Departmental Offices
U.S. Department of the Interior

Performance and Accountability Report

Fiscal Year 2003

Glossary of Acronyms

Assistant Secretary—Policy, Management and Budget	AS-PMB
Automated Data Processing	ADP
Central Contractor Registration	CCR
Central Utah Project Completion Act	CUPCA
Central Utah Water Conservancy District	CUWCD
Chief Financial Officer	CFO
Chief Information Officer	CIO
Civil Service Retirement System	CSRS
Clean Water Act	CWA
Commonwealth of the Northern Mariana Islands	CNMI
Comprehensive Environmental Response, Compensation, and Liability Act of 1980	CERCLA
Comprehensive Trust Management Plan	CTM
Cost of Living Adjustment	COLA
Department of the Interior	DOI
Departmental Offices	DO
Federal Accounting Standards Advisory Board	FASAB
Federal Employees Contribution Act	FECA
Federal Employees Group Life Insurance	FEGLI
Federal Employees Retirement System	FERS
Federal Financial Management Improvement Act	FFMIA
Federal Financing Bank	FFB
Federated States of Micronesia	FSM
General Services Administration	GSA
Generally Accepted Accounting Principles	GAAP
Government of American Samoa	ASG
Immediate Office of the Secretary	SIO
Indian Gaming Regulatory Act of 1988	GRA
Individual Indian Money	IIM
Information Technology	IT
Interior Franchise Fund	IFF
National Business Center	NBC
National Indian Gaming Commission	NIGC
Natural Resource Damage Assessment and Restoration	NRDAR
Office of Aircraft Services	OAS
Office of Federal Procurement Policy	OFPP
Office of Insular Affairs	OIA
Office of Management and Budget	OMB
Office of Personnel Management	OPM
Office of the Inspector General	OIG
Office of the Secretary	OS
Office of the Solicitor	SOL
Office of the Special Trustee for American Indians	OST
Oil Pollution Act of 1990	OPA
Republic of the Marshall Islands	RMI
Statement of Federal Financial Accounting Standard	SFFAS
Storm Water Treatment Areas	STA
Utah Reclamation Mitigation and Conservation	URMCC
Working Capital Fund	WCF

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A Message from the Chief Financial Officer

I am pleased to present the Department of the Interior's Departmental Offices' Annual Financial Report for Fiscal Year 2003. The purpose of this report, prepared in compliance with the Chief Financial Officer's Act of 1990, is to highlight the operational activities and financial condition of the Office of the Secretary as well as the Offices of the Solicitor, Inspector General, and Special Trustee, among others.

Departmental Offices provide the executive leadership, policy, and independent program evaluation needed to manage the diverse, complex, and nationally significant programs that are Interior's responsibilities. These offices guide and coordinate all of Interior's administrative activities, such as finance, information technology, procurement and acquisition, human resources, planning, and budgeting. Departmental Offices also provide legal services through the Solicitor's Office, the audits and investigations of program operations by the Inspector General, environmental damage coordination, and other related programs. Other programs in the Departmental Offices category include: the Office of Insular Affairs, which provides assistance to insular areas; the Office of the Special Trustee for American Indians, which oversees trust reform and the Secretary's responsibilities for Trust Assets held in trust accounts for tribes and individual Indians; the Natural Resource Damage Assessment and Restoration Program, which coordinates the Department's natural resources damage assessment and restoration efforts; and the National Indian Gaming Commission, which regulates certain Indian gaming activities.

Departmental Offices will continue to assess operations in order to enhance management accountability, seek ways to improve and enhance management controls, and pursue the correction of any and all weaknesses identified in audits or management reviews.

P. Lynn Scarlett
Chief Financial Officer

U.S. Department of the Interior
Departmental Offices

Management's Discussion and Analysis

Overview of Departmental Offices

Department of the Interior

The Department of the Interior is responsible for protecting the environment and preserving our Nation's natural and cultural resources; providing quality recreational opportunities on public land; managing resources for a healthy environment and strong economy; providing science for a changing world; and meeting our trust responsibilities to Indian tribes and our commitments to island communities. Interior is organized into two major components: the Departmental Offices and the operating bureaus. The eight bureaus, with programs and operations carried out in each of the 50 states and several U.S. territories, conduct this broad and often conflicting mission. These bureaus are:

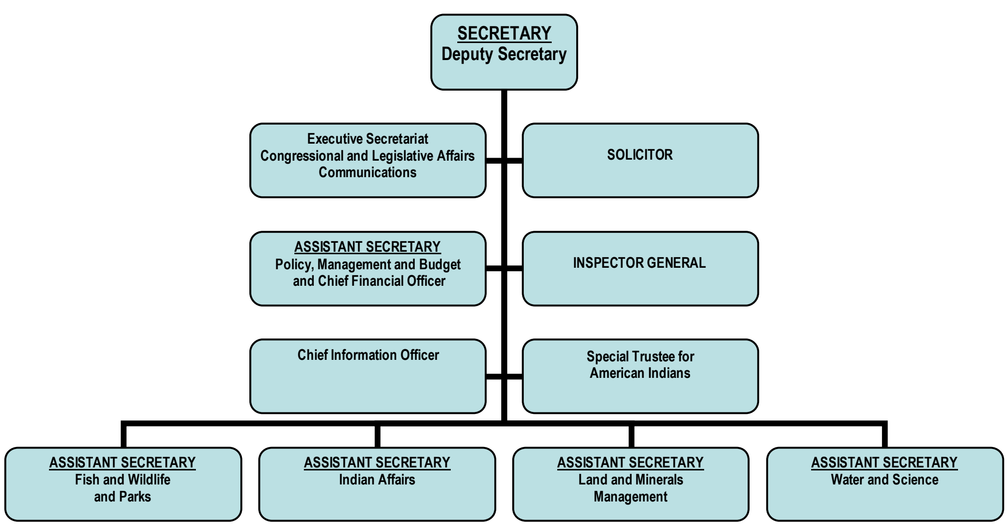
- National Park Service
- Fish and Wildlife Service
- Bureau of Land Management
- Bureau of Indian Affairs
- U.S. Geological Survey
- Bureau of Reclamation
- Office of Surface Mining
- Minerals Management Service

While Departmental Offices functions operationally in a manner similar to other Interior bureaus, its role is unique.

