Looking Ahead

Landscape Conservation Cooperatives

Threats posed by climate change do not affect isolated places or individual species, but entire landscapes and multiple resources simultaneously. One of the Secretary's priorities is building a greater understanding of ecological processes at the landscape level, and she has challenged the Department to work with partners to elevate this understanding nationally. The U.S. Fish and Wildlife Service

(FWS) has taken the lead to bring Federal agencies together with partners to undertake this task through LCCs.

FWS has worked with a diverse suite of partners to establish a national LCC network. LCCs address a full range of conservation challenges across the Nation as they work collaboratively with other Federal agencies, State agencies, tribes, industry, nongovernmental organizations (NGOs), academic institutions, and the conservation community at large. Without duplicating the effort of existing partnerships, LCCs promote efficient and effective targeting of Federal dollars to obtain and analyze the science necessary for FWS and its partners to develop landscape-scale conservation models protecting fish, wildlife, plants, and their habitats. This collaborative effort also enhances FWS' ability to collect information to improve or augment many of the Service's ongoing conservation efforts, such as endangered species recovery plans, national wildlife refuge comprehensive conservation plans, joint ventures, fish passage, and habitat restoration.

LCCs face two main efforts going forward. First, concerns that LCCs duplicate science effort or detract funding from long-established FWS programs (such as fish hatcheries, refuges, migratory birds, or State grants), present a decision-making challenge at several levels. Second, initial appropriations to DOI for the LCCs were made in FY 2010 and subsequently have decreased each year since FY 2012, making it difficult to develop and sustain conservation partnerships. To date, LCC funding has been zeroed out in the last three House budgets, including for FY 2015. This has caused LCC partners (other Federal agencies, States, tribes, and NGOs) to reconsider or delay their participation and commitment to contributing support.

Appalachian Regional Reforestation

Biological carbon storage—also known as carbon sequestration—is the process by which carbon dioxide (CO2) is removed from the atmosphere and stored as carbon in vegetation, soils, and sediment. Forests account for more than 80 percent of the estimated carbon sequestered in the Eastern United States annually, compared with other plant life like grasslands, according to the USGS National Biological Carbon Assessment.

Under the Surface Mining Control and Reclamation Act of 1977 (Pub. L. No. 95-87), mined land needs to be returned to the use it was capable of supporting before mining, or a higher or better use. Almost all of the land mined in Appalachia and much of the land mined in other naturally forested areas of the country was deforested at the time it was mined. An agricultural use of hayland and pasture is considered an equivalent land use, and therefore allowable under the law for reclamation in these regions. Operators have generally turned mined lands into hayland and pasture because the practice fits with regulators' desire to turn everything "green" as quickly as possible and fulfills the requirements of the law. While conversion to hayland and pasture is legal, it is not conducive to forest growth. Also, lands reclaimed as hayland and pasture sequester less CO2 than forests, contribute to flooding, affect species dependent on forests for food and cover, and do not provide the temperature-moderating influence of forests.

To combat deforestation on reclaimed land, the Office of Surface Mining Reclamation and Enforcement participates in the Appalachian Regional Reforestation Initiative (ARRI), a coalition of groups (including citizens, the coal industry, and Federal and State government agencies) dedicated to restoring forests on coal-mined lands in the Eastern United States. Over time and with advanced planting techniques, ARRI should promote new hardwood growth on reclaimed lands that will transition mined land into carbon sinks (where CO2 is stored), mitigating CO2 in the atmosphere. Through this public-private partnership, successful reestablishment of hardwood forests will provide a renewable, sustainable multi-use resource that should create economic opportunities while enhancing the local and global environments. Since the start of ARRI in 2004, approximately 85 million trees have been planted and approximately 125,000 acres restored to forests on newly mined land.

Wildland Fire Suppression and Management

Over the past three decades, fire season lengths have increased by 60 – 80 days and annual acreage burned has more than doubled to over 7 million acres. In addition, growing housing development in forests has put more people and houses in harm's way and made firefighting efforts more expensive.

In 2014, the Administration's National Cohesive Wildland Fire Management Strategy—developed by Federal, State, tribal, and local community partners, and public stakeholders—outlined new approaches to coordinate and integrate efforts to restore and maintain healthy landscapes, prepare communities for fire season, and better address the Nation's wildland fire threats.

The strategy includes both national strategic planning and regionally specific assessment and risk analysis to address such factors as climate change, increasing community sprawl, and pests and diseases affecting forest health across landscapes, regardless of ownership. Approaches include adopting preventive measures, such as fuels thinning and controlled burns; promoting effective municipal, county, and State building and zoning codes and ordinances; ensuring that watersheds and transportation and utility corridors are part of future management plans; and determining how organizations can best work together to reduce and manage human-caused ignitions.

The impacts of a changing climate on wildland fire risk management are observable in the form of extended drought periods, longer fire seasons, timber stands that are susceptible to insect infestation and mortality, and greater rates of fire spread, all of which can contribute to larger and more complex and costly incidents. These impacts challenge the fire community to provide more annual coverage and response capability for a longer period of time, as well as maintain a high initial attack success rate on faster growing fires, all while managing incidents of unprecedented size and complexity.

With the passage of the Federal Land Assistance Management and Enhancement (FLAME) Act in 2009, both the Forest Service and DOI are required to produce forecasts of anticipated wildland fire suppression costs three times during each fiscal year (in March, May, and July). The forecast for September 2014 provides a median cost of $356 million. Drought conditions in the West, especially in California, combine with other factors to predict a dangerous fire season. Last year, 34 wildland firefighters died in the line of duty as fire burned 4.1 million acres and destroyed more than 1,000 homes across the country. If the fire season is as costly as the forecast predicts, the Forest Service and DOI will be forced to take funding out of other critical programs that increase the long-term resistance of national forests and public lands to wildfire. Both the U.S. Department of Agriculture and DOI have had to divert funds from other programs to fund firefighting efforts in 6 of the past 12 years. This financial balancing act is a major hindrance to departmental function.

Tribal Impact

Climate change threatens 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. Broadly, changing ecosystems and the loss of natural resources present a high risk for tribes' unique rights, cultures, and economies.

Because of the complexity of the climate-ecosystem relationship and limited applied research and/or management recommendations, trust land managers will need to stay abreast of climate adaptation research and best practices, and combine that with local knowledge and traditional ecological knowledge to create climate-resilient projects and landscapes. The Tribal Climate Resilience Program, announced in July 2014, is part of a new initiative to address the impacts of climate change already affecting tribal communities. The program will provide direct support through climate adaptation grants that will be awarded in four categories: development and delivery of climate adaptation training; adaptation planning, vulnerability assessments, and monitoring; capacity-building through travel support for climate change training, technical sessions, and cooperative management forums; and travel support for participation in ocean and coastal planning.

The Bureau of Indian Affairs (BIA) received a funding spike in FY 2014 from $1 million to $8 million for climate impact planning, and $2 million for ocean and coastal management planning. A potential tenfold increase in funding presents new challenges, ranging from acquisition and grant management issues and fraud prevention to duplication of scientific effort. BIA must prioritize financial oversight for these appropriations to ensure proper allocation of resources.

Budget and Management Concerns

The continuing dilemma of uncertain budget timing, plus declining Federal budgets and nonmonetary resources, will challenge DOI to make tough choices about priority issues. Climate change is a new priority that has not traditionally been part of most DOI line items, but is affecting a remarkable variety of Department responsibilities now and into the future. As such, building climate-related expertise and taking action to mitigate and adapt to climate change will have to compete with existing priorities for resources.

DOI oversees 20 percent of the Nation's lands. Climate change does not affect each region equally, according to the 2014 Risky Business Report[8]; for example, as weather patterns change across the country, some lands will experience sea-level rise, and others will see sea level fall. Some lands will see a reduction in precipitation; others will see more intense storms. Given this diversity of change, an informed, multifaceted approach is required to manage DOI lands effectively.

A warming climate requires proactive management. DOI must consider that the environment of 2015 will not be the environment of 2050. Land maintenance, buildings, and roads standards must envision a future of higher energy demand and chaotic weather that will occur on a more frequent basis, and the related impacts of such weather on DOI investments. On lands with outdoor recreation, new standards of informing the public about heat risks should be considered, as many areas of the country are likely to experience a significant spike in extremely hot days (over 95 °F).

For bureaus that manage extensive natural resources and facilities, climate change is complicating decision making about operations, maintenance, and public access, by adding new uncertainties to existing mandates and constraints. Regional data, tools, and coordination with climate scientists will be necessary to help DOI's land managers incorporate climate change into their planning processes. DOI should also develop approaches to information management and sharing that ensure that all climate data and information are widely available to all bureaus. Finally, DOI should continue to highlight climate activities that affect natural resources in a context that is relevant to stakeholders and other DOI constituencies.

DOI continues to face the challenge of providing relevant scientific information to land, water, and wildlife managers on a regular basis. DOI also must continue to work effectively and efficiently across landscapes and watersheds with other Federal agencies, States, local and tribal governments, and private partners to

[8] "Risky Business: The Economic Risks of Climate Change in the United States" (http://riskybusiness.org/) uses a standard risk-assessment approach to determine the range of potential consequences for each region of the country—as well as for selected sectors of the economy—if we continue on our current path. The research focused on the clearest and most economically significant of these risks: damage to coastal property and infrastructure from rising sea levels and increased storm surge, climate-driven changes in agricultural production and energy demand, and the impact of higher temperatures on labor productivity and public health.

formulate shared understandings and common strategies for land and resource managers to adapt to the challenges and ensure the resilience of our Nation's resources. In doing so, DOI must ensure that taxpayer dollars are wisely spent and closely monitored to confirm that funds are used appropriately. While DOI climate change activities are funded at the bureau level, the tracking of how these dollars are being spent remains a decentralized activity.

Maintaining consistent engagement across all bureaus in DOI climate change activities remains a continual challenge, given the highly decentralized nature of many of the bureaus. Coordination of the numerous climate activities across DOI will take an investment in mechanisms to ensure that bureaus continue to avoid duplication of effort and are sharing scientific resources in planning and decision making. DOI should continue to engage the bureaus at both executive and staff levels to ensure that current climate planning is coordinated and implementation of science, monitoring, and management activities is consistent across bureaus.

Water Programs

DOI is the largest supplier and manager of water in the 17 Western States and delivers irrigation to 31 million people, 1 out of every 5 Western farmers, and 10 million acres of farmland. Adequate water supplies are an essential element in human survival, ecosystem health, energy production, and economic sustainability.

The Bureau of Reclamation (USBR) plays a crucial role 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 has constructed more than 600 dams and reservoirs. It is the largest wholesaler of water in the country and is the second largest producer of hydroelectric power in the Western United States. Its 53 power plants provide more than 40 billion kilowatt hours annually, generating nearly a billion dollars in power revenues, and produce enough electricity to serve 3.5 million homes.

Summary of OIG Work

FY 2014 projects related to water management examined several financial assistance programs associated with the WaterSMART program.

Sustainable Water Management Programs and Activities

USBR's WaterSMART (Sustain and Manage America's Resources for Tomorrow) Program provides scientific knowledge and financial support to help water management agencies efficiently balance current water supplies with the demand to develop new ones. USBR is DOI's main water management agency, and the WaterSMART Program is USBR's primary method for meeting the Department's priority goal for water conservation.

We evaluated three financial assistance programs under the WaterSMART Program: Water and Energy Efficiency Grants, Water Conservation Field Service Program grants, and cooperative agreements under the Title XVI Water Reclamation and Reuse program. We found that, overall, USBR manages these financial assistance programs well, but that it should take additional steps to improve management of WaterSMART to ensure transparency and fairness in its financial assistance programs. We offered six recommendations that will help USBR improve its management of the program.

Looking Ahead

Aging Infrastructure and Workforce

In an era of reduced budgets, financing repairs to aging infrastructure may well be one of the most critical risks involved in the procurement and management of water within the next 5 years. Similar to what the energy field is experiencing and what the Government Accountability Office (GAO) noted for oil and gas management, DOI is also facing an aging water workforce, with projected losses in both managerial and water plant worker positions. Losses in the workforce will also result in losses in corporate knowledge and experience that DOI will need to address in order to mitigate negative impacts. Not unlike the private sector, DOI will face challenges from aging facilities and infrastructure. Recent studies suggest that approximately $100 – $300 million will be needed to modernize and upgrade water facilities and related infrastructures across both the public and private sectors.[9] Deferring maintenance on an aging infrastructure will increase the probability of negative impacts and only contribute further to the rising cost of repairs.

An aging workforce and infrastructure, combined with U.S. population growth and regional migration to the Southwest, will continue to be significant challenges for DOI with regard to managing water issues. The Consolidated Appropriations Act of 2014 provides USBR with $954 million for its Water and Related Resources operating account. Congress included $44.289 million in additional funds above the budget request for Water and Related Resources studies, projects, and activities, including funding for rural water construction; facilities operation, maintenance, and rehabilitation; water conservation and delivery; and environmental restoration and compliance.

