UNITED STATES DEPARTMENT OF THE INTERIOR

Agency Financial Report FY 2015

U.S. Department of the Interior

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U.S. DEPARTMENT OF THE INTERIOR

FISCAL YEAR 2015

AGENCY FINANCIAL REPORT

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The Department of the Interior (DOI) is pleased to submit its Agency Financial Report (AFR) for Fiscal Year (FY) 2015. 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.

Last year, the DOI contributed $360 billion to the U.S. economy, supporting an estimated 2 million jobs from outdoor recreation and tourism to energy development, livestock grazing, and timber harvesting. The Department manages more than 530 million surface acres, 700 million subsurface acres, 54 million acres of submerged land in five Pacific marine national monuments, and 1.7 billion acres of the Outer Continental Shelf (OCS). It oversees responsible development of 21 percent of U.S. energy supplies, is the largest supplier and manager of water in the 17 Western states, maintains relationships with 566 federally-recognized tribes, and provides services to more than 2 million American Indian and Alaska Native peoples. Conventional energy produced from the Department's lands contributed an estimated $230 billion to the national economy, supporting 1.1 million jobs.

The DOI is particularly proud to report its 19th consecutive unmodified audit opinion—a reflection of effective management, which is critically important to achieving strategic 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, diverse and technologically advanced, and a changing climate that will continue to have impacts on land, water, wildlife, cultural resources, and tribal communities.

The DOI continues to emphasize six priorities from the FY 2014-2018 Strategic Plan to guide and focus its efforts. The DOI is pleased to report on its accomplishments based on these priorities.

Celebrating and Enhancing America's Great Outdoors. 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 the best available science, developing a landscape-level understanding, and engaging stakeholders to identify and share conservation priorities.

In FY 2015, Congress appropriated $205.6 million to be allocated from the Land and Water Conservation Fund (LWCF) for Federal land acquisition and grants within DOI. Federal land acquisition funding has two components – core projects that are selected by mission criteria for each bureau and a competitive component selected by common criteria among DOI and the U.S. Department of Agriculture (USDA), known as the Collaborative Landscape Planning (CLP) component. In FY 2015, the core projects were funded at $35 million, which included $2 million for sportsman/recreational access within the Bureau of Land Management (BLM). These mission-driven projects preserve habitat for wildlife and provide access for recreation. The DOI allocated $29 million for the CLP component. This approach 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 CLP 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 $37 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 coastal California gnatcatcher to the Karner blue butterfly. 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 September 2015, the U.S. Fish and Wildlife Service (FWS) announced the Greater sage-grouse would not be listed under the *Endangered Species Act* (ESA), the culmination of the largest land and wildlife conservation effort in history. Thanks to an unprecedented effort by dozens of partners across 11 Western states, nearly 67 million acres of important sagebrush habitat across the West was protected. The DOI's work to address the sagebrush landscape is an important milestone for DOI in terms of the level of partnership and collaboration involved in preventing the listing of the Greater sage-grouse. The DOI will continue this approach to demonstrate the flexibility of the ESA to support America's unique wildlife and healthy economic development through voluntary partnerships and landscape level conservation efforts. Dozens of species have been delisted due to recovery, including the bald eagle, American alligator, and peregrine falcon. This Administration is on track to delist more species due to recovery than all prior Administrations.

In addition, DOI is implementing Secretarial Order 3336, *Rangeland Fire Prevention, Management, and Restoration*, which set in motion options to enhance the protection, conservation, and restoration of a healthy sagebrush-steppe ecosystem, and address important public safety, economic, cultural, and social concerns. It called for the development of a comprehensive, science-based strategy to reduce the size, severity and cost of rangeland fires; address the spread of cheatgrass and other invasive species; and position wildland fire management resources for more effective rangeland fire response. The DOI released its Integrated Rangeland Fire Management Strategy in May 2015, and will apply its recommendations range-wide where there is benefit to sagebrush habitat and Greater sage-grouse.

In FY 2015, DOI supported President Obama's use of the *Antiquities Act of 1906* to create or modify several national monuments. These special places include Berryessa Snow Mountain in California, a landscape containing rare biodiversity and an abundance of recreational opportunities; Waco Mammoth in Texas, a significant paleontological site featuring well-preserved remains of 24 Columbian Mammoths; and Basin and Range in Nevada, an iconic American landscape that includes rock art dating back 4,000 years and serves as an irreplaceable resource for archaeologists, historians, and ecologists.

Also in FY 2015, the Office of Surface Mining Reclamation and Enforcement (OSMRE) made available $227 million in Abandoned Mine Land (AML) Reclamation fund grants. The AML funds enable 28 eligible states and tribes to help eliminate dangerous conditions and pollution caused by past coal mining. These funds support critical reclamation projects, generate well-paying jobs, and help to restore communities.

Strengthening Tribal Nations and Insular Communities. The DOI continues to build on progress made over the past five years to establish strong and meaningful nation-to-nation 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 a part of the Obama Administration's historic commitment to build the capacity of tribal nations to deliver a world-class education to Native youth, DOI's Bureau of Indian Education (BIE) continued its implementation of the BIE Blueprint for Reform. In FY 2015, BIE awarded $2 million to tribal governments with BIE-funded schools to build the capacity of their tribal education departments. The BIE also requested Congress approve its request to modernize the BIE's administrative structure so it reflects a new reality in which most schools are operated by tribes and not the federal government. Finally, BIE continued its implementation of its partnership with the National Board for Professional Teaching Standards and entered into a partnership with the New Teacher Project. Both of these partnerships will help to ensure students attending BIE-funded schools have access to effective teachers and principals.

In FY 2015, DOI continued its work to restore tribal homelands, which are vital to tribal nations' sovereignty, economic development, housing, and infrastructure, including over 21,000 acres of land into trust for tribal nations. This brought the total to over 304,000 acres of land brought into trust during this administration.

In addition, DOI awarded nearly $1.6 million in FY 2015 Tribal Energy Development Capacity (TEDC) grants. The TEDC grants help tribes expand their capacity to manage and regulate energy projects. Half of these grants funded development of tribal utility authorities, a significant step toward sovereign control of electrical resources. A grant to help one gas and oil producing tribe establish a hydraulic fracturing code will enable it to control drilling activities on tribal land and could be a model for other gas and oil producing tribes.

To jumpstart and expand tribal and Indian owned businesses, in FY 2015 DOI guaranteed nearly $100 million in loan principal under the authority of the *Indian Financing Act of 1974.* The program funded 29 community-based economic development projects averaging $3.4 million and ranging from a visitation facility and port in Alaska and a tribal movie production, to Native-owned, national-brand, healthy snack food production in the Great Plains.

In support of tribal efforts to improve the climate resilience of natural and economic systems, and to protect cultural and traditional values, the Bureau of Indian Affairs (BIA) invested in tribal planning, technical support, capacity building, and youth internships/engagement. In FY 2015 the BIA provided $15.7 million in funding awards to tribes, invested $1 million in a cooperative agreement with a tribal institute to provide on-site facilitated training for climate adaptation planning, and bolstered web technical resources for tribal and trust managers.

In FY 2015, DOI's Land Buy-Back Program for Tribal Nations, the land consolidation component of the *Claims Resolution Act of 2010*, successfully concluded over $545 million in land sale transactions, restoring the equivalent of approximately 1.1 million acres of land to tribal governments. Since its inception, the Land Buy-Back Program for Tribal Nations has made over $685 million in payments to American Indian landowners, restored the equivalent of 1.4 million acres, and transferred over $25 million to the Cobell Education Scholarship Fund. The Cobell Education Scholarship Fund is designed to be a permanent endowment that provides financial assistance through scholarships to American Indian and Alaska Native students wishing to pursue post-secondary and graduate education and training.

Earlier this year, DOI updated its regulations that provide a process for acknowledging the nation-to-nation relationship with non-Federally recognized tribes. The former rules were criticized by many as "broken" and in need of reform. The final rule carries forward the standard of proof and seven mandatory criteria to maintain the substantive rigor and integrity of the Part 83 process. The final rule promotes fairness and consistent implementation by allowing evidence or methodology sufficient for a prior decision to apply to a current petitioner. The final rule further promotes consistent application by establishing a uniform evaluation period of more than a century, from 1900 to the present, to satisfy tribal identification, community, and political authority. Lastly, the new rule promotes transparency by: increasing public access to petition documents for Federal Acknowledgment; expanding distribution of notices of petitions to include local governments; increasing due process by providing for an administrative judge to conduct a comprehensive hearing and issue a recommended decision for proposed negative findings.

In FY 2015, the Office of Insular Affairs (OIA) made substantial progress in advancing President Obama's Climate Action Plan, and Executive Order 13653, *Preparing the United States for the Impacts of Climate Change*, by achieving several key milestones: 1) convening the U.S. Insular Areas Climate Change Stakeholder Meeting in June 2015 in Guam; 2) supporting insular area governments in the development and/or implementation of climate change adaptation plans, vulnerability assessments, and project activities that build climate resilient communities, institutions, livelihoods, infrastructure, and ecosystems; and 3) designating Climate Change Coordinator positions for each insular area. Island communities feel the effects of slow, progressive climate-induced stresses, including sea level rise, ocean acidification, coral bleaching, and saline intrusion into freshwater systems, as well as extreme climate events, such as typhoons and hurricanes, storm surges, high winds and king tides. Proactive, strategic actions and responses to climate change are necessary in this region of the world.

In FY 2015, OIA provided $500,000 in funding for One Stop Centers in Guam and Hawaii to help citizens from the Freely Associated States (FAS) acclimate to the U.S. and to address Compact Impact Aid and quality of life issues for FAS citizens given the financial impact on affected jurisdictions like Guam and Hawaii. We Are Oceania, the non-profit organization created to provide the One Stop Service Center in Hawaii launched their official open house on August 28, 2015. Guam's One Stop Service Center is slated to open toward the end of 2015. The DOI also convened a Federal inter-agency group with the White House Intergovernmental Affairs Office to address Compact Impact Aid.

The OIA achieved significant milestones in pursuit of its goal to improve facility conditions at 115 K-12 school campuses serving 63,385 children in American Samoa, the Commonwealth of the Northern Mariana Islands, Guam, and the U.S. Virgin Islands. The Assistant Secretary for Insular Areas and the governors of the respective territories committed to set aside $20 million over 5 years in OIA capital improvement funding for a five-year deferred maintenance reduction program. The deferred maintenance reduction program, referred to as the Insular ABCs, aims to eliminate $17 million in deferred maintenance identified in territorial schools as health and safety issues by the end of 2019. The 2013 report entitled *Inventory and Condition Assessment Phase II Report* identified these health and safety items as a subset of a total deferred maintenance backlog of $177 million. The territorial school systems and OIA have agreed on work priorities and expect maintenance and construction work to begin in FY 2016.

The DOI awarded $27.7 million in Capital Improvement Project funding in FY 2015 for various critical infrastructure projects including health, education, transportation, public safety, solid waste, water, and energy. Project highlights include the closure of the Puerto Rico Dump in the Commonwealth of the Northern Mariana Islands in accordance with an Environmental Protection Agency Administrative Order; $1.3 million to the Guam Memorial Hospital for repairs to the heating, ventilating, and air conditioning units and the installation of a 100 kW rooftop solar system; and, $1 million to American Samoa to relocate a jet fuel tank farm from the rear of the Pago Pago International Airport public parking lot, deemed to be a security risk by the Federal Aviation Administration and the Department of Homeland Security.

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

The DOI's energy programs continue to provide a responsible balance between supporting conventional energy development and broadening the Nation's renewable energy portfolio. The DOI is moving aggressively to accelerate clean energy permitting on public lands and support expansion of a modern electric grid to meet the President's challenge to double renewable electricity generation by 2020. In July 2015, representatives from DOI joined Rhode Island to mark "steel in the water" for the Block Island wind farm, America's first offshore wind farm, a significant milestone in the Administration's goals to achieve a sustainable energy future.

The Bureau of Ocean Energy Management (BOEM) continues to safely and responsibly expand both renewable and conventional offshore domestic energy. In FY 2015, BOEM also held the Nation's fourth competitive lease sale for renewable energy in Federal waters, leasing over 350,000 acres offshore of the Commonwealth of Massachusetts for potential wind energy development. To date the competitive lease sales generated about $14.5 million in winning bids and BOEM issued a total of nine commercial leases (7 competitively and 2 non-competitively). 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 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 8 lease sales that offered more than 60 million acres for energy development and netted nearly $3 billion for American taxpayers. In 2015, BOEM released the Draft Proposed Program (DPP) for the next Five Year Program for 2017-2022, which is the first of three proposals in a multi-year project that will include robust public engagement. The DPP would make available areas containing nearly 80 percent of undiscovered technically recoverable oil and gas resources while protecting the marine, coastal and human environments.

Oil and gas production on public lands is at record levels. In 2015, BLM undertook inspection and enforcement of operations for about 94,000 active oil and gas wells nationwide. The BLM is focused 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 will ensure a fair return on taxpayer investment. The BLM also continues to make appropriate onshore lands available for conventional energy development while ensuring any environmental impacts are carefully mitigated. The BLM approved 4,228 applications for Permit to Drill on Federal and Indian leases in FY 2015.

Also in 2015, the BLM approved the first solar energy development projects offered under a new competitive leasing process for public lands in Solar Energy Zones. Three solar projects in Nevada generated bids for $5.8 million and will provide some 440 megawatts of power for some 130,000 homes. The BLM also continues to work on finalizing solar and wind energy regulations that would further facilitate renewable energy development in "designated leasing areas" on the public lands, including the Solar Energy Zones.

The Bureau of Reclamation (Reclamation) continued work to encourage and permit new hydropower development at its facilities in 2015. In 2015, 2 additional private hydropower facilities came online with a total of 7.6 megawatts (MW) of capacity, and an additional 41 private hydropower projects are currently being developed with a total of 114 MW of capacity. In 2015, Reclamation also worked to upgrade four federally owned generator turbines at its hydropower facilities that will provide an additional 10 MW of capability.

Reclamation also worked extensively with the Department of Energy and the U.S. Army Corps of Engineers to extend the 2010 Federal Memorandum of Understanding (MOU) for Hydropower. This MOU for Hydropower extension, signed in March 2015, included a new Phase II Action Plan that lays the foundation to collaborate and coordinate activities related to technology development, asset management, hydropower sustainability, quantifying hydropower capabilities and value, and information sharing and strategic planning.

In December 2014, the Office of Natural Resource Revenue launched the DOI Data Portal as part of the Extractive Industries Transparency Initiative (EITI), a global effort to increase transparency and strengthen public trust in the governance of natural resource revenues. This portal raises the bar on transparency of natural resource revenue by offering the public for the first time an interactive one-stop destination to access revenues paid for developing energy and mineral resources on public lands and waters. This information is now available at the company and commodity level and by revenue type. In doing so, the U.S. achieved one of the commitments made in its candidacy application for the EITI and set a high standard for U.S. Government and industry disclosure of resource revenues, so that this information is accurate, easy to understand and accessible to the public.

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. Through direct engagement and in collaboration with non-profit organizations, at least one million volunteers will be engaged in service on DOI lands annually by 2017. 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.

Seventy-nine 21CSC projects were funded in 2015 in communities across the country from Alaska to Florida, including trail and restoration work and science and monitoring projects. The DOI provided employment opportunities to more than 44,000 youth and veterans since 2014 and is on track to reach the 2017 goal.

Many of the projects require matching dollars and organizational support as part of the funding formula. Through the help of new partner Team Rubicon, DOI deployed 200 veterans throughout the western states to help fight fires. In 2015, the DOI also secured funding from The North Face and an additional $1 million from REI, Inc., to create more opportunities for youth and veterans working on public lands. In partnership with the Department of Commerce, DOI is working with the RESTORE Council to secure more than $8 million dollars for the creation of conservation corps programs in the Gulf states, including $500,000 specifically designated for Indian tribes in the region.

Making this movement actionable and accessible was a major focus for the team in 2015. Consequently, DOI aligned forces with the First Lady's Let's Move! Initiative and assumed leadership of Let's Move! Outside. The DOI selected twenty-six major cities to create locally driven coalitions focused on our goals to get more kids to play, learn, serve and work outdoors.

The first 26 cities launched are San Francisco, Los Angeles, Denver, Miami, Atlanta, Boston, Minneapolis/St. Paul, St. Louis, New York, Anchorage, Chicago, New Orleans, Baltimore, Detroit, Jacksonville, Honolulu, Las Vegas, Cleveland, Albuquerque, Portland, Philadelphia, San Antonio, Salt Lake City, Tucson, and Washington, DC. The DOI will announce an additional 24 cities in 2016. American Express is supporting this effort through a grant to the selected communities.

Finally, DOI led the development and launch of Every Kid in a Park to invite America's fourth graders and their families to visit more than 2,000 Federal sites free. On the new website, https://everykidinapark.gov/, educators and community leaders can access educational activities, field trip options, and the ability to print passes for their classrooms. Parents visiting the new website can find links to additional information on planning trips to nearby public lands. By introducing American youth to public lands in their backyards and beyond at an early age, the innovative Every Kid in a Park initiative delivers a nationwide call to action to build the next generation of outdoor stewards of our Country's spectacular and diverse federal lands and waters.

Ensuring Healthy Watersheds and Sustainable, Secure Water Supplies. The DOI recognizes the importance of water as the foundation for healthy communities and healthy economies and the challenges resulting from climate change, drought conditions, and increasing demand. The DOI is working with states in managing water resources, 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 2015, DOI provided $22.5 million in WaterSMART Water and Energy Efficiency Grants for 50 projects in 12 states, and $23.2 million for seven Title XVI water reclamation and reuse projects. 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, $1.5 million was made available under the WaterSMART Basin Study program to enable Reclamation to collaborate with local entities to conduct comprehensive studies of river basins in Arizona and California, and develop plans of study for two basins in California and New Mexico. Reclamation also continued funding for the Colorado River basin study "Moving Forward" effort 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.

Reclamation also initiated the Drought Response Program in FY 2015 to implement a comprehensive new approach to drought planning and to carry out implementation actions under existing authorities. This program incentivizes planning and preparedness rather than crisis response. In FY 2015, $5.1 million was provided for drought contingency plans and resiliency projects through a competitive selection process that emphasizes involvement from multiple stakeholders and the incorporation of climate variability information, and cost-sharing from non-Federal sponsors.

From FY 2010 to FY 2014, 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) contributed over 860,000 acre-feet toward the Department's Priority Goal for Water Conservation. Based on projects selected to receive FY 2015 funding, Reclamation anticipates enabling capability to increase available water supply to 910,000 acre-feet cumulatively from FY 2010 through FY 2015, exceeding the DOI's goal. As part of the National Water Census, the 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 year.

In December 2014, USGS released the interactive California Drought visualization website aimed at providing the public with atlas-like, statewide coverage of the drought and a timeline of its impacts on water resources. The USGS developed the interactive Web site as part of the Federal government's Open Water Data Initiative, which promotes making valuable water data more accessible and in a more user-friendly format. The drought visualization page features high-tech graphics that illustrate the effect of drought on regional reservoir storage from 2011-2014. The interactive California Drought visualization website was released to provide citizens with a timeline of statewide drought conditions and its impacts on water resources.

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.

In April 2015, the United States assumed a two-year chairmanship of the Arctic Council, an intergovernmental forum made up of the eight Arctic countries and "permanent participant" organizations that represent most Arctic indigenous peoples. The DOI is leading a number of climate resilience initiatives, a key priority of the U.S. chairmanship. In 2015, DOI began implementing a program to develop resilience tools and information, identify best practices to control and eradicate invasive species, and generate strategies to minimize community health impacts.

In addition, new technologies hold promise for continuing to ensure water security in a time of drought and additional stresses being felt due to the changing climate. In 2015, Reclamation with the United States Agency for International Development, the Swedish International Development Agency, and the Ministry of Foreign Affairs of the Kingdom of The Netherlands conducted a "Securing Water for Food" grand challenge for development of new technologies for cost effective, energy-efficient, brackish water desalination that provide safe water for drinking and agricultural use. The top prize was awarded for novel application of desalination using electricity to pull charged particles out of the water and to further clean through ultraviolet rays. The system was designed for low energy consumption and limiting implementation costs. This type of technology holds promise for providing sustainable water supplies in the United States and around the World.

The DOI also works with Federal and non-Federal partners on numerous landscape-scale collaboratives to address a wide range of conservation priorities. The DOI's Landscape Conservation Cooperatives (LCCs) were designed specifically to better integrate science and management to address climate change and other landscape-scale issues. The 22 LCCs collectively form a network of resource managers and scientists who share a common need for scientific information and interest in conservation. In FY 2015, DOI supported the Administration's Resilient Lands and Waters initiative, which identified seven regions across the country to showcase landscape-scale strategies to address climate change and other conservation priorities. The DOI is actively involved in each of the regions, with LCCs leading selected partnership efforts in southwest Florida and Hawaii. Federal, state, local, and tribal partners will work together in these landscapes to develop more explicit strategies and maps in their programs of work.

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 2015, as part of the President's Climate Action Plan, DOI continued work with USDA and other entities on the Western Watershed Enhancement Partnership (WWEP), which promotes partnerships across jurisdictions among Federal agencies and others, to promote watershed health and wildfire resiliency; protect municipal and agricultural water supplies, infrastructure and facilities; and to promote water delivery capabilities, and hydro-electric power generation. These partnerships target activities such as reducing wildfire risk through forest thinning; prescribed fire and other forest health treatments; minimizing post-wildfire erosion and sedimentation through rehabilitation of fire-damaged areas; restoring wildlife habitat; and investigating watershed enhancement methods. Reclamation awarded $700,000 in funding to 4 proposed WWEP projects in FY 2015 to cost-share collaborative efforts with the U.S. Forest Service, state agencies, and others to advance watershed enhancement and wildfire risk mitigation in Colorado-Big Thompson Project and Roosevelt and Arapaho National Forests and the Mancos Project and State Park in Colorado; the Boise River Basin and Boise National Forest in Idaho; and the Mokelumne River Basin and Stanislaus National Forest in the Sierra Nevada Mountains in California.

Moreover, 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 June 2015, DOI announced the distribution of $10 million in funding for 10 Wildland Fire Resilient Landscapes partner collaboratives. Each collaborative is a consortium dedicated to fostering fire resiliency, defined as the ability to resist and recover from damage by wildland fire – in a given landscape. These consortiums are led by BIA, BLM, FWS, or NPS. These partner collaboratives include tribes, Federal agencies, states, counties, municipalities, non-governmental organizations, and universities. As of June 2015, there were 130 partner organizations across the ten partner collaboratives.

The Wildland Fire Resilient Landscapes program is a place-based initiative, meaning that collaboratives work to enhance fire resiliency across landscapes, regardless of ownership. These landscapes represent more than 118 million acres across several ecosystem types, including the sagebrush-steppe ecosystems of the Great Basin. By funding the important work of these partner collaboratives, the Wildland Fire Resilient Landscapes program will assist natural areas and communities across the country to be less vulnerable to catastrophic fires.

The DOI seeks to apply the lessons from these large scale initiatives and use technological advances to better prepare the American public for extreme events. In 2015, USGS expanded the capability and test-user base of the ShakeAlert prototype earthquake early warning system, with 70 test users of the prototype system, with dozens more interested users. Users include both public sector entities (e.g., the cities of Los Angeles, San Francisco, and Seattle) and private sector companies (e.g., Disneyland, Amgen, Intel, and Microsoft). As user engagement increased, so has the capability of the system to deliver actionable warnings. In May 2015, as a moderate-size (M3.8) earthquake struck one of the most populated areas of Los Angeles, the ShakeAlert system was able to issue an alert before the strong shaking waves reached the surface—meaning that an alert could have been provided to everyone, including those living and working directly above the earthquake. The elimination of the "blind zone" for earthquake warnings is a significant achievement, made possible by the investments that have been made in the system in recent years, both by adding modern seismic station coverage and through improvements to the ShakeAlert prototype system. The USGS hopes to soon deliver this capability for the entire US West Coast.

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 we conduct business. Throughout DOI, 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.

The DOI has many positive achievements to highlight over the past year, including the full deployment of the Financial and Business Management System (FBMS) to the cloud. This DOI-wide enterprise system positions DOI to effectively respond to audit and reporting requirements and to prepare for new requirements such as implementation of the *Digital Accountability and Transparency Act of 2014* and the *Federal Information Technology Acquisition Reform Act*.

The DOI also made significant progress in its space consolidation efforts. In FY 2015, DOI consolidated 170 data centers, exceeding its goal of 169 and the original goal of 95 data centers. The DOI developed the Reduce the Footprint/Real Property Efficiency Plan, which sets a goal to reduce office and warehouse space by 3 percent between 2016 and 2020. The plan focuses on consolidation activities in metropolitan areas with significant employee populations and high-cost leases, including the Denver, CO, and Washington, DC, metropolitan areas. Consolidations in Federally-owned space are a critical component of DOI's national space strategy, so DOI and the General Services Administration formed a working group in 2015 to evaluate these opportunities strategically and methodically. To date, the working group has conducted Principal-level meetings, formed sub-groups, drafted a charter, and developed a vision to guide the strategy.

Management Challenges

While the DOI achieved significant progress in FY 2015, 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 DOI faces in nine 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 88 percent (weighted) for successfully addressing FY 2015 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 three material weaknesses. Two operational weaknesses were identified in the Radio Communications program and the Management of Grants, Cooperative Agreements, and Tribal Awards. One material weakness was identified in financial reporting related to Department-wide Information Technology Controls, which resulted in a non-compliance with the *Federal Financial Management Improvement Act of 1996.*

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.*

In FY 2015, DOI was successful in obtaining an unmodified audit opinion and successfully remediating the prior year material weakness related to Entity Level Controls and the Impact on Department-wide Financial Reporting. Unfortunately, two new material weaknesses and the resulting non-compliance with the *Federal Financial Management Improvement Act of 1996* were identified this year, which are presented in the FY 2015 Independent Auditors' Report, included in Section 2 of this AFR. The DOI is committed to diligently work to correct these weaknesses in FY 2016.

The DOI is proud of this report and of the accomplishments it represents. 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 13, 2015

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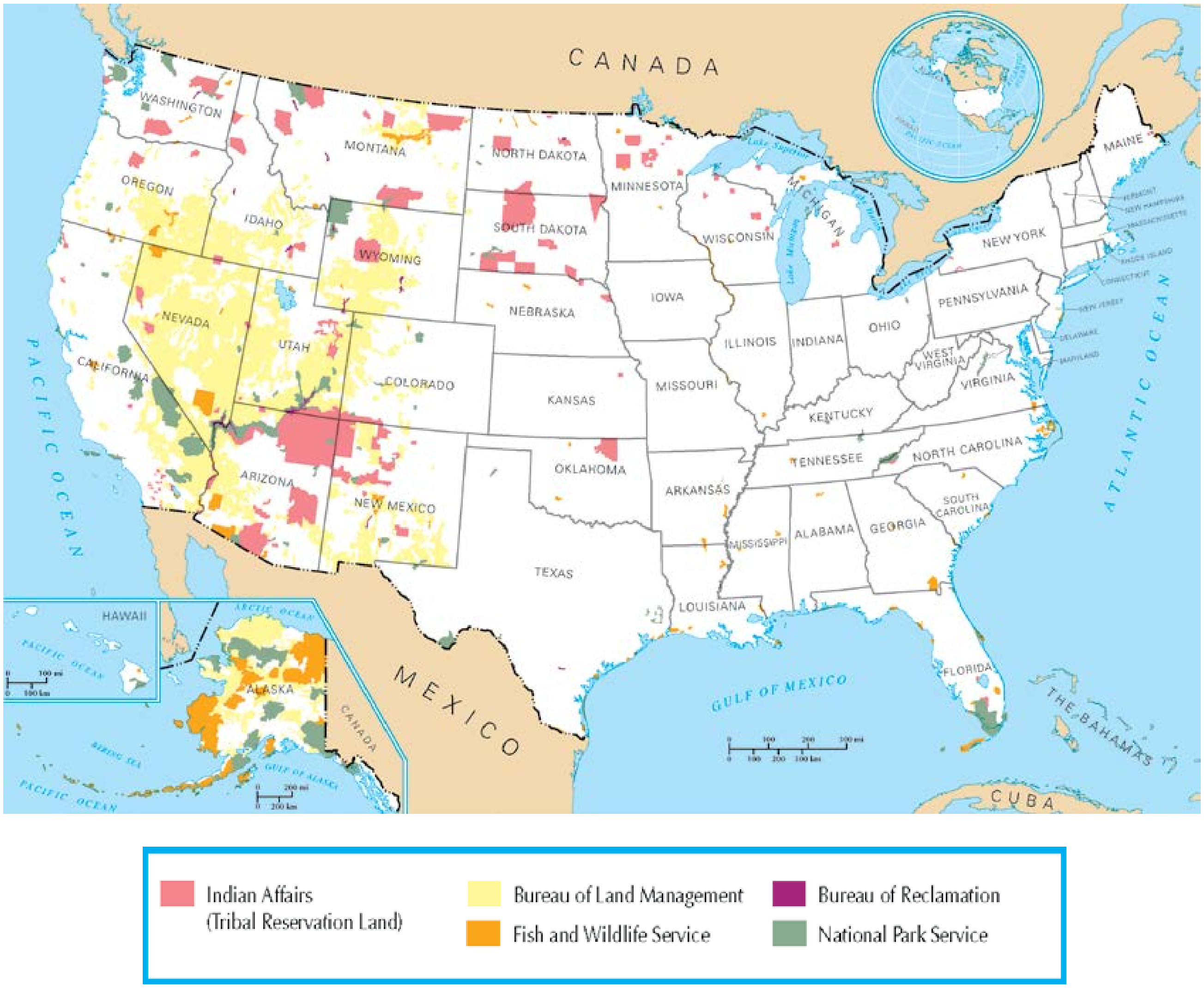
ABOUT THIS REPORT

The U.S. Department of the Interior's (DOI) Agency Financial Report (AFR) for fiscal year (FY) 2015 provides performance and financial information that enables Congress, the President, and the public to assess the performance of DOI relative to its mission and stewardship of the resources entrusted to it. This AFR satisfies the reporting requirements of the following:

- *Federal Managers' Financial Integrity Act of 1982*;
- *Chief Financial Officers Act of 1990*;
- *Government Management Reform Act of 1994*;
- *Reports Consolidation Act of 2000*;
- Office of Management and Budget Circular No. A-136, *Financial Reporting Requirements;*
- *Improper Payments 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 2017 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***.

Surface Lands Managed by The Department of the Interior



Mission

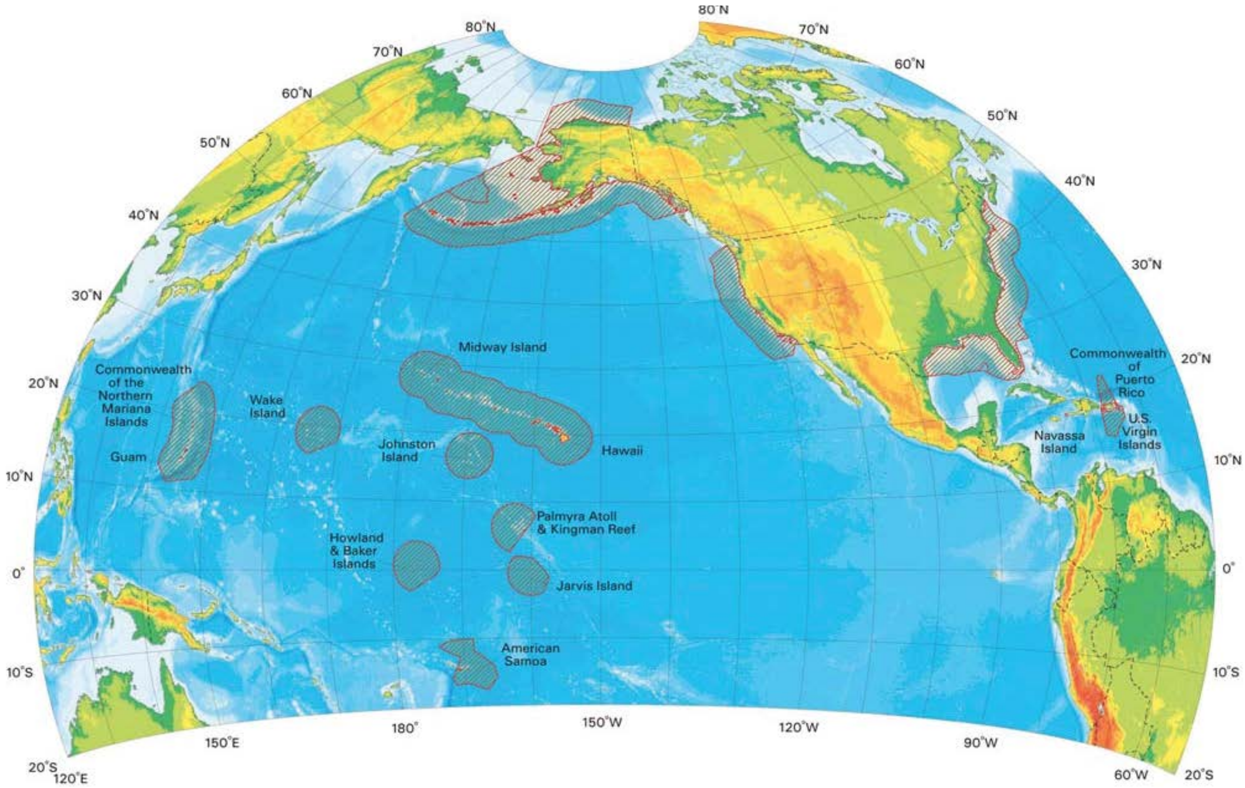
The DOI protects and manages the Nation's natural resources and cultural heritage, provides scientific and other information about those resources, and honors the Nation's trust responsibilities or special commitments to American Indians, Alaska Natives, and affiliated island communities

History

In 1849, President Polk signed the bill creating DOI. The DOI managed a broad array of programs, including overseeing Indian Affairs, exploring the western wilderness, directing the District of Columbia jail, constructing the National Capital's water system, managing hospitals and universities, improving historic western emigrant routes, marking boundaries, issuing patents, conducting the census, and researching the geological resources of the United States. As the country grew in future decades, DOI's mission evolved. Theodore Roosevelt's conservation summit and the early 20th Century conservation movement created increasing urgency to protect and better manage the country's natural resources. Accordingly, DOI's mission shifted to the preservation, management, understanding, and use of the great natural and cultural resources of the land, along with retaining responsibilities related to Indian Nations.

Today, DOI manages the Nation's public lands and minerals, including 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,

United States Continental Shelf Boundary Areas



and the public lands; manages resources providing 21 percent of the Nation's energy; delivers 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. Additionally, DOI is responsible for migratory bird and wildlife conservation; historic preservation; endangered species conservation; surface-mined lands protection and restoration; mapping, geological, hydrological, and biological science for the Nation; and financial and technical assistance for the insular areas.

The 2014-2018 Strategic Plan serves as the organizing framework for DOI's broad portfolio of responsibilities and core missions. The goals and strategies of the Plan's 6 Mission Areas, described on the following page, capture the activities performed by DOI's 70,000 employees working in bureaus and multiple offices and supported by approximately 322,000 volunteers.

THE DEPARTMENT OF THE INTERIOR'S MISSION AREAS

CELEBRATING AND ENHANCING AMERICA'S GREAT OUTDOORS

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

STRENGTHENING TRIBAL NATIONS AND INSULAR COMMUNITIES

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

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

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

ENGAGING THE NEXT GENERATION

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

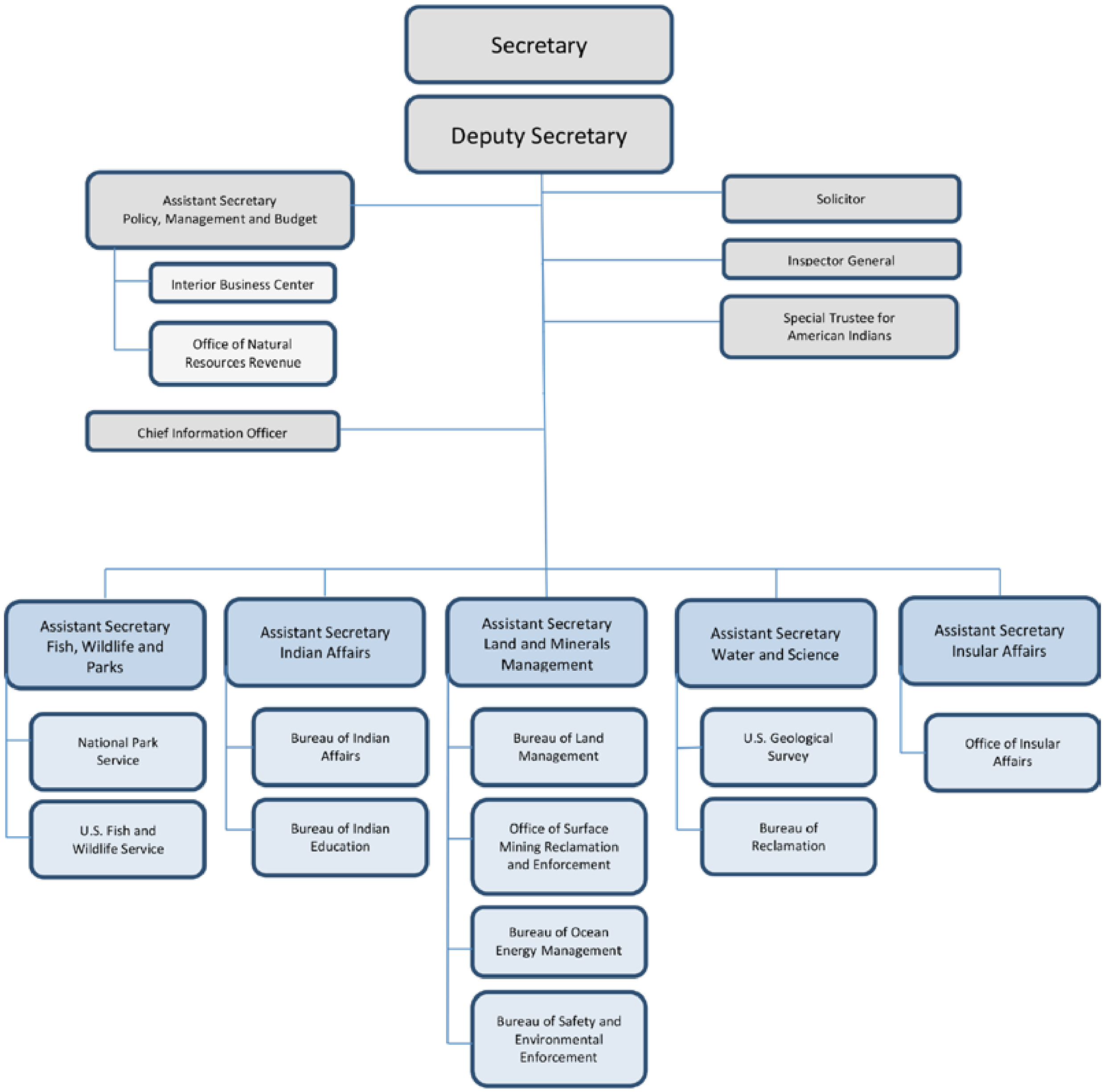
ENSURING HEALTHY WATERSHEDS AND SUSTAINABLE, SECURE WATER SUPPLIES

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

BUILDING A LANDSCAPE-LEVEL UNDERSTANDING OF OUR RESOURCES

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

U.S. Department of the Interior



Bureau and Office Summary

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

Bureau of Land Management (BLM)

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

Bureau of Ocean Energy Management (BOEM)

- Manages access to renewable and conventional energy resources of the Outer Continental Shelf (OCS).
- Administers over 5,500 active fluid mineral leases on approximately 30 million OCS acres.
- Oversees 5 percent of the natural gas and 18 percent of the oil produced domestically.
- Oversees lease and grant issuance for off shore renewable energy projects.

Bureau of Safety and Environmental Enforcement (BSEE)

- Promotes safety, protects the environment, and conserves resources offshore through regulatory enforcement of offshore oil and gas facilities on the 1.7 billion acre US Outer Continental Shelf (OCS).
- Oversees oil spill preparedness for US facilities in state and Federal waters and operates the Ohmsett National Oil Spill Response Research test facility.
- Supports research to promote the use of best available safest technology for oil spill response.

Office of Surface Mining Reclamation and Enforcement (OSMRE)

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

U.S. Geological Survey (USGS)

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

Bureau of Reclamation (BOR)

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

U.S. Fish and Wildlife Service (FWS)

- Manages the 150 million acre National Wildlife Refuge System primarily for the benefit of fish and wildlife.
- Manages 73 fish hatcheries and other related facilities for endangered species recovery and to restore native fisheries populations.
- Protects and conserves:
  - Migratory birds;
  - Threatened and endangered species; and
  - Certain marine mammals.
- Hosts about 47 million visitors annually at 563 refuges located in all 50 states and 38 wetland management districts.

National Park Service (NPS)

- Maintains and manages a network of 408 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 292 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 education, law enforcement, and social service programs that are delivered by tribes.
- Operates 183 elementary and secondary schools and dormitories, providing educational services to 47,700 students in 23 states.
- Supports 28 tribally controlled community colleges, universities, and post-secondary schools.

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

Departmental Offices (DO)

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

ANALYSIS OF PERFORMANCE GOALS & RESULTS

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

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

The following performance summary uses key indicators, selected from the Strategic Plan, to gauge trends in performance, including preliminary estimates of FY 2015 results. An updated, more complete and in-depth performance assessment will appear in DOI's FY 2016/2017 Annual Performance Plan & Report (APP&R), with a planned release date of February 2016 as part of the President's FY 2017 Budget. It will be available online at ***www.doi.gov/bpp***.

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

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

Goal #1: Protect America's landscapes

This goal has two main purposes — to protect Department-managed lands and waters and safeguard the wildlife and plant inhabitants. The key performance indicator, acres in "desired condition" as defined in locally established management plans, gauges DOI's progress in ensuring the quality of natural resources, including uplands, wetlands, streams, and shorelines. Natural resource management success is dependent upon a number of factors, some of which are not under the direct control of DOI including the original condition of the asset, the amount of resources that can be applied, the cooperation of nature in supporting the performed treatments, and the time for treatments to take root and adequately mature. As seen in the following table, progress has been leveling out near 80 percent while the total acres assessed increases. As more acres need to be maintained in desired condition in conjunction with funding beginning to level out, relatively less funding becomes available to restore additional acres to desired condition.

In addition, OSMRE, per Public Law (P.L.) 95-87, requires that all coal mining operators pay a reclamation fee on every ton of coal produced to help fund abandoned mine land reclamation projects. The OSMRE reports the accomplishments as acres reclaimed when projects are complete.

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

Bureau	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Target	2015 Preliminary
BLM, FWS, NPS	84%	77%	74%	77%	77%	78%
Acres in desired condition	318,874,261	332,894,215	324,908,501	353,869,240	354,045,944	360,116,825
Total Acres Assessed	380,879,726	432,178,434	436,341,566	461,495,700	461,325,882	461,325,822

The DOI uses a key indicator relating to species' sustainability to assess progress in protecting fish, wildlife, and plant species. Success in species protection, affected by natural and human induced pressures including loss of habitat, requires longer timeframes to achieve results and often shows little annual change. Treatments require several years to take effect, assuming the solution can be implemented, and the factors making the situation worse do not escalate faster than treatment can be offered. The application of adaptive management strategies, initiated as part of DOI's Agency Priority Goal on Climate Change Adaptation (see table on Agency Priority Goals at the end of this section), as well as the science and collaborative knowledge provided by the activities of Climate Science Centers (CSC) and Landscape Conservation Cooperatives (LCC), will assist in achieving these goals.

Percent of migratory bird species that are at healthy and sustainable levels.						
Bureau	**2011 Actual**	**2012 Actual**	**2013 Actual**	**2014 Actual**	**2015 Target**	**2015 Preliminary**
FWS	72%	72%	72%	73%	73%	73%
Healthy and sustainable bird species	726	726	726	747	747	747
Total bird species	1,007	1,007	1,007	1,026	1,026	1,026

As shown in the table above, migratory bird species' health and sustainability consistently measures in the low 70 percent range, with a steady level of resources and an increase in targeted species in FY 2015. Birds serve as an important gauge of overall environmental health, and this key indicator reflects the ecosystem's ability to support bird species. Performance updates for this measure occur every five years. Species typically require long timeframes for condition improvement assuming adequate attention can be paid to their populations and habitat.

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

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

Percent of historic structures in DOI inventory in good condition.						
Bureau	**2011 Actual**	**2012 Actual**	**2013 Actual**	**2014 Actual**	**2015 Target**	**2015 Preliminary**
BIA, BLM, FWS, NPS	54%	56%	53%	57%	56%	65%
Structures in good condition	16,006	16,316	15,390	14,942	13,926	16,932
Total structures	29,529	29,016	29,173	26,269	24,665	25,999

The passage of time challenges this goal, as additional damaged and aging structures require more attention than can sometimes be provided given the demands of annual upkeep across the entire inventory. To ensure appropriate attention to significant historic structures, a more refined approach was implemented to identify the highest priority structures. This approach allows resources to be focused according to priority and need, resulting in the maintenance of a consistent level of historic structures in good condition, with a slight decline in the number of prioritized structures and funding levels dipping from FY 2012 to FY 2014. The DOI completed a large number of new/revised historical structure assessment in FY 2015 resulting in increases to total structures and those in good condition.

Goal #3: Provide recreation and visitor experience

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

Percent of visitors satisfied with the quality of their experience.

Bureau	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Target	2015 Preliminary
BLM, FWS, NPS	91%	94%	94%	95%	95%	95%

MISSION AREA TWO: STRENGTHENING TRIBAL NATIONS AND INSULAR COMMUNITIES

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

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

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

Percent of financial information initially processed accurately in trust beneficiaries' accounts.

Bureau	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Target	2015 Preliminary
OST	100%	100%	100%	100%	99%	100%
Total information processed accurately	8,342,464	8,803,464	9,367,301	9,980,933	9,702,000	10,724,403

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

The key performance indicator of this goal, reducing violent crimes in Indian communities, significantly affects the quality of life in tribal communities. The number of violent crimes among Indian citizens was lower in FY 2014 (419 violent crimes per 100,000 individuals) than the average of the previous three years (436 violent crimes per 100,000 individuals). However, violent crime continues to be a very challenging issue since crime rates are influenced by a variety of factors, many of which are not under the control of DOI. Meeting the FY 2015 target would represent an improvement relative to the average for the prior FY 2011- 2013 period even without achieving FY 2014's success. The FY 2015 results are presently under review.

Violent (Part 1) crime incidents per 100,000 Indian Country inhabitants receiving law enforcement services.						
Bureau	**2011 Actual**	**2012 Actual**	**2013 Actual**	**2014 Actual**	**2015 Target**	**2015 Preliminary**
BIA	454	412	442	419	437	Preliminary Results Not Available**
Number of crime incidents*	5,694	5,160	5,538	5,245	5,473	Preliminary Results Not Available
Total inhabitants (100,000)	12.53	12.53	12.53	12.53	12.53	Preliminary Results Not Available

*per 100,000 inhabitants

** Results will be available with the issuance of the APP&R in February 2016.

Goal #3: Empower insular communities

The DOI measures performance of Federal programs in island communities in three areas: the degree to which Federal assistance helps improve the quality of life, the completeness of insular communities' financial statements, which detail their use of Federal assistance, and economic development. Availability of clean water serves as a key indicator of quality of life and for this goal, performance assessment is indicated by water system violation notices. Data continues to be difficult to obtain from the Environmental Protection Agency (EPA), often arrives late, and must be realigned to correspond to the appropriate reporting year. Continued economic and aging infrastructure challenges impact the ability to maintain water system conditions. A slight increase in water systems violations occured in FY 2015, which is presently under review.

Percent of community water systems that receive health-based violation notices from the Environmental Protection Agency.						
Bureau	**2011 Actual**	**2012 Actual**	**2013 Actual**	**2014 Actual**	**2015 Target**	**2015 Preliminary**
OIA	15%	14%	19%	8%	10%	13%

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

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

Goal #1: Secure America's energy resources

The DOI provides access to oil and gas extraction from federally managed areas for the benefit of the American public and the economy. The DOI ensures these efforts are conducted in a responsible, safe, and environmentally sensitive manner. For oil and gas operations, DOI's improved oversight includes a criteria-driven approach to ensure inspection of highest priority onshore oil and gas operations and addressing the recommendations made by the Government Accountability Office (GAO) and the Office of Inspector General (OIG) to improve accuracy of returns to the American public.

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

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	**2011 Actual**	**2012 Actual**	**2013 Actual**	**2014 Actual**	**2015 Target**	**2015 Preliminary**
BLM & BOEM	6,025	7,863	13,787	14,608	15,998	15,615

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

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

Granting non-energy mineral leases, and access for grazing and timber, show level or decreasing trends in permits approved due to significant growth in legal challenges and demand for additional environmental assessments prior to approving access. As approval of these permits becomes more complicated, processing costs increase, impacting the overall level of performance. Performance of the timber program, displayed in the following table, is used as the key indicator representative of efforts undertaken for this goal.

Percent of allowable sale quantity timber offered for sale consistent with applicable resource management plans.						
Bureau	**2011 Actual**	**2012 Actual**	**2013 Actual**	**2014 Actual**	**2015 Target**	**2015 Preliminary**
BLM	70%	85%	80%	76%	80%	80%
Offered for sale (mmbf*)	143	172	162	155	162	162
Total allowable timber (mmbf*)	203	203	203	203	203	203

*million board feet of timber

MISSION AREA FOUR: ENGAGING THE NEXT GENERATION

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

Goals: Play / Learn / Serve / Work

Across Departmental bureaus, innovative program management reforms have been underway to expand and enhance quality conservation jobs, training, and service opportunities for 15 to 35 year olds to help protect and restore America's natural and cultural resources. With potentially high retirement rates in the next 4 to 6 years, DOI has a tremendous opportunity to provide entry-level positions for young Americans, returning veterans, and under-served communities experiencing high unemployment rates. Providing conservation-related work and training opportunities to the next generation is one of DOI's Agency Priority Goals. The goal expanded in FY 2015 to include Millennials and the engagement of individuals ages 15-35.