The Role of Departmental Offices within the Department of the Interior

The Secretary of the Interior is responsible for ensuring that the diverse programs and priorities of the Department are conducted effectively and efficiently in accordance with Presidential and Congressional direction. Accordingly, the Secretary of the Interior provides executive level leadership from the Secretary's Immediate Office, coordination among bureaus and management of significant Departmental initiatives through programmatic Assistant Secretaries, policy guidance from the Assistant Secretary – Policy, Management and Budget, legal services through the Solicitor's Office, and the audits and investigations of the Inspector General. The following chart represents the general organizational structure of Departmental Offices:

General Organization – Departmental Offices



Core Business Areas

Departmental Offices has six responsibility segments or core business areas:

- Departmental Management
- Working Capital Fund
- Services to Insular Areas
- Environmental Activity
- Services to Native Americans
- Central Utah Project

Departmental Management

Departmental Management includes the Secretary's Immediate Office, the Programmatic Assistant Secretaries, the Assistant Secretary – Policy, Management and Budget, the Office of the Chief Information Officer, the Office of the Inspector General, and the Office of the Solicitor. Through these offices, Interior achieves significant benefits in improved management, problem avoidance, evaluation of alternative approaches to problem solving, oversight, and monitoring.

Secretary's Immediate Office. The Secretary's Immediate Office includes the Secretary, the Deputy Secretary, the Chief of Staff, and senior officials and advisers needed for overall policy direction, for prompt response to critical issues, and for communicating with Congress and the public.

Programmatic Assistant Secretaries. The mission of the Department of the Interior encompasses a wide variety of programs. The Programmatic Assistant Secretary offices are responsible for coordinating activities among bureaus with related, or at times conflicting, missions to ensure that programs are carried out efficiently and that critical concerns are addressed in a timely manner. The Department has four Programmatic Assistant Secretaries:

The *Assistant Secretary for Fish and Wildlife and Parks* provides overall policy direction to the National Park Service and the Fish and Wildlife Service to ensure conservation of nationally significant natural, cultural, and biological resources including ensuring the protection and stewardship of the National Park and National Wildlife Refuge Systems, the preservation of cultural resources, and the conservation of Federal trust species of fish, wildlife, and plants and their habitats.

The *Assistant Secretary for Indian Affairs* is the lead official within the Executive Branch on Indian matters, providing policy direction within the parameters established by treaties, statutes, court decisions, and executive orders and is responsible for creating partnerships with tribal governments by facilitating tribal self-determination and self-governance, ensuring the proper protection of Indian trust assets, improving Indian education programs, and strengthening the management of the Bureau of Indian Affairs. The foundation of Indian policy is the sovereignty of Indian nations and the trust responsibility of the Federal Government.

The *Assistant Secretary for Land and Minerals Management* is responsible for programs administered by the Bureau of Land Management, the Minerals Management Service, and the Office of Surface Mining. The programs include managing the surface and mineral resources for 270 million acres of public lands; administering mineral leases and supervising mining on Public and Indian lands; leasing and managing mineral resources on the Outer Continental Shelf; collecting and disbursing royalties and mineral revenues from Federal, Indian, and Outer Continental Shelf leases; and controlling adverse effects of coal mining operations and restoring unreclaimed lands that were mined prior to passage of the Surface Mining Control and Reclamation Act.

The *Assistant Secretary for Water and Science* sets departmental policy for and provides oversight to the programs of the Bureau of Reclamation and the U.S. Geological Survey. Major objectives include maximizing the effectiveness of program operations of the water and science bureaus; serving as the primary Departmental focal point in assigned program areas for national water, earth, and biological science and other natural resource policy development and coordination; ensuring that program goals are identified for assigned functions, that they support Departmental objectives, and that quantifiable results are measured against them; and ensuring appropriate consultation with all affected parties on assigned substantive program matters.

Assistant Secretary – Policy, Management and Budget. The Assistant Secretary – Policy, Management and Budget (AS-PMB) provides overall policy guidance and direction for Interior in a broad range of management areas affecting nearly every aspect of Interior operations including budget, finance, human resources, workforce diversity, law enforcement, security, and performance. Responsibilities include developing and implementing administrative and operational policy, standards, objectives, and procedures for use within Interior and coordinating with relatively autonomous bureau operational units. The Assistant Secretary also serves as the designated agency ethics official and Chief Financial Officer (CFO).

As the Department's Chief Financial Officer, the AS-PMB serves as the focal point for Departmentwide financial management and is responsible for establishing the policies and standards necessary for effective financial systems and sound financial information. This includes providing leadership in implementing and carrying out the requirements of the Chief Financial Officers Act, the Government Performance and Results Act, the Federal Financial Managers' Integrity Act, and financial operation provisions in the Government Management Reform Act. The sound management of fiscal resources is a basic responsibility of every Federal agency. The AS-PMB, as Interior's Chief Financial Officer, ensures that Interior maintains high standards of stewardship over entrusted resources.

Office of the Chief Information Officer. With the leadership of the Chief Information Officer (CIO), the Secretary establishes a sound Information Technology (IT) infrastructure within Interior and ensures all bureaus are prepared to address future information technology challenges. The CIO has primary responsibility, under the Clinger-Cohen Act of 1996, for supervision and coordination within Interior of the design, acquisition, maintenance, use, and disposal of information technology by Interior bureaus and Departmental Offices. The CIO also monitors the performance of Interior's information technology programs and activities, and ensures that Interior's information management is consistent with the principles of the Government Paperwork Reduction Act, the Government Paperwork Elimination Act, the Government Information Security Results Act, the Freedom of Information Act, the Privacy Act of 1974, and the Federal Records Act. The CIO consults with Interior's Chief Financial Officer to assure that Interior information technology programs and activities are carried out in a cost-effective manner, and that financial and related program information is reliable, consistent, and timely.