Depletion of Groundwater Resources

A recent study funded by the National Aeronautics and Space Administration and the University of California[10] has concluded that groundwater losses from the Colorado River basin alone appear massive enough to challenge long-term water supplies for the Southwest region of the United States. Since 2004 the Colorado River basin has lost 53 million acre-feet, or 17 trillion gallons of water. This combined with a 127 percent increase in water use has further decreased water availability. DOI needs to be prepared to mitigate the negative consequences associated with the expansion of water needs, particularly in the Western States.

Impaired Water Quality Associated With Particular Land Uses

More than 50 percent of the people in the United States use groundwater for drinking and other household uses; however, the largest use of groundwater is to irrigate crops. Groundwater is "recharged" from rain water and snowmelt or from water that leaks through the bottom of some lakes and rivers. Groundwater also can be recharged when water-supply systems (pipelines and canals) leak and when crops are irrigated with more water than the plants can use.

The demands for water for use in crop irrigation and to meet the needs of growing cities and communities, energy production, and the environment will likely continue to grow. An increasing sense of competition for limited water resources

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[9] WeiserMazars LLP, "2014 U.S. Water Industry Outlook," http://weisermazars.com/2014WaterOutlook

[10] Castle, Thomas, Reager, Rodell, Swenson, & Famiglietti. (2014). Groundwater Depletion During Drought Threatens Future Water Security of the Colorado River Basin. *Geophysical Research Letters,* 41.

makes it apparent that there is a need for information and decision support tools to aid both water and land managers. Regions such as the West and Southeast will likely continue to face the possibility of increasing vulnerability to drought. Consequently, traditional water management approaches by themselves will no longer meet today's needs, and DOI will need to be progressive in its approach to mitigate the impacts of impaired water quality associated with surface contamination due to agricultural runoff or to energy production through oil and gas extraction.

Responsibility to American Indians and Insular Areas

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

Responsibility to American Indians is consistently a top management challenge for DOI. Through BIA and the Bureau of Indian Education (BIE), DOI works with more than 500 federally recognized Indian tribes, has trust responsibilities for more than 100 million surface and subsurface acres of land belonging to Indian tribes and individuals, and provides education services to approximately 40,000 Indian children in tribal schools and dormitories. Some of the Indian Country programs managed by DOI include Indian Trust for Lands and Funds, Social Services, and Justice Services.

Regarding the Insular Areas, DOI has administrative responsibility for coordinating Federal policy in the territories of American Samoa, the Commonwealth of the Northern Mariana Islands, Guam, and the U.S. Virgin Islands. DOI also administers and oversees Federal assistance provided under the Compacts of Free Association for three sovereign nations: the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau. DOI coordinates with the U.S. Department of State and other Federal agencies to promote economic development and budgetary self-reliance in these nations.

DOI manages its responsibility to the Insular Areas primarily through the Office of Insular Affairs (OIA). OIA works to improve the financial management practices of the Insular Area governments and to increase economic development opportunities through financial and technical assistance. OIA annually funds Insular Area government programs that focus on education, health care, and infrastructure improvement.

Summary of OIG Work—Indian Affairs

FY 2014 projects related to Indian affairs included examination of property leasing, recordkeeping, education services, and investigations that involve Indian Country.

Real Property Leases

OIG conducted an inspection of BIA's leasing program after the General Services Administration's (GSA) Public Buildings Service found that the Bureau had not followed GSA's leasing requirements; it had leased property without approval and exceeded square footage limits. GSA informed BIA that it could not exercise its delegation of authority until the Bureau submitted a corrective action plan approved by GSA.

Our inspection confirmed GSA's findings. OIG sampled 14 BIA leases identified in the GSA report and found issues with all of them. We found that BIA had not followed GSA's leasing requirements and that BIA had approved more than $32.7 million in lease agreements that exceeded GSA square footage and purchase approval limits. Also, BIA's inability to accurately report all lease data back to GSA made it impossible for GSA to analyze post-lease performance data for the BIA leases we reviewed. These issues resulted from noncompliance with GSA guidelines, as well as insufficient BIA guidance and inadequate training. We provided three recommendations to help BIA resolve this issue by complying with GSA guidance, updating its own policies, and developing appropriate training.

Records Management

An inspection of three BIA agency offices found recordkeeping practices for oil and gas documents and files at two of them (the Southern Ute and Fort Berthold Agencies) to be flawed. OIG reviewed recordkeeping practices at the Southern Ute, Fort Berthold, and Uintah & Ouray Agencies. The three agencies were selected because of their locations, intensive oil and gas development, and large numbers of application for permit to drill (APD) submissions. We identified no records management issues at the Uintah & Ouray Agency.

Royalty payments for oil and gas produced from Indian lands are held in trust, invested, and disbursed at the direction of the applicable tribe or individual mineral owner. To ensure that royalties are correctly paid, BIA agency offices must maintain an accurate system of property records showing the location and owner of each oil and gas lease, individual well data, and rights-of-way. We made three recommendations to BIA to help improve recordkeeping at BIA agency offices.

Indian Education

BIE's mission is to provide quality education opportunities from early childhood through life in accordance with a tribe's needs for cultural and economic well-being, in keeping with the wide diversity of Indian tribes and Alaska Native villages as distinct cultural and governmental entities. More than 180 schools in 23 States are either operated directly by BIE or receive BIE program funds.

OIG is currently reviewing a selection of Indian schools across the country, looking at three main areas: (1) prevention of school violence; (2) condition of school facilities; and (3) academic achievement. We are following up on the findings of our prior work in the prevention of school violence, published in 2008 and 2010, by looking at physical security, emergency preparedness, and related training. We are also examining school facilities to assess current conditions and to review BIA's, BIE's, and tribes' ability to assure a physical environment that is safe and conducive to learning. Finally, we are reviewing academic achievement and how it is evaluated in Indian Country, driven by concerns over low graduation rates and a reported "achievement gap" as compared with students at public schools generally.

Bureau of Indian Affairs Investigations

Approximately one-fifth of OIG investigations involve Indian Country. These investigations regularly revealed that DOI-funded programs and operations in Indian Country are extremely susceptible to fraud, waste, mismanagement, and abuse due to nepotism, unqualified employees, failure to follow policies and procedures, lack of internal controls, lack of transparency, lack of oversight, and fear of reprisal for reporting wrongdoing. The aforementioned have been challenges to Indian Country in the past and are expected to continue as challenges into the future.

Past OIG investigations have led to indictments for bribery, fraud, and other charges related to misuse of Federal funds meant for Indian education and other tribal programs. For example, one past OIG investigation showed that even though BIA quit providing funds directly to South Dakota's Crow Creek Sioux Tribe because it was classified as high risk, tribal council members (who also served on the Crow Creek Tribal School's school board) participated in a scheme through which a contractor paid them thousands of dollars in bribes to secure tribal business. The tribe received several million dollars annually from BIE for educational programs and operations and additional funds from BIA for school facility construction projects. When it was discovered that the tribe's chairman assisted OIG as an informant in the case, other council members retaliated against the chairman and suspended him from all of his official duties.

Recently, an innovative investigative approach called the Guardians Project, led by OIG's Office of Investigations and Montana's U.S. Attorney's Office, with substantial assistance provided by OIG's Office of Audits, Inspections, and Evaluations, led to numerous indictments and convictions in Indian Country. As one example outcome, the project has resulted in the prosecution of a former State representative, a tribal leader, and others involved in siphoning off funds from a $33 million water project on Montana's Rocky Boy Indian Reservation.

In both cases cited above, OIG initiated and/or successfully completed suspension and debarment action against the offending tribal officials and contractors.

Looking Ahead—Indian Affairs

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 Settlement, which provided $1.9 billion to consolidate fractionated land interests across Indian Country. 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 even thousands of individual owners. Because obtaining landowner consensus is difficult, the lands often lie idle and cannot be used for any beneficial purpose. Managing this tremendously complex situation is costly for DOI and can be frustrating for individual owners, who may consider their ownership proportions so diminished as to be worthless.

To date, the Land Buy-Back Program has made more than 41,000 purchase offers to owners of fractionated interests, successfully concluded transactions worth more than $144 million, and restored the equivalent of more than 280,000 acres of land to tribal ownership. As part of the settlement, the Land Buy-Back Program continues to contribute to the Cobell Education Scholarship Fund, managed by the American Indian College Fund. Contributions to the scholarship fund have so far exceeded $4 million.

DOI recently announced 21 locations where land consolidation activities such as planning, outreach, mapping, mineral evaluations, appraisals, or acquisitions are expected to take place through the end of 2015. These communities represent more than half of all the fractional interests and unique owners across Indian Country.

Indian Education

In June 2014, the Secretary issued Secretarial Order No. 3334 to transform BIE and to ensure that all students attending BIE-funded schools receive a world-class education that is delivered to them by tribes.

BIE faces significant challenges in providing quality education, including attracting effective teachers to BIE schools in remote locations, complying with academic standards in 23 different States, resource constraints, and distribution of administrative and decision-making duties across multiple locations. The American Indian Education Study Group, convened in 2013 to diagnose the systemic issues within BIE-funded schools, found that only 1 out of 4 BIE-funded schools met the State-defined proficiency standards, and that students in BIE schools consistently perform below American Indian students in public schools on national and State assessments. In one study of fourth graders, BIE students on average scored 22 points lower for reading and 14 points lower for math than Indian students attending public schools.

The American Indian Education Study Group also concluded that significant organizational changes are necessary to provide tribal communities with the resources and support needed to operate high-performing schools and to remove institutional obstacles that hamper student achievement. Federal American Indian education has been handed over to tribes in approximately two-thirds of BIE schools; however, BIE has not been adequately restructured to implement its new primary role in supporting tribal programs. As tribes move away from having BIE operate their schools and begin to assume that responsibility, BIE has spent a significant amount of time using its infrastructure to absorb the shifts in work responsibilities.

Secretarial Order No. 3334 outlines a two-phase process to restructure and redesign BIE over the 2014 – 2015 and 2015 – 2016 school years. Vital to long-term success in BIE's education programs are strong communities and access to adequate social services. In its work, BIE must consider the spiritual, mental, physical, and cultural aspects of the individual within his or her family and tribal or village context. Many Indian students served by BIE come from remotely located, rural communities characterized by poorly developed local economies, high rates of unemployment, and low incomes. Additionally, many of the communities served by BIE schools exhibit above-average rates of crime, households where English is a second language, and below-average literacy rates. As a consequence of these community and home environments, many students enter school with inadequate skill sets. Social services are provided, or funded by, BIA; and a strong partnership between BIE, BIA, and others is necessary for many students to overcome personal and family difficulties and get the most benefit from the educational opportunities afforded them.

Infrastructure Projects for Sustainable Water Supply

DOI is taking steps to address the water needs of American Indians relying on a rapidly depleting groundwater supply. In April 2014, DOI announced that USBR had awarded a $19.6 million construction contract to build the Tohlakai Pumping Plant, the first pumping plant for the Navajo-Gallup Water Supply Project. This project is the cornerstone of the historic Navajo Nation Water Rights Settlement Agreement in the San Juan River Basin in New Mexico, signed by DOI, the Navajo Nation, and the State of New Mexico in December 2010, representing a significant milestone in fulfilling long-outstanding water rights claims of the Navajo Nation while protecting existing water uses and providing for future growth. Project participants also include the Jicarilla Apache Nation, the City of Gallup, BIA, and the Indian Health Service.

Impact of Climate Change

Tribal communities are vulnerable to the impacts of climate change, including severe droughts, floods, wildfires, and snowstorms. Federal agencies recently assisted the Quinault Indian Nation, whose Lower Village seawall was breached by a storm surge, and the Quileute Nation, which had to relocate to higher ground to move out of a tsunami zone.

BIA funded 19 climate change tribal grants in FY 2013 for cooperative vulnerability assessments of culturally and economically important Northwest fish and wildlife. Direct tribal funding for climate impact planning in FY 2014 has increased to $8 million and includes new programs in cooperative tribal ocean and coastal planning efforts.

Collaborative Strategies for Improved Services

Using innovative and collaborative strategies such as those noted above, plus proactive steps such as fraud awareness briefings for our customers and in conjunction with traditional auditing, evaluating, and investigating, can have positive impact on the future of Indian Country. American Indians would receive improved services, whether delivered by DOI or tribes, and students enrolled in BIE schools would receive a strong education that allows them to develop the knowledge, skills, and abilities that will prepare them for their future as employees, community members, parents, and leaders in Indian Country.

Summary of OIG Work—Insular Areas

FY 2014 projects related to Insular Areas included review of programs in the U.S. Virgin Islands and Guam.

