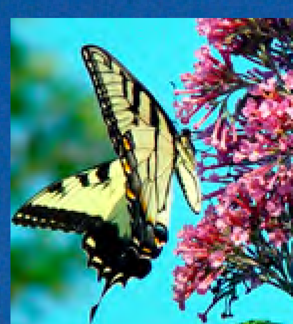
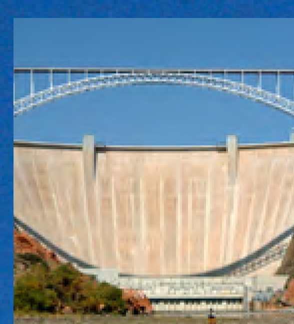
UNITED STATES
DEPARTMENT OF THE INTERIOR

Agency Financial Report

FY 2017





U.S. Department of the Interior

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U.S. DEPARTMENT OF THE INTERIOR

FISCAL YEAR 2017

AGENCY FINANCIAL REPORT

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ABOUT THIS REPORT

The U.S. Department of the Interior's (DOI) Agency Financial Report (AFR) for fiscal year (FY) 2017 provides performance and financial information that enables Congress, the President, and the public to assess the performance of DOI relative to its mission and stewardship of the resources entrusted to it. This AFR satisfies the reporting requirements of the following:

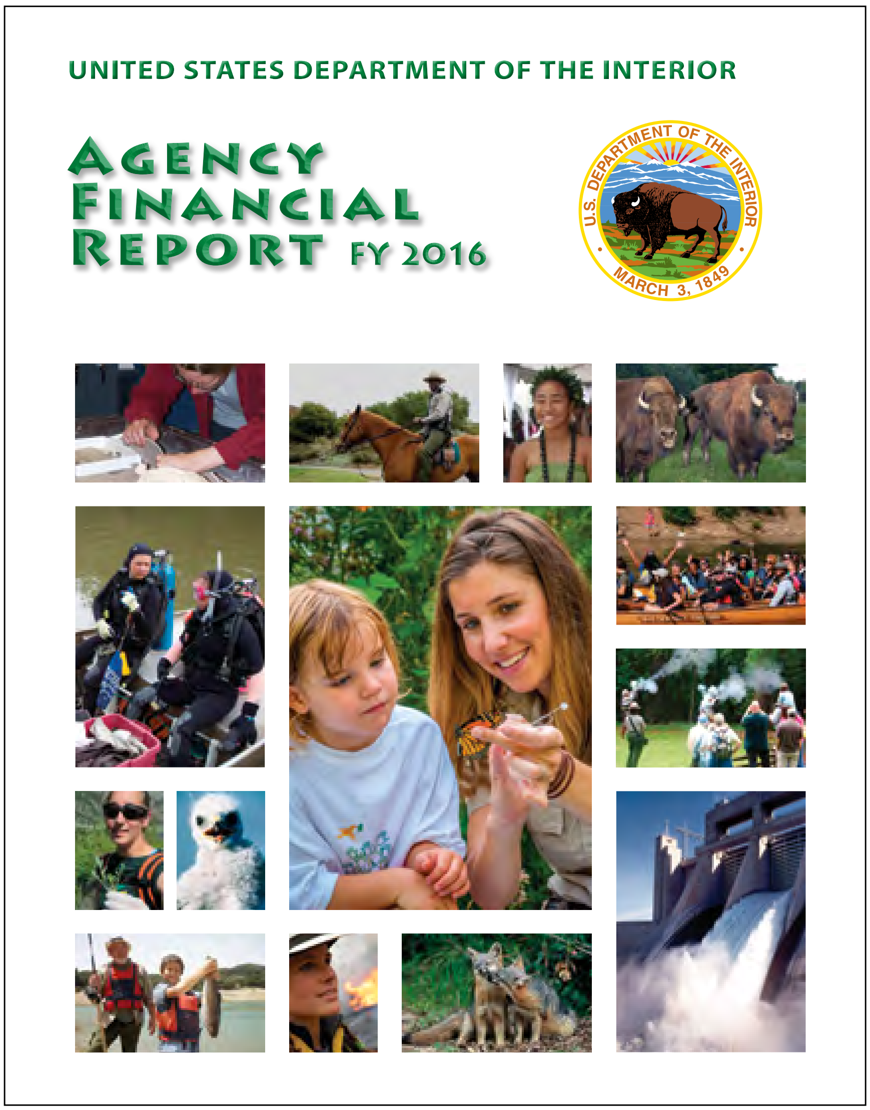
- *Federal Managers' Financial Integrity Act of 1982*;
- *Chief Financial Officers Act of 1990*;
- *Government Management Reform Act of 1994*;
- *Reports Consolidation Act of 2000*;
- Office of Management and Budget Circular No. A-136, *Financial Reporting Requirements;*
- *Improper Payments Elimination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

The DOI chooses to produce the AFR rather than the alternative Performance and Accountability Report. The annual performance report, with detailed performance information that meets the requirements of the *Government Performance and Results Modernization Act of 2010* (GRPA), will be provided within the Annual Performance Plan and Report (APP&R) (***www.doi.gov/performance-reports***) to be transmitted with the release of the FY 2019 Congressional Budget Justification. A Summary of Performance and Financial Information is also produced that summarizes AFR information in a brief, user friendly, format. The AFR may be viewed online at ***https://www.doi.gov/pfm/afr***.

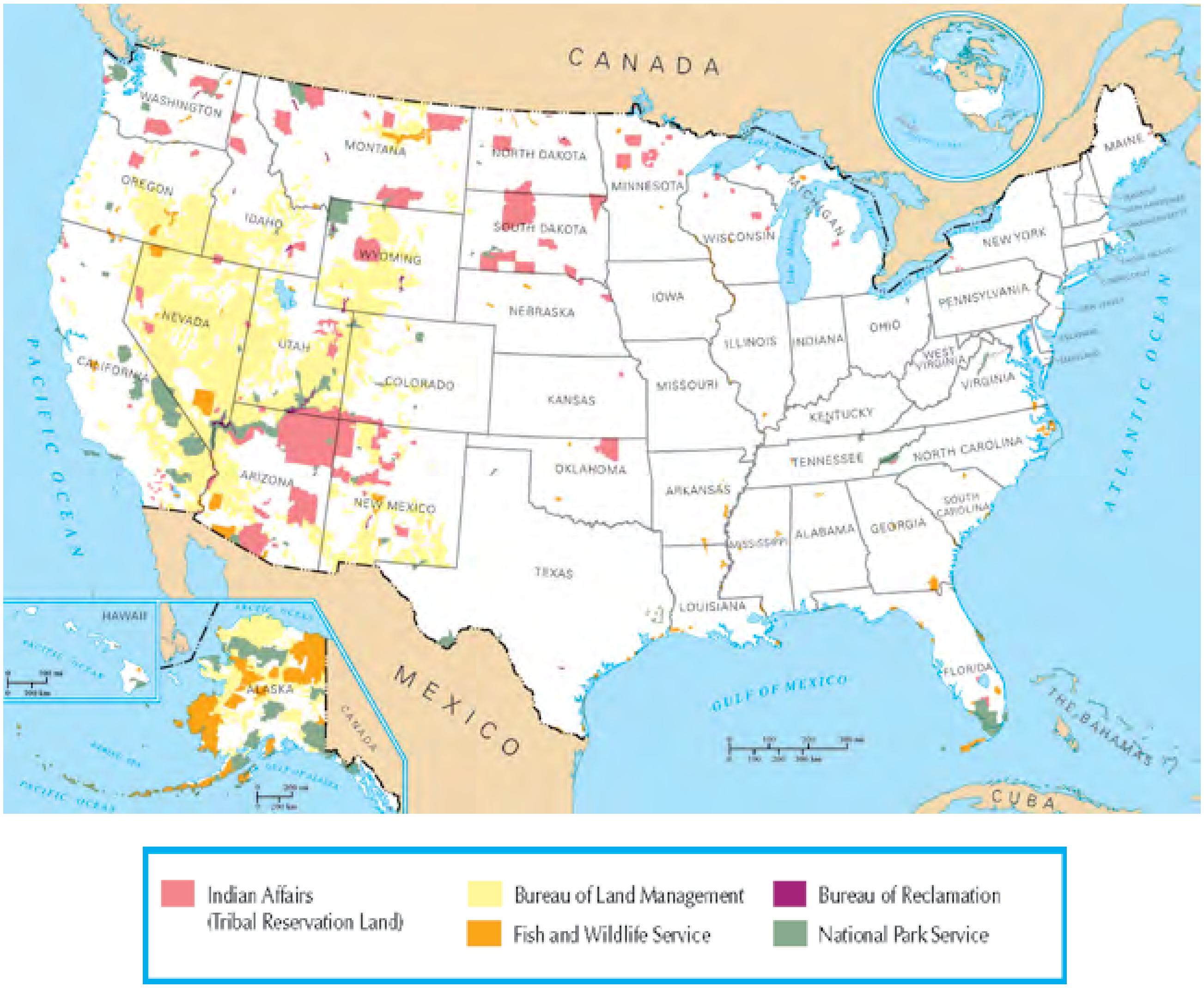
CERTIFICATE OF EXCELLENCE IN ACCOUNTABILITY REPORTING

For the fifteenth year, DOI received a Certificate of Excellence in Accountability Reporting (CEAR©) award for the FY 2016 AFR. The Association of Government Accountants CEAR© Program has been helping Federal agencies produce high-quality Agency Financial Reports and Performance and Accountability Reports since 1997. The program was established in conjunction with the Chief Financial Officers Council and the U.S. Office of Management and Budget (OMB) to improve financial and program accountability by streamlining reporting and improving the effectiveness of such reports.

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



Surface Lands Managed by The Department of the Interior



Mission

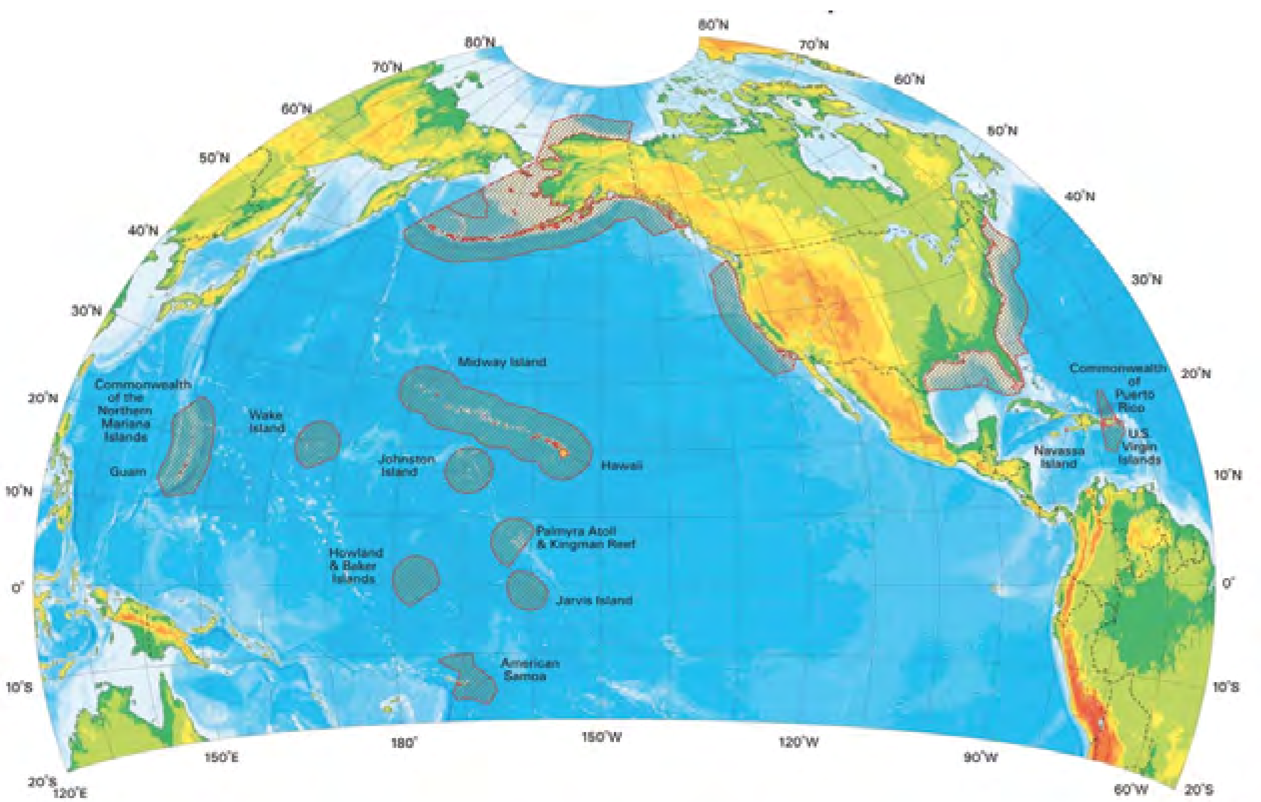
The DOI conserves and manages the Nation's natural resources and cultural heritage for the benefit and enjoyment of the American people, provides scientific and other information about natural resources and natural hazards to address societal challenges and creates opportunities for the American people,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

History

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

Following Theodore Roosevelt's conservation summit and the awakening of the conservation movement at the beginning of the 20th century, there was an increasing urgency and expanding congressional mandate to protect and more effectively manage the Nation's natural resources. Accordingly, DOI's mission shifted to focus on the preservation, management, and use of public lands and natural and cultural resources, responsible management of energy and water resources, and responsibilities related to Indian nations, island communities, and scientific discovery.

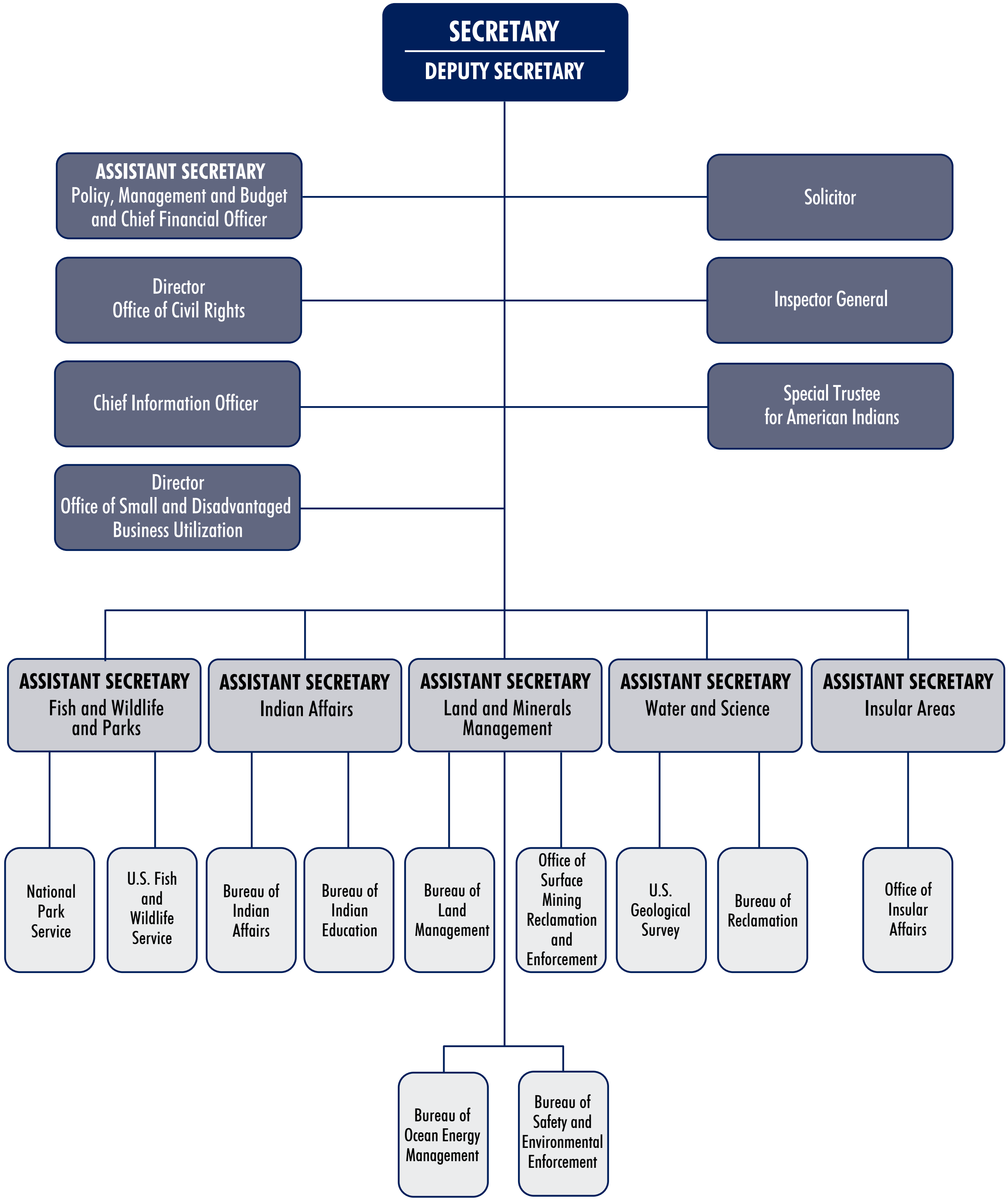
Today, DOI manages the Nation's public lands and minerals, including providing access to more than 500 million acres of public lands, 700 million acres of subsurface minerals, and 1.7 billion acres of the Outer Continental Shelf. The DOI is the steward of 20 percent of the Nation's lands, including national parks, national wildlife refuges, and public lands; manages resources that supply 30 percent of the Nation's energy; supplies and manages water in the 17 Western states and is the second largest supplier of the Nation's hydropower energy; and upholds Federal trust responsibilities to 567 federally recognized Indian tribes and communities of Alaska Natives. The DOI is responsible for migratory bird and wildlife conservation, historic preservation, endangered species conservation, surface-mined lands protection and restoration, mapping, geological, hydrological, and biological science for the Nation, and financial and technical assistance for the insular areas (many of which are depicted in the following graphic).



United States Continental Shelf Boundary Areas

The DOI's programs encompassed in this report cover a broad spectrum of activities performed by the bureaus and multiple offices and are captured in the following presentation of each entity's unique mission and set of responsibilities. The DOI's mission is carried out by the bureaus and offices and the DOI's 68,276 dedicated and skilled employees. Along with employees, approximately 536,000 volunteers annually contribute their time in support of bureau and office missions, bringing unique local knowledge to park operations, assisting in recovery from natural disasters, and participating in environmental education, among other activities.

U.S. Department of the Interior



Bureau and Office Summary

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

Departmental Offices (DO)

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

Bureau of Land Management (BLM)

- Manages public lands for the benefit of all Americans under the dual framework of multiple use and sustained yield on more than 245 million surface acres, as well as 700 million acres of subsurface mineral estate. Priorities include:
  - Securing the Nation's energy independence through domestic energy and mineral production from public lands;
  - Serving American families by providing opportunities for traditional commercial and recreational land uses such as grazing, hunting, fishing, and other outdoor activities that are key to the Nation's heritage and its economy;
  - Developing and maintaining strong partnerships with tribal governments as well as State, local, and private stakeholders;
  - Managing through shared conservation stewardship in order that public lands benefit current and future generations; and
  - Promoting safety, security, and environmental protection along of almost 200 miles directly along America's international boundary.

Bureau of Ocean Energy Management (BOEM)

- Manages access to renewable and conventional energy and mineral resources of the Outer Continental Shelf (OCS).
- Administers over 3,000 active fluid mineral leases on over 16 million OCS acres.
- Oversees 4 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)

- Fosters secure and reliable energy production from the 1.7 billion acres in the US OCS for America's energy future.
- Conducts inspections, permitting, incident and equipment failure analysis, oil spill preparedness and enforcement programs aimed at promoting a culture of safety and reducing risk to those who work offshore.
- Supports the technical expertise to engage opportunities and to meet challenges to tap the full potential of OCS energy resources.

Bureau of Reclamation (BOR)

- Manages, develops, and protects water and related resources in an environmentally and economically sound manner in the interest of the American public.
- Largest wholesale supplier of water in the Nation.
- Manages 492 dams and 338 reservoirs.
- Delivers water to 1 in every 5 western farmers and more than 31 million people.
- America's second largest producer of hydroelectric power.

Indian Affairs (IA)

- Fulfills Indian trust responsibilities.
- Promotes self-determination on behalf of 567 federally recognized Indian tribes.
- Funds self-determination compact and contracts to support all Federal programs including education, law enforcement, and social service programs that are delivered by tribal nations.
- Supports 183 elementary and secondary schools and dormitories, providing educational services to an average of 45,500 students in 23 states.
- Supports 32 community colleges, universities, post-secondary schools, and technical colleges.

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

Office of Surface Mining Reclamation and Enforcement (OSMRE)

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

National Park Service (NPS)

- Maintains and manages a system of 417 natural, cultural, historical, and recreational sites for the benefit and enjoyment of the American people.
- Manages and protects over 27,000 historic and prehistoric structures, nearly 44 million acres of designated wilderness, and a wide range of museum collections and cultural and natural landscapes.
- Provides outdoor recreation to nearly 324 million visitors.
- Provides technical assistance and support to state, tribal and local natural and cultural resource sites and programs, and fulfills responsibilities under the *National Historic Preservation Act of 1966*.

U.S. Fish and Wildlife Service (FWS)

- Manages the lands and waters of the 836 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 48 million visitors annually at more than 560 refuges and 38 wetland management districts located in all 50 states.

U.S. Geological Survey (USGS)

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

ANALYSIS OF PERFORMANCE GOALS & RESULTS

The *GPRA Modernization Act of 2010* allows one year after the President's inauguration to update Strategic Plans to match the priorities of the new Administration. As the effort to update the Strategic Plan continues, this performance summary reflects the progress made in six priority areas identified by the new Secretary of the Interior for:

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

The following performance summary uses a sampling of key indicators to reflect the type of performance estimated to have occurred in pursuing these priorities during FY 2017, supported by four years of prior history where available. A more complete and updated performance assessment, placed in the context of the FY 2018-2022 Strategic Plan, will appear in DOI's FY 2018/2019 Annual Performance Plan & Report (APP&R), ***https://www.doi.gov/performance/performance-reports***, which is planned to be released with the President's FY 2019 Budget Request in February 2018. It will be available online at DOI's Budget and Performance Portal, ***www.doi.gov/bpp***.

CONSERVING OUR LAND AND WATER

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

In protecting DOI-managed lands and waters and safeguarding the wildlife and plant inhabitants, the key performance indicator, acres in "desired condition," is used to gauge DOI's progress in ensuring the quality of natural resources, including uplands, wetlands, streams, and shorelines. Natural resource management success is dependent upon a number of factors, some of which are not under the direct control of DOI, including the original condition of the asset, the amount of resources that can be applied, the cooperation of nature in supporting the performed treatments, and the time for treatments to take root and adequately mature. As seen in the following table, performance has been increasing gradually while the total acres assessed increases. Favorable weather, the ability to redirect funds to priority projects, and additional partner support helped to improve performance in FY 2015 and FY 2016. Maintaining this level of performance will continue to be influenced greatly by these factors. Newly added monuments to FWS and NPS were assessed in FY 2017, adding to the total inventory and the metric results.

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

Bureau	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Target	2017 Preliminary
BLM, FWS, NPS	74%	77%	78%	78%	79%	83%
Acres in desired condition	324,908,501	353,869,240	360,116,825	361,651,952	363,234,879	472,556,098
Total Acres Assessed	436,341,566	461,495,700	461,325,882	462,520,691	462,189,543	572,940,348

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. As shown in the following table, migratory bird species' health and sustainability consistently measures in the low 70 percent range. Birds serve as a 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.

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

Bureau	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Target	2017 Preliminary
FWS	72%	73%	73%	73%	73%	73%
Number of healthy and sustainable bird species	726	747	747	747	747	747
Number of bird species of management concern	1,007	1,026	1,026	1,026	1,026	1,026

The DOI plays a significant role in managing water resources in the Western states including collection, storage, and distribution. Water distribution depends on the condition of facilities that manage and distribute the water, leading DOI to use the percentage of facilities earning a "good" Facility Reliability Rating as the key performance indicator for this goal. Performance challenges for this measure result from an aging infrastructure, ongoing droughts, and increasing workforce and materials costs. Many of the minor water infrastructure problems have been repaired or replaced. As the more extensive, and therefore expensive, problems are addressed, the number of facilities in good condition could slow. However, present progress continues to be positive.

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

Bureau	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Target	2017 Preliminary
BOR	79%	78%	79%	81%	72%	80%
Number of facilities in good condition	274	269	272	279	248	272
Total number of facilities in service	345	344	344	344	343	342

GENERATING REVENUE AND UTILIZING OUR NATURAL RESOURCES

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

The DOI is committed to achieving and maintaining American energy dominance through responsible productivity of the public lands for the multiple use and economic benefit of present and future generations. Oil, gas, coal and renewable energy form the cornerstones of our Nation's energy base, and DOI will continue to facilitate increased development of both offshore and onshore conventional and renewable U.S. energy resources while ensuring safety and reliability through efficient permitting, appropriate standards, assessment and oversight, and a fair return for the American public. Completing lease sales and issuing permits to drill are indicative of DOI's role in providing access to energy resources on OCS and public lands, respectively, and are the key performance indicators for oil and gas resource development. As seen in the following table, progress has been steady offshore and onshore, with decreasing permit applications. The goal is to promote and approve a growing number of applications. In FY 2017, even though the percentage target was not met, there was an increased number of applications and an increase in the number of applications processed over the prior two years.

Percent of pending fluid minerals Applications for Permits to Drill (APDs) which are processed.

Bureau	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Target	2017 Preliminary
BLM	60%	56%	57%	57%	61%	57%
Number of pending APD's processed	4,892	4,924	4,913	3,093	3,000	3,322
Number of pending APD's	8,180	8,862	8,596	5,477	4,924	5,826

Percent of offshore lease sale processes completed pursuant to the Secretary's Five Year Oil and Gas Program.

Bureau	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Target	2017 Preliminary
BOEM	100%	100%	100%	100%	100%	100%
Number of lease sale processes completed	3	3	2	3	3	3
Number of lease sale processes proposed	3	3	2	3	3	3

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

Percent of grazing permits and leases processed as planned consistent with applicable resource management plans.

Bureau	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Target	2017 Preliminary
BLM	21%	22%	18%	13%	18%	13%
Number of permits and leases processed	1,344	1,374	1,213	862	1,240	917
Number of permit and lease applications	6,300	6,300	6,900	6,800	6,800	6,800

EXPANDING OUTDOOR RECREATION AND ACCESS

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

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

Percent of visitors satisfied with the quality of their experience.						
Bureau	**2013 Actual**	**2014 Actual**	**2015 Actual**	**2016 Actual**	**2017 Target**	**2017 Preliminary**
BLM, FWS, NPS	94%	95%	95%	95%	95%	93%

FULFILLING OUR TRUST AND INSULAR RESPONSIBILITIES

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

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

Percent of financial information initially processed accurately in trust beneficiary accounts.						
Bureau	**2013 Actual**	**2014 Actual**	**2015 Actual**	**2016 Actual**	**2017 Target**	**2017 Preliminary**
OST	99.99%	99.99%	99.99%	99.99%	99.00%	99.00%
Total information processed accurately	9,367,301	9,980,933	10,723,816	10,261,456	10,890,000	10,890,000
Total information to be processed	9,368,497	9,981,933	10,724,403	10,262,924	11,000,000	11,000,000

The DOI assists Indian Nations in developing capacity to attain economic self-sufficiency on reservations to enhance their quality of life. One critical path is economic development and job creation. The BIA coordinates development of comprehensive tribal programs with the Departments of Labor and Health and Human Services. The DOI offers programs and financial services that encourage startups and help position Indian businesses and individuals to compete in today's economy. The key performance indicator is average gains in earnings for job placement program participants. As displayed in the following table, performance of the program remains fairly consistent. Although the target for FY 2017, in terms of average gain in earning per participant, is estimated as not being met, BIA did successfully assist the highest number of program participants over the past 5 years.

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

Bureau	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Target	2017 Preliminary
BIA	$10.40	$9.27	$10.20	$9.69	$9.83	$9.54
Gain in earnings by program participants	$26,225	$33,092	$24,330	$31,861	$29,500	$34,172
Number of program participants	2,522	3,568	2,385	3,288	3,000	3,582

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

For insular areas, availability of clean water serves as a key indicator of quality of life and this goal performance assessment is indicated by water system violation notices. The number of community water systems with health-based violations decreased in FY 2016 for three of the four territories compared to the previous year. The territory with increasing violations, CNMI, transitioned water system management in FY 2015 from the Water Task Force to the Commonwealth Utilities Corporation. The Office of Insular Affairs (OIA) will monitor water system violation trends in CNMI under its new management.

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

Bureau	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Target	2017 Preliminary
OIA	19%	8%	13%	8%	10%	11%
Number of community water systems with health based violations	28	12	19	11	13	14
Number of community water systems	148	147	147	131	131	132

PROTECTING OUR PEOPLE AND THE BORDER

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

Percent of DOI-managed landscape areas that are in a desired condition as a result of fire management objectives.

Bureau	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Target	2017 Preliminary
OWF	36%	36%	36%	36%	36%	36%
Number of acres in desired condition as a result of fire management objectives	160,066,449	161,237,140	161,982,762	160,224,280	161,525,000	159,635,707
Number of DOI-managed acres	447,806,489	447,806,489	447,806,489	447,806,489	447,806,489	447,806,489

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

Percent completion of targeted natural hazard assessments of very high and high threat regions of the Nation (index).

Bureau	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Target	2017 Preliminary
USGS	N/A	4%	4%	5%	7%	7%

MODERNIZING OUR ORGANIZATION AND INFRASTRUCTURE FOR THE NEXT 100 YEARS

Real property assets are integral to the success of Interior's mission. The DOI's real property inventory includes approximately 43,000 buildings and 80,000 structures across six major land-holding bureaus, with a replacement value exceeding $300 billion. The DOI manages the full life-cycle requirements of nearly every type of constructed asset found, including visitor centers, dams, schools, health clinics, power generating facilities, housing, hotels, fire stations, campgrounds, roads, water and wastewater treatment plants, offices, and more. Many of these assets have historic or cultural significance that not only support DOI's mission, but also are important to our Nation's heritage.

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

ANALYSIS OF SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

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

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

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

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

Management Assurances

The FMFIA requires agencies to assess the effectiveness of internal control and provide an annual statement of assurance regarding internal accounting and administrative controls, including controls in program, operational, and administrative areas as well as accounting and financial reporting. During FY 2017, 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 2017 annual assurance statement appears on the next page. The basis for the assurance statement conclusions follows.

Federal Managers' Financial Integrity Act of 1982 (FMFIA)

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

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

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

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

Internal Control Assessments

The DOI conducts annual assessments of the effectiveness of management, administrative, and accounting systems' controls in accordance with FMFIA and OMB guidelines. The conclusions in the Secretary's FY 2017 annual FMFIA assurance statement are based on the results of numerous internal control reviews that bureaus and offices conduct, including assessment of internal control over reporting. The DOI also considered the results of Office of Inspector General (OIG) audits, General Accountability Office (GAO) audits, and the financial statement audit conducted by the independent public accounting firm, KPMG LLP. In addition, many of DOI's internal control reviews and related accountability and integrity program activities focused on areas identified as major management and performance challenges.

FY 2017 ASSURANCE STATEMENT

The Department of the Interior's (DOI) management is responsible for managing risks and maintaining effective internal control to meet the objectives of Sections 2 and 4 of the *Federal Managers' Financial Integrity Act* (FMFIA). The DOI conducted its assessment of risk and internal control in accordance with OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. Based on the results of the assessment, DOI can provide reasonable assurance that internal control over operations, reporting, and compliance were operating effectively as of September 30, 2017, except for one Section 2 non-financial material weakness related to the Management of Grants, Cooperative Agreements, and Tribal Awards, as identified in Figure 1-1.

Ryan K. Zinke
Secretary of the Interior
November 15, 2017

FMFIA Material Weaknesses

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

At the beginning of FY 2017, DOI had one Department-level FMFIA material weakness pending correction carried forward from the previous year: Management of Grants, Cooperative Agreements, and Tribal Awards. The Office of Acquisition and Property Management (PAM) has made progress in continuing to implement corrective actions to mitigate the issues identified in the material weakness.

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

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

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

FIGURE 1-1

FMFIA Material Weakness
as of September 30, 2017

Description	Corrective Actions	FY 2017 Progress	Target Completion Date	Status
Office: Office of Acquisition and Property Management (PAM) The DOI Management of Grants, Cooperative Agreements, and Tribal Awards Program: The DOI must improve management and oversight of financial assistance and tribal awards made under P.L. 93-638.	The DOI will: 1) Provide training on requirements and limitations for monitoring and oversight of P.L. 93-638 tribal awards. 2) Require bureaus to comply with Government-wide and DOI policies for risk assessments, management, and monitoring of financial assistance and tribal awards. 3) Require IA and other affected bureaus to continue to work with the tribes to ensure proper monitoring of the funds which have been awarded under P.L. 93-638.	1) Awarded a contract and initiated a project to design a curriculum for a DOI Financial Assistance Certification Program, to establish standard requirements for education, experience and training for the DOI financial assistance workforce. 2) Issued Department of the Interior Acquisition, Assistance and Asset Policy (DOI-AAAP)-0062, Financial Assistance Pre-Award Budget Review, which reiterates pre-award screening requirements established by the OMB Omni-circular, 2 Code of Federal Regulations (CFR) 200, related to applicant financial suitability. 3) Began reconciliation of public comments received on the Notice of Intent, in preparation to create implementing policies for 2 CFR 200. 4) Continued discussions with the OIG and IA to identify opportunities and challenges to improving post-award monitoring of P.L. 93-638 awards and promote the use of existing tools for monitoring, such as Single Audit Act reporting.	FY 2020	Ongoing

Internal Control Over Reporting

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

In FY 2017, DOI completed its twelfth annual assessment of the effectiveness of internal control over reporting. Deficiencies were found in some reporting processes, but compensating controls and corrective actions adequately address these deficiencies. The DOI can reasonably assure the safeguarding of assets from waste, loss and mismanagement, as well as compliance with laws and regulations pertaining to reporting. (See *FY 2017 Assurance Statement*).

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

Federal Financial Management Improvement Act of 1996 (FFMIA)

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

Federal agencies are required to address compliance with the requirements of FFMIA in the management representations made to the financial statement auditor. If an agency is not in compliance with the requirements of FFMIA, the agency head is required to establish a remediation plan to achieve substantial compliance. With regard to DOI's financial management systems, no lack of substantial compliance was noted.

Inspector General Act of 1978, as amended

The DOI has instituted a comprehensive audit follow-up program to ensure that audit recommendations are implemented in a timely and cost-effective manner and that disallowed costs and other funds due from contractors and grantees are collected or offset. In FY 2017, DOI monitored a substantial number of new OIG, GAO, and Single Audit Act audit reports. Audit follow-up actions include analyzing referred audit reports; advising grantors of single audit findings; tracking, reviewing, and validating program and financial audit recommendations; developing mutually acceptable and timely resolution of disputed audit findings and recommendations; overseeing the implementing, documenting, and closing of audit recommendations; and monitoring the recovery of disallowed costs. The OIG Semiannual Report to Congress provides additional information about OIG activities and the results of their audits at: ***https://www.doioig.gov/reports.***

To further underscore the importance of timely implementation of OIG and GAO audit recommendations, DOI has a performance goal of implementing at least 85 percent of all GAO and OIG recommendations where implementation was scheduled to occur during the current year or in previous years. The DOI set its performance goal at 85 percent to allow for impacts, challenges, or unforeseeable delays when initial corrective action plans were developed; some corrective actions can span multiple years. In FY 2017, DOI achieved 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. In FY 2017, no material weaknesses were reported as a result of the financial statement audit.

Major Management and Performance Challenges Confronting Interior

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

Compliance with Other Key Legal and Regulatory Requirements

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

Prompt Pay, Debt Collection, and Electronic Funds Transfer

In FY 2017, DOI exceeded its performance goal for PPA and DCIA but did not meet its performance goal for vendor payments made by EFT. The PPA (Figure 1-4) requires that eligible payments be made within 30 days of receipt of invoice; otherwise, the Federal Government is required to pay interest. The DCIA (Figure 1-5) requires any non-tax debt owed to the United States that has been delinquent for a period of over 120 days be referred to the U.S. Department of the Treasury (Treasury) for collection. The EFT (Figure 1-6) provision of the DCIA mandates all recipients of Federal vendor payments receive their payments electronically, except for tax refunds.