Office of the Solicitor. The Office of the Solicitor advises, assists, and represents the Secretary, her staff, the bureaus, and the offices of the Department of the Interior in accomplishing the statutory obligations and goals of the Administration. The Office's attorneys provide legal advice and counsel to all areas of Interior to assure that Interior's programs and initiatives are carried out in a manner consistent with applicable laws and regulations. They prepare formal legal opinions; review draft legislation, regulations, contracts, and other documents; and provide informal legal advice in a wide variety of circumstances. In addition, the Office's attorneys represent the Department in administrative litigation involving the Department.

Office of the Inspector General. The Office of the Inspector General (OIG) provides leadership and assistance in the promotion of economy, efficiency, effectiveness, and in the detection and prevention of fraud, waste, abuse, and mismanagement in the operations and activities of Interior. The OIG is the focal point for independent and objective reviews of the integrity of Interior's programs and operations. It is responsible for objectively and independently assessing major issues that directly impact, or could impact, the Department's ability to accomplish its mission and for keeping the Secretary and the Congress fully and currently informed about problems and deficiencies relating to the administration of Interior's programs. The OIG accomplishes its mission by providing policy direction for and conducting, supervising, and coordinating audits and investigations of Departmental programs and operations.

Working Capital Fund

Departmental Offices provides consolidated services through the Department's Working Capital Fund (WCF). This Fund provides the financing mechanism for all of the reimbursable activities of the National Business Center (NBC), including the Office of Aircraft Services. The NBC, which provides most of the Department's administrative systems, has activities located across the country and Alaska, but is principally based in Denver, Colorado, and the Washington, DC, metropolitan area. In addition to providing administrative and system services to Interior bureaus and offices, the NBC plays an important role in the federal government sector as a fee-for-service organization providing these same services to agencies outside of Interior.

The NBC's Office of Aircraft Services manages Interior-owned aircraft, contracts for commercial aircraft, and provides aviation safety and training. Centralized management promotes the safe and cost-effective use of aircraft. Interior bureaus use aircraft in support of natural resource management including wildfire suppression, wildlife surveys, migratory bird studies, animal gathering, and capturing. Aircraft are also used to conduct scientific research including environmental protection surveys, seismic monitoring activities, and transportation to remote areas where travel over land is not feasible. Additionally, aircraft are used in law enforcement and emergency search and rescue operations.

OAS took the lead in the investigation of a Bell 212 helicopter crash that happened on January 17, 2003.

The NBC operates the Department of the Interior University to encourage and provide learning and growth opportunities for Interior employees and organizations to accomplish Interior missions and enhance career growth. This is accomplished through classroom, computer-based, and web-based training; multi-media presentations; partnerships with Interior bureaus, other government agencies, colleges/universities, and private sector organizations; competency and skill-based developmental opportunities; certification and degree programs for Interior employees; and volume discounts and shared resources.

In addition, the NBC provides a full complement of administrative and systems services, including payroll, data center, procurement, human resources, organization development, financial management, government housing management, and property services. The NBC also offers facilities management, telecommunications, drug and alcohol testing, museum and library management, and travel and relocation services.

A small portion of the WCF is used to fund other shared service operations in Departmental Offices. These include an Invasive Species Program, IT Security, and developing and implementing a secure network for Indian trust data. The AS-PMB has oversight responsibility for the WCF.

Services to Insular Areas

The functions and responsibilities of the Secretary of the Interior for U.S.-affiliated insular areas are delegated to the Office of Insular Affairs (OIA), whose Director reports to the Secretary through the AS-PMB. These insular areas include the U.S. Virgin Islands, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands (CNMI), the Republic of Palau, the Republic of the Marshall Islands, and the Federated States of Micronesia.


OIA's Coral Reef Preservation program provides technical assistance so that local governments can implement effective coral reef management, protection, and restoration programs.

The Department of the Interior began its involvement with the present-day U.S. insular areas in 1931 with the transfer of Federal administrative responsibilities for the U.S. Virgin Islands to the Department of the Interior from the Navy Department. Likewise, in 1950, the Navy transferred certain responsibilities relating to Guam to the Department. Guam has been a U.S. territory since the end of the Spanish-American War in 1898. Administrative responsibilities for American Samoa, parts of which had been ceded to the United States as early as 1900, were similarly transferred from the Navy Department to the Department of the Interior in 1951.

What are now the Commonwealth of the Northern Mariana Islands, the Republic of Palau, the Republic of the Marshall Islands and the Federated States of Micronesia were placed within the Trust Territory of the Pacific Islands by the United Nations in 1947. Under the terms of the Trusteeship Agreement, the United States exercised full administrative jurisdiction over the Trust Territory. The Department of the Interior assumed trusteeship responsibilities in 1951.

In 1976, residents of the Northern Mariana Islands voted to enter into the "Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America." Although most of the terms of the Covenant were implemented in 1978, the Covenant became fully effective by Presidential Proclamation in 1986 and the CNMI ceased to be bound by the Trusteeship Agreement. The Compacts of Free Association for the Republic of the Marshall Islands and the Federated States of Micronesia also were implemented in 1986. These two nations are now sovereign states, linked to the United States according to the terms of the negotiated compacts. The Republic of Palau remained under the Trusteeship through fiscal year 1994; its Compact of Free Association became effective on October 1, 1994.

Until the 1970's, the Secretary of the Interior exercised broad authority in the insular areas. Chief executives of the insular governments were appointed and subject to the Secretary's supervision. Since the institution of popularly elected governors (Guam, 1971; Virgin Islands, 1971; American Samoa, 1978; and Northern Mariana Islands, 1979), each of the insular areas has become responsible for local government. Subsequent Federal legislation has eliminated most of the Secretary's authority to supervise the insular governments.

OIA assists U.S.-affiliated insular areas in developing more efficient and effective governments by providing financial and technical assistance and helps manage Federal-island relations by promoting appropriate Federal policies. Financial assistance is provided in several forms including: discretionary grants for operations to American Samoa and Enewetak; tax carryovers to Guam and the U.S. Virgin Islands; and guaranteed assistance for general operations and health and education to the freely associated states. Good management in the insular governments, as demonstrated by sound financial management practices, is essential to developmental goals and the protection of taxpayer's money. OIA cannot require the governments to develop plans, but can offer expertise and other incentives. In conjunction with the U.S. Department of Agriculture Graduate School, OIA has gathered a team of experts with significant experience in the federal government, governmental and public auditing, and financial systems and practices to provide financial education and other services to insular areas. To date, the program has been successful, particularly in terms of cooperation from insular governments. Effective communication and the ability to clarify federal and insular positions are critical to OIA's mission of serving the insular governments.