Number of conservation-related work and training opportunities provided to young people.						
Bureau	**2011 Actual**	**2012 Actual**	**2013 Actual**	**2014 Actual**	**2015 Target**	**2015 Preliminary**
All Bureaus	20,780	19,175	15,546	16,644	23,356	35,741

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

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

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

The DOI's significant role in managing water resources in the western United States includes collection, storage, and distribution of water resources. Water distribution depends on the condition of facilities that manage and distribute the water, leading DOI to use the percentage of facilities earning a "good" Facility Reliability Rating as the key performance indicator for this goal.

Percent of water infrastructure in good condition as measured by the Facility Reliability Rating.						
Bureau	**2011 Actual**	**2012 Actual**	**2013 Actual**	**2014 Actual**	**2015 Target**	**2015 Preliminary**
BOR	72%	76%	79%	78%	70%	79%
Number of facilities in good condition	247	260	274	269	243	272
Total number of facilities in service	343	344	345	344	345	344

Performance challenges for this measure result from an aging infrastructure and increasing workforce and materials costs. As the more extensive, and therefore expensive, problems are addressed, the number of facilities in good condition is declining.

Goal #2: Extend water supplies through conservation

Water conservation is an important component of DOI's water management responsibility and helps preserve the existing water supply. Enabling water conservation is tracked through an Agency Priority Goal and has been increasing steadily over the past 5 years (performance results are cumulative through all prior years), supported by a corresponding positive investment in funding. Additional FY 2015 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	**2011 Actual**	**2012 Actual**	**2013 Actual**	**2014 Actual**	**2015 Target**	**2015 Preliminary**
BOR	487,939	616,226	734,851	860,299	910,000	977,454

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

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

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

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

Number of communities on the geospatial platform that provide information relevant to landscape-level decision making.						
Bureau	**2011 Actual**	**2012 Actual**	**2013 Actual**	**2014 Actual**	**2015 Target**	**2015 Preliminary**
USGS	N/A	N/A	N/A	17	20	20

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

The DOI's efforts for assessing, understanding, and forecasting the impacts of climate change on our ecosystems, natural resources, and communities are tracked through a key indicator measuring the ability to forecast ecosystem change. The following table displays the steady progress in advancing this emerging area for science.

Percent of targeted ecosystems with information products forecasting ecosystem change.						
Bureau	**2011 Actual**	**2012 Actual**	**2013 Actual**	**2014 Actual**	**2015 Target**	**2015 Preliminary**
USGS	22%	33%	33%	44%	44%	44%
Ecosystems with information products	2	3	3	4	4	4
Ecosystems under study	9	9	9	9	9	9

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

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

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

Bureau	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Target	2015 Preliminary
USGS	34%	37%	38%	40%	41%	41%
Number of completed assessments	68	74	76	80	81	81
Number of high hazard areas	200	200	200	200	200	200

Goal #4: Provide water and land data to customers

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

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

Bureau	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Target	2015 Preliminary
USGS	N/A	0%	0%	17%	20%	20%
Completed water availability information sets	N/A	0	0	352	423	423
Number of potential water availability information sets	N/A	2,112	2,112	2,112	2,112	2,112

AGENCY PRIORITY (PERFORMANCE) GOALS

Agency Priority Goals represent Departmental priorities to improve near-term performance, with 24 months to improve outcomes or facilitate progress on projects and processes critical to DOI's mission. The Secretary and Deputy Secretary use the visibility of these goals, quarterly progress reviews, and information learned through the collaborative process to ensure adequate resources for supporting programs. Senior level attention to key milestones, accurately quantified performance results compared to plans, and implementation of alternate strategies assist in ensuring results. The following table provides a brief status of the FY 2014-2015 Agency Priority Goals.

Agency Priority Goal Statement	Results achieved as of the 4th Quarter FY 2015
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 the start of FY 2010).	Goal nearly achieved as some cases experienced technical delays; 15,615 mw of capacity approved.
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 U.S. through BOR water conservation programs to 840,000 acre-feet, cumulatively since the end of FY 2009.	Goal Achieved; Additional funding provided for more capacity approvals than expected through 977,454 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% 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.	Goal Achieved; 81 repeat offenses of 150 habitual offenders.
Engaging the Next Generation. 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 35 to support the mission of DOI.	Goal Achieved; This goal was expanded in FY 2015 to include Millennials. 16,644 individuals/opportunities-provided among ages 15-25 in FY 2014 plus 35,741 among ages 15-35 in FY 2015 for a 2-year total of 52,385.
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.	Goal Achieved; 100 percent of the 1,726 high-risk cases inspected.
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; Over 400 points scored toward addressing identified climate change adaptation strategies.

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

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

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

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

Management Assurances

The FMFIA requires agencies to assess the effectiveness of and provide an annual statement of assurance regarding internal accounting and administrative controls, including controls in program, operational, and administrative areas as well as accounting and financial reporting. During FY 2015, 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 2015 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 2015 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 OIG audits, GAO audits, and the financial statement audit conducted by the independent public accounting firm, KPMG LLP. In addition, many of DOI's internal control reviews and related accountability and integrity program activities focused on areas identified as major management 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 2015 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, 2015. 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 (1) Radio Communications and (2) 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, 2015.

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, 2015, our internal control over financial reporting was operating effectively except for one material weakness related to Department-wide Information Technology Controls, as identified in Figure 1-1. Our financial management systems conformed to the objectives of FMFIA, Section 4, except the financial management systems did not substantially comply with the system requirements under the *Federal Financial Management Improvement Act of 1996*. Subsequent testing through September 30, 2015, did not identify any additional reportable changes in key financial reporting over internal controls.

Sally Jewell
Secretary of the Interior
November 13, 2015

At the Beginning of FY 2015, DOI had two Department-level FMFIA material weaknesses pending correction carried forward from the previous year: Radio Communications and Management of Grants, Cooperative Agreements, and Tribal Awards. The OCIO, Office of Safety and Health, and PAM continue to implement corrective action plans to mitigate the issues identified in these areas. (See Figure 1-1)

The FY 2014 material weakness in Entity Level Controls and the Impact on Department-wide Financial Reporting was corrected in FY 2015. However, a deficiency in Department-wide Information Technology (IT) Controls was identified as a material weakness during FY 2015. 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.

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

FIGURE 1-1

FMFIA Material Weaknesses
as of September 30, 2015

Description	Corrective Actions	FY 2015 Progress	Target Completion Date	Status
Offices: Office of the Chief Information Officer (OCIO) Office of Occupational Safety and Health (OSH) **The DOI Radio Communications Program:** The DOI has an unsafe and unreliable radio communications environment that jeopardizes the health and safety of DOI employees and the public.	The DOI will: 1) 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) The Radio Executive Steering Committee created a framework for a comprehensive radio program management plan. A demonstration project was planned to be piloted in FY 2015 along the southwest border. However, due to revised funding and acquisition plans, the demonstration project has been delayed until FY 2016. 2) The OSH created a data call memorandum to determine bureau level compliance with DOI's OCIO Policy Directive 2009-008. The OSH is asking for bureau actions that are currently in progress as well as all future actions planned to address the directive. 3) The OSH created a draft Communication Towers Department Manual Chapter, a DOI Communication Towers Field Instruction Standard, and a Communication Towers Assessment Checklist.	FY 2017	Ongoing
Office: Office of Acquisition and Property Management (PAM) **The DOI Management of Grants, Cooperative Agreements, and Tribal Awards Program:** The DOI must improve management and oversight of financial assistance and tribal awards made under P.L. 93-638.	The DOI will: 1) Provide training on requirements and limitations for monitoring and oversight of P.L. 93-638 tribal awards. 2) Require bureaus to comply with Government-wide and DOI policies for risk assessments, management and monitoring of financial assistance and tribal awards. 3) Require IA and other affected bureaus to continue to work with the tribes to ensure proper monitoring of the funds which have been awarded under P.L. 93-638.	1) Issued targeted review during the FY 2015 internal control cycle for bureaus to provide their policies for financial assistance monitoring that reinforce compliance with DOI and Government-wide policies. 2) Received training from OIG on limitations for risk assessments and monitoring of tribal awards. 3) Determined that the primary focus areas for P.L. 93-638 award monitoring should be Single Audit report submission and follow-up, and restructuring payments for non-compliant or high-risk recipients. The PAM will work with the OIG to design appropriate training on these focus areas for presentation to Financial Assistance managers during FY 2016. 4) Issued DOI Acquisition, Assistance, and Asset Policy, *Pre-Award Eligibility Screening Requirements*, which requires review of recipient past performance and exclusions information prior to award. 5) PAM is updating DOI Guidance Release 2011-03, *Financial Assistance Monitoring Protocol*, to refine the pre-award risk assessment checklist. 6) Worked with IA to monitor corrective actions identified to address findings during the FY 2014 internal control review cycle.	FY 2016	Ongoing

FMFIA Material Weaknesses (continued)
as of September 30, 2015

Description	Corrective Actions	FY 2015 Progress	Target Completion Date	Status
Office: Office of Financial Management (PFM) **Entity Level Controls and the Impact on Department-wide Financial Reporting**	1) Perform an assessment of employee resources in PFM 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 DOI 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	Corrected
Office: Office of the Chief Information Officer (OCIO) **Department-wide IT Controls**	1) Update existing policies related to IT financial systems and general controls; 2) Reinforce policies to ensure consistent operation of IT controls for access and segregation of duties reviews; 3) Implement corrective policies to strengthen access controls where necessary; and 4) Perform a risk assessment of general and IT application controls to identify IT management and maintenance responsibilities.	Identified in FY 2015	FY 2016	Ongoing

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 2015, DOI completed its tenth annual assessment of the effectiveness of internal control over financial reporting. The results of the assessment revealed that DOI has a material weakness in Department-wide IT Controls. Other deficiencies were found in some reporting processes, but compensating controls and corrective actions adequately address these deficiencies. Except for its weakness in Department-wide IT Controls, 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 2015 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 regard to DOI's financial management systems, no lack of substantial compliance was noted with the exception of System Requirements, due to the material weakness in Department-wide controls over IT.

Inspector General Act of 1978, as amended

The DOI has instituted a comprehensive audit follow-up program to ensure that audit recommendations are implemented in a timely and cost-effective manner and that disallowed costs and other funds due from contractors and grantees are collected or offset. In FY 2015, DOI monitored a substantial number of new OIG, GAO, and Single Audit Act audit reports. Audit follow-up actions include analyzing referred audit reports; advising grantors of single audit findings; tracking, reviewing, and validating program and financial audit recommendations; developing mutually acceptable and timely resolution of disputed audit findings and recommendations; overseeing the implementing, documenting, and closing of audit recommendations; and monitoring the recovery of disallowed costs. The OIG Semiannual Report to Congress provides additional information about OIG activities and results of their audits.

To further underscore the importance of timely implementation of OIG and GAO audit recommendations, DOI has a performance goal of implementing at least 85 percent (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, or unforeseeable delays when initial corrective action plans were developed; some corrective actions can span multiple years. In FY 2015, DOI exceeded its performance goal with an implementation rate of 88 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 weaknesses identified in the audit report for FY 2015. This report identified two material weaknesses in Controls over Property, Plant and Equipment (PP&E) and Department-wide IT Controls and one noncompliance with FFMIA due to the IT material weakness. A previous material weakness in Entity-Level Controls and the Impact on Department-wide Financial Reporting is considered corrected. The new FY 2015 material weaknesses will be given additional attention throughout FY 2016.

FIGURE 1-2

FYs 2015 and 2014 Audited Financial Statements
Departmental Material Weakness Corrective Action Plan (as of September 30, 2015)

Material Weakness Description	Corrective Actions	Fiscal Year		Original Target Date	Status
		2015	2014		
Entity Level Controls and the Impact on Department-wide Financial Reporting	1) Perform an assessment of employee resources in PFM 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 DOI 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	Corrected
Controls over PP&E	1) Perform a risk assessment of PP&E policies and procedures at all bureaus; 2) Establish reviews and monitoring controls over PP&E reporting; 3) Implement process level PP&E controls to ensure assets under construction exist and are accounted for properly; 4) Implement policies and procedures to require reviews over PP&E records related to the asbestos liability calculation; 5) Reinforce existing policies over PP&E additions and deletions to ensure activities are capitalized and recorded timely; and 6) Reinforce internal controls over property records.	X		9/30/16	In Progress
Department-wide IT Controls	1) Update existing policies related to IT financial systems and general controls; 2) Reinforce policies to ensure consistent operation of IT controls for access and segregation of duties reviews; 3) Implement corrective policies to strengthen access controls where necessary; and 4) Perform a risk assessment of general and IT application controls to identify IT management and maintenance responsibilities.	X		9/30/16	In Progress

FIGURE 1-3

FYs 2015 and 2014 Audited Financial Statements
Departmental Noncompliance Corrective Action Plan (as of September 30, 2015)

Noncompliance Description	Corrective Actions	Fiscal Year		Original Target Date	Status
		2015	2014		
FFMIA	See corrective actions for the Department-wide IT Controls material weakness noted in Figure 1-2.	X		9/30/16	In Progress

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.

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 2015, DOI exceeded its performance goal for PPA and DCIA but did not exceed its performance goal for 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 120 days be turned over to the U.S. Department of the Treasury (Treasury) for collection. The EFT (Figure 1-6) provision of the DCIA mandates all recipients of Federal payment receive their payments electronically, except for tax refunds.

The shortfall of the FY 2015 EFT performance goal has been carried over from FY 2014 and continues to be attributed to a high volume of transactions that DOI has for tort claims, legal settlements, financial assistance, social service payments to individual Indians, and realty payments that are consistently being processed with EFT waiver requests or non-EFT mechanisms. A large number of the waivers were converted from legacy financial systems. Those waivers were given a two-year grace period and have now expired. A system change has been developed to automatically block vendor records with expired waivers so that vendors are required to re-submit their requests. Requiring resubmission for waiver requests should effectively reduce the number of vendors who receive checks.

However, transitioning to the use of electronic payment methods requires time for vendors located in remote communities to make the appropriate adjustments to their financial processes. Logistical

FIGURE 1-4

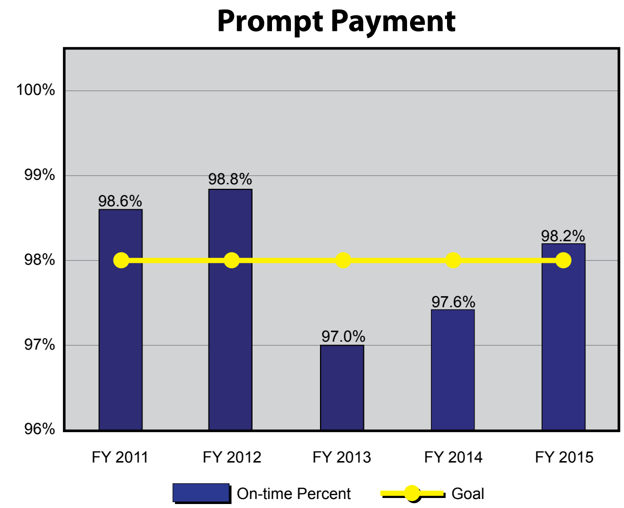


FIGURE 1-5

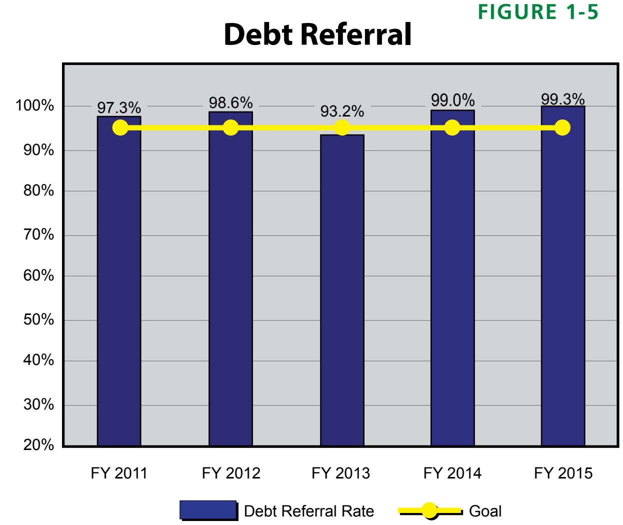
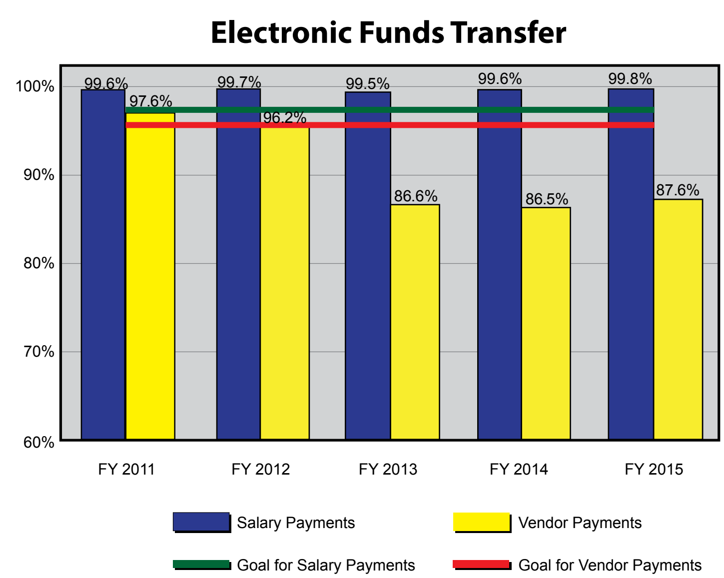


FIGURE 1-6



issues, such as the remote proximity of vendors to banks and the lack of transportation in isolated communities, are reflected in the EFT shortfall. The DOI will continue to address these unique instances to improve the EFT goal in FY 2016.

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

IT Transformation/FITARA

In December 2010, DOI launched its multi-year Information Technology Transformation (ITT) initiative to align IT resources under a single Chief Information Officer (CIO). In December 2014, President Obama signed the *Federal Information Technology and Acquisition Reform Act* (FITARA) into law. The FITARA expands the scope of DOI's CIO authority and accountability and emphasizes the importance of senior executive partnerships between the CIO and the Budget, Acquisition, and Human Capital Management communities to establish inclusive, transparent Government-wide management controls around information management and technology. The FITARA moves DOI beyond its ITT and is consistent with its work to strengthen cybersecurity and reduce the threat surface through greater central visibility and accountability into IT systems across DOI.

In 2015, DOI achieved the following accomplishments:

- Developed and submitted DOI's FITARA Implementation Plan to OMB;
- Completed OMB's Cyber Sprint activities successfully, a 30 day effort to reduce the number of Privileged Users, enforce strong authentication, identify high value assets, and scan all IT systems for vulnerabilities and indicators of compromise;
- Enhanced OMB's Cyber Sprint initiative by launching Cyber Sprint 2.0, an internal effort to further strengthen DOI's cybersecurity posture;
- Continued to support OMB's Federal Data Center Consolidation Initiative. To date, 6 data centers have been categorized as core data centers and 169 of 423 have been closed;
- Awarded 13 contracts to migrate DOI bureau and office applications to the Cloud, since DOI established a Government-wide Foundation Cloud Hosting Services contract in FY 2013. This includes agency-wide task orders for Secure File Transfer, Geographic Information System and Content Delivery Network services to promote further consolidation of commonly used services. In addition to the 13 awards, DOI completed award of 9 contracts for non-DOI agencies for various solutions including development and test environments, standard Infrastructure as a Service, and public facing web hosting.
- Completed the implementation of the first Federal centralized records schedule in support of OMB Memorandum M-12-18, *Managing Government Records*. Additionally, the records program continues its success in centralizing the capture of all email records, centralizing all email journaling and consolidating over 40 legacy records solutions; and
- Automated 110 electronic forms, and published 51 of those, exceeding expectations by 3 percent. The DOI also drafted the first Departmental Manual Chapter addressing governance and use in the centralization mandate for electronic forms management. This included a Directive adopting and using Electronic and Digital signatures.

Financial Management Systems

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

Financial Systems Modernization

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

The FBMS enables DOI to meet the following business management goals:

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

FY 2015 Accomplishments

The FBMS is currently in use by all bureaus within DOI. The Business Integration Office (BIO) provides operations and maintenance support to FBMS and its users. The FBMS hosting is provided by a cloud service provider and OCIO provides the system's help desk support. Some of the accomplishments in FY 2015 include:

- Completed the migration of five FBMS environments to a modernized, secure cloud hosting environment to replace obsolete servers and networking storage equipment;
- Increased the speed, reliability and flexibility of the FBMS hosting infrastructure;
- Established a basis for inclusion on future technical improvements, including in-memory computing;
- Enhanced FBMS capabilities and closed user-prioritized functionality gaps through monthly Point Releases using an Agile development methodology;
- 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; 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 increase the speed, reliability, and flexibility of the FBMS infrastructure.

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.

Providing Value to the American People

The mission of DOI is Protecting America's Great Outdoors and Powering Our Future. The DOI protects America's natural resources and heritage, honors our cultures and tribal communities, and supplies the energy to power our future. The DOI is made up of bureaus and offices charged to accomplish the broad mission entrusted to us by the American people.

The goal of the following presentation is to highlight each of the bureaus, their unique missions, and to demonstrate value provided to the American people. Each bureau selected a data-set to be visualized in an interactive dashboard. Images of the landing page and examples from two bureaus are presented below.

Access the data visualization via a web browser here: *https://www.doi.gov/pfm/afr/2015/visualization/value.* or by clicking on the image below. When the portal is accessed, readers can hover over a logo and follow the link to explore each bureau presentation. Readers can also interact with the data by filtering, viewing detailed pop-ups, drilling down, or following links for more information.

Some examples of the data visualized include: recreation visits, economic contributions, land acreages, power generation, completed reclamation projects and oil and gas production leasing, etc.

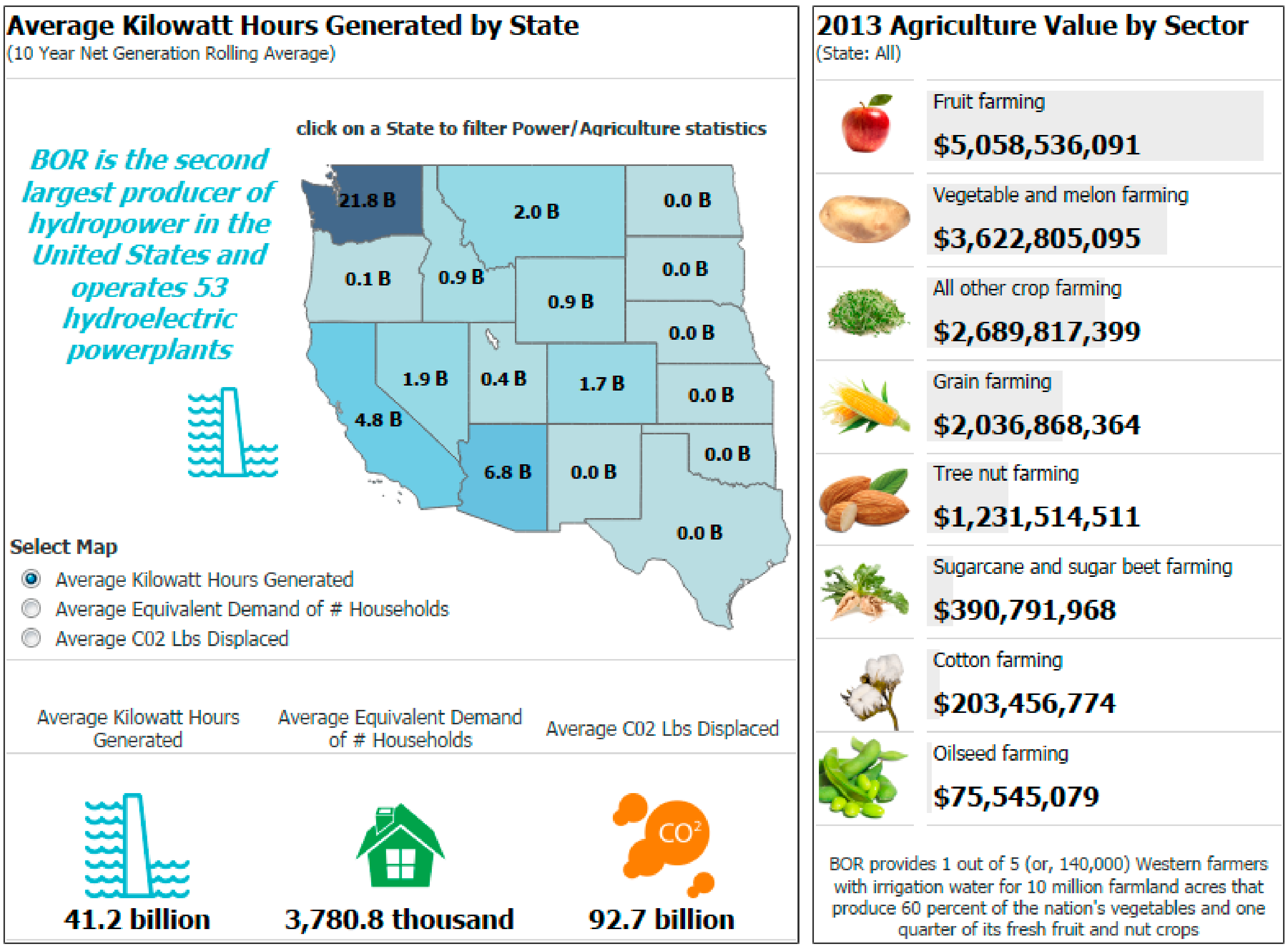
On the following pages are images from BOR and OSMRE's dashboards.

Pictured above is the landing page readers will see when arriving at the website.

On this page is an image from BOR's dashboard. This visualization and the data set on which it is based has not been audited.

Click on the image to interact with the live dashboard where readers can explore power statistics and agriculture values by sector.

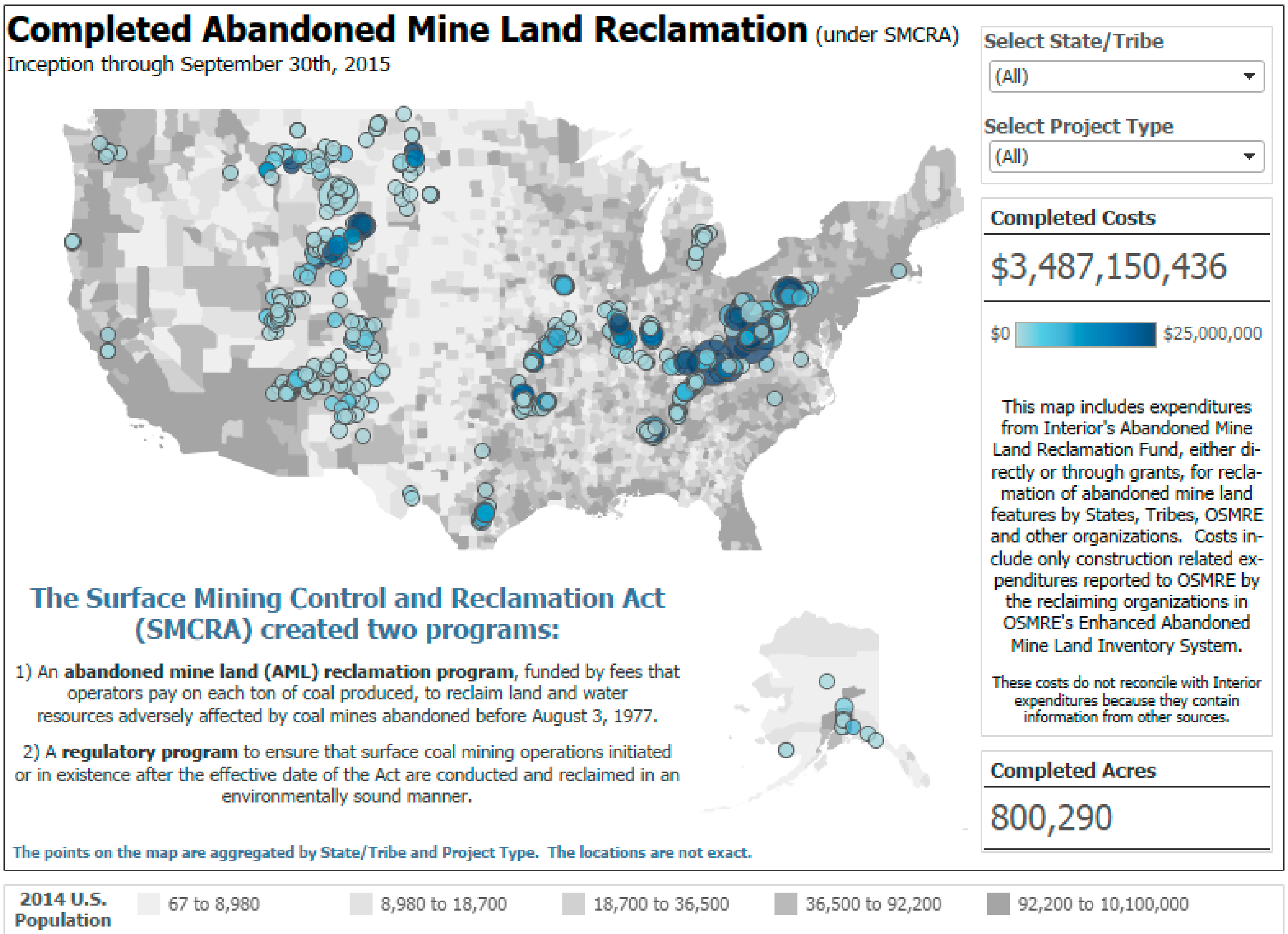
Bureau of Reclamation



On this page is an image from OSMRE's dashboard on DOI's website. This visualization and the data set on which it is based has not been audited.

Click on the image to interact with the live dashboard where readers can explore completed abandoned mine reclamation accomplishments and costs from the inception of the program through September 30, 2015.

Office of Surface Mining Reclamation and Enforcement



The DOI received, for the 19th consecutive year, an unmodified audit opinion on its financial statements. The statements were audited by the independent accounting firm KPMG LLP. Information provided on the financial statements, the opinion presented as a result of the independent audit, and other disclosures and information provided in this report provide assurance to the public that the information is accurate, reliable, and useful for decision-making. The financial statements and financial data presented in this report have been prepared from DOI's accounting records in conformity with Generally Accepted Accounting Principles (GAAP). For Federal entities, these are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB).

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

Special Account Funds

The NPS has concession agreements which contain provisions that provide for the establishment of escrow type accounts to be used to develop, improve, and maintain visitor facilities. The concessioner periodically deposits a percentage of gross revenue in the account as provided in the concessioner agreement.

These "Special Account" funds are maintained in separate interest-bearing bank accounts for the concessioners, and are not assets of NPS and may not be used in NPS operations. Therefore, the balances, inflows, and outflows of these concessioner Special Accounts are not recognized in the financial statements of NPS. The concessioners reported that these Special Accounts balances totaled approximately $7.9 million (unaudited) and $9.2 million (unaudited), as of September 30, 2015 and 2014, 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 2015**	**FY 2014**	**Increase/ (Decrease)**	**% Change**
Fund Balance with Treasury	$ 51,877,014	$ 50,307,541	$ 1,569,473	3.1%
Investments	7,609,895	7,163,003	446,892	6.2%
PP&E, Inventory, and Related Property	21,872,132	22,161,208	(289,076)	-1.3%
Accounts, Loans and Int Receivable & Other	3,086,014	4,297,554	(1,211,540)	-28.2%
Assets	$ 84,445,055	$ 83,929,306	$ $515,749	0.6%

The FY 2015 asset balance slightly increased over the prior fiscal year. This increase included a material decrease in Accounts and Interest Receivable, Net which is primarily attributable to a significant decrease in oil and gas commodity prices for DO, a further liquidation of coal bonuses for the current fiscal year, and a change in business process for the treatment of Office of Natural Resources Revenue (ONRR) custodial activity.

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

The DOI real property portfolio contains more than 43,000 buildings and 75,000 structures, with a replacement value of more than $260 billion, as well as nearly every type of asset found in a local community. Many of these assets have historic or cultural significance that not only support DOI's mission, but are important to our Nation's heritage.

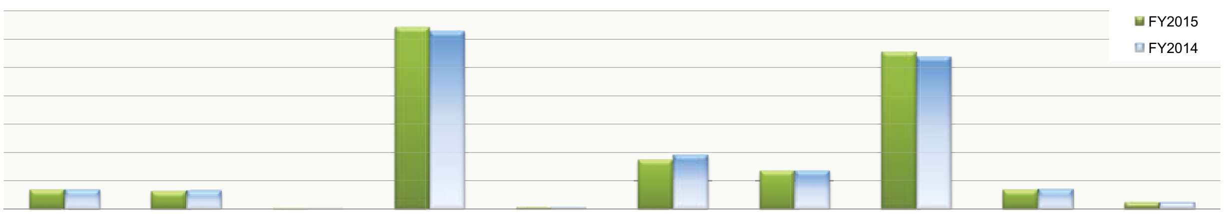
The DOI's reported values for PP&E exclude stewardship PP&E in accordance with accounting standards. Stewardship PP&E benefit the nation as a whole and are considered priceless. It is not possible to assign an identifiable value to these assets. An in-depth discussion of stewardship PP&E is presented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

The BOR enters into long-term repayment and water service contracts with non-Federal entities that allow use of irrigation and municipal and industrial water facilities in exchange for annual payments that are used to repay a portion of the Federal investment. Unmatured repayment contracts are not recognized on the Balance Sheet as a receivable until the annual payment amount is earned. As of September 30, 2015, and September 30, 2014, amounts not yet earned under BOR's unmatured repayment contracts was $2.38 billion for both fiscal years.

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
FY2015	$3,371	$3,098	$159	$32,113	$242	$8,705	$6,756	$27,721	$3,370	$1,176
FY2014	$3,384	$3,263	$163	$31,431	$244	$9,553	$6,744	$26,878	$3,485	$1,197

Analysis of Liabilities

DOI Liabilities *(line items summarized)* *(dollars in thousands)*	FY 2015	FY 2014	Increase/ (Decrease)	% Change
Accounts & Grant Payable	$ 2,132,021	$ 1,993,990	$ 138,031	6.9%
Employee & Veterans Benefits	1,427,798	1,490,031	(62,233)	-4.2%
Trust Land Consolidation	1,148,052	1,736,300	(588,248)	-33.9%
Asbestos Cleanup	539,403	539,270	133	0.0%
Environmental, Disposal, Contingent	1,225,224	1,025,947	199,277	19.4%
Custodial Liability, Payments Due to States	1,505,214	1,770,710	(265,496)	-15.0%
Advances & Deferred Revenue	1,159,300	1,300,615	(141,315)	-10.9%
Treasury General Fund	1,718,225	1,594,870	123,355	7.7%
Other, Debt, Loan Guarantees	1,562,840	1,852,873	(290,033)	-15.7%
Liabilities	$ 12,418,077	$ 13,304,606	$ ($886,529)	-6.7%

The FY 2015 decrease in liabilities is comprised of a decrease in Trust Land Consolidation, Custodial Liability, Payments Due to States, Other, Debt, and Loan Guarantees offset by a slight increase in Environmental Disposal, and Contingent Liabilities.

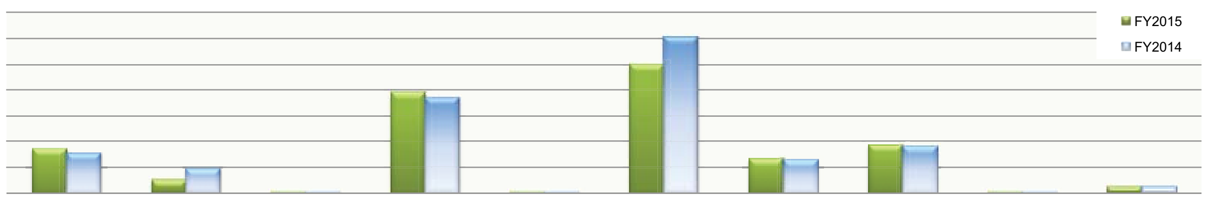
As payments are being processed, the liability for Trust Land Consolidation continues to decrease for DO, and the significant decrease in commodity prices causing a decrease in assets is also causing a decrease in liabilities for DO.

An additional decrease was incurred due to the liability associated with BLM's Helium which is offset by an increase in Contingent Liabilities for IA and NPS.

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

Liabilities by Bureau

(dollars in millions)



	IA	BLM	BOEM	BOR	BSEE	DO	FWS	NPS	OSMRE	USGS
FY2015	$1,704	$500	$22	$3,927	$33	$5,010	$1,315	$1,873	$36	$264
FY2014	$1,564	$941	$22	$3,718	$37	$6,048	$1,294	$1,805	$31	$259

Analysis of Net Costs

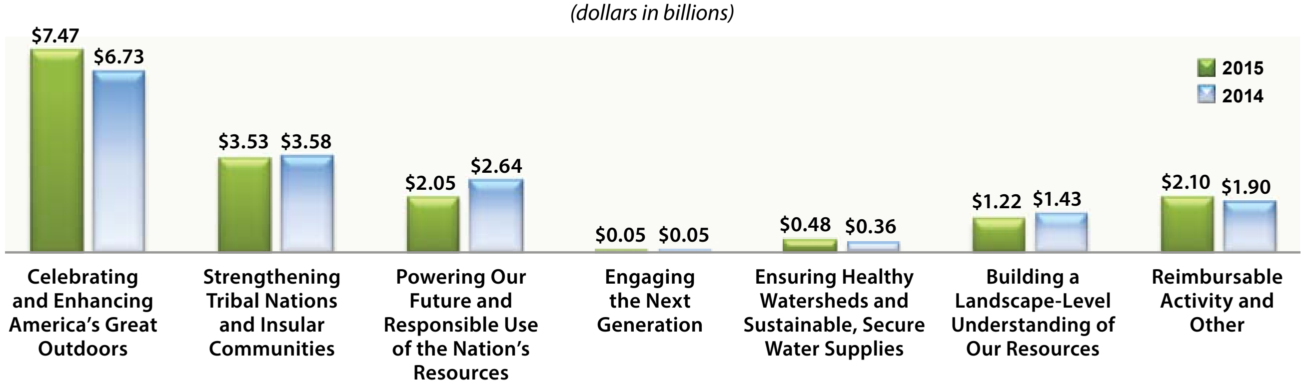
DOI Net Cost *(summarized by Bureau)* *(dollars in thousands)*	FY 2015	FY 2014	Increase/ (Decrease)	% Change
Indian Affairs	$ 3,164,465	$ 3,226,157	$ (61,692)	-1.9%
Bureau of Land Management	1,312,493	1,386,285	(73,792)	-5.3%
Bureau of Ocean Energy Management	81,948	52,752	29,196	55.3%
Bureau of Reclamation	1,156,444	840,120	316,324	37.7%
Bureau of Safety and Environmental Enforcement	96,864	70,592	26,272	37.2%
Departmental Offices	3,218,696	3,840,273	(621,577)	-16.2%
National Park Service	3,069,717	2,729,091	340,626	12.5%
Office of Surface Mining Reclamation and Enforcement	673,046	605,612	67,434	11.1%
U.S. Fish & Wildlife Service	3,002,371	2,781,668	220,703	7.9%
U.S. Geological Survey	1,178,763	1,171,406	7,357	0.6%
Eliminations	(50,025)	(15,152)	(34,873)	230.2%
Net Costs - by Bureau	$ 16,904,782	$ 16,688,804	$ 215,978	1.3%

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 16.

The DOI net costs primarily represent services provided to the public. The DOI recognized a slight increase in costs in FY 2015 due to an increase in costs associated with Contingent Liabilities for NPS as well as an increase in losses due to a title transfer of the Provo River Canal Enclosure Project from BOR to a non-Federal entity offset by a decrease in operating costs for ONRR due to a significant decrease in commodity prices. Comparative net cost by mission area is summarized in the graph below.

Net Cost by Mission Area

(dollars in billions)



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

According to DOI's most recent economic report, DOI plays a substantial role in the U.S. economy, supporting nearly 2 million jobs, providing approximately $200 billion value added and $360 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 423 million visits to DOI-managed lands. These visits supported approximately 375,000 jobs, value added provided by visitors to DOI sites was estimated to be $24 billion, and economic output was estimated to be $42 billion.

- Energy: Oil, gas, and coal produced from DOI-managed lands provided value added of approximately $133 billion; estimated economic output contribution of $230 billion; and an estimated 1 million jobs. Hydropower, wind and solar power projects on DOI lands were estimated to contribute $3 billion in economic output and support over 13,000 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 $29 billion in value added, $51 billion in economic output, and supported an estimated 379,000 jobs.

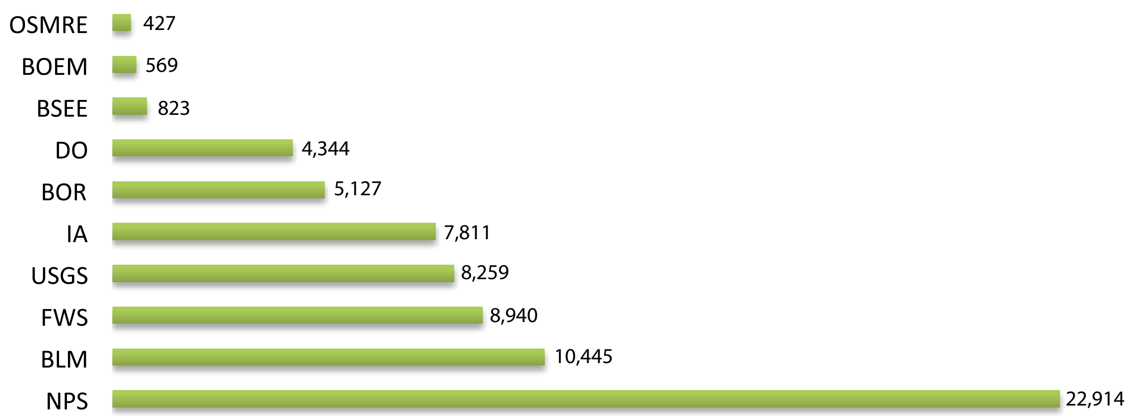
- Grants and Payments: The DOI administers numerous grants and payment programs. This financial support helps improve the natural environment, build infrastructure, and provide public and social services. Grant and payment programs administered by DOI provided $7.4 billion in value added, economic contributions of $10.4 billion, and supported employment of 99,000 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 $0.9 billion of economic value and contributed approximately $1.2 billion to economic output and supported about 11,000 jobs.

Analysis of Net Cost – DOI Workforce

The DOI costs include $6.4 billion in payroll and benefit costs for employees executing DOI's mission and programs. The DOI employs 69,659 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 FY 2015



Employee Count - Total 69,659
(All employees regardless of work schedule or type of appointment)

Total Payroll & Benefits (dollars in thousands)	
IA	$ 633,133
BLM	972,066
BOEM	74,296
BOR	552,546
BSEE	96,775
DO	557,326
FWS	900,155
NPS	1,705,730
OSMRE	50,573
USGS	865,063
TOTAL	$ 6,407,663

Work Schedule Information	Full Time Permanent	Other*	Total
IA	4,443	3,368	7,811
BLM	8,622	1,823	10,445
BOEM	561	8	569
BOR	4,904	223	5,127
BSEE	798	25	823
DO	4,120	224	4,344
FWS	7,610	1,330	8,940
NPS	14,577	8,337	22,914
OSMRE	411	16	427
USGS	6,516	1,743	8,259
Total Employees by Bureau	**52,562**	**17,097**	**69,659**

*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.

Human Capital investments increased in FY 2015. The majority of the increase in the Human Capital Stewardship Investments is attributed to IA's increase in the expenses incurred for the BIE's School Operations Program consisting of Indian School Equalization Program, transportation, Family and Child Education, facilities and administrative cost.

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

Stewardship Investments				
(dollars in millions)	FY 2015	FY 2014	Change	% Change
Non-Federal Physical Property	$ 304	$ 303	$ 1	0.3%
Research and Development	$ 1,134	$ 1,068	$ 66	6.2%
Human Capital	$ 807	$ 705	$ 102	14.5%

Analysis of Net Position

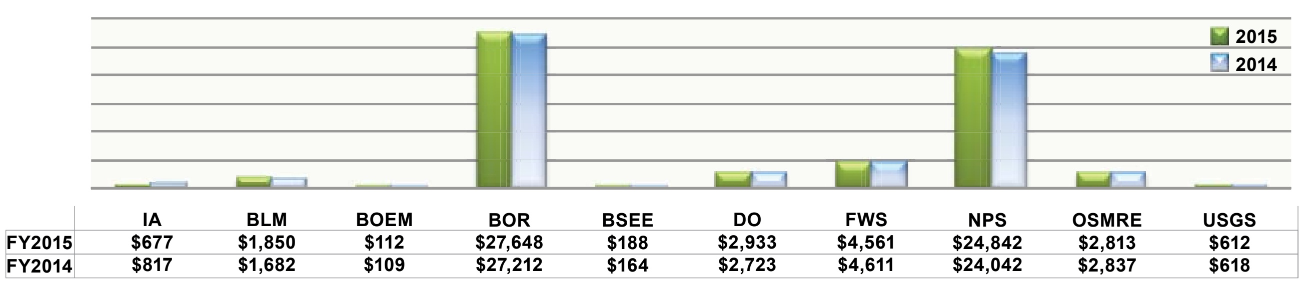
Net Postion *(dollars in thousands)*	FY 2015	FY 2014	Increase/ (Decrease)	% Change
Unexpended Appropriations	$ 5,791,048	$ 5,811,493	$ (20,445)	-0.4%
Cumulative Results of Operations	66,235,930	64,813,207	1,422,723	2.2%
Net Position	$ 72,026,978	$ 70,624,700	$ 1,402,278	2.0%

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 2015 Cumulative Results of Operations slightly increased due to a concessions contract buyout at the Grand Canyon National Park and an increase in costs associated with the Federal Land Recreation Enhancement Act for NPS.

Cumulative Results of Operation by Bureau is summarized below.

Cumulative Results of Operations

(dollars in millions)



Analysis of Budgetary Resources

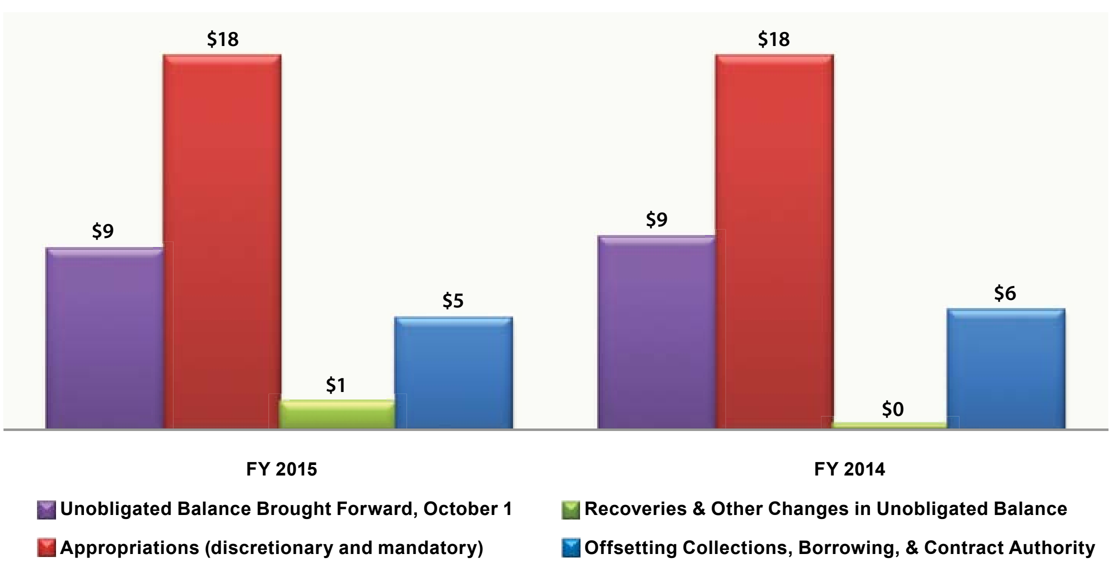
Key Budgetary Measures *(dollars in thousands)*	FY 2015	FY 2014	Increase/ (Decrease)	% Change
Unobligated Balance Brought Forward, October 1	$ 8,668,328	$ 9,255,277	$ (586,949)	-6.3%
Appropriations (discretionary and mandatory)	17,915,125	17,952,707	(37,582)	-0.2%
Recoveries & Other Changes in Unobligated Balance	1,390,995	334,828	1,056,167	315.4%
Offsetting Collections, Borrowing Authority & Contract Authority	5,341,468	5,734,050	(392,582)	-6.8%
Total Budgetary Resources	$ 33,315,916	$ 33,276,862	$ 39,054	0.1%
Obligations Incurred	24,263,626	24,608,534	(344,908)	-1.4%
Unobligated Balance Available	8,784,961	8,383,504	401,457	4.8%
Unobligated Balance Not Available	267,329	284,824	(17,495)	-6.1%
Status of Budgetary Resources	$ 33,315,916	$ 33,276,862	$ 39,054	0.1%

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

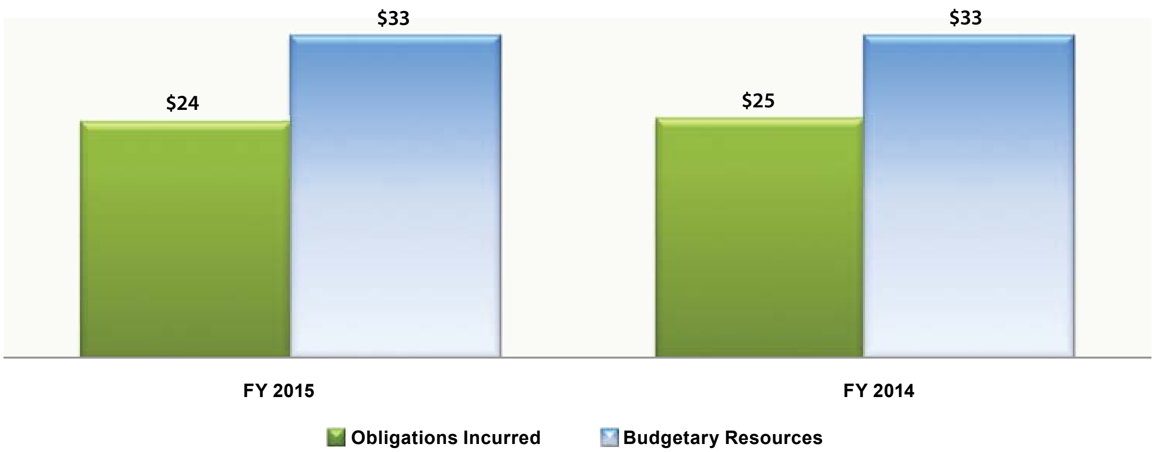
The FY 2015 slight increase in Budgetary Resources is primarily a result of an increase in Recoveries and Other Changes in Unobligated Balance. The majority of this increase is due to recovering obligations related to offers as part of the Trust Land Consolidation Fund settlements for DO when offers have not been accepted.