The shortfall of the FY 2017 EFT performance goal has been carried over from FY 2016 and continues to be attributed to a high volume of transactions that DOI has for tort claims, legal settlements, financial assistance, social service payments to individual Indians, and realty payments that are consistently being processed with EFT waiver requests or non-EFT mechanisms. A large number of the waivers were converted from legacy financial systems. Those waivers were given a two-year grace period and have now expired. A system change has been developed to automatically block vendor records with expired waivers so that vendors are required to re-submit their requests. Requiring resubmission for waiver requests should effectively reduce the number of vendors who receive checks.

However, transitioning to the use of electronic payment methods requires time for vendors located in remote communities to make the appropriate adjustments to their financial processes. Logistical issues, such as the remote proximity of vendors to banks and the lack of transportation in isolated communities, are reflected in the EFT shortfall. Nonetheless, DOI has made progress with regard to the EFT performance goal, which now stands at 92 percent and continues to rise.

FIGURE 1-4

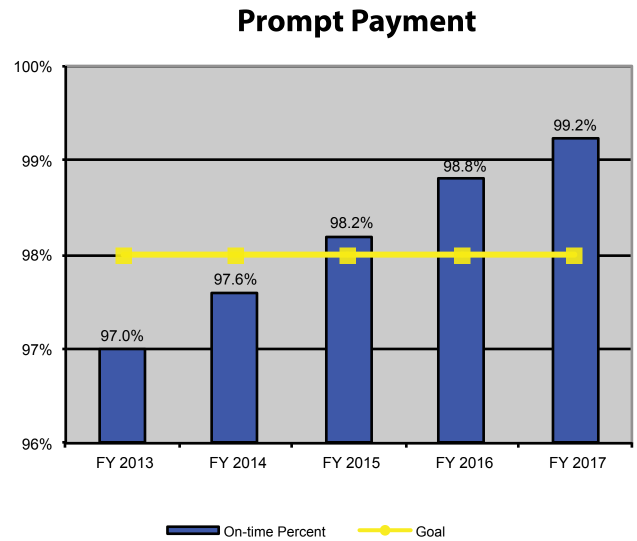


FIGURE 1-5

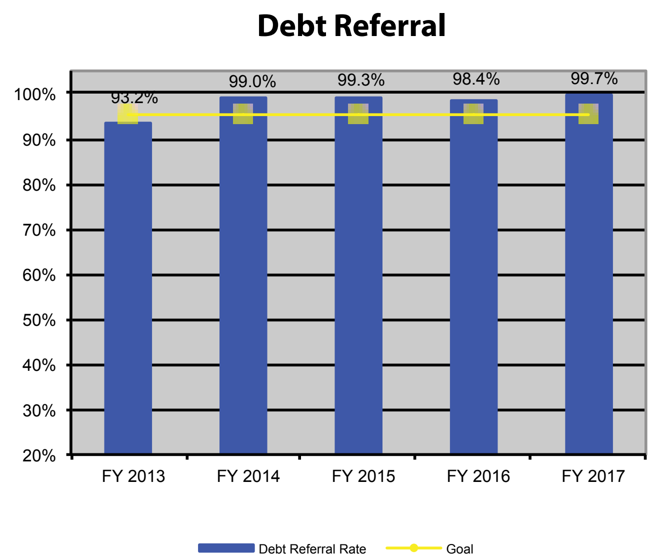
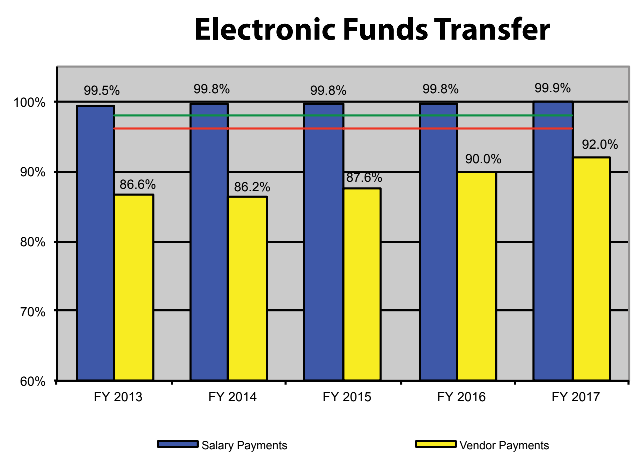


FIGURE 1-6



Information Management Technology

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

As a key element of FITARA implementation, each bureau developed an IMT Alignment Plan for implementing improved oversight, accountability, and control over all IMT within their bureau and aligning authority for bureau IMT under the bureau ACIO. In accordance with DOI's implementation of FITARA, bureau ACIOs report to both the Department's CIO and bureau Deputy Director. Additionally, working within DOI's Acquisition Program Advisory Council (APAC), the OCIO and Departmental Senior Procurement Executive issued policy requiring APAC approval for all enterprise IMT acquisitions.

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

- Strengthen Cybersecurity and Privacy;
- Improve IMT/Computing for the Field;
- Consolidate and Standardize IMT Services and Systems; and
- FITARA Actualization.

FY 2017 Accomplishments

- Implemented 100 percent of the 61 audit recommendations and 14 cybersecurity recommendations scheduled to be closed in FY 2017 in compliance with OMB Circular A-50, *Audit Follow Up*, as well as remediated all external vulnerabilities identified through the Department of Homeland Security (DHS) Cyber Hygiene Assessments;
- Implemented EINSTEIN 3-Accelerated, per the *Federal Cybersecurity Enhancement Act of 2015*, to detect and prevent malicious traffic;
- Achieved 90.8 percent HyperText Transfer Protocol Secure compliance for all externally facing websites;
- Expedited enforcement of strong authentication using Personal Identity Verification (PIV);
- Implemented the Symantec-VIP authentication tool to regain mobile device functionality interrupted by the expedited PIV enforcement;
- Implemented the DHS "DNS Sinkhole" project, which supports Continuous Diagnostics and Mitigation (CDM) and other DHS initiatives;
- Completed CDM Phase 1 and Risk and Vulnerability Assessments on OMB and DHS-selected High Value Assets;
- Completed all plans and reporting required in Executive Order 13800, *Strengthening the Cybersecurity of Federal Networks and Critical Infrastructure* and OMB M-17-25, *Reporting Guidance for Executive Order on Strengthening the Cybersecurity of Federal Networks and Critical Infrastructure;*
- Developed and published a Cloud Technical Implementation Guide and a Secure Enclaves Reference Guide. These documents support the technology roadmap and protect mission-critical data;
- Established a "One WiFi Policy" for DOI and implemented efficient and secure internet access in the Department's Headquarters at the Main Interior Building;
- Strengthened the cybersecurity workforce by completing agency actions outlined in the *Federal Cybersecurity Workforce Assessment Act of 2015* and Cybersecurity Strategy and Implementation Plan; and
- Consolidated all Washington, DC-based OCIO staff into open office space, substantially reducing total annual facilities costs across OCIO locations in the Washington, DC area.

Future Planned Activities for FY 2018

- Develop and implement Workforce Planning with standard IMT position descriptions to cultivate a highly skilled IMT workforce;
- Lead DOI to develop a risk management framework to integrate and aggregate risk data for IT investments across DOI to inform IMT decisionmaking bodies;

- Collaborate with DHS to continue rolling out CDM capabilities: Phase one focuses on identifying what is on our network; phase two is concerned with managing who is on our network; phase three gives us visibility into what is happening on our network; phase four focuses on protecting the critical data on agency networks and includes capabilities to encrypt data and segment networks so that intruders who break in cannot access the entire network;
- Work closely with the DOI OIG to achieve agreed-upon maturity levels for the Council of the Inspectors General on Integrity and Efficiency FISMA Maturity Model as part of the new FISMA performance measures implemented with Cyber Executive Order 13800, *Strengthening the Cybersecurity of Federal Networks and Critical Infrastructure;*
- Collaborate with the IMTLT and other DOI stakeholders to develop and implement a standard IMT Service model. The model will identify candidate IMT services and systems for consolidation and standardization;
- Continue to improve and support needs in the field with common computing standards and IMT provisioning practices (laptops, mobile devices, remote access, and transferability of user accounts/hardware) and portability of devices across organizations;
- Continue to optimize and reduce the total number of data centers and Trusted Internet Connections; and
- Improve connectivity, and emphasize broadband in remote areas with standardized and streamlined services and processes.

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 decision making capabilities, and enable DOI program and financial managers to more effectively achieve mission goals. The DOI recognizes the importance of financial management systems as 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. In pursuing this goal, DOI is following the IT investment management practices and principles identified in the *Clinger-Cohen Act of 1996* and FISMA.

Financial Management Systems Improvement Strategy

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

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

Some systems are managed at the bureau level, some at the Departmental level, and some are Government-wide systems on which DOI relies. Collectively, they represent DOI's financial management systems architecture. The DOI has viewed the movement toward a single, integrated financial system as encompassing four interrelated elements that drive business process, improvements, and financial integrity. They are: (1) improvement of internal controls; (2) elimination of redundant data entry; (3) enabling end-to-end transaction processing; and (4) standardization of data for improved information quality. The DOI's current, major financial management system improvement effort centers on the Financial and Business Management System (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 2017 Accomplishments

The FBMS is used by all bureaus within DOI. The Business Integration Office (BIO) provides operations and maintenance support to FBMS and its users. The FBMS has approximately 12,000 users with over 4,500 of them using FBMS on an average business day. The BIO manages FBMS hosting through a cloud service provider and works with the OCIO to provide help desk support. In FY 2017, the BIO implemented over 700 system improvements. Some of the key accomplishments in FY 2017 include:

- Continued a multi-phase effort to migrate to the next generation of technology; in-memory computing. This improvement will enable more complete data analysis and increase speed across the FBMS application. In Phase 1, performance increased from 19 percent to 86 percent. Phase 2 is scheduled for a December 2018 go-live;
- Implemented improvements to strengthen the cybersecurity posture such as improved account management controls and data encryption;
- Implemented improvements for business analysis and decision support through data visualization and the ability to share data visualizations across all of DOI, including the establishment of a data warehouse to support reporting and analysis of DOI travel spending going live in December 2018;
- Implemented critical reporting improvements to enable enterprise-wide budget reporting utilizing a Master Data Governance reporting tool; and compliance with mandatory new Procurement Instrument Identifier Reporting;
- Implemented business and system changes required for DOI to meet compliance deadlines and follow on reporting requirements for the *Digital Accountability and Transparency Act of 2014* (DATA Act) including completing data submissions on time as required;
- Improved and streamlined DOI-wide Federal Automated Statistical Tool reporting on motor vehicle inventory, cost, and use to enable improved management of DOI's fleet program; and
- Improved and streamlined DOI-wide reporting on the Federal Real Property Profile to enable improved management of DOI's real estate assets.

Future Planned Activities

Future plans include the optimization of the existing FBMS functional footprint and leveraging the investment to support modular development opportunities to increase management efficiency, effectiveness, transparency, and accountability. The DOI is also focusing on system improvements to address customer service gaps, improve usability, and increase the speed, reliability, and flexibility of the FBMS infrastructure.

The BIO is leading a change in computing technology through the implementation of in-memory computing. The first phase, which went live in early FY 2017, added the SAP HANA™ Accelerator. The BIO has also researched and planned the remaining phases that will be implemented in the coming years. The current phase, moving the data warehouse to HANA™, is expected to be completed in FY 2018. This update is expected to improve system performance and provide timely access to system data to support analysis and visualization of DOI financial information. The next phase, tentatively scheduled to go live in May 2019, will increase speed across the majority of transactions and enable several ease of use improvements.

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

The DOI received, for the 21st consecutive year, an unmodified audit opinion on its financial statements. The statements were audited by the independent accounting firm KPMG LLP. Information provided on the financial statements, the opinion presented as a result of the independent audit, and other disclosures and information provided in this report provide assurance to the public that the information is accurate, reliable, and useful for decision-making. The financial statements and financial data presented in this report have been prepared from DOI's accounting records in conformity with Generally Accepted Accounting Principles (GAAP). For Federal entities, these are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB).

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

Special Account Funds

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

These "Special Account" funds are maintained in separate interest-bearing bank accounts for the concessioners, and are not assets of NPS and may not be used in NPS operations. Therefore, the balances, inflows, and outflows of these concessioner Special Accounts are not recognized in the financial information of NPS. The concessioners reported that these Special Accounts balances totaled approximately $11.7 million (unaudited) and $9.8 million (unaudited), as of September 30, 2017 and 2016, 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 2017**	**FY 2016**	**Increase/ (Decrease)**	**% Change**
Fund Balance with Treasury	$ 55,109,092	$ 52,938,936	$ 2,170,156	4.1%
Investments, Net	9,105,360	8,297,788	807,572	9.7%
General PP&E, Inventory, and Related Property, Net	21,507,716	21,648,342	(140,626)	-0.6%
Accounts, Loans and Interest Receivable, Net & Other	9,660,475	9,745,203	(84,728)	-0.9%
Assets	$ 95,382,643	$ 92,630,269	$ 2,752,374	3.0%

The FY 2017 asset balance increased slightly over the prior fiscal year. The largest increase is in Investments, primarily due to the Deepwater Horizon settlement received and invested in FY 2017. For additional information regarding this Deepwater Horizon consent decree, please refer to Note 4, Accounts and Interest Receivable, Net.

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

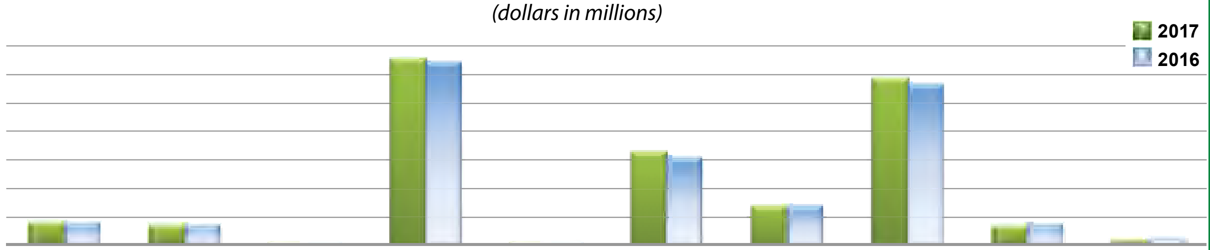
The DOI real property portfolio contains more than 43,000 buildings and 80,000 structures, with a replacement value of more than $300 billion, as well as nearly every type of asset found in a local community. Many of these assets have historic or cultural significance that not only support DOI's mission, but are important to our Nation's heritage.

The DOI's reported values for PP&E exclude stewardship PP&E in accordance with accounting standards. Stewardship PP&E benefits the Nation as a whole and is considered priceless. It is not possible to assign an identifiable value to these assets. An in-depth discussion of stewardship PP&E is presented in the Notes to the Financial Statements section and the Required Supplementary Stewardship Information section of the AFR. The BOR enters into long-term repayment and water service contracts with non-Federal entities that allow use of irrigation and municipal and industrial water facilities in exchange for annual payments that are used to repay a portion of the Federal investment. Unmatured repayment contracts are not recognized on the Balance Sheet as a receivable until the annual payment amount is earned. As of September 30, 2017, and September 30, 2016, amounts not yet earned under BOR's unmatured repayment contracts were $2.29 billion (unaudited) and $2.25 billion (unaudited) respectively.

Comparative assets by bureau are displayed in the graph below. The sum of assets by bureau is not equal to DOI consolidated total assets as intra-departmental eliminations are excluded from the graph presentation.

Assets by Bureau

(dollars in millions)



	IA	BLM	BOEM	BOR	BSEE	DO	FWS	NPS	OSMRE	USGS
FY 2017	$3,961	$3,600	$148	$32,693	$201	$16,295	$6,841	$29,268	$3,501	$1,081
FY 2016	$3,804	$3,476	$157	$32,165	$231	$15,279	$6,778	$28,395	$3,588	$1,105

Analysis of Liabilities

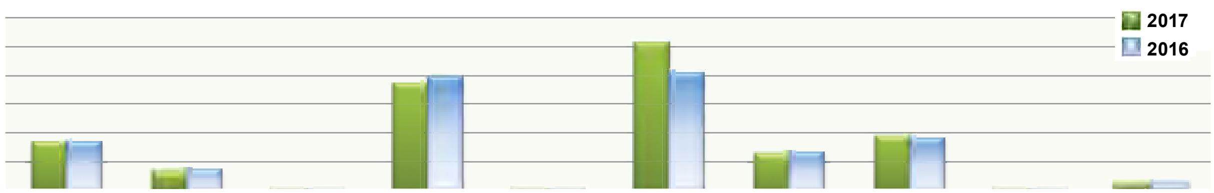
DOI Liabilities *(line items summarized)* *(dollars in thousands)*	FY 2017	FY 2016	Increase/ (Decrease)	% Change
Accounts & Grants Payable	$ 2,408,584	$ 1,819,354	$ 589,230	32.4%
Federal Employee & Veterans Benefits	1,397,231	1,401,100	(3,869)	- 0.3%
Trust Land Consolidation Program	516,671	901,894	(385,223)	- 42.7%
Environmental, Disposal, & Contingent	953,255	868,350	84,905	9.8%
Custodial Liability, Payments Due to States	1,248,323	1,038,743	209,580	20.2%
Advances & Deferred Revenue	2,045,160	1,384,429	660,731	47.7%
Liabilitiy for Capital Transfers to the General Fund	1,583,629	1,723,134	(139,505)	- 8.1%
Judgment Fund Liability	1,220,341	1,215,940	4,401	0.4%
Other, Debt, Loan Guarantees	1,323,123	1,412,837	(89,714)	- 6.3%
Liabilities	$ 12,696,317	$ 11,765,781	$ 930,536	7.9%

The FY 2017 increase in liabilities is comprised primarily of increases in Accounts & Grants Payable, Custodial Liability, Payments Due to States and Advances & Deferred Revenue offset by decreases in the Trust Land Consolidation Program.

The majority of the increase in Accounts Payable as well as Advances relates to a new significant contract for DO in FY 2017. This is offset by a decrease in the Trust Land Consolidation Program at DO which is decreasing as payments are being disbursed.

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

Liabilities by Bureau
(dollars in millions)



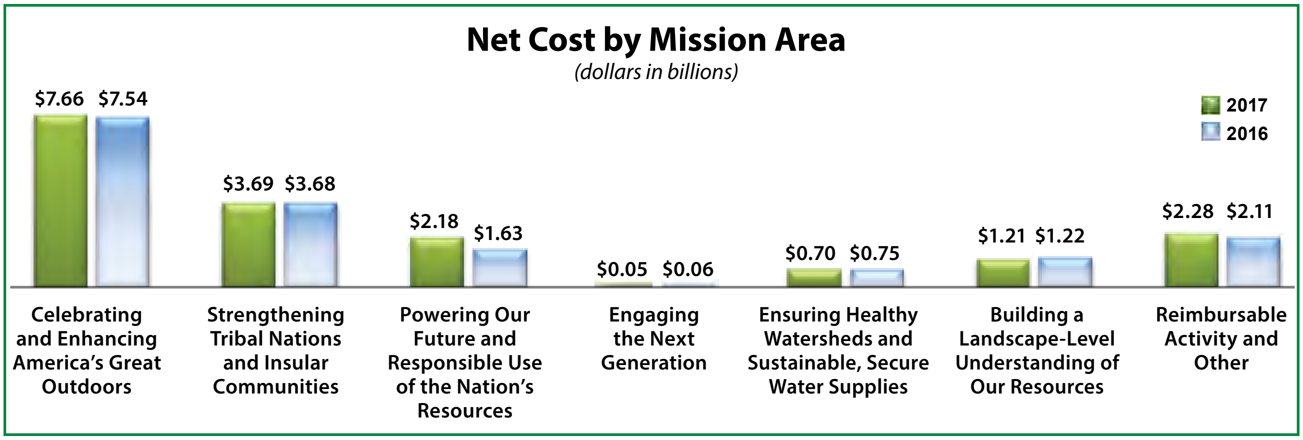
	IA	BLM	BOEM	BOR	BSEE	DO	FWS	NPS	OSMRE	USGS
FY 2017	$1,708	$699	$25	$3,748	$32	$5,166	$1,293	$1,933	$35	$262
FY 2016	$1,700	$743	$24	$4,011	$37	$4,101	$1,350	$1,849	$41	$258

Analysis of Net Costs

DOI Net Cost *(summarized by Bureau)* *(dollars in thousands)*	FY 2017	FY 2016	Increase/ (Decrease)	% Change
Indian Affairs	$ 3,358,136	$ 3,389,480	$ (31,344)	-0.9%
Bureau of Land Management	1,474,858	1,519,886	(45,028)	-3.0%
Bureau of Ocean Energy Management	130,176	110,855	19,321	17.4%
Bureau of Reclamation	1,136,561	1,189,190	(52,629)	-4.4%
Bureau of Safety and Environmental Enforcement	133,556	129,926	3,630	2.8%
Departmental Offices	3,566,035	2,937,820	628,215	21.4%
National Park Service	3,092,548	2,900,846	191,702	6.6%
Office of Surface Mining Reclamation and Enforcement	815,979	644,276	171,703	26.7%
U.S. Fish & Wildlife Service	2,976,447	3,108,748	(132,301)	-4.3%
U.S. Geological Survey	1,161,298	1,170,727	(9,429)	-0.8%
Eliminations	(71,867)	(109,418)	37,551	-34.3%
Net Costs - by Bureau	$ 17,773,727	$ 16,992,336	$ 781,391	4.6%

The Consolidated Statement of Net Cost includes DOI's 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. The Statement of Net Cost also includes Reimbursable Activity and Other, which predominately represents the intragovernmental acquisition of goods and services through the DOI Working Capital Fund and Franchise Fund.

The DOI net costs primarily represent services provided to the public. The DOI recognized an increase in costs in FY 2017 at DO associated with disbursements of oil and gas revenues that were increased due to an increase in commodity prices.



Analysis of Net Cost – Economic Contributions

According to DOI's most recent economic report, DOI plays a substantial role in the U.S. economy, supporting an estimated 1.7 million jobs, providing approximately $145 billion in value and $254 billion in economic activity. The DOI's economic contributions arise as the Department carries out its unique mission, managing Federal lands and waters, and making investments that conserve and restore natural landscapes and the cultural heritage of the Nation. The DOI management also facilitates private sector activities that result in economic contributions. For example, DOI grants access to public lands and offshore areas for conventional and renewable energy development, providing roughly a quarter of the Nation's domestic supplies of oil and natural gas. These oil and gas leasing activities allow the private sector to invest, creating economic output and employment. Similarly, the recreation opportunities provided by DOI's lands and waters promote visitor spending, which contributes to local and regional economies.

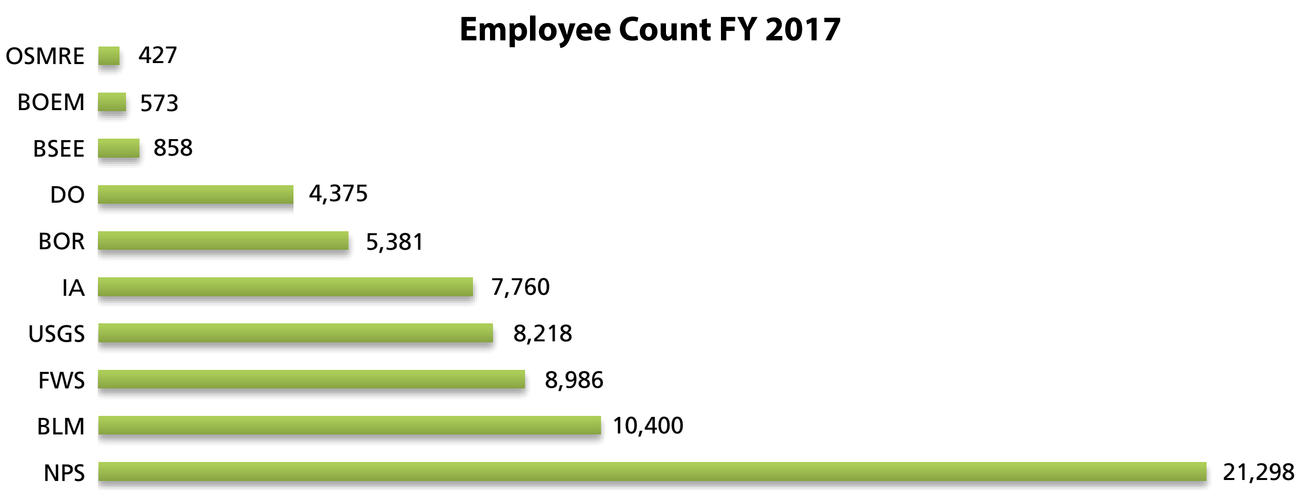
Highlights of DOI's economic contributions to key economic sectors include:

- Fossil Fuel Energy: Oil, gas, and coal produced from DOI-managed lands provided value added of approximately $68.3 billion, estimated economic output contribution of $117.7 billion, and an estimated 582 thousand jobs.
- Renewable Energy: Hydropower, wind and solar power projects on DOI lands were estimated to contribute $3.8 billion in economic output and support over 17,000 jobs.
- Recreation and Tourism: Americans and foreign visitors made an estimated 473 million visits to DOI-managed lands. These visits supported approximately 426,000 jobs, value added provided by visitors to DOI sites was estimated to be $28.1 billion, and economic output was estimated to be $50 billion.
- Water: The DOI stores and delivers water for irrigation, municipal and industrial (M&I), and other uses. The value of water varies widely according to location, type of use, and climatic conditions. The DOI irrigation and M&I water activities are associated with $28.9 billion in value, about $49.7 billion in economic output, and supported an estimated 399,000 jobs. DOI also delivers water to support in-stream flows, wildlife refuges, and other uses that are difficult to value fully and not typically reflected in economic contribution estimates.
- Grants and Payments: The DOI administers numerous grants and payment programs. This financial support helps improve the natural environment, build infrastructure, and provide public and social services. Grant and payment programs administered by DOI provided $6.4 billion in value, economic contributions of $9.1 billion, and supported employment of about 84,000 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 $1.3 billion to economic output and supported approximately 10,000 jobs.

Analysis of Net Cost – DOI Workforce

The DOI costs include $6.9 billion in payroll and benefit costs for employees executing DOI's mission and programs. The DOI employs 68,276 people in approximately 2,400 locations with offices across the United States, Puerto Rico, U.S. territories, and Freely Associated States. The total DOI employees count includes 53,613 full-time permanent staff. Part-time and seasonal staff of 14,663 are also fundamental to the services that DOI provides.

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



Employee Count - Total 68,276
(All employees regardless of work schedule or type of appointment)

Total Payroll & Benefits (dollars in thousands)	
IA	$ 673,364
BLM	1,045,650
BOEM	82,943
BOR	598,239
BSEE	116,503
DO	616,580
FWS	989,758
NPS	1,787,144
OSMRE	53,299
USGS	913,133
TOTAL	$ 6,876,613

Work Schedule Information	Full Time Permanent	Other*	Total
IA	4,540	3,220	7,760
BLM	8,881	1,519	10,400
BOEM	561	12	573
BOR	5,140	241	5,381
BSEE	848	10	858
DO	4,148	227	4,375
FWS	7,862	1,124	8,986
NPS	14,713	6,585	21,298
OSMRE	415	12	427
USGS	6,505	1,713	8,218
Total Employees by Bureau	**53,613**	**14,663**	**68,276**

*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.

Net Cost in Stewardship Investments increased slightly during FY 2017. The majority of the increase in Investment in human Capital is attributed to IA's education programs within the Bureau of Indian Education.

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

Stewardship Investments

(in thousands)	FY 2017	FY 2016	Increase/ (Decrease)	% Change
Non-Federal Physical Property	$ 318,000	$ 306,000	$ 12,000	3.9%
Research and Development	$1,228,000	$ 1,210,000	$ 18,000	1.5%
Human Capital	$ 855,000	$ 818,000	$ 37,000	4.5%

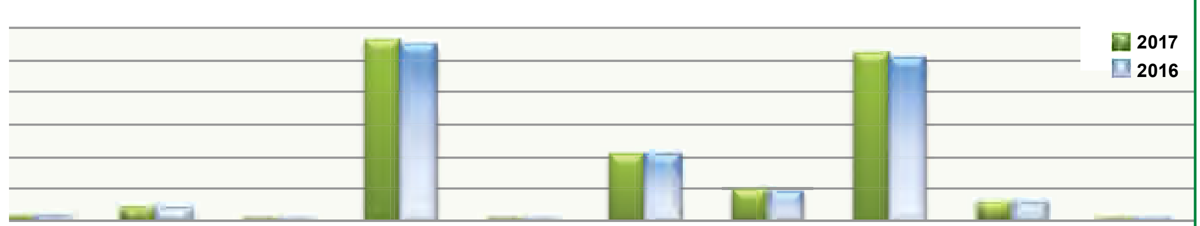
Analysis of Net Position

Net Postion *(dollars in thousands)*	FY 2017	FY 2016	Increase/ (Decrease)	% Change
Unexpended Appropriations	$ 6,642,753	$ 6,536,892	$ 105,861	1.6%
Cumulative Results of Operations	76,043,573	74,327,596	1,715,977	2.3%
Net Position	$ 82,686,326	$ 80,864,488	$ 1,821,838	2.3%

The Net Position of DOI includes Unexpended Appropriations and Cumulative Results of Operations. These two components are displayed on the Statement of Changes in Net Position to provide information regarding the nature of changes to the Net Position of DOI as a whole. Cumulative Results of Operation by Bureau is summarized below.

Cumulative Results of Operations

(dollars in millions)



	IA	BLM	BOEM	BOR	BSEE	DO	FWS	NPS	OSMRE	USGS
FY 2017	$871	$2,152	$99	$28,171	$158	$10,344	$4,728	$26,252	$2,767	$501
FY 2016	$908	$1,969	$118	$27,398	$183	$10,334	$4,603	$25,471	$2,797	$548

Analysis of Budgetary Resources

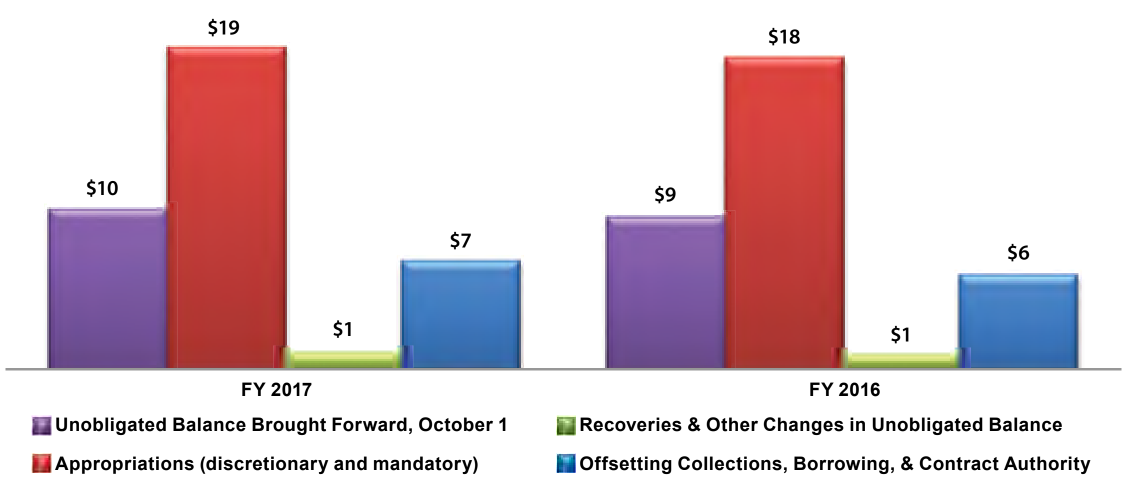
Key Budgetary Measures *(dollars in thousands)*	FY 2017	FY 2016	Increase/ (Decrease)	% Change
Unobligated Balance Brought Forward, October 1	$ 9,502,401	$ 9,052,290	$ 450,111	5.0%
Appropriations (discretionary and mandatory)	19,119,665	18,454,163	665,502	3.6%
Recoveries & Other Changes in Unobligated Balance	972,033	912,435	59,598	6.5%
Offsetting Collections, Borrowing & Contract Authority	6,506,372	5,548,815	957,557	17.3%
Total Budgetary Resources	$ 36,100,471	$ 33,967,703	$ 2,132,768	6.3%
New Obligations & Upward Adjustments	25,366,965	24,465,302	901,663	3.7%
Apportioned, Unexpired	10,507,771	9,256,942	1,250,829	13.5%
Unapportioned, Unexpired & Expired, Unobligated Balance, End of Year	225,735	245,459	(19,724)	-8.0%
Status of Budgetary Resources	$ 36,100,471	$ 33,967,703	$ 2,132,768	6.3%

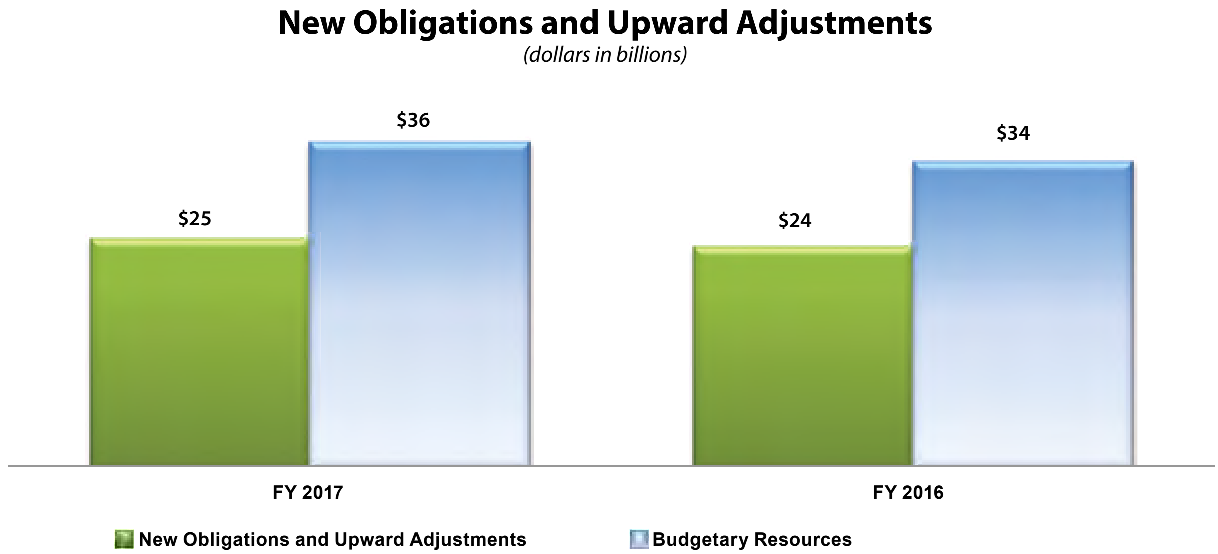
The DOI receives most of its funding from general government funds administered by Treasury and appropriated for DOI's use by Congress. A portion of DOI's resources come from Special and Trust Funds, such as Conservation Funds (the Land and Water Conservation Fund and Historic Preservation Fund), the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

The FY 2017 slight increase in Budgetary Resources is primarily a result of increases in Appropriations, Recoveries and Other Changes in Unobligated Balance, and Offsetting Collections, Borrowing & Contract Authority. The majority of the increase relates to a new significant contract for DO which increased Offsetting Collections for FY 2017.

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

Budgetary Resources
(dollars in billions)

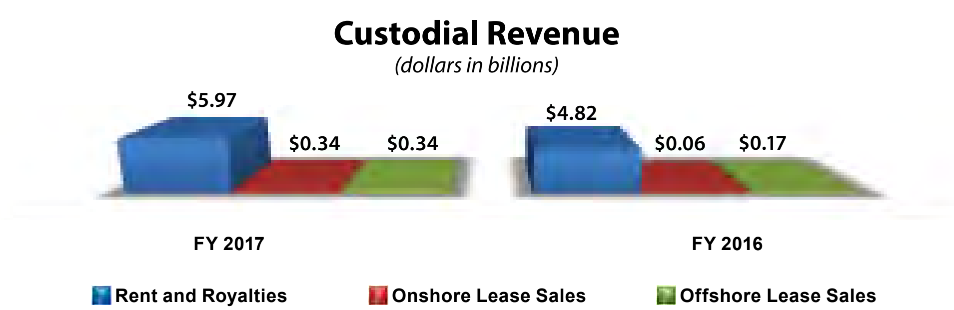




Analysis of Custodial Activity

Custodial Activity (dollars in thousands)	FY 2017	FY 2016	Increase/ (Decrease)	% Change
Rents and Royalties	$ 5,970,908	$ 4,817,280	$ 1,153,628	23.9%
Onshore Lease Sales	343,854	60,426	283,428	469.0%
Offshore Lease Sales	344,966	168,953	176,013	104.2%
Total Custodial Revenue	$ 6,659,728	$ 5,046,659	$ 1,613,069	32.0%

The DOI custodial activity primarily includes mineral leasing revenue collected by DOI resulting from OCS and onshore oil, gas, and mineral sales and royalties. This activity is considered to be revenue of the Federal Government as a whole and is therefore excluded from DOI's Statement of Net Cost. The FY 2017 increase in custodial activity is attributable to a increase in commodity prices.