U.S. Virgin Islands' Department of Human Services

In June 2014 we published results of a review conducted in conjunction with the U.S. Department of Health and Human Services (HHS) to determine whether the U.S. Virgin Islands' Department of Human Services (DHS) ensured that the neediest children received priority when filling Head Start enrollment slots. (The joint review was ideal because DOI has cognizance over Federal funds expended in the Virgin Islands and HHS has experience auditing Head Start programs.) Children are automatically eligible for enrollment in the Head Start program if they are homeless, in foster care, or a recipient of public assistance. Grantees are required to fill 10 percent of their funded enrollment with children with disabilities who need special education and related services. Remaining slots are filled with children who are eligible based on their family's income and who have been determined to have the greatest need for services based on criteria established by each grantee.

DHS provides Head Start services at 24 centers located on the islands of St. Thomas, St. Croix, and St. John. We could not determine whether the neediest children in the Virgin Islands received priority when DHS filled Head Start enrollment slots because DHS (1) entered inaccurate information in the computer system that it uses to calculate children's financial eligibility, (2) did not retain documents used to determine whether enrollees were categorically eligible, and (3) did not meet the required enrollment level for children with disabilities. We made three recommendations to help DHS ensure that the neediest children receive priority when filling Head Start enrollment slots.

Guam Business Privilege Tax

The Government of Guam's (GovGuam) Department of Revenue and Taxation (DRT) collects tax revenues, which account for more than half of GovGuam's revenue sources. The business privilege tax (BPT) applies to all persons or contractors on Guam, as well as contractors not located on the island but who conduct business there, and constitutes about a third of Guam's annual tax revenue. The U.S. Department of Defense (DOD) awards hundreds of contracts per year for projects on Guam. With the impending relocation to the island of more than 6,000 U.S. Marines and their dependents, the number of these contracts may grow to build the infrastructure necessary to accommodate the increased U.S. military presence.

We evaluated DRT to determine whether it has a process in place for identifying and collecting BPT from businesses that have contracts with the Federal Government, including with DOD for U.S. military projects on Guam. We found that DRT has an inadequate procedure for identifying contractors subject to the BPT and for collecting those taxes, and also uses an incomplete list of Federal contractors when identifying those subject to BPT. Further, DRT does not follow through with established processes to verify the amount of taxes due and to collect accordingly. We have reported on GovGuam's inability to collect taxes in the past, and we have found that deficiencies at DRT persist. We provided three recommendations to help improve DRT's operations.

GovGuam currently operates with an annual fiscal deficit and owes more than $1 billion in long-term debt. While FYs 2011 and 2012 have seen an increase in overall total revenue collected for the general fund, GovGuam needs to collect all taxes to be financially stable to provide programs and services to its constituents.

Guam Memorial Hospital

Access to quality medical and health care services is important for the well-being of Guam's residents. Currently, the Guam Memorial Hospital Authority (GMHA) operates the only public hospital on Guam. We evaluated GMHA's ability to provide medical care to the people of Guam and prepare for a potential increase in population, due in part to the upcoming U.S. military buildup on the island.

We found that GMHA's negative cash flow is not sufficient and its reimbursement rates and fee schedules are out of date. GMHA's financial situation may jeopardize future medical needs of the citizens of Guam. Unless GMHA can generate enough revenue, collect appropriate fees, and secure adequate revenue sources to cover costs for the care of uninsured patients, it will not be able to sustain the level of services it currently provides or prepare for future population growth. GMHA's funding challenges also make it difficult to develop and maintain the infrastructure necessary to provide medical services. We made eight recommendations to help improve GMHA operations to increase quality of medical services and patient safety for the people of Guam.

GMHA is in a fiscal crisis. Unless additional actions are taken to collect needed revenue and secure funding sources for GMHA, the quality of health care services for the people of Guam will be at risk.

Looking Ahead—Insular Areas

Capacity-Building for Public Accountability

Each Insular Area government has an Office of the Public Auditor (OPA) or equivalent entity that helps assure the integrity of government operations and spending. OIG works to enhance the capabilities of OPA staff through training and technical assistance. These capacity-building efforts are made possible with funding from OIA. Training topics are tailored to the needs of each supported jurisdiction, and have included government finance and accounting; risk and internal controls; procurement data sources; evidence processing; trial preparation; and other audit and investigative issues. Together with other programs supported by OIA, our capacity-building activities will continue to foster local ability to assure public accountability throughout the Insular Areas.

Detecting Fraud, Waste, and Mismanagement

Through our liaison work with OPAs, we find that federally funded programs remain vulnerable largely as a result of weak procurement systems and poor integrity in local government personnel. Insular Area governments continue to possess insufficient resources to adequately prevent and detect fraud, waste, or mismanagement involving federally and locally funded programs. OPAs face challenges in competing for and retaining qualified audit and investigative staff largely due to insufficient budgets.

In an effort to build capacity, we continue our partnership with OIA to deliver audit and investigation training and technical assistance to the Federated States of Micronesia, the Republic of Palau, the Republic of the Marshall Islands, and the Commonwealth of the Northern Mariana Islands. OPAs have a limited travel budget. Delivering the training to them onsite affords them much-needed technical skills and continuing professional education credits. We find that such assistance is mutually beneficial as OPAs help oversee the financial and program resources and activities of their governments and the integrity of the financial assistance provided by the United States.

Information Technology

As computer technology has advanced, Federal agencies and our Nation's critical infrastructures—such as power distribution, water supply, telecommunications, and emergency services—have become increasingly dependent on computerized information systems and electronic data to carry out operations and to process, maintain, and report essential information. The security of these systems and data is essential to protect national and economic security, as well as public health and safety. Safeguarding Federal information technology (IT) systems and the systems that support critical infrastructures (referred to as cyber critical infrastructure protection, or cyber CIP) is a continuing concern. Federal information security has been on GAO's High-Risk List since 1997; in 2003, GAO expanded the listing to include cyber CIP. Risks to information and communication systems 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 the sophistication of attack technology, and the emergence of new and more destructive attacks.

DOI relies on complex, interconnected information systems to carry out its daily operations. Specifically, DOI spends about $1 billion annually on its portfolio of IT assets, which support programs that protect and manage our Nation's natural resources and cultural heritage; provide scientific and other information to the public about those resources; and meet the Department's responsibilities to American Indians, Alaska Natives, and affiliated Insular Areas.

Because of the critical role IT plays at DOI, in FY 2014 OIG established a new office to conduct audits, evaluations, and inspections of Department IT programs, initiatives, and related investments. In FY 2014 and beyond, this new office will conduct a range of IT projects, such as evaluating DOI's security practices for protecting mission-critical IT assets, assessing DOI's cloud-computing initiatives, and determining whether the Department's IT governance model results in effective use of taxpayer resources and promotes sound IT security practices.

Summary of OIG Work

FY 2014 projects related to IT programs and resources examined DOI web hosting and IT systems at USBR-controlled dam sites.

DOI Web Hosting Services

In early January 2014, the DOI and OIG websites experienced an extended outage of 7 days. These websites, which are hosted by the National Park Service (NPS), provide critical information to the general public, and their availability contributes to the missions of both DOI and OIG. We initiated an inspection to determine the cause of the outage and to identify whether the length of the recovery was appropriate. We found multiple reasons and deficiencies that contributed to the outage, including (1) no written agreements between NPS, DOI, and OIG describing the roles and responsibilities of each entity with regard to web hosting and contingency planning; (2) NPS information systems that had not been properly authorized to operate, were outdated, or were missing security documentation; and (3) noncompliance with contingency planning and testing requirements. At the time of the outage, OIG did not know that NPS hosted either the DOI or OIG website.

We offered 14 recommendations in total (5 to DOI and 9 to NPS), focusing on establishing an oversight process, assessing system risk, maintaining accurate and up-to-date documentation and contingency plans, and documenting service level agreements that assign roles and responsibilities to all entities involved in web hosting services.

Security at USBR Dams

Critical infrastructure and cyber systems increasingly rely on IT for essential operations, making the protection of infrastructure from cyber threats a top priority. In the past, information about the cyber element of critical infrastructure was not widely known and thus helped protect the infrastructure. This anonymity is disappearing, however, as Internet connectivity increases throughout the United States and around the globe.

In FY 2014 OIG issued reports from several IT-related reviews of USBR-controlled dam sites. These revolved around what is known as a SCADA system, which operates and monitors dam IT, ranging from simple temperature sensors to automated controls for generators and gate functions. Our objective was to assess the security posture for the SCADA system based on recent warnings from the U.S. Department of Homeland Security.

OIG's findings revealed a host of IT-related security problems at some dams, including software support, network connectivity, mobile media safeguards, intrusion detection systems, inadequate antivirus architecture, unimplemented automated continuous monitoring platforms, unimplemented vulnerability scanning, and, finally, failure to address weaknesses identified in prior OIG reviews. OIG issued a combined 12 recommendations to correct the observed IT security weaknesses, noting needed improvements in infrastructure, software, and implementation

At several other dams, OIG was pleased with the IT security presence within the structures and had no findings or recommendations to offer.

Looking Ahead

Security Practices

The Federal Information Security Management Act of 2002 (FISMA) requires agencies to develop policies and procedures commensurate with the risk and magnitude of harm resulting from the malicious or unintentional impairment of agency IT assets. To satisfy annual reporting requirements, agencies expend large amounts of money and resources to document compliance with the 11 FISMA reporting areas. An agency's FISMA score (its compliance rate) has been found to be unrelated to whether its IT assets are adequately protected from attack.

More recent FISMA guidance has shifted the focus of agency oversight from periodic assessments and compliance reporting to using tools and techniques to conduct ongoing monitoring of IT security controls. A well-designed and well-managed continuous monitoring program can transform an otherwise static security control assessment and risk determination process into a dynamic process that provides essential information about a system's security status on a real-time basis. This, in turn, enables officials to take timely risk mitigation actions and make risk-based decisions regarding the operation of their IT systems.

As part of our audit work, we learned that DOI does not have an IT security program that fully meets FISMA requirements for vulnerability, threat, and incident management as recommended by the National Institute of Standards and Technology (NIST). Moreover, DOI's efforts to implement a continuous monitoring capability have not been fully realized due to insufficient resources. In May 2014, we initiated an audit to evaluate DOI's continuous IT security control monitoring practices at three major bureaus (the U.S. Geological Survey, Bureau of Safety and Environmental Enforcement, and Bureau of Reclamation).

Cloud Computing

Cloud computing is a model for enabling convenient, on-demand, network access to a shared pool of computing resources, such as computer servers, storage, software applications, and web services, that can be provisioned and released with minimal management effort or service provider interactions. In other words, in a cloud-computing environment, IT resources are available as needed through a pay-as-you-go business model.

To accelerate the Federal Government's use of cloud-computing strategies, the Office of Management and Budget (OMB) requires agencies to adopt a "Cloud First" policy when contemplating IT purchases and to evaluate secure, reliable, and cost-effective cloud-computing alternatives when making IT investments.[11] Cloud computing offers the Department the potential for significant cost savings through faster deployment of computing resources, a decreased need to buy hardware or build data centers, and enhanced collaboration capabilities.

According to NIST, assessing and managing risk when putting a Federal agency's systems and data into a public cloud poses a challenge because the computing environment is under the control of the cloud provider rather than the agency. Thus, effectively managing the delivery of public cloud-computing services requires agencies to develop contracts that address business and IT security risks,

[11] Office of the U.S. Federal Chief Information Officer, "25 Point Implementation Plan to Reform Federal Information Technology Management." Published December 2010.

as well as properly define and provide mechanisms to monitor agency and cloud provider responsibilities.

At the end of 2013, the Office of the Chief Information Officer (OCIO) created a cloud-computing project management office and established a cloud services contract to help bureaus satisfy OMB's "Cloud First" directive. We are conducting an audit of DOI's cloud-computing initiatives to determine whether selected DOI contracts for cloud-computing services incorporated best practices for mitigating key business and IT security risks associated with moving the Department's systems and data into a public cloud-computing environment.

Governance

An IT governance reform effort has been underway at DOI since January 2011 to align IT investments with business and mission outcomes. IT governance is a process for designing, procuring, and protecting IT resources.

Because IT is intrinsic and pervasive throughout DOI, the Department's IT governance structure directly affects its ability to attain its strategic goals. Effective IT governance must balance compliance, cost, risk, security, and mission success to meet the needs of internal and external stakeholders.

Federal regulations and policy require that the Chief Information Officer (CIO) have the authority to terminate underperforming IT investments or shut down systems that pose a significant risk to the enterprise. Achieving these outcomes will require sustained improvements in DOI's overarching IT management practices and governance model. For example, although DOI leadership supports the changes necessary for transformation success, management buy-in at the bureau and office levels is a crucial component to achieve full consolidation and address the challenges of IT infrastructure, security, resource management, and governance. The commitment and cooperation of all DOI stakeholders are essential for these efforts to be successful. In a future audit we will assess whether DOI's IT governance model results in the effective use of funds and promotes sound IT security practices.