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 2015		FY 2014		Increase/ (Decrease)	% Change
Rents and Royalties	$	6,944,402	$	10,878,759	$	(3,934,357)	-36.2%
Onshore Lease Sales		171,562		248,367		(76,805)	-30.9%
Offshore Lease Sales		661,023		998,107		(337,084)	-33.8%
Total Custodial Revenue	$	7,776,987	$	12,125,233	$	(4,348,246)	-35.9%

The DOI custodial activity includes mineral leasing revenue collected by DOI resulting from OCS and onshore oil, gas, and mineral sales and royalties. This activity is considered to be revenue of the Federal Government as a whole and is therefore excluded from DOI's Statement of Net Cost. The FY 2015 decrease in custodial activity is attributable to a decrease in commodity prices.

Custodial Revenue
(dollars in billions)

Limitations of Financial Statements

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

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

Celebrating and Enhancing America's Great Outdoors - Nearly four years ago, President Barack Obama released the America's Great Outdoors (AGO) action plan, laying out a path to achieve lasting conservation of the outdoor spaces that power the Nation's economy, shape its culture, and provide recreational access to all Americans. The AGO initiative reinvigorated conservation partnerships and reconnected the public with the lands and waters that are the shared heritage of all Americans. Investments in America's great outdoors create millions of jobs and spur billions of dollars in national economic activity through outdoor recreation and tourism.

The FWS national wildlife refuge system is a critical component of the AGO initiative. The refuge system delivers conservation on a landscape level, delivering benefits such as improved water quality, flood mitigation, and important habitat for the survival and protection of endangered species. It also offers recreational opportunities such as fishing and wildlife watching. With 80 percent of the U.S. population residing in urban areas, these activities and outdoor experiences are unfamiliar to many. To ensure the development of a new conservation constituency, FWS is actively developing strategies to engage urban audiences in meaningful, collaborative ways that build sustainable, broad-based support for its mission.

In 2016, NPS will celebrate 100 years of preserving and sharing America's natural, cultural, and historic treasures. The NPS will make investments to connect a new generation to America's Best Idea and to care for and maintain the national parks for the next 100 years. The DOI FY 2016 budget proposed funding to allow NPS to make targeted, measurable upgrades over the next ten years to all of its highest priority non-transportation assets and restore and maintain them to good condition. The budget also proposed $100 million in annual mandatory funding for a Centennial Challenge program to leverage private donations for signature programs and projects at parks and another $100 million for a Public Lands Centennial Fund that competitively awards funds to Federal land management agencies for projects and programs. On the 50th anniversary of the Land and Water Conservation Fund Act, the budget proposed full funding for LWCF programs at DOI and the U.S. Department of Agriculture (USDA). The innovative, highly successful program reinvests royalties from offshore oil and gas activities into public lands across the Nation. These investments not only conserve lands in or near national parks, refuges, forests, and other public lands—including landscapes identified for collaborative, strategic conservation—they also enable access to lands for sportsmen and hunters, protect historic battlefields, and provide grants to states for recreation and conservation projects on non-Federal lands.

To meaningfully mark the 50th anniversary of the Voting Rights Act in 2015, the FY 2016 budget proposed $50.0 million to restore and highlight key sites across the country that tell the story of the struggle for civil rights. The initiative will invest in specific national park sites associated with the Civil Rights Movement, such as the Selma to Montgomery National Historic Trail. State, local, and tribal governments may also apply for grants to document and preserve stories and other sites related to the Civil Rights Movement.

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

The FY 2016 budget included key investments to support the launch of Generation Indigenous, an initiative focused on addressing barriers to success for American Indian and Alaska Native children and teenagers. In addition to DOI, multiple agencies—Education, Housing and Urban Development, Health and Human Services, Agriculture, Labor, and Justice—are working collaboratively with tribes on new and increased investments to implement education reforms and address issues facing youth. Generation Indigenous initiative will support educational outcomes and provide wraparound services to help address barriers and provide opportunities for youth, including behavioral and mental health, and substance abuse services.

To promote public safety and community resilience in Indian communities, the FY 2016 law enforcement budget builds on recent successes in reducing violent crime and expands efforts to lower repeat incarceration in Indian Country, which is a DOI priority goal. In FY 2016, a pilot program to lower rates of repeat incarceration will be expanded from three sites to five, with the goal of reducing recidivism by a total of three percent within these communities by September 30, 2017. To achieve this goal, BIA will implement comprehensive alternatives to incarceration strategies that seek to address underlying causes of repeat offenses—including substance abuse and social service needs—by utilizing alternative courts, increased treatment opportunities, probation programs, and interagency and intergovernmental partnerships with tribal, Federal, and state stakeholders.

The BIA budget included $4.5 million to establish an Indian Energy Service Center to facilitate energy development in Indian Country. Income from energy is one of the larger sources of revenue generated from trust lands, with royalty income climbing to $1.1 billion in FY 2014. Delays in energy development can result in delayed profits to Indian mineral rights owners. The Indian Energy Service Center will expedite the leasing, permitting, and reporting for conventional and renewable energy on Indian lands, and—importantly—provide resources to ensure development occurs safely, protects the environment, and manages risks appropriately and providing technical assistance to support assessment of the social and environmental impacts of energy development. The Center will coordinate and enhance BIA's ability to process leases, BLM's responsibility for Applications for Permit to Drill approval and monitoring, and ONRR responsibilities for royalty accounting. The Center will also institute streamlined processes, standardized procedures, and best practices for all types of energy at various locations and bureaus.

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

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

As part of the President's all-of-the-above energy strategy to continue to expand safe and responsible domestic energy production, in January 2015, Secretary Jewell announced the next step in the development of the Outer Continental Shelf Oil and Gas Leasing Program for 2017-2022. The announcement for the Draft Proposed Program includes 14 potential lease sales in eight planning areas—ten sales in the Gulf of Mexico, three off the coast of Alaska, and one in a portion of the South and Mid-Atlantic. The Draft Proposed Program would make available areas with high potential for oil and gas, including nearly 80 percent of the undiscovered technically available resources, while protecting environmental resources and areas that are simply too important to develop.

The DOI has made the development of renewable energy resources on America's public lands one of its top priorities. Public lands contribute 17 percent of hydropower, 2 percent of wind power, 47 percent of geothermal energy, and 47 percent of installed solar energy to the Nation's renewable energy generation capacity. In 2012, BLM successfully accomplished the Energy Policy Act 2005 goal of authorizing over 10,000 megawatts of renewable energy on public lands—3 years ahead of schedule— due in large part to a permitting process for renewable energy projects emphasizing early consultation with partners and stakeholders. The DOI is now working to reach 20,000 megawatts of permitted renewable energy capacity on public lands by 2020 in support of the President's Climate Action Plan to ensure America's continued leadership in clean energy.

Engaging the Next Generation– The future of America's public lands depends on young people becoming active stewards of the environment throughout their lives. The DOI has a unique opportunity to harness the strong spirit of community service and volunteerism alive within the Nation's youth, and encourage them to use their time, energy, and talent to enjoy and conserve America's natural and cultural treasures.

The DOI plays a key role in improving the Nation's future by introducing, involving, and encouraging the next generation as stewards of culture, history, land, water, and wildlife. In this dynamic and changing Nation, more and more people are isolated from the outdoors in cities and large urban areas. Young people are increasingly drawn indoors and are becoming inactive and disconnected from nature. To address the growing disconnect between young people and the outdoors, DOI developed strategies to promote public-private partnerships and collaborative efforts across all levels of government to connect young people with the land and inspire them to play, learn, serve, and work outdoors.

Youth engagement objectives continue to be a priority for DOI bureaus. In FY 2016, the FWS will expand youth programs and partnerships, including the partnership with the 21st Century Conservation Service Corps (21CSC), which is an important tool in reaching urban youth. The 21CSC puts young Americans to work protecting and restoring public and tribal lands and waters. In 2016, FWS will work collaboratively with 21CSC partnerships across the Country to increase access to public lands and provide job training in natural resource conservation to America's youth. The USGS also conducts the Native Youth in Science summer camp to demonstrate how science topics learned in school relate to tribal culture and the environmental health of local lands. These developmental efforts are investments in the USGS workforce of the future and provide opportunities to introduce young people to their Earth and the field of biological science. The FY 2016 budget included $8.5 million to ensure park units have programming tailored for young people and their families, especially at high visitation and urban parks. This increase will allow NPS to place a youth coordinator at 100 parks to develop materials and experiences to interest young people in the park and to engage youth once they are there.

Ensuring Healthy Watersheds and Sustainable, Secure Water Supplies – The Nation and particularly the West, which is the fastest growing region in the United States, face serious water challenges related to climate change and competing demands. Adequate and safe water supplies are fundamental to the health, economy, security, and environment of the country. Intensifying droughts, variable hydrology, and extreme weather events aggravate water shortages and floods, contribute to impaired water quality, and deplete groundwater resources. At the same time, population growth and new demands, including energy development, are increasing competition for supplies.

Extreme and exceptional drought continues in many basins and in some places reservoir supplies are averaging almost half of their historic levels. Snowpack, which acts like reservoir storage for many western basins, is diminishing. The aquifers on which millions of Americans rely for freshwater are being depleted at an accelerating rate, particularly where drought is forcing water users to increasingly depend on underground sources of freshwater. At the same time, the cost of maintaining water infrastructure continues to increase. New approaches are needed to ensure the resilience of the Nation's water infrastructure in the face of climate change and more volatile natural events, and to provide prudent maintenance necessary to reliably deliver water supplies.

The DOI's collaborative WaterSMART initiative works to secure and enhance water supplies to benefit people, the economy, and the environment, and identifies adaptive measures that help to address climate change and future demands. The WaterSMART program's basin studies component leverages funding and technical expertise from BOR in a collaborative effort with knowledgeable state, tribal, and local water practitioners. Basin studies aim to identify practical, implementable solutions to existing or anticipated water shortages and to support related efforts to ensure sustainable water supplies. The basin studies conducted to date advance the state of knowledge about the dynamics of each particular watershed and generate a collective expertise to formulate constructive actions to address imbalances. In FY 2016, BOR is continuing strong partnerships with local water and conservation managers to conduct ongoing comprehensive water studies of river basins in Arizona, California, Colorado, Kansas, Montana, Oklahoma, and Oregon.

Building a Landscape-Level Understanding of Our Resources– The complexity of natural resource issues and changes in landscapes, both natural and human induced, are dramatically increasing in scope and impact. The DOI recognizes to effectively carry out its mission and priorities in the face of such widespread change, it must understand and make decisions at the landscape scale that balance conservation and development needs and enhance ecosystem and community resilience. Resource planning must consider the effects of management decisions across broader scales and multiple jurisdictions. To do this, DOI conducts applied and basic scientific research, collects data and monitors systems, and provides information and tools to help inform decision making within DOI as well as in local, tribal, state, national, and international communities.

The DOI develops the tools to analyze, visualize, translate, and apply science at multiple scales and across multiple landscapes to inform land and resource planning, policy, mitigation, and management. The USGS and the scientists of DOI's land and resource management bureaus develop and provide baseline information regarding the health of ecosystems and the environment, natural hazards, and the impacts of climate change. This information and expertise is shared and leveraged with other Federal agencies, state, and local governments, tribes, academia, and communities.

In FY 2016, DOI will continue efforts to manage and promote the sustainability and resilience of ecosystems on a landscape scale, such as the California Bay-Delta, the Everglades, the Great Lakes, Chesapeake Bay, and the Gulf Coast. The FY 2016 budget proposed $78.1 million to protect and restore the American West's vast sage steppe landscape, which supports abundant wildlife and significant economic activity, including recreation, ranching, and energy development. This investment supports unprecedented Federal and state collaboration to conserve the imperiled sage steppe landscape in the face of threats from fire, invasive species, expanding development, and habitat fragmentation. The budget also proposes a landscape scale effort to address the complex natural resource issues facing the arctic. To support the understanding and managing of landscapes and to support climate resilience, the budget proposed $1.1 billion in research and development investments across DOI to improve scientific understanding, develop information and tools, and expand public access to this important information.

The DOI continues to face the challenge of providing relevant scientific information to land, water, and wildlife managers on a regular basis. The DOI also must continue to work effectively and efficiently across landscapes and watersheds with other Federal agencies, states, local and tribal governments, and private partners to formulate shared understandings and common strategies for land and resource managers to adapt to the challenges and ensure the resilience of our Nation's resources.

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MESSAGE FROM THE CHIEF FINANCIAL OFFICER

The Department of the Interior (DOI) achieved its 19th consecutive unmodified opinion on the consolidated financial statements with the Fiscal Year (FY) 2015 audit. 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 obligation to operate 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 make a significant national impact. In FY 2014, DOI's programs and activities contributed $360 billion to the economy and supported 2 million American jobs. Water supply, forage, and timber activities, primarily on public lands in the West, contributed $53 billion in economic activity and $29 billion in value added. Visitation to DOI-managed parks, refuges, and monuments supported about $42 billion in economic activity and provided $24 billion in value added. The DOI's lands hosted an estimated 423 million visits in FY 2014, supporting about 375,000 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 $245 billion in economic activity and $142 billion in value added. In FY 2015, 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 $73.8 billon.

Effective execution of programs in support of fulfilling DOI's responsibilities requires sound financial management and a strong set of internal controls. The DOI succeeded in successfully addressing the prior year material weakness related to Entity Level Controls and the Impact on Department-wide Financial Reporting. Unfortunately, two new material weaknesses and the resulting non-compliance with *Federal Financial Management Improvement Act of 1996* were identified this year, which are presented in the FY 2015 *Independent Auditors' Report*, included in Section 2 of this AFR. We are firmly committed to addressing these weaknesses expediently in FY 2016. In FY 2015, the Department closed 88 percent (weighted) of the FY 2015 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 worked diligently to correct instances of material weaknesses and internal control deficiencies identified as a result of the FY 2014 audit and internal DOI reviews. The DOI will work toward implementing corrective action to remediate all material weaknesses identified in the FY 2015 Independent Auditors' Report. Similarly, DOI continues to address the management challenges highlighted in the *Inspector General's Statement Summarizing the Major Management and Performance Challenges Facing the U.S. Department of the Interior* and achieved significant improvements in each of the nine areas identified.

In 2015, the DOI continued to strengthen its efficiency in operations and improve its operational performance. There are many positive achievements to highlight over the past year, including:

- Deploying the Financial and Business Management System (FBMS) to the cloud. This Department-wide enterprise system positions us to effectively respond to management needs, audit and reporting requirements, and to prepare for new requirements such as implementation of the *Digital Accountability and Transparency Act of 2014* (DATA Act) and the *Federal Information Technology Acquisition Reform Act* (FITARA).

- Establishing a FITARA Implementation Team (FIT) to oversee and guide DOI's implementation of requirements and to improve DOI's cybersecurity posture.

- Eliminating ten legacy systems as part of DOI's ongoing IT Transformation efforts, either through retirements or consolidations, and consolidating 170 data centers, exceeding the goal of 169 and the original goal of 95.

- Developing the Reduce the Footprint/Real Property Efficiency Plan, which sets a goal to reduce office and warehouse space by three percent between 2016 and 2020. The plan focuses on consolidation activities in metropolitan areas with significant employee populations and high-cost leases, including the Denver, CO, and Washington, DC, metropolitan areas.

- Exceeding goals in contract award dollars to small businesses, Small Disadvantaged Businesses, Women-Owned Small Businesses, and Service-Disabled Veteran-Owned Small Businesses.

- Continuing to exceed DOI's Performance Contracting Challenge goal of $20 million in energy savings performance contract awards. To date, DOI bureaus and offices have awarded over $84 million in energy savings performance contracts. These projects revitalize federally-owned facilities, reduce energy consumption, and reduce greenhouse gas emissions.

- Finalizing an agreement with Google Cultural Institute to enable all bureaus and offices with museum collections to share photographs of museum objects with the American public.

- Issuing guidance on Minimum Wages, Fair Pay and Safe Workplaces for Contractors to implement two new Executive Orders, calling for increasing the hourly minimum wage paid by Government contractors and ensuring that contractors and subcontractors comply with more than ten labor laws.

- Developing and receiving approval for special salary rate tables for key oil and gas production sites, including the Bakken and Gulf of Mexico, allowing Government to remain competitive with industry salaries.

- Preparing for a more inclusive workforce by training 212 new Diversity Change Agents.

This AFR provides timely information that the American public can use to better understand DOI's programs and mission. The Department 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 13, 2015

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

NOV 13 2015

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 2015 and 2014
Report No. 2015-FIN-046

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) 2015 and 2014. 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 2015 and FY 2014 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. 15-02, "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 two material weaknesses and one significant deficiency in internal control over financial reporting. In addition, KPMG identified one instance in which DOI did not comply with laws and regulations, specifically the Federal Financial Management Improvement Act of 1996.

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

Evaluation of KPMG Audit Performance

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

- reviewed KPMG's approach and planning of the audit;
- evaluated the qualifications and independence of the auditors;
- monitored the progress of the audit at key points;
- 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, 2015 and 2014, and the related consolidated statements of net cost, changes in net position, and custodial activity, and combined statements of budgetary resources for the years then ended, and the related notes to the consolidated financial statements (hereinafter referred to as "financial statements").

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 15-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

KPMG

Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Department of the Interior as of September 30, 2015 and 2014, 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

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

Required Supplementary Information

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

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The Introduction, Message from the Chief Financial Officer, and Other Information sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic 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 financial statements as of and for the year ended September 30, 2015, we considered the Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

KPMG

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

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 deficiencies described below under items A. and B. to be material weaknesses. Entity management did not report the material weakness described below under item A. Controls over General Property, Plant, and Equipment in the Department's Statement of Assurance, included in the Management's Discussion and Analysis section of the accompanying Annual Financial Report.

A. Controls over General Property, Plant, and Equipment

OMB Circular A-123, *Management's Responsibility for Internal Control,* states that management is responsible for developing and maintaining effective internal control. The Department's internal controls over general property, plant, and equipment (PP&E) were not effective in fiscal year 2015 as a result of the following internal control deficiencies which could result in a material misstatement of general property, plant and equipment:

- Policies and procedures established to account for PP&E lack effective risk assessment and monitoring functions to ensure that controls over completeness, existence, accuracy and valuation are appropriately designed, implemented, and/or operating effectively, and that PP&E is properly supported by appropriate and retrievable accounting records.

- Supervisory review and monitoring controls over PP&E reporting were not effective in identifying instances when policies were not being followed, or monitoring the effectiveness of existing PP&E controls, and developing corrective actions as needed in a timely manner.

- Process level internal controls were not designed, implemented, or operating effectively to ensure that:
  - Costs recognized as assets under construction were properly capitalized, regularly reviewed for completion, and classified as placed in service timely and accurately;
  - Assets under construction where construction activities have been suspended, were reviewed to determine whether the assets still exist, have future service utility, and are properly valued at the balance sheet date;
  - Policies and procedures require detailed reviews over PP&E records including asset code classification, gross square footage, and cost factor survey data used for the asbestos liability calculation;
  - A three way reconciliation of property records is performed between the cost factor database, operational subsidiary ledgers and the financial accounting system to support the asbestos liability calculation;
  - Certain costs that should be capitalized, including design fees, freight charges, and other costs related to construction and installation were capitalized timely and consistently;
  - Property additions and deletions were recorded timely;

- Non-capitalizable costs such as capital asset maintenance, prompt pay interest, repair costs, and labor costs associated with non-capital activities were properly expensed as incurred during the year;
- Physical property reconciliations, and adjustment of physical inventory records, were performed timely and consistently; and
- Useful lives were appropriately assigned in the accounting system.

Recommendations
We recommend that the Department improve controls over property, plant, and equipment to prevent a material misstatement of general property, plant and equipment as follows:

- Perform a review and risk assessment of PP&E policies and procedures at all Bureaus to identify weaknesses, inconsistencies, and potential gaps in documented internal controls over property, plant, and equipment;
- Establish routine supervisory reviews and monitoring controls over PP&E reporting at the Department level and within the Bureaus to identify instances where policies may not be consistently followed;
- Design and implement process level PP&E controls to ensure that assets under construction exist, are accounted for accurately, are timely classified as in-use, and have future service utility;
- Design and implement policies and procedures to require detailed reviews over PP&E records (i.e. gross square footage, asset classification and cost factor survey data) as well as a reconciliation between the cost factor database, the operational subsidiary ledgers and the financial accounting system to support the asbestos liability calculation;
- Reinforce existing policies over PP&E additions and deletions to ensure activities are capitalizable, are recorded accurately and timely; and
- Reinforce existing internal controls over property records to effectively validate and review property records, including physical property reconciliations review and validation that depreciable useful lives are accurately assigned in the accounting system, and ensuring supporting documentation is readily available to management.

B. Department-wide Information Technology Controls

OMB Circular A-123, *Management's Responsibility for Internal Control,* states that management is responsible for developing and maintaining effective internal control. During our fiscal year 2015 assessment of general information technology (IT) controls (GITCs), process-level IT application controls, and information produced by the entity (IPE), we noted the following internal control deficiencies:

- Certain policies and procedures were outdated, or were not consistently followed, in relation to computer security incident response guidance, despite recent efforts by management to document and update policies. Failure to implement policies and procedures may lead to delays in resolving incidents or prevent correlating an incident within the expected timeframe and holding responsible individuals fully accountable;

- Management did not ensure that a user's access in one system was terminated in accordance with policy and on a timely basis. In addition, several users maintained an active account in one system following their termination. Additionally, several users maintained active user IDs and active application accounts in another system following their separation. Management did not detect this inappropriate access during the annual recertification process or through review of user access rights.

This could lead to unauthorized changes to financial information or unauthorized electronic access to sensitive information;

- A lack of segregation of duties across multiple financial systems which indirectly impacts other GITC elements (change management, program development, and computer operations) and application controls. For example, we noted:
  - One instance where a shared privileged user account was created and used throughout the fiscal year without detailed audit logging of the usage. This could lead to unauthorized changes to financial information or unauthorized electronic access to sensitive information; and
  - Several Bureau specific financial systems lacked appropriate segregation of duties, coupled with weaknesses in audit logging. This increases the potential for unauthorized, improper, or erroneous changes being placed in the production environment without detection through formal review processes.

- Several deficiencies related to change management processes where software security patches were not consistently implemented across multiple systems on a timely basis. In addition, monthly vulnerability scanning was not being performed with proper authentication. Inconsistent patch management can lead to increased organizational risk to the computing environment as well as the financial reporting process, including access and change management functionality.

The indirect impact of the above findings includes the inability to rely on application controls and information produced by the entity that is used by management in the operation of the Department's key processes.

Recommendations

We recommend that the Department improve controls over GITCs, process-level IT application controls, and IPE as follows:

- In coordination with Bureau management, complete the review of and update existing policies and procedures related to information technology financial systems, and GITCs. Updated policies should include processes to implement security patches and perform system maintenance timely throughout the Department;
- Reinforce policies to ensure the consistent and effective operation of information technology controls throughout the Department including focus on access and segregation of duties reviews;
- Perform further analysis to understand the root cause of access control deficiencies, and implement corrective policies or procedures to strengthen access controls where necessary; and
- While completing the update of policies and procedures, perform a risk assessment of GITC and IT application controls to identify IT management and maintenance responsibilities that should be segregated to strengthen internal controls and manage risk caused by incompatible duties.

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 following deficiency to be a significant deficiency.

C. Controls over 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 Government Accountability Office's *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 2015, although the Department implemented a corrective action plan and significantly improved entity level controls, we continue to note internal control deficiencies related to financial reporting which could result in a misstatement within the financial statements. Specifically, we found:

- Bureau controls were not operating effectively to appropriately identify and analyze events that may have an accounting and/or financial reporting impact. This includes events and changes in circumstances used as important inputs in developing management estimates, such as including Federal Trading Partner activity in the undelivered order accrual. Also, management's reviews of key estimates did not always include detailed reviews of the underlying data, comprehensive look back analyses, and appropriate consideration of how changes in operations or activity levels should be reflected in the methodologies. These weaknesses were evident through review of account balances such as accounts payables, accruals, and legal contingencies;

- Financial reporting internal controls were not operating effectively to ensure that errors were identified at the Bureau and Department level on a timely basis. Specifically, there were several accounting analyses performed by Management which resulted in adjusting entries including accounting for helium inventory and classification of assets as entity or non-entity. In addition, there were several accounting analyses performed by Management which resulted in adjusting entries that were found to impact the prior year's financial statements and not reflected appropriately, including stewardship land, classification of assets as entity or non-entity, classification of net cost by mission goals, Fund Balance with Treasury disclosures, Museum collections and stewardship land disclosures;

- Controls were not operating effectively over the Department and Bureau review of trial balances;

- Monitoring controls at the Bureau level over key process level controls intended to mitigate risks posed by systems limitations over segregation of duties for sales orders and journal entries were not operating effectively; and

- Bureau controls were not operating effectively over the validation of open obligations and unfilled customer order balances. Further, adjustments to undelivered orders, including recoveries, were not always recorded timely and accurately.

Recommendations

We recommend that the Department and Bureaus improve controls over financial reporting to prevent a financial statement misstatement as follows:

- Implement or enhance controls over key estimates to include detailed reviews of the underlying data, comprehensive look back analyses (including adjustment to methodologies, if appropriate), and reviews of operations and activity levels to ensure the methodology is consistent and appropriate based on current trends;

- Perform an assessment and update, if necessary, its policies and procedures over financial reporting at the Department and Bureau level, including implementing controls at the Department and Bureau level that include detailed account analysis over significant accounts and estimates and significant financial statement footnotes. Adjustments, if any, resulting from this process should be recorded to the financial statements timely;
- Perform a detailed review of the trial balances used by management to ensure the completeness and accuracy of the information contained within;
- Reinforce the importance of monitoring controls at the Bureau level to ensure that controls over sales orders and journal entries are effective; and
- Improve controls over budgetary accounting at the Bureau level to include implementing or enhancing controls over the review and validation of undelivered orders and unfilled customer orders. Controls at the Bureau level should include setting and documenting appropriate and defined precision thresholds if used in the operation of controls, as well as processes and procedures to ensure that adjustments identified as a result of the review are accounted for timely and accurately.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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. 15-02.

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

D. Federal Financial Management Improvement Act of 1996

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

As discussed in item B. of the Internal Control over Financial Reporting section of this report, we identified a material weakness related to information technology controls and the related control deficiencies resulted in the Department's financial management systems to not substantially comply with the Federal financial management system requirements of FFMIA.

Recommendation

We recommend the Department improve its financial management systems to ensure compliance with FFMIA, and implement the recommendations provided in Item B above.

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 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 13, 2015

United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, DC 20240

NOV 13 2015

Memorandum

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

From: 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 FY 2015 (Assignment No. 2015-FIN-046)

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

A. Controls over General Property, Plant, and Equipment

Management concurs. In Fiscal Year (FY) 2015, 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 and other property related issue in FY 2016.

B. Department-wide Information Technology Controls

Management concurs. In FY 2016, the Department will pursue additional policies and monitoring activities to address the access control, vulnerability management, segregation of duties, and other issues noted in the audit. We will continue our corrective actions to remedy these issues until successful.

C. Controls over Financial Reporting

Management concurs. In FY 2016, the Department will pursue additional policies and monitoring activities to address the budgetary account, segregation of duties, estimation methodologies, and other issues noted in the audit. We will continue our corrective actions to remedy these issues until successful.

D. Federal Financial Management Improvement Act of 1996

Management concurs. In FY 2016, the Department will pursue additional policies and monitoring activities to address the access control, vulnerability management, segregation of duties, and other issues noted in the audit that supported the Information Technology material weakness. We will continue our corrective actions to remedy these issues until successful.

In closing, I would like to thank your office 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 GAAP as outlined by FASAB.

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

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

Balance Sheet

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

Statement of Net Cost

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

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 Treasury, other Federal agencies, states, and coastal political subdivisions.

Balance Sheet
as of September 30, 2015 and September 30, 2014

(dollars in thousands)	FY 2015	FY 2014
ASSETS (Note 8)		
Intragovernmental Assets:		
Fund Balance with Treasury (Note 2)	$ 51,877,014	$ 50,307,541
Investments, Net (Note 3)	7,366,333	6,867,667
Accounts and Interest Receivable (Note 4)	1,559,034	1,885,390
Other	3,563	2,244
Total Intragovernmental Assets	$ 60,805,944	$ 59,062,842
Cash	425	457
Investments, Net (Note 3)	243,562	295,336
Accounts and Interest Receivable, Net (Note 4)	1,327,625	2,087,223
Loans and Interest Receivable, Net (Note 5)	58,933	64,462
Inventory and Related Property, Net (Note 6)	105,960	121,412
General Property, Plant, and Equipment, Net (Note 7)	21,766,172	22,039,796
Other	136,434	257,778
TOTAL ASSETS	$ 84,445,055	$ 83,929,306
Stewardship PP&E (Note 9)		
LIABILITIES (Note 14)		
Intragovernmental Liabilities:		
Accounts Payable	$ 607,058	$ 627,272
Debt (Note 10)	47,504	47,695
Other		
Resources Payable to Treasury (Note 11)	1,718,225	1,594,870
Advances and Deferred Revenue	444,434	405,198
Custodial Liability	915,468	830,153
Other Liabilities	631,077	766,579
Total Intragovernmental Liabilities	$ 4,363,766	$ 4,271,767
Accounts Payable	1,004,081	882,415
Loan Guarantee Liability (Note 5)	36,993	63,972
Federal Employee and Veteran Benefits (Note 12)	1,427,798	1,490,031
Environmental and Disposal Liabilities (Note 13)	176,439	190,168
Other		
Contingent Liabilities (Note 13)	1,048,785	835,779
Trust Land Consolidation Program	1,148,052	1,736,300
Asbestos Cleanup Liability	539,403	539,270
Advances and Deferred Revenue	714,866	895,417
Payments Due to States	589,746	940,557
Grants Payable	520,882	484,303
Other Liabilities	847,266	974,627
TOTAL LIABILITIES	$ 12,418,077	$ 13,304,606
Commitments and Contingencies (Notes 13 and 15)		
Net Position (Note 16)		
Unexpended Appropriations - Funds from Dedicated Collections	475,993	369,690
Unexpended Appropriations - All Other Funds	5,315,055	5,441,803
Cumulative Results of Operations - Funds from Dedicated Collections	61,995,185	60,407,823
Cumulative Results of Operations - All Other Funds	4,240,745	4,405,384
Total Net Position	$ 72,026,978	$ 70,624,700
TOTAL LIABILITIES AND NET POSITION	$ 84,445,055	$ 83,929,306

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

Statement of Net Cost

for the years ended September 30, 2015 and September 30, 2014

(dollars in thousands)	FY 2015	FY 2014
Celebrating and Enhancing America's Great Outdoors		
Gross Costs	$ 8,719,252	$ 7,795,790
Less: Earned Revenue	1,247,820	1,063,049
Net Cost	7,471,432	6,732,741
Strengthening Tribal Nations and Insular Communities		
Gross Costs	3,886,239	3,877,715
Less: Earned Revenue	356,328	302,881
Net Cost	3,529,911	3,574,834
Powering Our Future and Responsible Use of the Nation's Resources		
Gross Costs	2,713,650	3,221,018
Less: Earned Revenue	665,044	578,407
Net Cost	2,048,606	2,642,611
Engaging the Next Generation		
Gross Costs	52,527	50,822
Less: Earned Revenue	133	106
Net Cost	52,394	50,716
Ensuring Healthy Watersheds and Sustainable, Secure Water Supplies		
Gross Costs	1,149,234	1,129,737
Less: Earned Revenue	670,839	771,348
Net Cost	478,395	358,389
Building a Landscape-Level Understanding of Our Resources		
Gross Costs	1,606,050	1,817,154
Less: Earned Revenue	383,247	388,668
Net Cost	1,222,803	1,428,486
Reimbursable Activity and Other		
Gross Costs	3,692,014	3,433,782
Less: Earned Revenue	1,590,773	1,532,755
Net Cost	2,101,241	1,901,027
TOTAL		
Gross Costs	21,818,966	21,326,018
Less: Earned Revenue	4,914,184	4,637,214
Net Cost of Operations (Notes 18 and 20)	$ 16,904,782	$ 16,688,804

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

Statement of Changes in Net Position

for the years ended September 30, 2015 and September 30, 2014

(dollars in thousands)	FY 2015 Combined Funds from Dedicated Collections (Note 16)	FY 2015 Combined All Other	FY 2015 Eliminations	FY 2015 Consolidated	FY 2014 Combined Funds from Dedicated Collections (Note 16)	FY 2014 Combined All Other	FY 2014 Eliminations	FY 2014 Consolidated
UNEXPENDED APPROPRIATIONS								
Beginning Balance	$ 369,690	$ 5,441,803	$ -	$ 5,811,493	$ 489,938	$ 4,612,820	$ -	$ 5,102,758
Budgetary Financing Sources								
Appropriations Received, General Funds	254,069	11,737,959	-	11,992,028	264,939	11,631,618	-	11,896,557
Appropriations Transferred In/(Out)	-	24,989	(80)	24,909	-	22,090	-	22,090
Appropriations - Used	(144,143)	(11,834,552)	-	(11,978,695)	(386,313)	(10,779,792)	-	(11,166,105)
Other Adjustments	(3,543)	(55,144)	-	(58,687)	1,126	(44,933)	-	(43,807)
Net Change	106,383	(126,748)	(80)	(20,445)	(120,248)	828,983	-	708,735
Ending Balance - Unexpended Appropriations	$ 476,073	$ 5,315,055	$ (80)	$ 5,791,048	$ 369,690	$ 5,441,803	$ -	$ 5,811,493
CUMULATIVE RESULTS OF OPERATIONS								
Beginning Balance	$ 59,963,199	$ 4,850,008	$ -	$ 64,813,207	$ 61,849,547	$ 5,049,588	$ -	$ 66,899,135
Adjustments								
Changes in Funds from Dedicated Collection Classification	(8,920)	8,920	-	-	8,537	(8,537)	-	-
Beginning Balance, as adjusted	59,954,279	4,858,928	-	64,813,207	61,858,084	5,041,051	-	66,899,135
Budgetary Financing Sources								
Appropriations - Used	144,143	11,834,552	-	11,978,695	386,313	10,779,792	-	11,166,105
Royalties Retained	3,666,748	1,612	-	3,668,360	4,831,801	2,027	-	4,833,828
Non-Exchange Revenue	1,285,283	113,013	-	1,398,296	1,173,829	119,867	-	1,293,696
Transfers In/(Out) without Reimbursement	494,057	114,746	105,433	714,236	376,632	(33,891)	129,988	472,729
Donations and Forfeitures of Cash and Cash Equivalents	163,925	1	-	163,926	98,358	-	-	98,358
Other Adjustments	-	-	-	-	(1,212)	(351)	-	(1,563)
Other Financing Sources								
Donations and Forfeitures of Property	8,248	13,532	-	21,780	275	12,890	-	13,165
Transfers In/Out without Reimbursement (Notes 16 & 20)	(51,770)	169,416	(105,353)	12,293	(4,663,199)	60,603	(129,988)	(4,732,584)
Imputed Financing from Costs Absorbed by Others (Note 17)	109,191	678,643	(50,025)	737,809	67,188	1,248,741	(15,152)	1,300,777
Other Non-Budgetary Financing Sources/(Uses)	(147,547)	(220,343)	-	(367,890)	274,636	(116,271)	-	158,365
Total Financing Sources	5,672,278	12,705,172	(49,945)	18,327,505	2,544,621	12,073,407	(15,152)	14,602,876
Net Cost of Operations	(4,193,078)	(12,761,729)	50,025	(16,904,782)	(4,439,506)	(12,264,450)	15,152	(16,688,804)
Net Change	1,479,200	(56,557)	80	1,422,723	(1,894,885)	(191,043)	-	(2,085,928)
Ending Balance - Cumulative Results of Operations	$ 61,433,479	$ 4,802,371	$ 80	$ 66,235,930	$ 59,963,199	$ 4,850,008	$ -	$ 64,813,207
TOTAL NET POSITION	$ 61,909,552	$10,117,426	$ -	$ 72,026,978	$ 60,332,889	$ 10,291,811	$ -	$ 70,624,700

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

Statement of Budgetary Resources

for the years ended September 30, 2015 and September 30, 2014

(dollars in thousands)	Budgetary Accounts FY 2015	Non-Budgetary Credit Program Financing Accounts FY 2015	Budgetary Accounts FY 2014	Non-Budgetary Credit Program Financing Accounts FY 2014
Budgetary Resources:				
Unobligated balance brought forward, October 1	$ 8,603,283	$ 65,045	$ 9,190,442	$ 64,835
Recoveries of prior year unpaid obligations	1,544,776	-	591,576	-
Other Changes in unobligated balance	(153,699)	(82)	(251,612)	(5,136)
Unobligated balance from prior year budget authority, net	9,994,360	64,963	9,530,406	59,699
Appropriations (discretionary and mandatory)	17,915,125	-	17,952,707	-
Borrowing authority (discretionary and mandatory)	-	(110)	-	(293)
Contract Authority (discretionary and mandatory)	-	-	60,000	-
Spending authority from offsetting collections (discretionary and mandatory)	5,322,608	18,970	5,661,887	12,456
Total Budgetary Resources	**$ 33,232,093**	**$ 83,823**	**$ 33,205,000**	**$ 71,862**
Status of Budgetary Resources:				
Obligations incurred	$ 24,226,288	$ 37,338	$ 24,601,717	$ 6,817
Unobligated balance, end of year:				
Apportioned	8,738,476	46,485	8,318,400	65,045
Exempt from apportionment	-	-	59	-
Unapportioned	267,329	-	284,824	-
Total unobligated balance, end of year	9,005,805	46,485	8,603,283	65,045
Total Budgetary Resources	**$ 33,232,093**	**$ 83,823**	**$ 33,205,000**	**$ 71,862**
Change in Obligated Balance:				
Unpaid obligations:				
Unpaid obligations, brought forward, October 1	$ 11,377,433	$ -	$ 10,031,863	$ -
Obligations incurred	24,226,288	37,338	24,601,717	6,817
Outlays (gross) (-)	(23,048,250)	(37,338)	(22,664,571)	(6,817)
Recoveries of prior year unpaid obligations (-)	(1,544,776)	-	(591,576)	-
Unpaid obligations, end of year	11,010,695	-	11,377,433	-
Uncollected payments:				
Uncollected payments, Federal sources, brought forward, October 1 (-)	(3,087,980)	(4,307)	(2,711,610)	(3,416)
Change in uncollected payments, Federal sources	21,495	1,265	(376,370)	(891)
Uncollected payments, Federal sources, end of year (-)	(3,066,485)	(3,042)	(3,087,980)	(4,307)
Obligated balance, start of year	$ 8,289,453	$ (4,307)	$ 7,320,253	$ (3,416)
Obligated balance, end of year	$ 7,944,210	$ (3,042)	$ 8,289,453	$ (4,307)
Budget Authority and Outlays, Net:				
Budget authority, gross (discretionary and mandatory)	$ 23,237,733	$ 18,860	$ 23,674,594	$ 12,163
Actual offsetting collections (discretionary and mandatory)	(5,381,097)	(20,235)	(5,441,392)	(11,565)
Change in uncollected payments, Federal sources	21,495	1,265	(376,370)	(891)
Budget authority, net (total) (discretionary and mandatory)	**$ 17,878,131**	**$ (110)**	**$ 17,856,832**	**$ (293)**
Outlays, gross (discretionary and mandatory)	23,048,250	37,338	22,664,571	6,817
Actual offsetting collections (discretionary and mandatory)	(5,381,097)	(20,235)	(5,441,392)	(11,565)
Outlays, net (total) (discretionary and mandatory)	17,667,153	17,103	17,223,179	(4,748)
Distributed offsetting receipts (-)	(5,339,598)	-	(5,964,434)	-
Agency outlays, net (discretionary and mandatory)	$ 12,327,555	$ 17,103	$ 11,258,745	$ (4,748)

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

Statement of Custodial Activity

for the years ended September 30, 2015 and September 30, 2014

(dollars in thousands)	FY 2015	FY 2014
Revenues on Behalf of the Federal Government		
Mineral Lease Revenue		
Rents and Royalties	$ 6,944,402	$ 10,878,759
Onshore Lease Sales	171,562	248,367
Offshore Lease Sales	661,023	998,107
Total Revenue	$ 7,776,987	$ 12,125,233
Disposition of Revenue		
Distribution to Department of the Interior		
Departmental Offices	1,786,528	2,250,850
National Park Service Conservation Funds	1,038,555	1,045,258
Bureau of Reclamation	1,401,739	1,769,529
Bureau of Ocean Energy Management	94,868	101,209
Bureau of Safety and Environmental Enforcement	105,872	102,421
Bureau of Land Management	17,894	20,636
Fish and Wildlife Service	1,272	1,062
Distribution to Other Federal Agencies		
Department of the Treasury	3,333,267	6,960,763
Department of Agriculture	137,723	143,520
Department of Commerce	1,007	106
Department of Energy	-	50,000
Distribution to States and Others	22,166	34,113
Change in Untransferred Revenue	(163,904)	(354,234)
Total Disposition of Revenue	**$ 7,776,987**	**$ 12,125,233**
Net Custodial Activity	$ -	$ -

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

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

The accompanying financial statements include all Federal funds under DOI's control or which are a component of the reporting entity, 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 21. Fiduciary Assets are not assets of DOI and are not recognized on the balance sheet. The financial statements included herein also do not include the effects of centrally administered assets and liabilities related to the Federal Government as a whole, such as public borrowing or certain tax revenue, which may in part be attributable to DOI.

B. Organization and Structure of DOI

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

- National Park Service (NPS) (includes the Land and Water Conservation Fund and Historic Preservation Fund)
- U.S. Fish and Wildlife Service (FWS)
- Bureau of Land Management (BLM)
- Bureau of Reclamation (BOR)
- Office of Surface Mining Reclamation and Enforcement (OSMRE)
- Bureau of Ocean Energy Management (BOEM)
- Bureau of Safety & 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 2015 and FY 2014 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 CFO Act and GMRA. These financial statements have been prepared from the books and records of DOI in accordance with GAAP and OMB Circular No. A-136, *Financial Reporting Requirements.* The GAAP for Federal entities are the standards prescribed by the FASAB, which is the designated standard-setting body for the Federal Government. These financial statements present proprietary and budgetary information. The DOI, pursuant to OMB directives, prepares additional financial reports that are used to monitor and control DOI's use of budgetary resources.

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

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

D. Fund Balance with Treasury and Cash

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

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

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

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

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

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

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

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

E. Investments, Net

The DOI invests funds in Federal Government and public securities on behalf of various DOI programs and for amounts held in certain escrow accounts. The Federal government securities include marketable Treasury securities and/or nonmarketable, market-based securities issued by the Federal Investment Branch of the Bureau of Fiscal Service. Market-based securities are Treasury securities that are not traded on any securities exchange but mirror the prices of marketable securities with similar terms. Federal security maturity dates range from October 1, 2015 to February 15, 2043.

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. 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 thousand to $500 thousand. For these same items purchased subsequent to September 30, 2003, DOI has established a capitalization threshold of $100 thousand with the exception of dams and certain related property, which are fully capitalized.

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

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

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

J. Stewardship PP&E

Stewardship PP&E 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 PP&E*, provides additional information concerning stewardship land and heritage assets.

Multi-Use Heritage Assets. Some heritage assets have been designated as multi-use heritage assets. These assets have both operating and heritage characteristics, however, in a multi-use heritage asset, the predominant use of the asset is in government operations. Predominant use is defined as more than 50 percent of the entire building, structure, or land being used in government operations. For financial reporting purposes, multi-use heritage assets are included in DOI General PP&E balances 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 either the past history of payments in the current periods that relate to prior periods, a percentage of undelivered orders, or a current assessment of services/products received but not paid.

Asbestos Cleanup Liabilities. Asbestos is categorized as either friable or non-friable. Friable asbestos poses an immediate health threat and DOI reports the related liability for cleanup costs as an Environmental and Disposal Liability (EDL) in Note 13. Non-friable asbestos does not pose an immediate health threat and DOI reports the liability for the costs to contain and dispose of non-friable asbestos during repair, renovation, demolition, or other disturbance of the property as an asbestos cleanup liability. A majority of the DOI-owned real property assets does not contain asbestos in the construction materials and these assets are exempt from the asbestos cleanup liability. For the remaining non-exempt assets, DOI estimates the asbestos liability by applying an appropriate cost factor to the gross square footage of the assets. Using the survey costs and the estimated cleanup costs from surveys from existing DOI asbestos surveys, the DOI developed two cost factors: a higher cost per gross square foot for assets built prior to 1980 and a lower cost per gross square foot for assets built in 1980 and after. The appropriate cost factor is applied to the inventory of non-exempt real property measured in square feet depending on the year the asset was built. The average cost of surveys is applied to those assets not measured in square feet to estimate the cleanup costs.

Environmental and Disposal Liabilities. The DOI has a responsibility to remediate the sites on DOI land that have environmental contamination. The DOI has accrued environmental and disposal 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. 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 (FMV) as defined in the *Indian Land Consolidation Act of 1983*, fractional interest in trust or restricted land that individuals are willing to sell to DOI. Acquired interests will remain in trust or restricted status through transfer to tribes. As an incentive to participate in the program, when individuals sell fractional interests, up to $60 million from the Fund will go to an Indian Education Scholarship Fund for American Indian and Alaska Native students. In addition, DOI is authorized to spend no more than 15 percent of the total Fund (or $285 million) for purposes of implementing TLCP and paying the costs related to the work of the Secretarial Commission on Trust Reform, including the costs of consultants to the Commission and audits recommended by the Commission.

In recognition of DOI's responsibility to fulfill the terms of the Act, the initially recorded liability will be reduced through the execution of the program. The remaining liability was $1.1 billion as of September 30, 2015, and $1.7 billion as of September 30, 2014.

M. Revenues and Financing Sources

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

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

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

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

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

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

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

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

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. In FY 2015, DOL refined the approach for selecting the cost of living adjustment (COLA) factors, consumer price index medical (CPIM) factors, and discount rate by averaging the COLA rates, CPIM rates, and interest rates for the current and prior four years. Using averaging renders estimates that reflect historical trends over five years instead of conditions that exist in one year. In FY 2014, DOL selected the COLA and CPIM factors based on one year. The DOL selected the interest rate assumptions whereby projected annual payments were discounted to present value based on interest rate assumptions on Treasury's Yield Curve for Treasury Nominal Coupon Issues (TNC) to reflect the average duration of income payments and medical payments. For FY 2015, discount rates were based on averaging the TNC Yield Curves for the current and prior four years; for FY 2014, discount rates were based on the TNC Yield Curve for one year.

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

Retirement Programs. The DOI's employees participate in one of three retirement programs. 1.) Federal Employees Retirement System (FERS), 2.) Civil Service Retirement System (CSRS), or 3.) The United States Park Police (USPP) Pension Plan. The OPM is responsible for reporting assets, accumulated plan benefits, and unfunded liabilities, if any, applicable to CSRS participants and FERS employees Government-wide, including DOI participants. The DOI has recognized an imputed cost and imputed financing source for the difference between the sum of actual CSRS and FERS participant withholdings and agency contributions, less the estimated OPM service cost.

- ***FERS.*** Employees hired after December 31, 1983, are covered by FERS. The FERS is a three-tiered plan consisting of Social Security, a basic FERS annuity, and the Thrift Savings Plan. Employees under FERS are covered by full Social Security taxes. Employees may contribute up to 10 percent of their pay to the Thrift Savings Plan. These contributions are tax-deferred. The Government contributes 1 percent of pay and matches a portion of the employee's contributions. The maximum Government contribution is 5 percent of pay. The Thrift Savings Plan is administered by the Federal Retirement Thrift Investment Board.

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

- ***CSRS.*** The CSRS is a defined benefit, contributory retirement system. Employees share in the expense of the annuities to which they become entitled. Employees hired prior to January 1, 1984, could elect to either join FERS and Social Security or remain in CSRS. The CSRS benefits are based on the employee's "high-3" average pay and the years of service. The CSRS covered employees contribute 7, 7 1/2 or 8 percent of pay to CSRS and, while they generally pay no Social Security retirement, survivor and disability (OASDI) tax, they must pay the Medicare tax (currently 1.45 percent of pay). The DOI matches the employee's CSRS contributions. Employees may contribute up to 5 percent of pay to the Thrift Savings. There is no Government contribution.
- ***USPP Pension Plan.*** Police officers hired by NPS on or before December 31, 1985, participate in the USPP Pension Plan, which is administered by the District of Columbia. Each in-service member contributes 7 percent of his/her gross earnings. The normal retirement benefit is 2.5 percent for each year of service up to 20, with an additional 3 percent for each year beyond 20, but no more than an aggregate of 80 percent. Retirement is permitted after 20 years of service, but mandatory by the age of 60. Annual benefits paid from the USPP Pension Plan are funded on a pay-as-you-go basis through a permanent indefinite appropriation from Treasury's General Fund. Police officers hired by NPS after December 31, 1985, are covered under the provisions for law enforcement officers under CSRS or FERS.