Limitations of Financial Statements

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

The Department of the Interior (DOI) conserves and manages the Nation's natural resources and cultural heritage for the benefit and enjoyment of the American people, provides scientific and other information about natural resources and natural hazards to address societal challenges and creates opportunities for the American people, and honors the Nation's trust responsibilities or special commitments to American Indians, Alaska Natives, and affiliated island communities to help them prosper. The DOI's diverse mission plays a crucial role in enriching the lives of all Americans and promoting economic growth across America. As the largest land management agency in the Federal Government, DOI is responsible for the oversight and management of America's public lands, national parks, mineral resources, grazing lands, and more. As stewards of this public trust, DOI meets the diverse needs of Americans by managing America's public lands for multiple uses, ensuring these lands are available for recreation, energy development, and for job growth and creation. By embracing a balanced stewardship approach, DOI is positioned as a leader in boosting job creation and spurring economic growth in the land, energy and recreation industries.

The DOI strives to fulfill the Secretary's vision to:

- ***Promote energy and minerals independence*** to create jobs for Americans, insulate our Nation from volatile political developments overseas, and generate revenue for all levels of government so they in turn have the resources to better serve the American people.
- ***Increase access to outdoor recreation opportunities for all Americans*** so that our people can be healthier, more fully enjoy the wonderful features of their Federal lands, and take advantage of hunting, fishing, and other wildlife oriented pursuits that are the roots of the conservation movement.
- ***Enhance conservation stewardship*** whereby all levels of government and private landowners work cooperatively together in an atmosphere of mutual respect to achieve shared natural resource management goals.
- ***Improve management of species and their habitats*** by focusing our financial and staff resources on improving the status of our Nation's fish and wildlife and the healthy habitats that support them, and by streamlining bureaucratic processes to help us spend relatively more of our funding productively on the ground, so we can more quickly and effectively respond to societal needs and our own natural resource management responsibilities.
- ***Uphold trust and related responsibilities*** recognizing that Indian tribes, the U.S. territories, and certain Pacific islands with whom we have a special relationship are all sovereign governments, deserving of our respect, and who have a right to expect we will have their interest in mind as we carry out our mission.

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

In alignment with the President's Executive Order on Promoting Energy Independence and Economic Growth, which prioritizes our Nation's energy development, DOI is committed to achieving and maintaining American energy dominance, with an "all-of-the-above" energy strategy. Serving as a leader in energy development, DOI manages and provides access to energy and other resources including oil, gas, coal, water, timber, grazing, and non-energy minerals on public lands and the Outer Continental Shelf. The use of these resources, and the further growth of these energy-based industries, enrich the lives of Americans and provide a source of economic growth at many local communities across the Nation. To achieve the responsible productivity of the public lands, DOI will balance conservation principles with multiple-use strategies, which will provide economic benefit to both present and future generations.

Outdoor recreation is integral to a healthy lifestyle for millions of Americans. As the largest Federal land management agency, DOI seeks to further promote use of public lands for outdoor recreational activities, by establishing recreation on public lands as a cornerstone of DOI's multiple-use land strategy. Through DOI's multiple-use policy, Americans have the opportunity within DOI managed public lands to hunt, fish, hike, camp, climb, sail on boats, view wildlife, and to pursue other outdoor activities. Visitors to DOI's public lands and waters experience the physical, mental, and social benefits that outdoor recreation provides and form an integral connection with America's great lands. The visitors to our lands today will be our conservation leaders of tomorrow. Outdoor activities on public lands enrich the lives of Americans, provide greater opportunities for future generations to connect with nature, and will help to shape future leaders in conservation.

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

The DOI's activities are guided by a Strategic Plan and a set of Priority Performance Goals. 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.

Ensuring Effective and Accountable Leadership - A critical role for DOI's senior executives is providing the necessary leadership to guide the efforts of DOI's offices, bureaus, and field locations in effectively achieving Presidential and Secretarial goals: ensuring cost effective operations and quality service to the public; facilitating cooperation and collaboration across organizations within DOI and its Federal and non-Federal partners; providing a workplace environment that is safe, fair, and conducive to employee productivity; resolving conflicts as needed; and holding individuals accountable for their actions. The DOI embraces a zero tolerance policy for sexual harassment and expects all leadership to serve as role models in following and enforcing this policy.

Empowering the Field - Accomplishing the multi-faceted missions of DOI involves the skills of 9 bureaus and the Departmental offices spanning 2,400 locations across the U.S. These locations are often remote and present managers with unique challenges. Managers and experts in the field must exercise judgement and discretion, and must have a skilled workforce to address the issues in managing their operations. Decisions are frequently made at higher levels in the organization at a regional or headquarters level, which are far removed from the realities present in the field. To address this challenge, DOI plans to further empower the managers and employees in the field by shifting more of the decisionmaking out to the field from the headquarters level. This initiative will help to reengage the workforce and increase employee morale at the front lines.

Engaging the Nation in Cooperative Stewardship - In managing such a broad range of resources for the benefit of the public, DOI works closely with other Federal agencies, state, tribal, territorial, and local governments, and the public. The DOI is working to increase coordination across agency lines and levels of government to achieve common goals and resolve differences without litigation.

With a focus on cooperative stewardship, DOI will focus on leveraging taxpayer investment with public and private resources through wildlife conservation, historic preservation, and recreation grants. These programs encourage partnerships by providing matching funds that produce greater benefits to taxpayers for the Federal dollars invested. For example, the FY 2018 budget for NPS includes $15 million in current funding for the Centennial Challenge matching program to leverage private donations for park projects. This and other bureau programs highlight the strong cooperative spirit that DOI fosters through partnerships with many Federal agencies, state, tribal, territorial, and local governments, and the public to build out the cooperative stewardship model of the future.

Improving Infrastructure – The DOI manages an infrastructure asset portfolio with a replacement value exceeding $300 billion. Most well-known are DOI's iconic and unique national treasures, which have priceless historical significance. The DOI owns approximately 43,000 buildings, 100,000 miles of roads, and 80,000 structures; including dams, laboratories, employee housing, Indian schools, visitor facilities, historic structures and power infrastructure. The related deferred maintenance backlog has grown to over $16 billion in FY 2017, of which over $11 billion belongs to NPS.

Taking care of this significant asset portfolio is a persistent challenge. The DOI is committed to looking into ways to address this backlog and to maintaining its facilities for the safety and productivity of its workforce, and the enjoyment of the American public. Due to the magnitude of the infrastructure maintenance backlog, this will be a long term initiative that is vital for the preservation of DOI's assets for future generations.

The DOI's transportation assets, such as roads and bridges, account for about half of DOI's deferred maintenance backlog. The Federal Lands Transportation Program, funded by Congress via the Department of Transportation Highway Trust Fund, will provide more than $300 million for Interior projects in FY 2018.

A portion of these funds will help NPS conduct much needed repairs to the Arlington Memorial Bridge, linking Virginia to Washington, DC.

The DOI also is participating in a government-wide effort to improve agency management and streamline permitting for energy and other infrastructure projects. The DOI is one of 13 Federal agencies implementing Title 41 of the *Fixing America's Surface Transportation Act* – commonly referred to as FAST-41 – which was designed to improve the timeliness, predictability, and transparency of the Federal environmental review and authorization process for specific infrastructure projects. The DOI is the lead agency for eight projects, and either a coordinating or cooperating partner for 14 projects.

Striking a Regulatory Balance - In accordance with the Executive Order on Enforcing the Regulatory Reform Agenda, DOI will identify regulations for repeal, replacement, or modification that eliminate jobs, inhibit job creation, are outdated, unnecessary, ineffective, impose costs that exceed benefits, or rely on data or methods that are not publicly available or insufficiently transparent to meet the standard for reproducibility. When implementing any future regulatory actions, DOI plans to take a measured and thoughtful approach. This will ensure future DOI regulations seek to strike a stronger balance of regulation with the practicality of application.

Generating Revenue, Jobs, and Economic Activity - The DOI grants access to public lands and offshore areas for conventional and renewable energy development—representing roughly a quarter of the Nation's domestic supplies of oil and natural gas—while ensuring safety, environmental protection, and revenue generation for the American public. It is important to the Nation's future that these natural resources are managed wisely and made accessible for public use to help generate revenues and grow the U.S. economy.

During FY 2017, Secretary Zinke started several efforts to put America on track to achieve the President's vision for energy dominance. The DOI lifted the 2016 moratorium on all new coal leases on Federal land, and will review areas closed off by the 2017-2022 program for oil and gas leasing without disrupting scheduled lease sales. To ensure American taxpayers continue to receive the full value of natural resources produced on Federal lands, in April 2017, Secretary Zinke signed a charter establishing a Royalty Policy Committee of 28 local, tribal, state, and other stakeholders, to advise him on the fair market value of and revenue collection from Federal and Indian mineral and energy leases, including renewable energy sources.

The DOI provides technical assistance and continues funding for the multi-bureau Indian Energy Service Center established to expedite the leasing, permitting, and reporting for conventional and renewable energy on Indian lands. Income from energy is one of the larger sources of revenue generated from trust lands, and these programs assist tribal landowners optimize sustainable stewardship and use of resources, providing benefits such as revenues and jobs.

Restoring Trust - As true stewards of the Nation's natural and cultural resources, it is critical that DOI can be trusted to operate in the best interest of the American public. Key to maintaining public trust and confidence in the integrity of government is the adherence to high ethical standards and ensuring that government business is conducted with impartiality and integrity. The DOI embodies this principle, follows the law, and holds people accountable. Decisions are based on the best interest of the public, with the goal of promoting and supporting transparency, accountability, and efficiency.

With a strong focus on maintaining trust, DOI is committed to effective financial operations and accountability including high quality and timely reporting, robust internal controls, clean audits, and effective follow-up on audit and internal control findings. The DOI utilizes FBMS for the integration of business functions including budget execution, finance, acquisition, improved internal controls, a secure information technology environment, and a community of business innovation, efficiency, and transparency.

The DOI has a deep commitment to strengthen America's economic and energy security, focus on the Nation's infrastructure, to be responsible stewards of this magnificent land, encourage public access for outdoor recreation, and strengthen and respect tribal sovereignty. At the same time, DOI is committed to fiscal responsibility and, through the President's budget for FY 2018, is proposing sensible and rational reductions and making hard choices to reach a balanced budget by FY 2027.

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

Memorandum

NOV 15 2017

To: Secretary Zinke

From: Mary L. Kendall
Deputy Inspector General

Subject: Independent Auditors' Report on the U.S. Department of the Interior Financial Statement for Fiscal Years 2017 and 2016
Report No. 2017-FIN-026

This memorandum transmits the KPMG LLP (KPMG) auditors' report of the U.S. Department of the Interior's (DOI) financial statements for fiscal years (FYs) 2017 and 2016. The Chief Financial Officers Act of 1990 (Public Law 101-576), as amended, requires the DOI Inspector General, or an independent external auditor as determined by the Inspector General, to audit the DOI financial statements.

Under a contract issued by DOI and monitored by the Office of Inspector General, KPMG, an independent public accounting firm, performed an audit of DOI's FYs 2017 and 2016 financial statements. The contract required the audit to be performed in accordance with the Generally Accepted Government Auditing Standards (GAGAS), issued by the Comptroller General of the United States, and Office of Management and Budget Bulletin No. 17-03, "Audit Requirements for Federal Financial Statements."

Results of Independent Audit

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

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

[1] A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Office of Inspector General | Washington, DC

Evaluation of KPMG's Audit Performance

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

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

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

Report Distribution

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

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

Attachment

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

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the U.S. Department of the Interior (the Department), which comprise the consolidated balance sheets as of September 30, 2017 and 2016, and the related consolidated statements of net cost, changes in net position, and custodial activity, and combined statements of budgetary resources for the years then ended, and the related notes to the consolidated financial statements (hereinafter referred to as "consolidated financial statements" or "basic consolidated financial statements").

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with Office of Management and Budget (OMB) Bulletin No. 17-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 17-03 require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion on the Financial Statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Department of the Interior as of September 30, 2017 and 2016, and its net costs, changes in net position, budgetary resources, and custodial activity for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Interactive Data

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

Required Supplementary Information

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

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The information in the *Introduction*, *Office of Inspector General Transmittal*, *Other Information*, and *We Would Like to Hear From You* sections of the Department's 2017 *Agency Financial Report* is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements as of and for the year ended September 30, 2017, we considered the Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Exhibit I, as items that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 17-03.

We also performed tests of its compliance with certain provisions referred to in Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances in which the Department's financial management systems did not substantially comply with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.

Department's Responses to Findings

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

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

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

KPMG LLP

Washington, D.C.
November 15, 2017

EXHIBIT I

SIGNIFICANT DEFICIENCIES

During fiscal year (FY) 2017, the Department initiated implementation of corrective action plans to address internal control weaknesses and strengthen internal controls. Although the Department made progress in certain financial management and reporting areas, internal control deficiencies remain in certain areas of accounting and reporting of general property, plant, and equipment; accounts payable; and general information technology (IT) controls, as outlined below. The Department indicated that additional remediation is scheduled to continue in FY 2018.

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

Conditions

The Department reported $21.4 billion in property, plant, and equipment (PP&E) net of accumulated depreciation, as of September 30, 2017, including $2 billion in construction in progress (CIP). Controls were not operating effectively to determine that completed CIP projects are monitored and transferred to property, plant, and equipment in a timely manner. We continue to note instances where:

- Completed projects were not transferred out of CIP and into the associated property, plant and equipment account as of September 30, 2017.
- Projects related to non-federal physical property were inappropriately capitalized rather than expensed.
- Completed projects were transferred to property, plant and equipment as of September 30, 2017, but not in a timely manner per bureau policy.

Criteria

- Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government* (Green Book) Principle 4 and 10 – *Demonstrate Commitment to Competence* and *Design Control Activities*, respectively.
- Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, Section IV, *Assessing Internal Control*.
- Financial Accounting Standards Board (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) No. 6, *Accounting for Property, Plant, and Equipment*.
- National Parks Service (NPS) Real Property Capitalization Policy Memo.
- Bureau of Reclamation (BOR) Temporary Reclamation Manual Release 92 (TRMR-92) *Assets Under Construction*.
- Bureau of Indian Affairs (IA) *Assets Under Construction Handbook Accounting Management Handbook 27 IAM 15-H*.

Cause and Effect

Project managers are not properly and timely notifying the appropriate finance offices when a project is substantially complete, and regional/finance offices are not obtaining sufficient documetation in a timely manner to intiate and complete transfers. In addition, title, or ownership, of PP&E may not be determined in a sufficiently timely manner as to allow the timely recording and transfer of assets. If left un-remediated, these conditions present an increased risk that errors in PP&E will not be prevented, or detected and corrected, by the Departments' management in the normal course of performing their assigned functions.

Recommendations

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

- Reinforce existing policies, procedures, and controls over assets under construction with project managers and accounting personnel to ensure projects are monitored timely and that transactions are recorded accurately and timely.
- Perform an assessment and update Department-wide property, plant, and equipment policies and procedures over proper recording of capital assets, including guidelines for timely recording, to ensure consistent monitoring of assets under construction and to ensure proper recording and classification of capital assets/assets under construction. Additionally, the Department should consider developing and monitoring construction related aging reports based on estimated completion dates.
- Communicate updated policy to help bureaus properly record costs incurred for assets constructed on behalf of other entities.

B. Lack of Sufficient Controls over Accounts Payable

Conditions

The Department reported $1.9 billion in accounts payable as of September 30, 2017. The Department estimates accounts payable balances on either the past history of payments in the current period that relates to prior periods, a percentage of undelivered orders, or a current assessment of services/products received but not paid. The Department continued to implement corrective actions to address internal control weaknesses and strengthen internal controls over accrued liabilities. However, we continue to note deficiencies in controls over accruing for accounts payables, as follows:

- Controls were not properly designed and implemented to perform a comprehensive review of policies, procedures, and estimation methodology variances impacting accounts payable to determine whether balances were in accordance with applicable accounting standards and were not misstated at the financial statement line level.
- Controls were not consistently applied by the Department to accrue for certain contracts where assessments reported costs were incurred though not billed as of the end of the fiscal year.

Criteria

- GAO *Standards for Internal Control in the Federal Government* (Green Book) Principle 10, 13 and 16 – *Design Control Activities, Use Quality Information,* and *Perform Monitoring Activities*, respectively.
- FASAB SFFAS No. 1 *Accounting for Selected Assets and Liabilities*.
- Statement of Federal Financial Accounting Concept (SFFAC) No. 5 *Definitions of Elements and Basic Recognition Criteria for Accrual*.
- OMB Circular No. A-136, *Financial Reporting Requirements*.
- DOI Financial Management Memorandum 2017-029, *Estimation Methodology and Validation for Accounts Payable Accruals.*

Cause and Effect

The Department has not designed and implemented a comprehensive control which considers all variances in order to conclude upon whether accounts payable as of the end of a fiscal year are complete and accurate at the financial statement line level. If left un-remediated, these conditions present an increased the risk that errors in accounts payable will not be prevented, or detected and corrected, by the Departments' management in the normal course of performing their assigned functions. As a result of our observations, the Department analyzed its estimation process and recorded an additional $68.5 million of Intragovernmental Accounts Payable.

Recommendations

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

- Refine the existing retrospective review policy to require reviewers to validate inputs and any resulting conclusions or action items are taken before year end as a result of the retrospective review and are appropriately documented and retained by control operators.
- Design policies and procedures to evaluate, in aggregate, the results of the analyses performed at the financial statement line level, Public Accounts Payable and Intragovernmental Accounts Payable, to determine that appropriate conclusions are reached regarding the fair presentation of the financial statements.

C. Lack of Sufficient General Information Technology Controls

Conditions

The Department had several control deficiencies related to its financial IT systems that are summarized as follows:

Provisioning of Access and Segregation of Duties:

Preventive controls, such as provisioning of IT access, are controls designed to reduce the risk of unauthorized and/or inappropriate access to the relevant financial IT systems. When IT personnel or users are given, or can gain, access privileges beyond those necessary to perform their assigned duties, a breakdown in segregation of duties can occur. This unauthorized access could result in inappropriate and/or unauthorized transactions or changes to programs or data that affect the financial statements. The Department did not effectively review annual recertifications of user access rights, did not monitor an individual with access to the development and production environments, did not document or timely assess and apply system patches, and did not remove user access rights due to changes in assigned duties or separations timely.

Change Management:

Detective controls, such as change management, are controls designed to determine that changes to financial IT systems are authorized, tested, approved, properly implemented, and documented. The Department did not have adequately designed controls over the review of user access rights, did not have adequate monitoring procedures for an individual with access to the development and production environments, did not document or timely assess and apply system patches, and did not remove user access rights due to changes in assigned duties or separations timely.

Criteria

- GAO *Standards for Internal Control in the Federal Government* (Green Book) Principle 5, 10, 11 and 12 – *Enforce Accountability, Design Control Activities, Design Activities for Information System* and *Implement Control Activities*, respectively.
- OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, provides specific requirements for assessing and reporting on controls in the federal government.
- National Institute of Standards and Technology (NIST) Special Publication 800-53, Revision 4, *Security and Privacy Controls for Federal Information Systems and Organizations*.
- System Security Plan (SSP) for Federal Personnel and Payroll System
- BOR SSP for Electronic Time and Attendance System
- Minerals Revenue Management SSP

Cause and Effect

The Department does not have sufficient procedures and controls in place to support compliance with the Green Book and the Department's Security Control Standards and Manuals. The aforementioned IT control deficiencies pose a risk to the completeness, accuracy, and integrity of the Department's financial information, which could ultimately affect the Department's ability to produce accurate and timely financial statements. The Department is at risk that unauthorized, unanticipated, and/or inappropriate activities or changes, made to the relevant financial IT systems, may go undetected by management. The related systems are at risk of data leakage, denial-of-service, or unauthorized modification of data held within the IT systems that are necessary for the complete and accurate presentation of the financial statements.

Recommendations

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

- Develop policies, procedures and controls to address the provisioning of access and change management control deficiencies identified in the Department's financial IT systems.
- Continue to formalize and disseminate security control standards and guidelines to the bureaus and formally establish security control implementation and testing policies and procedures.
- Monitor progress to ensure that procedures and controls are appropriately designed, implemented, and maintained.

United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, DC 20240

November 15, 2017

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: Scott Cameron
Principal Deputy Assistant Secretary for Policy, Management, and Budget, Exercising the Functions, Duties, and Responsibilities of the Assistant Secretary for Policy, Management, and Budget and Chief Financial Officer

Subject: Management's Response to Independent Auditors' Report for Fiscal Year (FY) 2017 (Assignment No. 2017-FIN-026)

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 there are no material weaknesses. The Department appreciates the recommendations from the auditors and we look forward to working with you to continue improving financial management in our Department. Our response to the findings and recommendations follows.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Management concurs. In FY 2017, the Department strengthened policies and procedures to aggregate and analyze property, plant, and equipment activities on a Department-wide basis. In the current year, we will reinforce existing policies, procedures, and controls over the additions, deletions, and transfers of PP&E as well as assets under construction to ensure transactions are recorded accurately as well as timely and our balances are accurate.

Page 2 of 2

B. Lack of Sufficient Controls over Accounts Payable

Management concurs. In FY 2018, the Department will improve controls over the monitoring and accounting of accounts payable through a combination of improved policies and procedures, appropriate precision thresholds, and oversight of bureau and office accruals.

C. Lack of Sufficient General Information Technology Controls

Management concurs. In FY 2018, the Department will pursue additional policies and monitoring activities to address the provisioning of access, security and vulnerability management, system audit log review, and change management control deficiencies in the Department's financial IT systems. In addition, we will continue to formalize and disseminate security control standards and guidelines to the bureaus as well as formally establish security control implementation and testing policies and procedures. Finally, we will monitor progress to ensure that procedures and controls are appropriately designed, implemented, and maintained.

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

PRINCIPAL FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

Consolidated Balance Sheet
as of September 30, 2017 and 2016

(dollars in thousands)	FY 2017	FY 2016
ASSETS (Note 8)		
Intragovernmental Assets:		
Fund Balance with Treasury (Note 2)	$ 55,109,092	$ 52,938,936
Investments, Net (Note 3)	9,001,336	8,120,986
Accounts and Interest Receivable	1,578,157	1,530,180
Other	3,927	4,788
Total Intragovernmental Assets	$ 65,692,512	$ 62,594,890
Cash	413	409
Investments, Net (Note 3)	104,024	176,802
Accounts and Interest Receivable, Net (Note 4)	7,892,798	8,023,536
Loans and Interest Receivable, Net (Note 5)	54,749	56,719
Inventory and Related Property, Net (Note 6)	53,271	77,315
General Property, Plant, and Equipment, Net (Note 7)	21,454,445	21,571,027
Other	130,431	129,571
TOTAL ASSETS	$ 95,382,643	$ 92,630,269
Stewardship PP&E (Note 9)		
LIABILITIES (Note 14)		
Intragovernmental Liabilities:		
Accounts Payable	$ 692,169	$ 607,595
Debt (Note 10)	42,661	44,646
Other:		
Liability for Capital Transfers to the General Fund (Note 11)	1,583,629	1,723,134
Advances and Deferred Revenue	1,063,924	411,135
Custodial Liability	680,445	700,241
Judgment Fund Liability	1,220,341	1,215,940
Other Miscellaneous Liabilities	398,171	471,996
Total Intragovernmental Liabilities	$ 5,681,340	$ 5,174,687
Accounts Payable	1,313,120	697,583
Loan Guarantee Liability (Note 5)	40,993	34,117
Federal Employee and Veteran Benefits (Note 12)	1,397,231	1,401,100
Environmental and Disposal Liabilities (Note 13)	865,240	829,698
Other:		
Contingent Liabilities (Note 13)	88,015	38,652
Trust Land Consolidation Program Liability	516,671	901,894
Advances and Deferred Revenue	981,236	973,294
Payments Due to States	567,878	338,502
Grants Payable	403,295	514,176
Other Miscellaneous Liabilities	841,298	862,078
TOTAL LIABILITIES	$ 12,696,317	$ 11,765,781
Commitments and Contingencies (Notes 13 and 15)		
NET POSITION (NOTE 16)		
Unexpended Appropriations - Funds from Dedicated Collections	912,994	790,706
Unexpended Appropriations - All Other Funds	5,729,759	5,746,186
Cumulative Results of Operations - Funds from Dedicated Collections	73,804,812	71,190,531
Cumulative Results of Operations - All Other Funds	2,238,761	3,137,065
TOTAL NET POSITION	$ 82,686,326	$ 80,864,488
TOTAL LIABILITIES AND NET POSITION	$ 95,382,643	$ 92,630,269

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

Consolidated Statement of Net Cost
for the years ended September 30, 2017 and 2016

(dollars in thousands)	FY 2017	FY 2016
Celebrating and Enhancing America's Great Outdoors		
Gross Costs	$ 8,877,684	$ 8,681,915
Less: Earned Revenue	1,222,118	1,144,761
Net Cost	7,655,566	7,537,154
Strengthening Tribal Nations and Insular Communities		
Gross Costs	4,001,150	3,984,028
Less: Earned Revenue	312,913	301,317
Net Cost	3,688,237	3,682,711
Powering Our Future and Responsible Use of the Nation's Resources		
Gross Costs	2,961,995	2,331,325
Less: Earned Revenue	778,090	699,513
Net Cost	2,183,905	1,631,812
Engaging the Next Generation		
Gross Costs	54,874	56,238
Less: Earned Revenue	67	54
Net Cost	54,807	56,184
Ensuring Healthy Watersheds and Sustainable, Secure Water Supplies		
Gross Costs	1,303,327	1,325,439
Less: Earned Revenue	602,406	575,517
Net Cost	700,921	749,922
Building a Landscape-Level Understanding of Our Resources		
Gross Costs	1,647,790	1,618,916
Less: Earned Revenue	442,284	398,790
Net Cost	1,205,506	1,220,126
Reimbursable Activity and Other		
Gross Costs	4,272,003	3,834,553
Less: Earned Revenue	1,987,218	1,720,126
Net Cost	2,284,785	2,114,427
TOTAL		
Gross Costs	23,118,823	21,832,414
Less: Earned Revenue	5,345,096	4,840,078
Net Cost of Operations (Notes 18 and 20)	$ 17,773,727	$ 16,992,336

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

Consolidated Statement of Changes in Net Position

for the years ended September 30, 2017 and 2016

(dollars in thousands)	FY 2017 Combined Funds from Dedicated Collections (Note 16)	FY 2017 Combined All Other	FY 2017 Eliminations	FY 2017 Consolidated	FY 2016 Combined Funds from Dedicated Collections (Note 16)	FY 2016 Combined All Other	FY 2016 Eliminations	FY 2016 Consolidated
UNEXPENDED APPROPRIATIONS								
Beginning Balance	$ 790,786	$ 5,746,383	$ (277)	$ 6,536,892	$ 476,073	$ 5,315,055	$ (80)	$ 5,791,048
Budgetary Financing Sources								
Appropriations Received, General Funds	372,815	12,817,708	-	13,190,523	394,518	12,700,340	-	13,094,858
Appropriations Transferred In/(Out)	-	(25,689)	-	(25,689)	-	8,198	(197)	8,001
Appropriations - Used	(250,510)	(12,743,765)	-	(12,994,275)	(79,805)	(12,236,609)	-	(12,316,414)
Other Adjustments	(17)	(64,681)	-	(64,698)	-	(40,601)	-	(40,601)
Net Change	122,288	(16,427)	-	105,861	314,713	431,328	(197)	745,844
Ending Balance - Unexpended Appropriations	$ 913,074	$ 5,729,956	$ (277)	$ 6,642,753	$ 790,786	$ 5,746,383	$ (277)	$ 6,536,892
CUMULATIVE RESULTS OF OPERATIONS								
Beginning Balance	$ 69,535,178	$ 4,792,141	$ 277	$ 74,327,596	$ 61,433,479	$ 4,802,371	$ 80	$ 66,235,930
Budgetary Financing Sources								
Appropriations - Used	250,510	12,743,765	-	12,994,275	79,805	12,236,609	-	12,316,414
Royalties Retained	3,926,837	-	-	3,926,837	2,814,863	1,200	-	2,816,063
Non-Exchange Revenue	1,240,334	35,105	-	1,275,439	8,616,539	118,828	-	8,735,367
Transfers In/(Out) without Reimbursement	467,022	8,841	146,789	622,652	437,187	(2,729)	138,998	573,456
Donations and Forfeitures of Cash and Cash Equivalents	69,326	-	-	69,326	63,385	-	-	63,385
Other Budgetary Financing Sources/(Uses)	76,751	(76,785)	-	(34)	-	-	-	-
Other Financing Sources								
Donations and Forfeitures of Property	12,341	6,205	-	18,546	26,816	(1,582)	-	25,234
Transfers In/Out without Reimbursement (Notes 16 & 20)	(34,377)	155,281	(146,789)	(25,885)	(137,356)	271,505	(138,801)	(4,652)
Imputed Financing from Costs Absorbed by Others (Note 17)	102,224	696,173	(71,863)	726,534	144,912	852,657	(109,417)	888,152
Other Non-Budgetary Financing Sources/(Uses)	224,733	(342,719)	-	(117,986)	(38,745)	(290,672)	-	(329,417)
Total Financing Sources	6,335,701	13,225,866	(71,863)	19,489,704	12,007,406	13,185,816	(109,220)	25,084,002
Net Cost of Operations	(4,269,384)	(13,576,206)	71,863	(17,773,727)	(3,905,707)	(13,196,046)	109,417	(16,992,336)
Net Change	2,066,317	(350,340)	-	1,715,977	8,101,699	(10,230)	197	8,091,666
Ending Balance - Cumulative Results of Operations	$ 71,601,495	$ 4,441,801	$ 277	$ 76,043,573	$ 69,535,178	$4,792,141	$ 277	$ 74,327,596
TOTAL NET POSITION	$ 72,514,569	$10,171,757	$ -	$ 82,686,326	$ 70,325,964	$10,538,524	$ -	$ 80,864,488

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

Combined Statement of Budgetary Resources

for the years ended September 30, 2017 and 2016

(dollars in thousands)	Budgetary Accounts FY 2017	Non-Budgetary Credit Program Financing Accounts FY 2017	Budgetary Accounts FY 2016	Non-Budgetary Credit Program Financing Accounts FY 2016
Budgetary Resources:				
Unobligated balance brought forward, October 1	$ 9,443,437	$ 58,964	$ 9,005,805	$ 46,485
Recoveries of prior year unpaid obligations	1,121,105	-	1,071,490	-
Other changes in unobligated balance	(148,382)	(690)	(156,594)	(2,461)
Unobligated balance from prior year budget authority, net	10,416,160	58,274	9,920,701	44,024
Appropriations (discretionary and mandatory)	19,119,665	-	18,454,652	(489)
Borrowing authority (discretionary and mandatory)	-	193	-	1,310
Spending authority from offsetting collections (discretionary and mandatory)	6,489,861	16,318	5,519,501	28,004
Total Budgetary Resources	**$ 36,025,686**	**$ 74,785**	**$ 33,894,854**	**$ 72,849**
Status of Budgetary Resources:				
New obligations and upward adjustments (total)	$ 25,342,394	$ 24,571	$ 24,451,417	$ 13,885
Unobligated balance, end of year:				
Apportioned, unexpired accounts	10,457,557	50,214	9,197,978	58,964
Unapportioned, unexpired accounts	27,902	-	50,482	-
Unexpired, unobligated balance, end of year	10,485,459	50,214	9,248,460	58,964
Expired, unobligated balance, end of year	197,833	-	194,977	-
Unobligated balance, end of year (total)	10,683,292	50,214	9,443,437	58,964
Total Budgetary Resources	**$ 36,025,686**	**$ 74,785**	**$ 33,894,854**	**$ 72,849**
Change in Obligated Balance:				
Unpaid obligations:				
Unpaid obligations, brought forward, October 1	$ 11,675,391	$ -	$ 11,010,695	$ -
New obligations and upward adjustments (total)	25,342,394	24,571	24,451,417	13,885
Outlays (gross) (-)	(23,778,697)	(24,571)	(22,715,231)	(13,885)
Recoveries of prior year unpaid obligations (-)	(1,121,105)	-	(1,071,490)	-
Unpaid obligations, end of year	12,117,983	-	11,675,391	-
Uncollected payments:				
Uncollected payments, Federal sources, brought forward, October 1 (-)	(3,051,609)	(2,781)	(3,066,485)	(3,042)
Change in uncollected payments, Federal sources	(99,831)	(3,343)	14,876	261
Uncollected payments, Federal sources, end of year (-)	(3,151,440)	(6,124)	(3,051,609)	(2,781)
Obligated balance, start of year	8,623,782	(2,781)	7,944,210	(3,042)
Obligated balance, end of year	$ 8,966,543	$ (6,124)	$ 8,623,782	$ (2,781)
Budget Authority and Outlays, Net:				
Budget authority, gross (discretionary and mandatory)	$ 25,609,526	$ 16,511	$ 23,974,153	$ 28,825
Actual offsetting collections (discretionary and mandatory)	(6,399,137)	(14,463)	(5,587,557)	(29,482)
Change in uncollected payments, Federal sources	(99,831)	(3,343)	14,876	261
Recoveries of Prior Year Paid Obligations (discretionary and mandatory)	1,937	-	2,162	-
Budget authority, net (total) (discretionary and mandatory)	**$ 19,112,495**	**$ (1,295)**	**$ 18,403,634**	**$ (396)**
Outlays, gross (discretionary and mandatory)	23,778,697	24,571	22,715,231	13,885
Actual offsetting collections (discretionary and mandatory)	(6,399,137)	(14,463)	(5,587,557)	(29,482)
Outlays, net (total) (discretionary and mandatory)	17,379,560	10,108	17,127,674	(15,597)
Distributed offsetting receipts (-)	(5,226,597)	-	(4,443,289)	-
Agency outlays, net (discretionary and mandatory)	$ 12,152,963	$ 10,108	$ 12,684,385	$ (15,597)

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

Consolidated Statement of Custodial Activity

for the years ended September 30, 2017 and 2016

(dollars in thousands)	FY 2017	FY 2016
Revenues on Behalf of the Federal Government		
Mineral Lease Revenue		
Rents and Royalties	$ 5,970,908	$ 4,817,280
Onshore Lease Sales	343,854	60,426
Offshore Lease Sales	344,966	168,953
Total Revenue	$ 6,659,728	$ 5,046,659
Disposition of Revenue		
Distribution to Department of the Interior		
Departmental Offices	1,652,998	1,275,215
National Park Service Conservation Funds	1,108,811	883,970
Bureau of Reclamation	1,146,690	1,012,603
Bureau of Ocean Energy Management	50,023	68,370
Bureau of Safety and Environmental Enforcement	72,200	90,275
Bureau of Land Management	13,245	10,286
Fish and Wildlife Service	606	5,196
Distribution to Other Federal Agencies		
Department of the Treasury	2,513,887	2,203,857
Department of Agriculture	102,739	76,230
Department of Commerce	-	31
Distribution to Indian Tribes and Agencies	12	-
Distribution to States and Others	10,321	14,682
Change in Untransferred Revenue	(11,804)	(594,056)
Total Disposition of Revenue	$ 6,659,728	$ 5,046,659
Net Custodial Activity	$ -	$ -

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

NOTES TO PRINCIPAL FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

B. Organization and Structure of DOI

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

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

C. Basis of Accounting and Presentation

These financial statements have been prepared to report the financial position, net cost, changes in net position, budgetary resources, and custodial activities of DOI as required by the CFO Act and GMRA. These financial statements have been prepared from the books and records of DOI in accordance with GAAP and OMB Circular No. A-136, *Financial Reporting Requirements.* The GAAP for Federal entities are the standards prescribed by the FASAB, which is the designated standard-setting body for the Federal Government. These financial statements present proprietary and budgetary information. The DOI, pursuant to OMB directives, prepares additional financial reports that are used to monitor and control DOI's use of budgetary resources.