IT Transformation

IT supports every facet of DOI's diverse missions. In December 2010, Secretarial Order No. 3309 directed DOI's CIO to assume oversight, management, ownership, and control of all IT infrastructure assets, thus centralizing the Department's IT infrastructure and compliance functions. In January 2011, DOI launched its IT Transformation initiative, a multiyear effort to significantly improve the cost effectiveness of IT functions as well as shift from commodity-based technology management to service-based management. DOI has established goals for IT infrastructure consolidation that—

- promote green IT by reducing overall energy consumption (improve IT and real estate utilization);

- reduce the cost of data center hardware, software, and operations;
- increase the overall security posture for the Government; and
- shift IT investments to more efficient platforms and technologies.

Three years after its launch of the DOI Information Resources Management Strategic Plan, the Department is only halfway through its transformation goal, with centralized consolidated email through Google being a notable achievement. OIG believes that more support is needed from the bureaus to implement the changes necessary to complete the process. In a Department that contributes an estimated $371 billion in economic activity to both public and private industry with varying degrees of IT capability, it is critical that DOI continue to invest in modernizing its IT functions and encourage bureau support.

Disaster Response

Disaster management—preparation, response, recovery, and mitigation—can be costly, and typically involves the efforts of multiple Federal agencies, multiple levels of government, and the private and nonprofit sectors.

DOI has the responsibility to provide for quick response, public safety, and protection of natural resources during emergencies, as well as supporting tribal and Insular Area communities. DOI is also a full partner in both the National Response Framework and the National Recovery Framework, and contributes to interagency plans supporting State, tribal, and local communities.
The destruction caused by Super Storm Sandy in October 2012 and the extensive rebuilding effort in New York and New Jersey that followed provide a jarring reminder of how sudden and devastating natural disasters and related events can be. Super Storm Sandy damaged hundreds of thousands of homes, forced tens of thousands of survivors into shelters, and caused billions of dollars in damage to vital infrastructure systems, including power transmission, transportation and water and sewage treatment facilities. As a direct result of the storm, 73 people in the United States lost their lives.

In the wake of Super Storm Sandy, DOI received $787 million to support storm relief and recovery efforts. To date, DOI has awarded $745 million in the form of contracts and financial assistance (grants and cooperative agreements) for emergency response, recovery, and mitigation purposes.

Summary of OIG Work

FY 2014 projects related to disaster response (specifically for Super Storm Sandy) identified high-risk issues associated with contract oversight, pre-award processes, and post-award monitoring.

Identifying High-Risk Issues and Practices

To help ensure that emergency funds are expended appropriately, OIG has coordinated an intra-office team effort and actively monitored Super Storm Sandy spending through outreach, data analysis, and audit and investigative support.
As a result, we have conducted 34 Super Storm Sandy-specific fraud awareness briefings, reaching more than 436 Department personnel, State officials, contractors, subcontractors, and grantees.

Our continued audits of contractors and subcontractors receiving Super Storm Sandy funds have identified high-risk issues and practices for emergency contracts related to disaster response. Contract oversight was found to be inadequate with regard to pre-award and administrative processes, post-award monitoring, labor hours, and equipment rates and rentals, and inspections. OIG found many areas of weakness or questionable internal controls that highlight the risks of emergency contracts for disaster response.

We have identified key factors that make emergency contracts for disaster response riskier than normal:

- Emergency contracts are typically awarded in the short period of time right after a disaster. Most of these contracts have shorter periods of performance, making them high-risk contracts because DOI often cannot provide the same level of oversight.
- Emergency contracts add workload for the contracting officers and staff without providing them with additional assistance, thus necessitating that they work rapidly while potentially providing less effective oversight.
- Emergency contracts are more often awarded without competitive bidding, making reasonable prices for equipment and material rentals difficult to achieve at a time when such rentals in a disaster area are in shorter supply.
- Many such contracts are for debris cleanup and can involve multiple layers of contractors, subcontractors, and oversight. These include more administration (e.g., daily timesheets, daily logs, dozens of pieces of equipment, special protective suits, invoicing).
- Due to the uncertainties of disaster response, the Government relies on more cost-type contracts and modifications to increase existing contracts, rather than firm-fixed-price contracts. These cost-type contracts shift the burden to the Government to ensure that costs are reasonable, allowable, and allocable, thus requiring Federal contracting staff to take on increased oversight responsibilities (e.g., reviewing timesheets, contractor and subcontractor invoices, and other administrative items) during an already hectic time.

Contract Pre-Award and Administrative Processes

Across contract audits, we found the following types of problems—

- flaws in contractor selection by DOI/bureaus;
- insufficient presolicitation planning (e.g., failure to identify ordinary fair-market value for equipment rental) and competition (in two cases, a contract award made to the only bid received) by DOI/bureaus;
- lack of contractor experience in Federal contracting;
- inadequate financial management systems on the part of the contractor; and
- little or no knowledge of basic Federal contracting regulations on the part of the contractor.

Contract Post-Award Monitoring

Across contract audits, we found the following types of problems—

- timesheet errors made by contractors (e.g., timesheets lacking supervisory approval, employees signing off as supervisors, and duplicate billing), and failure to ensure correct timesheets or shift tickets and invoices on the part of DOI/bureaus;

- absence on the part of the contractor of shift tickets needed to support billed equipment costs;
- insufficient review and approval of submitted shift tickets and invoices, on the part of DOI/bureaus;
- invoices unsigned by the contractor, DOI/bureaus, or both;
- insufficient supporting documentation (e.g., equipment invoices, timesheets, and labor and payroll records) provided by the contractor;
- unsupported and duplicate expenses, inflated rental equipment rates, and incomplete timesheets and invoices on the part of the contractor;
- unreasonable, excessive equipment rental rates billed by contractors and/or subcontractors;
- incomplete or inaccurate equipment inspection reports from the contractor;
- related-party transactions billed to contracts; and
- poor administration and oversight by DOI/bureaus.

Looking Ahead

Obstacles and Risks

In its 2014 Strategic Plan, GAO noted that the Federal Government does not budget for the costs of responding to a major disaster and runs the risk of facing a large fiscal exposure at any time, for example, the fiscal risk presented by climate change.

As the threat severity of natural disasters continues to grow, so will preparedness, response, and recovery challenges at the Federal, State, and local levels. Scientific assessments indicate that climate change is expected to result in more volatile weather patterns, with potentially more frequent and severe natural disasters. Among other capabilities, DOI needs to develop the ability to identify the organizations and resources required to operationalize disaster response and systematically prioritize resources to ensure effective use of Federal funds.

The Federal Government also continues to face challenges in developing useful measures to assess preparedness and response capabilities. Natural disasters have highlighted challenges facing Federal agencies in ensuring that homeowners and businesses can recover from disasters.

Oversight Planning and Internal Controls

OIG anticipates that future disasters will present obstacles similar to those encountered in the response to Super Storm Sandy. Ineffective monitoring increases the risk of improper payments and untimely expenditures. We believe that the following recommendations will improve oversight and lower the impact of emergency work by reducing the risks of price gouging, unsupported equipment and labor costs, and other fraud, waste, and abuse:

- DOI should develop and implement a policy for conducting pre-award assessments of potential contractors to reduce risk when awarding contracts. An assessment helps ensure that the potential contractor has adequate financial management systems and enables DOI to decide whether to award the contract, what type of contract to award, and whether to add conditions. It also allows management to plan the appropriate level of contractor oversight. Such assessments likely would identify contractors without knowledge of the Federal Acquisition Regulation, Federal contract experience, internal control policies and procedures, segregation of duties, and adequate financial capabilities.

- DOI should strengthen internal controls over post-award monitoring, particularly monitoring and keeping records of a contract's supporting documentation (e.g., invoices, timesheets, and inspection reports). Ineffective monitoring increases the risk of improper payments and untimely expenditures.

OIG only performed cost-type contract audits in response to Super Storm Sandy. While we acknowledge that cost-type contracts are allowable and beneficial, we believe that the burden and increased oversight responsibilities they necessitate for DOI contracting staff may outweigh their benefit. We also believe that the Department should require more firm-fixed-price contracting during the initial period after a disaster.

Operational Efficiencies

As noted in GAO's 2014 Strategic Plan, Government agencies will have to become more efficient and effective at delivering services, achieving productivity gains, and taking a risk-based approach to managing and allocating scarce resources. As part of this effort, agencies need to look for opportunities to minimize duplication, overlap, and fragmentation; re-order priorities and determine how and in what areas to make trade-offs; and evaluate the immediate and long-term effects of these decisions.

Summary of OIG Work

FY 2014 projects related to operational efficiencies focused on management of resources and programs.

Revenue From DOI Resources and Activities

We continue our work to identify opportunities for DOI to increase revenues through improved management of resources and programs.

Bureau of Land Management's Mineral Materials Sales

BLM manages the sale of mineral materials on Federal lands; the mineral materials program generates millions of dollars in revenue from public lands each year. We audited the program to determine whether BLM obtained market value for mineral materials.

We could not conclude that the Federal Government receives the full value of revenues from this program. We found that BLM has little assurance that it obtains market value for mineral sales, and its management of the mineral materials program is hindered by outdated regulations and policies. BLM does not always recover the processing costs for mineral materials contracts, which resulted in more than $846,000 in lost revenue, or verify production volumes reported for sales. We also found that BLM may be losing revenues due to unauthorized use. BLM did not collect fees for mineral materials used on lands it sold to a private developer, but informally valued the unpaid fees at more than $1 million. Our report contains 15 recommendations that should help BLM operate the program more efficiently and obtain adequate compensation for mineral materials sold from Federal land.

Recreation Revenues

We are currently reviewing BLM and NPS recreation programs for potential opportunities to enhance program revenue—a subject of particular relevance at a time when Federal agencies have faced mounting fiscal pressures. Recreation revenues are used to enhance the visitor experience, protect natural resources, provide for public health and safety, and facilitate access to public lands and recreation areas.

In the BLM audit, we found that BLM is missing opportunities to enhance its potential fee revenue, specifically: (1) BLM inconsistently uses its authority to charge recreation fees at camping and day-use areas, some of which charge fees and some of which do not, and (2) BLM does not collect market-value fees at a number of its developed recreation sites, and has not reviewed its fees in several years. We are also reviewing whether BLM effectively uses its authority to designate sites suitable for fee collection.

In the NPS audit, we reviewed the agency's three largest revenue-generating mechanisms: entrance fees, interagency park passes, and commercial bus tour fees. We found that NPS is missing opportunities to maximize its fee revenue: (1) only one-fifth of entrance-fee-charging park units charge according to the NPS entrance fee model; (2) NPS issues almost a million interagency park passes annually, with well over two-thirds free or close to free; and (3) NPS has not updated its fee schedule for commercial tour buses in 16 years.

Grants Management

Grants management has historically been subject to fraud and waste throughout Government. OIG dedicates significant resources to reviewing the adequacy of departmental and bureau grants management policies and procedures. Areas of concern include insufficient presolicitation planning and competition, selection of inappropriate award vehicles, and inadequate administration and oversight of grants.

U.S. Fish and Wildlife Service (FWS) Grants to States Under the Wildlife and Sport Fish Restoration Program

The Pittman-Robertson Wildlife Restoration Act and the Dingell-Johnson Sport Fish Restoration Act established the Wildlife and Sport Fish Restoration Program. Under the program, FWS provides grants to States to restore, conserve, manage, and enhance their sport fish and wildlife resources. The acts and Federal regulations contain provisions and principles on eligible costs and allow FWS to reimburse States up to 75 percent of the eligible costs incurred under the grants. The acts also require that hunting and fishing license revenues be used only for administration of the States' fish and game agencies. Finally, Federal regulations and FWS guidance require States to account for any income earned using grant funds.

This year, FWS announced that grant funds to be distributed through the program exceeded $1 billion. As with any financial assistance program, a system of monitoring and independent audit must provide assurance that the funds are used appropriately. Each year, OIG conducts several audits to determine whether States (1) claimed program costs in accordance with the acts and related regulations, FWS guidelines, and grant agreements; (2) used State hunting and fishing license revenues solely for fish and wildlife program activities; and (3) reported and used program income in accordance with Federal regulations.

OIG completes about 13 grant audits each year for FWS. We continue to work with FWS officials on any audit findings, so that their monitoring activities can help States resolve the findings and prevent recurrence.

Coastal Impact Assistance Program

We audited grants awarded in Louisiana under the Coastal Impact Assistance Program (CIAP) to determine whether recipients complied with CIAP's authorizing legislation, grant regulations, DOI policies, and grant terms and conditions, and whether FWS effectively administers CIAP.

DOI awarded the State of Louisiana and its 19 eligible parishes 127 CIAP grants totaling $494.2 million between April 2008 and March 2013. During our audit, we reviewed 47 grants totaling $367.2 million and found several issues with grant monitoring that raised concerns about the potential for misuse of funds. Our audit identified $12,930,654 in questioned costs, as well as $4,347,739 in funds to be put to better use. We found significant deficiencies in FWS' and the State's management of CIAP grants, such as ineffective grant monitoring by FWS, insufficient State unused pre-award funds, improper contracts, unsupported payroll charges, over-allocated indirect charges, and inadequate land appraisals. We made 31 recommendations to target the identified deficiencies and seek to improve FWS' management and oversight of CIAP funds.