The DOI reports the USPP pension liability and associated expense in accordance with 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, imputed costs have been recognized when they are incurred by other agencies on behalf of DOI, including settlement of claims and litigation paid by Treasury's Judgment Fund and the partial funding of employee benefits by OPM.

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

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

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

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

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

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

Q. 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.

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

T. Income Taxes

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

U. Estimates

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

V. Fiduciary Activities

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

NOTE 2. FUND BALANCE WITH TREASURY

Fund Balance with Treasury by fund type as of September 30, 2015 and 2014, consists of the following:

(dollars in thousands)	FY 2015	FY 2014
General Funds	$ 7,514,116	$ 7,593,999
Special Funds	41,179,181	40,302,688
Revolving Funds	1,652,801	1,493,475
Trust Funds	407,380	332,146
Other Fund Types	1,123,536	585,233
Total Fund Balance with Treasury by Fund Type	$ 51,877,014	$ 50,307,541

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

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

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

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

Status of Fund Balance with Treasury as of September 30, 2015 and September 30, 2014, consists of the following:

(dollars in thousands)	FY 2015	FY 2014
Unobligated		
Available	$ 6,121,763	$ 5,618,516
Unavailable	481,214	583,642
Obligated Not Yet Disbursed	7,401,359	8,409,521
Subtotal	14,004,336	14,611,679
Fund Balance with Treasury Not Covered by Budgetary Resources		
Unavailable Receipt Accounts	36,749,142	35,186,600
Clearing and Deposit Accounts	1,123,536	509,262
Subtotal	37,872,678	35,695,862
Total Status of Fund Balance with Treasury	$ 51,877,014	$ 50,307,541

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.

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 16, *Funds from Dedicated Collections*. Treasury securities are a liability of the Treasury and are eliminated in the consolidation of the U.S. Government-wide financial statements. Treasury will finance any future redemption of the securities by a fund from dedicated collection in the same manner that all other government expenditures are financed.

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

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

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

NOTE 4. ACCOUNTS AND INTEREST RECEIVABLE, NET

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

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

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

Due from Federal Agencies. Accounts receivable due from Federal agencies arise from the sale of products and services to other Federal agencies, including the sale of maps, the performance of environmental and scientific services, and administrative and other services. These reimbursable arrangements generally reduce the duplication of effort within the Federal Government resulting in a lower cost of Federal programs and services. 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, 2015 and September 30, 2014:

(dollars in thousands)	FY 2015	FY 2014
Accounts and Interest Receivable from Federal Agencies		
Billed	$ 1,314,263	$ 1,257,489
Unbilled	244,771	627,901
Total Accounts and Interest Receivable from Federal agencies	$ 1,559,034	$ 1,885,390

Accounts and Interest Receivable from the Public consist of the following as of September 30, 2015 and September 30, 2014:

(dollars in thousands)	FY 2015	FY 2014
Accounts and Interest Receivable from the Public		
Billed	$ 365,402	$ 339,193
Unbilled	1,016,841	1,803,046
Total Accounts and Interest Receivable from the Public	1,382,243	2,142,239
Allowance for Doubtful Accounts	(54,618)	(55,016)
Total Accounts and Interest Receivable from the Public, Net	$ 1,327,625	$ 2,087,223

NOTE 5. LOANS AND INTEREST RECEIVABLE, NET

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

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

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

In FY 2015 and FY 2014 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 2015 and FY 2014, 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 2015 and FY 2014 includes a technical reestimate.

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

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

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 2015 and FY 2014, NPS granted the full $60 thousand 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, 2015 and September 30, 2014, are summarized as follows:

A. Direct Loan and Loan Guarantee Program Names:	(dollars in thousands)	
	FY 2015	FY 2014
Indian Affairs - Direct Liquidating Loans (Pre-Credit Reform)	$ 403	$ 4,322
Indian Affairs - Direct Loans (Credit Reform)	3,899	2,926
Indian Affairs - Guaranteed Liquidating Loans (Pre-Credit Reform)	315	371
Indian Affairs - Guaranteed Loans (Credit Reform)	1,272	1,135
Bureau of Reclamation - Direct Loans (Pre-Credit Reform)	11,031	12,230
Bureau of Reclamation - Direct Loans (Credit Reform)	32,812	33,849
Departmental Offices - American Samoa Government (Credit Reform)	9,201	9,269
National Park Service - Wolf Trap Foundation (Pre-Credit Reform)	-	360
Total Loans and Interest Receivable, Net	$ 58,933	$ 64,462

B. Direct Loans Obligated Prior to FY 1992 (Allowance for Loss Method):						(dollars in thousands)
	Direct Loan Programs (Pre-Credit Reform)	Loans Receivable Gross	Interest Receivable	Allowance For Loan Losses	Foreclosed Property	Direct Loans, Net
	Indian Affairs	$ 1,199	$ 197	$ (993)	$ -	$ 403
	Bureau of Reclamation	18,286	-	(7,255)	-	11,031
	National Park Service - Wolf Trap Foundation	-	-	-	-	-
FY 2015	Total	$ 19,485	$ 197	$ (8,248)	$ -	$ 11,434
	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

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	$ 1,061	$ 158	$ -	$ 2,680	$ 3,899
	Bureau of Reclamation	37,706	-	-	(4,894)	32,812
	Departmental Offices - American Samoa Government	10,459	-	-	(1,258)	9,201
FY 2015	Total	$ 49,226	$ 158	$ -	$ (3,472)	$ 45,912
	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

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

Modifications and Re-estimates					
	Direct Loan Programs (Credit Reform)	Total Modifications	Interest Rate Re-estimates	Technical Re-estimates	Total Re-estimates
	Indian Affairs	$ -	$ (406)	$ 693	$ 287
	Bureau of Reclamation	-	-	(40)	(40)
	Departmental Offices - American Samoa Government	-	-	-	-
FY 2015	Total	$ -	$ (406)	$ 653	$ 247
	Indian Affairs	$ -	$ -	$ -	$ -
	Bureau of Reclamation	-	-	-	-
	Departmental Offices - American Samoa Government	-	-	-	-
FY 2014	Total	$ -	$ -	$ -	$ -

Total Direct Loan Subsidy Expense		
Direct Loan Programs (Credit Reform)	FY 2015	FY 2014
Indian Affairs	$ 287	$ -
Bureau of Reclamation	(40)	-
Departmental Offices - American Samoa Government	-	-
Total	$ 247	$ -

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

	FY 2015	FY 2014
Beginning balance of the subsidy cost allowance	$ 5,754	$ 14,567
Adjustments:		
(a) Loans written off	(617)	-
(b) Subsidy allowance amortization	(665)	13,325
(c) Other	(1,247)	(22,138)
Ending balance of the subsidy cost allowance before reestimates	3,225	5,754
Add or subtract subsidy reestimates by component:		
(a) Interest rate reestimate	(406)	-
(b) Technical/default reestimate	653	-
Total of the above reestimate components	247	-
Ending balance of the subsidy cost allowance	$ 3,472	$ 5,754

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 2015	$ 812	$ 88	$ -	$ (585)	$ 315
FY 2014	$ 962	$ 98	$ -	$ (689)	$ 371

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 2015	$ 12,083	$ 1,268	$ -	$ (12,079)	$ 1,272
FY 2014	$ 10,370	$ 1,963	$ -	$ (11,198)	$ 1,135

H. Guaranteed Loans Outstanding as of September 30, 2015:		*(dollars in thousands)*
Loan Guarantee Programs	**Outstanding Principal of Guaranteed Loans, Face Value**	**Amount of Outstanding Principal Guaranteed**
FY 1992-2013	$ 440,036	$ 395,528
FY 2014	68,533	61,680
FY 2015	64,274	57,846
Total	$ 572,843	$ 515,054
New Guaranteed Loans Disbursed (Current reporting year):		
Amount Paid in Current FY for Prior Years	$ 60,951	$ 54,856
Amount Paid in Current FY for Guarantees	64,933	58,439
FY 2015 Total	$ 125,884	$ 113,295
Amount Paid in Prior FY for Prior Years	$ 15,125	$ 13,613
Amount Paid in Prior FY for Prior FY Guarantees	24,328	21,895
FY 2014 Total	$ 39,453	$ 35,508

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 2015	$ -	$ 36,993	$ 36,993
FY 2014	$ -	$ 63,972	$ 63,972

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 2015	$ 4,406	$ 5,735	$ (2,262)	$ -	$ 7,879
FY 2014	$ 1,372	$ 1,586	$ (701)	$ -	$ 2,257

Guaranteed Loans (Credit Reform)	Modifications	Interest Rate Reestimates	Technical Reestimates	Total
Modifications and Reestimates:				
FY 2015	$ -	$ (498)	$ (5,729)	$ (6,227)
FY 2014	$ -	$ (2,220)	$ 6,254	$ 4,034

Total Loan Guarantee Program Subsidy Expense	FY 2015	FY 2014
Indian Affairs	$ 1,651	$ 6,291

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 2015	3.6%	5.0%	-1.8%	0.0%	6.8%
FY 2014	3.6%	4.1%	-1.8%	0.0%	5.9%

L. Schedule for Reconciling Loan Guarantee Liability Balances:		*(dollars in thousands)*
	FY 2015	**FY 2014**
Beginning balance of the loan guarantee liability	$ 63,972	$ 29,445
Add: Subsidy expense for guaranteed loans disbursed during the reporting years by component:		
(a) Interest supplement costs	4,406	1,372
(b) Default costs (net of recoveries)	5,735	1,586
(c) Fees and other collections	(2,262)	(701)
Total of the above subsidy expense components	$ 7,879	$ 2,257
Adjustments:		
(a) Fees received	$ 2,262	$ 716
(b) Interest supplements paid	(1,038)	(1,084)
(c) Claim payments to lenders	(1,960)	(1,910)
(d) Interest accumulation on the liability balance	1,587	3,452
(e) Other (recovery, revenue, and prior period adjustments)	(29,482)	27,062
Ending balance of the loan guarantee liability before reestimates	$ 43,220	$ 59,938
Add or subtract subsidy reestimates by component:		
(a) Interest rate reestimate	$ (498)	$ (2,220)
(b) Technical/default reestimate	(5,729)	6,254
Total of the above reestimate components	$ (6,227)	$ 4,034
Ending balance of the loan guarantee liability	$ 36,993	$ 63,972

M. Administrative Expense:					(dollars in thousands)
Direct Loans (Credit Reform)			Guaranteed Loans Programs		
FY 2015	$	972	FY 2015	$	967
FY 2014	$	18	FY 2014	$	898

NOTE 6. INVENTORY AND RELATED PROPERTY, NET

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

The USGS maintains Operational Land Imager operating materials; maps and map products that are located at several Earth Science Information Centers across the United States. The BLM maintains a helium stockpile inventory that is stored in a partially depleted natural gas reservoir as discussed in Note 1.H. The *Helium Stewardship Act of 2013* (signed in FY 2014) required an additional 2.4 billion cubic feet (BcF) 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 prior fiscal years. 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, 2015 and 2014, consist of the following:

(dollars in thousands)	FY 2015	FY 2014
Inventory		
Published Maps Held for Current Sale	$ 2,548	$ 2,592
Gas and Storage Rights held for Current Sale	814	821
Operating Materials		
Working Capital Fund: Inventory Held for Use	5,592	5,943
Operational Land Imager: Inventory Held for Use	15,754	15,754
Airplane Parts and Fuel Held for Use	1,859	1,964
Stockpile Materials		
Recoverable Below-Ground Crude Helium Held in Reserve	36,174	36,174
Recoverable Below-Ground Crude Helium Held for Sale*	43,219	58,164
Total Inventory and Related Property	$ 105,960	$ 121,412

* The difference in carrying value and the estimated selling price of recoverable below ground helium held for sale is $336,710 ($379,929 - $43,219) and $400,089 ($458,253-$58,164) at September 30, 2015 and 2014, respectively.

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

General purpose PP&E consists of buildings, structures, and facilities used for general operations, power, irrigation, fish protection, wildlife enhancement, and recreation; land and land improvements acquired for general operating purposes; equipment, vehicles, and aircraft; construction in progress; 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, 2015, are shown in the following table:

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

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

NOTE 8. ASSETS ANALYSIS

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

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

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

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

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
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

NOTE 9. STEWARDSHIP PP&E

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

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

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

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

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

Stewardship Lands

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

The *Wilderness Act of 1964* established the National Wilderness Preservation System to ensure that future generations can continue to experience wild and natural places. 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

In FY 2015, NPS received donated stewardship land for the following additions to national park units: Fort Monroe National Monument, Honolulu National Monument, Paterson Great Falls National Historical Park, Pullman National Monument, and Waco Mammoth National Monument. The FMV for the donated land is undetermined.

Bureau Stewardship Lands

Indian Affairs

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

Primary Land Management Categories		As of 10/1/2013	Increase	Decrease	As of 9/30/2014	Increase	Decrease	As of 9/30/2015
IA	Regional Offices	12	-	-	12	-	-	12
BLM	Geographic Management Areas	129	-	-	129	1	2	128
BOR	Federal Water and Related Projects	135	-	-	135	-	-	135
FWS	National Wildlife Refuges	561	1	-	562	1	-	563
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	390	-	-	390	8	-	398
OS	Commission Land	1	-	-	1	-	-	1
Total Number of Units		1,405	1	-	1,406	10	2	1,414

Regional Offices. Land owned by IA generally consists of parcels located within the boundaries of Indian reservations which have been temporarily withdrawn for administrative uses and are held for the welfare of the Nation to be preserved and protected. The IA has stewardship responsibility for the multiple use management of lands held for the benefit of American Indians and Alaska Natives. The IA manages its stewardship land by 12 administrative regional offices whose boundaries largely follow one or more state lines. Two exceptions are the Navajo region, which includes parts of Arizona, Utah, and New Mexico; and, the Eastern Oklahoma region, which includes the eastern section of Oklahoma.

Bureau of Land Management

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

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

Bureau of Reclamation

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

U.S. Fish and Wildlife Service

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

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

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

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

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

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

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

National Park Service

Park Units. 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.

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 10/1/2013	Increase	Decrease	As of 9/30/2014	Increase	Decrease	As of 9/30/2015
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)	213	1	-	214	2	1	215
National Historic Sites	78	-	-	78	-	-	78
National Historic Trails	13	-	-	13	-	-	13
National Historical Parks	46	-	-	46	3	-	49
National Lakeshores	4	-	-	4	-	-	4
National Memorials	29	-	-	29	1	-	30
National Military Parks	9	-	-	9	-	-	9
National Monuments	103	2	-	105	7	2	110
National Natural Landmarks (NNL)	114	-	-	114	1	-	115
National Parks	59	-	-	59	-	-	59
National Parkways	4	-	-	4	-	-	4
National Preserves	18	-	-	18	1	-	19
National Recreation Areas	20	-	-	20	-	-	20
National Recreation Trails	110	1	-	111	-	-	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	561	1	-	562	1	-	563
Outstanding Natural Areas	3	-	-	3	-	-	3
International Historic Site	1	-	-	1	-	-	1
Wilderness Areas	355	2	-	357	2	-	359
Research Natural Area	1	-	-	1	-	-	1
Archaeological Protection Areas	2	-	-	2	-	-	2
Special Areas	5	-	-	5	-	-	5
Other	11	-	-	11	-	-	11
Total	1,912	7	-	1,919	18	3	1,934

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

Collectible Heritage Assets

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

Library Collections

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

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

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

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

Museum Collections

The DOI's museum property is intimately associated with the lands and cultural and natural resources for which DOI bureaus and offices have significant stewardship responsibilities. The DOI manages millions of museum objects in the disciplines of art, ethnography, archeology, archives, history, biology, paleontology, and geology.

Museum collections are organized by location for the purposes of physical accountability. Each bureau has the authority to add or remove an individual museum collection unit, which is done for various reasons such as recovery of new collections from bureau lands, discovery of previously unknown collections held in non-DOI facilities, and collections consolidation.

Museum collections are housed in both DOI and non-DOI facilities in an effort to maximize awareness of and accessibility to the collections by the public and DOI bureau employees. The DOI museum collections are important for their intrinsic scientific, cultural, and artistic values, their usefulness in supporting DOI's mission of managing DOI land, cultural resources, and natural resources, and their research potential to study current issues such as climate change, biodiversity, and health. Housing museum collections in non-DOI facilities also allows for cost effective care by professionals in those facilities, which are often non-Federal.

Library Collections	As of 10/1/2013	Increase	Decrease	As of 9/30/2014	Increase	Decrease	As of 9/30/2015
Total	7	-	-	7	-	-	7

Interior Museum Collections	As of 10/1/2013	Increase	Decrease	As of 9/30/2014	Increase	Decrease	As of 9/30/2015
Held at Interior Facilities	566	4	8	562	5	1	566
Held at Non-Interior Facilities	445	5	9	441	13	5	449
Total	1,011	9	17	1,003	18	6	1,015

NOTE 10. DEBT

Intragovernmental debt to Treasury activity as of September 30, 2015 and 2014 is summarized as follows:

(dollars in thousands)	FY 2014 Beginning Balance	Borrowing / (Repayments), Net	FY 2014 Ending Balance	Borrowing / (Repayments), Net	FY 2015 Ending Balance
Helium Fund	$ 44,204	$ (44,204)	$ -	$ -	$ -
Credit Reform Borrowings	53,125	(5,430)	47,695	(191)	47,504
Total Debt Due to Treasury	$ 97,329	$ (49,634)	$ 47,695	$ (191)	$ 47,504

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

As discussed in Note 5, Loans and Interest Receivable, IA, BOR, and DO's OIA have borrowed funds from Treasury in accordance with FCRA to fund loans under various loan programs.

Departmental Offices

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

Indian Affairs

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

Maturity dates for the amounts borrowed from Treasury range from 2016 to 2025. Interest rates for these securities range from 2.74 percent to 7.46 percent.

Bureau of Reclamation

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

NOTE 11. 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 2015 and FY2014 ranged from 2.63 percent to 9.84 percent. Repayment is generally over a period not to exceed 50 years from the time revenue producing assets are placed in service. Repayment to Treasury's General Fund is dependent upon actual water and power delivered to customers (through the Western Area Power Administration); as such, there is no structured repayment schedule.

As noted in the table below, costs incurred, collections, and repayment activity in FY 2015 changed from the prior fiscal year. A $127 million upward adjustment for BOR was processed against the outstanding Liability to the General Fund of the Treasury due to a reconciliation of FY 2013 – FY 2014 data. There were no changes to the amounts reported in FY 2014 as a result of this reconciliation and adjustment processed by BOR.

(dollars in thousands)	FY 2015	FY 2014
Beginning Balance	$ 1,594,870	$ 1,887,892
Costs Incurred	39,259	(24,740)
Collections	(33,240)	(140,879)
Repayments to Treasury	(9,978)	(127,133)
Adjustments	127,314	(270)
Ending Balance	$ 1,718,225	$ 1,594,870

NOTE 12. FEDERAL EMPLOYEE AND VETERAN BENEFITS

Federal Employee and Veteran Benefits as of September 30, 2015, and 2014, consisted of the following:

(dollars in thousands)	FY 2015	FY 2014
Federal Employee and Veteran Benefits		
U.S. Park Police Pension Actuarial Liability	$ 613,613	$ 603,367
U.S. Park Police Pension Current Liability	39,387	40,030
Federal Employees Compensation Actuarial Liability	774,798	846,634
Total Federal Employee and Veteran Benefits	$ 1,427,798	$ 1,490,031

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 3.7 percent in FY 2015 and 3.9 percent in FY 2014 matched the discount rate used by OPM for the CSRS plan, but differed from the 4.1 percent in FY 2015 and 4.4 percent in FY 2014 discount rates used for the FERS plan. The NPS discount rate is consistent with the rate established by OPM and it is based on the demographics of the USPP Pension Plan participants and an updated longevity assumption that reflects the impact of the updated *Mortality Improvement Scale MP-2015,* that was released in October 2015.

Additionally, the USPP Pension Plan inflationary rates of 1.7 percent in FY 2015 and 1.9 percent in FY 2014 differed from the 2.3 percent CSRS and 1.8 percent FERS in FY 2015 and 2.5 percent CSRS and 1.9 percent FERS in FY 2014 inflationary rates used by OPM. However, the plan's cost of living adjustment is based on increases in basic pay, not general inflation. As a computational shortcut, the inflation rate has been set to match the 10-year average of the Federal General Schedule of Salary Increases.

Economic Assumptions Used Expressed in Percentages	FY 2015	FY 2014
Interest Rate	3.70	3.90
Inflationary Rate	1.70	1.90
Projected Salary Increase	1.70	1.90

USPP Pension Plan Liability *(dollars in thousands)*	FY 2015	FY 2014
Beginning Balance	$ 643,397	$ 662,697
Pension Expenses		
Normal Costs	-	-
Interest on liability	24,000	26,400
Actuarial (gains) or losses from experience	(6,610)	(7,369)
Actuarial (gains) or losses from assumption changes	31,600	1,500
Total Pension Expenses	48,990	20,531
Less Benefit Payments	(39,387)	(39,831)
Ending Balance	$ 653,000	$ 643,397

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, 2015 and 2014, are summarized in the categories below.

FY 2015	Accrued Liabilities	Estimated Range of Loss	
(dollars in thousands)		Lower End of Range	Upper End of Range
Contingent Liabilities			
Probable	$ 1,048,785	$ 1,048,785	$ 1,256,753
Reasonably Possible	$ -	$ 680,168	2,789,805
Environmental and Disposal Liabilities			
Probable	$ 176,439	$ 176,439	$ 1,176,462
Reasonably Possible	$ -	$ 56,164	$ 122,387

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

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 FY2015, in C*hickasaw Nation and Choctaw Nation v. United States Department of the Interior*, DOI agreed to a settlement of $186M where the Indian tribes were seeking an accounting of their trust funds and trust assets. The $186M is not considered to be a contingent liability because all parties had executed the settlement stipulation by September 24, 2015, and the payment obligation was triggered when the court entered the stipulation as an order on September 25, 2015. In FY 2014, in *Navajo Nation v. United States*, in which the Indian tribe sought 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.

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 DOI 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. Current liabilities are to be paid within one year, and Non-Current liabilities are those not expected to be paid within one year.

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

(dollars in thousands)	Covered by Budgetary Resources		Not Covered by Budgetary Resources		FY 2015
	Current	Non-Current	Current	Non-Current	
Intragovernmental Liabilities:					
Accounts Payable	$ 6,102	$ -	$ 144,229	$ 456,727	$ 607,058
Debt	-	47,504	-	-	47,504
Other					
Resources Payable to Treasury	-	-	429,556	1,288,669	1,718,225
Advances and Deferred Revenue	442,650	-	1,609	175	444,434
Custodial Liability	-	-	827,050	88,418	915,468
Other Liabilities					
Accrued Employee Benefits	35,082	-	12,032	22,072	69,186
Judgment Fund	-	-	-	202,954	202,954
Unfunded FECA Liability	-	-	52,803	79,204	132,007
Other Miscellaneous Liabilities	-	-	25,050	201,880	226,930
Total Other Liabilities	35,082	-	89,885	506,110	631,077
Total Other Intragovernmental Liabilities	477,732	-	1,348,100	1,883,372	3,709,204
Total Intragovernmental Liabilities	483,834	47,504	1,492,329	2,340,099	4,363,766
Public Liabilities:					
Accounts Payable	1,004,081	-	-	-	1,004,081
Loan Guarantee Liability	-	36,993	-	-	36,993
Federal Employee and Veteran Benefits					
U.S. Park Police Pension Actuarial Liability	-	-	-	613,613	613,613
U.S. Park Police Pension Current Liability	39,387	-	-	-	39,387
FECA Actuarial Liability	-	-	-	774,798	774,798
Total Federal Employee and Veteran Benefits	39,387	-	-	1,388,411	1,427,798
Environmental and Disposal Liabilities	-	-	-	176,439	176,439
Other					
Contingent Liabilities	-	-	-	1,048,785	1,048,785
Trust Land Consolidation Program	164,008	984,044	-	-	1,148,052
Asbestos Cleanup Liability	-	-	-	539,403	539,403
Advances and Deferred Revenue	439,533	170,882	102,475	1,976	714,866
Payments Due to States	-	-	504,795	84,951	589,746
Grants Payable	520,882	-	-	-	520,882
Other Liabilities					
Accrued Payroll and Benefits	171,700	-	-	-	171,700
Unfunded Annual Leave	-	-	36,166	366,580	402,746
Natural Disaster Liability	11,113	20,638	-	-	31,751
Other Miscellaneous Liabilities	4,327	55,815	24,198	156,729	241,069
Total Other Liabilities	187,140	76,453	60,364	523,309	847,266
Total Other Public Liabilities	1,311,563	1,231,379	667,634	2,198,424	5,409,000
Total Public Liabilities	2,355,031	1,268,372	667,634	3,763,274	8,054,311
Total Liabilities	$ 2,838,865	$ 1,315,876	$ 2,159,963	$ 6,103,373	$ 12,418,077

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

(dollars in thousands)	Covered by Budgetary Resources		Not Covered by Budgetary Resources		FY 2014
	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
Natural Disaster Liability	18,903	35,106	-	-	54,009
Other Miscellaneous Liabilities	5,395	99,147	210,067	64,412	379,021
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

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 1.02 percent for FY 2016 and 1.80 percent for FY 2017 and after is applied. The inflationary factors are applied against the actual 2015 rental expense.

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

Future payments due under non-cancellable operating leases as of September 30, 2015 , consist of the following:

Future Operating Leases *(dollars in thousands)*	**Real Property**		**Totals**
	Federal	**Public**	
FY 2016	$ 26,898	$ 29,564	$ 56,462
FY 2017	26,829	28,999	55,828
FY 2018	26,129	28,648	54,777
FY 2019	24,581	27,508	52,089
FY 2020	22,184	23,523	45,707
Thereafter	131,664	101,314	232,978
Total Future Operating Lease Payments	$ 258,285	$ 239,556	$ 497,841

NOTE 16. FUNDS FROM DEDICATED COLLECTIONS

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

The DOI's significant funds from dedicated collections are:

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

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

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

Annually, under *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 the Western Area Power Administration) are deposited. No expenditures are made directly from the Reclamation Fund; however, funds are transferred from the Reclamation Fund into BOR's appropriated expenditure funds or to other Federal agencies pursuant to Congressional appropriation acts to invest and reinvest in the reclamation of arid lands in the Western states. The funds are considered inflows of resources to the Government.

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

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

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

The *American Recovery and Reinvestment Act of 2009* (ARRA) (P. L. 111-5) provided funding to BOR for activities that would normally be financed under the Water and Related Resources Fund. The majority of these funds were provided by appropriations derived from the Reclamation Fund in accordance with P. L. 111-5. This fund 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 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 (AML) Fund. Public law requires that all operators of coal mining operations pay a reclamation fee on every ton of coal produced. On December 20, 2006, the *Surface Mining Control and Reclamation Act Amendments of 2006* (SMCRA) (P. L. 95-87) became law as part of the *Tax Relief and Health Care Act of 2006* (P. L. 109-432). This law extends the statutory fee rates through September 30, 2021, and eliminates the requirement that DOI establish fee rates thereafter based upon amounts transferred to the United Mine Workers of America Combined Benefit Fund. The law reduces the FY 2013 through FY 2021 fee rates to 28 cents per ton of surface mined coal, 12 cents per ton of coal mined underground, and 8 cents per ton on lignite. In addition, there were two amendments to the law, P. L. 112-141 and P. L. 112-175, that reduce the amount of funds to certified States and tribes, with no impact to non-certified States.

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

Southern Nevada Public Land Management. The *Southern Nevada Public Land Management Act* (SNPLMA*)*, enacted in October 1998, authorizes BLM to sell public land tracts that are interspersed with or adjacent to private land in the Las Vegas Valley. The BLM is authorized to deposit the proceeds as follows: 85 percent in the SNPLMA; 10 percent to the Southern Nevada Water Authority; and 5 percent to the State of Nevada's Education Fund. The revenue generated by SNPLMA is used for the acquisition of environmentally sensitive land in the State of Nevada, capital improvement projects at designated sites in Nevada, Lake Tahoe Restoration projects and conservation initiatives on Federal lands. In addition, funds are provided to local entities for the development of multi-species habitat conservation plans and parks, trails and Natural areas in Clark County. The funds are considered inflows of resources to the government.

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

Sport Fish Restoration and Boating Trust Fund (SFRBTF). The DOI's component of the SFRBTF (previously referred to as Aquatic Resources Trust Fund) receives funding from excise tax receipts collected from manufacturers of equipment used in fishing, hunting, and sport shooting, and on motorboat fuels. SFRBTF provides funding to three components: DOI's Sport Fish Restoration Account (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
- Indian Water Rights and Habitat Acquisition Program, 117 Stat. 11
- 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.
- Land Sale Deschutes County
- Geothermal Steam Act Implementation Fund
- 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
- Recreation Enhancement Fee Program

Bureau of Safety and Environmental Enforcement

- Oil Spill Research

Office of Surface Mining Reclamation and Enforcement

- Regulation and Technology, Civil Penalties

Departmental Offices

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

Fish & Wildlife Service

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

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
- Educational Expenses for the Children of Employees of Yellowstone National Park
- Grand Teton National Park
- Donations
- Birthplace of Abraham Lincoln
- Federal Highways Construction Trust Fund
- Federal Infrastructure Improvement

U. S. Geological Survey

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

In FY 2015, the funds from dedicated collections are presented on a combined basis. The FY 2014 amounts, which were previously presented on a consolidated basis, have been reclassified to conform to FY 2015 presentation. The elimination of intradepartmental activity between dedicated collections and all other funds types is presented on the Statement of Changes of Net Position and the tables on page 124.

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

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

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

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
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
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 Collections 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
Appropriations Received/Transferred	-	-	-	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	FY 2014 Combined* Dedicated Collections
$ 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	2,721,870
1,728	111,001	3	21	-	486,600	14,935,109
-	5	5	-	-	272,181	335,074
2,846,747	799,059	1,871,247	1,301,069	1,364,948	5,130,211	64,906,717
$ 189	$ 3,926	$ 490	$ 580,136	$ -	$ 43,445	$ 706,684
5,197	13,245	87,570	70,370	-	1,494,880	3,867,144
$ 5,386	$ 17,171	$ 88,060	$ 650,506	$ -	$ 1,538,325	$ 4,573,828
$ -	$ -	$ -	$ -	$ -	$ 121,810	$ 369,690
2,841,361	781,888	1,783,187	650,563	1,364,948	3,470,076	59,963,199
2,841,361	781,888	1,783,187	650,563	1,364,948	3,591,886	60,332,889
$ 2,846,747	$ 799,059	$ 1,871,247	$ 1,301,069	$ 1,364,948	$ 5,130,211	$ 64,906,717
$ 187,218	$ 107,736	$ 489,916	$ 431,166	$ -	$ 3,369,860	$ 6,125,631
(102)	(59,609)	-	-	-	(997,856)	(1,686,125)
$ 187,116	$ 48,127	$ 489,916	$ 431,166	$ -	$ 2,372,004	$ 4,439,506
$ 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
-	-	-	-	-	62,980	264,853
-	-	-	-	-	2,125,627	4,831,801
230,351	-	825,024	-	26,613	184,618	1,272,462
-	(20,815)	-	413,796	-	3,376	(4,286,567)
-	-	-	-	-	15,547	67,188
-	-	-	-	-	-	274,636
(187,116)	(48,127)	(489,916)	(431,166)	-	(2,372,004)	(4,439,506)
43,235	(68,942)	335,108	(17,370)	26,613	20,144	(2,015,133)
$ 2,841,361	$ 781,888	$ 1,783,187	$ 650,563	$ 1,364,948	$ 3,591,886	$ 60,332,889

*Total Dedicated Collections: Combined vs. Consolidated

In FY 2015, the funds from dedicated collections are presented on a combined basis. The FY 2014 amounts, which were previously presented on a consolidated basis, have been reclassified to conform to FY 2015 presentation. The combined presentation is preferred as elimination entries recorded in a dedicated collection fund are often offset with activity in funds that are not included in this disclosure. The tables below summarize the elimination of intradepartmental activity between dedicated collection funds and all other fund types to arrive at the consolidated net position totals as presented on the balance sheet.

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

FY 2014 Consolidating Net Position *(dollars in thousands)*	Combined	Consolidating Eliminations	Consolidated
Unexpended Appropriations -Dedicated Collections (Note 16)	$ 369,690	$ -	$ 369,690
Unexpended Appropriations -Other Funds	5,441,803	-	5,441,803
Cumulative Results of Operations -Dedicated Collections (Note 16)	59,963,199	444,624	60,407,823
Cumulative Results of Operations -Other Funds	4,850,008	(444,624)	4,405,384
Total Net Position	$ 70,624,700	$ -	$ 70,624,700

NOTE 17. COSTS

By law, DOI, as an agency of the Federal Government, is dependent upon other Government agencies for centralized services. Some of these services, such as tax collection and management of the public debt, are not directly identifiable to DOI and are not reflected in DOI's financial condition and results. However, in certain cases, other Federal agencies incur costs that are directly identifiable to DOI operations, including payment of claims and litigation by Treasury's Judgment Fund, and the partial funding of retirement benefits by OPM. In accordance with SFFAS No. 30, *Inter-Entity Cost Implementation Amending SFFAS 4, Managerial Cost Accounting Standards and Concepts*, DOI recognizes identified costs paid for DOI by other agencies as expenses of DOI. The funding for these costs is reflected as imputed financing sources on the Statement of Changes in Net Position. Costs paid by other agencies on behalf of DOI were $738 million and $1,300 million during FY 2015 and FY 2014, respectively. The DOI's imputed costs that were recognized on the Statement of Net Cost but eliminated for consolidation purposes were $50 million and $15 million during FY 2015 and FY 2014, respectively.

During FY 2015 and FY 2014, the costs associated with acquiring, constructing, and renovating heritage assets were $191 million and $132 million, respectively. The costs associated with acquiring and improving stewardship lands were $268 million and $114 million during FY 2015 and FY 2014, respectively.

NOTE 18. COSTS AND EXCHANGE REVENUE BY RESPONSIBILITY SEGMENT

The OMB Circular No. A-136, *Financial Reporting Requirements*, requires that the presentation of the Statement of Net Cost align directly with the goals and outcomes identified in the strategic plan. The DOI's Strategic Plan for FYs 2014 to 2018 consist of six Mission Areas: Celebrating and Enhancing America's Great Outdoors, Strengthening Tribal Nations and Insular Communities, Powering Our Future and Responsible Use of the Nation's Resources, Engaging the Next Generation, Ensuring Healthy Watersheds and Sustainable, Secure Water Supplies, and Building a Landscape-Level Understanding of Our Resources. Reimbursable costs related to services provided to other Federal agencies and costs that are not part of DOI's core mission are presented as Reimbursable Activity and Other. The DOI's reimbursable activity is predominately the intra-governmental acquisition of goods and services through DOI's Working Capital Funds and Franchise Fund for general support of DOI's mission and goals.

In the following tables, DOI presents the FY 2015 and FY 2014 earned revenue and gross costs by the 6 Mission Areas.

Costs and exchange revenue by responsibility segment for the year ended September 30, 2015, consists of the following:

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

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

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

NOTE 19. STATEMENT OF BUDGETARY RESOURCES

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

Apportionment of 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, 2015 and 2014, are as follows:

Undelivered Orders		
(dollars in thousands)	FY 2015	FY 2014
Undelivered Orders	$ 9,600,263	$ 9,982,198

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

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

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

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

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

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

Legal Arrangements Affecting Use of Unobligated Balances. Unobligated balances, whose period of availability has expired (i.e., expired authority), are not available to fund new obligations, but are available to pay for adjustments to obligations incurred prior to expiration. The DOI's unapportioned balances as of September 30, 2015, and 2014, 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, 2015 and 2014. 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. In FY 2015, DOI exercised $1,288 thousand in new borrowing authority and made repayments of borrowing authority for $1,398 thousand, resulting in net borrowing authority of $(110) thousand. In FY 2014, the DOI exercised $1,374 thousand in new borrowing authority and made repayments of borrowing authority for $1,667 thousand, resulting in net borrowing authority of $(293) thousand.

Explanation of Differences between the Combined Statement of Budgetary Resources and the Budget of the United States Government. The Statement of Budgetary Resources has been prepared to coincide with the amounts shown in the Budget of the United States Government. The Budget of the United States Government containing the actual amounts for FY 2015 has not been published at the time these financial statements were prepared. The FY 2016 Budget of the United States Government with the actual FY 2014 amounts was released in February 2015. The FY 2017 Budget of the United States Government will include the FY 2015 actual amounts, and is estimated to be released in February 2016. The Budget of the United States Government is available on the OMB website.

There are legitimate reasons for differences between balances reported in the Statement of Budgetary Resources and the actual balances reported in the Budget of the United States Government. The FY 2014 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 2015	FY 2014
Unapportioned amounts unavailable for future apportionments	$ 85,163	$ 117,410
Expired Authority	182,166	167,414
Unapportioned	$ 267,329	$ 284,824

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 2014 Combined Statement of Budgetary Resources	$ 33,277	$ 24,609	$ 5,964	$ 17,218
Office of the Special Trustee for American Indians Fiduciary activity included in the Budget of the US Government that is excluded from the SBR	198	79	74	79
National Park Service Concessionaire activity included in the Budget of the US Government that is excluded from the SBR	57	15	8	15
Expired resources included in the SBR that are excluded from the Budget of the U.S. Government	(171)	-	-	-
Other activity	(6)	(7)	(2)	4
Subtotal	$ 78	$ 87	$ 80	$ 98
Budget of the U.S. Government	$ 33,355	$ 24,696	$ 6,044	$ 17,316

NOTE 20. 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 2015 and FY 2014 is primarily due to the transfer of program management responsibility from DOI to DOE. In addition, the increase in “Change in Undelivered Orders” and “Recoveries of Prior Year Unpaid Obligations” are a result of DO establishing the Trust Land Consolidation Fund program as well as a designation of BOR funds for the Desert Terminal Lakes Program project.

The reconciliation of net cost of operations to budgetary accounts for the years ended September 30, 2015 and September 30, 2014, is as follows:

(dollars in thousands)	FY 2015	FY 2014
Resources Used to Finance Activities		
Current Year Gross Obligations	$ 24,263,626	$ 24,608,534
Budgetary Resources from Offsetting Collections		
Spending Authority from Offsetting Collections		
Actual offsetting collections (discretionary and mandatory)	(5,401,332)	(5,452,956)
Change in uncollected customer payments from Federal sources	22,760	(377,261)
Recoveries of Prior Year Unpaid Obligations	(1,544,776)	(591,576)
Distributed Offsetting Receipts	(5,339,598)	(5,964,434)
Other Financing Resources		
Transfers In (Out) without Reimbursement	12,293	(4,732,584)
Donations (Forfeitures) of Property	21,780	13,165
Imputed Financing Sources	737,809	1,300,777
Other	(367,890)	158,365
Total Resources Used to Finance Activity	$ 12,404,672	$ 8,962,030
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	$ (62,638)	$ 618,265
Change in Undelivered Orders	381,935	(1,639,867)
Current Year Capitalized Purchases	(659,934)	(809,752)
Deferred Revenue	12,395	(57,728)
Change in Expended Authority in Loan Funds	(34,380)	(3,706)
Change in Budgetary Collections in Loan Funds	22,012	14,220
Distributed Offsetting Receipts that do not Affect Net Cost of Operations	5,339,598	5,964,434
Imputed Financing Sources	(737,809)	(1,300,777)
Revenues, Gains, and Losses that do not affect Net Cost Operations	(694,370)	3,069,102
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	(21,886)	12,915
Costs without Current Year Budgetary Effect		
Depreciation and Amortization	682,997	764,859
Disposition of Assets	118,963	(1,020)
Re-evaluation of liabilities	(741,161)	(442,855)
Imputed costs	737,809	1,300,777
Bad Debt Expense	5,550	(856)
Change in Other Expenses Not Requiring Budgetary Resources	151,029	238,763
Net Cost of Operations	$ 16,904,782	$ 16,688,804

NOTE 21. FIDUCIARY ACTIVITIES

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

The DOI maintains accounts for Tribal and Other Trust Funds (including the Alaska Native Escrow Fund) and Individual Indian Monies (IIM) Trust Funds in accordance with the *American Indian Trust Fund Management Reform Act of 1994*. The fiduciary balances that have accumulated in these funds have resulted from land use agreements, royalties on natural resource depletion, other proceeds derived directly from trust resources, judgment awards, settlements of claims, and investment income. These funds are maintained by 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 Funds Financial Statements were prepared using a cash basis of accounting, which is a comprehensive basis of accounting other than GAAP. The cash basis of accounting differs from GAAP in that receivables and payables are not accrued and investment premiums and discounts are not amortized or accreted. Receipts are recorded when received, disbursements are recorded when paid, and investments are stated at historical cost.

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

Audit Results. With OIG oversight, independent auditors audited the Tribal and Other Trust Funds and the IIM Trust Funds financial statements as of

Schedule of Fiduciary Activity	Fiduciary Funds	
(dollars in thousands)	FY 2015	FY 2014
Fiduciary Net Assets, Beginning	$ 5,076,431	$ 4,709,913
Contributions	1,578,119	1,858,784
Investment Earnings	126,189	111,346
Gain (Loss) on Disposition of Investments, Net	5,929	7,421
Administrative and Other Expenses	(18)	(20)
Disbursements to and on Behalf of Beneficiaries	(1,712,548)	(1,611,013)
Increases/(Decrease) Net Assets	(2,329)	366,518
Fiduciary Net Assets, End	$ 5,074,102	$ 5,076,431

Fiduciary Net Assets	Fiduciary Funds	
(dollars in thousands)	FY 2015	FY 2014
Cash and Cash Equivalents	$ 712,173	$ 850,666
Investments	4,230,048	4,070,485
Accrued Interest Receivable	30,127	25,926
Other Income Receivable	102,397	129,996
Less: Accounts Payable	(643)	(642)
Total Fiduciary Net Assets	$ 5,074,102	$ 5,076,431

Schedule of Changes in Non-Valued Fiduciary Assets*	Fiduciary Assets	
Regions	FY 2015	FY 2014
Beginning Quantity	12	12
Additions	0	0
Dispositions	0	0
Net Increase/Decrease	0	0
Ending Quantity	12	12

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

September 30, 2015 and 2014. The independent auditors indicated that the financial statements were prepared on the cash or modified cash basis of accounting, which is a comprehensive basis of accounting other than GAAP. In addition, the independent auditors' report on the Tribal and Other Trust Funds was qualified as it was not practicable for the independent auditors to extend audit procedures sufficiently to satisfy themselves as to the fairness of the trust fund balances due to the effects of certain parties for whom DOI holds assets in trust do not agree with balances recorded by DOI and/or have requested an accounting of their trust funds. Some of these parties have filed claims against the U. S. Government. The IIM Trust Funds received an unmodified opinion from the auditors.

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

Unaudited, see accompanying Auditors' Report

This section includes the Combining Statement of Budgetary Resources by major budget account (Budgetary Accounts), deferred maintenance and repair information, custodial activity compliance assessments and pre-assessment work in process. The DOI Required Supplementary Information includes the disclosures required by SFFAS No. 38, *Accounting for Federal Oil and Gas Resources*. The SFFAS No. 38 disclosure includes the Federal Government's estimated petroleum royalties from the production of Federal oil and gas proved reserves reported in a schedule of estimated Federal oil and gas petroleum royalties and a schedule of estimated Federal oil and gas petroleum royalties to be distributed to others.

Combining Statement of Budgetary Resources for the Year Ended September 30, 2015 *(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	$ 126,656	$ 325,590	$ 494,385	$ 87,943	$ 145,183
Recoveries of prior year unpaid obligations	56,500	92,945	68,847	27,931	36,593
Other changes in unobligated balance	-	-	(351)	(14,990)	-
Unobligated balance from prior year budget authority, net	183,156	418,535	562,881	100,884	181,776
Appropriations (discretionary and mandatory)	-	91,425	892,477	2,277,454	973,819
Spending authority from offsetting collections (discretionary and mandatory)	940,897	1,360,620	424,910	29,201	90,005
Total Budgetary Resources	$ 1,124,053	$ 1,870,580	$ 1,880,268	$ 2,407,539	$ 1,245,600
Status of Budgetary Resources:					
Obligations incurred	1,011,349	1,418,834	1,231,465	2,298,864	1,109,228
Unobligated balance, end of year:					
Apportioned	112,704	417,559	648,803	65,040	135,890
Exempt from apportionment	-	-	-	-	-
Unapportioned	-	34,187	-	43,635	482
Total unobligated balance, end of year (net)	112,704	451,746	648,803	108,675	136,372
Total Budgetary Resources	$ 1,124,053	$ 1,870,580	$ 1,880,268	$ 2,407,539	$ 1,245,600
Change in Obligated Balance:					
Unpaid Obligations:					
Unpaid obligations, brought forward October 1	910,688	699,858	1,045,610	484,803	391,726
Obligations incurred	1,011,349	1,418,834	1,231,465	2,298,864	1,109,228
Outlays (gross) (-)	(957,391)	(1,311,636)	(1,173,123)	(2,248,585)	(1,064,076)
Recoveries of prior year obligations (-)	(56,500)	(92,945)	(68,847)	(27,931)	(36,593)
Unpaid obligations, end of year	908,146	714,111	1,035,105	507,151	400,285
Uncollected payments:					
Uncollected payments, Federal sources, brought forward, October 1 (-)	(725,607)	(708,801)	(271,431)	-	(50,307)
Change in uncollected payments, Federal sources	37,175	(69,160)	(78,613)	-	13,510
Uncollected payments, Federal sources, end of year (-)	(688,432)	(777,961)	(350,044)	-	(36,797)
Obligated balance, start of year	$ 185,081	$ (8,943)	$ 774,179	$ 484,803	$ 341,419
Obligated balance, end of year	$ 219,714	$ (63,850)	$ 685,061	$ 507,151	$ 363,488
Budget Authority and Outlays, Net:					
Budget authority, gross (discretionary and mandatory)	940,897	1,452,045	1,317,387	2,306,655	1,063,824
Actual offsetting collections (discretionary and mandatory)	(978,072)	(1,291,460)	(346,297)	(29,201)	(103,515)
Change in uncollected payments, Federal sources	37,175	(69,160)	(78,613)	-	13,510
Budget authority, net (total) (discretionary and mandatory)	$ -	$ 91,425	$ 892,477	$ 2,277,454	$ 973,819
Outlays, gross (discretionary and mandatory)	957,391	1,311,636	1,173,123	2,248,585	1,064,076
Actual offsetting collections (discretionary and mandatory)	(978,072)	(1,291,460)	(346,297)	(29,201)	(103,515)
Outlays, net (total) (discretionary and mandatory)	(20,681)	20,176	826,826	2,219,384	960,561
Distributed offsetting receipts (-)	-	-	(833)	-	-
Agency outlays, net (discretionary and mandatory)	$ (20,681)	$ 20,176	$ 825,993	$ 2,219,384	$ 960,561

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
$ 95,992	$ 562,547	$ 312,445	$ -	$ 625,194	$ 447,361	$ 731,737	$ 4,648,250	$ 8,603,283
14,936	30,714	31,309	-	30,252	19,348	793,462	341,939	1,544,776
42,000	(832)	(4,980)	-	2,391	(2,509)	(25,156)	(149,272)	(153,699)
152,928	592,429	338,774	-	657,837	464,200	1,500,043	4,840,917	9,994,360
871,581	127,271	1,225,232	1,788,670	2,429,236	1,080,680	-	6,157,280	17,915,125
37,980	-	270,334	-	260,792	468,033	-	1,439,836	5,322,608
$ 1,062,489	$ 719,700	$ 1,834,340	$ 1,788,670	$ 3,347,865	$ 2,012,913	$ 1,500,043	$ 12,438,033	$ 33,232,093
962,854	80,980	1,519,228	1,788,670	2,736,254	1,515,001	742,478	7,811,083	24,226,288
99,635	638,715	288,481	-	566,496	450,445	757,565	4,557,143	8,738,476
-	-	-	-	-	-	-	-	-
-	5	26,631	-	45,115	47,467	-	69,807	267,329
99,635	638,720	315,112	-	611,611	497,912	757,565	4,626,950	9,005,805
$ 1,062,489	$ 719,700	$ 1,834,340	$ 1,788,670	$ 3,347,865	$ 2,012,913	$ 1,500,043	$ 12,438,033	$ 33,232,093
269,360	191,745	573,901	-	365,176	330,778	1,002,645	5,111,143	11,377,433
962,854	80,980	1,519,228	1,788,670	2,736,254	1,515,001	742,478	7,811,083	24,226,288
(908,719)	(132,121)	(1,492,049)	(1,788,670)	(2,702,721)	(1,490,138)	(561,871)	(7,217,150)	(23,048,250)
(14,936)	(30,714)	(31,309)	-	(30,252)	(19,348)	(793,462)	(341,939)	(1,544,776)
308,559	109,890	569,771	-	368,457	336,293	389,790	5,363,137	11,010,695
(9,458)	-	(372,741)	-	(114,629)	(496,300)	-	(338,706)	(3,087,980)
(2,239)	-	83,490	-	(7,504)	(9,865)	-	54,701	21,495
(11,697)	-	(289,251)	-	(122,133)	(506,165)	-	(284,005)	(3,066,485)
$ 259,902	$ 191,745	$ 201,160	-	$ 250,547	$ (165,522)	$ 1,002,645	$ 4,772,437	$ 8,289,453
$ 296,862	$ 109,890	$ 280,520	-	$ 246,324	$ (169,872)	$ 389,790	$ 5,079,132	$ 7,944,210
909,561	127,271	1,495,566	1,788,670	2,690,028	1,548,713	-	7,597,116	23,237,733
(35,741)	-	(353,824)	-	(253,287)	(458,167)	-	(1,531,533)	(5,381,097)
(2,239)	-	83,490	-	(7,504)	(9,865)	-	54,701	21,495
$ 871,581	$ 127,271	$ 1,225,232	$ 1,788,670	$ 2,429,237	$ 1,080,681	$ -	$ 6,120,284	$ 17,878,131
908,719	132,121	1,492,049	1,788,670	2,702,721	1,490,138	561,871	7,217,150	23,048,250
(35,741)	-	(353,824)	-	(253,287)	(458,167)	-	(1,531,533)	(5,381,097)
872,978	132,121	1,138,225	1,788,670	2,449,434	1,031,971	561,871	5,685,617	17,667,153
-	130,554	(74)	(1,758,702)	-	-	-	(3,449,435)	(5,339,598)
$ 872,978	$ 1,567	$ 1,138,151	$ 29,968	$ 2,449,434	$ 1,031,971	$ 561,871	$ 2,236,182	$ 12,327,555

Deferred Maintenance and Repairs

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

A condition assessment is the periodic inspection of real property to determine its current condition, validate inventory data, and identify and provide a cost estimate for necessary maintenance and repairs. The overall condition of the asset is determined by the Facility Condition Index (FCI), which is the ratio of the DM&R to the Current Replacement Value. Assets with an FCI closer to 0 (zero) are considered to be in good condition while those with an FCI closer to 1.0 are considered to be in poor condition. Generally DOI considers assets with an FCI near 0.15 to be in acceptable condition. However, the FCI is only one indicator of the overall health of the asset. Professional judgment regarding the severity of the maintenance and repairs play a critical role in managing DM&R. Due to the location, age, and variety of the assets entrusted to DOI, as well as the nature of DM&R itself, precise cost estimates for DM&R cannot be determined prior to developing the final design and specifications for the repairs. Until that time, estimates are conceptual in nature.