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

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

D. Fund Balance with Treasury and Cash

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

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

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

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

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

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

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

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

E. Investments, Net

The DOI invests funds in Federal Government and public securities on behalf of various DOI programs and for amounts held in certain escrow accounts. The Federal government securities include marketable Treasury securities and/or nonmarketable, market-based securities issued by the Federal Investment Branch of the Bureau of the Fiscal Service. Market-based securities are Treasury securities that are not traded on any securities exchange but mirror the prices of marketable securities with similar terms. Federal security maturity dates range from October 2, 2017 to February 15, 2046.

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

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

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

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

F. Accounts and Interest Receivable, Net

Accounts Receivable due from Federal Agencies. Intragovernmental receivables are primarily from the sale of products and services to other Federal agencies, including the sale of maps, the performance of environmental and scientific services, and administrative and other services. These reimbursable arrangements generally reduce the duplication of effort within the Federal Government, resulting in a lower cost of Federal programs and services. Intragovernmental receivables are generally considered to be fully collectible as there is no credit risk. An allowance for doubtful accounts is established occasionally to recognize billing disputes, however no such allowance existed for FY 2017 or FY 2016.

Accounts Receivable due from the Public. Receivables due from the public generally arise from either the provision of goods and services or from the levy of fines and penalties resulting from DOI's regulatory responsibilities. An allowance for doubtful accounts is established for reporting purposes based on past experience in the collection of these receivables and analysis of outstanding balances.

On April 4, 2016, a Federal court in New Orleans, Louisiana (LA) entered a Consent Decree regarding case No. 10-4536, *United States of America v. BP Exploration & Production Inc. (BPXP), et al.* This case resolved civil claims against BP entities arising from the April 20, 2010, Macondo well blowout and the massive oil spill that followed in the Gulf of Mexico. Under the Consent Decree, BP was ordered to pay a civil penalty, claims under the False Claims Act, lost royalties, and amounts for natural resource damages and associated assessment costs. Some amounts have already been paid, but billions of dollars are still owed to several Federal agencies, including DOI, as well as the impacted gulf coast states.

G. Loans and Interest Receivable, Net

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

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

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

H. Inventory and Related Property, Net

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

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

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

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

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

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

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

I. General Property, Plant, and Equipment, Net

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

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

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

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

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

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

The CIP also includes construction in abeyance. Construction in abeyance represents construction activities that have been identified as suspended or terminated and classified as temporarily suspended by management because of financial, technical, legal, political or other reasons with a reasonable expectation that construction activity or return of service utility can be completed in the future. Costs for activities such as continuing low-level maintenance to sustain the asset in a recoverable status or until re-utilization efforts are exhausted, may accrue while in temporary suspension.

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

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

J. Stewardship PP&E

Stewardship PP&E consists of public domain land, Indian trust land, and heritage assets such as national monuments and historic sites that have been entrusted to DOI to be maintained in perpetuity for the benefit of current and future generations.

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

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

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

K. Advances and Prepayment

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

L. Liabilities

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

The DOI estimates certain accounts payable and grants payable balances based on either the past history of payments in the current periods that relate to prior periods, a percentage of undelivered orders, or a current assessment of services/products received but not paid.

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

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

The DOI has a responsibility to remediate the sites on DOI land that have environmental contamination. The DOI has accrued an Environmental Remediation Liability when cleanup costs are determined to be probable and the amounts can be estimated. Such liabilities are probable when the government is responsible for creating the hazard or is otherwise legally liable to clean up the contamination. Changes in Environmental Remediation Liability cleanup cost estimates are recorded based on progress made and revision of the cleanup plans, assuming current technology, laws, and regulations.

When DOI is not legally liable, but the likelihood of incurring costs for the cleanup is reasonably possible, the range of the cleanup costs is disclosed in Note 13. No disclosure is made for remote likelihood.

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

Contingent Liabilities. Contingent liabilities are liabilities where the existence or amount of the liability cannot be determined with certainty pending the outcome of future events. The DOI's contingent liabilities primarily relate to legal actions. The DOI recognizes contingent liabilities when the liability is probable and reasonably estimable. The DOI discloses contingent liabilities in the notes to the financial statements when the conditions for liability recognition are not met and when the outcome of future events is more than remote. In some cases, once losses are certain, payments may be made from the Judgment Fund maintained by Treasury rather than from amounts appropriated to DOI. The DOI will record an intragovernmental liability and expense in the instances where DOI is responsible for reimbursement to the Judgment Fund, pursuant to the *Contract Disputes Act* or the No FEAR Act. Congressional appropriations are often required for reimbursement.

Trust Land Consolidation Program. A $1.9 billion Trust Land Consolidation Program (TLCP) was established in FY 2013 as part of the *Claims Resolution Act of 2010*, which resolved a class action lawsuit regarding the U.S. Government's trust management and accounting of Native American trust accounts and resources. The Program designates DOI with the responsibility to use the Trust Land Consolidation Fund within a 10-year period to acquire, at fair market value (FMV) as defined in the *Indian Land Consolidation Act of 1983*, fractional interest in trust or restricted land that individuals are willing to sell to DOI. Acquired interests will remain in trust or restricted status through transfer to tribes. As an incentive to participate in the program, when individuals sell fractional interests, up to $60 million from the Fund will go to an Indian Education Scholarship Fund for American Indian and Alaska Native students. In addition, DOI is authorized to spend no more than 15 percent of the total Fund (or $285 million) for purposes of implementing TLCP and paying the costs related to the work of the Secretarial Commission on Trust Reform, including the costs of consultants to the Commission and audits recommended by the Commission. In recognition of DOI's responsibility to fulfill the terms of the Act, the initially recorded liability will be reduced through the execution of the program.

M. Revenues and Financing Sources

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

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

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

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

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

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

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

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

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

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

N. Personnel Compensation and Benefits

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

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

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

The second component is the actuarial liability that is estimated for future benefit payments as a result of past events. This liability includes death, disability, medical, and miscellaneous costs. The DOL determines this component annually, as of September 30, using a method that considers historical benefit payment patterns, wage inflation factors, medical inflation factors, and other variables. The DOI recognizes an unfunded liability to the public for these estimated future payments.

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

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

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

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

- ***CSRS.*** The CSRS is a defined benefit, contributory retirement system. Employees share in the expense of the annuities to which they become entitled. Employees hired prior to January 1, 1984, could elect to either join FERS and Social Security or remain in CSRS. The CSRS benefits are based on the employee's "high-3" average pay and the years of service. The CSRS covered employees contribute 7, 7 1/2 or 8 percent of pay to CSRS and, while they generally pay no Social Security retirement, survivor and disability tax, they must pay the Medicare tax (currently 1.45 percent of pay). The DOI matches the employee's CSRS contributions. Employees may contribute up to 5 percent of pay to the Thrift Savings. There is no Government contribution.

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

  The DOI reports the USPP pension liability and associated expense in accordance with SFFAS No. 33, (*Pensions, Other Retirement Benefits, and Other Post-employment Benefits: Reporting the Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation Dates*). The DOI estimates the future cost to provide benefits to current and future retirees using economic assumptions and historical cost information. The estimate is adjusted by the time value of money and the probability of having to pay benefits due to assumed decrements for mortality, and terminations.

  The actuarial liabilities are measured during the fiscal year using discount rate assumptions and on the valuation date in accordance with SFFAS No. 33, with roll-forward or projection adjustments for the effects of changes during the year in major factors such as pay increases, cost of living adjustments, and material changes in the number of participants.

O. Federal Government Transactions

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

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

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

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

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

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

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

Q. Liability for Capital Transfers to the General Fund

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

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

R. Funds from Dedicated Collections

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

S. Allocation Transfers

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

T. Income Taxes

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

U. Estimates

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

V. Fiduciary Activities

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

W. Reclassifications

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

NOTE 2. FUND BALANCE WITH TREASURY

A. Fund Balance with Treasury by fund type as of September 30, 2017 and 2016, consists of the following:

(dollars in thousands)	FY 2017	FY 2016
General Funds	$ 8,307,400	$ 8,164,786
Special Funds	42,698,005	41,479,051
Revolving Funds	2,854,940	1,978,932
Trust Funds	334,738	370,277
Other Fund Types	914,009	945,890
Total Fund Balance with Treasury by Fund Type	$ 55,109,092	$ 52,938,936

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

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

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.

B. Status of Fund Balance with Treasury as of September 30, 2017 and 2016, consists of the following:

Budgetary FBWT *(dollars in thousands)*	FY 2017	FY 2016
Unobligated Balance – Available	$ 10,507,771	$ 9,256,942
Unobligated Balance – Unavailable (Note 19)	225,735	245,459
Obligated Not Yet Disbursed	12,117,983	11,675,391
FBWT Adjustments to Budgetary Status		
Uncollected Payments from Federal Sources	(3,157,564)	(3,054,390)
Budgetary Resources from Treasury Managed Trust Funds	(660,803)	(677,154)
Budgetary Resources from Invested Balances	(4,071,398)	(3,258,943)
Imprest Accounts	(413)	(409)
Receipts Unavailable for Obligation Upon Collection - Not Invested	212,250	1,527
Temporary Reductions in Budget Authority	258,187	232,398
Total Budgetary FBWT	15,431,748	14,420,821
Non-budgetary FBWT		
Clearing, Deposit, and Unavailable General Fund Receipt Accounts	914,009	945,894
Unavailable Special Receipt Accounts	38,763,335	37,572,221
Total Non-Budgetary FBWT	39,677,344	38,518,115
Total Fund Balance with Treasury Status	**$ 55,109,092**	**$ 52,938,936**

The following adjustments are required to reconcile the budgetary status to the non-budgetary Fund Balance as reported on the Consolidated Balance Sheet:

- Uncollected Payments from Federal Sources represent the amount of goods and/or services to be furnished for other Federal Government agencies and for the public, if permitted by law and by long-standing, generally accepted practice. It also includes amounts for "jointly supported projects." At the time goods and/or services are furnished, the amount becomes reimbursements earned. In addition, this account is used in the credit financing fund to record the subsidy that will be received when previously obligated loans are disbursed.

- Budgetary Resources from Treasury Managed Trust Funds include the Sport Fish Restoration Boating Trust Fund (SFRBTF). This fund receives revenue transferred from custodial activities of the Treasury, which are deposited in a Treasury account. Budgetary status is derived from these revenues prior to the receipt of the associated fund balance in accordance with public law. For more information, see Note 16, Funds from Dedicated Collections.

- Budgetary Resources from Invested Balances represent budget authority realized prior to the transfer of funds from an Investment account to the Fund Balance with Treasury Account.

- Imprest funds include the amount of cash authorized to be held by agency cashiers at personal risk. These balances are moved from Fund Balance with Treasury to Cash and Other Monetary Assets with no change in budgetary status.

- Receipts unavailable for obligation are included in the Fund Balance with Treasury, yet excluded from Budgetary Status. Authorizing legislation may specify that obligations are not available until a specified time in the future or until specific legal requirements are met.

- Temporary Reductions in Budget Authority balances are presented as components of Fund Balance with Treasury, and reductions to budgetary status based on enacted legislation.

- Non-budgetary FBWT includes Clearing, Deposit, and Unavailable Receipt accounts. These accounts hold fund balance with Treasury that do not provide budgetary status at September 30, 2017 and 2016.

NOTE 3. INVESTMENTS, NET

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

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

The Federal Government does not set aside assets to pay future expenditures associated with funds from dedicated collections. The cash generated from funds from dedicated collections is used by the U.S. Treasury for general government purposes. Treasury securities are issued to funds from dedicated collections as evidence of designated receipts and provide the funds from dedicated collections with the authority to draw upon Treasury for future authorized expenditures. These securities are an asset to the funds from dedicated collections and are presented as investments in the table accompanying Note 16, *Funds from Dedicated Collections*. Treasury securities are a liability of the Treasury and are eliminated in the consolidation of the U.S. Government-wide financial statements. Treasury will finance any future redemption of the securities by a fund from dedicated collections in the same manner that all other government expenditures are financed.

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

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

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

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

NOTE 4. ACCOUNTS AND INTEREST RECEIVABLE, NET

Due From the Public, Net. Accounts receivable due to DOI from the public may arise either from the sale of products and services or from the imposition of regulatory fines and penalties. Products and services sold by DOI are diverse and include mineral leases sold, from which royalties are then collected; the sale of water; water testing and other scientific studies conducted for state and local governments; remittance of fees from park concessioners collected by NPS; and fees for irrigation and power services collected by IA. Fines and penalties are imposed in the enforcement of various environmental laws and regulations.

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

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

Deepwater Horizon Consent Decree. On April 4, 2016, a Federal court in New Orleans, LA entered a Consent Decree regarding case No. 10-4536, *United States of America v. BP Exploration & Production Inc. (BPXP), et al*. This case resolved civil claims against BP entities arising from the April 20, 2010, Macondo well blowout and the massive oil spill that followed in the Gulf of Mexico.

The BP was ordered to pay DOI $7.1 billion for natural resource damages, to be paid in annual installments on the anniversary of the effective date of the Consent Decree (April 4th 2016) from years 2017 through 2031. The BP was also ordered to pay additional funds, not to exceed $700 million, which consists of interest earned on the outstanding $7.1 billion as well as a $232 million payment due on the 16th anniversary of the effective date. The interest accrues at the rate calculated by taking the average market yield on U.S. Treasury securities at 2-year and 3-year constant maturities, quoted on an investment basis by the U.S. Federal Reserve (H.15 Release), for the period May 28, 2014 to May 27, 2015, rounded to two decimal places. The calculated interest rate is 0.75 percent. In addition, BP was ordered to pay $31.5 million for royalty payments, to be paid in annual installments on the anniversary of the effective date from years 2017 through 2023. As of September 30, 2017, DOI has recorded over $6.8 billion in accounts receivable and more than $77 million in interest receivable. Management considers these receivables to be fully collectible.

Accounts and Interest Receivable from the Public consist of the following as of September 30, 2017 and 2016:

(dollars in thousands)	FY 2017	FY 2016
Accounts and Interest Receivable from the Public		
Accounts and Interest Receivable from Public Agencies	$ 7,951,765	$ 8,102,656
Allowance for Doubtful Accounts	(58,967)	(79,120)
Total Accounts and Interest Receivable from the Public, Net	$ 7,892,798	$ 8,023,536

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.

The DOI recorded interest rate and technical reestimates in FY 2017 and FY 2016 for direct loans disbursed and loan guarantees. The interest rate reestimates are the result of a reduction to projected interest costs associated with the loans and guarantees over the repayment period. The technical reestimates are the result of a change to projected cash flows associated with the loans. There were no other changes in economic conditions, other risk factors, legislation, or credit policies that have had a significant and measurable effect on subsidy rates, subsidy expense, and subsidy reestimates.

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

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 2017 included a technical re-estimate.

Departmental Offices. The DO has one credit reform loan to the American Samoa Government (ASG). In 2001, a loan was extended to ASG. The total was approved for $18.6 million and made available to ASG bearing interest at a rate equal to the Treasury cost of borrowing for obligations of similar duration. The proceeds of the loan were used by ASG for debt reduction and fiscal reform.

Each year DOI reserves an allowance amount that determines how much will be disclosed as outstanding.

There was no administrative expense incurred for Direct Loans under Credit Reform in FY 2017 or FY 2016.

A. Direct Loan and Loan Guarantee Program Names:	*(dollars in thousands)*	
	FY 2017	FY 2016
Indian Affairs - Direct Liquidating Loans (Pre-Credit Reform)	$ 701	$ 1,257
Indian Affairs - Direct Loans (Credit Reform)	4,063	3,366
Indian Affairs - Guaranteed Liquidating Loans (Pre-Credit Reform)	352	277
Indian Affairs - Guaranteed Loans (Credit Reform)	478	1,100
Bureau of Reclamation - Direct Loans (Pre-Credit Reform)	9,092	10,065
Bureau of Reclamation - Direct Loans (Credit Reform)	31,296	31,749
Departmental Offices - American Samoa Government (Credit Reform)	8,767	8,905
Total Loans and Interest Receivable, Net	$ 54,749	$ 56,719

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	$ 909	$ 25	$ (233)	$ -	$ 701
	Bureau of Reclamation	16,347	-	(7,255)	-	9,092
FY 2017	Total	$ 17,256	$ 25	$ (7,488)	$ -	$ 9,793
	Indian Affairs	$ 1,950	$ 178	$ (871)	$ -	$ 1,257
	Bureau of Reclamation	17,320	-	(7,255)	-	10,065
FY 2016	Total	$ 19,270	$ 178	$ (8,126)	$ -	$ 11,322

Outstanding loan balances, as of September 30, 2017 and 2016, are summarized as follows:

C. Direct Loans Obligated After FY 1991:						*(dollars in thousands)*
	Direct Loan Programs (Credit Reform)	Loans Receivable Gross	Interest Receivable	Foreclosed Property	Allowance for Subsidy Cost	Value of Assets Related to Direct Loans
	Indian Affairs	$ 469	$ 22	$ -	$ 3,572	$ 4,063
	Bureau of Reclamation	34,255	-	-	(2,959)	31,296
	Departmental Offices - American Samoa Government	10,017	-	-	(1,250)	8,767
FY 2017	Total	$ 44,741	$ 22	$ -	$ (637)	$ 44,126
	Indian Affairs	$ 971	$ 144	$ -	$ 2,251	$ 3,366
	Bureau of Reclamation	35,977	-	-	(4,228)	31,749
	Departmental Offices - American Samoa Government	10,237	-	-	(1,332)	8,905
FY 2016	Total	$ 47,185	$ 144	$ -	$ (3,309)	$ 44,020

D. Subsidy Expense for Direct Loans by Program and Component:					*(dollars in thousands)*
Modifications and Re-estimates					
	Direct Loan Programs (Credit Reform)	Total Modifications	Interest Rate Re-estimates	Technical Re-estimates	Total Re-estimates
	Indian Affairs	$ -	$ (1,371)	$ 438	$ (933)
	Bureau of Reclamation	-	-	(724)	(724)
FY 2017	Total	$ -	$ (1,371)	$ (286)	$ (1,657)
	Indian Affairs	$ -	$ (150)	$ 767	$ 617
	Bureau of Reclamation	-	-	-	-
FY 2016	Total	$ -	$ (150)	$ 767	$ 617

Total Direct Loan Subsidy Expense			
	Direct Loan Programs (Credit Reform)	FY 2017	FY 2016
	Indian Affairs	$ (933)	$ 617
	Bureau of Reclamation	(724)	-
	Total	$ (1,657)	$ 617

E. Schedule for Reconciling Direct Loan Subsidy Cost Allowance Balances (Post-1991 Direct Loans): *(dollars in thousands)*	FY 2017	FY 2016
Beginning balance of the subsidy cost allowance	$ 3,309	$ 3,472
Adjustments:		
(a) Loans written off	(219)	27
(b) Subsidy allowance amortization	(543)	(728)
(c) Other	(253)	(79)
Ending balance of the subsidy cost allowance before reestimates	2,294	2,692
Add or subtract subsidy reestimates by component:		
(a) Interest rate reestimate	(1,371)	(150)
(b) Technical/default reestimate	(286)	767
Total of the above reestimate components	(1,657)	617
Ending balance of the subsidy cost allowance	$ 637	$ 3,309
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 2017	$ 469	$ -	$ -	$ (117)	$ 352
FY 2016	$ 704	$ 88	$ -	$ (515)	$ 277

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 2017	$ 4,424	$ 722	$ -	$ (4,668)	$ 478
FY 2016	$ 10,497	$ 1,003	$ -	$ (10,400)	$ 1,100

H. Guaranteed Loans Outstanding as of September 30, 2017:		*(dollars in thousands)*
Loan Guarantee Programs	**Outstanding Principal of Guaranteed Loans, Face Value**	**Amount of Outstanding Principal Guaranteed**
FY 1992-2015	$ 468,702	$ 421,693
FY 2016	99,637	89,674
FY 2017	25,980	23,382
Total	$ 594,319	$ 534,749
New Guaranteed Loans Disbursed (Current reporting year):		
Amount Paid in Current FY for Prior Years	$ 39,584	$ 35,625
Amount Paid in Current FY for Guarantees	27,680	24,912
FY 2017 Total	67,264	60,537
Amount Paid in Prior FY for Prior Years	43,506	39,155
Amount Paid in Prior FY for Prior FY Guarantees	70,682	63,614
FY 2016 Total	$ 114,188	$ 102,769

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 2017	$ -	$ 40,993	$ 40,993
FY 2016	$ -	$ 34,117	$ 34,117

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 2017	$ 2,423	$ 2,873	$ (1,212)	$ -	$ 4,084
FY 2016	$ 3,988	$ 4,992	$ (2,044)	$ -	$ 6,936

Guaranteed Loans (Credit Reform)	**Modifications**	**Interest Rate Reestimates**	**Technical Reestimates**	**Total**
Modifications and Reestimates:				
FY 2017	$ -	$ (342)	$ (2,791)	$ (3,133)
FY 2016	$ -	$ (3,442)	$ (19,487)	$ (22,929)

Total Loan Guarantee Program Subsidy Expense	**FY 2017**	**FY 2016**
Indian Affairs	$ 951	$ (15,993)

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 2017	3.7%	4.4%	-1.8%	0.0%	6.3%
FY 2016	3.6%	4.2%	-1.8%	0.0%	6.0%

L. Schedule for Reconciling Loan Guarantee Liability Balances: *(dollars in thousands)*	**FY 2017**	**FY 2016**
Beginning balance of the loan guarantee liability	$ 34,117	$ 36,993
Add: Subsidy expense for guaranteed loans disbursed during the reporting years by component:		
(a) Interest supplement costs	2,423	3,988
(b) Default costs (net of recoveries)	2,873	4,992
(c) Fees and other collections	(1,212)	(2,044)
Total of the above subsidy expense components	$ 4,084	$ 6,936
Adjustments:		
(a) Fees received	$ 1,263	$ 964
(b) Interest supplements paid	(1,066)	(1,064)
(c) Claim payments to lenders	-	(3,602)
(d) Interest accumulation on the liability balance	2,349	3,089
(e) Other (recovery, revenue, and prior period adjustments)	3,379	13,730
Ending balance of the loan guarantee liability before reestimates	$ 44,126	$ 57,046
Add or subtract subsidy reestimates by component:		
(a) Interest rate reestimate	(342)	(3,442)
(b) Technical/default reestimate	(2,791)	(19,487)
Total of the above reestimate components	$ (3,133)	$ (22,929)
Ending balance of the loan guarantee liability	$ 40,993	$ 34,117

M. Administrative Expense: *(dollars in thousands)*		
Total Loan Guarantee	**FY 2017**	**FY 2016**
Guaranteed Loans Programs	$ 1,130	$ 1,262

NOTE 6. INVENTORY AND RELATED PROPERTY, NET

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

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

Inventory and Related Property as of September 30, 2017 and 2016, consist of the following:

(dollars in thousands)	FY 2017	FY 2016
Inventory		
Published Maps Held for Current Sale	$ 2,347	$ 2,470
Gas and Storage Rights held for Current Sale	798	807
Operating Materials		
Working Capital Fund: Inventory Held for Use	4,187	5,435
Operational Land Imager: Inventory Held for Use	1,922	1,965
Airplane Parts and Fuel Held for Use	2,111	1,998
Stockpile Materials		
Recoverable Below-Ground Crude Helium Held in Reserve	36,174	36,174
Recoverable Below-Ground Crude Helium Held for Sale*	5,732	28,466
Total Inventory and Related Property	$ 53,271	$ 77,315

* The difference in carrying value and the estimated selling price of recoverable below ground helium held for sale is $45,135 ($50,867 - $5,732) and $217,050 ($245,516 - $28,466) at September 30, 2017 and 2016 respectively.

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

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

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

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

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

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

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

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

NOTE 8. ASSETS ANALYSIS

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

Non-entity assets, restricted by nature, consist of ONRR custodial royalty activity, a portion of the Sport Fish Restoration and Boating Trust Fund that is held for others, Conservation Funds (Land and Water Conservation Fund, Historic Preservation Fund, and Environmental Improvement and Restoration Fund), amounts in deposit, miscellaneous receipts, special receipts, and budget clearing accounts held for others.

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

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

The DOI's assets as of September 30, 2016, are summarized into the following categories:

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

NOTE 9. STEWARDSHIP PP&E

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

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

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

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

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

Stewardship Lands

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

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

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

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

Donated Stewardship Land

In FY 2017, NPS received donated stewardship lands associated with the following additions to national park units: Harriet Tubman National Historical Park, Birmingham Civil Rights National Monument, Freedom Riders National Monument, and Reconstruction Era National Monument. The fair value of these donated lands is undetermined.

Bureau Stewardship Lands

Indian Affairs

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

Primary Land Management Categories		As of 9/30/2015	Increase	Decrease	As of 9/30/2016	Increase	Decrease	As of 9/30/2017
IA	Regional Offices	12	-	-	12	-	-	12
BLM	Geographic Management Areas	128	1	2	127	-	-	127
BOR	Federal Water and Related Projects	135	-	-	135	-	-	135
FWS	National Wildlife Refuges	563	2	-	565	1	-	566
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	-	1	5	-		5
FWS	Associated Fish Facilities	15	-	-	15	-	-	15
NPS	Park Units	398	4	-	402	4	-	406
OS	Commission Lands	1	-	-	1	-	-	1
Total Number of Units		1,414	7	3	1,418	5	-	1,423

Regional Offices. Land owned by IA generally consists of parcels located within the boundaries of Indian reservations which have been temporarily withdrawn for administrative uses and are held for the welfare of the Nation to be preserved and protected. The IA has stewardship responsibility for the multiple use management of lands held for the benefit of American Indians and Alaska Natives. The IA manages its stewardship land by 12 administrative regional offices whose boundaries largely follow one or more state lines. Two exceptions that do not follow state lines are the Navajo region, which includes parts of Arizona, Utah, and New Mexico; and the Eastern Oklahoma region, which includes the eastern section of Oklahoma.

Bureau of Land Management

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

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

Bureau of Reclamation

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

U.S. Fish and Wildlife Service

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

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

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

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

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

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

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

National Park Service

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

Office of the Secretary

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

Heritage Assets

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

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

Non-Collectible Heritage Assets

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

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

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

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

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

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

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

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

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

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

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

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

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

National Military Parks.
See National Battlefields section.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Archaeological Protection Areas. The BLM manages two Congressionally-designated Archeological Protection Areas in New Mexico. Galisteo Basin is the location for many well-preserved prehistoric and historic archeological resources of Native American and Spanish colonial

Non-Collectible Heritage Asset Categories	As of 9/30/2015	Increase	Decrease	As of 9/30/2016	Increase	Decrease	As of 9/30/2017
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)	215	2	-	217	5	-	222
National Historic Sites	78	-	-	78	-	-	78
National Historic Trails	13	-	-	13	-	-	13
National Historical Parks	49	1	-	50	1	-	51
National Lakeshores	4	-	-	4	-	-	4
National Memorials	30	-	-	30	-	-	30
National Military Parks	9	-	-	9	-	-	9
National Monuments	110	7	-	117	4	-	121
National Natural Landmarks (NNL)	115	1	-	116	-	-	116
National Parks	59	-	-	59	-	-	59
National Parkways	4	-	-	4	-	-	4
National Preserves	19	-	-	19	-	-	19
National Recreation Areas	20	-	-	20	-	-	20
National Recreation Trails	111	1	-	112	-	-	112
National Reserves	2	-	-	2	-	-	2
National Rivers	5	-	-	5	-	-	5
National Scenic Trails	8	-	-	8	-	-	8
National Seashores	10	-	-	10	-	-	10
National Wild and Scenic Rivers	92	-	-	92	-	-	92
National Wildlife Refuges	563	2	-	565	1	-	566
Outstanding Natural Areas	3	-	-	3	-	-	3
International Historic Site	1	-	-	1	-	-	1
Wilderness Areas	359	2	-	361	-	-	361
Research Natural Area	1	-	-	1	-	-	1
Archaeological Protection Areas	2	-	-	2	-	-	2
Special Areas	5	-	-	5	-	-	5
Other	11	-	-	11	-	-	11
Total	1,934	16	-	1,950	11	-	1,961

cultures. Chaco Culture is an area of archeological significance for the Chacoan Anasazi Indian culture.

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

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

Collectible Heritage Assets

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

Library Collections

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

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

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

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

Museum Collections

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

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

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

Library Collections	As of 9/30/2015	Increase	Decrease	As of 9/30/2016	Increase	Decrease	As of 9/30/2017
Total	7	-	-	7	-	-	7

Interior Museum Collections	As of 9/30/2015	Increase	Decrease	As of 9/30/2016	Increase	Decrease	As of 9/30/2017
Held at Interior Facilities	566	3	2	567	1	11	557
Held at Non-Interior Facilities	449	3	2	450	3	2	451
Total	1,015	6	4	1,017	4	13	1,008

NOTE 10. DEBT

Intragovernmental Debt to Treasury under Credit Reform

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

Departmental Offices

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

Indian Affairs

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

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

Bureau of Reclamation

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

Intragovernmental debt to Treasury activity as of September 30, 2017 and 2016, is summarized as follows:

(dollars in thousands)	FY 2016 Beginning Balance	Borrowing / (Repayments), Net	FY 2016 Ending Balance	Borrowing / (Repayments), Net	FY 2017 Ending Balance
Credit Reform Borrowings	$ 47,504	$ (2,858)	$ 44,646	$ (1,985)	$ 42,661

NOTE 11. LIABILITY FOR CAPITAL TRANSFERS TO THE GENERAL FUND

The DOI records an intragovernmental liability for BOR and DO appropriations determined to be recoverable from project beneficiaries when funds are received and they meet the requirement for repayment. The DOI decreases the liability when payments are received from these beneficiaries and subsequently, transfers it to Treasury's General Fund. Interest is accumulated on this liability pursuant to authorizing project legislation or administrative policy. Interest rates used during FY 2017 and FY 2016 ranged from 2.63 percent to 10.87 percent. Repayment is generally over a period not to exceed 50 years from the time revenue producing assets are placed in service. Repayment to Treasury's General Fund is dependent upon actual water and power delivered to customers (through the Western Area Power Administration); as such, there is no structured repayment schedule.

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

Costs incurred, collections and repayment activity as of September 30, 2017 and 2016, are summarized in the table below:

(dollars in thousands)	FY 2017	FY 2016
Beginning Balance	$ 1,723,134	$ 1,718,225
Costs Incurred	(21,019)	35,890
Collections	(112,843)	(21,665)
Repayments to Treasury	(5,643)	(9,316)
Ending Balance	$ 1,583,629	$ 1,723,134

NOTE 12. FEDERAL EMPLOYEE AND VETERAN BENEFITS

Federal Employee and Veteran Benefits as of September 30, 2017 and 2016, consists of the following:

(dollars in thousands)	FY 2017	FY 2016
Federal Employee and Veteran Benefits		
U.S. Park Police Pension Actuarial Liability	$ 601,530	$ 588,125
U.S. Park Police Pension Current Liability	38,970	38,975
Federal Employees Compensation Actuarial Liability	756,731	774,000
Total Federal Employee and Veteran Benefits	$ 1,397,231	$ 1,401,100

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

The following table represents the significant economic assumptions used to estimate the USPP Plan liability and the changes in the USPP Pension Plan liability balances. The USPP Pension Plan discount rates of 3.2 percent in FY 2017 and 3.5 percent in FY 2016 match the rates established by OPM for the CSRS plan, which has similar demographic characteristics and keeps NPS consistent in its reporting. The NPS used the Mortality Improvement Scale MP-2016 as it was the most updated scale available at the time. The updated Mortality Improvement Scale MP-2017, released in October 2017, has an impact of negative 0.94 percent on the USPP Plan numbers.

Additionally, the USPP Pension Plan inflation rate of 1.5 percent in FY 2017 and FY 2016 differed from the 1.8 percent in FY 2017 and the 1.9 percent in FY 2016 used by OPM for the CSRS plan. The USPP Pension inflation rate is a computational shortcut where future inflation is assumed equal to future salary increases. The plan's cost of living adjustment is based on increases in basic pay, not general inflation. Therefore, the inflation rate has been set to match the 10-year average of the Federal General Schedule of Salary Increases.

Economic Assumptions Used *(expressed in percentages)*	FY 2017	FY 2016
Interest Rate	3.20	3.50
Inflationary Rate	1.50	1.50
Projected Salary Increase	1.50	1.50

USPP Pension Plan Liability *(dollars in thousands)*	FY 2017	FY 2016
Beginning Balance	$ 627,100	$ 653,000
Pension Expenses		
Normal Costs	-	-
Interest on liability	21,300	23,400
Actuarial (gains) or losses from experience	11,170	(10,025)
Actuarial (gains) or losses from assumption changes	19,900	(300)
Total Pension Expenses	52,370	13,075
Less Benefit Payments	(38,970)	(38,975)
Ending Balance	$ 640,500	$ 627,100

NOTE 13. CONTINGENT LIABILITIES AND ENVIRONMENTAL AND DISPOSAL LIABILITIES

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

Contingent Liabilities

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

No amounts have been accrued in the financial records for claims where the amount of potential loss cannot be estimated or the likelihood of an unfavorable outcome is less than probable. Matters for which the likelihood of an unfavorable outcome is less than probable but more than remote involve a wide variety of allegations and claims. These matters arise in the course of carrying out DOI programs and operations, including interaction with the tribes and individual Indians, interaction with trust territory in the Pacific Islands, operation of wildlife refuges, law enforcement of DOI-managed land, general management activities on DOI land, resource related claims, and operations of reclamation projects. The ultimate outcomes in these matters cannot be predicted at this time. Sufficient information is not currently available to determine if the ultimate resolution of the proceedings, actions, and claims will materially affect DOI's financial position or results of operations.

In FY 2016, in *Ramah Navajo Chapter v. Jewell,* the Government settled a class action lawsuit for $940 million, filed on behalf of all tribal contractors for unpaid contract support costs under the *Indian Self Determination Act*. The settlement was paid by the Judgment Fund in June 2016, pursuant to the *Contract Disputes Act.* An equal amount of the settlement plus interest and legal fees was recognized as an Intragovernmental Other Liability as DOI is required to reimburse the Judgment Fund for payments pursuant to the *Contract Disputes Act*. Congressional appropriation will be required for reimbursement.

The accrued and potential Contingent Liabilities as of September 30, 2017 and 2016, are summarized in the table below:

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

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

Environmental and Disposal Liabilities

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

The DOI is subject to environmental laws and regulations regarding air, water, and land use, the storage and disposal of hazardous materials, and the operations and closure of facilities at which environmental contamination may be present. The major Federal laws covering environmental response, cleanup, and monitoring include: *Comprehensive Environmental Response, Compensation, and Liability Act; Resource Conservation and Recovery Act; Oil Pollution Act; Clean Water Act; Clean Air Act; Safe Drinking Water Act; and Asbestos Hazard Emergency Response Act.* Under these laws responsible parties, which may include Federal agencies under certain circumstances, are required to remove releases of hazardous substances from facilities they own, operate, or at which they arranged for the disposal of such substances. The DOI estimates its environmental remediation liability for future costs of studies necessary to evaluate response requirements, monitoring, and cleanup of hazardous substances. Changes in environmental remediation liability cleanup cost estimates are based on progress made and revision of the cleanup plans.

In FY 2017, DOI developed cost estimates for a range of remedial alternatives for certain remedy areas, resulting in a significant increase in the lower and upper ranges of probable environmental remediation liability.

Certain DOI facilities may include asbestos-containing material in the construction or later renovation. These materials, while in an undisturbed or encapsulated state (e.g., nonfriable asbestos) are not subject to cleanup under applicable law. The DOI's policy is that unless and until the material becomes friable or otherwise capable of causing contamination, the costs for monitoring, management and removal of these materials are to be disclosed as Asbestos Related Cleanup Liability.