Wild Horse Gentling and Rehabilitation

At BLM's request, we audited $5,338,880 in costs reported for a horse-gentling program via cooperative agreement under the National Wild Horse and Burro Program. We identified questioned costs of $2,004,553, which included unsupported costs for contractual services and equipment rental, charging unallowable building and depreciation costs to BLM, and using an unapproved indirect cost rate to charge BLM.

Contract Management

OIG has dedicated significant resources to review the adequacy of departmental and bureau policies and procedures related to contract management. Across contract audits, we have identified areas of concern—for example, the high-risk factors and practices described in the "Disaster Response" section. The cross-cutting areas pertaining to operational efficiencies include contractor selection, insufficient pre-solicitation planning and competition, inappropriate award vehicle selection, and poor administration and oversight of contracts.

Specific problems that we identified during our contract audits in FY 2014 included—

- contractors with little to no Federal contract experience;
- contractors billing unsupported and inadequate timesheets;
- contractors billing unsupported equipment;
- contractors billing duplicate costs;

- contractors overcharging for equipment rental;
- contractors billing ineligible overhead rates and incorrect employee billing rates;
- contractors billing out-of-period costs; and
- contractors with deficient accounting systems, and lacking segregation of duties.

Looking Ahead

Grant and Contract Management

DOI awarded approximately $9 billion in new grants and contracts in FY 2014. Significant reforms to OMB guidance will require improved monitoring of grantees. On December 26, 2013, OMB issued final guidance titled "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards." This new guidance, often referred to as the "Super-Circular," will significantly affect day-to-day management and administration of Federal grants.

The new guidance increases competition for Federal grant funds and improves transparency. Specific requirements that will affect DOI include—

- **Public notice for grants.** Federal awarding agencies must notify the public of Federal programs through the Catalog of Federal Domestic Assistance (CFDA). The Digital Accountability and Transparency Act (DATA Act) of 2014 also will add more transparency requirements for agencies to submit accurate and complete data to USASpending.gov.
- **Merit-based review of applications.** Federal awarding agencies must design and execute a merit review process for all grant applications. The review process must be described or referred to in the corresponding funding opportunity.
- **Risk analysis of potential grantees.** Prior to making a Federal award, an agency must have a framework in place to determine the eligibility and risks of applicants. Risk factors include financial stability, quality of management systems, performance history, audit findings, and the applicants' effectiveness in implementing statutory and regulatory requirements.
- **Standardization of information.** In an attempt to reduce variation between Federal agencies, the Super-Circular requires each Federal award to include 15 uniform datasets, including the timing, scope, and expected performance and outcomes.

These new requirements and already existing challenges in grant monitoring will require DOI to focus its efforts on this area for the foreseeable future. Aspects include performing the required risk assessments, using the Single Audits for ongoing monitoring, reviewing supporting documentation for reimbursable costs, and ensuring that grant recipients are using approved indirect cost rates.

Likewise, contracts should be awarded and administered in an efficient, effective, and accountable manner. Like all Federal agencies, DOI is challenged to ensure proper management and oversight of contracts. Specifically with regard to post-award monitoring, DOI will need to strengthen internal controls, particularly the monitoring and recordkeeping of a contract's supporting documentation, such as invoices, timesheets, and inspection reports.

Improving Employee Safety and Reducing Workers' Compensation Costs

The Federal Employees' Compensation Act (FECA) provides 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. DOI's workers' compensation costs, total case rate, and total lost-time cases continue to climb despite efforts to better manage the program. Two factors that are key to improving management include—

- **Employee safety in DOI.** The costs of FECA benefits are initially paid by the U.S. Department of Labor through the Employee Compensation Fund and reimbursed by DOI at the end of each fiscal year. OIG plans to review key safety data to help identify factors driving cost increases and position DOI to target improvements in its employee safety programs.
- **Learning from the POWER initiative.** In 2010, the President established a 4-year initiative called Protecting Our Workers and Ensuring Reemployment (POWER) to advance Government workplace safety and health efforts, covering FYs 2011 through 2014. OIG plans to review DOI's efforts under the POWER initiative, to identify promising practices for employee safety and reducing related compensation costs.

Public Safety

Each year, millions of individuals visit DOI's national parks and monuments, wildlife refuges, and recreational sites. DOI is responsible for serving these visitors and for maintaining and protecting thousands of facilities and millions of acres of property. In some cases, the isolation of lands and facilities presents unique vulnerabilities, making public safety a challenge.

Summary of OIG Work

FY 2014 projects related to public safety included review of underground injection control well activities and the U.S. Park Police firearms program.

Protection of Underground Water Sources

DOI is tasked with managing and protecting resources on Federal and Indian lands, including underground sources of drinking water. To help protect water quality, the U.S. Environmental Protection Agency (EPA) regulates injection wells, which place fluids underground for storage or disposal.

In March 2014, OIG completed an audit of the Department's underground injection control well activities. OIG found several issues with Class V injection wells (shallow gravity-drained wells) managed on DOI lands that could potentially threaten underground sources of drinking water. OIG found that DOI has no overarching guidance or policy to assist bureaus in complying with the EPA's regulations concerning Class V injection wells. This has led to a patchwork of inconsistent or nonexistent policies. In addition, DOI has not effectively tracked and managed the Class V wells, leaving them noncompliant with EPA's regulations to self-report these wells. OIG also found instances where well types banned from operation in 2005 were still operational on departmental lands. OIG provided seven recommendations to DOI and its bureaus that we believe will help them comply with EPA's regulations and safeguard underground sources of drinking water.

U.S. Park Police Firearms Management

OIG conducted simultaneous, unannounced inspections of unassigned weapons at U.S. Park Police (USPP) facilities after receiving an anonymous complaint regarding potentially missing weapons. OIG identified systemic internal control weaknesses that have impaired USPP's ability to properly account for and monitor weapons acquired for agency use. OIG found that staff at all levels—from firearms program managers to their employees—had no clear idea of how many weapons they maintained due to incomplete and poorly managed inventory controls. As a result, OIG discovered hundreds of handguns, rifles, and shotguns not accounted for on official USPP inventory records. The inability to properly account for and monitor weapons creates an environment where weapons are vulnerable to theft or misuse.

We also found that individuals appointed to oversee the USPP firearms program, which includes accountability for all USPP weapons, gave only minimal supervision to officers and other program staff with access to unassigned weapons. Firearms managers accepted verbal assurance that firearms inventories were completed correctly rather than taking personal responsibility for accuracy. This situation created discrepancies between firearms accounted for in the USPP inventory and those weapons that were on hand but not included in inventory records. We were unable to establish the existence of a clear USPP policy or procedure for reporting and investigating missing weapons, and also no clear process for communicating such information. USPP failed to comply with DOI policy governing firearms.

We provided 10 recommendations to improve firearms management. Due to the noncompliant and ad hoc USPP firearms inventory method, OIG could not determine whether any USPP personnel had taken weapons for unauthorized use. USPP's inability to consistently and accurately account for weapons left us with insufficient data on which to base such a determination.

Looking Ahead

BIA Detention Facilities

Detention of inmates in Indian Country is always an area of concern for DOI. The responsibility of ensuring inmates' safety and security not only falls upon the BIA Office of Justice Services (OJS) staff, but also is highly dependent on the facilities in which they are housed. Currently BIA OJS management does not have direct control or oversight of the physical structure of the detention facilities, relying instead on BIA's Office of Facilities, Environmental and Cultural Resources to address facility deficiencies or safety concerns.

In addition, numerous tribes across Indian Country have received grants from the U.S. Department of Justice to construct new detention facilities. In many instances, general contractors perform substandard work, resulting in a facility that cannot be opened (or used). Contractors also are not held accountable during the construction phase. Unless internal controls and oversight are strengthened, BIA detention facilities will continue to be an area of concern for DOI.

Increased Tourism

In June 2014, the Secretary signed a memorandum of understanding (MOU) with members of the Western States Tourism Policy Council and other Federal agencies recognizing the importance of tourism on Federal lands and waters. Tourism to national parks and federally managed lands is a driving economic force in the Western States. Travelers visiting Western States in 2012 spent $277 billion. More than 83 million people visited national parks in the West in 2013. The MOU renews for 5 years an ongoing agreement between States and Federal agencies (in place since 1997) to work together to advance domestic and international tourism on public lands and spur economic growth.

While increasing visitors to the national parks and federally managed lands benefits Western States economically and builds public support for DOI programs, an increased number of visitors also raises public safety concerns, especially in remote regions of the parks, during inclement weather, or with regard to protecting more visitors from animals such as bears. NPS and BLM could potentially find it challenging to adequately plan for and monitor the additional vendors needed to support increased visitor numbers and avoid potential occurrences such as the summer 2012 hantavirus outbreak in NPS tent cabins.

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.

Conclusion

We remain committed to focusing our resources on the issues related to these challenges to ensure greater accountability, promote efficiency and economy in operations, and provide effective oversight of the activities that embody DOI's mission.

Report Fraud, Waste, and Mismanagement

Fraud, waste, and mismanagement in Government concern everyone: Office of Inspector General staff, departmental employees, and the general public. We actively solicit allegations of any inefficient and wasteful practices, fraud, and mismanagement related to departmental or Insular Area programs and operations. You can report allegations to us in several ways.

By Internet:	www.doi.gov/oig/index.cfm	
By Phone:	24-Hour Toll Free:	800-424-5081
	Washington Metro Area:	202-208-5300
By Fax:	703-487-5402	
By Mail:	U.S. Department of the Interior Office of Inspector General Mail Stop 4428 MIB 1849 C Street, NW. Washington, DC 20240	

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Results of Financial Statement Audit

As required by GMRA, DOI prepares consolidated financial statements. These financial statements have been audited by KPMG LLP, an independent public accounting firm, since FY 2001 (the OIG audited the financial statements prior to FY 2001). The preparation and audit of financial statements form an integral part of DOI's centralized process to ensure the integrity of financial information. The results of the FY 2014 financial statement audit are summarized in Figure 3-1. As shown in the table, DOI again achieved an unmodified audit opinion, the 18th, for DOI's consolidated financial statements.

FIGURE 3-1

Summary of Financial Statement Audit					
FY 2014					
Audit Opinion	Unmodified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Controls Over Unusual and Nonrecurring Transactions	1	0	1	0	0
Entity Level Controls and the Impact on Department-Wide Financial Reporting	0	1	0	0	1
Total Material Weaknesses	1	1	1	0	1

Management Assurances

The FMFIA requires agencies to provide an annual statement of assurance regarding internal accounting and administrative controls, including program, operational, and administrative areas as well as accounting and financial management and reporting. During FY 2014, 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 2014 Statement of Assurance was qualified as indicated in Figure 3-2.

FIGURE 3-2

Summary of Management Assurances						
Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance						
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Controls Over Unusual and Nonrecurring Transactions	1	0	1	0	0	0
Entity Level Controls and the Impact on Department-Wide Financial Reporting	0	1	0	0	0	1
Total Material Weaknesses	1	1	1	0	0	1

Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance	Qualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Radio Communications Program	1	0	0	0	0	1
Management of Grants, Cooperative Agreements, and Tribal Awards	0	1	0	0	0	1
Total Material Weaknesses	1	1	0	0	0	2

Conformance with Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance	Systems Conform					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Accounting Standards	1	0	1	0	0	0
Total of Non-Conformances	1	0	1	0	0	0

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

SUMMARY OF IMPROPER PAYMENTS

On January 10, 2013, the President signed into law the *Improper Payment 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) and including the President's "Do Not Pay" efforts into the legislation. The IPERA amends the *Improper Payments Information Act of 2002* (IPIA) by expanding the requirements of all agencies to periodically perform risk assessments of its programs and activities and identify those programs and activities that are susceptible to significant improper payments. Significant improper payments are defined by IPERA as improper payments exceeding both 1.5 percent of program outlays and $10 million of all program or activity payments, or $100 million. The IPERIA requires that agencies accelerate implementation of Do Not Pay (DNP) plans and determine how to intensify efforts to review pre-award and pre-payment processes, complete onboarding processes, and expand the volume of transactions examined through Treasury's DNP portal, as needed.

Risk Assessments

The OMB requires agencies to review all programs to determine the risk susceptibility of making significant improper payments and to perform more in-depth assessments for those programs meeting OMB's criteria for "significant erroneous payments." Prior to FY 2012, DOI offices and bureaus conducted their own risk assessments individually and reported the results to the Department on a three-year cycle utilizing a risk assessment rating tool consisting of reviewing all programs exceeding $100 million in annual outlays to identify those that are susceptible to significant improper payments, performing statistical estimates of the annual amount of improper payments within those programs determined to be at risk of significant improper payments, implementing processes to reduce the level of improper payments, and reporting in the annual financial report estimates of annual improper payments and the progress in reducing them for each of the programs susceptible to significant improper payments.