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

The DOI has a 5-year capital planning process that provides a framework for improved planning and management of maintenance, repair, and construction programs. The DOI's guidance for the 5-year plan provides a corporate methodology for implementing investment priorities across the diverse portfolio of capital assets. The methodology is executed through an annual process in which bureaus analyze, prioritize, and select capital investment projects that best support bureau missions, DOI goals and objectives, and the Administration's emphasis areas. Bureau 5-year plans are updated annually to reflect the most current 5-year picture of DOI's priority DM&R and capital improvement projects. In preparing the plan, DOI utilizes uniform prioritization criteria to drive consistency and to ensure that the projects are prioritized appropriately. These criteria are reviewed annually for alignment with strategic plans, OMB guidance, recent laws, and Executive Orders.

Prior to FY 2015, DM&R was presented as a range by asset type. Effective FY 2015, DM&R is presented as beginning and ending balances by categories of PP&E in accordance with SFFAS No. 42, *Deferred Maintenance and Repairs: Amending Statements of Federal Financial Accounting Standards 6, 14, 29, and 32*. Categories of PP&E include general PP&E, Heritage Assets, and Stewardship Land per SFFAS No. 6, *Accounting for Property, Plant, and Equipment.* The SFFAS No. 29, *Heritage Assets and Stewardship Land*, defines "land" as the solid part of the surface of the earth. The DOI does not perform periodic or recurring maintenance and repairs on stewardship land. However, there are improvements to Stewardship Land that are specifically constructed to support and further the stewardship mission of the bureaus such as protection, preservation, or maintenance of natural or cultural resources. The DOI presents DM&R related to these improvements to stewardship land in the Stewardship Land category.

The following is DOI's DM&R as of September 30, 2015:

Deferred Maintenance and Repairs as of September 30, 2015		
PP&E Category *(dollars in thousands)*	**Beginning DM&R Balance**	**Ending DM&R Balance**
General PP&E	$ 9,275,423	$ 10,036,564
Heritage Assets	5,114,144	5,675,629
Stewardship Land	1,186,797	427,065
Total	$ 15,576,364	$ 16,139,258

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, 2015, is $65.2 million. This estimate is comprised of approximately $37 million in Audit and Compliance Management (ACM), approximately $12.7 state and tribal audit, approximately $11.8 million in civil penalties, and approximately $3.7 million in other compliance assessments and pre-assessment work in process.

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

Oil and Gas Petroleum Royalties

Management of Federal Oil and Gas Resources

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

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

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

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

The ONRR is responsible for the management and collection of revenues associated with Federal offshore and onshore mineral leases issued under the *Mineral Leasing Act of 1920* and the *Outer Continental Shelf Lands Act* of 1953 (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 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 FMV and that companies comply with applicable laws, regulations, and lease terms.

Through this mineral asset management process, DOI serves as the leading mineral asset manager for the Federal Government, the states, and the American people. Additional information regarding federal natural resources, including oil and gas, can be found on many of DOI's websites. 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, 2015
(in thousands)

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

Onshore	East Coast (PADD 1)	Midwest (PADD 2)	Gulf Coast (PADD 3)	Rocky Mountain (PADD 4)	West Coast (PADD 5)	Total
Oil and Lease Condensate	$ 128	$ 2,430,218	$ 5,117,034	$ 5,879,614	$ 1,309,126	$ 14,736,120
Natural Gas, Wet After Lease Separation	3,581	244,515	3,815,379	9,935,814	135,644	14,134,933
Total Onshore	**$ 3,709**	**$ 2,674,733**	**$ 8,932,413**	**$ 15,815,428**	**$ 1,444,770**	**$ 28,871,053**

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

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

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**

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, 2015, and September 30, 2014. Inputs to these estimates were measured as of this effective date, or were extrapolated to this effective date. The Federal Government's estimated petroleum royalties have as their basis the Department of Energy's Energy Information Administration (DOE/EIA) estimates of proved reserves. The DOE/EIA proved reserves estimates are published annually, covering all Federal areas onshore and offshore. The 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 2013, the recent published DOE/EIA proved reserves report. The Federal proved reserves are then further adjusted to correspond with the effective date. The DOE/EIA reserves estimates are effective a full 21 months prior to the effective date of this disclosure. Over this 21-month period, reserves values change with subtractions from production and additions through disclosures. Adjustments were made for each region by assuming that reserves are changing at a constant rate relative to production, and 3-year historical averages of these relationships were applied to interim production to adjust the reserves to this effective date. Production of the reserves was projected over time to simulate schedules of when the oil and natural gas would be estimated to be produced. Each region has characteristics that create unique assumptions that affect these projections, for example, in a developing region, production rates may be low in comparison to abundant proved reserves, indicating that rates will continue to build for a time before beginning their natural decline.

Future royalties were then estimated from these production streams by applying future price estimates by OMB, and effective royalty rates. The OMB price estimates are 11-year estimates prepared for the mid-session review of Administration's FY 2016 budget. The nominal price estimates are based on futures contract averages. Beyond the 11-year OMB forecasts, the prices in the projections are assumed to continue at the constant rates established in the last years of the OMB forecast. Those growth rates are 2.0 percent per year for oil and 3.2 percent per year for gas. Unique gas price projections were calculated for each region based on the proportion of gas related revenue received over the last 3 years from wet gas royalties, dry gas royalties, and natural gas liquids royalties. Assuming that this 3-year average proportional relationship continues, gas prices were adjusted to account for the proportional relative values of each of these gas related products. This method is assumed to capture the value of royalties from the 3 gas related products from the single wet gas production stream, reported together as 'Natural Gas, Wet After Lease Separation' to most accurately reflect the actual wellhead volumes or unprocessed gas at the lease. Effective royalty rates are also unique for each region and are based on the assumption that the royalty relationships established in the prior 3-year average will remain. Effective royalty rates were calculated by dividing the region's last 3 years royalties by the sales values resulting in the fraction of sales value actually received as royalties. This method automatically accounts for transportation allowances and allowable deductions on regional bases that reduce the nominal royalty rates to the effective rates, and also implicitly 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 FY 2016 budget. The rates begin at 3.34 percent for FY 2015 and rise to 4.72 percent for FY 2023 and 2024. The rates were assumed to remain at 4.72 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, 2015 and September 30, 2014
(in thousands)

	FY 2015	FY 2014
Other Federal Bureaus and Agencies		
Department of the Treasury	$ 37,337,302	$ 47,440,035
Interior - Reclamation Fund	10,722,124	13,223,433
Other Federal Bureaus and Agencies	1,234,197	1,948,445
States and Others	13,998,884	16,183,743
Total Estimated Petroleum Royalties to be Distributed to Others	**$ 63,292,507**	**$ 78,795,656**

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 2015 and FY 2014
(in thousands)

	FY 2015			FY 2014		
(dollars in thousands)	Federal Offshore	Federal Onshore	Total	Federal Offshore	Federal Onshore	Total
Royalties from Oil & Lease Condensate	$ 3,812,302	$ 1,287,362	$ 5,099,664	$ 5,381,143	$ 1,606,675	$ 6,987,818
Accrual Adjustment - Oil & Lease Condensate	(301,204)	(100,625)	(401,829)	240,748	81,262	322,010
Royalties from Natural Gas	525,328	1,078,999	1,604,327	689,502	1,427,611	2,117,113
Accrual Adjustment - Natural Gas	(40,485)	(87,461)	(127,946)	12,296	54,290	66,586
Subtotal	3,995,941	2,178,275	6,174,216	6,323,689	3,169,838	9,493,527
Rent	214,271	41,461	255,732	213,553	55,892	269,445
Bonus Bid	651,728	142,616	794,344	995,360	232,201	1,227,561
Subtotal	$ 865,999	$ 184,077	$ 1,050,076	$ 1,208,913	$ 288,093	$ 1,497,006
Total	**$ 4,861,940**	**$ 2,362,352**	**$ 7,224,292**	**$ 7,532,602**	**$ 3,457,931**	**$ 10,990,533**

The above tables of revenue reported by category presents royalty revenue reported to DOI in FY 2015 and FY 2014 for oil and lease condensate, natural gas, as well as rent revenue and bonus bid revenue by offshore and onshore leases. The revenue accrual adjustments represent activity for current month production for which reporting of volumes and categories occurs in the months following production; and for royalty payments that have been received but have not been matched with related royalty reports, and therefore are not yet associated to volumes or categories. Amounts include oil and gas revenue only, and do not include revenue in the financial statements for other commodities.

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

Estimated Petroleum Royalties (Proved Reserves)
End of FY 2015 and FY 2014
(in thousands)

Oil and Lease Condensate (Bbl)

Federal Offshore	FY 2015 Quantity	FY 2015 Average Purchase Price ($)[1]	FY 2015 Average Royalty Rate ($)	FY 2014 Quantity	FY 2014 Average Purchase Price ($)[1]	FY 2014 Average Royalty Rate ($)
Gulf of Mexico[2]	4,324,868	$ 56.93	13.27%	4,627,752	$ 99.61	13.45%
Pacific (including Alaska Federal OCS)	298,684	44.70	17.17%	289,682	89.43	16.90%
Subtotal Federal Offshore	4,623,552			4,917,434		
Federal Onshore						
East Coast (PADD 1)	21	$ 59.02	12.50%	45	$ 97.80	12.50%
Midwest (PADD 2)	393,192	47.64	12.45%	293,252	87.09	12.39%
Gulf Coast (PADD 3)	791,336	51.00	12.50%	655,394	92.08	12.36%
Rocky Mountain (PADD 4)	969,471	48.69	12.07%	969,076	86.35	12.04%
West Coast (PADD 5)	223,119	53.96	11.53%	229,331	99.07	11.55%
Subtotal Federal Onshore	2,377,139			2,147,098		
Total	**7,000,691**			**7,064,532**		

Natural Gas, Wet After Lease Separation (Mcf)

Federal Offshore	FY 2015 Quantity	FY 2015 Average Purchase Price ($)[1]	FY 2015 Average Royalty Rate ($)	FY 2014 Quantity	FY 2014 Average Purchase Price ($)[1]	FY 2014 Average Royalty Rate ($)
Gulf of Mexico[2]	6,698,764	$ 3.25	12.82%	7,968,685	$ 4.93	13.51%
Pacific (including Alaska Federal OCS)	160,070	3.58	14.34%	618,568	5.29	14.01%
Subtotal Federal Offshore	6,858,834			8,587,253		
Federal Onshore						
East Coast (PADD 1)	11,206	$ 2.93	12.48%	14,727	$ 4.33	11.44%
Midwest (PADD 2)	649,420	3.00	11.78%	562,103	5.16	11.99%
Gulf Coast (PADD 3)	11,169,291	3.08	10.77%	11,795,018	4.72	11.20%
Rocky Mountain (PADD 4)	34,122,141	3.16	9.75%	35,120,939	4.82	10.32%
West Coast (PADD 5)	358,735	4.49	12.48%	605,850	5.32	12.47%
Subtotal Federal Onshore	46,310,793			48,098,637		
Total	**53,169,627**			**56,685,890**		

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 2015 and FY 2014. 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 878,973 thousand barrels of proved oil reserves and 1,096,974 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 $6,471,281,649.

Federal Regional Oil and Gas Information
FY 2015 and FY 2014
(in thousands)

Oil and Lease Condensate Information - Offshore

	FY 2015				FY 2014			
	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	421,962	$ 27,442,896	$ 3,665,255	$ 967,097	375,457	$ 38,100,810	$ 5,124,908	$ 980,542
Pacific	17,299	888,929	147,047	0	17,149	1,555,821	256,235	0
Total	**439,261**	**$ 28,331,825**	**$ 3,812,302**	**$ 967,097**	**392,606**	**$ 39,656,631**	**$ 5,381,143**	**$ 980,542**

Natural Gas Information - Offshore

	FY 2015				FY 2014			
	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	1,140,439	$ 4,229,568	$ 519,147	$ 149,186	1,049,104	$ 5,052,767	$ 681,850	$ 143,608
Pacific	13,363	53,272	6,181	0	11,144	56,351	7,652	0
Total	**1,153,802**	**$ 4,282,840**	**$ 525,328**	**$ 149,186**	**1,060,248**	**$ 5,109,118**	**$ 689,502**	**$ 143,608**

Oil and Lease Condensate Information - Onshore

	FY 2015				FY 2014			
	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	$ 79	$ 10	$ 0	1	$ 136	$ 17	$ 0
Midwest (PADD 2)	24,354	1,429,712	178,876	0	17,340	1,541,070	192,402	0
Gulf Coast (PADD 3)	77,356	4,498,774	561,173	0	55,205	5,221,741	645,410	0
Rocky Mountain (PADD 4)	65,218	3,696,325	447,021	0	55,364	4,862,431	582,283	0
West Coast (PADD 5)	14,421	875,470	100,282	0	15,733	1,607,404	186,563	0
Total	**181,350**	**$ 10,500,360**	**$ 1,287,362**	**$ 0**	**143,643**	**$ 13,232,782**	**$ 1,606,675**	**$ 0**

Natural Gas Information - Onshore

	FY 2015				FY 2014			
	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)	318	$ 1,031	$ 129	$ 0	488	$ 1,972	$ 231	$ 0
Midwest (PADD 2)	53,856	193,655	22,885	0	40,618	209,535	25,763	0
Gulf Coast (PADD 3)	896,117	3,168,378	349,187	0	864,360	4,107,610	464,124	0
Rocky Mountain (PADD 4)	2,058,358	7,226,812	692,284	0	1,894,074	9,734,882	924,439	0
West Coast (PADD 5)	26,028	116,367	14,514	0	18,491	120,888	13,054	0
Total	**3,034,677**	**$ 10,706,243**	**$ 1,078,999**	**$ 0**	**2,818,031**	**$ 14,174,887**	**$ 1,427,611**	**$ 0**

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

Oil and Lease Condensate Information - Offshore and Onshore

	FY 2015				FY 2014			
	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	620,611	$ 38,832,185	$ 5,099,664	$ 967,097	536,249	$ 52,889,413	$ 6,987,818	$ 980,542

Natural Gas Information - Offshore and Onshore

	FY 2015				FY 2014			
	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	4,188,479	$ 14,989,083	$ 1,604,327	$ 149,186	3,878,279	$ 19,284,005	$ 2,117,113	$ 143,608

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 2015 and 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.

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 2015,[1] BOEM estimates the remaining resource endowment of the Federal 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 OCS areas not included in the current 5-year OCS oil and gas leasing program.

In 2015, BLM estimates the remaining undiscovered resource endowment of Federal Onshore Mineral Estate to be 52 BBOE. Of these resources, 40 percent are currently available for leasing and/or development. The remaining 60 percent (31.2 BBOE) are UTRR defined as oil and gas that may be produced as a consequence of natural pressure, artificial lift, pressure maintenance, or other secondary or tertiary recovery methods, but without any consideration of economic viability. The coastal plain of the Arctic National Wildlife Refuge in Alaska contains about 14 BBOE of UTRR that are at present off limits to leasing and development due to an existing congressional legislative mandate. In addition, the 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

[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.

Permian Basin and Texas Eagle Ford (PADD III), and Niobrara Formation of Colorado and Wyoming (PADD IV) shale oil basins. In May 2012, due to environmental concerns, including ground water protection issues associated with the use of hydraulic fracturing (HF) to produce these resources, BLM proposed and drafted a rule inviting comments. The proposed HF rule was revised and published as a supplemental rule on May 24, 2013. The BLM received 1.35 million comments on the supplemental rule at the end of the comment period in August 2013. These comments were analyzed and addressed by DOI's HF team, resulting in a further revision of the rule. This draft final version of the rule was sent to OMB on August 26, 2014 for review and finalization. The BLM's HF rule was published in the Federal Register/Vol. 80, No. 58/Thursday. March 26,2015/P. 16128-16222. A subsequent correction notice was published in the Federal Register on March 30, 2015. The rule applies to any hydraulic fracturing operations on Federal and/or Indian minerals after the effective date. The States of Wyoming and Colorado along with two other contenders have filed lawsuits seeking injunction for the HF rule in the District Court in Casper, Wyoming. The rule is currently placed on stay order by the judge pending his review of the Administrative Records submitted by BLM to the Court concerning the development and finalization of the rule. The BLM expects that the Judge will provide his preliminary decision by the end of October 2015.

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

Coal Royalties

Management of Federal Coal Resources

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

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

The ONRR is responsible for the management and collection of revenues associated with Federal coal leases. The ONRR achieves optimal value by ensuring that all natural resource revenues are efficiently and accurately collected and disbursed to recipients in a timely manner and by performing audit and revenue compliance activities.

Stewardship Policies for Federal Coal Resources

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

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

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

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

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

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

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

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

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 tables present the estimated present value of future Federal royalty receipts on estimated recoverable reserves as of September 30, 2015 and 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, 2015 and September 30, 2014 *(in thousands)*		
	FY 2015	**FY 2014**
Other Federal Bureaus and Agencies		
Department of the Treasury	$ 1,156,177	$ 1,307,818
Interior - Reclamation Fund	$ 4,204,278	$ 4,755,702
States and Others	**$ 5,150,241**	**$ 5,825,734**
Total Estimated Coal Royalties to be Distributed to Others	**$ 10,510,696**	**$ 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 FY 2015 and FY 2014 *(in thousands)*		
	Coal Totals FY 2015	**Coal Totals FY 2014**
Coal Royalties	$ 681,139	$ 695,548
Accrual Adjustment - Coal Royalties	$ ($11,245)	$ 43,252
Subtotal	**$ 669,894**	**$ 738,800**
Rent	$ 1,276	$ 1,277
Bonus Bid	$ 20,899	$ 2,302
Subtotal	$ 22,175	$ 3,579
Totals	**$ $692,069**	**$ 742,379**

The above table of revenue reported by category represents royalty revenue reported to ONRR in FY 2015 and 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 FY 2015 and FY 2014 *(in thousands)*

Area	FY 2015			FY 2014		
	Quantity (in tons)	Average Purchase Price ($) per ton	Average Purchase Price ($) per ton	Quantity (in tons)	Average Purchase Price ($) per ton	Average Purchase Price ($) per ton
Other Federal Bureaus and Agencies						
Powder River Basin[1]	6,663,111	$ 13.26	12.34%	6,949,231	$ 13.17	12.26%
Colorado	464,379	$ 33.78	5.98%	571,698	$ 34.13	5.36%
Utah	119,434	$ 33.91	7.09%	151,681	$ 36.17	7.19%
All Other[2]	502,177	$ 38.97	6.83%	495,581	$ 38.67	6.12%
Total Federal	**7,749,101**			**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 2015 and 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 FY 2015 and FY 2014 (in thousands)						
	FY 2015			FY 2014		
Area	Sales Volume (in tons)	Sales Value ($)	Royalty Revenue Earned ($)	Sales Volume (in tons)	Sales Value ($)	Royalty Revenue Earned ($)
Other Federal Bureaus and Agencies						
Powder River Basin[1]	339,506	$ 4,536,263	$ 559,580	355,460	$ 4,774,138	$ 577,219
Colorado	18,425	736,278	43,486	17,012	695,082	34,858
Utah	12,172	451,033	32,082	14,994	605,969	43,538
All Other[2]	17,607	674,393	45,991	16,489	651,068	39,933
Total Federal	387,710	$ 6,397,967	$ 681,139	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 2015 and 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 2015, the BLM, in collaboration with the ONRR, estimated the remaining recoverable coal reserves on currently authorized Federal coal leases to be approximately 7.75 billion tons of coal. The recoverable coal reserves include all coal that is economically recoverable within areas that are suitable for mining. The recoverable coal reserves do not include coal that is within areas classified as being unsuitable for mining (such as under interstate highways, within alluvial valley floors, or within areas that are determined to be critical habitat for listed threatened or endangered plant or animal species), areas that are not economically minable, or coal that is required to not be mined in order to safeguard the life and safety of the miners.

Other Natural Resources

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

Soda ash is obtained from trona and sodium carbonate-rich brines. The world's largest deposit of trona is in the Green River Basin in Wyoming. There are smaller deposits of sodium carbonate mineral in California and Colorado. Underground room and pillar mining, using continuous miner machines, is the primary method of mining Wyoming trona ore. The estimated net present value of future royalties from trona from the Green River Basin is $775 million.

Potash is an alkaline potassium compound, especially potassium carbonate or hydroxide. Most of the mining of potash, takes place in southeastern New Mexico. Underground room and pillar mining using continuous miner machines, is the primary method of mining potash ore. The estimated net present value of future royalties from potash, and the muriates of potash, is $281 million.

Investment in Research and Development (dollars in thousands)						
Category	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	Total
Basic Research	$ 60,000	$ 84,000	$ 84,000	$ $86,000	$ 99,000	$ 413,000
Applied Research	796,000	933,000	824,000	841,000	890,000	4,284,000
Developmental Research	83,000	148,000	136,000	141,000	145,000	653,000
TOTAL	$ 939,000	$ 1,165,000	$ 1,044,000	$ 1,068,000	$ 1,134,000	$ 5,350,000

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 promotes the evaluation of emerging technologies, ranging from the drilling of oil and gas exploration wells in search of new reserves to the removal of platforms and related infrastructure once production operations have ceased. The Outer Continental Shelf Lands Act (OCSLA) requires that annual inspections be performed on each permanent structure and drilling rig that conducts drilling, completion, or workover operations. The BSEE promotes investigation of new technologies to assure approved permits continue to promote safe operations, the prevention of pollution, and the improvement of oil spill response and clean-up. Onsite facility inspections and enforcement actions are important components of BSEE's safety program.

The Oil Spill Response Research (OSRR) Program

The BSEE through the OSRR Program continues to aggressively implement a comprehensive, long-term research program dedicated to improving spill response options for oil spills in offshore environments, including Arctic conditions. Research also is done on common operating procedures, smart technologies, and response planning standards. To accomplish these goals, the Bureau engages subject matter experts from around the globe to conduct funded research related to mechanical recovery of oil on water, the use of chemical dispersants in surface and subsurface applications, surface burning of oil on-site, remote sensing of the location, aerial extent, and thickness of the oil, booming strategies to contain oil on the surface of the water, oil and water separation systems, and other areas that have a direct influence on how quickly and effectively an oil spill in offshore waters can be mitigated. In doing so, BSEE engages in joint projects with Federal Agencies with offshore response equities such as USCG, EPA, and the National Oceanic and Atmospheric Administration to engage in a continuous program of information exchange to help facilitate forward movement on oil spill research and the identification of the best technologies available worldwide. As of August 2015, the OSRR Program has 41 on-going research projects and 9 pending contract awards. The projects span the gamut of oil spill response options including dispersant effectiveness, mechanical recovery, and remote sensing of oil in the marine environment. A peer review program has been implemented, with four projects currently pending peer review completion. Two ongoing technology development projects show great promise for reducing the amount of airborne particulate matter (soot) resulting from in-situ burning of crude oil. This response method proved very effective during the Deepwater Horizon response, and will be a vital tool for responding to an oil spill in Arctic waters. Additional projects are underway to enhance the understanding of the dynamics of burning crude oil in ice leads, and the associated modeling capacity to estimate burn potential.

New Tools for Deterring Bats from Wind Turbines

Wind turbine farms represent a key component of the national strategy for increasing reliance on renewable energy sources. However, wind farms are also known to have detrimental impacts on wildlife and birds, including several federally listed species. In particular, rotating turbines have a disproportionate impact on bat populations, with tens of thousands of bats killed each year at wind turbines in the United States, Canada, and Europe. To help address this problem, USGS tested new tools to deter bats from approaching turbines. Ultrasonic sound broadcasts combined with turbine operational changes have already been shown to reduce, but not eliminate bat mortality. New USGS research shows that bats may also avoid ultraviolet (UV) illumination. This research showed that in areas illuminated with UV light there was a significant reduction in bat activity. These important results are pointing the way towards additional, cost-effective strategies needed to minimize turbine impacts on key wildlife species.

Forecasting Sea Level Rise Impacts to Tidal Marshes

Tidal marshes offer several ecosystem service benefits: natural flood buffers against storm surges; wildlife habitat; and recreational opportunities. But sea level rise rates could exceed rates of natural sediment buildup, and increase loss of marsh habitat over the next century. Beginning with San Francisco Bay and expanding to 17 sites along California, Oregon, and Washington, the USGS has been leading fine-scale surveys of marsh elevation and vegetation, assembling the data to model future loss of marshes under sea level rise scenarios—work that is partly funded by the DOI Southwest Climate Science Center. Each study site is surveyed with real time kinematic (RTK) Global Positioning System (GPS) systems, which allows researchers to measure elevation of tidal flats and vegetation contours at up to 2-centimeter resolution. This level of detail is fed into computer models, which in concert with sea level rise scenarios and other environmental data, allow for the projection and visualizations of possible wetland habitat losses 100 years into the future. Individually, forecasts for each site will help habitat managers begin adaptive management strategies to increase marsh resilience to sea level rise. Furthermore, USGS scientists have been hosting stakeholder workshops with Federal, state, and local managers at each site to help interpret the data and visualizations, and assist in decision planning exercises for adaptive management. Regionally, the analysis provides a broad view of climate change impacts to ecosystem services of tidal wetlands along the U.S. Pacific Coast.

Gas Resources in the Monterey Formation of the San Joaquin Basin

The USGS Energy Resources Program recently completed an assessment of undiscovered continuous oil and gas resources in the Monterey Formation of the San Joaquin Basin in California. The results of the assessment showed that the Formation contains technically recoverable resources at an estimated mean volume of: 21 million barrels of oil, 27 billion cubic feet of gas, and 1 million barrels of natural gas liquids. The results of the assessment provide useful information upon which policy makers can rely in making informed decisions related to U.S. energy policy, leasing of Federal lands, and impacts of energy development on natural resources.

Water Volume Used in Hydraulic Fracturing Varies Widely

The amount of water required to hydraulically fracture oil and gas wells varies widely across the country, according to the first national-scale analysis and map of hydraulic fracturing water usage detailed in a new USGS study accepted for publication in Water Resources Research, a journal of the American Geophysical Union. The research found that water volumes for hydraulic fracturing averaged within watersheds across the United States range from as little as 2,600 gallons to as much as 9.7 million gallons per well. This research was carried out as part of a larger effort by the USGS to understand the resource requirements and potential environmental impacts of unconventional oil and gas development.

Completion of High Resolution Lidar Survey of Glacier Peak

The USGS has acquired high resolution lidar for the final 19 percent of the 482 square mile area of Glacier Peak. This completes a project under which acquisition began in the last quarter of FY 2014. Glacier Peak in Washington State is ranked as a Very-High-Threat volcano that has virtually no real-time monitoring network and a poorly understood eruptive history. The USGS Volcano Hazards Program volcanologists have used the lidar data to determine siting of four new combination broadband seismometer and continuous GPS monitoring stations, vastly improving the real-time monitoring capabilities for this dangerous volcano. Additionally, the lidar data will facilitate new geologic investigations and hazard assessments, and support lahar, landslide, and hydrologic modeling in support of natural hazard mitigation efforts.

Restore New Mexico Biodiversity

This BLM project has several components designed to integrate research, extension, and education; and emphasizes predicting shrub invasibility—capable of being invaded by invasive species—and grass restorability. One component involves testing hypotheses about restorability of sites targeted for shrub-control measures by the BLM. Sites will be categorized by potential indicators of restorability and measure plant cover, composition, and recruitment as response variables. The project will assess predictability of restoration outcomes and identify constraints to grassland restoration to improve adaptive management practices by government agencies and private landowners. This research project is designed to achieve the following outcomes: (1) measure short- and long-term effects of herbicide treatments on distribution, abundance, viability, and diversity of multiple taxa (a group of one or more populations of an organism or organisms seen by taxonomists to form a unit) including plants, birds, and keystone rodents; (2) develop a mechanistic understanding of restoration responses and constraints by investigating communities and focal wildlife species; (3) provide land management agencies with recommendations for targeting future treatment sites; (4) develop a practical monitoring scheme that can be used by land managers to assess shrub-control programs over longer time periods; and (5) initiate a geospatial database of restoration outcomes for the study region.

Investment in Human Capital *(dollars in thousands)*

Category	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	Total
Educational Programs	$ 727,000	$ 763,000	$ 728,000	$ 705,000	$ 807,000	$ 3,730,000

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 2011	FY 2012	FY 2013	FY 2014	FY 2015	Total
Dams and Other Water Structures	$ 416,000	$ 555,000	$ 200,000	$ 144,000	$ 172,000	$ 1,487,000
Land	197,000	77,000	84,000	58,000	60,000	476,000
Road and Bridges	1,000	-	3,000	2,000	3,000	9,000
Schools and Public Buildings	174,000	82,000	63,000	77,000	41,000	437,000
Ranges	2,000	1,000	3,000	10,000	9,000	25,000
Not Classified	27,000	30,000	11,000	12,000	19,000	99,000
TOTAL	$ 817,000	$ 745,000	$ 364,000	$ 303,000	$ 304,000	$ 2,533,000

Investment in Non-Federal Physical Property

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

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

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

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

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

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OFFICE OF
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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. 2015-ER-068

In accordance with the Reports Consolidation Act of 2000, the Office of Inspector General (OIG) is submitting what it determined to be the most significant management and performance challenges facing the U.S. Department of the Interior (DOI).

We met with DOI officials, including Deputy Secretary Connor and Chief of Staff Beaudreau, to gain their perspective and together agreed on the challenge areas. These areas are important to DOI's mission, involve large expenditures, require continuous management improvements, or involve significant fiduciary relationships. We look forward to working with you to address these management challenges and mitigate any emerging issues.

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

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

This report is based on specific OIG and U.S. Government Accountability Office (GAO) reviews and other reports, as well as our general knowledge of DOI's programs and operations. Our analysis generally considers the accomplishments that DOI reported as of September 30, 2015.

The challenge areas are each presented with representative samples of OIG's work in that area and a "Looking Ahead" section that offers a more forward-thinking context for critical topics. In previous years' reports, we highlighted acquisition management under our discussion of operational efficiencies, but because OIG audits and internal reviews have historically and consistently found it to be an area of significant concern, this year we have added acquisition and financial assistance as a new challenge area, to allow for greater emphasis and fuller discussion.

The identified challenge areas reflect continuing vulnerabilities and emerging issues faced by DOI. Each area is connected to DOI's mission, includes large expenditures, requires continuous management improvements, and involves significant fiduciary relationships. Given the import of this content, we must note that recent fiscal scenarios affecting the U.S. budget process—involving budget sequestration, continuing resolutions, and another potential Federal Government shutdown—have obvious effects that permeate each of the challenge areas. This report would be incomplete without drawing attention to what is a serious impact on effective operations and management of this Department and consequently each of its challenge areas.

Every 2 years, GAO releases a list of Federal programs and operations at high risk for waste, fraud, abuse, and mismanagement or in need of broad-based transformation (see http://www.gao.gov/highrisk/overview). GAO's High-Risk List for 2015 identifies issues in three of our challenge areas—energy management, climate change, and information technology—as well as in strategic human capital management, which has impacts in two additional challenge areas, disaster response and operational efficiency. GAO's findings inform and guide our actions to resolve management and operational challenges.

Energy Management

DOI plays a central role in powering America's future through the development of 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 700 million acres of subsurface minerals throughout the Nation. DOI manages resources that supply 23 percent of the Nation's energy. DOI programs help advance responsible stewardship of resources and energy independence, and DOI's strategic plan for fiscal years (FYs) 2014 – 2018 emphasizes safe and responsible energy development.

DOI manages Federal oil and gas activities (onshore and offshore), promotes clean energy development, and collects and disburses royalties and revenues related to energy production (oil, gas, coal, minerals, geothermal, and renewables such as wind, wave, and solar) on Federal and tribal lands and from the OCS. In FY 2014, DOI disbursed more than $13.4 billion in revenues.[1] These revenues were collected from more than 56,000 leases on approximately 83,000 acres of Federal land and the OCS.

Due to the complexity of exploration and production activities, the sensitive nature of these operations, and the revenues generated, many of DOI's energy programs are vulnerable to waste, fraud, and mismanagement, which can jeopardize public safety and environmental integrity and increase the financial burden on the American public. As a result, OIG formed an Energy Audits Unit and an Energy Investigations Unit for focused oversight of this complex and far-reaching area.

Summary of OIG Work

During FY 2015, OIG conducted a series of reviews on oil and gas permitting and the management of oil and gas activities.

Management of Oil and Gas Activities on Wildlife Refuges

The National Wildlife Refuge System is an extensive system of Federal lands and waters acquired and managed specifically for conserving wildlife, plants, and their habitats. Currently the U.S. Fish and Wildlife Service's (FWS) refuge sites have more than 5,000 oil and gas wells, of which approximately 1,665 are actively producing. The remaining wells are either inactive or their status is unknown. FWS often manages refuge site lands without having acquired subsurface mineral rights, which allows for the development of these private minerals by their non-Federal owners.

[1] DOI Press Release, "Interior Disperses $13.4 Billion in FY14 Energy Revenues to Benefit Federal, State, Local and Tribal Governments," December 2, 2014, https://www.doi.gov/news/pressreleases/interior-disburses-13-4-billion-in-fy14-energy-revenues-to-benefit-federal-state-local-and-tribal-governments.

We completed an evaluation to determine the nature and extent of the threat that orphaned (where active owners or operators cannot be identified) and non-operational oil and gas wells and their associated infrastructures pose to FWS refuges and refuge visitors.[2] We found that FWS' management of oil and gas development activities on refuges is inconsistent. Minimal and vague national guidance has left FWS' refuges littered with orphaned or abandoned oil and gas infrastructure that pose a threat to the health and safety of wildlife, refuge visitors, and the environment. FWS has not completed a comprehensive database system for tracking wells as recommended by GAO in 2003. We made five recommendations designed to enhance the management of oil and gas activities on refuge sites by addressing inconsistent oversight and enforcement, safety and environmental problems associated with orphaned and abandoned wells, and poor data management.

BSEE Incident Investigation Program

While conducting an evaluation of the Bureau of Safety and Environmental Enforcement's (BSEE) Incident Investigation Program, we learned that BSEE is realigning the organization and developing new policies and procedures related to its new National Program Manager initiative. We suspended the evaluation to allow BSEE's management more time to finish its realignment; however, we issued a report with findings and recommendations developed during the survey phase of our evaluation.[3] Specifically, OIG determined that recommendations made in our December 2010 report "A New Horizon: Looking to the Future of the Bureau of Ocean Energy Management, Regulation and Enforcement" and considered implemented and closed were in fact not implemented. Additionally, contradictions between BSEE's policies and Secretarial Order No. 3304, which established BSEE's Investigations and Review Unit, caused the unit to be left out of regional incident investigations. Consequently, we recommended that BSEE reopen and implement previously closed recommendations, as well as evaluate whether the realignment affects any of the 2010 recommendations, and revise or rescind any contradictory policies. We also asked BSEE to provide quarterly progress reports regarding its organizational realignment. We will complete the evaluation after BSEE has implemented the realignment.

USGS Energy Resources Program

We evaluated the quality control processes of the science center laboratories in the U.S. Geological Survey's (USGS) Energy Resources Program (ERP).[4] Government and private organizations rely on ERP's products to make resource-

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[2] DOI OIG Report No. CR-EV-FWS-0002-2014, "U.S. Fish and Wildlife Services Management of Oil and Gas Activities on Refuges," March 2015.
[3] DOI OIG Report No. CR-EV-BSEE-0014-2014, "The Bureau of Safety and Environmental Enforcement, Incident Investigation Program," August 2015.
[4] DOI OIG Report No. CR-EV-GSV-0003-2014, "Energy Resources Program, U.S. Geological Survey," May 2015.

based decisions. The information provided by these laboratories, therefore, must be reliable.

We found that many years after ERP's creation in 1995, USGS is still developing a quality management system. Further, ERP's system of quality controls has not always detected significant quality-related issues in its science center laboratories. We found two instances when workers had violated established laboratory practices without detection for many years. In addition, quality-related deficiencies discovered in 2013 at a major laboratory resulted in the postponement of an external quality audit. We concluded that ERP should replace its current system of controls with an effective and comprehensive quality management system that incorporates an independent review process conducted by a recognized scientific organization. Although ERP has taken corrective actions to improve its existing quality control system, our findings indicate that ERP needs to be more proactive in preventing violations of quality standards.

Information Sharing Between USGS and BOEM

During our evaluation of the quality control processes at USGS' ERP, we learned of a problem affecting the program's ability to conduct a resource assessment for the States bordering the Gulf of Mexico: ERP had been unable to obtain certain information from the Bureau of Ocean Energy Management (BOEM) that it needed to conduct analytical work. To develop a complete geologic understanding of the potential oil and gas reserves, ERP needed access to OCS data that falls under BOEM's jurisdiction.

While overseeing energy development on the OCS, BOEM acquires geologic and geophysical data from oil and gas operators. The operators consider the data proprietary, not for public release. BOEM is restricted by law from disclosing proprietary information to the public or to States, and expressed concern that proprietary OCS data could be released to the public through ERP's publications on separate State waters and land. ERP has stated that it will protect the BOEM-acquired data from improper public release, as required by law, and has assured BOEM that it has extensive experience in using and safeguarding proprietary data. We recommended that USGS work with BOEM and the Office of the Solicitor to enable the timely exchange of proprietary OCS data.[5]

ONRR's Financial Management Division

The Office of Natural Resources Revenue (ONRR) collects, verifies, and distributes all revenues associated with Federal offshore and onshore mineral leases. In prior years these revenues have averaged more than $13 billion annually. In addition to the Federal Government, many State and tribal governments and individuals rely on the revenues collected by ONRR.

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[5] DOI OIG Report No. CR-IS-GSV-0008-2014, "Information Sharing Between the U.S. Geological Survey and the Bureau of Ocean Energy Management," October 2014.

We audited ONRR's Financial Management Division, to assess the efficiency of the processes to collect and distribute energy- and mineral-related revenue.[6] We identified inefficient practices and procedures that prevented the division from functioning at the highest level. We also found issues regarding ONRR's information system and how requests to modify the system are managed and processed, as well as potential problems with ONRR's oil price edits, policies, and procedures. We made 17 recommendations to improve ONRR's operations and increase efficiency.

Deepwater Horizon Task Force

The *Deepwater Horizon* disaster of April 2010 resulted in the deaths of 11 oil rig workers, serious injury to others, and the largest oil spill in U.S. history. 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 (BP, Halliburton, and Transocean) have pleaded guilty to various civil or criminal charges.

The work of the task force has also resulted in criminal charges for five individuals. On December 18, 2013, a jury in New Orleans, LA, convicted a former engineer of intentionally destroying evidence related to the oil spill. The conviction was vacated by the trial judge due to juror misconduct, the case was appealed to the Fifth Circuit Court of Appeals, and the court upheld the dismissal. Retrial is set for November 16, 2015.

In January 2014, a former corporate manager was sentenced to 1 year of probation after pleading guilty to destroying evidence related to the case. A former corporate executive was charged with obstruction and making false statements, but in a June 2015 trial the obstruction charge was dismissed by the judge and the former executive was acquitted on the false statement charge. Manslaughter and other charges are pending against two former well site leaders.

Common Themes That Connect Our Findings

We continue to see issues similar to those identified in previous years—specifically, issues with oversight and management of the collection, verification, and distribution of revenues for oil and gas as well as minerals management. DOI continues to struggle with organizational issues, particularly within BSEE, that affect oversight and management of oil and gas production.

Looking Ahead

Oil and Gas Revenues and Oversight

In a series of reviews, GAO has observed that DOI does not have reasonable assurance that it is collecting its share of royalties for oil and natural gas extracted

[6] DOI OIG Report No. CR-IN-ONRR-0007-2014, "ONRR Financial Management Division," report in progress.

from leased Federal lands and waters.[7] The Federal Government has charged royalty rates inconsistently in the past. In addition, the Energy Policy Act of 2005 (Pub. L. No. 109-58) mandated royalty relief for some offshore leases over a 5-year period. At the same time, because DOI has not always conducted production inspections, it is uncertain whether oil and natural gas operators accurately reported oil and natural gas production from Federal leases and remitted the appropriate royalties.[8]

GAO has indicated that DOI has made progress in improving both the verification of oil and gas produced from Federal leases and the reasonableness and completeness of royalty data; however, DOI has not updated its regulations for onshore oil and gas measurement, and as a result these regulations have not kept pace with industry standards and practices. While we are encouraged that BLM has issued proposed regulations to update requirements for onshore oil and gas measurement, we continue to emphasize the importance of finalizing this regulatory effort to ensure that DOI has reasonable assurance that oil and gas are measured correctly.[9]

Overall, DOI will also need to increase effectiveness and efficiency of BLM's processing of Federal permits to drill. Extended review times associated with the process continue to create uncertainties for both industry and DOI. These delays can result in lost royalties to the Federal Government and American Indian mineral owners; if not corrected, delays will likely cause some wells not to be drilled, resulting in additional losses in production and revenues. While DOI has been developing and executing plans to address these and other concerns identified in reports issued by OIG and GAO, missed opportunities continue for increased revenues through collection of additional royalties.

BLM manages more Federal land than any other agency—about 245 million surface acres as well as 700 million subsurface acres of mineral estate. Offshore, BOEM manages about 6,100 active OCS leases, covering more than 33 million acres, with the vast majority in the Gulf of Mexico. 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 (43 U.S.C. §§ 1331 et seq.), or OCSLA, defines the OCS and makes the Secretary of the Interior responsible for implementing an OCS oil and gas exploration and development program. The OCSLA requires the Secretary, through BOEM, to prepare and maintain a

[7] Specifically, these four GAO reports: Report No. GAO 12-423 (August 29, 2012); Report No. GAO 14-50 (December 17, 2013); Report No. GAO 14-205 (February 19, 2014); and Report No. GAO-15-39 (May 6, 2015).
[8] GAO Key Issues, "Oil and Natural Gas," http://www.gao.gov/key_issues/oil_and_natural_gas/issue_summary.
[9] GAO Report No. GAO-15-39, "Interior's Production Verification Efforts and Royalty Data Have Improved, But Further Actions Needed," May 6, 2015.

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, discovery of oil and gas, and adverse effects on the coastal zone.

The current Five Year Program (for 2012 – 2017) expires in August 2017. In January 2015 Secretary Jewell announced the Draft Proposed Program (DPP) for the 2017 – 2022 schedule. The DPP identifies 14 potential lease sales in eight planning areas—three in the Gulf of Mexico, two in the Atlantic Ocean, and three off the coast of Alaska. These sales represent nearly 80 percent of the estimated undiscovered, technically available oil and gas resources on the OCS.[10]

Effective oversight will be a challenge as the new Five Year Program is developed. 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 environmental and human impact of oil and gas exploration and development on other OCS resources.

Hiring and Retention

DOI faces challenges in hiring and retaining staff with key skills for oil and gas operations. These challenges have made it more difficult to carry out Federal management and oversight activities, including collection of royalties and conducting inspections of oil and gas facilities, potentially placing human health and safety and the environment at risk.

GAO's 2015 update to its High-Risk List noted that DOI has demonstrated leadership commitment to addressing human capital challenges at the bureaus responsible for oversight and management of Federal oil and gas (BLM, BOEM, and BSEE), but has not fully used existing authorities to supplement salaries and provide other recruitment, relocation, and retention incentives.[11]

Two factors contribute to these hiring and retention challenges: lower salaries and a slow hiring process compared with private industry. The average time required to hire petroleum engineers and inspectors is 120 calendar days—exceeding the U.S. Office of Personnel Management's (OPM) target by as many as 40 days. The FY 2012 attrition rate for petroleum engineers at BLM was more than 20 percent, or more than double the average Federal attrition rate of 9.1 percent. Since some BLM field offices have only a few employees in any given position, a single separation could significantly affect operations.

[10] BOEM, "2017–2022 Lease Sale Schedule," http://www.boem.gov/2017-2022-Lease-Sale-Schedule/, and BOEM, "2017–2022 OCS Oil and Gas Leasing Program," http://www.boem.gov/Five-Year-Program-2017-2022/.
[11] GAO Report No. GAO-15-290, "High-Risk Series: An Update," February 11, 2015.

BLM faces ongoing challenges with recruiting, training, and retaining petroleum engineers (PEs) and petroleum engineering technicians (PETs), as current staff retire and BLM competes with higher salaries offered by private industry and other agencies. In our management challenges report for FY 2014, we noted that BLM had begun using pay differential authority for PEs and PETs to increase its workforce, and in FY 2015, BLM continued to assess a range of options for addressing recruitment and retention challenges. As a short-term solution, existing PEs, PETs, and environmental compliance inspectors are being cross-trained to conduct production inspections. In May 2015, BLM posted a continuous open vacancy announcement on USAJobs to hire PETs across the Bureau, and it continues to work with OPM on a longer term administrative solution for filling priority positions.

For its part, BSEE has implemented a number of strategies to address human capital challenges, including the following:

- **Special pay rate.** To pursue a more permanent solution, DOI is working with OPM and the U.S. Office of Management and Budget (OMB) to identify special salary enhancements that will narrow the gap between Federal Government and private industry salaries.
- **Use of existing authorities.** BSEE is using existing authorities to offer recruitment, retention, and relocation incentives, as well as student loan repayments, to eligible employees.
- **Recruitment teams.** Throughout BSEE regions, recruitment teams visit and build professional contacts with universities and engineering departments, and at professional events and conferences, to target engineers and scientists at entry-level and mid-level grades.
- **Partnerships.** BSEE continues to use DOI's cooperative agreement with the Partnership for Public Service to fund student ambassadors, who provide peer-to-peer outreach on college campuses to increase knowledge about Federal career opportunities. BSEE currently has two ambassadors and will continue this partnership in the next fiscal year.
- **Data tools and systems.** BSEE currently uses open position trackers for collecting data related to its overall hiring process, and is revising processes and developing other tools to help track hiring timeframes more easily, realize a reduction in applicant processing time, and decrease long-term system operating costs.

Although steps have been taken to address some of the hiring and retention issues, more needs to be done.[12] Both DOI and its bureaus have insufficient data to identify the causes of the delays in the hiring process. Indeed, GAO noted that

[12] According to GAO (Report No. GAO-15-290), as of November 2014 BOEM, BSEE, and BLM are developing a tracking system to support the capture of hiring data and address delays in the hiring process. Additionally, BSEE and BOEM are apparently developing plans to transition to a hiring software that is expected to reduce applicant processing times and decrease costs.

DOI needs to collect and maintain complete and accurate data on hiring times—such as the time required to prepare a job description, announce the vacancy, create a list of qualified candidates, conduct interviews, and perform background and security checks—to effectively implement changes to expedite its hiring process.[13] DOI also needs to consider how it will address staffing shortfalls over time. DOI must focus on these issues to improve hiring and retention of qualified employees and its ability to collect its share of oil and gas revenue and provide oversight and management of oil and gas operations on Federal lands and waters.

Renewable Energy Production and Oversight

The President's Climate Action Plan, announced in June 2013, outlines actions the Administration is taking under existing authorities to reduce carbon pollution, increase energy efficiency, expand renewable and other low-carbon energy sources, and strengthen resilience to extreme weather and other climate impacts. Although the Administration's energy strategy encourages increased conventional energy production, it has also opened opportunities for renewable energy production on public lands and waters. The President has directed DOI to approve at least 20,000 megawatts of renewable energy capacity on the public lands by 2020.

Most renewable energy resources—such as wind, solar, geothermal, and sustainable hydropower—are still in the early stages of development in the United States. These resources are typically much cleaner to produce and to use than conventional energy resources. The potential environmental impacts of renewable energy development, however, must be seriously considered, with efforts made to limit or prevent negative consequences through responsible development practices and careful oversight by the responsible bureaus (BLM and BOEM). Solar energy projects on public lands and wind energy projects on the OCS are now underway.