The accrued and potential Environmental and Disposal Liabilities as of September 30, 2017 and 2016, are summarized in the tables below:

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

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

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

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

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

(dollars in thousands)	Not Covered by Budgetary Resources	Covered by Budgetary Resources	FY 2017
A. Liabilities Not Covered by Budgetary Resources			
Intragovernmental Liabilities:			
Accounts Payable	$ 617,769	$ 74,400	$ 692,169
Debt	-	42,661	42,661
Other Intragovernmental Liabilities	3,814,185	1,132,325	4,946,510
Total Intragovernmental Liabilities	$ 4,431,954	$ 1,249,386	$ 5,681,340
Public Liabilities:			
Accounts Payable	$ -	$ 1,313,120	$ 1,313,120
Loan Guarantee Liability	-	40,993	40,993
Federal Employee and Veteran Benefits	1,358,261	38,970	1,397,231
Environmental and Disposal Liabilities	865,240	-	865,240
Other Public Liabilities	1,470,142	1,928,251	3,398,393
Total Public Liabilities	$ 3,693,643	$ 3,321,334	$ 7,014,977
Total Liabilities	$ 8,125,597	$ 4,570,720	$ 12,696,317

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

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

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

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

NOTE 15. LEASES

Operating Leases

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

For non-cancellable operating leases, future payments are calculated based on the terms of the agreement or an annual inflationary factor of 1.80 percent for FY 2018 and after is applied. The inflationary factor is applied against the actual FY 2017 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, 2017, consist of the following:

Future Operating Leases *(dollars in thousands)*	**Real Property**		**Totals**
	Federal	**Public**	
FY 2018	$ 37,427	$ 24,304	$ 61,731
FY 2019	37,373	23,841	61,214
FY 2020	34,621	21,253	55,874
FY 2021	33,980	20,129	54,109
FY 2022	30,737	19,094	49,831
Thereafter	226,438	56,240	282,678
Total Future Operating Lease Payments	$ 400,576	$ 164,861	$ 565,437

NOTE 16. FUNDS FROM DEDICATED COLLECTIONS

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

The DOI's significant funds from dedicated collections are:

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

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

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

Annually, under the *National Historic Preservation Act* (NHPA), royalties from OCS oil deposits are transferred from ONRR to NPS. Each year, amounts from the HPF are transferred via warrants to bureaus within DOI and to USFS. During FY 2016, Congress did not reauthorize funding under the *National Historic Preservation Act*; therefore, no funding was received. Funding was reauthorized during FY 2017. These funds are considered inflows of resources to the Government.

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

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

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

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

The *American Recovery and Reinvestment Act of 2009* (ARRA) (P. L. 111-5) provided funding to BOR for activities that would normally be financed under the Water and Related Resources Fund. The majority of these funds were provided by appropriations derived from the Reclamation Fund in accordance with P. L. 111-5. This fund was used to meet the criteria set out in ARRA that included preserving and creating jobs and investing in infrastructure. The BOR programs under ARRA provided for meeting future water supply needs, infrastructure reliability and safety, environmental and ecosystem restoration, the Secretary's Water Conservation initiative, emergency drought relief, and green buildings. Those efforts contributed to the long-term sustainability of water and natural resources. In 2015, BOR returned the unused funds. The funds are considered inflows of resources to the Government.

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

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

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

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

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

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

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

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

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

Indian Affairs

- Operation & Maintenance Of Quarters
- Natural Resource Damage Assessment an Restoration Fund - Exxon Valdez Restoration
- Operation & Maintenance - Indian Irrigation Systems
- Alaska Resupply Program
- Indian Water Rights and Habitat Acquisition Program
- Power Revenues, Indian Irrigation Projects
- Gifts & Donations

Bureau of Land Management

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

Bureau of Reclamation

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

Bureau of Safety and Environmental Enforcement

- Oil Spill Research

Office of Surface Mining Reclamation and Enforcement

- Regulation and Technology, Civil Penalties

Departmental Offices

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

Fish & Wildlife Service

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

National Park Service

- Centennial Challenge Fund
- Land Acquisitions and State Assistance
- Operation and Maintenance Of Quarters
- Delaware Water Gap Route 209 Operations
- Recreational Fee Enhancement Program
- Park Building, Lease, and Maintenance
- National Park Service Transportation Trust Fund
- Natural Resource Damage Assessment Restoration Fund
- National Maritime Heritage
- Filming and Photography Fee Program
- National Park Passport Program
- Glacier Bay Cruise and Boat Fees
- Parks Concession Franchise Fees
- Land and Water Conservation Fund, Gulf of Mexico Energy Security Act
- Grand Teton National Park
- Donations
- Birthplace of Abraham Lincoln
- Federal Highways Construction Trust Fund
- Educational Expenses, Children of Employees, Yellowstone National Park

U. S. Geological Survey

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

The DOI's funds from dedicated collections as of and for the year ended September 30, 2017, consist of the following:

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

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

The DOI's funds from dedicated collections as of and for the year ended September 30, 2016, consist of the following:

(dollars in thousands)	Land and Water Conservation Fund	Historic Preservation Fund	Reclamation Fund	Water and Related Resources & Recovery Act	Lower Colorado River Basin Fund
ASSETS					
Fund Balance with Treasury	$ 20,500,767	$ 3,290,689	$ 12,935,980	$ 1,498,396	$ 104,693
Investments, Net	-	-	-	-	358,756
Accounts Receivable, Net	-	129	215,734	18,042	425
General Property, Plant, and Equipment, Net	-	-	-	8,701,102	2,732,052
Other Assets	-	-	-	20,361	61,128
TOTAL ASSETS	$ 20,500,767	$ 3,290,818	$ 13,151,714	$ 10,237,901	$ 3,257,054
LIABILITIES					
Accounts Payable	$ -	$ -	$ 19	$ 69,320	$ 2,264
Other Liabilities	-	12,004	1,977	2,161,042	9,272
TOTAL LIABILITIES	$ -	$ 12,004	$ 1,996	$ 2,230,362	$ 11,536
NET POSITION					
Unexpended Appropriations	$ -	$ -	$ -	$ 173,258	$ 161,393
Cumulative Results of Operations	20,500,767	3,278,814	13,149,718	7,834,281	3,084,125
TOTAL NET POSITION	20,500,767	3,278,814	13,149,718	8,007,539	3,245,518
TOTAL LIABILITIES AND NET POSITION	$ 20,500,767	$ 3,290,818	$ 13,151,714	$ 10,237,901	$ 3,257,054
NET COST OF OPERATIONS					
Gross Costs	$ -	$ 55,365	$ 1,494	$ 1,441,102	$ 261,055
Earned Revenue	(343)	-	(181,061)	(149,401)	(224,207)
TOTAL NET COST OF OPERATIONS	$ (343)	$ 55,365	$ (179,567)	$ 1,291,701	$ 36,848
NET POSITION					
UNEXPENDED APPROPRIATIONS					
Beginning Balance	$ -	$ -	$ -	$ 164,158	$ 7,521
Budgetary Financing Sources					
Appropriations Received	-	-	-	270,609	-
Appropriations Transferred	-	-	-	(98,049)	5,454
Other Adjustments	-	-	-	-	-
CUMULATIVE RESULTS OF OPERATIONS					
Beginning Balance	$ 20,050,238	$ 3,334,179	$ 12,971,669	$ 7,921,823	$ 3,435,965
Budgetary Financing Sources					
Royalties Retained	900,275	-	835,675	-	-
Non-Exchange Revenue	-	-	7,653	-	-
Transfers without Reimbursement	(450,089)	-	(844,852)	1,014,972	-
Donations and Forfeitures (Cash)	-	-	-	-	-
Other Budgetary Financing Sources	-	-	-	-	-
Other Financing Sources					
Donations and Forfeitures (Property)	-	-	-	26,713	-
Transfers without Reimbursement	-	-	3	(96,385)	(166,575)
Imputed Financing	-	-	3	133,670	-
Other	-	-	-	(38,271)	1
Net Cost of Operations	343	(55,365)	179,567	(1,291,701)	(36,848)
NET POSITION, ENDING BALANCE	$ 20,500,767	$ 3,278,814	$ 13,149,718	$ 8,007,539	$ 3,245,518

Upper Colorado River Basin Fund	Abandoned Mine Land Fund	Southern Nevada Public Land Mgmt Fund	Federal Aid in Wildlife Restoration	Sport Fish Restoration & Boating Trust Fund	Environmental Improvement & Restoration Fund	Other Funds from Dedicated Collections	FY 2016 Combined Dedicated Collections
$ 424,934	$ 99,933	$ 33,392	$ 134,817	$ 54,273	$ 5	$ 3,154,199	$ 42,232,078
-	2,787,618	647,271	1,996,195	-	1,439,646	898,386	8,127,872
73	2,801	64	96	1,261,801	-	7,624,865	9,124,030
2,504,407	1,068	106,406	-	-	-	615,930	14,660,965
17,820	5	7	3	-	-	69,244	168,568
$ 2,947,234	$ 2,891,425	$ 787,140	$ 2,131,111	$ 1,316,074	$ 1,439,651	$ 12,362,624	$ 74,313,513
$ 18,933	$ 238	$ 879	$ 917	$ 601,504	$ -	$ 78,776	$ 772,850
238,532	17,034	16,262	124,464	71,245	-	562,867	3,214,699
$ 257,465	$ 17,272	$ 17,141	$ 125,381	$ 672,749	$ -	$ 641,643	$ 3,987,549
$ 183,918	$ 87,777	$ -	$ -	$ -	$ -	$ 184,440	$ 790,786
2,505,851	2,786,376	769,999	2,005,730	643,325	1,439,651	11,536,541	69,535,178
2,689,769	2,874,153	769,999	2,005,730	643,325	1,439,651	11,720,981	70,325,964
$ 2,947,234	$ 2,891,425	$ 787,140	$ 2,131,111	$ 1,316,074	$ 1,439,651	$ 12,362,624	$ 74,313,513
$ 134,779	$ 225,940	$ 38,378	$ 670,383	$ 452,613	$ -	$ 2,416,187	$ 5,697,296
(154,211)	(6)	(81,387)	-	-	-	(1,000,973)	(1,791,589)
$ (19,432)	$ 225,934	$ (43,009)	$ 670,383	$ 452,613	$ -	$ 1,415,214	$ 3,905,707
$ 124,512	$ -	$ -	$ -	$ -	$ -	$ 179,882	$ 476,073
-	90,000	-	-	-	-	33,909	394,518
92,596	-	-	-	-	-	(1)	-
-	-	-	-	-	-	-	-
$ 2,466,299	$ 2,817,927	$ 739,109	$ 1,882,872	$ 654,392	$ 1,408,157	$ 3,750,849	$ 61,433,479
-	-	-	-	-	-	1,078,913	2,814,863
-	188,570	-	793,251	-	31,494	7,595,571	8,616,539
(20,110)	-	(9,414)	-	441,571	-	305,109	437,187
-	-	-	-	-	-	63,385	63,385
-	-	-	-	-	-	-	-
103	-	-	-	-	-	-	26,816
17	-	(2,705)	-	-	-	128,289	(137,356)
6,920	3,590	-	-	-	-	729	144,912
-	-	-	(10)	(25)	-	(440)	(38,745)
19,432	(225,934)	43,009	(670,383)	(452,613)	-	(1,415,214)	(3,905,707)
$ 2,689,769	$ 2,874,153	$ 769,999	$ 2,005,730	$ 643,325	$ 1,439,651	$ 11,720,981	$ 70,325,964

Total Dedicated Collections:

FY 2017 and FY 2016 funds from dedicated collections are presented on a combined basis. The tables below summarize the elimination of intradepartmental activity between dedicated collection funds and all other fund types to arrive at the consolidated net position totals as presented on the balance sheet.

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

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

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 imputed costs 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 $727 million and $888 million during FY 2017 and FY 2016, respectively.

During FY 2017 and FY 2016, the costs associated with acquiring, constructing, and renovating heritage assets were $274 million and $225 million, respectively. The costs associated with acquiring and improving stewardship lands were $155 million and $134 million during FY 2017 and FY 2016, 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 2017 and FY 2016 earned revenue and gross costs by the six Mission Areas.

Costs and exchange revenue by responsibility segment for the year ended September 30, 2017, consists of the following:

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

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

Costs and exchange revenue by responsibility segment for the year ended September 30, 2016, consists of the following:

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

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

NOTE 19. STATEMENT OF BUDGETARY RESOURCES

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

Apportionment of New Obligations and Upward Adjustments. The following table contains only Category B apportionments since DOI does not receive Category A apportionments. Category B apportionments typically distribute budgetary resources by activities, projects, objects, or a combination of these categories. The DOI does not have new obligations and upward adjustments exempt from apportionment. The DOI's new obligations and upward adjustments for the year ended September 30, 2017 and 2016, are as follows:

Undelivered Orders		
(dollars in thousands)	FY 2017	FY 2016
Undelivered Orders	$ 10,309,943	$ 10,168,303

FY 2017 *(dollars in thousands)*	Apportioned
New Obligations And Upward Adjustments:	
Direct	$ 19,278,273
Reimbursable	6,088,692
Total New Obligations And Upward Adjustments	$ 25,364,868

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

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

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

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

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

Legal Arrangements Affecting Use of Unobligated Balances. Unobligated balances, whose period of availability has expired (i.e., expired authority), are not available to fund new obligations, but are available to pay for adjustments to new obligations and upward adjustments prior to expiration. The DOI's unapportioned balances as of September 30, 2017, and 2016, 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, 2017 and 2016. The DOI does have permanent indefinite nonbudgetary borrowing authority for the execution of direct loan and loan guarantee programs in accordance with the Credit Reform Act of 1990. The amount borrowed will fluctuate dependent upon the actual performance of the borrower as compared to the projected performance and the applicable Treasury interest rate and the applicable Treasury interest rate. In FY 2017, DOI exercised $193 thousand in new borrowing authority, with repayments of $1.5 million. In FY 2016, DOI exercised $1.3 million in new borrowing authority with repayments of $1.7 million.

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 2017 has not been published at the time these financial statements were prepared. The FY 2018 Budget of the United States Government with the actual FY 2016 amounts was released in May 2017. The FY 2019 Budget of the United States Government will include the FY 2017 actual amounts, and is estimated to be released in February 2018. 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 2016 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 2017	FY 2016
Unapportioned amounts unavailable for future apportionments	$ 27,902	$ 50,482
Expired Authority	197,833	194,977
Unapportioned	$ 225,735	$ 245,459

Reconciliation of the Statement of Budgetary Resources to the Budget of the United States Government				
(dollars in millions)	Budgetary Resources	New Obligations And Upward Adjustments	Distributed Offsetting Receipts	Net Outlays
FY 2016 Combined Statement of Budgetary Resources	$ 33,968	$ 24,465	$ 4,443	$ 17,112
Office of the Special Trustee for American Indians Fiduciary activity included in the Budget of the US Government that is excluded from the SBR	588	449	548	449
National Park Service Concessionaire activity included in the Budget of the US Government that is excluded from the SBR	18	8	11	8
Expired resources included in the SBR that are excluded from the Budget of the U.S. Government	(241)	(20)	-	-
Other activity	(1)	-	(1)	(4)
Subtotal	$ 364	$ 437	$ 558	$ 453
Budget of the U.S. Government	$ 34,332	$ 24,902	$ 5,001	$ 17,565

NOTE 20. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

As required by SFFAS No. 7, DOI has reconciled the Net Cost of Operations (reported in the Statement of Net Cost), to the current year obligations, reported on the Statement of Budgetary Resources.

Note the changes in “Current Year Gross Obligations”, “Actual Offsetting Collections”, and “Change in Unfilled Customer Orders” were caused by a new significant contract for DO. The increase in “Distributed Offsetting Receipts” is due to an increase in collections associated with the Deepwater Horizon settlement and an increase in commodity prices.

The schedule on the following page illustrates this reconciliation by listing the inherent differences in timing and recognition between the accrual proprietary accounting method used to calculate net cost and the budgetary accounting method used to calculate budgetary resources and obligations.

The reconciliation of net cost of operations to budgetary accounts for the years ended September 30, 2017 and 2016, is as follows:

(dollars in thousands)	FY 2017	FY 2016
Resources Used to Finance Activities		
Current Year Gross Obligations	$ 25,366,965	$ 24,465,302
Budgetary Resources from Offsetting Collections		
Spending Authority from Offsetting Collections		
Actual offsetting collections (discretionary and mandatory)	(6,413,600)	(5,617,039)
Change in uncollected customer payments from Federal sources	(103,174)	15,137
Recoveries of Prior Year Unpaid Obligations	(1,121,105)	(1,071,490)
Distributed Offsetting Receipts	(5,226,597)	(4,443,289)
Other Financing Resources		
Transfers In / (Out) without Reimbursement - Capital Assets	(25,885)	(4,652)
Donations and Forfeitures of Property	18,546	25,234
Imputed Financing Costs Absorbed by Others	726,534	888,152
Other Non-Budgetary Financing Sources/(Uses)	(117,986)	(329,417)
Total Resources Used to Finance Activity	$ 13,103,698	$ 13,927,938
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	$ 780,465	$ 3,701
Change in Undelivered Orders	(141,640)	(568,040)
Current Year Capitalized Purchases	(813,957)	(678,570)
Deferred Revenue	(87,022)	(7,838)
Change in Expended Authority in Loan Funds	(21,823)	(11,001)
Change in Budgetary Collections in Loan Funds	14,900	52,521
Distributed Offsetting Receipts	5,226,597	4,443,289
Revenues, Gains, and Losses	(1,248,143)	(954,175)
Other Financing Resources		
Transfers In/(Out) without Reimbursement - Capital Assets	25,885	4,652
Donations and Forfeitures of Property	(18,546)	(25,234)
Imputed Financing from Costs Absorbed by Others	(726,534)	(888,152)
Other Non-Budgetery financing Sources/(Uses)	117,986	329,417
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	(1,454)	26,835
Costs Without Current Year Budgetary Effect		
Depreciation and Amortization	802,484	818,840
Disposition of Assets	112,341	70,743
Re-evaluation of liabilities	(80,967)	(394,060)
Imputed costs	726,534	888,152
Bad Debt Expense	(1,708)	21,830
Change in Other Expenses Not Requiring Budgetary Resources	4,631	(68,512)
Net Cost of Operations	$ 17,773,727	$ 16,992,336

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 Office of Special Trustee (OST) and ONRR, both components of DO, and IA for the benefit of individual Native Americans as well as for designated Indian tribes. Transactions between these funds have not been fully eliminated.

Separately Issued Financial Statements

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

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

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

Schedule of Fiduciary Activity	Fiduciary Funds	
(dollars in thousands)	FY 2017	FY 2016
Fiduciary Net Assets, Beginning	$ 5,110,535	$ 5,074,102
Contributions	1,405,791	1,123,990
Investment Earnings	122,269	119,465
Gain (Loss) on Disposition of Investments, Net	1,148	8,101
Administrative and Other Expenses	-	30
Disbursements to and on Behalf of Beneficiaries	(1,414,170)	(1,215,153)
Increases/(Decrease) Net Assets	115,038	36,433
Fiduciary Net Assets, End	$ 5,225,573	$ 5,110,535

Fiduciary Net Assets	Fiduciary Funds	
(dollars in thousands)	FY 2017	FY 2016
Cash and Cash Equivalents	$ 620,836	$ 895,646
Investments	4,417,891	4,085,217
Accrued Interest Receivable	29,367	26,914
Other Income Receivable	157,769	102,773
Less: Accounts Payable	(290)	(15)
Total Fiduciary Net Assets	$ 5,225,573	$ 5,110,535

Schedule of Changes in Non-Valued Fiduciary Assets*	Fiduciary Assets	
Regions	FY 2017	FY 2016
Beginning Quantity	12	12
Additions	-	-
Dispositions	-	-
Net Increase/Decrease	-	-
Ending Quantity	12	12

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

Audit Results. With OIG oversight, independent auditors audited the Tribal and Other Trust Funds and the IIM Trust Funds financial statements as of September 30, 2017, and 2016. The independent auditors indicated that the financial statements were prepared on the cash or modified cash basis of accounting, which is a comprehensive basis of accounting other than GAAP. In addition, the independent auditors' report on the Tribal and Other Trust Funds was qualified as it was not practicable for the independent auditors to extend audit procedures sufficiently to satisfy themselves as to the fairness of the trust fund balances due to the effects of certain parties for whom DOI holds assets in trust do not agree with balances recorded by DOI and/or have requested an accounting of their trust funds. Some of these parties have filed claims against the U. S. Government. The IIM Trust Funds received an unmodified opinion from the auditors.

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

REQUIRED SUPPLEMENTARY INFORMATION

Unaudited, see accompanying Auditors' Report

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

Combining Statement of Budgetary Resources for the Year Ended September 30, 2017 *(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	$ 133,315	$ 286,752	$ 760,959	$ 122,440	$ 126,695
Recoveries of prior year unpaid obligations	55,892	81,332	59,520	31,677	38,219
Other changes in unobligated balance	-	-	(954)	(20,520)	-
Unobligated balance from prior year budget authority, net	189,207	368,084	819,525	133,597	164,914
Appropriations (discretionary and mandatory)	-	67,100	1,064,782	2,425,121	1,091,602
Spending authority from offsetting collections (discretionary and mandatory)	2,158,020	1,095,574	380,497	34,819	72,000
Total Budgetary Resources	$ 2,347,227	$ 1,530,758	$ 2,264,804	$ 2,593,537	$ 1,328,516
Status of Budgetary Resources:					
New obligations and upward adjustments (total)	$ 2,203,632	$ 1,277,828	$ 1,332,411	$ 2,421,363	$ 1,187,992
Unobligated balance, end of year:					
Apportioned, unexpired accounts	143,595	245,619	932,393	104,676	140,042
Unapportioned, unexpired accounts	-	7,311	-	-	482
Unexpired, unobligated balance, end of year	143,595	252,930	932,393	104,676	140,524
Expired, unobligated balance, end of year	-	-	-	67,498	-
Unobligated balance, end of year (total)	143,595	252,930	932,393	172,174	140,524
Total Budgetary Resources	$ 2,347,227	$ 1,530,758	$ 2,264,804	$ 2,593,537	$ 1,328,516
Change in Obligated Balance:					
Unpaid Obligations:					
Unpaid obligations, brought forward beginning of fiscal year	$ 996,730	$ 650,806	$ 1,163,825	$ 580,609	$ 466,082
New obligations and upward adjustments (total)	2,203,632	1,277,828	1,332,411	2,421,363	1,187,992
Outlays (gross)	(1,123,375)	(1,311,822)	(1,288,802)	(2,369,289)	(1,107,003)
Recoveries of prior year obligations	(55,892)	(81,332)	(59,520)	(31,677)	(38,219)
Unpaid obligations, end of year (gross)	2,021,095	535,480	1,147,914	601,006	508,852
Uncollected payments:					
Uncollected customer payments from Federal sources, brought forward, beginning of fiscal year	(757,244)	(559,306)	(423,797)	-	(37,130)
Change in uncollected payments, Federal sources	(78,775)	91,524	(23,114)	-	1,598
Uncollected customer payments, Federal sources, end of year (-)	(836,019)	(467,782)	(446,911)	-	(35,532)
Obligated balance, start of year	$ 239,486	$ 91,500	$ 740,028	$ 580,609	$ 428,952
Obligated balance, end of year	$ 1,185,076	$ 67,698	$ 701,003	$ 601,006	$ 473,320
Budget Authority and Outlays, Net:					
Budget authority, gross (discretionary and mandatory)	$ 2,158,020	$ 1,162,674	$ 1,445,279	$ 2,459,940	$ 1,163,602
Actual offsetting collections (discretionary and mandatory)	(2,079,245)	(1,187,098)	(357,384)	(34,833)	(69,825)
Change in uncollected payments, Federal sources	(78,775)	91,524	(23,114)	-	1,598
Recoveries of prior year paid obligations (discretionary and mandatory)	-	-	-	13	-
Budget authority, net (total) (discretionary and mandatory)	$ -	$ 67,100	$ 1,064,781	$ 2,425,120	$ 1,095,375
Outlays, gross (discretionary and mandatory)	$ 1,123,375	$ 1,311,822	$ 1,288,802	$ 2,369,289	$ 1,107,003
Actual offsetting collections (discretionary and mandatory)	(2,079,245)	(1,187,098)	(357,384)	(34,833)	(69,825)
Outlays, net (total) (discretionary and mandatory)	(955,870)	124,724	931,418	2,334,456	1,037,178
Distributed offsetting receipts (-)	-	-	(852)	-	-
Agency outlays, net (discretionary and mandatory)	$ (955,870)	$ 124,724	$ 930,566	$ 2,334,456	$ 1,037,178

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
$ 130,437	$ 713,396	$ 336,488	$ 327	$ 615,828	$ 532,547	$ 419,660	$ 5,264,593	$ 9,443,437
47,813	46,568	28,522	-	29,266	14,079	369,118	319,099	1,121,105
55,000	116	8,527	-	1,451	(6,075)	(20,400)	(165,527)	(148,382)
233,250	760,080	373,537	327	646,545	540,551	768,378	5,418,165	10,416,160
942,671	159,073	1,258,761	1,407,716	2,335,946	1,085,216	-	7,281,677	19,119,665
38,186	-	253,520	-	276,926	591,414	-	1,588,905	6,489,861
$ 1,214,107	$ 919,153	$ 1,885,818	$ 1,408,043	$ 3,259,417	$ 2,217,181	$ 768,378	$ 14,288,747	$ 36,025,686
$ 1,131,814	$ 170,099	$ 1,578,606	$ 1,407,408	$ 2,551,078	$ 1,617,919	$ 388,423	$ 8,073,821	$ 25,342,394
82,293	748,749	287,081	635	664,049	586,301	379,955	6,142,169	10,457,557
-	305	-	-	-	3,116	-	16,688	27,902
82,293	749,054	287,081	635	664,049	589,417	379,955	6,158,857	10,485,459
-	-	20,131	-	44,290	9,845	-	56,069	197,833
82,293	749,054	307,212	635	708,339	599,262	379,955	6,214,926	10,683,292
$ 1,214,107	$ 919,153	$ 1,885,818	$ 1,408,043	$ 3,259,417	$ 2,217,181	$ 768,378	$ 14,288,747	$ 36,025,686
$ 310,956	$ 94,161	567,998	$ -	$ 382,694	$ 350,342	$ 483,651	$ 5,627,537	$ 11,675,391
1,131,814	170,099	1,578,606	1,407,408	2,551,078	1,617,919	388,423	8,073,821	25,342,394
(1,065,620)	(100,318)	(1,526,288)	(1,407,408)	(2,522,562)	(1,575,698)	(364,947)	(8,015,565)	(23,778,697)
(47,813)	(46,568)	(28,522)	-	(29,266)	(14,079)	(369,118)	(319,099)	(1,121,105)
329,337	117,374	591,794	-	381,944	378,484	138,009	5,366,694	12,117,983
(13,773)	-	(285,578)	-	(167,067)	(548,104)	-	(259,610)	(3,051,609)
(2,772)	-	11,227	-	(23,546)	(71,080)	-	(4,893)	(99,831)
(16,545)	-	(274,351)	-	(190,613)	(619,184)	-	(264,503)	(3,151,440)
$ 297,183	$ 94,161	$ 282,420	$ -	$ 215,627	$ (197,762)	$ 483,651	$ 5,367,927	$ 8,623,782
$ 312,792	$ 117,374	$ 317,443	$ -	$ 191,331	$ (240,700)	$ 138,009	$ 5,102,191	$ 8,966,543
$ 980,857	$ 159,073	$ 1,512,281	$ 1,407,716	$ 2,612,872	$ 1,676,630	$ -	$ 8,870,582	$ 25,609,526
(35,414)	-	(265,353)	-	(253,919)	(520,489)	-	(1,595,577)	(6,399,137)
(2,772)	-	11,227	-	(23,546)	(71,080)	-	(4,893)	(99,831)
-	-	605	-	538	155	-	626	1,937
$ 942,671	$ 159,073	$ 1,258,760	$ 1,407,716	$ 2,335,945	$ 1,085,216	$ -	$ 7,270,738	$ 19,112,495
$ 1,065,620	$ 100,318	$ 1,526,288	$ 1,407,408	$ 2,522,562	$ 1,575,698	$ 364,947	$ 8,015,565	$ 23,778,697
(35,414)	-	(265,353)	-	(253,919)	(520,489)	-	(1,595,577)	(6,399,137)
1,030,206	100,318	1,260,935	1,407,408	2,268,643	1,055,209	364,947	6,419,988	17,379,560
-	(164,752)	-	(1,420,215)	-	(49)	-	(3,640,729)	(5,226,597)
$ 1,030,206	$ (64,434)	$ 1,260,935	$ (12,807)	$ 2,268,643	$ 1,055,160	$ 364,947	$ 2,779,259	$ 12,152,963

Deferred Maintenance and Repairs

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

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

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

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

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

The following is DOI's DM&R as of September 30, 2017:

Deferred Maintenance and Repairs as of September 30, 2017		
PP&E Category *(dollars in thousands)*	**Beginning DM&R Balance**	**Ending DM&R Balance**
General PP&E	$ 10,070,783	$ 10,296,715
Heritage Assets	4,918,287	5,401,320
Stewardship Land	439,971	488,794
Total	$ 15,429,041	$ 16,186,829

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, 2017, is $62.8 million. This estimate is comprised of approximately $9.2 million in Audit and Compliance Management, approximately $50.4 state and tribal audit, and approximately $3.2 million in civil penalties.

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

Oil and Gas Petroleum Royalties

Management of Federal Oil and Gas Resources

The DOI is responsible for managing the Nation's oil and natural gas resources and the mineral revenues on Federal lands, both onshore and on the OCS. This management process can be broken down into six essential analysis components: pre-leasing; post-leasing and pre-production; production and post-production; revenue collection; fund disbursement; and compliance.

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

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

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

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

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

Stewardship Policies for Federal Oil and Gas Resources

The DOI's responsibilities as stewards of Federal oil and gas resources begin when BLM and BOEM conduct pre-leasing analysis activities, which include the assessment of oil and gas resources that may be offered for lease. For onshore resources, even before an expression of interest by industry, the procedure to determine whether oil and gas leasing is compatible with other uses of the land begins with a Land Use Planning Process. Following the pre-leasing assessment, BLM and BOEM develop plans for offering those resources to developers. Once BLM makes a decision as to which onshore parcels to offer for lease, those parcels are posted publicly prior to quarterly competitive lease sales. All onshore parcels are evaluated for resource conflicts. 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. When a lease is assigned to a winning bidder, BLM and BOEM begin post-leasing and pre-production activities. These activities include a permitting and approval process for exploration, development, and production activities proposed by the lease operators. The BLM staff performs onshore inspections and BSEE staff performs offshore inspections to confirm that activities are conducted in an environmentally and physically safe manner. Similar inspections also occur during the production and post-production activities to help ensure the Federal Government is receiving accurate royalties from production and facilities are decommissioned in a manner that protects the environment.

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

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

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

Offshore[1]	Gulf of Mexico	Pacific[2]				Total
Oil and Lease Condensate	$ 21,986,039	$ 1,742,579				$ 23,728,618
Natural Gas, Wet After Lease Separation	1,754,574	67,103				1,821,677
Total Offshore	**$ 23,740,613**	**$ 1,809,682**				**$ 25,550,295**

Onshore	East Coast (PADD 1)	Midwest (PADD 2)	Gulf Coast (PADD 3)	Rocky Mountain (PADD 4)	West Coast (PADD 5)	Total
Oil and Lease Condensate	$ 70	$ 2,377,735	$ 5,121,134	$ 3,926,549	$ 813,162	$ 12,238,650
Natural Gas, Wet After Lease Separation	1,866	255,523	2,638,547	6,336,505	104,037	9,336,478
Total Onshore	**$ 1,936**	**$ 2,633,258**	**$ 7,759,681**	**$ 10,263,054**	**$ 917,199**	**$ 21,575,128**

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

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

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

Offshore[1]	Gulf of Mexico	Pacific[2]				Total
Oil and Lease Condensate	$ 21,836,593	$ 1,888,089				$ 23,724,682
Natural Gas, Wet After Lease Separation	2,555,183	78,529				2,633,712
Total Offshore	**$ 24,391,776**	**$ 1,966,618**				**$ 26,358,394**
Onshore	**East Coast (PADD 1)**	**Midwest (PADD 2)**	**Gulf Coast (PADD 3)**	**Rocky Mountain (PADD 4)**	**West Coast (PADD 5)**	**Total**
Oil and Lease Condensate	$ 101	$ 2,033,587	$ 4,960,430	$ 4,817,693	$ 957,376	$ 12,769,187
Natural Gas, Wet After Lease Separation	3,038	223,220	3,606,949	8,299,798	137,353	12,270,358
Total Onshore	**$ 3,139**	**$ 2,256,807**	**$ 8,567,379**	**$ 13,117,491**	**$ 1,094,729**	**$ 25,039,545**

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

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

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, 2017, and September 30, 2016. Inputs to these estimates were measured as of this effective date, or were extrapolated to this effective date. The Federal Government's estimated petroleum royalties have as their basis the Department of Energy's (DOE) Energy Information Administration (EIA) estimates of proved reserves. The DOE EIA proved reserves estimates are published annually, covering all Federal areas onshore and offshore. The DOE EIA provides such estimates. 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 2015, 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 2018 budget. These OMB estimates are for nominal prices, and are based on futures contract averages. Beyond the 11-year OMB forecasts, the prices in the projections are assumed to continue at the constant rates established in the last years of the OMB forecast. Those growth rates are 2 percent per year for oil and 3 percent per year for gas. Unique gas price projections were calculated for each region based on the proportion of gas-related revenue received over the last 3 years from wet gas royalties, dry gas royalties, and natural gas liquids royalties. Assuming that this 3-year average proportional relationship continues, gas prices were adjusted to account for the proportional relative values of each of these gas related products. This method is assumed to capture the value of royalties from the 3 gas related products from the single wet gas production stream, reported together as 'Natural Gas, Wet After Lease Separation' to most accurately reflect the actual wellhead volumes or unprocessed gas at the lease. Effective royalty rates are also unique for each region and are based on the assumption that the royalty relationships established in the prior 3-year average will remain. Effective royalty rates were calculated by dividing the region's last 3 years royalties by the sales values resulting in the fraction of sales value actually received as royalties. This method automatically accounts for transportation allowances and allowable deductions on regional bases that reduce the nominal royalty rates to the effective rates, and also implicitly converts the market based prices from OMB to First Purchase Prices for oil and Wellhead Prices for gas. The present value of these royalties was then estimated by discounting the revenue stream back to the effective date at the public discount rate assumed to be equal to the OMB's estimates of future 30-Year Treasury Bill rates. The OMB rates are 11-year estimates prepared for the mid-season review of the Administration's FY 2018 budget. The rates begin at 3.06 percent for FY 2017 and rise to 4.06 percent for FY 2024-FY 2027. The rates were assumed to remain at 4.06 percent beyond FY 2027, 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, 2017 and 2016
(in thousands)

	FY 2017	FY 2016
Other Federal Bureaus and Agencies		
Department of the Treasury	$ 28,299,490	$ 29,553,215
Interior - Reclamation Fund	7,926,506	8,843,326
Other Federal Bureaus and Agencies	994,373	1,050,129
States and Others	9,905,054	11,951,269
Total Estimated Petroleum Royalties to be Distributed to Others	**$ 47,125,423**	**$ 51,397,939**

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

Revenue Reported by Category FY 2017 and FY 2016
(in thousands)

	FY 2017			FY 2016		
(dollars in thousands)	Federal Offshore	Federal Onshore	Total	Federal Offshore	Federal Onshore	Total
Royalties from Oil & Lease Condensate	$ 2,747,441	$ 931,531	$ 3,678,972	$ 2,237,851	$ 790,748	$ 3,028,599
Accrual Adjustment - Oil & Lease Condensate	62,723	16,008	78,731	(12,465)	(8,242)	(20,707)
Royalties from Natural Gas	328,938	897,443	1,226,381	255,891	630,432	886,323
Accrual Adjustment - Natural Gas	5,323	16,222	21,545	(1,554)	(6,742)	(8,296)
Subtotal	$ 3,144,425	$ 1,861,204	$ 5,005,629	$ 2,479,723	$ 1,406,196	$ 3,885,919
Rent	$ 99,116	$ 29,993	$ 129,109	$ 156,104	$ 33,430	$ 189,534
Bonus Bid	301,809	321,288	623,097	166,034	56,549	222,583
Subtotal	$ 400,925	$ 351,281	$ 752,206	$ 322,138	$ 89,979	$ 412,117
Total	**$ 3,545,350**	**$ 2,212,485**	**$ 5,757,835**	**$ 2,801,861**	**$ 1,496,175**	**$ 4,298,036**

The above table of revenue reported by category presents royalty revenue reported to DOI in FY 2017 and FY 2016 for oil and lease condensate, and for natural gas, as well as rent revenue and bonus bid revenue by offshore and onshore leases. The revenue accrual adjustments represent activity for current month production for which reporting of volumes and categories occurs in the months following production; and for royalty payments that have been received but have not been matched with related royalty reports, and therefore are not yet associated to volumes or categories. Amounts include oil and gas revenue only, and do not include revenue in the financial statements for other commodities.