Environmental Activity

The largest segment of Environmental Activity in Departmental Offices comes from appropriations and recoveries to the Natural Resource Damage Assessment and Restoration Program (NRDAR). These funds enable Interior to identify, evaluate, and conduct damage assessments of natural resource injuries resulting from oil and hazardous substance releases. The NRDAR Program assesses the damages and injuries to natural resources entrusted to Interior and negotiates legal settlements or takes other legal actions against the responsible parties for the spill or release. Funds from these settlements are then used to restore the injured resources at no expense to the taxpayer.

Hudson River, New York - This case addresses natural resource injuries that have occurred due to the release of hazardous substances, particularly polychlorinated biphenyls (PCBs), to the Hudson River.

During settlement negotiations or after a settlement is reached, a restoration plan is developed. These plans specify the necessary actions to restore the injured resources. Actions can be carried out on the lands where the contamination occurred or, if appropriate, at an alternate site which, when restored, provides a suitable replacement for the injured or lost resources. Trustees (states, Indian Tribes, other Federal agencies, or foreign governments) can undertake these projects directly or responsible parties can undertake these actions under the supervision of the trustees. The trustees monitor the restoration projects to assure that they continue to be properly operated and to determine whether the efforts are successful over the long run in restoring the injured resources.

Three laws form the legal foundation for the NRDAR Program and provide trustees with the legal authority to carry out program responsibilities. These laws authorize and direct Interior to take appropriate actions necessary to protect and restore the natural resources under its trusteeship (and services provided by those resources) injured by a release of a hazardous substance or discharge, or a substantial threat of discharge of oil. They are the:

- Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA), as amended (42 U.S.C. 9601 to 9675), including but not limited to Sections 104, 107, 111(i), and 122;
- Oil Pollution Act of 1990 (OPA), (33 U.S.C. 2701 to 2761), including but not limited to Sections 1006 and 1012; and
- Federal Water Pollution Control Act (or "Clean Water Act" [CWA]), as amended (33 U.S.C. 1251 to 1387), including but not limited to Section 311(f).

The AS-PMB monitors the NRDAR Program on behalf of the Secretary of the Interior.

In addition, the Secretary's Office continues to play a leadership role in the interagency, intergovernmental effort to restore Florida's Everglades. Interior manages approximately half of the Everglades as national parks and wildlife refuges. The Secretary and her senior staff will continue to oversee efforts to restore habitat and recover endangered species, coordinate activities with State and local partners, and ensure that the best science is available to guide decisions. Departmental Offices administers a small portion of the funds available for the Everglades restoration effort. Section 390 of the Federal Agriculture Improvement and Reform Act (Farm Bill) of 1996 (P.L. 104-217) authorized the establishment of an "Everglades Restoration Account" consisting of funds deposited to a special Treasury account derived from the sale of surplus Federal property located in the State of Florida. Although the authority to receive these funds was abolished by the Water Resources Development Act (P.L. 106-541) passed on December 11, 2000, funds deposited to the account prior to that date remain available to support the restoration effort. These funds are to be utilized for "the acquisition of real property ... within the Everglades ecosystem; and ... the funding of resource protection and resource maintenance activities in the Everglades ecosystem." This legislation also provided $200 million in appropriated funds that have been used primarily for land acquisitions and exchanges necessary to further the restoration effort. These funds have been fully obligated.

There are several other small programs that complete the Environmental Activity Component of Departmental Offices. These include: the Oil Spill Emergency Fund, Federal Lands Subsistence Management, and Fire Protection Services.

Services to Native Americans

Several additional offices report directly to the Secretary on matters impacting Native Americans. These offices include the Office of the Special Trustee (OST), which oversees lands and moneys held in trust by the Federal Government for the benefit of Native American individuals, and Tribes and the National Indian Gaming Commission, which is responsible for issues related to legalized gambling on Indian reservations.

Office of the Special Trustee. The Office of the Special Trustee for American Indians (OST) oversees and coordinates Indian trust reform efforts Departmentwide to ensure the establishment of policies, procedures, systems, and practices that allow the Department to effectively discharge its trust responsibilities. OST has operating responsibility for financial trust management, including investment, collection, and disbursement of assets held in 1,400 trust accounts for roughly 260 Indian Tribes and about 260,000 open accounts for individual Indians. The balances of funds that have accumulated in the Indian trust accounts are derived from various sources, including: payments for land cessions by treaty; proceeds from sales of land under confiscatory acts of Congress; proceeds from sales and leases of tribal lands and other natural resources such as mineral extraction, timber, and grazing; judgment awards made by the Indian Claims Commission and the US Claims Court; monies appropriated to fund legislative settlements; and interest on trust fund investments. An appraisal program ensures that fair market value is provided to beneficiaries as compensation for the use of their assets.

Assets held in trust for Native Americans are owned by the trust beneficiaries and therefore are not Federal assets. Authorizing legislation and case law specify how Indian trust assets should be managed and which financial instruments constitute appropriate fund investments. Investments are limited, in most cases, to direct investments in U.S. Government securities (Treasury and other agency issues) and insured deposits or deposits collateralized by U.S. Government securities. Disbursements from judgment awards must be made in accordance with tribal award distribution plans. Additional trust functions for the Department are carried out by the Bureau of Land Management, the Minerals Management Service, the Bureau of Indian Affairs, the Office of Hearing and Appeals, and the Office of Historical Trust Accounting in the Office of the Secretary.

National Indian Gaming Commission. The National Indian Gaming Commission (NIGC) is an independent federal regulatory agency of the United States. The Commission was created by the Indian Gaming Regulatory Act (IGRA) of 1988 to monitor and regulate certain gaming activities on Indian lands. The IGRA mandates that the Commission is comprised of three members, a chairman, who is appointed by the President of the United States with the advice and consent of the Senate, and two commissioners who are appointed by the Secretary of the Interior. The mission of the NIGC, in keeping with the IGRA declaration of policy, is to ensure that Indian gaming is regulated, "to shield it from organized crime and other corrupting influences, to ensure that the Indian tribe is the primary beneficiary of the gaming operation, and to assure that gaming is conducted fairly and honestly by the operator and the player."