Since 2009, DOI has announced 57 renewable energy projects: 34 solar, 11 wind, and 12 geothermal utility-scale renewable energy facilities and associated transmission infrastructures. DOI reports that together these projects could support more than 26,000 construction and operation jobs and generate nearly 15,000 megawatts of electricity or enough to power 5 million homes. Thirteen of these projects are already operational, representing nearly $40 billion in potential capital investments by industry in clean energy development.[14]

BLM reports that public lands located in the solar-rich States in the Southwest play a key role in the President's Climate Action Plan. It cites one example as the Desert Sunlight Solar Farm, a solar power plant in the Southern California desert that is now operating at full capacity. The solar farm provides 550 megawatts of

[13] GAO Report No. GAO-15-290, "High-Risk Series: An Update," February 11, 2015.
[14] DOI Press Release, "Interior Department Approves 485-Megawatt Blythe Mesa Solar Project in California," August 24, 2015, https://www.doi.gov/pressreleases/pressreleases/interior-department-approves-485-megawatt-blythe-mesa-solar-project.

electricity, enough to power 160,000 homes.[15] Desert Sunlight is the sixth solar project approved on public lands that is now operational. In addition, in August 2015, BLM announced the Blythe Mesa Solar project in California. The 485-megawatt photovoltaic facility is scheduled to be constructed in Riverside County and will produce enough renewable energy to power 145,000 homes in California.[16]

Offshore wind development also plays a critical role in achieving the President's renewable energy goal as it could produce more than 4,000 gigawatts of energy. The Nation's first commercial-scale offshore wind farm is scheduled to be online in 2016. Located off the Rhode Island coast, the Block Island Wind Farm is expected to power about 17,000 homes. The wind farm will produce more than 100 million kilowatt hours of clean energy annually, which will be sold through a power purchase agreement to National Grid, a Rhode Island utility company.[17]

BOEM has awarded nine commercial wind energy leases off the Atlantic coast: two noncompetitively issued leases (one offshore Massachusetts and one offshore Delaware) and seven competitively issued leases (two offshore Rhode Island-Massachusetts, two offshore Massachusetts, two offshore Maryland, and one offshore Virginia). The competitive lease sales generated about $14.5 million in winning bids for more than 700,000 acres in Federal waters. BOEM is expected to hold an additional competitive auction for wind energy areas offshore New Jersey in late 2015.[18]

Barriers to Renewable Energy

Although renewable energy sources provide a number of benefits, some barriers do exist. Price competitiveness is perhaps the most significant barrier to renewable energy installations. In many cases, barriers are regulatory, and many are within State control. Barriers to renewable energy development include—

- unfavorable utility rate structures;
- the absence of interconnection standards for renewable energy use;
- environmental permitting obstacles; and
- insufficient or no access to transmission systems.

[15] DOI Press Release, "Secretary Jewell, Director Kornze 'Flip the Switch' on Desert Sunlight Solar Farm," February 9, 2015, https://www.doi.gov/news/pressreleases/secretary-jewell-director-kornze-flip-the-switch-on-desert-sunlight-solar-farm.
[16] DOI Press Release, "Interior Department Approves 485-Megawatt Blythe Mesa Solar Project in California," August 24, 2015, https://www.doi.gov/pressreleases/pressreleases/interior-department-approves-485-megawatt-blythe-mesa-solar-project.
[17] DOI Press Release, "Secretary Jewell, Director Hopper Laud Construction of Nation's First Offshore Wind Farm," July 27, 2015, http://interior.gov/news/pressreleases/secretary-jewell-and-director-hopper-laud-construction-of-nations-first-offshore-wind-farm.cfm.
[18] Ibid.

Government can play a supportive role in renewable energy investment through a wide variety of tax incentives, including credits, grant funds, and accelerated depreciation (allowing larger deductions in the earlier years of an energy asset's life).

In addition, as with oil and gas, any issues resulting from delays in permitting, as well as the human capital challenges described previously, will have an adverse effect on both private industry and Government efforts. These issues, combined with infrastructure and environmental impact issues, may slow the development of renewable resources. DOI is actively engaging with other Federal agencies and domestic and international parties to ensure effective coordination during the planning and permitting processes, incorporate best practices, and exchange scientific and environmental information.

Regulating Hydraulic Fracturing on Federal and Tribal Lands

Of the more than 100,000 oil and gas wells on federally managed lands, 90 percent use hydraulic fracturing ("fracking"). Coupled with horizontal drilling technology and other advanced technologies, hydraulic fracturing has provided greatly increased access to shale oil and gas resources across the country and production of oil and gas from rock formations that previously could not be developed.

In March 2015, DOI issued a final rule to support safe and responsible hydraulic fracturing on public and American Indian lands.[19] The rule was designed to improve safety and help protect groundwater by updating requirements for well-bore integrity, wastewater disposal, and public disclosure of chemicals. The new rule contains provisions that are similar to or based on existing State or tribal rules and industry best practices. The intended result of this rule is to enhance environmental protection in a thoughtful and cost-effective way. BLM, which has oil and gas oversight responsibilities, estimated that the new rule will cost less than one-fourth of 1 percent of the cost of drilling a well, based on the Energy Information Administration's average per-well cost of $5.4 million.[20]

As pressure continues to increase use of Federal and Indian lands for drilling, however, DOI must remain vigilant and take appropriate steps to ensure that environmental concerns are adequately addressed, appropriately monitored, and remedied when violations are identified.

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

[20] DOI Press Release, "Interior Department Releases Final Rule to Support Safe, Responsible Hydraulic Fracturing Activities on Public and Tribal Lands," March 20, 2015, https://www.doi.gov/news/pressreleases/interior-department-releases-final-rule-to-support-safe-responsible-hydraulic-fracturing-activities-on-public-and-tribal-lands.

Climate Change

Given the significant financial risk it poses to the Federal Government, climate change has been on GAO's High-Risk List since 2013.[21]

Environmental management is part of DOI's mission to conserve and protect the Nation's resources. Related activities include managing environmental compliance operations, improving sustainable practices, and reducing DOI's environmental footprint. The U.S. Global Change Research Program has reported that the impacts and costs of weather disasters—resulting from floods, droughts, and other events—will increase in significance, as what are considered "rare" events become more common and intense due to climate change.[22] Less acute changes, such as sea level rise, will also have significant long-term impacts. According to the National Research Council, there is a clear scientific understanding that climate change poses serious risks to a broad range of human and natural systems, with variable impacts across different locations and populations.[23]

The lands and resources managed by DOI face increasingly complex and widespread environmental challenges associated with climate change. Addressing climate change is one of the high-priority performance goals reflected in the President's Climate Action Plan[24] and embedded in DOI's strategic plan for FYs 2011 – 2016. To further its overarching response strategy (established in 2009 by Secretarial Order No. 3289), DOI has issued a climate change adaptation plan (2014) that formalizes and guides departmentwide efforts.

Summary of OIG Work

Climate Science Centers

In FY 2015, OIG completed its audit of USGS' climate science centers (CSCs).[25] These centers rely on grants and cooperative agreements to complete climate-centered scientific research in eight geographically distinct regions in the United States. Each regional CSC sets science priorities and provides data and tools that natural and cultural resource managers can use to anticipate and address the impacts of climate change.

CSCs fund climate-focused scientific research through financial assistance awards, specifically discretionary grants and cooperative agreements. We audited

[21] GAO Report No. GAO-15-290, "High-Risk Series: An Update," February 11, 2015.
[22] U.S. Global Change Research Program, "Climate Change Impacts in the United States: The Third National Climate Assessment," October 2014, http://nca2014.globalchange.gov/.
[23] National Research Council, "America's Climate Choices," National Academies Press, 2011.
[24] "The President's Climate Action Plan," June 2013, https://www.whitehouse.gov/sites/default/files/image/president27sclimateactionplan.pdf.
[25] DOI OIG Report No. ER-IN-GSV-0003-2014, "U.S. Department of the Interior's Climate Science Centers," August 2015.

the financial assistance awards made by four of the eight CSCs to determine whether they are being properly awarded and effectively managed. For the selected CSCs, we reviewed 48 agreements totaling more than $13.7 million in financial assistance awards from FYs 2010 through 2013.

In the audit, we found areas of concern that, if uncorrected, could place public funds at risk and raise questions about the appropriateness and transparency of expenditures. Specifically, we identified issues related to the selection and awarding of financial assistance agreements, internal controls and documentation, risk assessments, and oversight and management of financial award processes.

OIG offered nine recommendations to USGS to strengthen the management of CSC financial awards. We also described three operational efficiencies that USGS could use to improve its management and oversight of CSCs. The issues we identified leave DOI vulnerable to questions about unfair or inadequate public notice, as well as preferential treatment, which affect DOI's credibility.

Common Themes That Connect Our Findings

Our FY 2015 work showed that maintaining adequate internal controls for grants management remains a challenge in the implementation of climate change programs at DOI. In addition, issues surrounding transparency, competition, and proper training on the financial assistance process will impair climate change programs if not corrected. We have found these issues to be common across all grants management within DOI; see "Acquisition and Financial Assistance" in this management challenges report for further discussion.

Looking Ahead

Wildland Fire Costs and Strategy

In the past 35 years, the length of the fire season around the globe has increased by 18.7 percent as a result of climate change.[26] DOI expects the trend of above-average fire activity to continue in this and future years, and forecasted a 90 percent chance that its fire suppression efforts in FY 2015 would cost between $281 million and $475 million. DOI's current firefighting budget is about $384 million.

Since 2001, DOI funds spent on fire suppression have exceeded the budgeted amount in all but 8 years. These budget shortfalls are covered through transferring, or "borrowing" funds from other critical programs, including those that can help keep forests and rangelands healthy and make them less vulnerable to future catastrophic wildfires. One to two percent of fires make up 30 percent or more of total annual fire suppression dollars, pulling funding from other DOI responsibilities. The escalating costs of fire suppression will cause DOI to

[26] W.M. Jolly, M.A. Cochrane, P.H. Freeborn, et al., "Climate-induced variations in global wildfire danger from 1979 to 2013," Nature Communications, July 14, 2015, http://www.nature.com/ncomms/2015/150714/ncomms8537/full/ncomms8537.html.

continue to face budget shortfalls that will affect its other operations. Current legislative proposals seek to address this issue by classifying major fires as natural disasters (which would release Federal disaster relief funds), but to date these bills have not been passed. Prompted by record firefighting costs this season, on September 15, 2015, Secretary Jewell, the Secretary of Agriculture, and the Director of OMB issued a joint letter to multiple members of Congress, emphasizing the need for Congress to take action to solve this pressing budgeting problem by treating firefighting spending like other Federal disaster response activities, with adjustments to discretionary funding caps in severe fire seasons.[27] The letter also stressed that the growing proportion of funds spent on firefighting activities means a reduction in funds available for fuels management and forest and rangeland restoration to make lands less vulnerable and more resistant to wildfire.

Moreover, increased frequency and severity of wildfire has damaging effects on numerous habitats that span large distances, requiring an inclusive strategic response. At particular risk are the sagebrush rangelands across the West that span 11 States and two Canadian provinces. The accelerated invasion of nonnative annual grasses, increased drought, and other effects of climate change have greatly increased the threat of rangeland fires to the sagebrush landscape and the more than 350 species of plants and animals that rely on the habitat for survival.[28] As one example, scientists and fish and wildlife experts have identified rangeland fire as the greatest threat to the survival of the greater sage grouse in the Great Basin region. Secretarial Order No. 3336 (signed on January 5, 2015) establishes policies and strategies for preventing and suppressing rangeland fire and for restoring sagebrush landscapes affected by fire across the West. According to BLM, these actions are essential for conserving habitat and promoting economic activity and are designed to build upon the success of rangeland and broader wildfire prevention, suppression, and restoration efforts to date, including the National Cohesive Wildland Fire Management Strategy.[29]

Implementing this initiative will prove challenging, as it requires coordination across multiple layers of government as well as the vast landscape it aims to protect and restore. Aspects that call for diligence include coordinating between resource managers and fire fighters, executing appropriate scientific strategies, and designing and implementing integrated fire response plans for all DOI

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[27] DOI Press Release, "USDA, DOI, and OMB Urge Congress to Fix the Fire Budget," September 15, 2015, https://www.doi.gov/pressreleases/usda-doi-and-omb-urge-congress-fix-fire-budget.

[28] BLM Press Release, "Secretary Jewell Announces Comprehensive Rangeland Fire Strategy to Restore and Protect Sagebrush Lands," May 20, 2015, http://www.blm.gov/wo/st/en/info/newsroom/2015/May/secretary_jewell_announces.html.

[29] Ibid. For more information on the mentioned national strategy, see "The National Strategy: The Final Phase in the Development of the National Cohesive Wildland Fire Management Strategy," April 2014, https://www.doi.gov/sites/doi.gov/files/migrated/news/upload/20140328_CSPhaseIIINationalStrategy_SurnameCopy_execSec_FINAL_v3.pdf.

wildland firefighting agencies that prioritize protection of rural communities and landscapes at greatest risk for the detrimental impacts of rangeland fire and invasive species.

Tribal Impact

Climate change also 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.

Because of the complexity of the climate-ecosystem relationship and limited climate-change research tailored to the needs and traditions of Native communities, tribal and 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. According to the Third National Climate Assessment:

> Some climate change adaptation opportunities exist on Native lands, and traditional knowledge can enhance adaptation and sustainability strategies. In many cases, however, adaptation options are limited by poverty, lack of resources, or—for some Native communities, such as those along the northern coast of Alaska constrained by public lands or on certain low-lying Pacific Islands—because there may be no land left to call their own.[30]

These effects are felt on American Indian lands today and put several populations at risk of becoming climate change refugees within a decade.[31]

Action is needed to develop climate adaptation and resilience strategies to help preserve American Indian and Alaska Native ways of life. In FY 2015, the Bureau of Indian Affairs' (BIA) funded $4 million a year for climate planning and $4 million for ocean and coastal management planning to support resilience actions within BIA programs. Initial investments in strategic planning and development of data and tools have helped managers make climate-related decisions with their project funding. DOI's FY 2016 budget is expected to invest in additional training opportunities for tribal and BIA managers, increased site-specific vulnerability assessments, and expanded technical support to access applied science.

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[30] U.S. Global Change Research Program, "Climate Change Impacts in the United States: The Third National Climate Assessment," October 2014, http://nca2014.globalchange.gov/.
[31] DOI Press Release, "Secretary Jewell Stresses Collaboration to Help Alaska Natives Meet Challenges of Climate Change," February 17, 2015, https://www.doi.gov/news/pressreleases/secretary-jewell-stresses-collaboration-to-help-alaska-natives-meet-challenges-of-climate-change.

Water Scarcity

Current research shows that climate change is affecting weather and stream flow patterns across the Western United States.[32] Intense rainstorms are up 22 percent in frequency since the 19th century, while increased temperatures are causing a simultaneous increase in drought conditions. Warming is affecting water supplies by changing the overall annual volume of precipitation and altering the balance of rain versus snowfall. Overall, climate change impacts are affecting the quality and availability of surface water and groundwater. Communities face increasing problems with water scarcity, drought, and flooding. As a result, the Bureau of Reclamation's (USBR) basic mission and objectives are at risk, as the Bureau is challenged to deliver needed quantities of water and power, ensure the resiliency of infrastructure, and continue to maintain ecosystems affected by USBR projects in a manner that supports ongoing operations.

In November 2014, USBR's Climate Change Adaptation Strategy was released to extend climate change adaptation efforts across the Bureau's mission responsibilities. The goals identified in the strategy follow from key elements of the President's 2013 Climate Action Plan, which identifies the continued development of sound science, water management planning and conservation, and increasing the resiliency of infrastructure as critical actions to prepare the United States for the impacts of climate change.

Coordinated Response and Impact of LCCs

At the core of DOI's climate change strategy is a nationwide network of 22 landscape conservation cooperatives (LCCs) that collaborate across national and international jurisdictions on landscape-level planning. LCCs were created to leverage resources and encourage science-based inquiries to respond to landscape-level stressors, including climate change.

According to the DOI strategy, LCCs promote connections among conservation efforts and are actively engaged in many of the challenge areas, including climate change, water programs, American Indians and Insular Areas, and disaster response. Further, LCCs are designed to provide operational efficiencies by sharing information, coordinating activities, and leveraging resources among conservation partners.

Within the LCC enterprise, reduced budgets will make it difficult to maintain comprehensive coverage and sustain the interest of partner organizations. Another challenge LCCs face is the potential for duplication of scientific effort. Given the numerous nongovernmental organizations, universities, and Federal, State, and local government agencies doing climate-related work, guarding against unnecessary duplication of scientific effort can save on costs and improve science

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[32] E.M. Fischer and R. Knutti, "Anthropogenic contribution to global occurrence of heavy-precipitation and high-temperature extremes," Nature Climate Change, April 27, 2015, http://www.nature.com/nclimate/journal/v5/n6/pdf/nclimate2617.pdf.

capacity while increasing the overall effectiveness and impact of the work being done.

FWS has contracted with the National Academy of Sciences to evaluate the purpose, goals, and scientific merits of the LCC program within the context of similar programs, and to examine whether LCC activities have resulted in measurable improvements in the health of fish, wildlife, and their habitats.

In addition, several of DOI's bureaus have developed or are developing bureau-level climate change policies and strategies. Examples include USBR's Climate Change Adaptation Strategy (2014), the BIA Tribal Climate Change Adaptation Grant Program (2013), the National Park Service (NPS) Climate Change Response Strategy (2010), and FWS' Climate Change Strategic Plan (2010). As these and other bureaus plan their responses to climate change, DOI will need to ensure a coordinated effort and develop cross-cutting priorities to guide efforts at the bureau or program level.

Sea Level Rise and Special Risks to Insular Areas

Sea levels are rising at roughly double the average rate observed in the last century.[33] Specific projections of sea level rise vary by site and time, but research by scientists at NPS and Western Carolina University predicts a 1-meter rise in sea level over the next 100 – 150 years.[34] A 1-meter rise would trigger cascading effects, including increased storm surge, coastal erosion, wetland and coastal plain flooding, salinization of aquifers and soils, and a loss of habitats for fish, birds, and other wildlife and plants. The same research indicates that national park infrastructure and historic and cultural resources totaling more than $40 billion are at high risk of damage from sea-level rise caused by climate change. More than one-third of assets in the Northeast are in the high-exposure category, from the Statue of Liberty in New York to the landmark structures at Boston National Historic Park and Fort McHenry in Baltimore, as well as 10 national seashores along the East Coast. Because the report only examined 40 of the 118 national parks considered vulnerable to sea level rise, the $40 billion figure may only represent a fraction of assets that could potentially be lost. Managing and prioritizing planning within these coastal parks to account for sea level rise poses a challenge to NPS park officials. Climate change adaptation assessment pilot projects are underway at three parks.

Sea level rise also disproportionately affects many of our Insular Areas, often located in low-lying coral atolls, many of which have maximum elevations of less than 4 meters above present sea level. The area available for human habitation,

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[33] Joby Warrick, "Sea levels are rising at faster clip as polar melt accelerates, new study shows," The Washington Post, May 11, 2015, http://www.washingtonpost.com/news/energy-environment/wp/2015/05/11/sea-levels-are-rising-at-faster-clip-as-polar-melt-accelerates-new-data-shows/.

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

water and food sources, and ecosystems are limited and extremely vulnerable to sea-level rise. For example, infrastructure and freshwater supplies on Kwajalein Atoll in the Republic of the Marshall Islands have been affected by unusually high sea level and wave-driven inundation in the past.[35] DOI's Office of Insular Affairs (OIA) recognizes the effects on human, physical, and natural resources due to climate change in the Insular Areas. Climate risks include rising sea levels, strong storm surges and high winds, coastal erosion and salinization, and acidification of coral reefs, which threaten marine life, food resources, and customary fishing livelihoods.

To help address these risks, OIA has sponsored meetings and workshops bringing together Federal expertise with Insular Area government and community members to better plan for and adapt to the impacts of climate change. OIA has convened meetings to discuss climate change with ambassadors from the Freely Associated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau, and the plenary session of the Interagency Group on Insular Areas. Moreover, in May 2015, OIA hired a climate change coordinator and in June 2015, OIA hosted the first U.S. Insular Areas Climate Change Stakeholders Meeting between Federal officials and Insular Area leaders to discuss efforts to help strengthen the capacity of island communities to adapt to climate change. With funds currently available through FY 2017, OIA plans to continue its efforts and provide support for the development of adaptation plans, vulnerability assessments, and resiliency strategies for the Insular Areas. To combat the negative effects of climate change and sea level rise, OIA will endeavor to coordinate the sharing of knowledge and policies, plans, assessments, data, tools, and other essential resources.

[35] USGS Study Description, "Impact of Sea-Level Rise and Climate Change on the Freshwater Resources of Roi-Namur Island, Kwajalein Atoll," http://hi.water.usgs.gov/studies/kwaj-serdp/.

Information Technology

The President and Congress have indicated that cyber threats are one of the most serious economic and national security challenges facing our Nation and that America's economic prosperity in the 21st century will depend on cyber security.[36] Federal information security has been on GAO's High-Risk List since 1997. In 2003, GAO expanded the listing to include cyber critical infrastructure protection, and in 2015 protecting the privacy of personally identifiable information was added.[37]

Threats to cyber assets include insider threats from disaffected or careless employees and business partners, escalating and emerging threats from around the globe, the ease of obtaining and using hacking tools, the steady advance in sophistication of attack technology, and the emergence of new and more destructive attacks. Ineffective protection of cyber assets can result in the loss, unauthorized disclosure, or alteration of information. This could have serious consequences—such as disruption to operations, unauthorized use of IT resources, and damage to networks and equipment—and result in substantial harm to individuals and the Federal Government. Because no single technology or tool can protect against all cyber threats, GAO recommends a multi-layered, "defense in depth" approach to information security.[38]

DOI relies on complex information systems and electronic data to carry out its daily operations. Specifically, DOI spends about $1 billion annually on its portfolio of IT assets, which support DOI programs and activities. Because of the critical role IT plays at DOI, in FY 2014 OIG established an IT Audits Unit to conduct audits, inspections, and evaluations of IT programs, initiatives, and related investments across DOI.

Summary of OIG Work

Our IT-related projects in FY 2015 examined DOI's Cloud-computing governance, Cloud-computing security, security practices over publicly accessible IT systems, and the Federal Information Security Management Act.

Cloud-Computing Governance

OIG conducted an evaluation of DOI's Cloud-computing initiatives to determine whether selected contracts for Cloud-computing services incorporated best practices to mitigate risks associated with moving DOI's systems and data into a

[36] The White House, Office of the Press Secretary, "Remarks by the President on Securing Our Nation's Cyber Infrastructure," May 29, 2009, https://www.whitehouse.gov/the-press-office/remarks-president-securing-our-nations-cyber-infrastructure.
[37] GAO Report No. GAO-15-290, "High-Risk Series: An Update," February 11, 2015.
[38] GAO Report No. GAO-15-725T, "Recent Data Breaches Illustrate Need for Strong Controls Across Federal Agencies," June 24, 2015.

public Cloud-computing environment.[39] At the time of our evaluation, eight bureaus had implemented Cloud services, while others were exploring how to leverage Cloud technologies to increase operational efficiencies. DOI has projected significant increases in Cloud usage in future years.

We reviewed four contracts that DOI entered into with Cloud-computing providers and found that none of these contracts had sufficient controls needed to monitor and manage the providers and DOI's data stored in their Cloud systems. We also evaluated whether DOI's contracts met best practices for acquiring Cloud services—specifically, whether they identified the roles and responsibilities on the contracts, as well as how contractor performance is measured, reported, and enforced. We assessed whether the contracts addressed Federal privacy, discovery, and data retention and destruction requirements, in addition to key IT security measures. None of the contracts we reviewed addressed these concerns.

We further determined that with no accurate inventory of its Cloud-computing services, DOI was unaware that on 16 instances USGS staff acquired Cloud services with integrated purchase cards and then moved data into public Clouds without approval from responsible officials and without ensuring that IT security requirements were met.

We offered six recommendations to help DOI mitigate business and IT security risks and strengthen Cloud-computing governance practices.

Cloud-Computing Security Documentation

OIG conducted an inspection to evaluate the completeness and adequacy of required IT security documentation for 16 systems that USBR, BSEE, and USGS had moved to a public Cloud.[40] Cloud-based IT systems have the same Federal and DOI security requirements as systems managed by bureau personnel and operated by a departmental data center.

We found that USBR and USGS did not meet DOI's policy for maintaining required IT security documentation. Specifically, USBR had not completed any security documentation for its three operational Cloud systems. As such, these systems were operating without authorization, placing USBR data in the Cloud potentially at risk of unauthorized access, disclosure, modification, or destruction. We found that USGS had moved its data to the Cloud in early 2013, but did not complete the necessary security documentation until late 2014.

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[39] DOI OIG Report No. ISD-EV-OCI0-0002-2014, "U.S. Department of the Interior's Adoption of Cloud-Computing Technologies," May 2015.
[40] DOI OIG Report No. 2015-ITA-017, "Cloud Computing Security Documentation in the Cyber Security Assessment Management Solution," September 2015.

We made seven recommendations to DOI's Office of the Chief Information Officer and affected bureaus to strengthen the IT security program and close identified security gaps.

Security of DOI's Publicly Accessible IT Systems

"Defense in depth" is a widely recognized best practice for protecting critical IT assets from loss or disruption by implementing overlapping security controls. If one control fails, another is in place to either prevent or limit the adverse effect of an inevitable cyber attack.

We conducted an evaluation to assess DOI's cyber security defense measures.[41] During technical testing, we identified potential security weaknesses with the configuration of publicly available websites at three bureaus. Our findings fell under two main categories: (1) inadequate understanding or testing of publicly available systems, and (2) missing controls that would protect internal systems in the event that those publicly available systems are compromised. The combination of these two findings can have wide-reaching impacts on the security of DOI's information systems. The conditions can hide significant gaps in DOI's security posture. This leads to questions about the processes used to make risk-based decisions, such as those to authorize the operation of information systems. Current processes may be deficient due to insufficient risk awareness across DOI.

We found that the bureaus had not implemented effective defense in depth measures to protect key IT assets from Internet-based cyber attacks. Specifically, we found nearly 3,000 critical and high-risk vulnerabilities in hundreds of publicly accessible computers operated by these three bureaus. Exploited, vulnerabilities allow a remote attacker to take control of publicly accessible computers or render them unavailable. A successful cyber attack against internal computer networks could severely degrade or even cripple DOI's operations and could result in the loss of sensitive data. These deficiencies occurred because DOI did not effectively monitor its publicly accessible systems or isolate these systems from its internal computer networks to limit the potential adverse effects of a successful cyber attack.

We made six recommendations to mitigate identified vulnerabilities, strengthen IT security practices, and minimize the opportunity for or impacts of a malicious attack.

Federal Information Security Management Act

The Federal Information Security Management Act (FISMA) (Pub. L. No. 107-347) requires each Federal agency to evaluate its information security program annually to determine program effectiveness and compliance with standards set by the National Institute of Standards and Technology (NIST). KPMG LLP, an

[41] DOI OIG Report No. ISD-IN-MOA-0004-2014, "Security of the U.S. Department of the Interior's Publicly Accessible Information Technology Systems," July 2015.

independent public accounting firm, performed DOI's FISMA evaluation for FY 2014 under a contract issued by DOI and monitored by OIG.[42] KPMG reviewed information security practices, policies, and procedures at the Office of the Chief Information Officer and seven DOI bureaus and offices.

KPMG concluded that, consistent with applicable requirements and guidelines, DOI has established and maintained security programs for continuous monitoring management, incident and response reporting, configuration management, remote access management, contractor systems, and security capital planning. KPMG, however, identified needed improvements in configuration management, identity and access management, risk management, contingency planning, and security training program areas.

KPMG made seven recommendations to strengthen DOI's information security program. DOI concurred with each recommendation and is in the process of taking or planning corrective actions.

Common Themes That Connect Our Findings

Our work underscores the need for constant surveillance by DOI IT personnel in the effort against data breaches. Key areas of concern include implementing and enforcing standard controls, better contract management and contractor oversight, standards for IT testing and monitoring, and adherence to Government policy.

Looking Ahead

Threats From Cyber Attack

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

Over the past few years, hackers and foreign intelligence services have compromised DOI's computer networks by exploiting vulnerabilities in publicly accessible systems on at least 19 occasions. These security incidents resulted in the loss of sensitive data and disruption of bureau operations. Notable recent examples include:

[42] DOI OIG Report No. ISD-IN-MOA-0005-2014, "Independent Auditors' Performance Audit Report on the U.S. Department of the Interior Federal Information Security Management Act for Fiscal Year 2014," January 2015.

- An October 2014 attack originating from European-based IP addresses[43] resulted in the loss of an unknown amount of data when the attackers gained control of two of DOI's public Web servers.
- In October and December 2014, hackers exploited vulnerable publicly accessible systems to steal user credentials with privileged (administrative) access to DOI systems. Although the extent of these system breaches was never fully determined, with administrative access to a computer system, an attacker can (1) copy, modify, or delete sensitive files; (2) add, modify, or delete user accounts; (3) upload hacking tools or malware to steal user credentials and compromise other departmental systems; and (4) modify system logs to conceal their actions and maintain a presence inside the affected networks for future exploits. In other words, in these two attacks, the intruders could have gained full functional control over DOI systems.
- A May 2013 attack originating from Chinese-based IP addresses gave the attackers a sustained presence inside DOI's network. In the 4 weeks before DOI fully contained the security breach, the attackers had stolen an unknown amount of data and had uploaded malware with the intent to compromise other DOI systems.

With the ever-increasing threat of cyber attacks, protection of IT systems and the data needed to operate and maintain critical infrastructure is essential. Further, detection and response to cyber attacks are just as critical as prevention controls. DOI's response to any cybersecurity incident must be swift and effective to minimize any damage that might be caused, mitigate the system weaknesses that were exploited, and restore IT services.

In addition to the threat to IT systems and data, physical structures are also at risk from cyber attack. DOI has asked USBR to implement a program to analyze and improve the security of industrial control systems (ICSs), which are control networks and systems designed to support industrial processes. ICS security is a top priority to protect USBR dam sites from attack. Establishing rigorous cyber security and privacy policies and controls are crucial to maintaining DOI operations. Security issues will continue to expand unless funding, strategic planning, and policy are improved.

Staffing and Procurement Difficulties

Hiring and retaining talented IT and cybersecurity professionals is a growing challenge and likely to affect operations in the short and long terms. The demand for skilled IT professionals in the private sector is extremely high, and attracting

[43] An Internet Protocol address, or IP address, is a unique online identifier—a numerical label assigned to each device (e.g., computer, printer) connected to a computer network that uses the Internet Protocol for communication. Internet Protocol is a method or standard for transmitting data over the Internet. The most widely used protocol on the Internet today is IP Version 4, which provides about 4.3 billion IP addresses for use worldwide.

those individuals to Government service with the current Federal pay structure can be difficult. This is especially true for the IT security sector. These factors, coupled with the time-consuming process to hire IT professionals within DOI, produce longer vacancies. Accurate classification of IT positions has been an issue,[44] and development of an automated classification tool to standardize and speed up the classification process would help with hiring IT professionals. Age disparity within the IT workforce is another issue that may impact operations, as retirements produce gaps in leadership and institutional knowledge. For example, 53 percent of USBR IT workers are 50 years of age or older, 12 percent above the age of 60, and approximately 3 percent are under 30 years of age.

Implementation of the Federal Information Technology Acquisition Reform Act (FITARA) (Pub. L. No. 113-291)[45] should have great impact on Government IT operations, by establishing Governmentwide IT management controls, tracking and risk management for IT investments, expanded authority and accountability for agency Chief Information Officers (CIOs), and more strategic IT acquisition policies. While these efforts help improve transparency and can help DOI get a better grasp on how IT funds are expended, streamlining related processes and automating reporting would help reduce any additional operational burden.
In addition, to improve IT acquisitions, contracting staff with specialized understanding of IT purchasing and regulations are needed. Demand for IT services is growing at a faster rate than available funding, further complicating how DOI handles staffing and procurement challenges. To strengthen compliance with FITARA requirements, DOI's CIO and bureaus are examining possible changes within the IT management structure to move toward a more centralized approach—but DOI's largely decentralized IT environment can create management challenges in coordinating IT budgets and activities.

Data center consolidation efforts are underway, but require careful planning to ensure that operational improvements and efficiency are achieved. As a complicating factor, these consolidation efforts require initial investments but may not realize cost savings for several years. Further, the initial push toward consolidation is resulting in mostly colocation, rather than actual consolidation, of services. Also, migrating data to a core data center can be costly, and the

[44] According to GAO, the classification system cannot easily keep pace with the Government's evolving IT requirements. Agency personnel who classify occupations and develop position descriptions may not understand the technical nuances between similar occupations, and thus may classify positions inconsistently, which may result in unequal treatment of comparable employees. For more information, see GAO-14-677, "OPM Needs to Improve the Design, Management, and Oversight of the Federal Classification System," July 31, 2014.
[45] FITARA augments the 1996 Clinger-Cohen Act (Pub. L. No. 104-106) by addressing concerns about waste and ineffectiveness in Federal IT investments. An overhaul to Government IT, the act gives department-level CIOs more authority and requires them to modernize IT operations and services, as well as requiring contracting officers to provide a justification when they do not choose a government-wide contract vehicle for IT acquisitions.

difficulties of coordinating between multiple bureaus at individual locations may increase physical security concerns.

Continuous Monitoring

Implementing new FISMA guidance on continuous monitoring controls for IT security is a challenge. FISMA requires agencies to develop information security protections commensurate with the risk resulting from the malicious or unintentional impairment of agency IT assets. Agencies expend large amounts of money and resources to document compliance with the 11 FISMA reporting areas—but an agency's FISMA score (its compliance rate) has been found to be unrelated to whether its IT assets are adequately protected from attack.[46]

More recent FISMA guidance has shifted the focus of agency oversight from point-in-time 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 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.

Due to recent high-profile cyber security breaches in the Federal Government, the importance of continuous monitoring is gaining greater public awareness, although it has been underappreciated in the Federal space for many years and is behind on implementation. DOI will have to expend additional effort to realize a mature continuous monitoring program and provide overall improvements in operations, security, and risk posture.

Cloud Computing

Cloud computing is a model for enabling convenient, on-demand, network access to a shared pool of configurable computing resources (e.g., networks, servers, storage, software applications, and Web services). To accelerate the Government's use of Cloud-computing strategies, 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.

Cloud computing offers DOI the potential to significantly improve IT service delivery while reducing costs through faster deployment of computing resources, a decreased need to buy hardware or build data centers, and enhanced collaboration capabilities. According to the National Institute of Standards and Technology (NIST), assessing and managing risk when putting a Federal

[46] NASA OIG, "NASA Cybersecurity: An Examination of the Agency's Information Security," February 29, 2012, https://oig.nasa.gov/congressional/FINAL_written_statement_for_%20IT_%20hearing_February_26_edit_v2.pdf.

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. Effectively managing the delivery of Cloud-computing services will require DOI to adequately identify security risks and properly define and provide mechanisms to monitor agency and Cloud provider responsibilities.

DOI's move to Cloud computing represents a paradigm shift from buying IT as a capital expenditure to buying IT as a service. Moving to this more service-oriented approach will require strong IT governance practices and organizational changes to currently centralized IT management and service delivery structures.

As of September 2014, DOI reported that it had contracted for 26 operational Cloud computer information systems. In addition, DOI has projected significant increases in Cloud usage in future years, with up to 100 percent of new IT programs potentially beginning in the Cloud, and nearly all of DOI's current or legacy systems, as well as public data, likely to be moved to the Cloud. For example, implementation of DOI's email records management system to meet the records requirements of OMB Memorandum 12-18 requires that DOI maintain all permanent electronic records in electronic format by 2020. DOI will use a Cloud solution that should enable full content management across the Department.

As DOI transitions to the Cloud, improvements to its IT governance practices are needed to ensure that all Federal and Department IT security requirements are met.

Water Programs

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

In many areas of the country, especially the arid West, dwindling water supplies, lengthening droughts, and rising demand for water are forcing communities, stakeholders, and governments to explore new ideas and find new solutions that will help ensure stable, secure water supplies for future generations.

USBR and USGS play key roles in helping the Nation manage and sustain the current supply of fresh water in rivers, lakes, aquifers, and other sources and preserve a healthy ecosystem to ensure the future supply. Since its inception in 1902, USBR has constructed dams, power plants, and canals in 17 Western States. USBR is the largest wholesaler of water in the country, delivering water to more than 31 million people and providing one out of five, or 140,000, Western farmers with irrigation water for 10 million acres of farmland. USBR is also the second largest hydroelectric power producer in the Western United States, generating nearly a billion dollars in power revenues and serving 3.5 million homes.

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

Summary of OIG Work

FY 2015 projects related to water management examined the costs reported under an interagency water agreement and the interim cost allocation for a multipurpose water project.

Interagency Water Quality Agreement

We evaluated an interagency agreement between USGS and USBR to determine whether claimed costs were allowable and supported.[47] Under the agreement, signed in 2013, USGS provides water quality monitoring in the Upper Klamath River and Lost River Basins in Oregon and California. USGS also stores water quality data in its National Water Information System Database and records

[47] DOI OIG Report No. WR-EV-BOR-0024-2013, "Interagency Agreement for Water Quality Monitoring and Other Services With the U.S. Geological Service, Agreement No. R13PG20058," report in progress.

Klamath Lake elevation data. The agreement obligated $773,064 in 2013 with four 1-year extensions totaling $2.6 million in all.

While evaluating the interagency agreement, we found that USGS has been using an administratively determined bureau-level overhead rate of 12 percent to recover overhead costs on its reimbursable contracts and agreements for at least 9 years. At our request, USGS provided us with an analysis that showed that its actual overhead rates ranged from a low of 11.45 percent to a high of 12.06 percent; the bureau concluded that its administratively determined rate of 12 percent is accurate.

We noted that the 12 percent billing rate exceeded USGS' actual overhead rate in 4 out of the 5 years analyzed, and we further found that the variance between USGS' actual overhead rates and its administrative billing rate may have resulted in USGS overbilling entities by approximately $6 million for the period from FY 2009 to FY 2013. Such overbillings would represent a potential augmentation of USGS' appropriations, which GAO has specifically cautioned against.[48]

We issued a management advisory, recommending that USGS implement a policy of recalculating and revising the overhead rate annually based on actual direct and indirect costs of all appropriated and reimbursable activities, taking into account prior year over or under collections, and charge the overhead rate on all interagency agreements and reimbursable activities.[49]

Garrison Diversion Unit Water Project

USBR's Garrison Diversion Unit (GDU) is a multipurpose water project in North Dakota that was authorized for development in 1965. The GDU was primarily authorized for irrigation, municipal and industrial water supply, fish and wildlife enhancement, recreation, and flood control.

When a multipurpose water project is planned, USBR creates an initial cost allocation by estimating the total cost of the project and then allocating the estimated costs to each project purpose. For a project constructed over a longer period of time, an interim cost allocation is often created to capture the major changes to the project that affect the allocation of costs. A final cost allocation is created when the project is determined to be substantially complete and is the basis for assignment of costs to beneficiaries for repayment.

[48] GAO Report No. GAO-08-978SP, "Principles of Federal Appropriations Law: Third Edition, Volume III," September 1, 2008.
[49] DOI OIG Report No. WR-EV-BOR-0024-2013A, "Issues Identified During Our Evaluation of Interagency Agreement No. R13PG20058 Between the Bureau of Reclamation and the U.S. Geological Survey," September 2015.

We evaluated the GDU's May 2012 interim cost allocation to determine whether it was up-to-date and consistent with current use.[50] The GDU project had not materialized as initially planned. At project outset, 250,000 acres were authorized for irrigation development, with the anticipation that water users would repay associated construction costs. By 2000, that acreage had been reduced to 75,480 acres as irrigation land was reduced and project features were deauthorized. These changes resulted in a water supply that is not fully operational, and 61,780 acres currently authorized for irrigation will not be developed.

We found that the interim cost allocation was recently updated and generally reflects current use and operations, but it does not represent the Government's share of costs to construct the project. Instead, the interim cost allocation indicates that the Government will eventually recover more construction costs from project beneficiaries than is likely, thus understating the cost to the Government. We recommended that USBR reevaluate the project and take the steps necessary to complete the project as it currently exists—primarily, to seek congressional deauthorization of the 61,780 acres of undeveloped irrigation land. Deauthorization of the land would allow for a final cost allocation and an accurate representation of the Government's share of project costs.

Common Themes That Connect Our Findings

OIG findings in water programs have centered on inaccurate accounting practices, specifically the calculation of cost allocations and overhead rates. These miscues can cause overages in costs and charges.

Looking Ahead

Aging Infrastructure

Most of the federally owned facilities maintained by USBR and its water and power partners are rapidly aging. Although USBR and its partners have lengthened the service lives of many of these facilities through preventive maintenance, a number of facilities are showing increased extraordinary maintenance needs.

USBR issued an Infrastructure Investment Strategy in May 2015 to describe the steps the Bureau will take over the next few years to improve the characterization and reporting of anticipated major rehabilitation and replacement activities at USBR-owned facilities. The action items presented in the strategy build on existing processes for gathering and managing data, characterizing the importance and urgency of future infrastructure investments, communicating with stakeholders through annual reporting, and working collaboratively with partners to address critical funding requirements.

[50] DOI OIG Report No. WR-EV-BOR-0006-2014, "Garrison Diversion Unit's Interim Cost Allocation," September 2015.

Rural Water Systems

As observed in our management challenges report for FY 2014, the Nation faces costly upgrades to aging and deteriorating drinking water and wastewater infrastructure. Many rural communities face significant challenges in financing the costs of replacing or upgrading aging and obsolete facilities and systems. Federal agencies estimate that the costs of replacing infrastructure in these communities will total more than $140 billion in the coming decades.[51]

The FY 2015 USBR budget includes $34.1 million for rural water projects, including $16.3 million for continued construction of authorized projects.[52] USBR is one of seven Federal agencies that provide funding or technical assistance to rural communities to develop drinking water and wastewater systems. The presence of this many Federal entities, plus State and local governments, can raise concerns about duplication of effort, inefficient processing of applications for aid, and increased fees to local communities as a consequence of paying for multiple environmental and engineering studies. USBR must make a concerted effort to coordinate policies and procedures and to prioritize funding for projects that reduce waste and accomplish meaningful goals.

USBR's dams, water conveyances, and power generating facilities are critical components of the Nation's infrastructure. Extending the lives of these structures and making efficiency improvements are among the many significant challenges facing USBR and DOI over the next several years, and will become more costly over time. At the same time, some organizations have voiced concerns about the environmental costs of dams and levees, such as hampered fish migration, downstream erosion, and degraded water quality—calling for development of and improvements to our large-scale water infrastructure in ways that do not harm aquatic species and ecosystems. New approaches are needed to ensure resiliency in the face of climate change and increasing numbers of natural hazard events.

Extreme Drought

Drought can have significant impact on water supplies, agriculture, and ecosystems, posing a particular concern in the American West as drought there grows more severe. To help define the role of Federal agencies in preparing for, managing, and responding to droughts, President Obama formed the National Drought Resilience Partnership (NDRP) in 2013. The NDRP's purpose is to ensure that the Administration is ready to help the country's farmers, ranchers, small businesses, tribes, and communities affected by drought. A partnership between seven Federal agencies, including DOI, the NDRP is intended to coordinate long-term drought resilience efforts and information-sharing at all levels of government.

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[51] GAO Report No. GAO-15-450T, "Rural Water Infrastructure: Federal Agencies Provide Funding But Could Increase Coordination to Help Communities," February 27, 2015.
[52] FY 2015 DOI Budget in Brief: USBR Highlights, http://www.doi.gov/budget/appropriations/2015/highlights/upload/BH035.pdf.

According to a paper presented at a 2015 NDRP symposium, the severe and prolonged drought facing the West affects major river basins in virtually every Western State.[53] The Colorado River Basin—crucial for seven States and several Tribes, in addition to two countries—is in the midst of a drought that has lasted approximately 15 years. USBR projections released in May 2015 indicate that Lake Mead (the largest reservoir in the United States) is expected to shrink low enough by January 2017 to trigger a first-ever Federal shortage declaration on the Colorado River. Meanwhile, the effects of current drought in California have been widely reported: the driest calendar year on record, the warmest year on record, and the lowest snowpack levels ever recorded. Texas has just officially emerged from a drought that began in 2010. The U.S. Drought Monitor reported on August 18, 2015, that 45 percent of the contiguous United States (by area) was experiencing abnormally dry conditions, while 29 percent of the country was in some stage of drought.[54] Specific to the West, about 73 percent of the region was experiencing abnormally dry conditions, and about 59 percent was in drought.

DOI is challenged to provide reliable water supplies for community water systems, agriculture, energy production, and manufacturing, while at the same time preserving rivers, streams, and other aquatic ecosystems for future generations. DOI needs to be prepared to mitigate the negative consequences associated with the expansion of water needs, particularly in the Western States.

Current drought conditions have put unprecedented pressure on DOI's ability to address water imbalances in the West. USBR's chief program for watershed-scale planning to meet current and future water supply gaps is the WaterSMART (Sustain and Manage America's Resources for Tomorrow) Basin Studies Program, which shares the cost for collaborative studies to address current or projected imbalances between water supply and demand and to work toward sustainable solutions. The program's four key elements are: state-of-the-art projections of future water supply and demand; analysis of how the basin's existing water and power operations will perform in the face of changing water realities; developing options to improve operations and infrastructure to supply adequate water in the future; and recommendations for how to optimize operations and infrastructure in a basin to supply adequate water in the future.

Following a basin study completed in 2012 for the Colorado River, States in the region set common water planning and management goals and have cooperated to achieve them. The study confirmed the general consensus that the Colorado River Basin will continue to face reduced water supply (due to increased drought and

[53] Leon F. Szeptycki, Jerry Hatfield, Wayne Honeycutt, and David Raff, "The Federal Role in Watershed Scale Drought Resilience," discussion paper prepared for White House/NDRP Drought Symposium, July 15, 2015.
[54] U.S. Drought Monitor, Tabular Data Archive, http://droughtmonitor.unl.edu/MapsAndData/DataTables.aspx.

other factors), and provided a framework for efficiency, planning, and drought resilience projects.[55] It calls for high-level cooperation between States and stakeholders to implement significant drought response steps and makes clear that the long-term challenges facing the basin must be tackled collaboratively by all sectors that depend on its water.

The Basin Studies Program is intended to provide a critical process and funding for pulling together broad communities of water users, local governments, and State and Federal agencies for watershed-scale planning. In early 2015, USBR announced a new $5 million Drought Response Program more specifically tailored to drought planning, mitigation, and response. The program will fund projects sponsored by water users related to drought planning (predicting droughts and planning response), drought resiliency (improving the reliability of water supply, management, or benefits to the environment during droughts), and emergency drought response. A good basin-scale plan, however, does not guarantee follow-up action; one project following plan recommendations has estimated costs between $3.2 billion and $5 billion, which presents significant economic challenges to this crisis.

[55] USBR, "Colorado River Basin Water Supply and Demand Study," http://www.usbr.gov/lc/region/programs/crbstudy/finalreport/index.html.

Responsibility to American Indians and Insular Areas

DOI'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 566 federally recognized Indian tribes, has trust responsibilities for more than 55 million surface and 57 million subsurface acres of land belonging to Indian tribes and individuals, and provides education services to approximately 42,000 Indian children in tribal schools and dormitories. DOI funds Indian Country programs that provide support for education, agriculture and rangeland management, emergency management, tribal justice systems, social services, and more.

In the Insular Areas, DOI has administrative responsibility for coordinating Federal policy in the territories of American Samoa, the Commonwealth of the Northern Mariana Islands (CNMI), 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.

OIA manages DOI's responsibility to the Insular Areas. OIA's mission includes improving the financial management practices of Insular Area governments and increasing economic development opportunities through financial and technical assistance. OIA funds Insular Area government programs to improve education, health care, and infrastructure.

Summary of OIG Work

Our FY 2015 project work included examination of Indian education services, acquisition management, and capacity-building.

Indian Education and Schools

The quality of Indian education and the success of native students are ongoing concerns at DOI as well as the U.S. Department of Education, the White House, and Congress.

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.

In FY 2015, we initiated review of a selection of Indian schools across the country, looking at prevention of school violence, condition of school facilities, and academic achievement. A key component of providing a quality education, and a systemic problem area across the Indian school system, is having school facilities that are safe and conducive to learning.

Prevention of School Violence

For this review, we initiated a series of 16 inspections regarding violence prevention at schools funded by BIE: 7 BIE-operated, 8 grant-operated, and 1 contract-operated.[56] We issued reports in 2008 and 2010 on this same topic in which we concluded that schools were not prepared to prevent violence and ensure the safety of students and staff. Our objective then and now was to determine the quality of safety measures in place to prevent violence against students and staff from internal and external threats.

We found school safety measures in many of the schools to be inadequate. Further, at most of the schools, half or more of the 18 key safety measures we identified and reviewed were not in place. While no single safety measure is so critical that its absence at an educational facility is cause for immediate concern, we found that the more safety measures not in place, the less prepared the school was to respond to an incident.

Condition of School Facilities

It is well recognized—by Congress, bureau personnel, school officials, and the media—that Indian schools are broadly in poor physical condition. Federal agencies have found many of the same issues regarding the condition of school facilities.

[56] These DOI OIG reports examine violence prevention at the Ahfachkee Indian School (Report No. C-IS-BIE-0011-2014), the Chemawa Indian School (Report No. C-IS-BIE-0025-2014), the Cherokee Central Schools (Report No. C-IS-BIE-0010-2014), the Flandreau Indian School (Report No. C-IS-BIE-0003-2014), the Lukachukai Community School (Report No. C-IS-BIE-0006-2014), the Miccosukee Indian School (Report No. C-IS-BIE-0012-2014), the Moencopi Day School (Report No. C-IS-BIE-0007-2014), the Ojo Encino Day School (Report No. C-IS-BIE-0033-2014), the Paschal Sherman Indian School (Report No. C-IS-BIE-0029-2014), the Pierre Indian Learning Center (Report No. C-IS-BIE-0005-2014), the San Ildefonso Day School (Report No. C-IS-BIE-0037-2014), the Sicangu Owayawa Oti (Rosebud Dorm) (Report No. C-IS-BIE-0004-2014), the Te Tsu Geh Oweenge Day School (Report No. C-IS-BIE-0035-2014), the Tonalea Day School (Report No. C-IS-BIE-0008-2014), the Tuba City Boarding School (Report No. C-IS-BIE-0009-2014), and the Yakama Nation Tribal School (Report No. C-IS-BIE-0027-2014).