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

Estimated Petroleum Royalties (Proved Reserves)
End of FY 2017 and FY 2016
(in thousands)

Oil and Lease Condensate (Bbl)

Federal Offshore	FY 2017			FY 2016		
	Quantity	Average Purchase Price ($)[1]	Average Royalty Rate (%)	Quantity	Average Purchase Price ($)[1]	Average Royalty Rate (%)
Gulf of Mexico[2]	3,775,695	$ 47.15	12.96%	4,053,552	$ 38.19	12.95%
Pacific (including Alaska Federal OCS)	246,710	42.36	14.56%	308,679	32.23	14.79%
Subtotal Federal Offshore	4,022,405			4,362,231		
Federal Onshore						
East Coast (PADD 1)	14	$ 47.43	12.50%	21	$ 39.36	12.50%
Midwest (PADD 2)	442,102	44.83	11.97%	403,776	34.29	12.06%
Gulf Coast (PADD 3)	931,246	45.99	12.35%	1,003,930	37.24	12.39%
Rocky Mountain (PADD 4)	743,442	44.35	12.04%	1,037,647	34.88	12.03%
West Coast (PADD 5)	161,185	45.56	11.63%	209,596	36.23	11.68%
Subtotal Federal Onshore	2,277,988			2,654,970		
Total	**6,300,393**			**7,017,201**		

Natural Gas, Wet After Lease Separation (Mcf)

Federal Offshore	FY 2017			FY 2016		
	Quantity	Average Purchase Price ($)[1]	Average Royalty Rate (%)	Quantity	Average Purchase Price ($)[1]	Average Royalty Rate (%)
Gulf of Mexico[2]	5,720,583	$ 3.27	11.96%	7,123,258	$ 2.42	11.74%
Pacific (including Alaska Federal OCS)	225,783	3.55	12.86%	204,462	2.80	12.67%
Subtotal Federal Offshore	5,946,366			7,327,720		
Federal Onshore						
East Coast (PADD 1)	7,029	$ 2.63	12.31%	9,673	$ 2.00	12.46%
Midwest (PADD 2)	1,042,551	3.18	10.42%	730,672	2.00	11.40%
Gulf Coast (PADD 3)	10,605,958	3.10	10.82%	12,380,461	2.29	10.13%
Rocky Mountain (PADD 4)	27,867,035	3.03	10.47%	31,308,415	2.30	9.42%
West Coast (PADD 5)	355,109	4.76	12.49%	407,486	4.14	12.49%
Subtotal Federal Onshore	39,877,681			44,836,707		
Total	**45,824,047**			**52,164,427**		

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 2017 and FY 2016. 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 689,737 barrels of proved oil reserves and 1,180,307 cubic feet of proved gas reserves are not reflected in these totals as they are estimated to be producible royalty free under various royalty relief provisions. The net present value of the royalty value of the royalty free proved reserves volumes in the Federal Gulf of Mexico is estimated to be $4,366,531,772.

Federal Regional Oil and Gas Information
FY 2017 and FY 2016
(in thousands)

Oil and Lease Condensate Information - Offshore

	FY 2017				FY 2016			
	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	452,455	$ 21,246,794	$ 2,713,510	$ 964,340	448,967	$ 17,233,746	$ 2,201,486	$ 631,017
Pacific	6,315	$264,069	$33,931	-	7,544	244,237	36,365	N/A
Total	**458,770**	**$ 21,510,863**	**$ 2,747,441**	**$ 964,340**	**456,511**	**$ 17,477,983**	**$ 2,237,851**	**$ 631,017**

Natural Gas Information - Offshore

	FY 2017				FY 2016			
	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	895,793	$ 2,915,978	$ 328,249	$ 149,014	964,425	$ 2,341,910	$ 257,651	$ 105,179
Pacific	2,336	8,271	689	-	2,935	8,379	(1,760)[1]	-
Total	**898,129**	**$ 2,924,249**	**$ 328,938**	**$ 149,014**	**967,360**	**$ 2,350,289**	**$ 255,891**	**$ 105,179**

Oil and Lease Condensate Information - Onshore

	FY 2017				FY 2016			
	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	$ 22	$ 3	$ -	1	$ 38	$ 5	$ -
Midwest (PADD 2)	28,131	1,242,262	145,798	-	26,198	941,071	112,507	-
Gulf Coast (PADD 3)	78,880	3,619,362	447,516	-	80,001	3,071,060	379,154	-
Rocky Mountain (PADD 4)	52,529	2,318,578	280,845	-	58,276	2,001,570	241,605	-
West Coast (PADD 5)	10,998	$491,432	57,369	-	13,427	489,599	57,477	-
Total	**170,539**	**$ 7,671,656**	**$ 931,531**	**$ -**	**177,903**	**$ 6,503,338**	**$ 790,748**	**$ -**

Natural Gas Information - Onshore

	FY 2017				FY 2016			
	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)	289	$ 798	$ 99	$ -	226	$ 450	$ 56	$ -
Midwest (PADD 2)	74,660	230,356	24,085	-	64,366	132,421	15,327	-
Gulf Coast (PADD 3)	955,645	3,101,804	329,062	-	926,146	2,208,750	226,909	-
Rocky Mountain (PADD 4)	1,722,063	5,279,902	532,116	-	1,749,744	3,935,156	376,751	-
West Coast (PADD 5)	20,553	$96,614	12,081	-	23,667	91,046	11,389	-
Total	**2,773,210**	**$ 8,709,474**	**$ 897,443**	**$ -**	**2,764,149**	**$ 6,367,823**	**$ 630,432**	**$ -**

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

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

Oil and Lease Condensate Information - Offshore and Onshore

	FY 2017				FY 2016			
	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	**629,309**	**$ 29,182,519**	**$ 3,678,972**	**$ 964,340**	**634,414**	**$ 23,981,321**	**$ 3,028,599**	**$ 631,017**

Natural Gas Information - Offshore and Onshore

	FY 2017				FY 2016			
	Sales Volume (Mcf)	Sales Value ($)	Royalty Revenue Earned ($)	Estimated Value for Royalty Relief ($)	Sales Volume (Mcf)	Sales Value ($)	Royalty Revenue Earned ($)	Estimated Value for Royalty Relief ($)
Total	**3,671,339**	**$ 11,633,723**	**$ 1,226,381**	**$ 149,014**	**3,731,509**	**$ 8,718,112**	**$ 886,323**	**$ 105,179**

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 2017 and FY 2016.

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 decisionmaking purposes, and to reflect the estimated amount of royalty relief granted in the fiscal year.

Other Significant Federal Oil and Gas Resources

Based on BOEM's 2016 National Assessment of Undiscovered Oil and Gas Resources of the Nation's OCS, the remaining resource endowment of the Federal OCS, adjusted for cumulative production through September 2017, is estimated at 174 billion barrels of oil equivalent (BBOE). Of these resources, 15 percent (26 BBOE) are discovered resources under lease in OCS areas currently available for leasing and/or development. The remaining 85 percent (148 BBOE) are Undiscovered Technically Recoverable Resources (UTRR) defined as oil and gas that may be produced as a consequence of natural pressure, artificial lift, pressure maintenance, or other secondary recovery methods, but without any consideration of economic viability. The UTRR are primarily located outside of known fields. Of these 148 BBOE of UTRR, 79 BBOE are located in Pacific, Atlantic, Alaska, and Eastern Gulf of Mexico OCS areas not included in the current 5-year OCS oil and gas leasing program.

In 2017, 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 was at one time off limits to leasing and development due to an existing congressional legislative mandate. However, as part of the new Administration's "Making America Safe through Energy Independence" initiative, the administration will propose legislation that would allow these lands to become available for development with necessary safeguards to protect the environment. In addition, the National Petroleum

Reserve-Alaska contains at least 6 BBOE. Many of the UTRR onshore oil reserves are associated with shale oil resources contained within PADDs II, III and IV that includes the Rocky Mountain and Midwest regions of the U.S. The highly- visible Bakken Shale and Three Forks formations in North Dakota (PADD II) and Montana (PADD IV) contain an estimated 7.5 BBOE. Lesser amounts, totaling about 1.8 BBOE, are contained within the Mancos Formation in Utah (PADD IV), the Permian Basin in Texas and New Mexico,the Eagle Ford Shale in Texas (PADD III), and the Niobrara Formation of Colorado and Wyoming (PADD IV).

The BLM proposed a Hydraulic Fracturing (HF) rule in May 2013 due to environmental concerns, including ground water protection issues associated with the use of HF to produce these resources. The BLM proposed and drafted a rule inviting comments. After resolving over a million comments the final rule was published in March 2015. The rule was challenged in the District Court of Wyoming by two associations of oil and gas firms and the States of Colorado, North Dakota, Utah and Wyoming. The rule is still in litigation in the 10th Circuit Court of Appeals. Meantime, BLM is now proposing to rescind the 2015 final rule because BLM believes that it is unnecessarily duplicative of state and some tribal regulations and imposes burdensome reporting requirements and other unjustified costs on the oil and gas industry. This proposed rule would return the affected sections of the CFR to the language that existed immediately before the published effective date of the 2015 final rule. The newly proposed rule was published in the Federal Register/ Vol. 82, No. 141/ Tuesday, July 25, 2017. Comments on this proposed rule or the supporting Regulatory Impact Analysis or Environmental Assessment were due on or before September 25, 2017.

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

Coal Royalties

Management of Federal Coal Resources

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

The BLM Federal coal leases contribute a large share of total domestic coal production and consumption. In FY 2016, coal resources accounted for 30 percent of the Nation's electricity generation; Federal lands currently supply approximately 41 percent of all U.S. coal production.

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

Stewardship Policies for Federal Coal Resources

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

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

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

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

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

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

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

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

Schedule of Estimated Federal Coal Royalties
Asset Present Value as of September 30, 2016
(in thousands)

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

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

The above tables present the estimated present value of future Federal royalty receipts on estimated recoverable reserves as of September 30, 2017 and September 30, 2016. 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, 2017 and 2016 *(in thousands)*		
	FY 2017	**FY 2016**
Other Federal Bureaus and Agencies		
Department of the Treasury	$ 987,184	$ 965,761
Interior - Reclamation Fund	3,589,759	3,511,860
States and Others	**4,397,455**	**4,302,028**
Total Estimated Coal Royalties to be Distributed to Others	**$ 8,974,398**	**$ 8,779,649**

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

Revenue Reported by Category FY 2017 and FY 2016 *(in thousands)*		
	Coal Totals FY 2017	**Coal Totals FY 2016**
Coal Royalties	$ 555,283	$ 530,312
Accrual Adjustment - Coal Royalties	6,687	1,120
Subtotal	**$ 561,970**	**$ 531,432**
Rent	1,151	1,250
Bonus Bid	22,869	-
Subtotal	$ 24,020	$ 1,250
Totals	**$ 585,990**	**$ 532,682**

The above table of revenue reported by category represents royalty revenue reported to ONRR in FY 2017 and FY 2016 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 2017 and FY 2016 *(in thousands)*						
	FY 2017			**FY 2016**		
Area	**Quantity (in tons)**	**Average Purchase Price ($) per ton**	**Average Royalty Rate (%)**	**Quantity (in tons)**	**Average Purchase Price ($) per ton**	**Average Royalty Rate (%)**
Other Federal Bureaus and Agencies						
Powder River Basin[1]	5,838,036	$ 12.54	12.25%	6,393,976	$ 13.17	12.44%
Colorado	412,252	34.35	7.57%	422,678	35.17	7.61%
Utah	84,402	33.05	6.86%	96,255	34.01	7.03%
All Other[2]	477,346	29.67	6.76%	487,638	33.05	7.10%
Total Federal	**6,812,036**			**7,400,547**		

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

The table above provides the estimated quantity, average price, and average royalty rate by category of estimated Federal coal recoverable reserves at the end of FY 2017 and FY 2016. The prices and royalty rates are based on the average of the most recent 12 sales month's revenue collection activity, include estimates, exclude prior period adjustments, and are affected by such factors as accounting adjustments and transportation and processing allowances, resulting in effective royalty rates. Prices are valued at the lease rather than at the market center, and differ from those used to compute the asset estimated present values, which are forecasted and discounted based upon OMB economic assumptions.

Federal Area Coal Information FY 2017 and FY 2016 *(in thousands)*						
Area	FY 2017			FY 2016		
	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]	291,781	$ 3,699,936	$ 452,610	259,950	$ 3,424,996	$ 425,584
Colorado	11,872	475,514	36,041	11,172	459,288	34,148
Utah	12,357	509,402	34,178	11,991	460,979	32,337
All Other[2]	14,953	472,391	32,454	15,982	539,014	38,243
Total Federal	330,963	$ 5,157,243	$ 555,283	299,095	$ 4,884,277	$ 530,312

[1]Contains Federal Leases in Wyoming and Montana

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

The above table of Federal coal sales information reflects reported sales volume, sales value, and royalty revenue for FY 2017 and FY 2016.

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 decisionmaking purposes.

Other Significant Federal Coal Resources

In 2017, the BLM, in collaboration with the ONRR, estimated the remaining recoverable coal reserves on currently authorized Federal coal leases to be approximately 6.8 billion tons of coal. The recoverable coal reserves include all coal that is economically recoverable within areas that are suitable for mining. The recoverable coal reserves do not include coal that is within areas classified as being unsuitable for mining (such as under interstate highways, within alluvial valley floors, or within areas that are determined to be critical habitat for listed threatened or endangered plant or animal species), areas that are not economically minable, or coal that is required to not be mined in order to safeguard the life and safety of the miners.

Other Natural Resources

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

Soda ash is obtained from trona and sodium carbonate-rich brines. The world's largest deposit of trona is in the Green River Basin in Wyoming. There are smaller deposits of sodium carbonate mineral in California and Colorado. Underground room and pillar mining, using continuous miner machines, is the primary method of mining Wyoming trona ore. As of September 30, 2017, the estimated net present value of future royalties from trona from the Green River Basin is $944 million.

Potash is an alkaline potassium compound, especially potassium carbonate or hydroxide. Most of the mining of potash takes place in southeastern New Mexico. Underground room and pillar mining using continuous miner machines is the primary method of mining potash ore. As of September 30, 2017, the estimated net present value of future royalties from potash, and the muriates of potash, is $152 million.

Investment in Research and Development *(dollars in thousands)*						
Category	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**Total**
Basic Research	$ 84,000	$ $86,000	$ 99,000	$ 99,000	$ 91,000	$ 459,000
Applied Research	824,000	841,000	890,000	937,000	949,000	4,441,000
Developmental Research	136,000	141,000	145,000	174,000	188,000	784,000
TOTAL	$ 1,044,000	$ 1,068,000	$ 1,134,000	$ 1,210,000	$ 1,228,000	$ 5,684,000

Investment in Research and Development

Investment in Research and Development provides reliable, credible, objective, and unbiased scientific results to improve the basic understanding of natural resources and to inform land and resource management decisions across the Nation. These research and development activities encompass examinations of geological structures, mineral resources, and products within and outside the national domain. Earth science research and information are used to save lives and property, safeguard human health, enhance the economic vitality of the Nation and its people, assess resources, characterize environments, and predict the impact of contamination. This information aids in solving critical societal problems through research, investigation, and the application of state-of-the-art geographic and cartographic methods.

The DOI's research and development activities are presented in the following three major categories.

Basic Research. A study to gain knowledge or understanding of the fundamental aspects of specific phenomena or observable facts without specific applications and products in mind.

Applied Research. A systemic study to gain knowledge or understanding necessary for determining the means by which a recognized and specific need may be met.

Developmental Research. The systematic use of knowledge and understanding gained from research for the production of useful materials, devices, systems, or methods, including the design and development of prototypes and processes.

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

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

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

Significant Outcomes and Accomplishments in TAP, include the following:

The Technology Assessment Program (TAP)

Through the TAP, BSEE 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 OCSLA requires that annual inspections be performed on each permanent structure and monthly inspections on rigs that conduct drilling, completion, or workover operations. The BSEE promotes investigation of new technologies to assure approved permits continue to promote safe operations and the prevention of pollution. As of September 20, 2017, the Offshore Regulatory Program (ORP) has eleven active ongoing TAP research projects. The following are examples:

Cladded Weld Materials Fracture Behavior: The objective of this project is to define a general approach to and advance development of a useful predictive computer-modeling tool for use in analyzing failure modes of cladded materials used in oil and gas drilling and extraction equipment.

Cementing Alternative Resins: The study is intended to deliver a thorough understanding and description of the well sealants available and the ability of resin to provide a durable, lifelong seal for OCS oil and gas wells.

Liner Seal and Cement Studies: The primary objective of this project is to study "fitness for service" of sealing assemblies and the cement system in shallow well designs by conducting scaled laboratory testing, leakage modelling, and risk assessment.

Research on Safety Technology Verification for Materials and Corrosion in the OCS, High-Pressure High-Temperature (HPHT) Material Evaluations

The BSEE aims to validate and compile standard test protocols, laboratory testing procedures, and analyses for a value subset of material properties suitable for HPHT operation in the OCS. As offshore oil and gas exploration and development advances to both deeper water depths and deeper wells, the operating environment becomes more extreme. This is especially evident in terms of temperatures and pressures encountered. For use in the CFR, high pressure has been defined as greater than 15,000 psi, and high temperature has been defined as reliability at greater than 350 degrees. Successful production requires high-endurance systems rated for high temperatures to ensure longer run life and extension.

The Oil Spill Response Research (OSRR) Program

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

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

Haywired Earthquake Scenario

The Science Application for Risk Reduction project develops natural hazard disaster scenarios as a strategy to engage decision-makers in increasing a community's ability to cope with the effects of a disaster. The HayWired scenario is an earthquake sequence triggered by a magnitude 7.0 earthquake on the Hayward fault in California. To develop this scenario, USGS analyzed the economic consequences of a major earthquake in the Bay Area and answered the question of how infrastructures are made vulnerable by multiple layers of interdependencies between lifelines, with a major reliance on the Internet. This scenario also considers impacts from a sequence of aftershocks following the main earthquake, an aspect often overlooked but an important component of the physical and emotional damage associated with large earthquakes extending into the days and months following.

Landsat 9

In 2017, USGS kept pace with its National Aeronautics and Space Administration partner on Landsat 9 development, continuing to work towards an anticipated launch date of FY 2021 for Landsat 9. In FY 2017, USGS accomplished several major milestones, including ground system requirements review, mission operations center system requirements review, and mission preliminary design review.

Land Change Monitoring, Assessment, and Projection (LCMAP) Project

The USGS began full-scale development of the LCMAP in FY 2017. The LCMAP leverages Landsat analysis ready data and produces operational collection and delivery of accurate and relevant data, information and knowledge on land use, cover, and condition. The LCMAP supports a wide array of objectives to: (1) provide documentation and understanding of historical land change and contemporary land change as it occurs; (2) explain how past, present, and future land change affects society, natural systems, and the functioning of the planet at local to global scales; (3) alert relevant stakeholders to important or emerging land change events in their jurisdictions; and (4) support others in the use of land change data, information, and science results.

Energy Resource Research and Assessments Program

The USGS Program conducted geological, geophysical, and geochemical research to characterize petroleum systems to better understand hydrocarbon generation, migration, and entrapment. The Program assessments of undiscovered, technically recoverable oil and gas resources provided useful data both in the U.S. and globally about the availability and recoverability of oil and gas resources. The Program also refined the geologic framework and conducted fieldwork on the North Slope of Alaska, both of which underpin major oil and gas development. In addition, the Program also conducted follow-up activity from a major gas hydrate discovery in offshore India in the Bay of Bengal, which will include a long-term production test on Alaska's North Slope to help characterize scalability.

Minerals Information, Research and Assessments Program

The USGS Mineral Resources Research and Assessment Program continued its research and assessments of mineral resources in the U.S. and globally, including analyses of critical mineral resources and rare earth elements. The Program also worked with U.S. intelligence agencies to modify the National Science and Technology Council critical mineral screening methodology model to analyze mineral criticality from the perspective of global competitors and potential adversaries, and to conduct a model sensitivity analysis. Additional work on critical minerals included work with the U.S. Defense Logistics Agency (DLA) to modify the model methodology to include net import reliance, which allows DLA to use the model for its National Defense Stockpile screening analysis in the next reporting cycle.

Harmful Algal Blooms and Toxins

The USGS science helps Federal, state, and local agencies predict, monitor, understand, and mitigate the human, fish, and wildlife health hazards posed by harmful algal blooms and their associated toxins. In FY 2017, the USGS Environmental Health Mission Area (EHMA) continued its leadership role in studies that: developed advanced analytical methods to detect low levels of a variety of algal toxins in waters and other media; help identify the algal species that produce toxins; help understand the environmental persistence of, exposure pathways to; and actual versus perceived health hazards posed by algal toxins.

Tap Water Quality

The USGS set up a first of its kind collaboration with federal health agencies, academia, local health groups, and local water managers in a major U.S. city to analyze a broad spectrum of regulated and unregulated potential pathogens and contaminants from municipal drinking water treatment plants and water from the same plants taken from taps in homes and businesses. This effort will help local stakeholders understand what, if any, changes in tap water quality can occur after treatment but prior to the tap in homes and businesses, as well as the potential health hazards that any contaminants or pathogens found may pose. The USGS is currently the sole provider of this information.

Integrated Coastal and Seafloor Mapping

The Coastal Marine Geology Program deployed marine and coastal mapping technologies and provided scientific analysis to State agencies on floods and landslides that devastated the nation's coasts. A USGS assessment on the impacts of Hurricane Sandy on Fire Island, New York, integrated coastal and seafloor mapping with oceanographic observations and models to enhance understanding of the impact of extreme events and persistent processes on the evolution on the nearshore and barrier island structure. The report provides insights into the physics of inner-shelf ocean dynamics with models explaining the drastic seafloor erosion caused by storm surge waves, surface currents, and bottom stresses, and advances fundamental science needed to assess national coastal risks.

Scenario earthquake ShakeMaps

The USGS has created nearly 800 new ShakeMap earthquake scenarios developed for the continental United States. Scenario ShakeMaps, which quantify shaking from significant earthquakes, are widely used for earthquake drills and planning exercises by engineers, emergency responders, operators of critical utilities and lifelines, city planners and the financial sector. Users can choose from an extensive range of possible earthquake scenarios distributed throughout at-risk areas of the contiguous U.S.

Earthquake Early Warning Development

The USGS, along with it partners, introduced an updated version of the ShakeAlert earthquake early warning system in April 2017. This milestone extends the "production prototype" that was introduced in California to Washington and Oregon, creating a fully integrated ShakeAlert system for the West Coast. While the system does not yet support public warnings, this version allows selected early adopters to develop pilot implementations that demonstrate the system's utility and potential for broader use.

Improved Models for Post-Wildfire Debris-Flow Hazard Assessment and Early Warning

Wildfire impacts on watersheds can lead to debris flows and flash floods from moderate rainstorms. The USGS Landslide Hazard Program delivered 39 post-wildfire debris-flow hazard assessments for major wildfires in the western U.S. and the Appalachian Mountains in North Carolina and Tennessee to support DOI, U.S. Forest service Burned Area Emergency Response Teams, local emergency management and the National Weather Service (NWS). The USGS has partnered with the NWS to deliver debris-flow early warning for recently burned areas in southern California and is working to expand the partnership to other affected regions. This provides a basis for the expansion of debris-flow early warning system to NWS forecast offices across the western U.S.

Trends in the Nation's Water Quality (NWQ): Streams and Rivers
In FY 2017, the NWQ Program released an online, interactive mapping tool that documents results of decadal-scale trend analysis at over 1,400 sites for 51 chemical water-quality constituents (such as nutrients and pesticides) and 38 measures of aquatic life. This innovative, science-based tool determines if there have been reductions in the amounts of various pollutants entering select streams and rivers, if stream quality has remained unchanged, or if increases in pollutant concentration and loads have occurred over the past decades.

USGS National Brackish Groundwater Assessment
The use of brackish groundwater could supplement or, in some places, replace the use of freshwater sources and enhance our Nation's water security. However, a better understanding of the location and character of brackish groundwater was needed to expand development of the resource and provide a scientific basis for making policy decisions. To address this need, DOI's WaterSMART initiative, through the USGS Water Availability and Use Science Program, conducted a national assessment of brackish aquifers. In FY 2017, the Water Availability and Use Science Program completed its' assessment of National Brackish Resources.

Post-fire recovery of sagebrush steppe: effectiveness of phasing herbicide, drill seeding, and grazing resumption
The project objective is to determine the incremental gains in desirable perennials and decreases in exotic annual grasses with the phasing of land management actions - specifically herbicide spraying, drill seeding, and resumption of grazing - in the first few years following wildfire in sagebrush steppe.

Specimen Archiving Program
In FY 2017, BOEM's specimen archiving program with the Smithsonian Institution's Department of Invertebrate Zoology included archiving OCS marine organism tissue samples in addition to physical specimens, which will ensure scientific quality of genetic-based identification techniques to inform the future for OCS biological research. A total of 82 genetic samples were created in FY 2017. In addition, an initiative to obtain genomics from older preserved specimens successfully yielded results from preserved specimens many decades old.

Atlantic Marine Assessment Program for Protected Species (AMAPPS)
In 2010, BOEM, in collaboration with NOAA's North East Fisheries Science Center (NEFSC), FWS and the U. S. Navy, initiated AMAPPS, a significant survey across the U. S. Atlantic continental shelf for a more comprehensive assessment of the abundance, distribution, ecology, and behavior of marine mammals, sea turtles, and seabirds throughout the U. S. Atlantic waters to contextualize the voluminous set of observations acquired with the most current ecosystem models.

Gulf of Mexico Marine Assessment Program for Protected Species (GoMMAPPS)
The GoMMAPPS program was initiated by BOEM in 2016 through the National Oceanographic Partnership Program with main observational efforts began in 2017. The GoMMAPPS is also addressing the issues of anthropogenic noise, vessel traffic, trash and debris and accidental spills that are more prevalent in the Gulf of Mexico and the issue of discharges/produced water from oil and gas operations. The GoMMAPPS is giving BOEM's natural resource analysts and managers a solid scientific basis on which to make credible impact assessments and to undertake conservation initiatives mandated under the Marine Mammal Protection Act, Endangered Species Act, National Environmental Policy Act (NEPA), and Migratory Bird Treaty Act.

Assessment of the applicability of existing satellite datasets
In FY 2017, BOEM started a study as an interagency collaboration with the National Aeronautics and Space Administration to assess the applicability of existing satellite datasets to support BOEM's air quality regulations and NEPA analyses. Specifically, this study is designed to determine the feasibility of using spectral analysis satellite data in offshore environments in the Gulf of Mexico, Pacific, Atlantic and Alaska Regions. Products will be developed for estimating and monitoring long term trends of the ground level concentrations of criteria National Ambient Air Quality Standards pollutants, chemical precursors, and visibility pollutants in areas where there are no monitors in the Gulf of Mexico and Pacific Regions. Similar products will be used for estimating and monitoring background concentration of pollutants in the Alaska and Atlantic Regions prior to oil and gas or renewable energy development.

Investment in Human Capital *(dollars in thousands)*						
Category	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**Total**
Educational Programs	$ 728,000	$ 705,000	$ 807,000	$ 818,000	$ 855,000	$ 3,913,000

Investment in Human Capital

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

Education Programs

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

The BIE funded 183 schools that serve on average 45,500 academic students per year, of which 6,237 students were counted with disabilities. Some 5,100 students reside in boarding school residences and 1,300 students reside in peripheral dormitories. On average, the graduation rate is 62.83 percent; 63.06 percent for students with disabilities.

The Post-Secondary Education Programs support grants and supplemental funds for 28 tribal colleges and universities, 2 BIE-operated universities, Haskell and Southwest Polytechnic Institute, and 2 technical schools. The 32 colleges and universities serve on average 24,000 students and issue an average of 1,600 degrees and certificates each year.

The goals of the Early Child and Family Development Program is to support parents/primary caregivers in their role as their child's first and most influential teacher; to increase family literacy; and to strengthen family-school-community connections. This program serves on average 2,100 children and their families.

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

Additional programs such as the Special Higher Education Scholarship Program funded an average of 433 students and the Science Post Graduate Scholarship Program funds approximately 21 students.

Through BIE's focus on improving teachers' skills, teachers from various schools completed 288 Nation Board Certification components, with 7 individuals recognized as being National Board Certified teachers during the reporting period.

Investment in Non-Federal Physical Property *(dollars in thousands)*

Category	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	Total
Dams and Other Water Structures	$ 200,000	$ 144,000	$ 172,000	$ 163,000	$ 190,000	$ 869,000
Land	84,000	58,000	60,000	59,000	54,000	315,000
Road and Bridges	3,000	2,000	3,000	1,000	1,000	10,000
Schools and Public Buildings	63,000	77,000	41,000	40,000	42,000	263,000
Ranges	3,000	10,000	9,000	4,000	7,000	33,000
Not Classified	11,000	12,000	19,000	39,000	24,000	105,000
TOTAL	$ 364,000	$ 303,000	$ 304,000	$ 306,000	$ 318,000	$ 1,595,000

Investment in Non-Federal Physical Property

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

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

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

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Unaudited, see accompanying Auditors' Report

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

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

Report No.: 2017-ER-050 November 2017

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

Memorandum

NOV 0 2 2017

To: Secretary Zinke

From: Mary L. Kendall
Deputy Inspector General

Subject: Inspector General's Statement Summarizing the Major Management and Performance Challenges Facing the U.S. Department of the Interior
Report No. 2017-ER-050

In accordance with the Reports Consolidation Act of 2000, the Office of Inspector General (OIG) is submitting what it determined to be the most significant management and performance challenges facing the U.S. Department of the Interior (DOI), for inclusion in the DOI's *Agency Financial Report* for fiscal year 2017.

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

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

cc: Scott Hommel, Chief of Staff, U.S. Department of the Interior
David Bernhardt, Deputy Secretary, U.S. Department of the Interior
Douglas Glenn, Director, Office of Financial Management
Teresa Hunter, Deputy Director, Office of Financial Management

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Introduction and Approach

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

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

The OIG identified the top management and performance challenges for fiscal year (FY) 2017 as:

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

These nine challenges are not presented in order of priority. Some of the critical topics discussed span multiple challenge areas, serving as a reminder of the complex nature of the DOI's mission. This year we have added workplace culture and ethics as a new challenge area, reflecting recent attention and serious concerns at multiple bureaus.

This report is based on specific OIG and U.S. Government Accountability Office (GAO) reviews and other reports, as well as our general knowledge of the DOI's programs and operations. Our analysis generally considers the accomplishments that the DOI reported as of September 30, 2017.

We met with DOI officials to gain their perspective and together agreed on the challenge areas. We received varying degrees of input from the Bureau of Indian Affairs (BIA)/Bureau of Indian Education (BIE), Bureau of Land Management (BLM), Bureau of Ocean Energy Management (BOEM), Bureau of Reclamation (USBR), Bureau of Safety and Environmental Enforcement (BSEE), National Park Service (NPS), Office of Surface Mining Reclamation and Enforcement (OSMRE), U.S. Fish and Wildlife Service (FWS), and U.S. Geological Survey (USGS). We did not receive information from the Office of the Secretary; Office of Policy, Management and Budget; Office of Insular Affairs; Office of the Solicitor; Office of the Chief Information Officer; or the Office of the Special Trustee for American Indians. We also provided a draft copy of our views to DOI officials and considered all comments received when finalizing this report.

In addition, we reviewed the GAO's list of Federal programs and operations at high risk for waste, fraud, abuse, and mismanagement or in need of broad-based transformation (updated every 2 years; see http://www.gao.gov/highrisk/overview). The GAO's High-Risk List for 2017 identifies issues in three of our challenge areas—energy management, information technology, and climate effects—as well as in strategic human capital management, which have impacts across multiple challenge areas. The GAO also added two relevant high-risk issues in 2017: environmental liability and management of Federal programs that serve tribes and their members. GAO findings inform and guide actions to resolve management and operational challenges.

This report marks the first year of a new Administration, and with this transition comes new perspectives and approaches to addressing the DOI's top management and performance challenges. The 5-year DOI Strategic Plan extends to the end of FY 2018. As the next Strategic Plan is developed, bureau and program plans that direct the DOI's mission will undoubtedly be updated or replaced to reflect current priorities and set milestones.

Energy Management

As the steward of 700 million acres of subsurface minerals and manager of one-fifth of the Nation's landmass and 1.7 billion offshore acres, the DOI plays a critical role in the development of domestic energy resources. Through its bureaus and offices, the DOI is responsible for ensuring that the country's coal, oil, gas, wind, solar, hydropower, and geothermal resources are developed in a responsible manner. The DOI also safeguards the collection and disbursement of revenue derived from energy development on both Federal and tribal lands, which totaled $6.23 billion in FY 2016.

In managing energy resources the DOI faces many continuing and emerging challenges, including (1) problems with the collection, verification, and distribution of revenues, (2) reduced offsetting collections, (3) challenges posed by aging energy infrastructure both offshore and onshore, and (4) barriers to renewable energy development. OIG findings have highlighted these or similar issues in energy management for multiple years.

Revenue Collection, Verification, and Distribution

Ensuring proper compensation for public resources remains a challenge for the DOI. Its bureaus and offices struggle to determine the fair market value of and collect revenue from public and tribal mineral and energy resources.

Compounding these difficulties, the BLM has not implemented four of the GAO's recommendations to improve the verification of oil and gas produced from Federal leases and the reasonableness and completeness of royalty data. In addition, the BIA has encountered technical and informational difficulties in making the mineral and energy resource ownership determinations needed for proper revenue disbursement.

Reduced Offsetting Collections

Offsetting collections[1] make up 57 percent of both the BOEM's and the BSEE's total budget authority. A downturn in the energy market has decreased revenue used to offset the bureaus' appropriated funding, which has challenged their capacity for leasing, inspection, and enforcement. Total offsetting rental receipts in FY 2018 are anticipated to be $47.3 million below the estimated FY 2017 level, and that funding gap is projected to increase in the coming years. A prolonged downturn in collections may significantly affect the bureaus' ability to meet their leasing, regulatory, and enforcement responsibilities.

[1] So called because they reduce (or "offset") congressional funding. Examples include revenue from rents and service fees (such as for the processing of applications, inspection of oil and gas facilities, and exploration plans, among others).

Aging Offshore and Onshore Infrastructure

Unplugged and abandoned infrastructure poses financial and environmental risks, as well as safety and offshore navigational risks. Mitigating these risks through permanent reclamation of orphaned oil and gas wells, offshore production platforms, and related infrastructure could cost hundreds of millions of Federal dollars. In addition, the BLM estimates that an excess of $200 million is needed to repair or remediate legacy wells and mines that exist on Federal lands, and estimates that there may be as many as 41,000 mines that pose additional safety risks. Abandoned coal mines in particular have been identified as a concern, as the OSMRE does not have a reliable inventory of abandoned mine lands and has not used its authority to ensure that certified States receiving Federal funds are giving priority to coal reclamation projects.

Renewable Energy Development

Barriers to renewable energy development (such as wind, solar, geothermal, and hydropower) include both regulatory and nonregulatory hurdles. Unfavorable utility rate structures, the absence of procedures and standards for connecting renewable energy systems to the electric utility grid, environmental permitting obstacles, and insufficient or no access to transmission systems all pose challenges to expanding the Nation's renewable energy portfolio. While the DOI has attempted to facilitate renewable energy development through recent rule makings, other challenges remain.

Keeping existing renewable power infrastructure operational is also a concern, as the USBR is the second largest U.S. producer of hydroelectric power, annually generating more than 40 billion kilowatt hours of energy—enough to meet the needs of 3.5 million homes. The USBR's water-related infrastructure assets have a current estimated total replacement value of $99 billion, and many of the USBR's oldest buildings and structures are functioning beyond their initial design lives.

Public Safety and Disaster Response

The DOI is responsible for the safety of more than 70,000 employees and members of the public who visit or live near the DOI's more than 500 million acres. The DOI also responds to a wide range of emergencies, including wildland fires, hazardous materials and animal diseases on public lands, and search and rescue activities, among others.

Continuing and emerging public safety challenges for the DOI include (1) safety and security on public lands, (2) infrastructure challenges to safety and services, and (3) disaster response preparedness and management.