The responsibilities of the NIGC include, but are not limited to: monitoring of gaming operations on a continuing basis; approving all contracts for management by third parties; conducting background investigations on management company officials and principal investors; and reviewing and conducting audits of the books and records of the gaming operations. The Commission has the authority to take action against violations of IGRA, NIGC regulations and tribal gaming ordinances. The work of the NIGC is financed through annual fee assessments on tribally-owned, operated, or licensed gaming establishments regulated by the Commission.

Central Utah Project

Representatives from the Assistant Secretary – Water and Science, AS-PBM, CUPCA and the Commission surveyed the Central Utah Project's progress in June 2003.

The timely completion of the Central Utah Project by the Central Utah Water Conservancy District (CUWCD) is provided for in the Central Utah Project Completion Act (CUPCA). The Act also authorizes funding for fish, wildlife, and recreation mitigation and conservation activities, establishes the Utah Reclamation Mitigation and Conservation Commission (URMCC) to oversee the implementation of those activities, and authorizes funding for the Ute Indian Rights Settlement. A program office located in Provo, Utah, provides liaison with the CUWCD, the URMCC, and the Ute Indian Tribe, and otherwise assists in carrying out the responsibilities of the Secretary. This Project is monitored though the Assistant Secretary for Water and Science. The primary purpose of the Central Utah Project Completion Act is to provide for the orderly completion of the Central Utah Project by authorizing certain water conservation and wildlife mitigation projects, and by providing funding for construction of certain features for delivery of irrigation, municipal and industrial, and in stream flow water to specified areas within the Central Utah Project service area.

The Act envisioned a partnership arrangement wherein the Department of the Interior, Assistant Secretary for Water and Science, would appoint a representative who would oversee the accomplishment of the Act in Utah. The representative and his staff (Central Utah Project Completion Act Office, located in Provo, Utah) works with the Central Utah Water Conservancy District, the Utah Reclamation Mitigation and Conservation Commission, and the Ute Indian Tribe to implement the Act. The CUWCD was given authority under CUPCA to plan and construct the remaining features of the Central Utah Project. The URMCC, a Presidentially-appointed Federal commission, is responsible for completing fish, wildlife, and recreation projects in the State of Utah as part of the Central Utah Project.

Report on Performance Goals and Results

Departmental Management

Long-Term Goal	2003 Annual Goal	1999 Actual	2000 Actual	2001 Actual	2002 Actual	2003 Plan	Final FY 2003	2003 Performance Report and Discussion
Lead People to Succeed	Increase Workforce Diversity: Diversity in Interior's workforce will increase by 4.1% from 1997 levels.	1.4%	2.0%	2.4%	2.28%	4.1%	3.35%	Goal Not Met. The Department's workforce diversity increased by 3.35% from the 1997 level of 44.6% to 47.95%, falling slightly short of the goal of 4.1%. Interior continues to take proactive outreach and recruitment steps to address its workforce diversity issues. The Strategic Human Capital Management Plan provides the framework for identifying the skills and abilities that will be needed in the workforce over the next 5 years and recruitment strategies that include greater diversity in the Department's internship and entry-level positions.
	Workforce Planning and Management Delayering: Complete a Departmental 5-Year Workforce Plan.	N/A	N/A	Developed workforce analysis	Completed 5-Year workforce plan	Complete bureau workforce Plans	Completed bureau workforce plans	Goal Met.
	Training and Development Programs: Develop policy and standards for one new Departmental training program.	1	1	1	3	1	Completed & Implemented DOI Alternative Dispute Resolution	Goal Met.
	Training and Development Programs: Continue operating 7 existing Departmental training and development programs.	5	6	7	7	8	8	Goal Met.
Use Information Technology to Better Manage Resources and Serve the Public	Implement Information Technology Security Strategy: All Interior Major Applications and General Support Systems.	N/A	N/A	Level 1	Developed system security plans, risk assessments updated IT security plan	Implement IT security plan	84 of 166 systems 50% Estimated	Based on performance data estimates, we anticipate that the goal will not be met. The estimate is based on actual data through August 2003 and current projections. High risk systems are expected to be completed by Dec 2005/FY 2006; all remaining systems are expected to be complete by December 2006. 15 systems certified and accredited and an additional 68 systems granted interim authority to operate (15 + 68)/166 systems X 100 = 50%). Developed Certification and Accreditation (C & A) handbook, established templates, trained over 150 individuals involved in the C & A process and established schedules for all associated C & A tasks.
	Implement an E-Government Strategy: In FY 2003, move on-line all (100%) of the appropriate paper-based transactional services identified through a baseline inventory of all DOI transactional services, both electronic and non-electronic, by the end of FY 2003.	N/A	N/A	N/A	50%	100%	49%	Goal Not Met. 44 of the 90 transactions that were eligible for conversion were accomplished.
	Expand On-line Procurement: Expand E-government to include use of the Central Contractor Registration (CCR), an existing on-line database, as the single validated source of data on vendors doing business with the Government.	N/A	N/A	N/A	N/A	Achieved	Achieved	Goal Met.