In order to institute a standardized DOI-wide process that reflected the new reporting criteria in IPERA, DOI updated its annual risk assessments policies and risk rating tool. In FY 2012, DOI inaugurated the newly developed guidance and tool by inventorying all program outlays. Based on the new dollar thresholds and quantitative and qualitative criteria established in IPERA, DOI then conducted risk assessments by reviewing all programs that exceeded $10 million in annual outlays to identify those susceptible to significant improper payments.

The DOI historically has had low risk of improper payments. Implementing the new risk assessment guidance and risk rating tool confirmed that the DOI continued to experience low risk of improper payments in FY 2012. Therefore, based on utilizing the new risk assessment process, DOI determined that none of its programs are risk susceptible for making significant improper payments at or above the thresholds set by OMB. In addition to the risk assessment process, the DOI also considered the results under the *Single Audit Amendments of 1996*, the CFO Act, GAO reviews, and reviews by the DOI's OIG when making its assessment.

FIGURE 3-3

FY 2014 Payment Recapture Audit Report (dollars in thousands)								
Interior	Amount Subject to Review for FY 2014 Reporting	Actual Amount Reviewed and Reported CY	Amount Identified for Recovery CY	Amount Recovered CY	Amount Identified for Recovery PYs	Amount Recovered PYs	Cumulative Amount Identified for Recovery (CY+PYs)	Cumulative Amount Recovered (CY+PYs)
TOTAL	$ 34,044,499	$ 34,044,499	$ 127	$ 116	$ 1,944	$ 1,830	$ 2,071	$ 1,946

KEY: CY Current Years 2010 - 2012 **PYs** Prior Fiscal Years 2005 - 2009

In accordance with OMB guidance M-11-16, *Issuance of Revised Parts I and II to Appendix C of OMB Circular A-123*, if a program was risk-assessed in FY 2012, and the result falls below the thresholds set by IPERA, then the program can be put on a 3-year risk-assessment cycle. Based on the results of DOI's FY 2012 risk assessments on improper payments, the next risk assessment cycle is not due until FY 2016.

However, OMB memorandum M-13-07, *Accountability for Funds Provided by the Disaster Relief Appropriations Act*, requires Federal agencies that supported Hurricane Sandy relief efforts to implement additional internal controls to prevent waste, fraud, and mismanagement of these funds. Agencies were, therefore, required to manage the Sandy relief funds in the same manner as programs that are designated high-risk for improper payments.

All Federal programs and activities that received Sandy relief funds shall automatically be treated as high-risk, regardless of any prior favorable risk assessment results. In FY 2013, DOI received $829.2 million in funding for both FY 2013 and FY 2014 to support Hurricane Sandy relief efforts. In compliance with OMB memorandum M-13-07, *Accountability for Funds Provided by the Disaster Relief Appropriations Act*, the required reviews were completed for FY 2013 high risk programs and activities to determine estimated improper payment rates based on specific sampling methodologies in FY 2014.

Payment Recapture Audits

Beginning in 2011, IPERA greatly expands the types of payments that can be reviewed. The IPERA also lowers the threshold for conducting repayment audits from $500 million in annual outlays to $1 million in annual outlays if conducting such audits would be cost effective.

The DOI has historically utilized a recovery audit firm to conduct the predominance of its recovery audit effort. In FY 2013, DOI awarded a contingency fee-based contract to a recovery audit firm in order to re-establish DOI's payment recapture audit program. In April 2014, the recovery auditors completed DOI's payment recapture audit. As shown in Figure 3-3, the scope of the recovery audits included $34 billion of funds expended for FYs 2010 – 2012. The reviewed funds expended covered 54 percent, 62 percent, and 65 percent of total DOI payments in FY 2010, FY 2011, and FY 2012, respectively.

Of the $34 billion in outlays reviewed, the recovery auditors uncovered only $127,000 of erroneous payments, or an improper payment rate of .000375 percent. The difference between the Amount Identified for Recovery CY and the Amount Recovered CY is attributable to vendor claims that were not pursued by the recovery auditors prior to the expiration of the contract. The DOI plans to follow-up with the vendors on the outstanding claims.

Based on the low rate of improper payments, DOI concluded that the cost of executing a payment recapture audit program has outweighed the benefits of finding and recovering erroneous payments. The staff resources needed to conduct the program, sustain the contract, and oversee vendor payments are a significant drain on limited resources, and the benefits to the government are minimal.

As a result, OMB was notified in April 2014 that DOI discontinued sponsoring the payment recapture audit program at the DOI level. The DOI, however, did inform the bureaus that, if deemed cost effective, individual recovery audits may still be conducted. The DOI will continue complying with IPERA through the A-123 process as a more cost effective and efficient use of resources.

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 collectively known as the Do Not Pay (DNP) List. The OMB and the Department of Treasury have developed a web based single-entry access point to these data bases known as the DNP Solution. In response to OMB M-12-11, DOI submitted a plan that outlined implementation of the DNP Solution into DOI's business processes which minimizes the risk of contracting with entities, as well as prevents payments to inappropriate parties on the DNP List.

The DOI implemented the DNP Solution using a two-phase approach that was coordinated with the deployment of FBMS. Phase I of DNP was implemented for the 2nd quarter of FY 2013 and included 90 percent of DOI bureaus and users. Phase II implemented the remaining 10 percent of DOI bureaus and users in FY 2014. In implementing the DNP Solution, DOI consulted with the following databases:

- Debt Check;
- Death Master File (DMF);
- System of Acquisition Management (SAM), which consolidated the following legacy databases:
    - The Work Number;
    - Central Contractor Registration;
    - List of Excluded Individuals/Entities;
    - Federal Awardee Performance and Integrity Information System; and
    - Excluded Party List System (EPLS) with an Office of Foreign Asset Controls.

The data in Figure 3-4 represents nine months of the number and dollar of payments from October 2013 to June 2014. In Column (1), the number of payments reviewed for improper payments includes the total payments disbursed by DOI through the Treasury Public Access to Court Electronic Records (PACER) payment system minus any payments that were excluded due to a missing or unmatchable tax identification number (DMF only) or a missing name. In Column (3), the number of payments stopped is based on post-payment results. In Column (5), the number of improper payments reviewed and not stopped includes the total matches that were adjudicated as improper by DOI.

Based on the data received from DMF, DOI only received one match, out of the more than eight million payments reviewed, in which the payment was stopped. The extremely low probability of matches indicates that the number of false positives is high. The DOI reviewed the single match and deemed that the payment was not improper.

For FY 2014, DOI included the requested information on other databases in Figure 3-4. The only other database that DOI received DNP information from is SAM/EPLS. Any matches received from SAM/EPLS is reviewed by the Senior Procurement Official. Out of the more than 8 million SAM/EPLS payments reviewed, DOI did not receive any matches, which equates to a zero probability of improper payments.

Hurricane Sandy Reviews

On January 29, 2013, the President signed into law the *Disaster Relief Appropriations Act of 2013* (Disaster Act), which provides $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 the *Improper Payment Information Act (IPIA) of 2002*. Therefore, all federal programs or activities receiving funds under the *Disaster Act* are automatically con-

FIGURE 3-4

Implementation of the Do Not Pay Initiative to Prevent Improper Payments
(dollars in thousands)

	Number(#) of payments reviewed for improper payments	Dollars ($) of payments reviewed for improper payments	Number(#) of payments stopped	Dollars ($) of payments stopped	Number(#) of payments reviewed and not stopped	Dollars ($) of payments reviewed and not stopped
Reviews with DMF only	8,109,978	$ 16,827,712	1	$ 78	1	$ 78
Reviews with all other databases	8,192,543	$ 17,198,890	0	$ -	0	$ -

sidered 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.

Under the Disaster Act, DOI was authorized $360 million in funding to use for supporting the relief efforts related to Hurricane Sandy. The DOI received these funds late in FY 2013 and as a result, DOI did not incur significant amounts of expenses to support Hurricane Sandy activities in FY 2013. The DOI received approximately $35 million of funds and incurred $64 million outlays directly related to Hurricane Sandy in FY 2013.

The DOI commenced testing of FY 2013 Hurricane Sandy funds in the spring of FY 2014. The DOI conducted both census (100 percent) testing and statistically valid sampling methodologies.

The expenditures DOI incurred in support of Hurricane Sandy relief efforts are classified under the following cost categories:

- **Payroll**

  The payroll expenditures include payments to employees for performing Hurricane Sandy efforts. The payroll payments are supported by work hours charged in DOI's timekeeping system, Quicktime, and further detailed in activity reports maintained in the field offices.

- **Supplies and Services**

  The expenditures for supplies represent consumable items. The supporting documentation related to reimbursable services agreements were reviewed if supplies or services were obtained from other DOI bureaus or offices. For purchase card transactions, vendor invoices, store receipts and monthly statements were reviewed to ensure the propriety of the supplies and services purchased. Prior to making purchase card payments, supervisors are required to review the transactions and reconcile the charges with the appropriate supporting documentation. With the new Review and Approve JP Morgan payment system, supervisors may now perform this function, including approving the payments, through an automated process online.

- **Travel and transportation**

  The travel expenditures are supported by travel authorizations and vouchers. Travel documents were reviewed from two different sources: 1) former GovTrip and 2) new Concur Government Expense travel management systems. Prior to traveling to support Hurricane Sandy recovery efforts, travel administrators or the employee themselves prepare a travel authorization. Once forwarded for approval, the designated approving official reviews the document to ensure that the anticipated travel expenses will be incurred to support the mission of the trip, meet Federal Travel Regulation requirements, and are reasonable.

  When the employee completes the trip, the travel authorization is then converted to a travel voucher. Again, the approving official reviews the propriety of the actual expenses incurred and reconciles the claims with the appropriate supporting documentation- such as airline tickets, rental car receipts, hotel bills, etc.

As shown in Figure 3-5, the results of the DOI FY 2013 review of Hurricane Sandy funds revealed no improper payments and confirmed that funds expended under the Disaster Act were used for the intended purpose. Disaster Relief funding was only authorized for FYs 2013 and 2014, therefore reporting data for future years is not applicable. In addition, reporting on the recapture of improper payments is not applicable and no data is disclosed since the review indicated that no improper payments were found. The DOI's improper payment rate on FY 2013 expenditures incurred in support of the Hurricane Sandy relief efforts is 0.0 percent, which sustains DOI's historical low risk with improper payments.

FIGURE 3-5

Improper Payment (IP) Reduction Outlook
(dollars in thousands)

Program or Activity	PY Outlays	PY IP %	PY IP $	CY Outlays	CY IP %	CY IP $	CY Overpayment $	CY Underpayment $	CY+1 Est. Outlays	CY+1 IP %	CY+1 IP $
Hurricane Sandy - Disaster Relief Act Program	n/a	n/a	n/a	$ 63,892	0%	$ -	$ -	$ -	$ 162,545	0%	$ -

KEY: CY Current Fiscal Year 2013 **PY** Prior Fiscal Year

Other Efforts

As noted below DOI conducts other efforts to identify and recover improper payments. As a result of DOI's focus on maintaining strong controls to prevent improper payments, only insignificant levels of improper payments have been identified.

Prepayment Audit of Government Bills of Lading - The DOI has conducted prepayment audits of freight bills via GBL for a number of years. This effort is required by the *Travel and Transportation Reform Act of 1998*. Efforts continue with the DOI's bureaus to ensure that all freight bills receive prepayment audits.

Invoice Payment Reviews – The DOI conducts various pre and post-payment reviews across the bureaus. The reviews are the responsibility of the bureau and are not used to not 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 prep and post travel voucher audits. The audits are designed to identify incorrect payment amounts, unauthorized claims, and internal controls over the payment process.

Current Progress

To meet the President's challenge to reduce Government-wide improper payments by $50 billion and recapturing at least $2 billion in improper payments Government-wide, DOI implemented several steps in FY 2014 to ensure that its managers are held accountable for reducing and recovering improper payments.

To ensure a robust process for reducing improper payments, DOI:

- Updated annual risk assessment policies and guidance to incorporate improvements in conducting, reporting, and documenting the program and ensure compliance with OMB Circular No. A-123, Appendix C;
- Re-established a payment recapture audit program to comply with the reporting requirements of IPERA;
- Conducted reviews for improper payments on programs that received funds authorized under the Disaster Act for the Hurricane Sandy relief efforts based on the guidance in OMB M-13-07;
- Collaborated with the Office of Acquisition and Property Management and the Business Integration Office on the submission of DOI's plan for deploying the DNP solution to OMB in accordance with OMB M-12-11; and
- Submitted test files from DOI's vendor database to the Department of Treasury through the DNP solution.

To recover those improper payments that are made, DOI:

- Implemented an action plan that describes how DOI is prioritizing its payment recapture activities and establish a framework for establishing recapture goals;
- Completed recovery audits based on DOI's re-established payment recapture audit program;
- Completed reviews for improper payments on programs deemed high risk in support of the Hurricane Sandy relief efforts; and
- Consulted with DOI's relationship manager at Treasury on the types of data sources and data analytic services in order to register the DOI into the DNP solution.