We conducted a series of inspections of facilities at 13 schools to assess current conditions and to review BIA's, BIE's, and tribes' ability to ensure a physical environment that is safe and conducive to learning.[57]

We found a number of systemic issues with communication and coordination, in addition to deteriorating facilities, at the schools we visited. Major deficiencies and health and safety concerns that should be addressed immediately include asbestos, radon, and mold; structural concerns and condemned buildings; electrical issues; and inadequate fire systems. In addition, an important valuation tool used for funding decisions poorly represents actual school conditions, and the overall execution of custodial oversight is inadequate.

Dedicated commitment, at all programmatic levels, to long-term solutions is required to both address specific deficiencies in facilities now and to ensure more proactive management of facilities in the future. We made 22 recommendations to help improve the operation and condition of Indian school facilities.

Academic Achievement

We conducted a series of inspections at BIE-funded schools to evaluate the programs in place to improve educational achievement.[58] Concerns about academic achievement generally fall into one of two broad areas: the achievement gap and graduation rate.

- **Achievement gap.** Research has found that, as early as Grade 4, students attending BIE-funded schools achieve test results below those of their public school counterparts. Furthermore, the higher the grade level, the greater the gap in test scores.
- **Graduation rate.** The public school graduation rate averages roughly 76 percent, while the average graduation rate from BIE-funded schools is below 50 percent.

Thus we focused on how BIE worked to close the educational achievement gap and increase the graduation rate at each school. Specifically, we concentrated on

[57] DOI OIG Report No. C-EV-BIE-0006-2014, "Bureau of Indian Education School Facilities," report in progress.

[58] These DOI OIG reports examine academic achievement programs at the Ahfachkee Indian School (Report No. C-IS-BIE-0021-2014), the Chemawa Indian School (Report No. C-IS-BIE-0026-2014), the Cherokee Central Schools (Report No. C-IS-BIE-0020-2014), the Flandreau Indian School (Report No. C-IS-BIE-0013-2014), the Lukachukai Community School (Report No. C-IS-BIE-0016-2014), the Miccosukee Indian School (Report No. C-IS-BIE-0022-2014), the Moencopi Day School (Report No. C-IS-BIE-0017-2014), the Ojo Encino Day School (Report No. CR-IS-BIE-0034-2014), the Paschal Sherman Indian School (Report No. C-IS-BIE-0030-2014), the Pierre Indian Learning Center (Report No. C-IS-BIE-0015-2014), the San Ildefonso Day School (Report No. C-IS-BIE-0038-2014), the Sicangu Owayawa Oti (Rosebud Dormitory) (Report No. C-IS-BIE-0014-2014), the Te Tsu Geh Oweenge Day School (Report No. C-IS-BIE-0036-2014), the Tonalea Day School (Report No. C-IS-BIE-0018-2014), the Tuba City Boarding School (Report No. C-IS-BIE-0019-2014), and the Yakama Nation Tribal School (Report No. C-IS-BIE-0028-2014).

how schools assessed the academic needs of students. We found that many BIE-funded schools were not properly assessing the academic needs of their students, as required by the No Child Left Behind Act of 2001 (Pub. L. No. 107-110). The legislation requires that schools complete a comprehensive needs assessment to help them plan how to meet the specific needs of their student populations. We also found that not all schools were properly assessing students' English language proficiency. As a result, students who may have mastered conversational English but were unable to express themselves effectively using academic English (a term defined as the formal written, auditory, and visual language used in learning environments) may not have been properly identified and may not have received the additional support necessary to help them achieve academically.

Crow Tribe Accounting System

At USBR's request, we audited the Crow Tribe's accounting system and associated interim costs for two contract agreements under the Water Rights Settlement Act of 2010 (Pub. L. No. 111-291) for the rehabilitation of the Crow Irrigation Project and the construction of a municipal, rural, and industrial water system.[59]

We determined that the Crow Tribe billed USBR for attorney fees, equipment purchases, tribal payments, and subcontractor labor without having sufficient supporting documentation. We therefore questioned $400,542 in unsupported costs associated with the two agreements. We also identified $75,857 in unallowable costs (for an overall total of $476,399 in questioned costs). In addition, we identified weaknesses in the tribe's accounting system, including commingling of funds, unaccounted-for program income, a flawed reporting system, errors in development of project budgets, unclear and inconsistent policies and procedures, insufficient monitoring of general ledger accounts, and insufficient subrecipient monitoring.

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. OPAs face challenges in competing for and retaining qualified audit and investigative staff, largely due to insufficient budgets and limited labor pools. To augment our limited program of direct audits and evaluations, OIG provides training and technical assistance to enhance the capabilities of OPA staff.

In FY 2015, we conducted five training and technical assistance sessions for OPA staff in American Samoa, CNMI, Kosrae, the Marshall Islands, and Palau. We tailored the training topics to the needs of each jurisdiction. The range of trainings included, for example—

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[59] DOI OIG Report No. ER-CX-BOR-0010-2014, "Crow Tribe Accounting System and Interim Costs Claimed Under Agreement Nos. R11AV60120 and R12AV60002 With the Bureau of Reclamation," June 2015.

- assistance on how to respond to changing requirements (for example, Palau's OPA staff are now required to conduct financial statement audits);
- new audit areas (how to audit failed banks in Palau to identify the causes of failure, to inform safeguards for other banks);
- report writing for high-profile topics (reporting on potential fraud in Kosrae); and
- updating and reinforcing audit and accounting practices (in CNMI, the Marshall Islands, and America Samoa).

In addition, we provided training to other government entities in Kosrae, CNMI, Marshall Islands, and America Samoa regarding general and government accounting. Our capacity-building activities foster on-island ability to assure public accountability throughout the Insular Areas.

Common Themes That Connect Our Findings

We have consistently found that substantial work is needed to improve the Indian education system, particularly in creating environments where children are safe and have adequate means to thrive. In both American Indian and Insular Area operations, improving contracts and grants oversight and enhancing the audit skills within local governments are priority concerns for strengthening financial management and stability.

Looking Ahead

Management of Contracts and Grants

DOI awarded more than $1.6 billion in new contracts and grants to Indian Country and more than $53 million in grants to Insular Areas during FY 2014. Historically, single audits and OIG audits of tribal nations have identified numerous and significant problems, including inadequate employee background checks, improper payments to related parties, general financial mismanagement issues resulting in significant deficiencies, inadequate segregation of duties resulting in stolen funds, unallowable commingling of Federal funds with tribal funds, and flawed reporting systems. In the Insular Areas, oversight is challenging due to limited resources and the logistics of the remote locations. Together, these issues result in delayed audits, errors in reports, and no reports.

DOI-funded programs and operations in Indian Country and Insular Areas are extremely susceptible to fraud, waste, mismanagement, and abuse due to nepotism, unqualified employees, failure to follow policies and procedures, the absence of internal controls or oversight, little or no transparency, and fear of reprisal for reporting wrongdoing.

We anticipate doing more audit work at tribes determined to be high risk, to recover funds where possible but also to help prevent recurrence of the underlying issues and to refer instances of suspected or identified fraud to our investigative unit. For example, we initiated a review of some of the Lower Brule Sioux Tribe's programs after preliminary audit work in June 2015 indicated that the tribe may be using Federal funds inappropriately. We deployed a team of auditors to identify unsupported and unallowable costs and potential fraud, waste, mismanagement, and abuse.

Regarding the Insular Areas, OIG will continue to provide training and site visits to help build the capacity and integrity of the workforce, assisted by OIA as resources permit. OIA is expected to continue to develop internal controls and policies in accordance with Federal requirements and will continue to communicate and coordinate to help improve the administration of grant programs.

Barriers to Federal Investigation

The Federal Government has jurisdiction to investigate and prosecute the misuse of Federal funds and other Federal crimes on reservations, including crimes involving tribal government officials. OIG plays an important role in this area, as approximately one-fifth of our investigations involve Indian Country. Investigating crimes on Native lands can be challenging for many reasons, including remote locations, cultural differences, and the complexities of overlapping jurisdictional areas. Sometimes distrust or conflict are barriers to cooperation and information-sharing. As one example of an extreme case, a 2015 Human Rights Watch report examined the "largely unaccountable" tribal government for the Lower Brule Sioux Tribe in South Dakota. In 1999, OIG issued a report finding cost overruns of $7.1 million for the tribe. In 2006 and 2007, two more Federal audits revealed another $1.2 million in funds used for purposes for which they were not intended. According to the Human Rights Watch report, the six-member Tribal Council operates with little or no transparency and accountability, and greatly impedes Federal investigations. The report chronicled a pattern of serious mismanagement and described how Tribal Council members have systematically withheld information from the public—and investigators—to avoid accountability. The report also noted that resource constraints further hampered OIG's ability to investigate wrongdoing, with just a handful of investigators for the region that includes Lower Brule, and declared: "The way the Lower Brule Tribal Council has exercised its sovereignty has left tribal members with little way to secure a remedy against official misconduct, secrecy, or abuse."[60]

Obstacles such as limited transparency and accountability and withholding information hinder OIG's work to protect against fraud, waste, and abuse. Further, feelings of impunity among tribal councils can lead to unethical behavior. Without access to accurate records that show how funds are spent, moneys intended for specific purposes can be difficult to track. The aforementioned

[60] Human Rights Watch, "Secret and Unaccountable, the Tribal Council at Lower Brule and its Impact on Human Rights," January 12, 2015, https://www.hrw.org/report/2015/01/12/secret-and-unaccountable/tribal-council-lower-brule-and-its-impact-human-rights.

barriers to Federal investigation have helped create an environment in some tribes that limits the Federal Government's ability to fulfill its mission. Further work must be done within these tribes to open their borders to investigators and weed out irresponsible individuals who waste or steal tribal resources.

Land Buy-Back Program

Across Indian Country, more than 245,000 owners of 3 million fractionated interests, spanning about 150 Indian reservations, are eligible to participate in the Land Buy-Back Program. The program was created to implement the land consolidation component of the *Cobell* v. *Salazar* settlement, which provided $1.9 billion to consolidate fractionated land interests across Indian Country. As we noted in our management challenges report for FY 2014, 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 86,378 purchase offers to owners of fractionated interests, successfully concluded transactions worth more than $660 million, and transferred the equivalent of more than 1,326,000 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 $19.5 million.

The Land Buy-Back Program is challenged by a short implementation timeframe (10 years from December 2009) and the sensitivity surrounding acquisition of Indian lands by the Government, as well as its dependence on other programs and agencies to provide current mineral and timber values and validated tract maps, which assist in accurately valuing the land for buy-back purposes. DOI also has struggled to hire qualified review appraisers, required for the process, and the ever-present political factors continue to pose challenges to project schedules and resource requirements.

Medical Marijuana Industry

Reservations with slow growth in gaming revenues and few natural resources have moved toward finding alternate revenue sources to sustain them economically. As a result, tobacco and marijuana companies are approaching tribes to move them into growing and producing cannabis for the medical marijuana industry. An October 2014 memo from the U.S. Department of Justice (DOJ) directed U.S. attorneys nationwide not to prosecute federally recognized tribes conducting marijuana-related businesses on reservation land as long as they meet nine specific criteria, including the prevention of criminal elements from profiting from marijuana sales and keeping cannabis products away from minors.

Marijuana production on tribal lands faces unique challenges. Some tribal leaders believe that legalizing marijuana could worsen reservation problems such as substance abuse and domestic violence, but others see the marijuana business as an economic opportunity to boost financial operations and improve the quality of life for their people.

Sovereign Indian nations will need to perform careful negotiation with multiple Federal agencies ranging from BIA to the U.S. Drug Enforcement Administration and the Internal Revenue Service. The unique relationship between federally recognized tribes and the United States as "domestic dependent nations" gives tribes the purview, like States, to enact laws that do not conflict with Federal laws. As tribes explore their options to legalize and grow marijuana on their reservations, the roles and authority of tribes and the Federal Government may need to be clarified or even restructured, just as happened a generation ago with the evolution of casino gaming.

Obstacles to Control and Oversight at Indian Country Schools

Congress, DOI personnel, school officials, and the media recognize that Indian schools are, broadly, in challenging conditions. We previously noted systemic problems across the system of schools funded by BIE and described our reviews of prevention of school violence, condition of school facilities, and academic achievement. Our ongoing work aims to achieve improvements in DOI's facilities investment decisions and the bureaus' and tribes' ongoing management of schools. DOI spent an estimated $140 million during FY 2015 in construction and facilities management for BIA programs. More than half of this money supports approximately 180 Indian schools.

The problems at schools in Indian Country are substantial. Indian students served by BIE often come from remotely located and rural communities with poor local economies, high unemployment rates, and low incomes. Many of these communities have above-average crime rates and below-average literacy rates. Further, the educational and emotional needs of Indian students are deeply affected by suicide. Studies have shown that Indian teens have the highest suicide rate of any population group in the Nation: among Native Americans aged 15 to 24, suicide rates are more than double the national average. These problems will not be solved in the short term and require continued attention. DOI's budget request for FY 2016 proposes increased funding for Indian education as part of a multiyear reform.

Also underway are efforts to promote tribal control and operation of BIE-funded schools. In June 2014, the American Indian Education Study Group, convened by DOI and the U.S. Department of Education, issued a "Blueprint for Reform" that recommended a shift in BIE's role from direct provider of education into a capacity-builder and service-provider to tribes that run their own schools. The goal of greater tribal control of schools is to give tribes more power to engage children, infuse schools with tribal cultural values and native languages, and improve educational outcomes.

To facilitate that transition, DOI needs to make changes to improve accountability and reduce institutional fragmentation. GAO has reported for several years on how systemic management challenges within DOI's Office of the Assistant Secretary for Indian Affairs continue to hamper efforts to improve BIE schools.[61] Multiple organizational realignments over the past 10 years have resulted in a fragmented structure, with offices across different units being responsible for BIE education and administrative functions. Frequent turnover in BIA leadership and insufficient strategic planning have further compounded the problem. The outcome for schools is delayed receipt of educational services and supplies, and confusion over whom to contact at BIA with questions or problems.

Limited staff capacity poses another challenge to addressing BIE school needs. BIA data indicate that about 40 percent of its regional facility positions (such as architects and engineers) are vacant. In 2014, GAO reported that BIE had many vacancies in positions that oversee school spending. Teacher shortages across the United States have affected tribal schools as well. Without adequate staff and training, BIA will continue to struggle to monitor and support schools. Inconsistent accountability hampers management of BIE school construction and monitoring of school spending. Specifically, GAO has found that BIA did not consistently oversee some construction projects. Inconsistent accountability also impairs BIE's monitoring of school spending. In 2014, GAO found that BIE does not adequately monitor school expenditures using written procedures or a risk-based monitoring approach, contrary to Federal internal control standards. As a result, BIE failed to provide effective oversight of schools when they misspent millions of dollars in Federal funds.[62]

To address recommendations from the "Blueprint for Reform" and from GAO, BIE has undertaken a restructuring to strengthen its capacity and oversight, initiated by Secretarial Order No. 3334, issued in June 2014. [63] Among other changes, to improve the monitoring and oversight of school spending, a newly formed School Operations Division will focus specifically on acquisitions, grants, budget, and finance, and report to the BIE Director. According to this Order, the responsibilities of BIA's three associate deputy directors will be realigned, and school support teams will be created to work with individual schools and tribes to maximize school performance. Until the restructuring is complete and BIE

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[61] GAO Report No. GAO-15-597T, "Further Actions on GAO Recommendations Needed to Address Systemic Management Challenges with Indian Education," May 13, 2015.
[62] Ibid.
[63] DOI Secretarial Order No. 3334, "Restructuring the Bureau of Indian Education," June 12, 2014, http://www.doi.gov/news/upload/BIEsecOrder.pdf.

assumes its new primary role as a supporter (rather than operator) of tribal education programs, BIE will remain in a state of transition.

Energy Development and Management

GAO has identified BIA "management shortcomings" as a major hindrance to energy development in Indian Country.[64] Coupled with a complex regulatory framework and tribes' limited capital and infrastructure, BIA management problems can increase costs and project development times, leading to missed development opportunities and lost revenue for American Indians.

BIA review and approval is required throughout the energy development process, but BIA does not have comprehensive data to identify ownership and resources available for such development, or a documented process to track and monitor its review and response times. GAO recommended that DOI take steps to address data limitations, track its review process, and provide clarifying guidance, among other actions to improve American Indian energy development and management.

Meanwhile, the island communities in our Insular Areas face great challenges in achieving reliable, affordable, and secure energy for electrical power and transportation. The cost of electricity in the Insular Areas is, on average, about three times higher than the national average. Most islands have a relative abundance of renewable energy resources but are currently dependent on imported fossil fuels to meet most of their energy needs.

OIA has partnered with the U.S. Department of Energy, specifically the Office of Energy Efficiency and Renewable Energy and the National Renewable Energy Lab, to support energy transformation, sustainability, and climate change adaptation and resiliency for the Insular Areas. Current projects include solar and geothermal power projects in American Samoa and CNMI, a wind pilot project in Guam, and strategic energy planning in the Freely Associated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau. In addition, American Samoa has announced that it intends to achieve 100 percent renewable energy power for its outer islands within the next 2 years. OIA will continue its efforts and partnerships to help the Insular Areas develop technologies for renewable energy resources.

Financial Accountability in Insular Area Government

Through the years, we have had general concerns that Insular Area programs remain vulnerable as a result of unreliable financial systems, weak procurement controls, and limited capacities of on-island agencies. Insular Area governments continue to possess insufficient resources to adequately prevent and detect fraud, waste, or mismanagement involving federally and locally funded programs.

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[64] GAO Report No. GAO-15-502, "Indian Energy Development: Poor Management by BIA Has Hindered Energy Development on Indian Lands," June 8, 2015.

Both OIG and GAO have repeatedly reported challenges faced not only by Insular Area governments, but also by OIA to effectively monitor programs and spending. In recent years, we have restricted our audit and evaluation program in the Pacific to focus on evaluations that support OIG's role as a member of the Interagency Coordination Group of Inspectors General for Guam. In addition, we have provided a limited program of capacity-building to strengthen accountability mechanisms within the Insular Area governments.

Continued efforts are needed to fully address the vulnerabilities of Insular Area programs and OIA's financial challenges. OIA should continue to coordinate with other grant agencies to effectively monitor the use of grants and promote financial accountability. Further, OIA needs to leverage its limited resources to promote accountability within the Insular Area governments.

Acquisition and Financial Assistance

OIG has consistently identified acquisition management as an area in need of improvement. It's also an area of significant spending: DOI awarded approximately $ 9.3 billion in new grants and contracts in FY 2015.

We focus on key aspects of DOI programs and operations, selecting audit assignments based on risk assessments and data mining techniques, or in response to a request (e.g., from DOI bureaus, our investigators, other Federal agencies, or Congress).

Prevention or remedying problems in acquisition and financial assistance processes is always critical, especially in times of fiscal constraint. In FY 2015 we noted problems in pre-award planning and competition, as well as in monitoring contract performance, such as contractors billing for work outside of contract scope and contractors billing for unsupported costs.

Summary of OIG Work

In our FY 2015 projects related to grants and contracts, OIG identified problem areas, opportunities, and management issues and made recommendations to help improve financial assistance and acquisition processes and administration.

Staff in our Office of Investigations focused significant resources, time, and effort on establishing lines of communication, relationship-building, and collaboration with our DOI partners. Investigators also held regular briefings with audit staff to share information, discuss findings, and determine appropriate courses of action.

Grants Management

The overall management of grants and cooperative agreements—known commonly as "grants management"—has historically been subject to fraud and waste throughout Government. Over time, growth in both the numbers of grant programs and levels of funding has created greater complexity in Federal grants management processes, requiring greater oversight.

OIG dedicates significant resources to reviewing the adequacy of departmental and bureau grants management policies and procedures to ensure that DOI spends Federal dollars in accordance with applicable laws and regulations. Areas of concern include insufficient planning and inadequate administration and oversight. These deficiencies, individually and collectively, could increase fraud, waste, and abuse and diminish the integrity of grants management.

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 (16 U.S.C. §§ 669 and 777, as amended, respectively) 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 $1.1 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 any problems from reoccurring.

Lower Brule Sioux Tribe Program Review

For many years, the Lower Brule Sioux Tribe's auditor has had the same finding: that Lower Brule has commingled Federal funds with tribal funds and used them for unallowable purposes. The most recent audit found that Lower Brule had commingled advanced Federal funds from a number of programs, including three different agencies (DOI, the U.S. Department of Transportation, and the U.S. Department of Health and Human Services), and used funds inappropriately.

Based on these findings, in FY 2015 we initiated a review of four Lower Brule programs.[65] We are deploying a team of auditors, analysts, and investigators to identify unsupported and unallowable costs and potential fraud, waste, mismanagement, and abuse. We anticipate doing more proactive audit and review work at many of the high-risk tribes to recover funds where possible, but also to help prevent recurrence of the underlying issues and to refer instances of suspected or identified fraud to our investigative unit.

Clean Vessel Act Grant Oversight

The Clean Vessel Act of 1992 (Pub. L. No. 102-587) allows FWS to provide grants to State governments for various projects. One such project provided funds to the California Division of Boating and Waterways (DBW) for the construction, renovation, operation, and maintenance of marine pumpout stations and waste

[65] DOI OIG Report No. 2015-ER-069, "Agreements Between the Bureau of Indian Education, Bureau of Indian Affairs, and Bureau of Reclamation and the Lower Brule Sioux Tribe," report in progress.

receiving facilities. The project's purpose is to reduce pollution from vessel sewage discharges and prevent localized degradation of water quality in the United States. We completed an audit on two FWS grants to DBW to determine whether the claimed costs were allowable under applicable Federal laws and regulations, allocable to the grant and incurred in accordance with its terms and conditions, and reasonable and supported.[66]

Out of $2,206,811 in claimed costs for the selected grants, we questioned $1,167,748. We also learned that DBW's insufficient segregation of duties puts these Clean Vessel Act funds at risk. Further, we could not determine how or why project costs were charged to each grant, because no clear record of which projects were funded by which grants existed, creating an issue of transparency. Finally, because DBW did not compete awards for major subgrants, we could not determine whether the State paid fair market prices for services. We recommended that FWS resolve the ineligible and unsupported costs and require adherence to grant management requirements. FWS concurred with the recommendations in our report and is working to recover the questioned costs.

Hurricane Sandy Grant Oversight

In FY 2015, DOI awarded more than $20 million in grant funds to support storm relief and recovery efforts for Hurricane Sandy. Our continued audits of recipients of Hurricane Sandy funds have identified high-risk issues and practices for emergency grants related to disaster response.

In FY 2015, we completed a grant audit related to Hurricane Sandy recovery efforts. We audited incurred costs claimed by the University of Florida under a cooperative agreement with BOEM under the authority of the Outer Continental Shelf Lands Act (Pub. L. No. 106-580).[67] The purpose of the agreement was to evaluate sand deposits and supplies for coastal restoration and beach nourishment projects. Out of $873,300 in claimed costs, we identified $112 in unallowable costs and $59,681 in unsupported costs, for a total of $59,793 in questioned costs. BOEM has submitted a plan of action to OIG that addresses the audit findings and will provide a written response once the questioned costs have been resolved.

DOI's response to Hurricane Sandy provided us with a unique outreach opportunity. OIG special agents conducted more than 30 site visits to organizations and entities receiving Hurricane Sandy recovery funds. During these visits, they conducted 20 fraud awareness briefings and numerous other operational capability briefings for bureaus and partner entities, which provided

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[66] DOI OIG Report No. WR-GR-FWS-0007-2014, "U.S. Fish and Wildlife Service Clean Vessel Act Grants to the California Department of Boating and Waterways, Grant Nos. F10AP00748 and F10AP00749," September 2015.

[67] DOI OIG Report No. 2015-WR-018, "Bureau of Ocean Energy Management Cooperative Agreement No. M13AC00012 With the University of Florida," September 2015.

OIG direct exposure to more than 200 individuals—key personnel related to Hurricane Sandy recovery efforts.

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, including contractor selection, presolicitation planning and competition, and administration and oversight of contracts.

In a strategic approach to outreach, our investigation staff identified NPS parks that were receiving the largest amount of funding for construction-related projects for 2015 through 2020. OIG special agents then provided staff at these parks with an overview of investigations, discussed contracting-related risks and vulnerabilities, and showed them how OIG can assist them in their work by identifying potential fraudulent behavior and emphasizing ethical standards.

Hurricane Sandy Contract Oversight

The funding provided by DOI to support emergency storm relief and recovery efforts in the aftermath of Hurricane Sandy included contract awards (as well as grant awards, discussed above). Our FY 2015 audits included two related to Hurricane Sandy recovery contracts.

NPS awarded three contracts to NY Asphalt in November 2012 to support cleanup work after Hurricane Sandy. In our audit, we determined that NY Asphalt billed NPS for equipment rental without providing sufficient supporting documentation, including shift tickets, payroll records, load tickets, and a billing reconciliation.[68] This led us to question as unsupported $963,599 in costs associated with the three contracts. We also identified $24,604 in unallowable costs.

Also during our audit, we found that NPS failed to use an effective process to select the contractor and exercised flawed monitoring throughout the contract period. As a result, NPS did not prevent or detect numerous internal control problems and paid tremendous markups for equipment rentals. We provided NPS with a management advisory detailing our concerns surrounding NPS' contract selection and monitoring processes.

In our second Hurricane Sandy related audit, we examined contract compliance by Perini Management Services, Inc., on an NPS contract for repair projects at the

[68] DOI OIG Report No. X-CX-NPS-0001-2014, "Final Costs Claimed by NY Asphalt, Inc., Under Contract Nos. INPSANDY12003, INP13PX28237, and INP13PX22222 With the National Park Service," October 2014.

Statue of Liberty and Ellis Island National Monument.[69] The award was a firm-fixed-price task order for $34,997,502, and during the first 8 months, Perini requested and received six modifications that increased the value to $37,300,427, an increase of $2,302,925 (or 6.6 percent of the original task order award). Perini expects to complete the task order by December 3, 2015.

In our audit, we did not identify any significant issues with the contractor, but we did identify two issues related to NPS' contract award and oversight: inadequate monitoring of the subcontract plan and failure to use the independent Government cost estimate in evaluating the offers. We made two recommendations to NPS to resolve these issues.

Lockheed Martin Services, Inc.

BIA awarded a time-and-materials task order to Lockheed Martin Services, Inc., for support to BIA's Division of Energy and Minerals Development for development of the National Indian Oil and Gas Evaluation and Management System (NIOGEMS). In an audit, we identified $781,247 in unallowable costs and made three recommendations to BIA to resolve these costs.[70]

We found that BIA failed to document the process for selection of the contractor as required by the Federal Acquisition Regulation (FAR) at 48 C.F.R. § 15.406-3, and failed to properly monitor the contractor throughout the contract period. As a result, BIA did not prevent or detect numerous problems, including mismanagement of contract funds, missing acquisition documentation, absence of contracting officer approval on invoices, unclear invoice presentation, unauthorized addition of labor categories, and failure to define education and other minimal requirements for labor categories. BIA is currently addressing the three recommendations, which will provide the corrective actions needed to ensure this contract is in compliance with the FAR.

MWH Americas, Inc.

USBR awarded a time-and-materials contract to MWH Americas, Inc., to investigate and report on the feasibility of enlarging Shasta Dam and its reservoir for various water resource purposes. The contract is valued at $4,410,657 and the contractor had claimed total costs of $2,963,883.[71]

We completed an audit of interim costs and determined that MWH did not bill USBR in accordance with the contract. MWH was authorized to perform work (including labor, materials, and other direct costs) that met the requirements of the

[69] DOI OIG Report No. 2015-ER-020, "Audit of National Park Service Task Order No. P14PD00557 With Perini Management Services, Inc.," September 2015.
[70] DOI OIG Report No. 2015-ER-036, "Interim Costs Claimed by Lockheed Martin Services, Inc., Under Task Order No. A11PC00409 With the Bureau of Indian Affairs," August 2015.
[71] DOI OIG Report No. ER-CX-BOR-0009-2014, "Interim Costs Claimed by MWH Americas, Inc., Under Contract No. GS00F0040L With the Bureau of Reclamation," July 2015.

statement of work (SOW), but MWH billed the contract for costs that were not related to the SOW. This caused us to question $694,726 of the claimed costs as unallowable. We offered one recommendation to USBR to address these unallowable costs; USBR concurred with our recommendation and is taking action to resolve the questioned costs.

Common Themes That Connect Our Findings

OIG findings in acquisitions and financial assistance revealed poor bureau monitoring procedures exacerbated by a need for qualified personnel and the issuance of new guidance. Also within financial assistance, bureaus do not have an adequate number of trained staff to effectively manage the pre-award, post-award, and closeout requirements for managing grants and cooperative agreements. Unlike for acquisition, no certification process exists for financial assistance staff, and as a result, no training standards were developed. This gap in training creates an inconsistent application of regulations, poor oversight of awards, and repeat audit findings.

Looking Ahead

OMB guidance issued in 2013 titled "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards," often referred to as the "Super-Circular," will continue to significantly affect day-to-day management and administration of Federal financial assistance awards. Together, this relatively new guidance and the need for qualified grant specialists means that DOI will likely continue to face challenges with the monitoring of Federal financial assistance awards.

In FY 2015, more than 75 percent of the acquisition actions executed by DOI were of a fixed-price type, representing over $2 billion. DOI needs to develop a protocol for evaluating these types of contracts to determine whether the Department is getting what it paid for at a reasonable price. This would involve both pre-award cost reviews and post-award compliance reviews.

We will continue to audit Hurricane Sandy and BIA awards, as we have consistently identified high-risk issues associated with these awards regarding contract oversight, pre-award processes, and post-award monitoring. We will also focus on awards that make up a significant part of DOI's funding obligations—specifically, awards in the professional support services category, which made up more than 20 percent of the FY 2015 acquisition obligations, and tribal self-government contracts under the Indian Self-Determination and Education Assistance Act (Pub. L. No. 93-638), which made up approximately 25 percent of the FY 2015 assistance award obligations.

We have found that stakeholders appreciate and are receptive to our message when we commit our resources to traveling to their locations. These outreach efforts, however, have associated travel costs. As a result, we struggle with balancing our limited financial resources between our core investigative efforts and our proactive outreach to external stakeholders.

Disaster Response

Disaster and emergency management—planning, 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. In an emergency, DOI's primary concerns are—

- taking needed action on DOI lands, at DOI facilities, and in support of DOI-managed resources;
- providing assistance to State and local officials with immediate emergency response; and
- supporting interagency response plans with application of designated DOI resources.

The Federal Emergency Management Agency's (FEMA) National Response Framework (NRF) is designed to ensure that the necessary resources to respond to a disaster are applied quickly and efficiently across the Federal Government. The framework assigns roles and responsibilities under a set of Emergency Support Functions (ESFs), which organize functional capabilities and resources by purpose rather than department or agency to support an effective response. Of the 15 ESFs described in the NRF, DOI has a national coordinating role under ESF No. 9, Search and Rescue, and ESF No. 11, Agriculture and Natural Resources, and has a support role for all other ESFs. DOI is also a full partner in the National Mitigation Framework, the National Response Framework, and the National Disaster Recovery Framework and contributes to interagency plans supporting State, tribal, and local communities. While DOI supports many recovery support functions, its primary job is to serve as the coordinating agency for the Natural and Cultural Resources (NCR) Recovery Support Function (RSF). The NCR RSF facilitates the integration of capabilities across the Federal Government to support the protection of natural and cultural resources and historic properties through appropriate response and recovery actions to preserve, conserve, rehabilitate, and restore them consistent with post-disaster community priorities and in compliance with applicable environmental and historical preservation laws and executive orders protecting natural and cultural resources.

DOI's Office of Emergency Management (OEM) oversees an integrated and comprehensive program that spans the continuum of prevention, planning, mitigation, response, and recovery. The Interior Operations Center (IOC) hosts the Incident Command Center and manages situational awareness of impending hazards and response operations for the Department. The IOC relies on internal reporting from the bureaus and offices, as well as interagency partners, supplemented by open source reporting, to provide emergency status information to the DOI Secretary and other senior leadership. DOI also has a National Incident Coordination Team (DOI-ICT) whose primary focus is to coordinate and advise on policy issues associated with incidents or events requiring an interagency response, affecting multiple bureaus, or having significant impact on one bureau. In addition, each bureau has a variety of disaster response plans and procedures in place based on their roles and responsibilities, and some have specific roles in the National Mitigation Framework, the National Response Framework, and the National Disaster Recovery Framework.

Further, disaster response was described as a concern under human capital management in the 2015 GAO High-Risk List, due to its complexity and the demand for uniquely talented responders.

Summary of OIG Work

In the past fiscal year, OIG initiated several projects related to Hurricane Sandy cleanup that directly relate to disaster response. We have summarized that work under "Acquisition and Financial Assistance" in this management challenges report, as the findings fit more generally under that challenge area.

Common Themes That Connect Our Findings

Given DOI's leadership role in national disaster management and response efforts, coordination and communication—both within DOI and across other collaborating agencies—need to be streamlined and efficient.

Looking Ahead

Fragmented Teams and Interagency Coordination for Emergency Response Planning

BIA serves as the lead for the Tribal Assistance Coordination Group (TAC-G), a group of Federal agencies that collaborate to strengthen emergency management among tribal nations. As a whole, the Bureau does not have a defined role in disaster response, and tribal attendance at the TAC-G meetings, which are held regularly, is sporadic. Coordination of tribal disaster response is managed under ESF No. 15, External Affairs, led by the U.S. Department of Homeland Security and FEMA tribal coordinators. Each of the more than 560 tribes has its own disaster planning concept, which differs in terms of partners, operations, and structure. The decentralization of strategic response and emergency management within DOI limits command and control and causes confusion during a disaster.

In addition, most tribes do not have an updated emergency management plan that is compliant with FEMA and National Incident Management System requirements, nor are tribes adequately staffed or funded to provide emergency management services. BIA and Federal Government emergency managers generally do not exercise "command and control" over tribes, as they are sovereign governments.

Fluctuations and Coordination in Funding

The manner in which emergency management funding is captured across DOI may hamper effective disaster response reporting and planning. Currently, each bureau's emergency management programs are not clearly identified as line items within their specific budgets. Therefore, emergency management obligations and expenditures are not consistently captured in current financial reporting processes, making it difficult to manage requirements across DOI. When bureaus and offices, including OEM, are affected by a disaster, additional funding may be requested via a supplemental budget request, reimbursed through FEMA or the U.S. Coast Guard, or (in most cases) covered internally using other program funds. Without a consistent process to capture emergency management obligations and expenditures within bureaus in DOI's accounting system, bureau and office emergency management programs are challenged to fully report and track emergency responses, emergency training, and preparation.

Furthermore, since some agencies have responsibilities on the national level during a disaster, command and control of the organization as a whole becomes strained. For example, NPS has national search and rescue responsibility in the event of a disaster; USGS is responsible for response to natural hazards such as volcano eruptions, earthquakes, and floods; and BSEE serves as the lead for well control preparedness by reviewing oil spill response plans, overseeing response to uncontrolled wells, and managing funds for oil spill response research. With the bureaus and offices stove-piped in this way based on type of hazard, inaccurate or delayed information-sharing can occur.

High Risks of Emergency Contracts

Effective contract administration is always critical, not just during an emergency—but our audit work has found that emergency contracts for disaster response are riskier than normal, making proper administration and oversight more urgent. Emergency acquisition activities must include appropriate oversight to ensure timely and satisfactory contract performance and prudent stewardship of taxpayer funds, even though bureaus may be required to adjust their practices to the circumstances at hand. In FY 2016, the Office of Acquisition and Property Management (PAM) will explore the feasibility of creating Web-based training on emergency contracting, including a toolkit for reference by acquisition personnel in emergency situations.

Operational Efficiencies

In testimony before the U.S. Senate's Committee on the Budget in March 2015, the head of GAO noted that the continued fiscal pressures facing the Government reinforce the need for improved efficiency of Government programs and activities.[72] Likewise, in its 2015 annual report, GAO identified opportunities for improved efficiencies related to agency improper payments, revenue collection, management of IT acquisitions and operations, and improved management of Federal oil and gas resources. All of these topics affect DOI, and we cover them all in our management challenges report. Also of note, in GAO's 2015 update to its High-Risk List, human capital management was designated as an area of concern, which we also address in this report.

The effective operation of DOI has a significant impact on the health, safety, and security of the American public. Government leaders are being asked to function with fewer resources and must continue to find new ways to tackle complex challenges. How they manage the operations and performance of their agencies influences their ability to achieve meaningful outcomes.

Summary of OIG Work

FY 2015 projects related to operational efficiencies focused on management of resources and programs.

Recreation Revenues

Two ways that BLM and NPS can generate revenue are by charging recreation fees to the visitors who use their lands and by charging lease fees to the concessions that operate on the lands. In FY 2015 we examined BLM's and NPS' current fee structures and practices, and identified opportunities for the bureaus to increase revenue as well as strengthen their operations to continue these gains in the future.

In an evaluation of BLM's concession management practices on lands it manages along the lower Colorado River in Arizona and California, we found that BLM is misusing its legal authorities to manage the concessions and is improperly retaining portions of the lease fees collected from the operators of these concessions.[73]

In an audit of BLM's recreation fee program, we found that BLM is not charging fees in a way that will increase its revenues. Specifically, BLM is not charging

[72] GAO Report GAO-15-440T, "Government Efficiency and Effectiveness: Opportunities to Reduce Fragmentation, Overlap, Duplication, and Improper Payments and Achieve Other Financial Benefits," March 4, 2015.
[73] DOI OIG Report No. C-EV-BLM-0013-2013, "Review of Bureau of Land Management's Concession Management Practices," March 2015.

recreation fees in some of its camping and day-use areas, even at sites where it could do so if a few basic amenities were added; also, at the long-term visitor areas we visited, fees were considerably lower than those of comparable local businesses.[74]

Our audit of NPS' recreation fee program focused on NPS' three largest means for generating recreation revenue: park-unit entrance fees, interagency entrance passes, and commercial bus tour fees. As with BLM, we found that NPS' fee revenue has been lower than it could be.[75]

In all three reports, we focused our recommendations on helping BLM and NPS increase their revenue from these fees while improving fee management. Among other things, we recommended that BLM examine the feasibility of charging visitor fees at some of its campgrounds and day-use areas, identify long-term visitor areas whose fees are not based on fair market value, and correct its lease fee collection and retention practices, and that NPS lift its longstanding fee moratorium and begin the process of updating and finalizing its fee models.

Follow-Up on Energy-Related Management Advisories

To help ensure operational effectiveness and efficiency at DOI's bureaus, OIG performs verification reviews to check on the status of previous recommendations and identify any barriers to implementation. In FY 2015, we issued an inspection report on nine energy-related management advisories issued to BLM and ONRR between FYs 2008 and 2013.[76] Our objective was to determine whether BLM and ONRR had implemented OIG recommendations. We concluded that the bureaus had implemented 19 recommendations, were currently implementing 14 recommendations, and did not concur with 2 recommendations. We reviewed the basis for the nonconcurrences and supported the justifications, and consider both of these recommendations resolved.

The 14 outstanding recommendations were from 4 advisories we issued to BLM, which had not provided sufficient information for us to verify timetables for implementation. We referred the 14 recommendations to DOI's Office of Financial Management (PFM) to track implementation and suggested that BLM prepare corrective action plans. We also encouraged BLM to track implementation of all open recommendations from our office, including those stemming from investigations. Successfully tracking and implementing OIG recommendations will promote more efficient and effective operations of programs.

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[74] DOI OIG Report No. C-IN-MOA-0002-2013, "Review of Bureau of Land Management's Recreation Fee Program," February 2015.
[75] DOI OIG Report No. C-IN-NPS-0012-2013, "Review of National Park Service's Recreation Fee Program," February 2015.
[76] DOI OIG Report No. CR-IS-MOA-0005-2014, "Energy Related Management Advisories," November 2014.

Common Themes That Connect Our Findings

At several recreation areas, DOI appears to be mishandling funds generated through charging fees, which has negative effects on both the bureaus and the public who use the facilities. Action needs to be taken to address the issues surrounding fee pricing and collection to ensure both the accountability and viability of open-to-public areas going forward.

Looking Ahead

Hiring and Retention

DOI faces challenges in hiring and retaining staff at the bureaus responsible for oversight and management of Federal oil and gas (BLM, BOEM, and BSEE), as discussed previously under "Energy Management." We also noted challenges in hiring and retaining IT and cybersecurity professionals under "Information Technology."

More broadly, DOI's hiring and retention across all bureaus is hindered by lower salaries and a slower hiring process compared with similar positions in private industry. Human capital shortfalls can erode the capacity of Federal agencies and threaten their ability to effectively and efficiently carry out their missions. GAO has identified key areas that need attention such as (1) revising the General Schedule (GS) classification system to make it more modern, flexible, and simple; (2) determining Governmentwide skills gaps in mission-critical occupations and taking action to address them; (3) improving performance management; and (4) strengthening employee engagement.[77] Strategic management approaches are required to prepare workforces to meet present and future mission requirements and achieve organizational success.

Workers' Compensation Program

In 2010, President Obama established a 4-year initiative called Protecting Our Workers and Ensuring Reemployment (POWER), covering FYs 2011 through 2014. Designed to enhance workplace safety and health efforts across the Federal Government, the POWER Initiative set aggressive performance targets and collected agency performance data on a quarterly basis.

Because the initiative ended in FY 2014, no agency performance targets were established for FY 2015 and DOI is awaiting the next presidential initiative or successor to POWER. DOI continues to focus on efficient management of the compensation program, its data, and related costs.

In addition, claims processing challenges exist within DOI. The Federal Employees' Compensation Act (FECA) provides medical benefits, income replacement, and certain supportive services to Federal civilian employees with

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[77] GAO Report GAO-15-619T, "Human Capital: Update on Strategic Management Challenges for the 21st Century," May 20, 2015.

work-related illnesses or injuries, or in the case of death, survivor benefits to family members. The costs of FECA benefits are initially paid by the U.S. Department of Labor (DOL) through the Employee Compensation Fund and reimbursed by DOI at the end of each fiscal year.

One barrier to operational efficiency is that DOI does not have access to DOL's Web-based portal for electronic filing of key FECA claim forms, called the Employees' Compensation Operations and Management Portal (ECOMP). This system provides direct access to medical documents maintained by DOL's Office of Workers' Compensation Programs, and tracks current status and supervisory completion of claims forms in real time. Without access to ECOMP, the filing and processing of claims is less efficient and more prone to compliance errors.

The majority of bureaus and offices in DOI use a separate system (called Safety Management Information System, or SMIS) that is not compatible with ECOMP. DOI bureaus must rely on written requests to the Office of Workers' Compensation Programs for case-file documents, and the slow processing time increases the length of time in which employees are out of work and contributes to the number of long-term roll cases (2 years or more). These cases generally have higher compensation costs and require more investigation into medical and wage loss data in ECOMP than other cases. Finally, because DOI bureaus cannot file wage-loss compensation claims electronically, they are noncompliant with regulatory requirements to establish a method for electronic submission of these claims. The Office of Workers' Compensation Programs also requires that wage-loss compensation claims be submitted within 5 days of signature by the agency official, resulting in extra burden on the bureaus without an electronic submission option. Currently, the bureaus rely solely on fax or U.S. mail to submit wage-loss compensation claims.

The net effect of not having access to ECOMP is not only slower processing of employee claims and higher costs from continued workers' compensation payments, but also more time and resources to manage the process on paper.

Recreation Fees and Revenue Collection

A primary concern for DOI operations is extension of the Federal Lands Recreation Enhancement Act (Pub. L. No. 108-447), or FLREA, which authorizes agencies including NPS, FWS, BLM, and USBR to collect recreation fees from visitors at national parks and other Federal sites. However, FLREA is scheduled to expire on September 30, 2017 (an extension from its original sunset date of December 2014), unless reauthorized by Congress. Should FLREA expire, NPS in particular stands to lose a significant source of funding that supplements an already strained budget, which will affect the visitor experience, availability of amenities and services, and conservation and preservation efforts.

In response to our review of BLM's and NPS' current fee structures and practices, these bureaus are making changes that should help increase revenue and improve operations. In November 2014, BLM issued a revised "Recreation Permit and Fee Administration Handbook," which provides guidance on establishing new fee sites and modifying existing fees. The handbook also requires State directors to review the fees at each recreation site every 2 years to ensure that they are based on fair market value, and to provide accountability for money collected from recreation fee sites. Meanwhile, in August 2014, NPS lifted a self-imposed fee moratorium that had been in effect since 2008, and authorized parks to begin soliciting public support for possible entrance fee changes. The process, however, will likely command significant time and resources, because FLREA requires agencies to obtain and document public support before instituting or changing a recreation fee. NPS has also begun the review process for updating its commercial tour fee schedule.

To accomplish their goals of protecting America's resources while ensuring the best possible experience for visitors to public lands, BLM and NPS need to continue to examine opportunities for enhancing revenues. An upcoming opportunity to generate revenue is when NPS celebrates its 100-year anniversary on August 25, 2016. This centennial provides an opportunity for NPS to plan celebration activities that attract visitors and boost revenues.

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. 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.

The increased risk of wildfire threatens public health and safety as much as it threatens natural and cultural resources. In addition, DOI's role in energy management has a clear public safety aspect. Protecting public health, safety, and the environment are primary considerations in DOI regulations, design and operating standards, monitoring and oversight, reclamation activities, financial assurance requirements, and research on new and advanced technologies.

Summary of OIG Work

FY 2015 projects related to public safety spanned various topics, including operations at a historic lodge, the potable water system at a national park, illegal activities associated with firefighting efforts, weapons management and accountability, and detention facilities in Indian Country.

Security and Public Health

While evaluating NPS' operation and management of the Brinkerhoff Lodge at Grand Teton National Park, we found that guest safety had not been properly assessed and that the lodge does not meet Federal safety and fire requirements.[78] Furthermore, the park had not assessed the lodge's security. In addition to these safety and security concerns, we found that the park has not performed a historic structure report, which determines how best to use and preserve the historic structure and its furnishings. We made four recommendations to ensure the safety and security of the lodge and its guests, one recommendation to determine the best use of this Government asset, and five recommendations to improve NPS' administration and management of the lodge.

At the request of the Secretary of the Interior, we investigated several allegations related to the potable water system at Hawaii Volcanoes National Park (HAVO), located on the island of Hawaii. The Secretary had received a letter from the Office of Special Counsel outlining concerns that HAVO officials did not act on deficiencies noted in a December 2013 environmental health survey of the park and its water system, and that their inaction potentially presented a danger to public health. A team of investigators and auditors visited HAVO and found

[78] DOI OIG Report No. 2015-WR-019, "Evaluation of NPS Management and Operation of Brinkerhoff Lodge at Grand Teton National Park," September 2015.

numerous deficiencies pertaining to the water system, some of which were highlighted in the December 2013 survey.[79]

NPS' Office of Public Health has established capacity in its reporting database for monitoring the status of the correction of violations identified during site visits. Ultimately, however, it is up to individual park units to implement the needed corrections.

Wildland Fire Threat and Response

We completed an investigation into allegations that firefighters at BIA's Fort Yuma Agency intentionally started fires on tribal or BLM-administered public lands.[80] We determined that two BIA firefighters, Blase Smith and Joshua Gilbert, were directly involved in starting 37 fires on BLM, tribal, and State trust lands in Arizona and California between 2009 and 2012. In February 2015, Smith pled guilty to timber set afire and was sentenced to 51 months in custody and ordered to pay $3,814,084 in restitution. Gilbert pled guilty and was sentenced to 3 years' supervised probation and ordered to pay $40,625 in restitution.

The Fort Yuma arson investigation, as well as a similar investigation conducted in North Carolina, spawned an initiative to look at fraud associated with DOI's wildland firefighting efforts, primarily involving administratively determined firefighters[81] on tribal lands. We worked with the National Interagency Fire Center (NIFC) to gather data about human-caused fires and discovered an alarming trend: NIFC had data showing several thousand human-caused fires nationwide over the past 5 years, including more than 1,000 fires at a single reservation in North Dakota. While BLM has detailed policy in place that requires "determination of cause, origin, and responsibility for all wildfires," we found that almost none of these fires had been thoroughly investigated. Such fires have a significant impact on DOI; in addition to property damage and potential injuries or death, DOI spends millions of dollars each year to fight wildland fires.

Weapons Management

In FY 2015, we issued a management advisory to the NPS Director when we found that law enforcement rangers had purchased automatic weapons and "flash-bang" distraction devices, in violation of NPS policy, indicating that NPS continues to struggle with weapons accountability issues. The investigation found a decade-long theme of inaction and indifference at all levels, and basic tenets of property management and supervisory oversight were missing from NPS' simplest processes.

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[79] DOI OIG Report of Investigation, "HAVO Water Distribution System," March 2015.
[80] DOI OIG Report of Investigation, "BIA Wildland Fire Arson," December 2012.
[81] These "administratively determined" positions are a skilled, temporary workforce hired locally to supplement regular Federal employees in emergency response. BIA hires administratively determined firefighters to bolster Government and tribal firefighting resources.

BIA Detention Facilities

In recent years, numerous tribes across Indian Country have received grants from DOJ 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.