Departmental Management

Long-Term Goal	2003 Annual Goal	1999 Actual	2000 Actual	2001 Actual	2002 Actual	2003 Plan	Final FY 2003	2003 Performance Report and Discussion
	Expand On-line Procurement: Beginning October 1, 2003, stop collecting Standard Form 129, Soliciting Mailing List Applications.	N/A	N/A	N/A	N/A	Achieved	Achieved	Goal Met.
Ensure Financial and Managerial Accountability	Reduce Erroneous Payments. In FY 2003, maintain adequate controls over Federal Assistance payment processes to ensure any erroneous payments are kept below .06% of the program area as measured by audit disallowance, and 45% of the amounts disallowed are returned to the government. Grants of Federal assistance--% of amounts provided that were disallowed.	N/A	N/A	.02%	.03%	.06%	.058% Estimated	Based on performance data estimates, we anticipate that the goal will be met or exceeded. The estimate is based on progress as of September 10, 2003 and end of the 3rd quarter projections.
	Grants of Federal assistance--% of amounts provided that were disallowed actually recovered.	N/A	N/A	13%	35%	45%	56% Estimated	Based on performance data estimates, we anticipate that the goal will be met and exceeded. The estimate is based on progress as of September 10, 2003 and end of the 3rd quarter projections.
Provide Safe and High Quality Places to Work	In FY 2003 complete initial environmental audits of 80% of all internal facilities.	50%	90%	80%	83%	80%	84%	Goal Exceeded.
Ensure Efficient and Effective Business Practices	Amount of Purchase Card Transactions. Purchase card transactions will exceed $450 million.	$312	$393	$441.8	$470	$450	$448	Goal Not Met. The $450 million goals for FY's 2002 and 2003 were level in anticipation of budget reductions, natural diminishing returns (e.g., growth in increasingly smaller increments) and anticipated efforts to limit purchase card growth as a management control mechanism in accordance with Governmentwide Office of Management and Budget (OMB)-Office of Federal Procurement Policy (OFPP) initiatives during the two-year period. In FY 2002, purchase card transaction expenditures exceeded $470 million, thereby exceeding the $450 million goal. In FY 2003, purchase card transaction expenditures totaled $448.2 million or 99.5 percent of the $450 goal. The reduced amount of purchase card transaction obligations in FY 2003 can be attributed to declines in discretionary budgets, extended continuing appropriations, and reduced growth in the issuance of new cards and actual purchase card reductions.
	Museum Objects Inventoried. Accurately inventory an additional 2.73 million museum objects for a cumulative total of 57.3 million.	41.7	45.8	48.9	54.6	57.3	57.3	Goal Met.

Departmental Management

Long-Term Goal	2003 Annual Goal	1999 Actual	2000 Actual	2001 Actual	2002 Actual	2003 Plan	Final FY 2003	2003 Performance Report and Discussion
	Make Greater Use of Performance-Based Service Contracting (PBSC): In FY 2003, 30% of total eligible service contract dollars applicable to actions over $25,000 that meet PBSC criteria will be awarded through PBSC.	N/A	N/A	N/A	42.9%	30%	56% Estimated	Based on performance data estimates, we anticipate that the goal will be met or exceeded. The estimate is based on data received through mid-August 2003. According to Interior/Federal Procurement Data System data for FY 2003 (through mid-August 2003), 56% of eligible DOI service contract dollars were reported in the Interior/Federal Procurement Data System as having been awarded as PBSC's (i.e., 4,704 actions over $25,000 and $817,989,167 in obligations). Continued emphasis will be placed on PBSC training and reporting requirements to ensure that the Department continues to meet or exceed the Government-wide goals of 40% and 50% in FY's 04 and 05, respectively.
	Expand A-76 Competition and Conduct More Accurate Federal Activities Inventory Reform Act Inventories: In FY 2003, complete public-private competitions or direct conversions involving 15% (Cum.) of the full- time equivalents listed on the Department-wide Federal Activities Inventory Reform Act.	N/A	N/A	N/A	1% (243)	Discontinued	Discontinued	The goal of 15%, set by OMB, was rescinded during July of 2003. DOI continues to review commercial activities with a goal of improving customer services.

Working Capital Fund

Long-Term Goal	2003 Annual Goal	1999 Actual	2000 Actual	2001 Actual	2002 Actual	2003 Plan	Final FY 2003	2003 Performance Report and Discussion
Improve Management and Foster Efficiency in a Shared Services Environment	Develop Draft 5-year NBC corporate strategic goals	N/A	N/A	N/A	N/A	Draft Strategic Goals	Completed	Goal Met. Presented to NBC leadership team on September 25, 2003
	Develop Draft 3-year NBC-wide business line goals and measures	N/A	N/A	N/A	N/A	Draft Business line goals	Completed	Goal Met. Presented to NBC leadership team on September 25, 2003

Services to Insular Areas

Long-Term Goal	2003 Annual Goal	1999 Actual	2000 Actual	2001 Actual	2002 Actual	2003 Plan	Final FY 2003	2003 Performance Report and Discussion
By 2005, all insular governments are implementing multi-year capital infrastructure plans that adequately identify operations and maintenance needs.	Complete one additional multi-year capital plan for a cumulative total of four.	2	2	2	3	4	3	Goal Not Met. American Samoa, FSM, and CNMI are complete. Guam, Virgin Islands, Palau and the RMI are outstanding. Completion of the RMI is expected in early FY 04.
	Increase the ratio of capital infrastructure projects completed to projects started to 1.1.	.29	.56	.80	1.00	1.10	.66	Goal Not Met. Receiving appropriations bills late in the year impeded progress in this area.
	Reduce the average time from grant award to project completion for capital projects to 30 months.	32	31	43.4	41.6	30	88	Goal Not Met. Efforts to close old grants impacted results in this area.
By 2005, all insular governments are implementing long-term plans to improve financial management.	Complete one additional financial management improvement plan for a cumulative total of six.	4	5	5	5	6	6	Goal Met.
Increase grant productivity by increasing the ratio of technical assistance projects completed to projects started and reducing the average completion time of technical assistance projects.	Increase the ratio of technical assistance projects completed to projects started to 1:1.	.39	.51	.78	.50	1.10	.25	Goal Not Met. Receiving appropriations bills late in the year impeded progress in this area.
	Reduce the average time from grant award to project completion for technical assistance projects to 26 months. (Average months)	61	11	24	9.8	26	20	Goal Met.