Going Forward

To continue supporting the President's goals with IPERA, DOI will:

- Ensure IPERA compliance through annual OMB A-123 internal control review processes; and
- Conduct reviews for improper payments on programs that received FY 2014 funds authorized under the Disaster Act for the Hurricane Sandy relief efforts based on the guidance in OMB M-13-07.

The DOI will seek a waiver from the IPERIA reporting requirements on the DNP initiative. Until the OMB waiver is received, DOI will continue to utilize the following DNP features in accordance with IPERIA and the service agreement with Treasury:

- Batch Matching by sending a download of our FBMS vendor file, which encompasses 90 percent of DOI disbursement activity. It is important to note that all disbursement streams utilize the FBMS vendor file;

- Continuous Monitoring by updating DNP weekly with FBMS vendor file additions and deletions. This will ensure that any new potential contractors are identified within seven business days and appropriate action is taken before a contract, grant, or loan is effected and any payment is made; and

- Data Analytics Services by submitting quarterly disbursement files to DNP for customized analysis to combat improper payments, including matching payment files against currently available data sources. In addition, the results will be analyzed for abnormal groupings or irregularities to determine if additional A-123 audit related procedures are necessary.

For monitoring DNP, DOI will utilize the following metrics to ensure success of implementation:

- Percent of conclusive, probable, and possible matches researched;

- Percent of total disbursements subject to Data Analytics Services; and

- Percent of improper payments identified through Data Analytic Services recovered.

FREEZE THE FOOTPRINT

The DOI has 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, *Improving Acquisition through Strategic Sourcing*. These directives mandate 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 has issued a Freeze the Footprint policy to bureaus/offices requiring actions and controls similar to those identified by OMB. The policy requires development of bureau and office Real Property Strategic Plans with structured components which will be 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 the FtF initiative and will promote actions to limit these increases through consolidations, co-locations, and returning space to GSA.

The following charts illustrate the total FY 2013 square footage associated with DOI real property 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 lease facilities that are subject to the FtF policy.

Freeze the Footprint Baseline Comparison

	FY 2012 Baseline	FY 2013	Change (FY 2012 Baseline - FY 2013)
Square Footage (SF in millions)	42.87	42.08	-.79

Reporting of Operations and Maintenance Costs - Owned and Direct Lease Buildings*

	FY 2012 Reported Cost	FY 2013	Change (FY 2012 Baseline - FY 2013)
Operation and Maintenance Costs ($ in thousands)	$ 161,236	$ 169,070	$ 7,900

* This data does not include costs for GSA Occupancy Agreements totaling nearly $320 million.

Schedule of Spending For Year Ended September 30, 2014 *(dollars in thousands)*	DOI	OS	BOR	NPS	USGS
What Money is Available to Spend?					
Total Resources	$ 33,276,862	$ 9,554,577	$ 4,194,725	$ 4,456,023	$ 2,160,147
Less Amount Available But Not Agreed to be Spent	(8,383,504)	(2,033,609)	(1,296,432)	(1,078,464)	(546,476)
Less Amount Not Available to be Spent	(284,824)	(11,600)	(3,074)	(55,194)	(14,981)
Total Amounts Agreed to be Spent	$ 24,608,534	$ 7,509,368	2,895,219	$ 3,322,365	$ 1,598,690
How was the Money Spent/Issued?					
Non-Financial Assistance Direct Payments	$ 6,698,819	$ 642,019	$ 662,317	$ 1,701,157	$ 907,130
Contracts	10,902,213	3,569,295	1,837,516	1,302,125	564,424
Grants	5,209,744	2,497,134	386,969	314,012	104,367
Financial Assistance Direct Payments	1,688,670	805,694	1,123	1,532	-
Insurance	23,008	16,411	28	3,565	88
Interest and Dividends	9,275	1,542	7,317	-	-
Other Payment Types	76,805	(22,727)	(51)	(26)	22,681
Total Amounts Agreed to be Spent	$ 24,608,534	$ 7,509,368	$ 2,895,219	$ 3,322,365	$ 1,598,690

Schedule of Spending For Year Ended September 30, 2013 *(dollars in thousands)*	DOI	OS	BOR	NPS	USGS
What Money is Available to Spend?					
Total Resources	$ 31,472,615	$ 9,338,250	$ 3,575,600	$ 4,181,079	$ 2,068,367
Less Amount Available But Not Agreed to be Spent	(9,114,936)	(3,209,329)	(1,308,667)	(992,800)	(503,066)
Less Amount Not Available to be Spent	(158,011)	(16,104)	(2,605)	(54,686)	(13,091)
Total Amounts Agreed to be Spent	$ 22,199,667	$ 6,112,817	$ 2,264,328	$ 3,133,593	$ 1,552,210
How was the Money Spent/Issued?					
Non-Financial Assistance Direct Payments	$ 6,812,155	$ 538,554	$ 624,650	$ 1,772,593	$ 911,379
Contracts	8,787,066	2,441,256	1,331,982	1,131,936	531,156
Grants	5,093,403	2,320,902	79,128	97,079	95,723
Financial Assistance Direct Payments	1,386,526	795,400	211,121	130,471	-
Insurance	15,831	12,199	691	1,404	84
Interest and Dividends	17,839	483	16,837	-	-
Other Payment Types	86,847	4,023	(81)	110	13,868
Total Amounts Agreed to be Spent	$ 22,199,667	$ 6,112,817	$ 2,264,328	$ 3,133,593	$ 1,552,210

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.

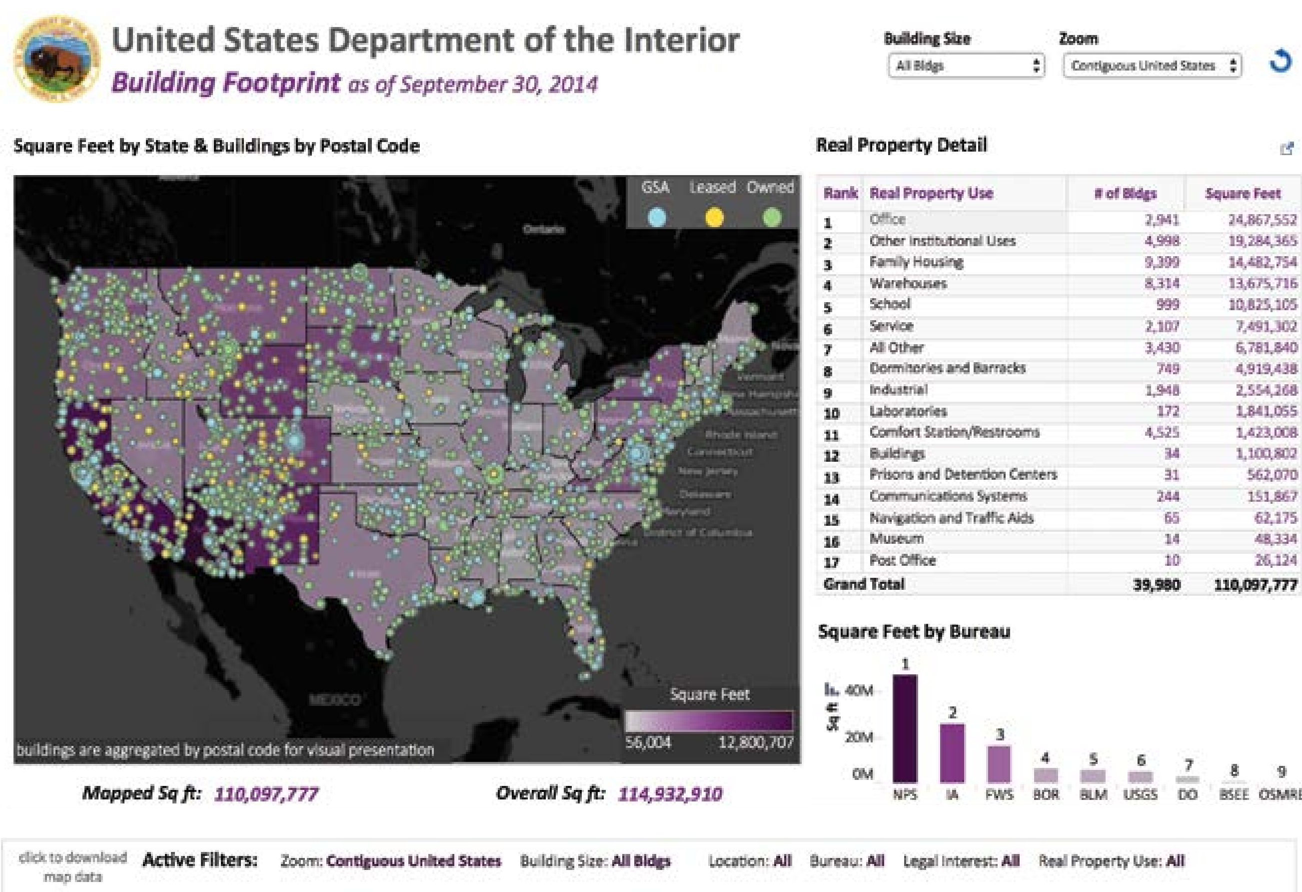
Although the basic premise of the SOS is complete, certain details are still being developed. Accordingly, the reporting of this information is included in the Other Information to permit DOI to explore the optimal means of presenting spending taxpayers' money. To further achieve this objective, DOI 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	
$	3,261,580	$	4,516,260	$	674,145	$	211,519	$	3,896,891	$	350,995
	(1,137,687)		(1,258,531)		(66,133)		(39,015)		(830,231)		(96,926)
	(121,411)		(21,916)		(6,820)		(1,414)		(47,668)		(746)
$	2,002,482	$	3,235,813	$	601,192	$	171,090	$	3,018,992	$	253,323
$	1,003,563	$	936,617	$	52,060	$	71,859	$	627,715	$	94,382
	805,144		744,360		145,101		81,678		1,698,538		154,032
	4,250		1,481,168		404,032		-		17,812		-
	189,386		-		-		17,442		668,593		4,900
	144		1,476		-		111		1,176		9
	(5)		-		-		-		421		-
	-		72,192		(1)		-		4,737		-
$	2,002,482	$	3,235,813	$	601,192	$	171,090	$	3,018,992	$	253,323

BLM	FWS	OSMRE	BOEM	IA	BSEE
3,267,890	4,118,658	738,538	199,119	3,668,828	316,286
(1,184,570)	(969,271)	(55,252)	(36,286)	(759,273)	(96,423)
(6,662)	(20,505)	(6,231)	(1,307)	(36,598)	(222)
2,076,658	3,128,882	677,055	161,526	2,872,957	219,641
1,062,419	971,045	53,671	69,450	721,515	86,879
838,351	653,339	216,615	83,685	1,425,986	132,760
-	1,440,714	406,764	-	653,093	-
174,893	-	-	8,389	66,252	-
440	443	5	2	561	2
-	-	-	-	519	-
555	63,341	-	-	5,031	-
2,076,658	3,128,882	677,055	161,526	2,872,957	219,641

The DOI financial community believes the next opportunity to provide value and increase transparency to the public is through better analysis and data visualization (i.e., putting a picture on the numbers). This type of alternative reporting will provide the public with timely and useful information in a simple presentation. Although the recent passage of the *Digital Accountability and Transparency Act of 2014* (DATA Act) will shape the way the Government reports spending data to the public and increases transparency in the future, other areas, such as spending on property or reporting of financial statements, can also be presented in more useful ways.

For FY 2014, DOI developed two interactive dashboards to demonstrate the power and flexibility of using technology to present Federal data: the Building Footprint dashboard and the Estimated Royalty dashboard. The graphics below are screenshots of the interactive dashboards that can be accessed at the following URL: (***http://www.doi.gov/pfm/afr/2014/maps/index.cfm***).



(Click on the image above to interact with the live dashboard)

The Building Footprint dashboard allows the public to see the following for each building:

- Location (State/Postal Code);
- Size (Square footage);
- Usage (Which bureau uses the building and for what purpose); and
- Legal Interest (Whether the building is DOI-owned, leased or GSA-provided).