For many years and in multiple forums, BIA and DOJ have found these facilities to be understaffed, overcrowded, and underfunded—we reached this conclusion as far back as a 2004 assessment of detention facilities in Indian Country.[82] In 2015, Congress requested that OIG update its 2004 report by examining the current conditions of these detention facilities. In our evaluation, we found that the operation and condition of detention facilities have improved in the 11 years since the prior report, but opportunities exist for further improvements.[83]

Specifically, we found that BIA and tribal contractors were not recording serious incident reports in a centralized system and that existing incident data were unreliable. We also found that required annual health and safety inspections were not completed in the past 3 years at 17 of the 26 facilities we visited. We found that facility maintenance needs were not identified and corrected because maintenance work orders were not recorded in an electronic system. Lastly, we noted that while overcrowding issues have improved in general, overcrowding continues to be a problem at some facilities. These issues continue to have a negative impact on the condition of detention facilities and the health and safety of inmates and correctional staff. In April 2015, we issued three Notices of Potential Findings and Recommendations to BIA. We also made nine recommendations to help BIA further improve detention programs in Indian Country.

Common Themes That Connect Our Findings

Public safety plays a large role in DOI's day-to-day operations. The Department must be vigilant in its responsibilities to protect people visiting public lands and national forests, manage fighting wildland fires, and enforce the law on tribal lands. The key issues that surfaced in our work relate to budget difficulties, human capital challenges, and the need for continued efforts to identify future threats to public safety.

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[82] DOI OIG Report No. 2004-I-0056, "Neither Safe Nor Secure: An Assessment of Indian Detention Facilities," September 2004.
[83] DOI OIG Report No. 2015-WR-012, "Bureau of Indian Affairs Funded and/or Operated Detention Programs," report in progress.

Looking Ahead

Increased Tourism

An increase in visitors to national parks and federally managed lands provides economic benefit, builds public support for DOI programs, and showcases the work done to preserve local history, conserve the environment, and provide public open space and outdoor recreation. But increased tourism 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. Parks may also see an increase in unintentional visitor injuries and fatalities resulting from increased visitor activity in recreational areas of parks where the visitor may be unprepared or not fully aware of risks (heat, animals, swift water, etc.).

This year we have seen several wildlife-related incidents at Yellowstone National Park, including two injuries to visitors and one fatality.[84] The people injured were a 62-year-old Australian man and a 16-year-old Taiwanese exchange student, both injured by bison.[85] The fatality occurred in early August when an experienced hiker was killed and partially consumed by a grizzly bear and her cub.[86]

Due to the wide range of activities that park visitors engage in, their diverse backgrounds and experience levels, and the inherent risks that cannot be managed or transferred away, visitor risk management in the national parks continues to be a difficult challenge. Injury prevention within parks is a shared responsibility between the park staff, park partners, and park visitors. A successful injury prevention and risk management program requires that all parties coordinate efforts to identify and understand the nature of park resources, the risks to public safety that are present, and the steps that can be taken to identify and mitigate conditions that may result in injury. The wildlife-related incidents cited above show that visitors need to have greater understanding and situational awareness in national parks. Technical expertise, staffing, and funding to conduct injury prevention studies and identify effective solutions will continue to be a challenge due to limited funding and competing priorities at parks.

Increased visitation in the parks has resulted in an increase in vehicle congestion on roads to and within NPS-managed lands. The resulting conflicts between vehicle traffic, nonmotorists, park resources, and wildlife lead to resource and property damage, injuries, and fatalities. NPS' Office of Risk Management, in

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[84] For comparison, the last documented bear incident was in August 2011, and analysis shows that on average one or two visitors are gored in the park each year. See http://trib.com/lifestyles/recreation/how-do-people-get-hurt-at-yellowstone-it-s-not/article_e784607d-96c5-5cb7-ae0c-b203b498227c.html.

[85] Phil Gast and Jethro Mullen, "Second Yellowstone visitor injured in bison encounter," CNN, June 2, 2015, http://www.cnn.com/2015/06/02/us/yellowstone-park-bison-encounters-injuries/.

[86] Matthew Grimson, "Hiker Killed by Grizzly Bear in Yellowstone National Park," NBC News, August 10, 2015, http://www.nbcnews.com/news/us-news/hiker-killed-grizzly-bear-yellowstone-national-park-n406656.

partnership with its Park Facilities Management Division and the Federal Highways Administration, is developing a transportation safety program to reduce visitor injuries and fatalities related to motor vehicle crashes. This program will use the "4E" approach of enforcement, engineering, education, and emergency services solutions and will take into account the unique mission of each park.

Increased tourism also affects NPS' day-to-day operations and budget. An increase in visitors can result in an increase in search and rescue operations (SARs). For example, in 2014, NPS conducted 3,091 SAR missions throughout the National Park System, at an approximated cost of $4 million. DOI faces a need for increased manpower and better coordination internally and with other agencies to help handle the influx of visitors to public lands.

Finally, effects of climate change (on weather, environment, and wildlife adaptation) may have greater impact on human health among visitors to public lands—for example, increases in injuries or fatalities due to severe weather, heat-related illnesses, and prevalence of infectious disease. Another anticipated result is increased demand for assistance and visitor services, which directly affects a park's water resources, waste disposal, and food services. NPS currently provides environmental and sanitary assessments to help parks meet industry standards for water and food safety. The increased demands on these systems will also likely result in the need for conducting assessments with adequate frequency to ensure the health and safety of park patrons.

Park Safety and Security

Public and congressional attention to border security issues continues to grow, and DOI manages parks, refuges, and resources along the Nation's borders, including 20.7 million acres of DOI and U.S. Forest Service land along the southern border of the United States. Border parks have historically been targeted by criminals for drug smuggling, human trafficking, illegal immigration, potential terrorist movement, and other violent crimes such as murders, rapes, robberies, and kidnappings. Border parks experience a greater propensity for these types of serious and violent crimes because these areas are typically in remote locations that are less frequently patrolled by U.S. Border Patrol agents. Many law enforcement officers working these locations have lost their lives over the years. A safe border environment depends on the efforts of multiple Government departments; safety issues have threatened park lands, safety of park visitors and employees, and national security of border parks for numerous years.

Public Perception of Law Enforcement

Increased public scrutiny of law enforcement professionals will likely affect the work of OIG's Program Integrity Division, which conducts internal investigations of law enforcement personnel. OIG has experienced a recent increase in complaints concerning law enforcement personnel, many of them involving use of force incidents. Before the end of FY 2015, we had received 65 referrals related to use of force incidents from DOI law enforcement organizations. We are currently investigating numerous law enforcement personnel at one particular park for use of force issues, and we anticipate conducting even more of these types of investigations in the future. We recognize the importance of these issues and the influence they have on credibility and public trust.

Human and Environmental Costs of Wildland Fire

Drought and increased duration of fire seasons 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. In addition to escalating costs of fire suppression activities, and budget shortfalls that affect other critical programs (discussed previously under "Climate Change"), wildfire outcomes include lost lives, property and infrastructure damage, and devastated forests and rangelands.

For example, wildland fires in Montana have forced the closure of roadways and prompted the evacuation of homes in the central part of the State.[87] In California, a fast-moving brush fire north of Napa Valley destroyed outbuildings and forced 500 people to evacuate in July 2015.[88]

In August, California was put under a state of emergency and mandatory evacuations were in place as 25 wildland fires burned across the State. The largest, the Rocky Fire, covered 54,000 acres and destroyed dozens of homes.[89] Also, a wildland fire burning near the Oregon border forced the evacuation of an entire small Washington town, with an estimated 300 people sent to a shelter set up in a local school. Six county fire departments, plus a team from BLM and Washington State air resources, fought the fire.[90]

By early September, wildland fires had led to the death of five Federal firefighters. The first occurred in the Modoc National Forest on July 30, 2015, when a firefighter was killed while scouting the area to find ways to fight a blaze. The second death happened in the Lake Tahoe area on August 8, when a firefighter was struck by a tree while battling a wildland fire.[91] Three other firefighters were killed in central Washington in mid-August when they were in a car crash overtaken by a wildland fire they were battling.[92]

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[87] Associated Press, "Wildfires close popular Glacier Park roadway, prompt evacuations in central region," Fox News, July 22, 2015, http://www.foxnews.com/us/2015/07/22/wildfires-close-popular-glacier-park-roadway-prompt-evacuations-in-central/.
[88] Veronica Rocha, "3,000-acre wildfire north of Napa Valley forces residents to flee homes," Los Angeles Times, July 30, 2015, http://www.latimes.com/local/lanow/la-me-ln-northern-california-wildfire-20150730-story.html.
[89] "California town may sit in huge wildfire's sights," CBS News, August 3, 2015, http://www.cbsnews.com/news/california-wildfire-path-move-through-entire-town-clear-lake/.
[90] "Small Washington Town Evacuated as Wildfire Advances," ABC News, August 5, 2015.
[91] Associated Press, "Firefighter fatally struck by tree while battling wildfire," August 10, 2015.
[92] Susanna Kim, "3 Firefighters Killed in Washington State Blaze Identified," ABC News, August 20, 2015, http://abcnews.go.com/US/washington-firefighters-killed/story?id=33201711.

With the current spread of wildland fires reaching record-setting levels, the risk of loss of life and property has become greater than ever. DOI and partner agencies would benefit from ramping up assets dedicated to preventing wildland fires before they begin. Measures such as controlled burns, along with other forms of fire mitigation, as well as educating the public to help prevent the start of wildfires can help, but funding difficulties (as discussed previously) remain a challenge.[93] By taking initiative to prevent wildland fires and to better fund, equip, and train firefighters, DOI can help prevent the tragic loss of lives as well as damage to property and resources as a result of wildland fire.

Hazards Associated With Hydraulic Fracturing

Many questions have been raised about whether hydraulic fracturing—often referred to as "fracking"—is responsible for earthquakes. In an April 2015 report, USGS scientists identified 17 areas within eight States with increased rates of induced seismicity (minor earthquakes and tremors that are caused by human activity).[94] This report is the first comprehensive assessment of the hazard levels associated with induced earthquakes in these areas; it does not explore causes of the increased seismicity but notes that injection of wastewater or other fluids in deep disposal wells may make earthquakes more likely to occur.[95] In a separate report, researchers at the California Institute of Technology and other institutions in the United States and France have observed how fluid injection activities used in modern energy production can initiate micro-earthquakes. Their findings could lead to better seismic risk management through improved understanding.[96] The Oklahoma Corporation Commission announced plans[97] to place more than 200 oil and natural gas wastewater disposal wells under scrutiny after the Oklahoma Geological Survey announced that it is "very likely" most of the State's recent earthquakes were triggered by the injection of wastewater from oil and gas drilling operations.[98]

Questions also exist about whether and to what extent the hydraulic fracturing process affects the water supply. In a study of sources of contaminants in drinking water, researchers at the U.S. Environmental Protection Agency (EPA) found that the Allegheny River and its tributaries in Western Pennsylvania—the source of

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[93] The Pyramid, "Forest Service Chief predicts 'above normal' wildland fire potential," Daily Herald [Provo, UT], May 7, 2015, http://www.heraldextra.com/sanpete-county/news/forest-service-chief-predicts-above-normal-wildland-fire-potential/article_9bfbd151-61e3-5a4f-a498-560f7cc0422d.html.

[94] USGS Press Release, "New Insight on Ground Shaking from Man-Made Earthquakes," April 23, 2015, http://www.usgs.gov/newsroom/article.asp?ID=4202#.VdtASrNVjIM.

[95] USGS Report No. 2015-1070, "Incorporating induced seismicity in the 2014 United States National Seismic Hazard Model—Results of 2014 workshop and sensitivity studies," 2015, http://pubs.usgs.gov/of/2015/1070/.

[96] Caltech, "Fluid Injection's Role in Man-Made Earthquakes Revealed," June 11, 2015, http://www.caltech.edu/news/fluid-injections-role-man-made-earthquakes-revealed-46986.

[97] "Magnitude 4.5 and 4.0 Earthquakes Recorded in Oklahoma," ABC News, July 27, 2015.

[98] Oklahoma Geological Survey, "Summary Statement on Oklahoma Seismicity," April 21, 2015, http://earthquakes.ok.gov/wp-content/uploads/2015/04/OGS_Summary_Statement_2015_04_20.pdf.

raw water for 13 public drinking water systems—are affected by many different types of contaminant sources, including centralized waste treatment facilities for oil and gas wastewater.[99] Research results also indicated that two public drinking water system intakes on the river receive contaminants from multiple sources, including centralized wastewater treatment facilities, power generating stations, and acid mine drainage.

In FY 2015, EPA also released for public comment a draft assessment of the potential impacts to drinking water resources from hydraulic fracturing.[100] The most comprehensive Government study to date of the relationship between hydraulic fracturing activities and water systems, it found no signs of systemic drinking water contamination, but noted that certain hydraulic fracturing activities have the potential to affect surface and ground water resources, including water withdrawals at times or in locations of low water availability, spills of chemicals or produced water, insufficient or inadequate barriers between subsurface well fluids and water resources, and inadequate treatment and discharge of wastewater. When finalized, EPA's study should advance the scientific basis for future decisions on how best to protect drinking water resources.

As these reports and initiatives show, public interest in hydraulic fracturing is high, primarily questions about its possible side effects. Increased use of hydraulic fracturing has generated opposition as well as support. DOI will have to weigh the economic benefits of this method of oil and gas extraction against potential environmental and health concerns.

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[99] EPA Report No. EPA/600/R-14/430, "Sources Contributing Inorganic Species to Drinking Water Intakes During Low Flow Conditions on the Allegheny River in Western Pennsylvania," May 2015.

[100] See "EPA's Study of Hydraulic Fracturing for Oil and Gas and Its Potential Impact on Drinking Water Resources," http://www2.epa.gov/hfstudy.

Conclusion

The challenges described in this report encompass both the vulnerabilities that OIG has identified for DOI over recent years and the emerging issues that DOI will face in the coming years. 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.

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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 results of the FY 2015 financial statement audit are summarized in Figure 3-1. As shown in the table, DOI achieved an unmodified audit opinion for DOI's consolidated financial statements.

The DOI reported one less material weakness at the Department level than reported by KPMG LLP in the area of Controls over Property, Plant and Equipment. The difference between the audit results and management's conclusion is primarily the statutory interpretation of accounting for construction in abeyance.

FIGURE 3-1

Summary of Financial Statement Audit					
FY 2015					
Audit Opinion	Unmodified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Entity Level Controls and the Impact on Department-wide Financial Reporting	1	0	1	0	0
Controls over Property Plant and Equipment	0	1	0	0	1
Department-wide IT Controls	0	1	0	0	1
Total Material Weaknesses	1	2	1	0	2

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 2015, 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 2015 Statement of Assurance was qualified as indicated in Figure 3-2.

FIGURE 3-2

Summary of Management Assurances						
Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance	Qualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Entity Level Controls and the Impact on Department-wide Financial Reporting	1	0	1	0	0	0
Department-wide IT Controls	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	1	0	0	0	0	1
Total Material Weaknesses	2	0	0	0	0	2

Conformance with Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance	Systems Conform to Financial Management System Requirements					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total of Non-Conformances	0	0	0	0	0	0

Compliance with Section 803(a) of the Federal Financial Management Improvement Act (FFMIA)		
	Agency	**Auditor**
1. System Requirements	Lack of substantial compliance noted	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 Payments Elimination and Recovery Improvement Act of 2012* (IPERIA). The IPERIA enhances the Administration's efforts to combat improper payments by reinforcing the *Improper Payments Elimination and Recovery Act of 2010* (IPERA). The IPERA amends the *Improper Payments Information Act of 2002* (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.

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 of those programs meeting OMB's criteria for "significant erroneous payments."

In FY 2012, DOI instituted a standardized DOI-wide process that reflected the reporting criteria in IPERA. Based on the new dollar thresholds and 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.

As a result of these risk assessments, DOI determined that none of its programs are risk susceptible for making significant improper payments at or above the thresholds set by OMB with one exception noted in Figure 3-3. In addition, DOI also considered the results of reviews under the *Single Audit Amendments of 1996*, the CFO Act, GAO reviews, and reviews by DOI's OIG when making its assessment.

In accordance with OMB guidance M-11-16, *Issuance of Revised Parts I and II to Appendix C of OMB Circular A-123*, if a program was risk-assessed in FY 2012, and the result falls below the thresholds set by IPERA, then the program can be put on a 3-year risk-assessment cycle. Based on DOI's FY 2012 results, the risk assessment cycle for the fiscal year ending in 2015 will be conducted in 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 are required to manage the Sandy relief funds in the same manner as programs that are designated high-risk for improper payments.

On January 29, 2013, the President signed into law the *Disaster Relief Appropriations Act of 2013* (Disaster Act), which provided $50.5 billion in aid for Hurricane Sandy disaster victims and their communities. In accordance with OMB memorandum M-13-07, *Accountability for Funds Provided by the Disaster Relief Appropriations Act*, section 904(b), provides that all programs and activities receiving funds under that Act shall be deemed to be "susceptible to significant improper payments" for the purposes of IPIA. Therefore, all Federal programs or activities receiving funds under the Disaster Act are automatically considered susceptible to significant improper payments, regardless of any previous improper payment risk-assessment results, and are required to calculate and report an improper payment estimate.

In compliance with OMB M-13-07, in FY 2014, the required reviews were completed for FY 2013 high risk programs and activities to determine estimated improper payment rates based on specific sampling methodologies.

Improper Payment Reporting

FIGURE 3-3

FY 2015 Improper Payment (IP) Reduction Outlook
(dollars in thousands)

Program or Activity	PY Outlays $	PY IP %	PY IP $	CY Outlays $	CY IP %	CY IP $	CY Over-payment $	CY Under-payment $
Hurricane Sandy - Disaster Relief Act Program	$ 63,892	0.0711%	$ 4,542	$ 165,091	0%	$ -	$ -	$ -

Program or Activity	CY + 1 Est. Outlays $	CY + 1 Est. IP %	CY + 1 Est. IP $	CY + 2 Est. Outlays $	CY + 2 Est. IP %	CY + 2 Est. IP $	CY + 3 Est. Outlays $	CY + 3 Est. IP %	CY + 3 Est. IP $
Hurricane Sandy - Disaster Relief Act Program	$ 97,273	0.002%	$ 0.00194	$ 8,270	0.001%	$ 0.0008	$ -	0%	$ -

KEY: CY – Current FY 2015 **PY** – Prior FY 2013-2014 **Est. –** Estimate

NOTE: 1. Improper payments were identified as the result of OIG audits conducted in FY 2013 and FY 2014.
2. DOI has responded to the OIG audits and is currently waiting adjudication.

Under the Disaster Act, DOI was authorized to use $829,200 thousand in funding for supporting the relief efforts related to Hurricane Sandy. The DOI incurred $165,091 thousand outlays directly related to Hurricane Sandy in FY 2015.

The DOI commenced testing of FY 2015 Hurricane Sandy expenditures in the spring. The DOI conducted both census (100 percent) testing and statistical sampling methodologies. As shown in Figure 3-3, contract audits conducted by DOI's OIG questioned vendor costs totaling $4,542 thousand, which represents a 7.11 percent improper payment rate within the $63,892 thousand of prior year expenditures. Per OMB's M-15-02, *Requirements for Effective Estimation and Remediation of Improper Payments,* improperly supported payments must be reported as improper. Please note that unsupported payments do not equate to incorrect amounts or recipients.

Current and Projected Improper Payment Rates

For FY 2015, statistical sampling and 100 percent reviews did not identify improper payments. However, our reported improper payment rate of 0.000375 percent is based on the results of the payment recapture audits that were conducted in FY 2014 for payments in FYs 2010 – 2012. The estimated outlays for FYs 2016 and FY 2017 were obtained from carryover funds anticipated for the Hurricane Sandy relief programs after FY 2015. The projected improper payment rates of 0.002 percent and 0.001 percent for FY 2016 and FY 2017 respectively, were estimated based on anticipated reduction of activities related to the relief efforts. The Hurricane Sandy Relief program is expected to be completed in FY 2017. As a result, no estimates are reported for the CY + 3 Est. columns.

Improper Payment Root Cause Categories

The improper payment root cause category matrix (OMB Table 2) does not apply to DOI for FY 2015 as the improper payments identified in OIG audit reports were discovered in FY 2013 and FY 2014.

In accordance with M-15-02, the related amounts are thereby identified and reported in Figure 3-3. The DOI is currently working with OIG for final resolution of the audit finding related to the ineligible costs and insufficient documentation.

Corrective Actions

As part of resolving the audit questioned costs, DOI contacted the individual vendors regarding the billings. The DOI has submitted responses to the OIG audit reports and is currently waiting adjudication.

Internal Control Over Payments

FIGURE 3-4

FY 2015 Status of Internal Controls

Internal Control Standards	Hurricane Sandy - Disaster Relief Act Program
Control Environment	3
Risk Assessment	3
Control Activities	3
Information and Communication	3
Monitoring	3

LEGEND:
4 = Sufficient controls are in place to prevent improper payments (IPs)
3 = Controls are in place to prevent IPs but there is room for improvement
2 = Minimal controls are in place to prevent IPs
1 = Controls are not in place to prevent IPs

In general, DOI maintains an adequate system of internal controls to prevent improper payments on the funds expended to support the Hurricane Sandy relief efforts. However, DOI's improper payment rate of 0.000375 percent, which resulted from the FY 2014 payment recapture audits, may be reduced further through more thorough reviews and monitoring of vendor claims.

Accountability, Information Systems and Barriers

In order to reduce and recapture improper payments, DOI managers, accountable officers and programs are required to scrutinize payment requests prior to approving the disbursement of funds. Annual OMB Circular A-123 site visits are conducted to test the adequacy of internal controls in selected business processes. As an added step, the approval of assurance statements attest that DOI programs and operations have sufficient internal controls in place.

The FBMS is DOI's financial and business management system of record. The functionality of FBMS, which requires several levels of edit checks and approvals, strengthens DOI's internal control environment with business and internal control processes around expenditure payments. The payroll payments in FBMS are integrated with DOI's human resources federal payroll payment system while employee travel expenses are paid through DOI's travel system.

Based on the statutory threshold, DOI does not have any regulatory barriers that would limit any corrective actions in reducing improper payments.

Payment Recapture Audits

FIGURE 3-5

FY 2015 Improper Payment Recaptures with and without Audit Programs
(dollars in thousands)

	Overpayments Recaptured through Payment Recapture Audits							Overpayments Recaptured outside of Payment Recapture Audits	
	Contracts					Total			
DOI	Amount Identified	Amount Recaptured	CY Recapture Rate Target	CY + 1 Recapture Rate Target	CY+ 2 Recapture Rate Target	Amount Identified	Amount Recaptured	Amount Identified	Amount Recaptured
Total	$ 128	$ 116	0.000375%	0.00200%	0.00100%	$ 128	$ 116	$ 4,542	$ 97

KEY: CY Current Fiscal Year 2010-2012 **PY** Prior Fiscal Years 2005-2009

FIGURE 3-6

FY 2015 Disposition of Funds Recaptured Through Payment Recapture Audits
(dollars in thousands)

DOI	Amount Recovered	Type of Payment (contract, grant, benefit, loan, or other)	Agency Expenses to Administer the Program	Payment Recapture Auditor Fees	Financial Management Improvement Activities	Original Purpose	Office of Inspector General	Returned to Treasury
Total	$ 116	Contract	$ -	$ -	$ -	$ 116	$ -	$ -

NOTE: Amount Recovered pertains to payment recapture audits performed in FY 2014 for FYs 2010-2012 payments.

In the past, DOI utilized a recovery audit firm to conduct the predominance of its recovery audit effort. The last procured payment recapture audits were completed in April 2014. The scope of FY 2014 recovery audits included $34 billion of funds expended for FYs 2010 – 2012. Of the $34 billion in outlays reviewed, the recovery auditors uncovered $128 thousand of erroneous payments, or an improper payment rate of 0.000375 percent. The difference between the Amount Identified and the Amount Recovered is attributable to vendor claims that were not pursued by the recovery auditors prior to the expiration of the contract. The DOI followed up with the vendors and collected the outstanding claims.

The associated payment recapture auditor fees were paid to the recovery auditors after the erroneous payments were collected from the vendors. Since the outstanding claims were collected immediately after the recovery audit contract expired, DOI does not have an Amount Outstanding to report.

Based on the low rate of improper payments, DOI concluded that the cost of executing a payment recapture audit program outweighed the benefits of finding and recovering erroneous payments. The staff resources needed to conduct the program, sustain the contract, and oversee vendor payments were a significant drain on limited resources, and the benefits to the government were 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 will continue complying with IPERA through the A-123 process as a more cost effective and efficient use of resources.

Other Efforts

The DOI undertakes other efforts to identify and recover improper payments. These efforts are discussed below.

Prepayment Audit of Government Bills of Lading (GBL). 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 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 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 pre and post travel voucher audits. The audits are designed to identify incorrect payment amounts, unauthorized claims, and internal controls over the payment process.

Do Not Pay Initiative

FIGURE 3-7

FY 2015 Results of the Do Not Pay Initiative in Preventing Improper Payments
($ in thousands)

	Number (#) of payments reviewed for possible improper payments	Dollars ($) of payments reviewed for possible improper payments	Number (#) of payments stopped	Dollars ($) of payments stopped	Number (#) of potential improper payments reviewed and determined accurate	Dollars ($) of potential improper payments reviewed and determined accurate
Reviews with the IPERIA specified databases	11,988	$ 26,598	3	$ 0.725	3	$ 0.725
Reviews with databases not listed in IPERIA	0	$ -	0	$ -	0	$ -

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 DNP List. The OMB and Treasury have developed a web based single-entry access point to these databases known as the DNP Solution. In response to OMB M-12-11, DOI submitted a plan that outlined the 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.

In implementing the DNP Solution, DOI consulted with the following databases:

- Debt Check;
- Death Master File (DMF); and
- System for Award Management (SAM).

The data in Figure 3-7 represents 12 months of the number and dollar of payments from October 2014 to September 2015. In Column 1, the number of payments reviewed for possible improper payments includes both DMF and SAM records. A majority of the payments with matches to SAM exclusions (i.e., 11,988 payments totaling $26,598 thousand) are from the September 2015 Payments, Claims, and Enhanced Reconciliation file matched against the SAM Excluded Party List rather than the SAM Exclusions Restricted list.

In Column 3, the number of payments stopped is based on post-payment results. In Column 5, the number of improper payments reviewed and determined accurate includes the total of matches identified by DNP that were adjudicated as proper payments by the agency.

Current Progress

To meet the President's challenge to reduce and recapture Government-wide improper payments, DOI implemented several steps in FY 2015 to ensure that its managers are held accountable for reducing and recovering improper payments.

To ensure a robust process for reducing improper payments, DOI:

- Continued focus on improper payments through the annual OMB Circular A-123 internal control review process;

- 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; and
- Consulted with the OIG on audits that identified 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.

Going Forward

To continue supporting the President's goals with IPERA, DOI will:

- Ensure IPERA compliance through annual OMB Circular A-123 internal control review processes;
- Conduct reviews for improper payments on programs that received FY 2015 carryover funds authorized under the Disaster Act for the Hurricane Sandy relief efforts based on the guidance in OMB M-13-07;
- Obtain adjudication of the improper payments identified by OIG audits;
- Conduct the improper payment risk assessment reporting cycle to document compliance with OMB Circular No. A-123, Appendix C;
- Utilize the Continuous Monitoring DNP feature by updating DNP with FBMS vendor file additions and deletions in accordance with IPERIA and the service agreement with Treasury; and
- Consult with Treasury to acquire DNP Data Analytics Services to establish customized analysis, including matching payment files against currently available data sources. The results will be analyzed for irregularities to determine if additional A-123 audit related procedures are necessary.

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, *Implementation of OMB Memorandum M-12-12 Section 3: Freeze the Footprint*. 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 required development of bureau and office Real Property Strategic Plans with structured components which are used to identify and promote strategies within and across bureaus/offices, evaluate compliance, and provide a framework for dialog between DOI Senior Real Property Officers, bureau Senior Asset Management Officers and bureau/office CFOs.

The DOI continues to place emphasis on mitigating the impacts of ecalating rental costs for direct leases and GSA-provided space, and redirecting savings toward maintenance of owned facilitites, which are underfunded when compared to industry standards. The DOI will continue communicating and emphasizing the impacts of such rent increases on bureau mission delivery as the agency implements OMB's new Reduce the Footprint initiative, which requires agencies to aggressively reduce office and warehouse space, improve space utilization, and dispose of unneeded buildings. The DOI will achieve these objectives through consolidations, co-locations, and returning space to GSA.

The following charts illustrate the total FY 2014 square footage associated with DOI office and warehouse assets compared to the FY 2012 FtF baseline (as assigned by GSA); and the annual operating costs as reported in the most recent Federal Real Property Profile submittal for owned and direct leased facilities that are subject to the FtF policy.

FIGURE 3-8

Freeze the Footprint Baseline Comparison			
	FY 2012 Baseline	FY 2014	Change (FY 2012 Baseline - FY 2014)
Square Footage (SF in millions)	42.87	41.51	-1.36

Reporting of Operations and Maintenance Costs - Owned and Direct Lease Buildings*			
	FY 2012 Reported Cost	FY 2014	Change (FY 2012 Baseline - FY 2014)
Operation and Maintenance Costs ($ in thousands)	$ 161,236	$ 159,996	$ -1,240

* This data does not include costs for GSA Occupancy Agreements totaling more than $300 million.

CIVIL MONETARY PENALTY ADJUSTMENT FOR INFLATION

The *Federal Civil Penalties Inflation Adjustment Act of 1990*, as amended, requires agencies to make regular and consistent inflationary adjustments of civil monetary penalties to maintain their deterrent effect. The following are those penalties and applicable authorities identified for inflationary adjustment in accordance with the Act.

FIGURE 3-9

Penalty (Name of Penalty)	**Authority (Statute)**	**Date of Previous Adjustment**	**Date of Current Adjustment**	**Current Penalty Level ($ Amount)**
ARPA Violation	Archaeological Resources Protection Act of 1979 (ARPA) (P.L. 96-95, 16 U.S.C. § 470aa et seq.)	October 31, 1979	November 3, 1988	Criminal penalties for first time felony - $10,000 and up to one year in prison, unless cost of restoration and repari exceeds $500, then fine is $20,000 and up to two years in prison or both; second felony - fines up to $100,000 and up to 5 years in prison or both. Also has civil penalties.
CERCLA Violation	Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) (P.L. 96-510, 42 U.S.C. § 9606)	Original penalty for non-compliance of $10,000 per day established December 11, 1980	October 17, 1986	$25,000 per day of violating statutory compliance, $75,000 per day for the second and subsequent violation.
ESA Violation	Endangered Species Act of 1973 (ESA) as amended (P.L. 114-38, 16 U.S.C. § 1531 et seq.)	Unknown - Performed by the DOI Solicitor	Unknown - Performed by the DOI Solicitor	"ESA as amended Sec. 11 (a): No more than $25,000 for each violation (For any person who knowingly violates, and any person engaged in business as an importer or exporter of fish, wildlife, or plants who violates, any provision of this Act, or any provision of any permit or certificate issued hereunder, or of any regulation issued in order to implement subsection (a)(1)(A), (B), (C), (D), (E), or (F), (a)(2)(A), (B), (C), or (D), (c), (d) (other than regulation relating to recordkeeping or filing of reports), (f), or (g) of section 9 of this Act) No more than $12,000 for each violation (For any person who knowingly violates, and any person engaged in business as an importer or exporter of fish, wildlife, or plants who violates, any provision of any other regulation issued under this Act)
FLREA Fine	Federal Lands Recreation Enhancement Act (FLREA) (P.L. 108-447, 16 U.S.C. § 6811)	NA	NA	Fine not to exceed $100 for the first offense, or a sentence of a fine and/or improsonment for a Class A or B misdemeanor in accordance with 18 U.S.C. 3571 and 3581 et seq. for all subsequent offenses.
FLPMA Violation	Federal Land Policy and Management Act (FLPMA) (P.L. 94-579 Sec. 303, 43 U.S.C. 1733)	NA	NA	For any person who knowingly and willfully violates regulations (necessary to implement management, use, and protection requirements purusant to the Act) will be fined no more than $1,000 or imprisoned no more than twelve months or both.
FLPMA Violation	Federal Land Policy and Management Act (FLPMA) (P.L. 94-579 Sec 313 (d), 43 U.S.C. § 1743)	NA	NA	Disclosure of financial interests by officers or employees. Fined not more than $2,500 or imprisoned not more than one year, or both.

Penalty (Name of Penalty)	**Authority** (Statute)	**Date of Previous Adjustment**	**Date of Current Adjustment**	**Current Penalty Level ($ Amount)**
Lacey Act Violation	Lacey Act of 2008, as amended (P.L. 114-38, 16 U.S.C. § 3373)	Performed by the DOI Solicitor	Performed by the DOI Solicitor	Penalty of up to $10,000 for anyone who knowingly commits a false labeling offense or knowingly violates the declaration requirements. Penalty of up to $250 any person who commits a marking offense or violates the declaration requirements, except for knowing violators.
NAGPRA Failure to Comply	Native American Graves Protection and Repatriation Act (NAGPRA) (P.L. 101-601, 25 U.S.C. § 3007, 43 C.F.R. 10.12)	Final Rule published at 43 C.F.R. 10.12 (April 3, 2003)	Amended by P.L. 103-322 (September 13, 1994)	"Civil penalties for museums that do not comply .25% of the museum's annual budget, or $5000, whichever is less, and additional sums as the Secretary may determine; additional penalties of up to $1000 per day after the final administrative decision if the museum continues to violate the Act. "Whoever knowingly sells, purchases, uses for profit, or transports for sale or profit, the human remains of a Native American without the right of possession to those remains as provided in NAGPRA, shall be fined or imprisoned not more than 12 months, or both. Second/subsequent violations fined or imprisoned not more than 5 years, or both.
OCSLA Violation Daily Civil Penalty	Outer Continental Shelf Lands Act (OSCLA) (43 U.S.C. § 1350)	August 1, 2011	Reviewed in August 2015, currently analyzing for potential adjustment	$40,000 maximum daily civil penalty per violation.
OPA Violation Daily Civil Penalty	Oil Pollution Act of 1990 (OPA) (33 U.S.C. 2701 et seq., 28 U.S.C. § 2461, 30 C.F.R. Part 553)	August 1, 2011	Reviewed in August 2015, currently analyzing for potential adjustment	Violations of requirements at 30 C.F.R. Part 553 - Oil Spill Financial Responsibility for Offshore Facilities is $30,000 maximum per COF per day of violation.
SMCRA Violation	Surface Mining Control and Reclamation Act of 1977 (SMCRA) Sec. 518 Penalties (P.L. 95-87, 30 U.S.C. § 1268, 30 C.F.R. 723 & 845)	July 15, 2009	April 2, 2014	Up to $8,500 per violation, depending upon the number of points assessed.
SMCRA Violation	Surface Mining Control and Reclamation Act of 1977 (SMCRA) Sec. 518 Penalties (P.L. 95-87, 30 U.S.C. 1268, 30 C.F.R. 723 & 845)	July 15, 2009	April 2, 2014	$1,025 per day that the violation is not abated within the abatement period, up to a maximum of 30 days, or $30,750.
SMCRA Violation	Surface Mining Control and Reclamation Act of 1977 (SMCRA) Sec. 518 Penalties (P.L. 95-87, 30 U.S.C. 1268, 30 C.F.R. 724 & 846)	July 15, 2009	April 2, 2014	Up to $8,500 per violation, depending upon the factors involved.
TGA Fine	Taylor Grazing Act (TGA) (43 U.S.C. § 315)	NA	June 28, 1934	Fine not to exceed $500 for willful violation of the Act or such rules or regulations thereunder.

Combined Schedule of Spending **For Year Ended September 30, 2015** *(dollars in thousands)*	DOI	OS	BOR	NPS	USGS
What Money is Available to Spend?					
Total Resources	$ 33,315,916	$ 9,116,687	$ 3,776,461	$ 4,694,326	$ 2,227,503
Less Amount Available But Not Agreed to be Spent	(8,784,961)	(2,313,929)	(1,339,794)	(1,054,708)	(557,405)
Less Amount Not Available to be Spent	(267,329)	(45,981)	(8,079)	(76,377)	(47,467)
Total Amounts Agreed to be Spent	$ 24,263,626	$ 6,756,777	$ 2,428,588	$ 3,563,241	$ 1,622,631
How was the Money Spent/Issued?					
Non-Financial Assistance Direct Payments	$ 7,037,411	$ 660,134	$ 671,955	$ 1,939,875	$ 905,723
Contracts	10,436,693	3,155,666	1,495,846	1,374,219	563,253
Grants	5,337,518	2,157,750	105,272	114,581	117,705
Financial Assistance Direct Payments	1,277,594	729,797	152,675	132,505	-
Insurance	46,062	40,960	759	1,930	226
Interest and Dividends	2,962	507	2,105	-	-
Other Payment Types	125,386	11,963	(24)	131	35,724
Total Amounts Agreed to be Spent	$ 24,263,626	$ 6,756,777	$ 2,428,588	$ 3,563,241	$ 1,622,631

Combined 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

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
$ 3,400,639	$ 4,707,089	$ 738,875	$ 214,465	$ 4,085,077	$ 354,794
(1,300,828)	(1,221,207)	(69,827)	(30,287)	(828,640)	(68,336)
(620)	(26,631)	(9,665)	(1,683)	(49,450)	(1,376)
$ 2,099,191	$ 3,459,251	$ 659,383	$ 182,495	$ 3,206,987	$ 285,082
$ 1,029,459	$ 960,158	$ 52,678	$ 77,013	$ 640,289	$ 100,127
885,125	724,707	192,959	98,007	1,762,325	184,586
765	1,699,887	413,655	-	727,903	-
182,875	-	-	7,452	71,933	357
969	550	91	23	542	12
-	-	-	-	350	-
(2)	73,949	-	-	3,645	-
$ 2,099,191	$ 3,459,251	$ 659,383	$ 182,495	$ 3,206,987	$ 285,082

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

DATA VISUALIZATION

The DOI continues to believe in the insight, flexibility and value of alternative reporting methods, such as data visualization (i.e., putting a picture on the numbers). Data visualization allows readers to identify trends, relationships, patterns, and to easily absorb vast amounts of information quickly. These interactive presentations also allow readers to focus on certain aspects of the data that are important to them, thus expanding the audience and increasing transparency.

For FY 2015, DOI developed three interactive dashboards to further demonstrate the power and flexibility of using technology to present Federal data.

Click on any of the images below to launch the interactive dashboards.

Providing Value to the American People

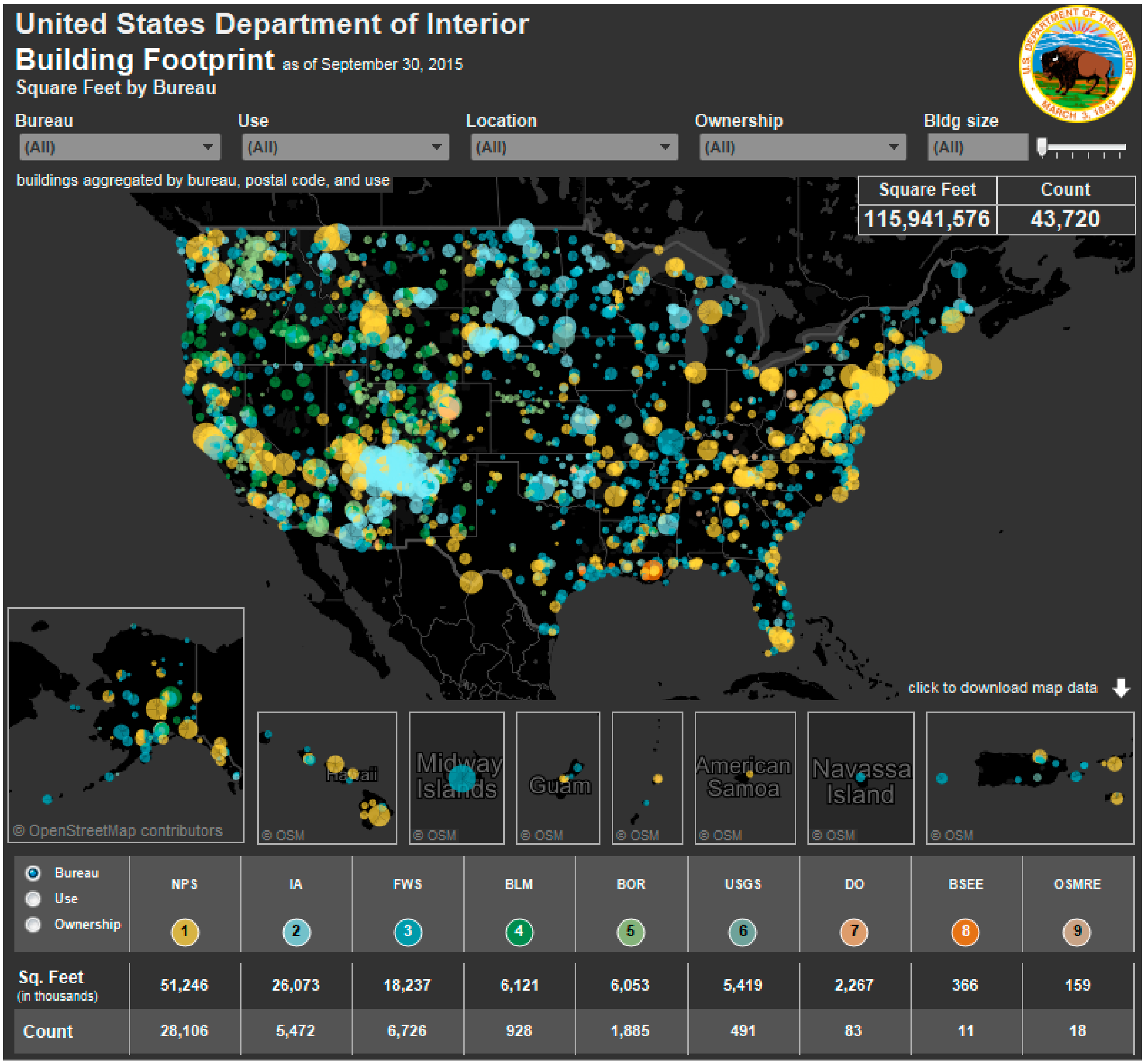
Explore a unique dataset from each Bureau that highlights their mission and demonstrates the value provided to the American people via a web browser here: ***https://www.doi.gov/pfm/afr/2015/visualization/value*** or by clicking on the image below. When the portal is accessed, readers can hover over a logo and follow the link to explore each bureau presentation. Readers can also interact with the data by filtering, viewing detailed pop-ups, drilling down, or following links for more information.

Interact with the data - Examples: recreation visits, economic contributions, land acreages, power

Read more detail on page 39

Building Footprint

Explore the DOI Footprint as of September 30, 2015.
URL: https://www.doi.gov/pfm/afr/2015/visualization/buildings

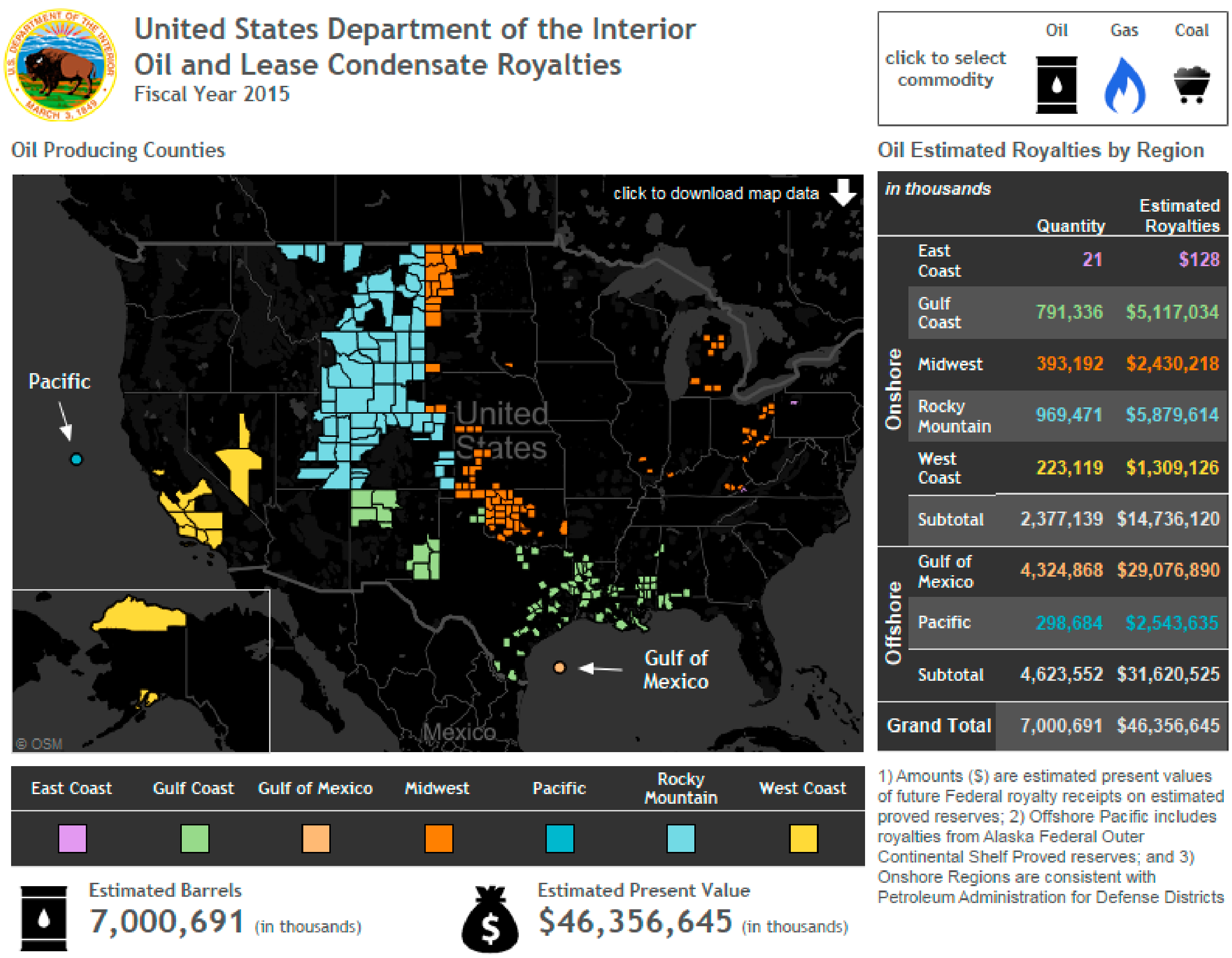


	NPS	IA	FWS	BLM	BOR	USGS	DO	BSEE	OSMRE
	1	2	3	4	5	6	7	8	9
Sq. Feet (in thousands)	51,246	26,073	18,237	6,121	6,053	5,419	2,267	366	159
Count	28,106	5,472	6,726	928	1,885	491	83	11	18

Interact with the data - Examples: bureau, location, use, ownership, and building size.

Estimated Royalties

Explore estimated present values of future Federal royalty receipts on proved oil, gas and coal reserves. *URL: https://www.doi.gov/pfm/afr/2015/visualization/royalty*



in thousands		Quantity	Estimated Royalties
Onshore	East Coast	21	$128
	Gulf Coast	791,336	$5,117,034
	Midwest	393,192	$2,430,218
	Rocky Mountain	969,471	$5,879,614
	West Coast	223,119	$1,309,126
	Subtotal	2,377,139	$14,736,120
Offshore	Gulf of Mexico	4,324,868	$29,076,890
	Pacific	298,684	$2,543,635
	Subtotal	4,623,552	$31,620,525
Grand Total		7,000,691	$46,356,645

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

Interact with the data – Examples: region and producing counties with Federal leases

21CSC	21st Century Conservation Service Corps.
AFR	Agency Financial Report
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
BSEE	Bureau of Safety and Environmental Enforcement
CFO	Chief Financial Officer
COLA	Cost of Living Adjustment
CIAP	Coastal Impact Assistance Program
CIP	Construction in Progress
CPIM	Consumer Price Index Medical
CSC	Climate Science Center
CSRS	Civil Service Retirement System
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
DOT	Department of Transportation
EFT	Electronic Funds Transfer
EIA	Energy Information Administration
EIRF	Environmental Improvement and Restoration Fund
EPA	Environmental Protection Agency
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
FISMA	Federal Information Security Management Act of 2002
FLPMA	Federal Land Policy and Management Act
FMFIA	Federal Managers' Financial Integrity Act
FMV	Fair 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
GMRA	Government Management Reform Act
GPA	Guam Power Authority
GPRA	Government Performance and Results Act
GPS	Global Positioning System
GSA	General Services Administration
HF	Hydraulic Fracturing
HPF	Historic Preservation Fund
IA	Indian Affairs
IIM	Individual Indian Monies
IPERA	Improper Payments Elimination and Recovery Act
IT	Information Technology
ITT	Information Technology Transformation
LCC	Landscape Conservation Cooperative
LCRBDF	Lower Colorado River Basin Development Fund
LWCF	Land and Water Conservation Fund
M&I	Municipal and Industrial
Mcf	One Thousand Cubic Feet
MLA	Mineral Leasing Act for Acquired Lands of 1947
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
PADD	Petroleum Administration for Defense Districts
PFM	Office of Financial Management
PI/LSI	Possessory Interest or Leasehold Surrender Interest
PPA	Prompt Payment Act of 2002
PP& E	Property, Plant, and Equipment
P. L.	Public Law
SAM	System for Award Management
SBR	Statement of Budgetary Resources
SFFAS	Statement of Federal Financial Accounting Standard
SFRBTF	Sport Fish Restoration and Boating Trust Fund
SNPLM	Southern Nevada Public Land Management
SOS	Schedule of Spending
TLCP	Trust Land Consolidation Program
TNC	Treasury Nominal Coupon Issues
Treasury	U.S. Department of the Treasury

UDO	Undelivered Order
USBR	U.S. Bureau of Reclamation
USCG	U.S. Coast Guard
USDA	U.S. Department of Agriculture
USFS	U.S. Forest Service
USGS	U.S. Geological Survey
USPP	United States Park Police
UTRR	Undiscovered Technically Recoverable Resources

WaterSMART	Sustain and Manage America's Resources for Tomorrow
WMD	Western Management District

WE WOULD LIKE TO HEAR FROM YOU

We would like to hear from you about our FY 2015 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.***

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Office of the Secretary

Bureau of Land Management

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