Environmental Activity

Long-Term Goal	2003 Annual Goal	1999 Actual	2000 Actual	2001 Actual	2002 Actual	2003 Plan	Final FY 2003	2003 Performance Report and Discussion
Restore the Health of Public Lands	Damaged Lands and Resources Restored: In FY 2003, increase the cumulative number of restoration projects to 125; and,	59	70	82	114	125	126	Goal Met.
	Increase the cumulative amount of damage settlement funds within the DOI Restoration Fund to $320 million.	$75.6	$96.5	$188.5	$211.0	$320.0	$238.6	Goal Not Met. Although DOI and potentially responsible parties have agreed, in principle, to a settlement that would allow us to achieve our goal, we are awaiting final approval from the Court.
Maintain Healthy Natural Systems	South Florida Natural Systems Restored: In FY 2003, continue the restoration of the South Florida ecosystem by constructing 4,100 acres of Storm Water Treatment Areas (STA) (for a cumulative total of 24,950 acres); and,	N/A	N/A	18,088	20,850	24,950	26,380	Goal Exceeded.
	Acquiring 40,000 acres of land for habitat protection. (Performance reflects combined efforts of Federal State Agencies.);	39,500	79,147	28,917	47,453	40,000	50,682	Goal Exceeded.

Services to Native Americans

Long-Term Goal	2003 Annual Goal	1999 Actual	2000 Actual	2001 Actual	2002 Actual	2003 Plan	Final FY 2003	2003 Performance Report and Discussion
Fiscal Resources Protected for Tribes and Indians	Completion of the Comprehensive Trust Management Plan (CTM)	N/A	N/A	N/A	N/A	CTM Approval	CTM Approved	Goal Met. CTM, Version 1.0 approved March 28, 2003

Central Utah Project

Long-Term Goal	2003 Annual Goal	1999 Actual	2000 Actual	2001 Actual	2002 Actual	2003 Plan	Final FY 2003	2003 Performance Report and Discussion
Timely completion of the Central Utah Project	The CUPCA Office coordinates with the CUWCD in constructing water conservation and supply projects. It also works with the CUWCD to coordinate local cost sharing, ensure compliance with Federal environmental laws, and promote a program of water conservation. In 2003, measure the percent completion of CUWCD work authorized by Congress.	32%	34%	38%	43%	31%	31%	Goal Met. During fiscal year 2003, public law 107-366 amended CUPCA and provided additional authorization for CUWCD projects which results in a lower percent planned and actual completion compared to 2002.
	The CUPCA Office will work with the URMCC to implement measures to conserve, mitigate, and enhance fish, wildlife, and recreation resources affected by reclamation project in Utah. In 2003, measure the percent completion of URMCC work authorized by Congress.	49%	54%	60%	65%	68%	68%	Goal Met. During 2003, URMCC completed restoration of two miles of the middle reach of the Provo River under its multi-year Provo River Restoration Project.

Discussion of the Financial Results and Financial Condition of the Departmental Offices

The goal of the Departmental Offices is to achieve unqualified (clean) audit opinions on all financial statements as well as to establish internal controls and to comply with Federal Financial Management Improvement Act (FFMIA) requirements. Unqualified audit opinions provide independent assurance to external users that the financial statements are fairly presented, in all material respects, and are in accordance with Generally Accepted Accounting Principles. The benefits of conducting financial statement audits and obtaining unqualified opinions are twofold: (1) ensuring that quality data is provided to external parties; and (2) ensuring that books and records used by management can withstand the rigors of the audit process. Moreover, the discipline required to produce annual financial statements and audits demands that proper management attention and direction is given to improving financial management and complying with applicable laws and regulations

Departmental Offices produce audited financial statements to strengthen the integrity of financial operations and ensure the accuracy of financial data. The Departmental Offices' principal financial statements include the following: (1) Consolidated Balance Sheet; (2) Consolidated Statement of Net Cost; (3) Consolidated Statement of Changes in Net Position; (4) Combined Statement of Budgetary Resources; and (5) Consolidated Statement of Financing. Overall, these statements summarize the financial activity and financial position of the Departmental Offices. Additional financial information is also presented in the Required Supplementary Stewardship Information, Required Supplementary Information, and Other Supplementary Information sections of the report.

Limitations of Financial Statements

Responsibility for the integrity and objectivity of the financial information presented in the financial statements lies with Departmental Office managers. The financial statements and supplemental financial schedules included in this report reflect the financial position and results of operation of the Departmental Offices pursuant to the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. While these statements have been prepared from the books and records of Departmental Offices in accordance with guidance provided by the Office of Management and Budget and the Federal Accounting Standards Advisory Board, the statements differ from financial reports used to monitor and control budgetary resources that are prepared from the same books and records. The financial statements should be read with the realization that the Departmental Offices' accounts represent components of the Department of the Interior, an agency of the executive branch of the United States government, a sovereign entity. Accordingly, unfunded liabilities reported in the statements cannot be liquidated without the enactment of an appropriation, and ongoing operations are subject to enactment of appropriations.

Cost and Earned Revenue

As reflected in the Statement of Net Cost, the 2003 gross cost of DO before earned revenue was approximately $1.27 billion; a decrease of $245 million from amounts reported in FY 2002. This decrease was primarily due to a $421 million decrease in discontinued Franchise Fund operations transferred to Interior's Minerals Management Service on October 1, 2002. This amount was offset by a $150 million increase in the Working Capital Fund due to an increase in acquisition services provided by the Southwest Branch of the NBC. In addition, the gross cost of Services to Native Americans increased by $41 million mainly through an increase in the cost for the Office the Special Trustee. This was offset by a decrease of $40 million in Services to Insular Areas due to a decrease in discretionary grants.

DO had earned revenue of $535 million in FY 2003; a decrease of $278 million from FY 2002. This was attributable to a $423 million decrease in discontinued Franchise Fund operations. This amount was offset by a $139 million increase in the Working Capital Fund due to an increase in acquisition services provided by the Southwest Branch of the NBC.

Budgetary Resources

Departmental Offices has several types of budget authority, which is the authority provided by law to incur financial obligations that will result in outlays. This definition is the same as the one contained in section 3(2) of the Congressional Budget and Impoundment Control Act of 1974, which Congress uses in the congressional budget process. Most laws provide budget authority in the form of appropriations, which utilizes general funds, special funds or trust funds, provided in appropriation acts or other laws. Some appropriations, such as Title VI of the 2000 Interior Appropriations Act established a multi-year appropriation and authorized the use of cash or cash equivalent payments for activities such as Priority Land Acquisitions and Exchanges. Departmental Offices also have authority to borrow and have loan accounts such as the American Samoa Loan within the Office of Insular Affairs.