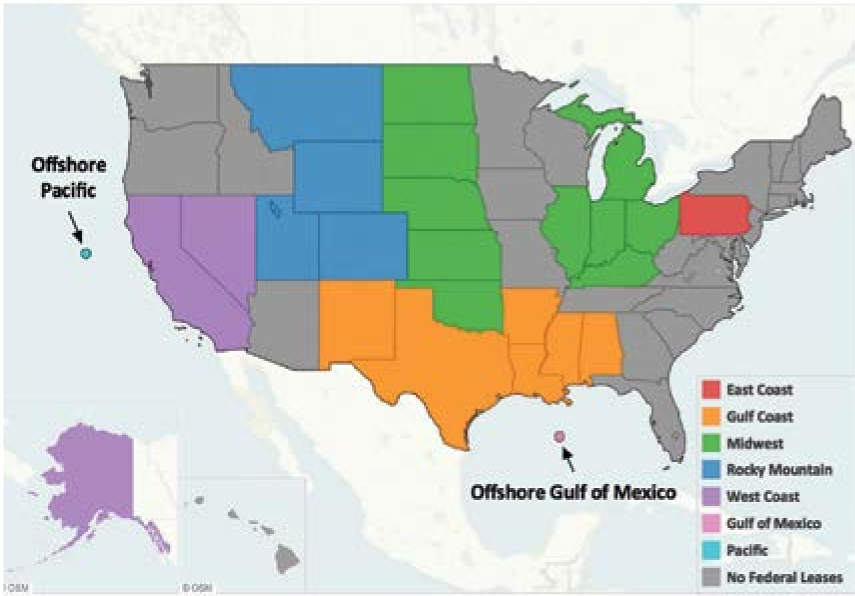
The power behind this presentation lies in the hands of the reader. Each reader can decide what to focus on by changing the zoom or building size options or by clicking on a state, bureau, legal interest or real property use. Additional information is presented in hover-over popups. Readers can also drill into details by state on a separate dashboard.

United States Department of the Interior

FY 2014 Estimated Federal Oil Royalties

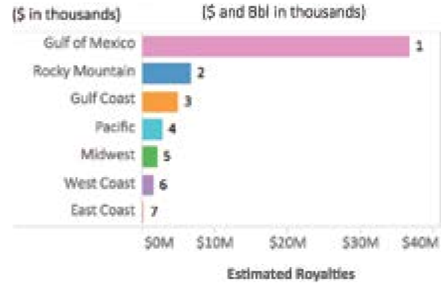
Select a Resource

- Oil
- Gas
- Coal



Royalties by Region ($ in thousands)

Oil and Lease Condensate ($ and Bbl in thousands)



Oil and Lease Condensate

($ and Bbl in thousands)

Group	Region	Estimated Royalties	Estimated Quantity
Onshore	East Coast	$313	45
	Gulf Coast	$5,033,359	655,394
	Midwest	$2,077,018	293,252
	Rocky Mountain	$6,768,485	969,076
	West Coast	$1,638,871	229,331
	Total	$15,518,046	2,147,098
Offshore	Gulf of Mexico	$36,768,527	4,627,752
	Pacific	$2,864,532	289,682
	Total	$39,633,059	4,917,434
Grand Total		$55,151,105	7,064,532

Notes: 1) Amounts ($) are estimated present values of future Federal royalty receipts on estimated proved reserves; 2) Offshore Pacific includes royalties from Alaska Federal Outer Continental Shelf Proved reserves; and 3) Onshore Regions are consistent with Petroleum Administration for Defense Districts

click to download map data

(Click on the image above to interact with the live dashboard)

The Estimated Royalty dashboard visually presents estimated quantities and estimated present values of proved oil, gas, and coal reserves on Federal lands (both onshore and on the OCS). Readers can interact with this dashboard to select which resource is displayed and hover over the dashboard for additional information.

The DOI is also developing a dashboard that shows our annual expenditures by geographic location, by budgetary account (i.e., high level program), by recipient, and by object class. In other words, it shows where our expenditures went, who they went to, and what they were for. In addition, recipient and object class breakouts are available for each budgetary account at the national level or at the state level. This map has the potential for a high degree of transparency and insight into DOI's policies and decisions as expressed through our expenditure patterns and is directly in line with the spirit and intent of the DATA Act.

Moving forward, DOI will continue to explore alternative reporting methods for all functions, especially financial reporting. The DOI remains committed to playing a leadership role in this area to further the Federal Government's goal of increasing transparency to enable taxpayers and policy makers to track Federal activities more effectively. The DOI financial community believes greater transparency will directly result in better data in our systems and ultimately improve performance and accountability across the Government.

GLOSSARY OF ACRONYMS

21CSC	21st Century Conservation Service Corps.
AFR	Agency Financial Report
AGA	Association of Government Accountants
AGO	America's Great Outdoors
AML	Abandoned Mine Land
APP&R	Annual Performance Plan and Report
ARRA	American Reinvestment and Recovery Act of 2009
ASG	American Samoa Government
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
BPA	Bonneville Power Administration
BSEE	Bureau of Safety and Environmental Enforcement
CFO	Chief Financial Officer
CFP	Climate Friendly Parks Initiative
COTS	Commercial Off-the-Shelf Software
CIAP	Coastal Impact Assistance Program
CIP	Construction in Progress
CSC	Climate Science Center
CSRS	Civil Service Retirement System
DATA ACT	Digital Accountability and Transparency Act of 2014
DCIA	Debt Collection Improvement Act
DMF	Death Master File
DNP	Do Not Pay
DO	Departmental Offices
DOE	Department of Energy
DOI	Department of the Interior
DOL	Department of Labor
EFT	Electronic Funds Transfer
EIA	Energy Information Administration
EIRF	Environmental Improvement and Restoration Fund
EPA	Environmental Protection Agency
EPLS	Excluded Party List System
FASAB	Federal Accounting Standards Advisory Board
FBMS	Financial and Business Management System
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
FHWA	Federal Highway Administration

FISMA	Federal Information Security Management Act of 2002
FLPMA	Federal Land Policy and Management Act
FMFIA	Federal Managers' Financial Integrity Act
FMV	For Market Value
FTF	Freeze the Footprint
FWS	U.S. Fish and Wildlife Service
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GDP	Gross Domestic Product
GMRA	Government Management Reform Act
GOADS	Gulf-Wide Offshore Activities Data Systems
GPA	Guam Power Authority
GPRA	Government Performance and Results Act
GSA	General Services Administration
HF	Hydraulic Fracturing
HPF	Historic Preservation Fund
HVAC	Heating, Ventilation and Air Conditioning
IBC	Interior Business Center
IA	Indian Affairs
IIM	Individual Indian Monies
IPERA	Improper Payments Elimination and Recovery Act
IT	Information Technology
LCC	Landscape Conservation Cooperative
LCRBDF	Lower Colorado River Basin Development Fund
LWCF	Land and Water Conservation Fund
M&I	Municipal and Industrial
Mcf	One Thousand Cubic Feet
MLA	Mineral Leasing Act for Acquired Lands of 1947
NBC	National Business Center
NEPA	National Environmental Policy Act
NNALEA	National Native American Law Enforcement Association
NPS	National Park Service
NWR	National Wildlife Refuge
OCIO	Office of the Chief Information Officer
OCS	Outer Continental Shelf
OIA	Office of Insular Affairs
OIG	Office of Inspector General
OJS	Office of Justice Services
ONRR	Office of Natural Resources Revenue
OMB	Office of Management and Budget
OPA	Office of the Public Auditor
OPM	Office of Personnel Management
OS	Office of the Secretary
OSMRE	Office of Surface Mining Reclamation and Enforcement
OST	Office of the Special Trustee for American Indians
OTFI	Office of Trust Fund Investments
OWF	Office of Wildland Fire
PACER	Public Access to Court Electronic Records
PADD	Petroleum Administration for Defense Districts
PDST	Principal Deputy Special Trustee

GLOSSARY OF ACRONYMS

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
REEA	Renewable Energy Evaluation Area
ROW	Rights of Way
SAA	Single Audit Act of 1996
SBR	Statement of Budgetary Resources
SEMS	Safety and Environmental Management System
SFFAS	Statement of Federal Financial Accounting Standard
SFRBTF	Sport Fish Restoration and Boating Trust Fund
SIWIP	Share Investment Water Innovation Program
SNPLMF	Southern Nevada Public Land Management Fund
SOS	Schedule of Spending
TLCP	Trust Land Consolidation Program
UDO	Undelivered Order
USBR	United States Bureau of Reclamation
USCG	U.S. Coast Guard
USFS	U.S. Forest Service
USGS	U.S. Geological Survey
USPP	United States Park Police
UTRR	Undiscovered Technically Recoverable Resources
VTC	Video TeleConference
WAPA	Western Area Power Administration
WaterSMART	Sustain and Manage America's Resources for Tomorrow
WMD	Western Management Disrtict
WUI	Wildland Urban Interface

WE WOULD LIKE TO HEAR FROM YOU

We would like to hear from you about our FY 2014 Agency Financial Report. Did we present information in a way you could use? What did you like best and least about our report? How can we improve our report in the future?

You can send written comments to:

U.S. Department of the Interior
Office of Financial Management
MS 2557-MIB
1849 C Street, NW
Washington, DC 20240
(202) 208-4701

Or, if you prefer, email your comments to ***PFM@ios.doi.gov.***

For Copies of This Report

An electronic copy of this report and its companion executive summary are available at ***www.doi.gov/pfm/afr/index.cfm.*** We also encourage you to access the links to other documents that describe the Department of the Interior's mission and programs.

To request additional copies on disk of this report, please contact:

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UNITED STATES DEPARTMENT OF THE INTERIOR

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Bureau of Ocean Energy Management
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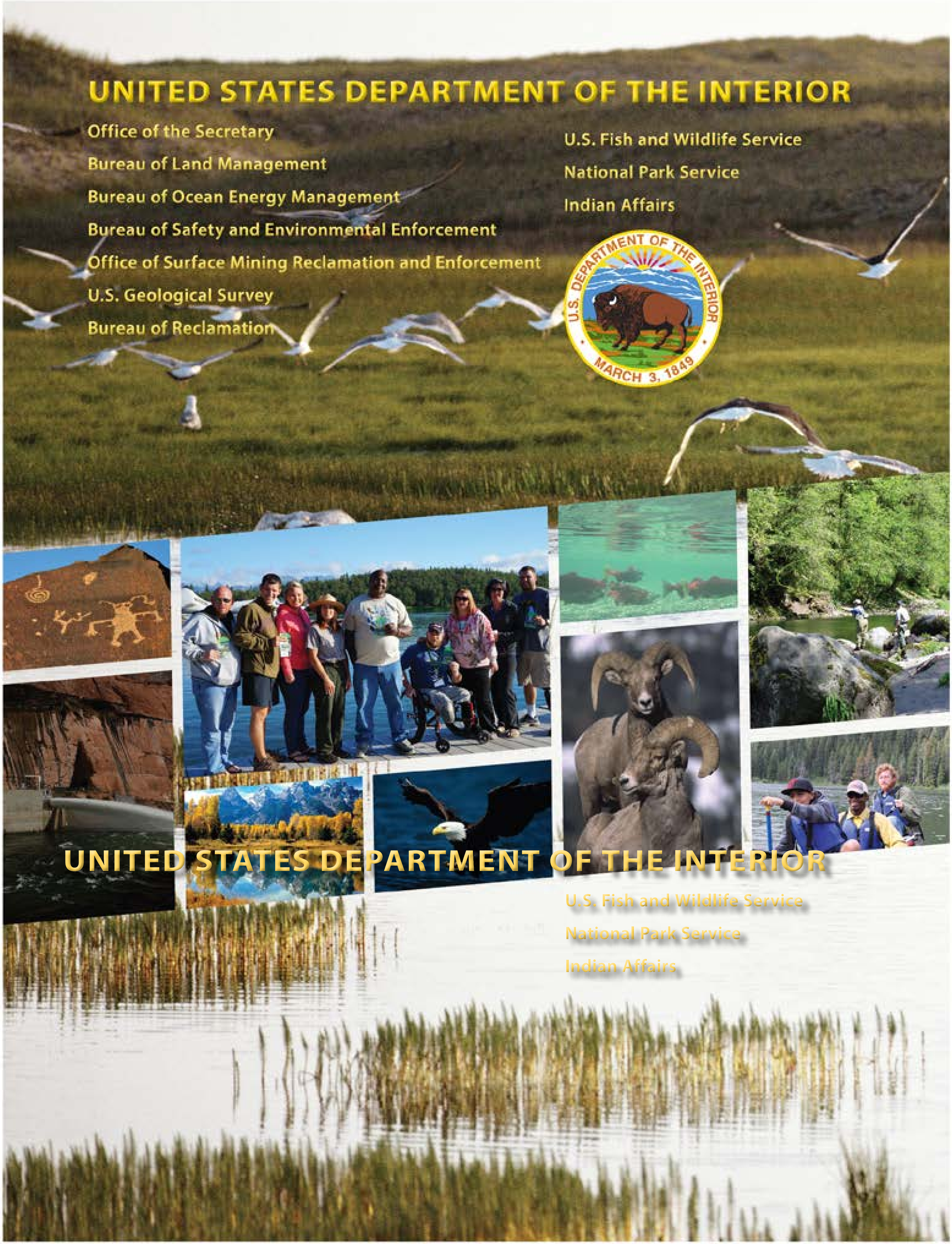
Office of Surface Mining Reclamation and Enforcement
U.S. Geological Survey
Bureau of Reclamation
U.S. Fish and Wildlife Service
National Park Service
Indian Affairs



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U.S. Fish and Wildlife Service
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