From year to year, OIG work covers various aspects of public safety and disaster response. In FY 2017, we reported on safety issues connected to the USGS' management of the Geological Survey TRIGA Reactor laboratory that may lead to workplace injuries, workers' compensation claims, and lost productivity.[2]

Safety and Security on Public Lands

The DOI and its bureaus are responsible for ensuring safety and security on public lands, which include national parks, wildlife refuges, national conservation areas, recreational sites, and other federally managed areas. Critical factors affecting DOI efforts include the following:

- Increasing frequency and far-reaching effects of natural and manmade disasters
- Smuggling on public lands along the Southwest border
- Large-scale marijuana cultivation on Federal land, including the associated diversion of natural water sources and the use of herbicides and pesticides that damage public land ecosystems
- Activities of anti-Government groups that may threaten the operational safety of Federal law enforcement officers and civilian staff who work in rural and remote settings
- Population growth in urban areas near public lands, which increases pressure on public safety and resource protection efforts

In 2016, tourist activity at national parks hit a record high for the third year in a row, with nearly 331 million recreation visits, a 23.7 million increase over 2015. As the number of visits increase, a corresponding growth in special park uses and

[2] DOI OIG Report No. 2016-WR-076, *Opportunities Exist to Strengthen Compliance With Health and Safety Requirements at the GSTR Laboratory,* July 2017.

commercial services makes risk management more complex. Increased tourism also raises safety concerns, especially in remote regions of the parks, during inclement weather, or regarding visitor contact with wild animals. These factors challenge the DOI to manage risk, promote safety, and accommodate increased demands on its budget and staffing.

Infrastructure Challenges to Safety and Services

The DOI manages an infrastructure asset portfolio with a replacement value exceeding $300 billion. The DOI owns and maintains approximately 43,000 buildings, 100,000 miles of road, and 80,000 structures—including dams, laboratories, employee housing, and water and power infrastructure. Because maintenance funding has not kept pace with bureaus' needs for some years, the DOI's deferred maintenance backlog[3] is significant—it had grown to more than $15 billion in 2016 (see discussion of the cost challenges under "Operational Efficiencies"). Addressing the deferred maintenance backlog for critical infrastructure is among the DOI's most challenging issues related to safety and services.

Infrastructure improvements are also essential for employee and public safety at many DOI-owned buildings, recreational sites, and roads, and for improving sportsmen's access along thousands of miles of trails and trailheads that are the key connecting points from roads to fishing, hunting, and hiking resources. As a specific example, effectively managing the DOI's dams, water conveyances, and power-generating facilities and the services they provide is among the most significant challenges facing the DOI over the next several years. Nearly 86 percent of the USBR's dams are over 50 years old, and nearly 90 percent of these dams were built before current state-of-the-art design and construction practices.[4] Out of 492 dams managed by the USBR, the DOI has identified 363 high- and significant-hazard dams, which require evaluation and monitoring to ensure dam safety and that risks do not exceed public protection guidelines.

Additional infrastructure risks are found in the Federal Legacy Well and Abandoned Mine Land programs, which have nearly 180 oil and gas wells and mines (specifically, 29 wells and 147 mines) in need of repair and remediation, with costs totaling well over $200 million.

The DOI can further mitigate the risks to public health and safety from aging infrastructure through intensified oversight, as well as identification and prioritization of needs, as sufficient maintenance and rehabilitation funding remains a challenge.

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[3] Deferred maintenance is maintenance that was not performed when it should have been and that has been delayed or postponed until funding becomes available.
[4] DOI, *Fiscal Year 2018 Budget in Brief,* May 2017, https://www.doi.gov/sites/doi.gov/files/uploads/2018_highlights_book.pdf.

Disaster Response Preparedness and Management

The DOI responds to a wide range of disasters and their aftermaths. Planning and preparedness for large-scale environmental and natural disasters is an ongoing challenge.

More recent events, including wildfires causing devastation in the States of California, Oregon, and Montana and three major hurricanes—Harvey, Irma, and Maria—occurring in rapid succession over a 3-week timeframe have only further challenged the DOI's disaster management services. The close timing and severity of these events stretched resources thin and made disaster response difficult, with little to no recovery time between them. Outcomes include impacts on lives, property, infrastructure, and the environment.

Because disaster and emergency management typically involve multiple Federal agencies, multiple levels of government, and the private and nonprofit sectors, cross-sector collaboration is a prime challenge that directly affects the social and ecological outcomes of future environmental disasters. Such collaboration, however, can be difficult due to cultural differences, misaligned incentives and missions, time pressures, and legal constraints.[5] Effective collaboration and integration are needed before, throughout, and following a crisis, not just during a crisis.

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[5] L. A. Mease, T. Gibbs-Plessl, A. L. Erickson, K. A. Ludwig, C. M. Reddy, and J. Lubchenco, "Designing a solution to enable agency-academic scientific collaboration for disasters," Ecology and Society, 22(2):18, 2017, https://doi.org/10.5751/ES-09246-220218.

Information Technology

For decades the DOI has struggled to implement an IT governance approach that effectively aligns authority and responsibility commensurate with the DOI's overall mission. Ineffective IT governance poses challenges to the DOI's ability to implement security measures that withstand the constant threats from foreign intelligence services, cyber criminals, and hacktivists, as well as from insiders.

Continuing and emerging IT challenges for the DOI include (1) late adoption of revised security standards, (2) recurring findings in vulnerability scanning, (3) implementation of continuous monitoring and mitigation programs, (4) cloud computing, and (5) contingency planning and data backup.

Adoption of Revised Security Standards

Under the Federal Information Security Modernization Act, or FISMA (Pub. L. No. 113-283),[6] the National Institute of Standards and Technology (NIST) develops security standards that prescribe the minimum requirements for Federal information systems.[7] Federal agencies are required to fully comply with new security standards within 1 year from the date of final publication. However, eight of the nine systems tested by a 2016 inspection[8] still followed the previous (outdated) version of the standards.

NIST anticipates publishing the final version of the next revision to the standards by December 29, 2017. Among others updates, the revised standards will incorporate new, state-of-the-practice controls based on threat intelligence and empirical attack data. Another delay in adoption of new standards would violate Federal policy and prevent the U.S. Government from securing its information systems.

Recurring Findings in Vulnerability Scanning

Federal and DOI security standards require the DOI to:

- Scan periodically for vulnerabilities in information systems and hosted applications
- Remediate high-risk vulnerabilities within prescribed response times (30 days, according to the DOI)

[6] Enacted in 2014, this law amends the Federal Information Security Management Act of 2002 (Pub. L. No. 107-347).
[7] The current version is: NIST Special Publication No. 800-53, Revision 4, *Security and Privacy Controls for Federal Information Systems and Organizations,* April 2013.
[8] DOI OIG Report No. 2016-IT A-032, *Inspection of Federal Computer Security at the U.S. Department of the Interior,* August 8, 2016.

- Share information obtained from the scanning process with designated personnel throughout the agency to help eliminate similar vulnerabilities in other information systems

Vulnerability scans in audits and inspections have identified hundreds and even thousands of the same or similar critical and high-risk vulnerabilities in numerous DOI systems in the past 3 years. These vulnerabilities largely relate to updates or patches that are available but not applied and misconfiguration of hardware and software, which can increase the risk of inappropriate system access, system errors, and loss or disclosure of information.

Implementation of Continuous Monitoring and Mitigation Programs

OMB Memorandum No. M-14-03, issued November 18, 2013, requires implementation of the Information Security Continuous Monitoring (ISCM) program by the end of FY 2017 to improve the safeguards and countermeasures protecting Federal information and information systems, and to manage information security risk on a continuous basis. In conjunction with this effort, Congress established and funded the Continuous Diagnostics and Mitigation (CDM) program, which provides capabilities and tools that enable network administrators to know the state of their respective networks on an ongoing basis by identifying and ranking problems for priority resolution. Under the "Cybersecurity Strategy and Implementation Plan for the Federal Civilian Government" (OMB Memorandum No. M-16-04, issued October 30, 2015), the U.S. Department of Homeland Security (DHS) purchases and deploys tools and integration services that it makes available for use by other Government agencies, including the DOI. In deploying products to support ISCM, the OMB requires the agencies to leverage the services and products offered by the DHS CDM program.

According to the DOI's FY 2016 FISMA audit report, however, the OCIO has not formally defined how ISCM activities will integrate with organizational risk tolerance, the threat environment, and business requirements; nor has it formally defined how ISCM information will be shared with individuals with significant security responsibilities and used to make risk-based decisions. The OCIO has not identified and defined the qualitative and quantitative performance measures that will be used to assess the effectiveness of its ISCM program and control ongoing risk.

The DOI is awaiting the DHS' plan for full implementation of the CDM program, which has been delayed.

Cloud Computing

Cloud computing is a model for enabling convenient, on-demand network access to a shared pool of configurable computing resources, such as computer servers, storage, software applications, and web services, that can be acquired and released with minimal management effort or service provider interactions.

In a 2015 evaluation of four DOI contracts with public cloud-computing providers, we learned that none of these contracts had the controls needed to monitor and manage either the providers' or the DOI's data stored in their cloud systems.[9] 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. Despite the corrective actions taken (two of the six recommendations remain open as of this writing), concerns remain that the DOI and its bureaus may not have the security controls required to monitor their systems and data as the focus of oversight shifts from fixed-time assessments and compliance reporting to continuous monitoring of IT security controls.

As the DOI expands its use of public cloud services, strengthening its governance and risk management practices could help mitigate the chance that a bureau's operations might be disrupted, data lost, or public funds misused.

Contingency Planning and Data Backup

DOI security standards require that bureaus and offices conduct at least daily incremental and weekly full backups of system-level and user-level data. The FY 2015 and FY 2016 FISMA audits, however, identified multiple system-level deficiencies in the DOI's contingency planning with respect to data backup. Specifically, some bureaus and offices did not have documented procedures for backup, or did not configure their systems to conduct incremental and full backups, or did not resolve the problems within the required timeframe when backups were not completed successfully. The OIG has also noted that a user-level solution that automatically backs up files on our laptops has not been implemented. Without backups and a process to monitor their status, the DOI may not have available the data required for continuity of operations in the event of a system compromise or if a computer fails or is lost.

[9] DOI OIG Report No. ISD-EV-OCI0-0002-2014, *DOI's Adoption of Cloud-Computing Technologies,* May 21, 2015.

Water Programs

There are competing demands among and within agricultural, urban, municipal, industrial, tribal, ecosystem, power, and recreational uses of water. As the largest wholesaler of water in the country, the USBR is challenged to reconcile these demands and avoid or minimize operational impacts.

Continuing and emerging water-related challenges for the DOI include (1) extreme drought, (2) rural water systems, (3) expanding water demand, and (4) rehabilitation and replacement of water facilities.

OIG findings in water programs have centered on insufficient oversight of Government-funded projects, including the funding of water programs without proper authority and the funding of projects that should have been funded by the State.

Extreme Drought

As the largest supplier and manager of water in the Western States, the DOI needs to be prepared to oversee increasing competition for a dwindling supply of water in that region. The USBR also faces challenges in water management, including appropriately issuing and managing cooperative agreements with water contractors.[10]

After enduring an exceptional years-long drought, California experienced record levels of precipitation and snowpack last winter, which in turn increased the summer expectations for hydroelectricity's share of generation in the West to rise to 27 percent. Despite the year of record precipitation in California, drought in the West remains. The USBR must carefully prioritize use due to water scarcity as it looks to optimize hydropower value and production at USBR-owned facilities.[11]

In addition, the USBR faces a shortage of technically qualified staff to support drought planning and implementation, which requires collaboration with the USGS and other agencies.

Rural Water Systems

The USBR's FY 2017 budget included $66 million for rural water construction projects. The high costs of replacing or upgrading aging and obsolete water systems in rural communities present a significant challenge, as does ensuring that rural water projects not only prolong the lives of these structures but also make efficiency improvements.

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[10] See OIG Report No. 2015-WR-80, *Audit of the Bureau of Reclamation's Klamath Basin Water User Mitigation Program,* October 11, 2016; and OIG Report No. 2016-WR-040, *The Bureau of Reclamation Not Transparent in Its Participation in the Bay Delta Conservation Plan,* September 7, 2017.

[11] The USBR continues to work to develop new Federal and non-Federal hydropower assets, for example at nonpowered dams, canals and other small conduits, and pumped storage facilities.

Some rural water projects stem from settlements of disputes over water rights and access between tribes, Federal and State governments, and other parties. The USBR has several Indian water rights settlements in the implementation phase, as well as some not yet settled. Nearly all settlements of Indian water rights claims require significant investment in infrastructure to enable the settled "paper" water right to become "wet" water delivered to meet municipal, industrial, agricultural, and other purposes on tribal lands. In a recent evaluation report, we estimated that $1 billion had been appropriated under the Indian Self-Determination and Education Assistance Act (Pub. L. No. 93-638) for tribal rural water construction projects as of the end of FY 2016.[12] The USBR must provide effective oversight, a sentiment echoed by the Bureau in a 2016 Quality Assurance Review it conducted of its Public Law 93-638 program. Without proper oversight and reporting, the USBR is at risk of failing to meet its fiduciary responsibilities.

Expanding Water Demand

The USBR operates 338 reservoirs, delivering water to more than 31 million people, and providing one out of five Western farmers with irrigation water for 10 million acres of farmland. The USBR is also the second largest U.S. producer of hydroelectric power, operating 53 hydroelectric power plants that generate 15 percent of the Nation's hydropower.

Urbanization has created new demands for water, power, and recreational facilities, as well as public health and safety issues. For example, canals flow through areas that were once rural but are now residential subdivisions, increasing the risk of damage to private property in the event of infrastructure failure or malfunction. The USBR owns more than 8,100 miles of canals, approximately 1,000 miles of which have been identified as crossing through or near a populated area. Some sections of the canals within those 1,000 miles have been identified as having infrastructure issues that require extensive rehabilitation or replacement to address performance and safety risks. The USBR is evaluating a new risk-based approach to assessing urban canals to better prioritize inspections and rehabilitation or mitigation measures and determine how to address the funding challenges for those that require significant work. Additional legislation may be needed to ensure the continued availability of water and power to affected communities.

Rehabilitation and Replacement

The USBR has 140 million acre-feet total water storage capacity within its 338 reservoirs and 492 dams. With a multibillion dollar 5-year estimate for major rehabilitation and replacement requirements for water facilities, the USBR must look beyond traditional financing and toward working with other agencies on alternative financing opportunities, including the use of public-private partnerships. The USBR also has significant commitments to completing new

[12] DOI OIG Report No. 2016-WR-026, *Improvements Needed in the Bureau of Reclamation's Oversight of Tribal Rural Water Projects,* July 31, 2017.

capital projects, including Indian water rights settlements and rural water projects, and potential future commitments for storage, hydropower, and water conveyance and treatment projects.

Responsibility to American Indians and Insular Areas

Through the BIA and the BIE, the DOI provides services to 567 federally recognized tribes with a population of about 1.9 million American Indians and Alaska Natives. For example, the DOI has trust responsibilities for 55 million surface acres and 57 million acres of subsurface mineral estates, and provides education services to about 42,000 Indian students in 183 schools and dormitories.

The DOI also coordinates Federal policy and administers Federal financial assistance to Insular Areas, which comprise the U.S. territories of American Samoa, the Commonwealth of the Northern Mariana Islands, Guam, and the U.S. Virgin Islands and three Freely Associated States,[13] namely the Federated States of Micronesia (FSM), the Republic of the Marshall Islands, and the Republic of Palau.

In executing its trust responsibilities to American Indians and the Insular Areas, the DOI faces continuing and emerging challenges that include (1) administration of the Land Buy-Back Program, (2) Indian Country schools, (3) energy development and management, and (4) financial management in the Insular Areas.

Related OIG findings have highlighted safety and oversight problems in the Indian education system and accountability problems with the handling of public funds. The GAO added management of Federal programs that serve American Indian tribes and their members to its High-Risk List for 2017.[14]

Administration of the Land Buy-Back Program

Fractionation[15] affects nearly 11 million acres of land across Indian Country. As lands are passed down through generations, they gain more owners. Many tracts now have hundreds and even thousands of individual owners, creating an overly complicated land tenure status—for example, a single tract in the Navajo Nation has more than 1,200 owners. As a result, many highly fractionated tracts are unoccupied and unusable for agricultural, recreational, cultural, commercial, or even residential purposes. The Land Buy-Back Program consolidates fractional

[13] The United States has a "compact of free association" with these Pacific island nations, establishing a relationship between their respective governments. Each island government is recognized as a sovereign, self-governing state, and the United States provides economic and development assistance and military defense.

[14] GAO Report No. GAO-17-317, *High Risk Series: Progress on Many High-Risk Areas, While Substantial Efforts Needed on Others,* February 2017.

[15] "Fractionation" refers to divided ownership of Indian lands and is the result of land parcels passing to numerous heirs over generations. The Land Buy-Back Program implements the land consolidation component of the *Cobell* v. *Salazar* settlement, which provided $1.9 billion to consolidate fractionated land interests across Indian Country within a 10-year period, which ends in November 2022.

land interests from willing sellers and restores the consolidated land to tribal trust ownership.

The funding and time limits established for the program, which is set to expire in 2022, make challenging the consolidation of all fractional interests across Indian Country. The DOI is further challenged by the sensitivity surrounding acquisition of Indian lands by the Government. A revised strategy was announced in July 2017, with the goals of maximizing the program's remaining $540 million and achieving the greatest reduction of fractional interests, the largest possible number of participating landowners, and the most effective use of DOI resources.

Indian Country Schools

The BIE faces challenges associated with aging school infrastructure, limited broadband internet access, teacher and administrator shortages, and low graduation rates. Nationally, the American Indian/Alaskan Native high school graduation rate is 69 percent, well below the national average of 81 percent.

In the 2017 update to its High-Risk List, the GAO stated that 11 of 13 recommendations it has made in the past 3 years regarding management of BIE schools remain open. These recommendations include:

- Ensuring that inspection information collected on the schools is complete and accurate
- Implementing written procedures and a risk-based approach to guide the BIE in overseeing school spending
- Developing a strategic plan for the BIE
- Revising the BIA's strategic workforce plan to ensure that regional offices have an appropriate number of staff with the right skills to support BIE schools in their regions

Energy Development and Management

Indian Country energy resources hold potential for development, but are underdeveloped relative to surrounding non-Indian resources. Tribal-owned oil and gas resources are among the largest revenue generators in Indian Country. In the past 2 years, the GAO issued three reports on developing tribal energy resources (each discussed below) in which it made 14 recommendations to the BIA. All recommendations remain open as of this writing.

The BIA review and approval process can be lengthy and increase development costs. In its High-Risk List for 2017, the GAO noted that in one instance, the BIA took 8 years to review a tribe's energy-related documents. The tribe estimated that it lost $95 million in revenues it could have earned in that time. To help ensure that the BIA streamlines the review and approval process for revenue-sharing agreements, the GAO made three recommendations in a June 2016 report,[16] including that the DOI establish timeframes for the review and approval of Indian revenue-sharing agreements for oil and gas and establish a system for tracking and monitoring the review and approval process to determine whether timeframes are met.

The BIA also faces challenges in the formation of its new Indian Energy Service Center (IESC), including insufficient policies, ineffective coordination with regulatory agencies, and potential employee skills gaps. In a November 2016 report,[17] the GAO recommended that the BIA (1) take steps to coordinate with other regulatory agencies so the IESC can serve as a single point of contact or lead agency to navigate the review and approval process and (2) ensure that its workforce is appropriately aligned to meet goals and priorities by establishing a documented process for assessing the workforce composition at BIA offices.

In addition, in a June 2015 report,[18] the GAO recommended that the BIA improve its geographic information system mapping capabilities to efficiently identify and verify ownership of resources available for development, clarify tribal energy resource agreement regulations by providing additional guidance to tribes on provisions that tribes have identified as unclear.

Regarding the Insular Areas, they currently depend almost entirely on imported petroleum products for energy, but they have abundant renewable energy sources and are beginning to transform their energy sectors from 100-percent reliance on imported fossil fuel energy to sustainable energy. The Office of Insular Affairs faces the challenge of providing the technical assistance and support needed to help the islands achieve their clean energy goals.

Financial Management in the Insular Areas

Grant and contract management in the Insular Areas remains a challenge. Many government entities do not have sufficient accounting and financial management systems. The DOI spends millions of dollars on grants for various projects, and deficient financial systems weaken accountability and internal controls.

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

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[16] GAO Report No. GAO-16-553, *Indian Energy Development: Interior Could Do More to Improve Its Process for Approving Revenue-Sharing Agreements,* June 2016.
[17] GAO Report No. GAO-17-43, *Indian Energy Development: Additional Actions by Federal Agencies Are Needed to Overcome Factors Hindering Development,* November 2016.
[18] GAO Report No. GAO-15-502, *Indian Energy Development: Poor Management by BIA Has Hindered Energy Development on Indian Lands,* June 2015.

In a 2017 audit, we questioned all $3.9 million claimed by the Virgin Islands on a FWS grant over a 2-year period.[19] We determined that the DOI's financial management system did not provide for accurate recording and reporting of program revenues and expenditures.

In a recent audit of the Virgin Islands Public Finance Authority, we found significant internal control deficiencies, with questioned expenditures exceeding $100 million and additional financial reporting discrepancies of $50 million.[20] Several recommendations have yet to be implemented, including providing the DOI's Office of Insular Affairs with a policy for petty cash funds administration and safekeeping and the tracking and disposal of assets.

[19] DOI OIG Report No. 2016-EXT-005, U.S. Fish and Wildlife Service Wildlife and Sport Fish Audit Restoration Program Grants Awarded to the Government of the Virgin Islands, Department of Planning and Natural Resources, From October 1, 2012, Through September 30, 2014, February 2017.

[20] DOI OIG Report No. ER-IN-VIS-0015-2014, Significant Flaws Revealed In the Financial Management and Procurement Practices of the U.S. Virgin Islands' Public Finance Authority, September 2017.

Acquisition and Financial Assistance

The OIG has consistently identified acquisition management as an area in need of improvement. It is also an area of significant spending: the DOI awarded approximately $9.2 billion in new grants and contracts in FY 2017.

We have found problems with the DOI's presolicitation planning and competition as well as post-award performance monitoring. Bureaus also do not have an adequate number of trained staff to effectively award and manage contracts, grants, and cooperative agreements. In Indian Country, single audits and OIG audits of tribal nations have identified numerous and significant problems, including improper payments to related parties, general financial mismanagement, inadequate segregation of duties, stolen funds, unallowable commingling of Federal funds with tribal funds, and flawed reporting systems.

The DOI's continuing and emerging challenges related to acquisition and financial assistance include (1) awarding and managing contracts under Public Law 93-638, and (2) staff training and retention.

Public Law 93-638 Contracts

The DOI awarded about $2 billion in new contracts and grants to Indian Country recipients during FY 2017. Our prior audit work has consistently identified high-risk issues with awards made under Public Law 93-638—tribal self-determination contracts—regarding contract oversight, pre-award processes, and post-award monitoring. Tribal awards from the BIA and other bureaus are a major part of the DOI's funding obligations, with these "638 contracts" accounting for approximately 22 percent of the FY 2017 assistance award and procurement obligations.

There are major differences between 638 contracts and traditional Federal acquisition contracts. For example, Public Law 93-638 allows a tribe to enter into a noncompetitive self-determination contract taking program funds from those bureaus that operate programs on behalf of the tribe. In addition, 638 contracts are generally not subject to Federal contracting and cooperative agreement laws and regulations, except to the extent that such laws and regulations expressly apply to Indian tribes. These differences, combined with a shortage of qualified contracting personnel, make 638 contracts a higher risk.

Staff Training and Retention

Similar to staffing challenges noted for other technical specialties, bureaus do not have an adequate number of trained staff to effectively award and manage contracts, grants, and cooperative agreements.

The complexity of OMB guidance referred to as the "Super-Circular" ("Uniform Administrative Requirements, Cost Principles, and Audit Requirements for

Federal Awards," issued in 2013) requires knowledgeable staff to implement its requirements for Federal financial assistance awards. Without enough qualified contracting personnel, bureaus run the risk of inconsistently applying regulations and providing inadequate oversight of awards.

Further, to administer 638 contracts, staff need to have extensive training and experience beyond the procurement training sufficient at other bureaus. Becoming awarding officials can take years to accomplish, posing a human resource challenge for the BIA and other bureaus that award 638 contracts.

Climate Effects

Since 2013, the GAO has included the management of climate change on its High-Risk List. Effects from a changing climate are a cross-cutting, complex issue that impacts the DOI and other land management agencies. Most of the risks are relatively static year-to-year, but the way those risks are managed can vary depending on departmental priorities.

The DOI's continuing and emerging challenges related to climate effects include (1) wildland fire costs and strategy, (2) impact on American Indian and Alaska Native tribes and lands, (3) water scarcity, and (4) impact on the Insular Areas.

The OIG conducted limited work in this area in FYs 2016 and 2017. Past work has found poor internal controls and coordination in climate effects programs.

Wildland Fire Costs and Strategy

Costs for containing wildland fires continue to escalate. According to the National Aeronautics and Space Administration and the National Oceanic and Atmospheric Administration, 2016 was the warmest year ever recorded—a record broken previously by both 2015 and 2014. Higher temperatures lead to drier soils, increased likelihood of drought, and a longer fire season.

The 2016 wildfire season was one of the costliest on record, with a single wildfire containment in California costing more than $260 million. Continued drought in some regions has led to an even larger wildfire season in 2017. For example, two fires in Montana nearly reached the $50 million mark in suppression costs, contributing to the nearly $400 million spent in that State alone. According to the National Interagency Fire Center's Situation Report for October 18, 2017,[21] in calendar year 2017 there have so far been 51,555 confirmed fires, burning a combined 8,777,564 acres. In 2016, 67,743 fires burned 5,509,995 acres.

In addition to funds for fighting fires, the DOI received more than $320 million for fire preparedness and $170 million for fuels management in FY 2016. According to a May 2017 GAO report, the DOI has been developing a Risk-Based Wildland Fire Management Model to aid in the allocation of these funds across bureaus, but the 3-year effort has not been finalized.[22] Preparedness is a key component of wildland fire strategy, so until the model and guidance on using it are finalized, the DOI will continue to struggle with the increasing financial and logistical difficulties of preventing and fighting wildland fires.

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

[22] GAO Report No. GAO-17-357, *Wildland Fire Risk Reduction: Multiple Factors Affect Federal-Non-Federal Collaboration, but Action Could Be Taken to Better Measure Progress,* May 2017.

Impact on American Indian and Alaska Native Tribes

Tribal communities are particularly affected by climate effects. Communities in the Southwest face prolonged drought, extreme floods, and loss of traditional food sources. Similar problems affect communities in the Northwest, and several have sought to relocate because of these effects. For example, two Alaska Native communities are seeking Federal help to relocate—Newtok and Kivalina. They are facing loss of water and food sources as well as destroyed infrastructure due to melting ice and rising sea levels. The U.S. Army Corps of Engineers estimated the cost for relocating Newtok at between $80 and $130 million, and as much as $400 million to relocate Kivalina.

As another example, the Biloxi-Chitimacha-Choctaw tribe of Louisiana has lost 98 percent of its land to sea-level rise. The tribe received a $48 million grant from the U.S. Department of Housing and Urban Development to relocate, but members fear losing their cultural identity and traditions once they leave their homes. The DOI needs to develop and implement climate adaptation and resilience strategies to help preserve American Indian and Alaska Native ways of life.

Water Scarcity

Climate effects also include changes in water supplies, increasing water demands, and longer and more frequent droughts, which have resulted in water scarcity, particularly in Western reservoirs managed by the USBR. Low water levels due to drought not only threaten populations that depend on these sources, but also reduce the power generation capacities of the 53 hydroelectric dams operated by the USBR. For example, despite a wetter 2017 than normal for the Lower Colorado River, Lake Powell was at 61 percent full capacity and Lake Mead was at 39 percent full capacity.

Impact on Insular Areas

The Insular Areas[23] are affected by climate effects as well. Sea level rise, ocean acidification, and erosion all disrupt the well-being of the people and economies of these island communities. Cascading effects can include increased storm surge, coastal erosion, wetland and coastal plain flooding, property damage or loss, and loss of habitats for fish, birds, and other wildlife and plants.

Sea level rise disproportionately affects many of our Insular Areas, where populations are generally concentrated along coastlines of islands with average elevation of only 2 meters above sea level that can experience waves as high as 5 to 7 meters. The area available for human habitation, water and food sources, and ecosystems is limited and extremely vulnerable to sea-level rise. For example, unexpected high tides and 5-meter swells wreaked havoc on the Marshall Islands

[23] The U.S. Insular Areas—which include American Samoa, the Commonwealth of the Northern Mariana Islands, Guam, the U.S. Virgin Islands, and three Freely Associated States (the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau)—rely on Federal funding to support their governments and deliver critical services.

in 2014 to such an extent that a state of emergency was declared. In FY 2016, the DOI authorized grants for Insular Areas including $286,000 for the Commonwealth of the Northern Mariana Islands to better coordinate climate response and invasive species policies and initiatives, $828,050 for the Virgin Islands to develop a robust, multi-sector climate adaptation strategy, and $1 million to Insular Areas to address the impacts of climate effects and other threats to coral reefs.

Operational Efficiencies

The management and operations of DOI programs requires careful stewardship of public funds and complex problem-solving.

The DOI's continuing and emerging challenges related to program management and operations include (1) hiring, training, and retaining staff, (2) managing park fees and concessions, and (3) deferred maintenance and repair of facilities and other infrastructure.

Hiring, Training, and Retaining Staff

The DOI faces challenges in hiring and retaining qualified staff throughout its bureaus—from IT and cybersecurity professionals to specialists in science and engineering fields. A September 2016 GAO report acknowledged that the DOI has taken steps to resolve some hiring and retention challenges in oil and gas occupations, but indicated that the DOI is providing training without fully evaluating the bureaus' staff training needs or the training's effectiveness.[24] In addition, the GAO noted, some bureaus are not coordinating training resources across bureaus.

Along with ongoing and emerging gaps in critical skills, the DOI faces the loss of many skilled members of its workforce to retirement. In the 2017 update to its High-Risk List, the GAO reported that 40 percent of DOI employees hired by the end of FY 2015 will be eligible to retire by 2020.

Critical skill shortages hamper the DOI's ability to carry out its mission. As current employees reach the end of their careers, retirements could lead to further shortages in leadership and institutional knowledge. Strategic management approaches are required to overcome staffing obstacles and prepare workforces to meet mission requirements.

Park Fees and Concessions

We have identified issues with fee collection and with concessions programs at national parks. With nearly 331 million people from around the world visiting national parks in 2016 (a record number of NPS recreation visits for the third year in a row), recreation fees and concessions are a critical component of the DOI's budget and have a direct impact on the DOI's ability to ensure the best possible experience for visitors to public lands.

The BLM has identified ways to improve its fee and donation collection tools (for example, by using unmanned kiosks that accept credit cards, experience-based fee

[24] GAO Report No. GAO-16-742, *Oil and Gas Oversight: Interior Has Taken Steps to Address Staff Hiring, Retention, and Training but Needs a More Evaluative and Collaborative Approach,* September 2016.

and donation models, fee and fund distribution models, and public-private partnerships), but does not have authority to implement them.

The NPS issues contracts for services in parks (typically lodging, food, and retail services); in 2016, the NPS managed 488 concession contracts, with gross revenues of about $1.4 billion the prior year. In a 2017 report, the GAO identified ongoing challenges with the NPS' management of concessions services at national parks.[25] The GAO highlighted three management challenges: (1) inadequate qualifications and training of concessions staff, (2) a backlog of expired contracts that were extended, and (3) insufficient accountability in the concessions program.

The DOI is challenged to find innovative fee collection techniques and provide oversight of concession contracts to make certain it receives the revenue it is due, to add to its budget appropriations.

Deferred Maintenance and Repair

The DOI has been challenged with deferred maintenance and repair of facilities and other infrastructure for years with little to no improvement. Maintenance funding has not kept pace with bureau needs for some years, resulting in increasing deferred maintenance. The GAO reported that the DOI estimated its deferred maintenance backlog in February 2002 at between $8.1 billion and $11.4 billion.[26] Comparatively, the DOI's FY 2018 Budget in Brief lists the deferred maintenance backlog at over $15 billion as of 2016, of which more than $11 billion belongs to the NPS.

In April 2017, the Congressional Research Service reported that three DOI bureaus (the NPS, the FWS, and the BLM) had a combined total deferred maintenance estimate for FY 2016 of $13.1 billion—specifically, a $10.9 billion backlog for the NPS, a $1.4 billion backlog for the FWS, and a $0.8 billion backlog for the BLM.[27] The DOI's proposed FY 2018 budget is $11.7 billion. If all of the proposed funding were used only for deferred maintenance for the NPS, the FWS, and the BLM, it would still not be enough to clear the backlog of deferred maintenance and asset repair at these three bureaus.

Also in April 2017, the National Congress of American Indians reported the following values for deferred maintenance in Indian Country:[28]

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[25] GAO Report No. GAO-17-302, *National Park Service—Concessions Program Has Made Changes in Several Areas, but Challenges Remain,* February 2017.
[26] GAO Report No. GAO-03-104, *Major Management Challenges and Program Risks—Department of the Interior,* January 2003.
[27] Congressional Research Service, *Deferred Maintenance of Federal Land Management Agencies: FY 2007 – FY 2016,* April 25, 2017.
[28] National Congress of American Indians, *Tribal Infrastructure—Investing in Indian Country for a Stronger America,* April 6, 2017, http://www.ncai.org/attachments/PolicyPaper_RslnCGsUDiatRYTpPXKwThNYoACnjDoBOrdDlBSRcheKxwJZDCx_NCAI-InfrastructureReport-FINAL.pdf.

- BIA dams – $556 million
- BIA irrigation program – $576 million
- BIA roads – $289 million (not including tribal roads)
- BIE schools – $388.9 million

Without an aggressive DOI maintenance plan to address and resolve the backlog of work, the dollar amount will continue to grow because of additional maintenance and repair needs, inflation, and facility deterioration.

Workplace Culture and Ethics

Promoting and maintaining an ethical workplace culture has emerged as a management challenge in some areas of the DOI. This is the first year we have listed this challenge area in our Major Management Challenges Report.

We have identified instances in which some DOI employees, including senior officials, have engaged in unethical or illegal conduct, as well as other misconduct. These violations have included sexual harassment; the acceptance of gifts from outside sources; conflicts of interest, including the use of public office for private gain; and the misuse of Government resources. In some recent cases, DOI employees found to have engaged in misconduct were later promoted, retained, or returned to their positions. The disclosure of these violations spurred a number of congressional hearings and extensive media coverage on DOI workplace culture, and resulted in secretarial directives to address.

The DOI has taken some action to combat ethics violations and other misconduct. In April 2017, Secretary Zinke sent an email to all DOI employees ("Subject: Harassment Policy Statement") to remind employees of their responsibility to report ethics violations and misconduct, and to notify managers and supervisors of required training to prevent harassment and improve the workplace environment. In addition, Deputy Secretary David Bernhardt sent emails to all employees on his first day ("Subject: Day One Employee Message") reminding employees of basic principles of ethical conduct, and about a month later ("Subject: Month Two Message") assuring employees that reports of misconduct will be taken seriously and that action will be taken in a timely manner when appropriate.

The DOI also sponsored a "prevalence survey" at the NPS to allow employees to anonymously report whether they have faced harassment in the workplace. The results of this survey found that nearly 39 percent of NPS employees said they had experienced harassment based on sex, age, race, religion, or ability within the past 12 months.

Following reports of sexual harassment at national parks, the NPS established an ombuds office, which is an independent, neutral, and confidential resource for employees to raise concerns about a range of workplace issues, including harassment and ethics violations. In addition, the NPS implemented new required training for employees and managers, and hired a sexual harassment prevention and response coordinator.

The DOI continues to face challenges, however, in holding all of its employees, including senior officials, to the highest standards of ethical conduct; ensuring that the consequences of wrongdoing are clearly understood; taking decisive actions to address unacceptable behavior; and providing relevant ethics training to all employees.

Conclusion

The challenges described in this report encompass both the vulnerabilities that the OIG has identified in the past and the emerging issues that the DOI will face in the coming years. These are the challenges the OIG sees as potential barriers to departmental efforts to promote efficiency and effectiveness in its management and operations.

We remain committed to focusing audit and investigative resources on the issues related to these challenges to ensure greater accountability, promote efficiency and economy in operations, and provide effective oversight of the activities that embody the DOI's mission.

Report Fraud, Waste, and Mismanagement

Fraud, waste, and mismanagement in Government concern everyone: Office of Inspector General staff, departmental employees, and the general public. We actively solicit allegations of any inefficient and wasteful practices, fraud, and mismanagement related to departmental or Insular Area programs and operations. You can report allegations to us in several ways.

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SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

Results of Financial Statement Audit

As required by GMRA, DOI prepares consolidated financial statements. These financial statements have been audited by KPMG LLP, an independent public accounting firm, since FY 2001. The preparation and audit of financial statements form an integral part of DOI's centralized process to ensure the integrity of financial information. The results of the FY 2017 financial statement audit are summarized in Figure 3-1. As shown in the table, DOI achieved an unmodified audit opinion for DOI's consolidated financial statements.

FIGURE 3-1

Summary of Financial Statement Audit					
FY 2017					
Audit Opinion	Unmodified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	0	0	0	0

Management Assurances

The FMFIA requires agencies to provide an annual statement of assurance regarding internal accounting and administrative controls, including program, operational, and administrative areas as well as accounting and financial management and reporting. During FY 2017, 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 2017 Statement of Assurance was modified, as indicated in Figure 3-2, due to an operational weakness over the Management of Grants, Cooperative Agreements, and Tribal Awards.

FIGURE 3-2

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

FIGURE 3-2 (continued)

Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance	Modified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Management of Grants, Cooperative Agreements, and Tribal Awards	1	0	0	0	0	1
Total Material Weaknesses	1	0	0	0	0	1

Conformance with Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance	Federal Systems Comply to Financial Management System Requirements					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total of Non-Conformances	0	0	0	0	0	0

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

PAYMENT INTEGRITY

On January 10, 2013, the President signed into law the *Improper Payments Elimination and Recovery Improvement Act of 2012* (IPERIA). The IPERIA enhances the Administration's efforts to combat improper payments by reinforcing the *Improper Payments Elimination and Recovery Act of 2010* (IPERA). The IPERA amends the *Improper Payments Information Act of 2002* by expanding the requirements of all agencies to periodically perform risk assessments of its programs and activities and identify those programs and activities that are susceptible to significant improper payments.

Payment Reporting

The Hurricane Sandy Disaster Relief Appropriations Act (Disaster Relief Act) Program is the only DOI program that is considered high risk for significant improper payments. In FY 2016, DOI statistically projected an improper payment amount of $565 thousand or 0.41 percent. In addition, the OIG determined that DOI was fully compliant with IPERA. In FY 2017, DOI, with concurrence obtained from the OIG, requested relief from OMB reporting requirements for the Hurricane Sandy Disaster Relief Act Program due to the low estimated improper payment error rate. The OMB approved DOI's waiver request; as a result, several reporting sections under Payment Integrity do not apply to DOI in FY 2017 and are excluded accordingly.

For more detailed information on improper payments and all DOI information previously reported in the AFR that is not included in the FY 2017 AFR, please refer to Payment Accuracy.gov using the following link: *https://paymentaccuracy.gov.*

Recapture of Improper Payments Reporting

The DOI conducted payment recapture audits in FY 2014 for payments made in FYs 2010-2012 that resulted in a recapture rate of 0.0004 percent. Based on the low rate of improper payments, DOI concluded that the cost of executing a payment recapture audit program outweighed the benefits of finding and recovering erroneous payments. The staff resources needed to conduct the program, sustain the contract, and oversee vendor payments were a significant drain on limited agency resources with minimal benefits to the government. In April 2014, OMB was notified that DOI discontinued the payment recapture audit program at the DOI level. The DOI continues to have a low improper payment rate and circumstances have not changed within our programs to make a payment recapture audit cost effective. As such, DOI did not perform recapture audits for improper payments in FY 2017. The DOI will continue complying with IPERIA through the OMB Circular A-123 process as a more cost effective and efficient use of agency resources to identify, reduce, and recover improper payments.

In FY 2017, DOI had $22.8 billion in outlays for all programs or activities that expend over $1 million or more annually. For efforts conducted outside of payment recapture audits, DOI identified $4.84 million or 0.02 percent in overpayments and recovered $3.74 million. The sources used to identify these overpayments and recovered amounts were primarily obtained from self-reported data gathered from internal control reviews, but also included amounts obtained from Single Audit Reports and OIG Reviews. The DOI will continue its efforts to recapture the remaining amounts in FY 2018.

Agency Improvement of Payment Accuracy with the Do Not Pay Initiative

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

Other Efforts

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

Prepayment Audit of Government Bills of Lading (GBL). The DOI conducts prepayment audits of freight bills via GBL. This effort is required by the *Travel and Transportation Reform Act of 1998*. Efforts continue with DOI's bureaus to ensure that all freight bills undergo prepayment audits.

Invoice Payment Reviews. The DOI conducts various pre and post-payment reviews of vendor invoices across the bureaus. The reviews are the

PAYMENT INTEGRITY

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.

Risk Assessments

The OMB Circular A-123, Appendix C requires agencies to review all programs and activities to determine the risk of making significant improper payments and to perform more in-depth assessments to determine whether those programs meet the criteria for "significant erroneous payments."

The DOI conducted risk assessments in FY 2016, in which 89 programs totaling $22 billion were assessed. The susceptibility of programs to make improper payments was determined using both qualitative and quantitative risk analysis. Based on the results of the 89 programs that were risk assessed, DOI determined that none of the programs and activities were susceptible to significant improper payments. In addition, GAO reviewed the design of control activities over DOI's risk assessment process and issued a report with no recommendations. The GAO found that DOI did not include payments made for seven programs. Subsequent to the review, DOI risk assessed these additional programs and determined none were susceptible to significant improper payments. The DOI updated policies and procedures and GAO found that the updated guidance included control activities designed to help ensure that all programs and activities are included in the risk assessments at least once every three years.

Due to DOI's historical low risk with improper payments, DOI conducts risk assessments based on a three year cycle. In FY 2017, DOI evaluated and updated its risk assessment template and guidance to include the Hurricane Sandy Disaster Relief Act Program during the next risk assessment cycle. The DOI's next risk assessments will be performed in FY 2019, or earlier if significant legislative or programmatic changes occur, significant funding increases, or there are any changes that would result in a substantial program impact.

FRAUD REDUCTION REPORT

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

To implement the FRDAA, DOI is following key principles within GAO's Special Publication, *A Framework for Managing Fraud Risks in Federal Programs*: commitment to combating fraud; conducing fraud risk assessments to determine a fraud risk profile; implementing control activities to mitigate assessed fraud risks; and evaluation of outcomes to improve fraud risk management. This strategy leverages existing activities with planned enhancements to effectively manage and reduce fraud:

- The DOI uses FBMS, a consolidated, standardized, financial and business management system that provides DOI with the ability to view transactions across all organizational units, see trends and anomalies, as well as monitor risk and metrics DOI-wide. In addition, transaction processing is more standardized, and automated controls are enhanced (i.e., required purchasing approvals, segregation of duties, etc.). This integrated financial system provides a solid foundation for DOI's fraud risk program.
- The DOI assesses the "tone-at-the-top" to measure leadership's commitment to program integrity, ethical values, and combatting fraud. The Entity Level assessment tool, which includes the Green Book's assessment of fraud risk principle, is completed annually by senior leadership in bureaus and offices. The DOI will evaluate this process for opportunities to align the tool for improved fraud management.
- Management will evaluate the current organization structure to manage fraud and implement enhancements as warranted.
- Fraud risk training will be provided to the bureaus' and offices' internal control coordinators to enhance skills to prevent, detect, and respond to fraud as well as promote a commitment to fraud prevention and detection throughout DOI.
- Under DOI's existing A-123 programmatic and administrative control program, bureaus and offices: assess program risks to determine the level of inherent risk, including fraud risk, for all DOI programs, grants, contracting operations, and other business processes; evaluate whether internal controls mitigate those risks to acceptable levels; and conduct risk-based internal control reviews to determine whether controls are operating as intended. Management will incorporate regular fraud risk assessments into this program to determine a fraud risk profile for each major program and business process at the enterprise level, to include, but not limited to, grants, large contracts, charge cards, and payroll.
- The DOI's audit follow-up program tracks corrective action plans to address internally identified deficiencies and external auditor recommendations. The DOI holds senior management accountable for resolving audit recommendations by including a critical element for audit recommendation closure in Senior Executive Service performance plans. Any significant fraud risk deficiencies identified in the fraud risk profile will be formally tracked and reported in the audit follow-up program.
- As mentioned above, DOI's current A-123 programmatic and administrative control program includes strategic risk responses for testing the design and operating effectiveness of controls. This program will be augmented to include improving data analytics and the testing of risk treatments for any fraud risks identified in the fraud risk profiles, based on cost benefit analysis.

FRAUD REDUCTION REPORT

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

REDUCE THE FOOTPRINT

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

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

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

Figure 3-3 illustrates the total FY 2016 square footage associated with DOI office and warehouse assets compared to the FY 2015 RtF baseline (as assigned by GSA), and the annual operating costs as reported in the most recent Federal Real Property Profile submittal for owned and direct-leased facilities that are subject to the RtF policy.

FIGURE 3-3

Reduce the Footprint Baseline Comparison

	FY 2015 Baseline	FY 2016	Change (FY 2015 Baseline - FY 2016)
Square Footage (SF in millions)	38.51	37.78	.73

Reporting of Operations and Maintenance Costs - Owned and Direct Lease Buildings*

	FY 2015 Reported Cost	FY 2016	Change (FY 2015 Baseline - FY 2016)
Operation and Maintenance Costs ($ in thousands)	$ 138,069	$ 152,645	$ - 14,576

* This data does not include costs for GSA Occupancy Agreements totaling more than $280 million.

CIVIL MONETARY PENALTY ADJUSTMENT FOR INFLATION

The Federal Civil Penalties Inflation Adjustment Act of 1990, as amended by the *Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015* (collectively "the Act"), requires agencies to make regular and consistent inflationary adjustments of civil monetary penalties (CMP) to maintain their deterrent effect. For FY 2017, DOI performed annual inflationary adjustments of CMP utilizing a cost-of living adjustment multiplier of 1.01636 in accordance with OMB Memorandum M-17-11, *Implementation of the 2017 annual adjustment pursuant to the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015*. Figure 3-4 provides the FY 2017 CMP inflation adjustments published in the Federal Register subject to the Act and OMB guidance.

FIGURE 3-4

Statutory Authority	Penalty (Name or Description)	Year Enacted	Latest Year of Adjustment (Via Statute or Regulation)	Current Penalty Level ($ Amount or Range)	Sub-Agency/ Bureau/Unit	Location for Penalty Update Details
African Elephant Conservation Act - 16 U.S.C. 4224(b)	Any violation	1988	2017	$0 - $10,055	U.S. Fish & Wildlife Service	*Federal Register* 82 (19 January 2017): 6307-6309. https://www.federalregister.gov/documents/2017/01/19/2017-00889/civil-penalties-2017-inflation-adjustments-for-civil-monetary-penalties
Bald and Golden Eagle Protection Act - 16 U.S.C. 668(b)	Any violation	1940	2017	$0 - $12,705	U.S. Fish & Wildlife Service	*Federal Register* 82 (19 January 2017): 6307-6309. https://www.federalregister.gov/documents/2017/01/19/2017-00889/civil-penalties-2017-inflation-adjustments-for-civil-monetary-penalties
Endangered Species Act of 1973 (ESA) - 16 U.S.C. 1540(a)(1)	Knowing violation (per 16 U.S.C. 1538)	1973	2017	$0 - $50,276	U.S. Fish & Wildlife Service	*Federal Register* 82 (19 January 2017): 6307-6309. https://www.federalregister.gov/documents/2017/01/19/2017-00889/civil-penalties-2017-inflation-adjustments-for-civil-monetary-penalties
Endangered Species Act of 1973 (ESA) - 16 U.S.C. 1540(a)(1)	Other knowing violation (not per 16 U.S.C. 1538)	1973	2017	$0 - $24,132	U.S. Fish & Wildlife Service	*Federal Register* 82 (19 January 2017): 6307-6309. https://www.federalregister.gov/documents/2017/01/19/2017-00889/civil-penalties-2017-inflation-adjustments-for-civil-monetary-penalties
Endangered Species Act of 1973 (ESA) - 16 U.S.C. 1540(a)(1)	Otherwise violation	1973	2017	$0 - $1,270	U.S. Fish & Wildlife Service	*Federal Register* 82 (19 January 2017): 6307-6309. https://www.federalregister.gov/documents/2017/01/19/2017-00889/civil-penalties-2017-inflation-adjustments-for-civil-monetary-penalties
Federal Oil & Gas Royalty Management Act of 1982 (FOGRMA) - 30 U.S.C. 1719(a)	Failure to comply	1983	2017	$0 - $1,048	Bureau of Land Management	*Federal Register* 82 (19 January 2017): 6305-6307. https://www.federalregister.gov/documents/2017/01/19/2017-00727/onshore-oil-and-gas-operations-annual-civil-penalties-inflation-adjustments
Federal Oil & Gas Royalty Management Act of 1982 (FOGRMA) - 30 U.S.C. 1719(b)	If corrective action is not taken	1983	2017	$0 - $10,483	Bureau of Land Management	*Federal Register* 82 (19 January 2017): 6305-6307. https://www.federalregister.gov/documents/2017/01/19/2017-00727/onshore-oil-and-gas-operations-annual-civil-penalties-inflation-adjustments
Federal Oil & Gas Royalty Management Act of 1982 (FOGRMA) - 30 U.S.C. 1719(a)	If transporter fails to permit inspection for documentation	1983	2017	$0 - $1,048	Bureau of Land Management	*Federal Register* 82 (19 January 2017): 6305-6307. https://www.federalregister.gov/documents/2017/01/19/2017-00727/onshore-oil-and-gas-operations-annual-civil-penalties-inflation-adjustments

Statutory Authority	Penalty (Name or Description)	Year Enacted	Latest Year of Adjustment (Via Statute or Regulation)	Current Penalty Level ($ Amount or Range)	Sub-Agency/ Bureau/Unit	Location for Penalty Update Details
Federal Oil & Gas Royalty Management Act of 1982 (FOGRMA) - 30 U.S.C. 1719(c)	Failure to permit inspection, failure to notify	1983	2017	$0 - $20,965	Bureau of Land Management	*Federal Register* 82 (19 January 2017): 6305-6307. https://www.federalregister.gov/documents/2017/01/19/2017-00727/onshore-oil-and-gas-operations-annual-civil-penalties-inflation-adjustments
Federal Oil & Gas Royalty Management Act of 1982 (FOGRMA) - 30 U.S.C. 1719(d)	False or inaccurate documents; unlawful transfer or purchase	1983	2017	$0 - $52,414	Bureau of Land Management	*Federal Register* 82 (19 January 2017): 6305-6307. https://www.federalregister.gov/documents/2017/01/19/2017-00727/onshore-oil-and-gas-operations-annual-civil-penalties-inflation-adjustments
Federal Oil & Gas Royalty Management Act of 1982 (FOGRMA) - 30 U.S.C. 1719	Initial penality under 43 CFR 3163.2(a) for a major violation	1983	2017	$0 - $1,048	Bureau of Land Management	*Federal Register* 82 (19 January 2017): 6305-6307. https://www.federalregister.gov/documents/2017/01/19/2017-00727/onshore-oil-and-gas-operations-annual-civil-penalties-inflation-adjustments
Federal Oil & Gas Royalty Management Act of 1982 (FOGRMA) - 30 U.S.C. 1719	Maximum penality under 43 CFR 3163.2(a) for a major violation	1983	2017	$0 - $2,097	Bureau of Land Management	*Federal Register* 82 (19 January 2017): 6305-6307. https://www.federalregister.gov/documents/2017/01/19/2017-00727/onshore-oil-and-gas-operations-annual-civil-penalties-inflation-adjustments
Federal Oil & Gas Royalty Management Act of 1982 (FOGRMA) - 30 U.S.C. 1719	Initial penality under 43 CFR 3163.2(b) for a major violation	1983	2017	$0 - $10,483	Bureau of Land Management	*Federal Register* 82 (19 January 2017): 6305-6307. https://www.federalregister.gov/documents/2017/01/19/2017-00727/onshore-oil-and-gas-operations-annual-civil-penalties-inflation-adjustments
Federal Oil & Gas Royalty Management Act of 1982 (FOGRMA) - 30 U.S.C. 1719	Maximum penality under 43 CFR 3163.2(b) for a major violation	1983	2017	$0 - $20,965	Bureau of Land Management	*Federal Register* 82 (19 January 2017): 6305-6307. https://www.federalregister.gov/documents/2017/01/19/2017-00727/onshore-oil-and-gas-operations-annual-civil-penalties-inflation-adjustments
Federal Oil & Gas Royalty Management Act of 1982 (FOGRMA) - 30 U.S.C. 1719	Penality under 43 CFR 3163.2(d) for a major violation	1983	2017	$0 - $1,048	Bureau of Land Management	*Federal Register* 82 (19 January 2017): 6305-6307. https://www.federalregister.gov/documents/2017/01/19/2017-00727/onshore-oil-and-gas-operations-annual-civil-penalties-inflation-adjustments
Federal Oil & Gas Royalty Management Act of 1982 (FOGRMA) - 30 U.S.C. 1719	Penality under 43 CFR 3163.2(e) for a major violation	1983	2017	$0 - $20,965	Bureau of Land Management	*Federal Register* 82 (19 January 2017): 6305-6307. https://www.federalregister.gov/documents/2017/01/19/2017-00727/onshore-oil-and-gas-operations-annual-civil-penalties-inflation-adjustments
Federal Oil & Gas Royalty Management Act of 1982 (FOGRMA) - 30 U.S.C. 1719	Penality under 43 CFR 3163.2(f) for a major violation	1983	2017	$0 - $52,414	Bureau of Land Management	*Federal Register* 82 (19 January 2017): 6305-6307. https://www.federalregister.gov/documents/2017/01/19/2017-00727/onshore-oil-and-gas-operations-annual-civil-penalties-inflation-adjustments
Federal Oil & Gas Royalty Management Act of 1982 (FOGRMA) - 30 U.S.C. 1719	Initial penality under 43 CFR 3163.2(a) for a minor violation	1983	2017	$0 - $105	Bureau of Land Management	*Federal Register* 82 (19 January 2017): 6305-6307. https://www.federalregister.gov/documents/2017/01/19/2017-00727/onshore-oil-and-gas-operations-annual-civil-penalties-inflation-adjustments

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Federal Oil & Gas Royalty Management Act of 1982 (FOGRMA) - 30 U.S.C. 1719	Initial penality under 43 CFR 3163.2(b) for a minor violation	1983	2017	$0 - $1,048	Bureau of Land Management	*Federal Register* 82 (19 January 2017): 6305-6307. https://www.federalregister.gov/documents/2017/01/19/2017-00727/onshore-oil-and-gas-operations-annual-civil-penalties-inflation-adjustments
Federal Oil & Gas Royalty Management Act of 1982 (FOGRMA) - 30 U.S.C. 1719	Maximum penality under 43 CFR 3163.2(a) for a minor violation	1983	2017	$0 - $209	Bureau of Land Management	*Federal Register* 82 (19 January 2017): 6305-6307. https://www.federalregister.gov/documents/2017/01/19/2017-00727/onshore-oil-and-gas-operations-annual-civil-penalties-inflation-adjustments
Federal Oil & Gas Royalty Management Act of 1982 (FOGRMA) - 30 U.S.C. 1719	Maximum penality under 43 CFR 3163.2(b) for a minor violation	1983	2017	$0 - $2,097	Bureau of Land Management	*Federal Register* 82 (19 January 2017): 6305-6307. https://www.federalregister.gov/documents/2017/01/19/2017-00727/onshore-oil-and-gas-operations-annual-civil-penalties-inflation-adjustments
Federal Oil & Gas Royalty Management Act of 1982 (FOGRMA) - 30 U.S.C. 1719(a)(2)	Failure to comply	1983	2017	$0 - $1,196	Office of Natural Resources Revenue	*Federal Register* 82 (24 Apr 2017): 18859 -18860). https://www.federalregister.gov/documents/2017/04/24/2017-08225/civil-monetary-penalty-rates-inflation-adjustments-for-calendar-year-2017-and-initial-catch-up
Federal Oil & Gas Royalty Management Act of 1982 (FOGRMA) - 30 U.S.C. 1719(b)	If corrective action is not taken	1983	2017	$0 - $11,967	Office of Natural Resources Revenue	*Federal Register 82 (24 Apr 2017): 18859 -1*8860). https://www.federalregister.gov/documents/2017/04/24/2017-08225/civil-monetary-penalty-rates-inflation-adjustments-for-calendar-year-2017-and-initial-catch-up
Federal Oil & Gas Royalty Management Act of 1982 (FOGRMA) - 30 U.S.C. 1719(c)(3)	Knowingly or willfully fails to make any royalty payment	1983	2017	$0 - $23,933	Office of Natural Resources Revenue	*Federal Register* 82 (24 Apr 2017): 18859 -18860). https://www.federalregister.gov/documents/2017/04/24/2017-08225/civil-monetary-penalty-rates-inflation-adjustments-for-calendar-year-2017-and-initial-catch-up
Federal Oil & Gas Royalty Management Act of 1982 (FOGRMA) - 30 U.S.C. 1719(d)(3)	Knowingly or willfuly prepares, maintains, or submits	1983	2017	$0 - $59,834	Office of Natural Resources Revenue	*Federal Register* 82 (24 Apr 2017): 18859 -18860). https://www.federalregister.gov/documents/2017/04/24/2017-08225/civil-monetary-penalty-rates-inflation-adjustments-for-calendar-year-2017-and-initial-catch-up
Indian Gaming Regulatory Act (25 U.S.C. 2713(a)	Per violation	1988	2017	$0 - $50,276	National Indian Gaming Commission	*Federal Register* 82 FR (28, February 2017): 12068-12069. https://www.federalregister.gov/documents/2017/02/28/2017-03858/annual-adjustment-of-civil-monetary-penalty-to-reflect-inflation
Lacey Act as amended 1981 - 16 U.S.C. 3373(a)(1)	Sale and purchase violation	1981	2017	$0 - $25,409	U.S. Fish & Wildlife Service	*Federal Register* 82 (19 January 2017): 6307-6309. https://www.federalregister.gov/documents/2017/01/19/2017-00889/civil-penalties-2017-inflation-adjustments-for-civil-monetary-penalties
Lacey Act as amended 1981 - 16 U.S.C. 3373(a)(2)	Marking violation	1981	2017	$0 - $635	U.S. Fish & Wildlife Service	*Federal Register* 82 (19 January 2017): 6307-6309. https://www.federalregister.gov/documents/2017/01/19/2017-00889/civil-penalties-2017-inflation-adjustments-for-civil-monetary-penalties
Lacey Act as amended 1981 - 16 U.S.C. 3373(a)(1)	False labeling	1981	2017	$0 - $25,409	U.S. Fish & Wildlife Service	*Federal Register* 82 (19 January 2017): 6307-6309. https://www.federalregister.gov/documents/2017/01/19/2017-00889/civil-penalties-2017-inflation-adjustments-for-civil-monetary-penalties

Statutory Authority	Penalty (Name or Description)	Year Enacted	Latest Year of Adjustment (Via Statute or Regulation)	Current Penalty Level ($ Amount or Range)	Sub-Agency/ Bureau/Unit	Location for Penalty Update Details
Lacey Act as amended 1981 - 16 U.S.C. 3373(a)(1)	Other than marking violation	1981	2017	$0 - $25,409	U.S. Fish & Wildlife Service	*Federal Register* 82 (19 January 2017): 6307-6309. https://www.federalregister.gov/documents/2017/01/19/2017-00889/civil-penalties-2017-inflation-adjustments-for-civil-monetary-penalties
Marine Mammal Protection Act of 1972 - 16 U.S.C. 1375	Any violation	1972	2017	$0 - $25,409	U.S. Fish & Wildlife Service	*Federal Register* 82 (19 January 2017): 6307-6309. https://www.federalregister.gov/documents/2017/01/19/2017-00889/civil-penalties-2017-inflation-adjustments-for-civil-monetary-penalties
Native American Graves Protection and Repatriation Act (NAGPRA) - 25 U.S.C. 3007	Failure of museum to comply	1990	2017	$0 - $6,533	National Park Service	*Federal Register* 82 (16 February 2017): 10864-10866. https://www.federalregister.gov/documents/2017/02/16/2017-03138/civil-penalties-inflation-adjustments
Native American Graves Protection and Repatriation Act (NAGPRA) - 25 U.S.C. 3007	Continued failure to comply per day	1990	2017	$0 - $1,307	National Park Service	*Federal Register* 82 (16 February 2017): 10864-10866. https://www.federalregister.gov/documents/2017/02/16/2017-03138/civil-penalties-inflation-adjustments
Oil Pollution Act of 1990 (OPA) - 33 U.S.C. 2716(a)	Failure to comply per day per violation	1990	2017	$0 - $45,268	Bureau of Ocean Energy Management	*Federal Register* 82 (15 February 2017): 10709-10711. https://www.federalregister.gov/documents/2017/02/15/2017-02983/oil-and-gas-and-sulphur-operations-in-the-outer-continental-shelf-civil-penalties-inflation
Outer Continental Shelf Lands Act of 1953 (OSCLA) - 43 U.S.C. 1350(b)(1)	Failure to comply per day per violation	2006	2017	$0 - $42,704	Bureau of Ocean Energy Management	*Federal Register* 82 (15 February 2017): 10709-10711. https://www.federalregister.gov/documents/2017/02/15/2017-02983/oil-and-gas-and-sulphur-operations-in-the-outer-continental-shelf-civil-penalties-inflation
Outer Continental Shelf Lands Act of 1953 (OSCLA) - 43 U.S.C. 1350(b)(1)	Civil penalty assesments per day per violation	2006	2017	$0 - $42,704	Bureau of Safety and Environmental Enforcement	*Federal Register* 82 (3 February 2017): 9136-9138. https://www.federalregister.gov/documents/2017/02/03/2017-02326/civil-penalty-inflation-adjustment
Recreational Hunting Safety Act of 1994 - 16 U.S.C. 5202(b)	Violation involving use of force or violence or threatened use of force or violence	1994	2017	$0 - $16,169	U.S. Fish & Wildlife Service	*Federal Register* 82 (19 January 2017): 6307-6309. https://www.federalregister.gov/documents/2017/01/19/2017-00889/civil-penalties-2017-inflation-adjustments-for-civil-monetary-penalties
Recreational Hunting Safety Act of 1994 - 16 U.S.C. 5202(b)	Any other violation	1994	2017	$0 - $8,084	U.S. Fish & Wildlife Service	*Federal Register* 82 (19 January 2017): 6307-6309. https://www.federalregister.gov/documents/2017/01/19/2017-00889/civil-penalties-2017-inflation-adjustments-for-civil-monetary-penalties
Rhinoceros and Tiger Conservation Act of 1998 - 16 U.S.C. 5305a(b)(2)	Any violation	1998	2017	$0 - $17,688	U.S. Fish & Wildlife Service	*Federal Register* 82 (19 January 2017): 6307-6309. https://www.federalregister.gov/documents/2017/01/19/2017-00889/civil-penalties-2017-inflation-adjustments-for-civil-monetary-penalties

Statutory Authority	Penalty (Name or Description)	Year Enacted	Latest Year of Adjustment (Via Statute or Regulation)	Current Penalty Level ($ Amount or Range)	Sub-Agency/ Bureau/Unit	Location for Penalty Update Details
Surface Mining Control and Reclamation Act of 1977 (SMCRA) - 30 U.S.C. 1268(a)	Up to $8,500 per violation, depending upon the number of points assessed	1977	2017	$0 - $16,073	Office of Surface Mining Reclamation and Enforcement	*Federal Register* 82 (06 February 2017): 9349-9354. https://www.federalregister.gov/documents/2017/02/06/2017-02417/civil-monetary-penalty-inflation-adjustments
Surface Mining Control and Reclamation Act of 1977 (SMCRA) - 30 U.S.C. 1268(a)	Per day that the violation is not abated within the abatement period	1977	2017	$0 - $2,411	Office of Surface Mining Reclamation and Enforcement	*Federal Register* 82 (06 February 2017): 9349-9354. https://www.federalregister.gov/documents/2017/02/06/2017-02417/civil-monetary-penalty-inflation-adjustments
Surface Mining Control and Reclamation Act of 1977 (SMCRA) - 30 U.S.C. 1268(a)	Up to a maximum of 30 days, or $30,750	1977	2017	$0 - $72,324	Office of Surface Mining Reclamation and Enforcement	*Federal Register* 82 (06 February 2017): 9349-9354. https://www.federalregister.gov/documents/2017/02/06/2017-02417/civil-monetary-penalty-inflation-adjustments
Surface Mining Control and Reclamation Act of 1977 (SMCRA) - 30 U.S.C. 1268(a)	Up to $8,500 per violation, depending upon the number of factors involved	1977	2017	$0 - $16,073	Office of Surface Mining Reclamation and Enforcement	*Federal Register* 82 (06 February 2017): 9349-9354. https://www.federalregister.gov/documents/2017/02/06/2017-02417/civil-monetary-penalty-inflation-adjustments
Wild Bird Conservation Act of 1992 - 16 U.S.C. 4912(a)(1)	Violation of section 4910(a)(1), section 4910(a)(2), or any permit issued under section 4911	1992	2017	$0 - $42,618	U.S. Fish & Wildlife Service	*Federal Register* 82 (19 January 2017): 6307-6309. https://www.federalregister.gov/documents/2017/01/19/2017-00889/civil-penalties-2017-inflation-adjustments-for-civil-monetary-penalties
Wild Bird Conservation Act of 1992 - 16 U.S.C. 4912(a)(1)	Violation of section 4910(a)(3)	1992	2017	$0 - $20,456	U.S. Fish & Wildlife Service	*Federal Register* 82 (19 January 2017): 6307-6309. https://www.federalregister.gov/documents/2017/01/19/2017-00889/civil-penalties-2017-inflation-adjustments-for-civil-monetary-penalties
Wild Bird Conservation Act of 1992 - 16 U.S.C. 4912(a)(1)	Any other violation	1992	2017	$0 - $853	U.S. Fish & Wildlife Service	*Federal Register* 82 (19 January 2017): 6307-6309. https://www.federalregister.gov/documents/2017/01/19/2017-00889/civil-penalties-2017-inflation-adjustments-for-civil-monetary-penalties

GRANTS OVERSIGHT AND NEW EFFICIENCY (GONE) ACT

The Grants Oversight and New Efficiency (GONE) Act (ACT) was enacted on January 28, 2016. The Act requires the head of each agency to submit to the Congress a report on Federal grant and cooperative agreement awards which have not yet been closed out and for which the period of performance elapsed for more than two years. Only Federal grants and cooperative agreements are subject to the Act.

In FY 2017, DOI made significant efforts to close out expired financial assistance awards with remaining balances. Closing these awards, and deobligating any remaining balances, is a significant internal control over the financial assistance process. The Act requires agencies to report on the oldest expired awards that still have undisbursed balances, with an explanation of why these balances have not been deobligated.

Although DOI made substantial progress in closing a majority of the outstanding awards in FY 2017, some expired awards remain open. A staffing shortage of grants professionals compared to the volume of financial assistance administrative activities puts the focus on obligating new award funds rather than closing out existing awards. In addition, DOI found instances where awards had been closed by the agreements officer, but that action was not recorded in the financial system. There was also a lack of reconciliation between DOI's financial system and Treasury's Automated Standard Payment System (ASAP) accounts whereby awards might be closed in one system, but not in the other.

To address these challenges, DOI has planned and completed several corrective actions. Enhancements to FBMS, the financial system of record, have been implemented to coordinate closeouts in FBMS and ASAP. This process ensures that if awards are closed in FBMS, the action is closed in ASAP without additional action by the awarding official. In addition, DOI has established a dashboard for tracking GONE Act compliance. This tool creates a DOI-wide mechanism for identifying actions that need to be closed and reporting progress with those closures. Lastly, DOI will evaluate the need to promulgate DOI-wide policy which addresses a process for closing these types of agreements.

Figure 3-5 shows the total number of Federal grant and cooperative agreement awards and balances for which closeout has not yet occurred but the period of performance has elapsed by more than two years.

FIGURE 3-5

CATEGORY	2-3 Years	3-5 Years	> 5 Years
Number of Grants/Cooperative Agreements with Zero Dollar Balances	0	1	3
Number of Grants/Cooperative Agreements with Undisbursed Balances	1	2	3
Total Amount of Undisbursed Balances ($ in thousands)	$ 385	$ 0*	$ 6

*Actual dollar amount is less than $100.00 and does not present in thousands.

ACIO	Associate Chief Information Officers
AFR	Agency Financial Report
APAC	Acquisition Program Advisory Council
APP&R	Annual Performance Plan and Report
ASG	American Samoa Government
Bbl	Oil Barrel
BBOE	Billion Barrels of Oil Equivalent
BcF	Billion Cubic Feet
BIA	Bureau of Indian Affairs
BIE	Bureau of Indian Education
BIO	Business Integration Office
BLM	Bureau of Land Management
BOEM	Bureau of Ocean Energy Management
BOR	Bureau of Reclamation
BP	British Petroleum
BPXP	BP Exploration Production, Inc.
BSEE	Bureau of Safety and Environmental Enforcement
CDM	Continuous Diagnostics and Mitigation
CEAR	Certificate of Excellence in Accountability Reporting
CFO	Chief Financial Officer
CFR	Code of Federal Regulations
CIO	Chief Information Officer
CIP	Construction in Progress
CMP	Civil Monetary Penalties
CNMI	Commonwealth of the Northern Mariana Islands
COTS	Commercial Off-the-Shelf
CSC	Climate Science Center
CSRS	Civil Service Retirement System
DATA Act	*Digital Accountability and Transparency Act of 2014*
DCIA	*Debt Collection Improvement Act*
DHS	Department of Homeland Security
Disaster Relief Act	*Disaster Relief Appropriations Act*
DLA	Defense Logistics Agency
DM&R	Deferred Maintenance and Repairs
DNP	Do Not Pay
DO	Departmental Offices
DOE	Department of Energy
DOI	Department of the Interior
DOL	Department of Labor
DOT	Department of Transportation
EFT	Electronic Funds Transfer
EHMA	Environmental Health Mission Area
EIA	Energy Information Administration
EIRF	**Environmental Improvement and Restoration Fund**
FASAB	Federal Accounting Standards Advisory Board
FBMS	Financial and Business Management System
FBwT	Fund Balance with Treasury
FCI	Facility Condition Index
FCLAA	*Federal Coal Leasing Amendments Act of 1976*
FCRA	Federal Credit Reform Act
FECA	Federal Employees Compensation Act
FEGLI	Federal Employees Group Life Insurance
FERS	Federal Employees Retirement System

FFMIA	*Federal Financial Management Improvement Act*
FISMA	*Federal Information Security Modernization Act of 2004*
FITARA	*Federal Information Technology and Aquisition Reform Act*
FLPMA	*Federal Land Policy and Management Act*
FMFIA	*Federal Managers' Financial Integrity Act*
FMV	Fair Market Value
FOGRMA	*Federal Oil and Gas Royalty Management Act of 1982*
FRDAA	*Fraud Reduction and Data Analytics Act of 2015*
FWS	U.S. Fish and Wildlife Service
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GBL	Government Bill of Lading
GMRA	*Government Management Reform Act*
GPRA	*Government Performance and Results Act*
GSA	General Services Administration
HF	Hydraulic Fracturing
HPF	Historic Preservation Fund
HPHT	High-Pressure High-Temperature
IA	Indian Affairs
IIM	Individual Indian Monies
IMT	Information Management and Technology
IMTLT	IMT Leadership Team
IPERA	*Improper Payments Elimination and Recovery Act of 2012*
IT	Information Technology
LCMAP	Land Change Monitoring, Assessment, and Projection
LCRBDF	Lower Colorado River Basin Development Fund
LWCF	Land and Water Conservation Fund
M&I	Municipal and Industrial
Mcf	One Thousand Cubic Feet
MLA	*Mineral Leasing Act for Acquired Lands of 1947*
NEPA	National Environmental Policy Act
NPS	National Park Service
NWR	National Wildlife Refuge
NWS	National Weather Service
OCIO	Office of the Chief Information Officer
OCS	Outer Continental Shelf
OIA	Office of Insular Affairs
OIG	Office of Inspector General
OMB	Office of Management and Budget
ONRR	Office of Natural Resources Revenue
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 Special Trustee
PADD	Petroleum Administration for Defense Districts
PAM	Office of Acquisition and Property Management
PFM	Office of Financial Management
PI/LSI	Possessory Interest or Leasehold Surrender Interest

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

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Office of Financial Management
MS 5530-MIB
1849 C Street, NW
Washington, DC 20240
(202) 208-4701

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UNITED STATES
DEPARTMENT OF THE INTERIOR

Bureau of Land Management

Bureau of Ocean Energy Management

Bureau of Reclamation

Bureau of Safety
and Environmental Enforcement

Indian Affairs

National Park Service

Office of the Secretary

Office of Surface Mining
Reclamation and Enforcement

U.S. Fish and Wildlife Service

U.S. Geological Survey