Departmental Offices have several allocation accounts in the Office of the Special Trustee for American Indians and the Natural Resource Damage Assessment program. Allocation accounts must be authorized by law and are established when the receiving agency is acting as the agent for the allocating agency. Allocation means a delegation by one agency of its authority to obligate budget authority and outlay funds to another agency. When an agency makes such a delegation, the Treasury Department establishes a subsidiary account called a transfer appropriation account and the receiving agency may obligate up to the amount included in the account.

The Departmental Offices reporting entity also receives an allocation from the Environmental Protection Agency to fund a variety of environmental compliance activities. In addition, there are a number of legally authorized transfers between the various accounts within the Departmental Offices reporting entity such as funds transferred to the Office of Hearings and Appeals within the Office of the Secretary from the Office of the Special Trustee for American Indians to fund Indian probate work.

Appropriations may be either definite or indefinite. If a law provides budget authority in a specific amount it is considered definite budget authority even if the language reads, “not to exceed” a specified amount. If a law does not specify an amount of budget authority, but instead specifies a variable factor that determines the amount, the budget authority is indefinite. Departmental Offices include accounts that are derived from receipts including the Everglades Restoration Fund, the National Indian Gaming Commission collections, and the Virgin Islands Rum Tax fund within the Office of Insular Affairs. If a law appropriates a specific amount to be derived from receipts it limits the amount of budget authority actually provided to the lower of the actual receipts or the amount specified. In the case of the National Indian Gaming Commission, the receipts appropriated may not exceed $8 million.

Appropriations increased in the Statement of Budgetary Resources in FY 2003 by $44 million. This was mainly due to an increase in appropriations for the Office of the Special Trustee of $42 million. Several other categories of budgetary resources including beginning unobligated balances and spending authority from offsetting collections decreased significantly from last year. These decreased due to the Franchise Fund operations being transferred to Interior's Minerals Management Service. This was partially offset by increases in the Working Capital Fund due to an increase in acquisition services provided by the Southwest Branch of the NBC.

Assets, Liabilities and Changes in Net Position

The decreases of $197 million and $237 million in Assets and Liabilities, between FY 2003 and FY 2002 were largely due to the Franchise Fund operations being transferred to Interior's Minerals Management Service. These decreases were partially offset by increases in the Working Capital Fund due to an increase in acquisition services provided by the Southwest Branch of the NBC. The $40 million increase to net position was due to an increase of $51 million in the cumulative results of operations for the Central Utah Project, brought on by the accelerated completion of Diamond Fork and an increase of $27 million in Services to Native Americans. These increases were offset by a $33 million reduction in unexpended appropriations in Services to Insular Areas and other decreases.

Federal Financial Management Improvement Act (FFMIA)

The Federal Financial Management Improvement Act (FFMIA) builds upon and complements the Chief Financial Officer's Act, the Government Performance and Results Act, and the Government Management Reform Act. The FFMIA requires that federal agencies conform to the governmentwide Standard General Ledger, comply with all applicable federal accounting standards, establish financial management systems that meet governmentwide standards and requirements, and support full disclosure of federal financial data, including the costs of federal programs and activities.

Federal agencies are required to address compliance with the requirements of the FFMIA in the representative letter to the financial statement auditor. The auditor is required to report on the agency's compliance with FFMIA requirements in the financial statement audit opinion. If the agency is not in compliance with the requirements of the FFMIA, the agency head is required to establish a remediation plan to achieve substantial compliance.

As a result of the material weaknesses identified during the 2003 financial statement audit, Departmental Offices concluded that its financial management systems did not substantially comply with the financial management systems requirements of the FFMIA. In addition, the results of the financial statement audit did not allow Departmental Offices to conclude that it was in substantial compliance with all applicable federal accounting standards. A remediation plan has been established.

Resolution of Findings in Departmental Offices FY 2002 Audit Report

The following table summarizes the status of actions taken in FY 2003 to resolve findings reported in the Independent Auditors' Report for DO in FY 2002:

Classification	Description	Corrected in FY 2003
Material Weakness	Controls over trust funds	Partially
	Controls to reconcile transactions with trading partners	Partially
	Controls over property, plant and equipment	Yes
	Controls over financial reporting	Partially
	Controls over Interior Franchise Fund	Yes
Reportable Condition	Application and general Controls over Financial Management System	Partially
	Costing Methodology	No
Failure to Comply with Laws and Regulations	Section 113 of Public Law 104-208 – Advances for Interior Franchise Fund	Yes
	Federal Financial Management Improvement Act of 1996 (FFMIA)	Partially

DO will continue its efforts to resolve these issues, as well as any new issues identified in the FY 2003 Independent Auditors' Report for DO, in FY 2004.

U.S. Department of the Interior
Departmental Offices

Principal Financial Statements
As of and For the Years Ending
September 30, 2003 and 2002

Department of the Interior
Departmental Offices
Consolidated Balance Sheet
As of September 30, 2003, and 2002
(dollars in thousands)

		2003	2002
ASSETS			
Intragovernmental Assets:			
Fund Balance with Treasury	(Note 3)	$ 899,714	$ 1,075,948
Investments, Net	(Note 4)	371,802	369,043
Accounts and Interest Receivable, Net	(Note 5)	22,005	86,313
Advances and Prepayments		9,788	54,958
Total Intragovernmental Assets		**1,303,309**	**1,586,262**
Investments, Net	(Note 4)	181,540	137,409
Accounts and Interest Receivable, Net	(Note 5)	10,419	5,929
Loans and Interest Receivable, Net	(Note 6)	24,675	24,193
Inventory and Related Property	(Note 7)	523	482
General Property, Plant & Equipment, Net	(Note 8)	241,008	202,313
Advances and Prepayments		4,035	5,840
TOTAL ASSETS	(Note 2)	**$ 1,765,509**	**$ 1,962,428**

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

Department of the Interior
Departmental Offices
Consolidated Balance Sheet (Continued)
As of September 30, 2003, and 2002
(dollars in thousands)

		2003	2002
LIABILITIES			
Intragovernmental Liabilities:			
Accounts Payable		$ 10,342	$ 104,427
Debt	(Note 12)	25,307	23,970
Other:			
Accrued Payroll and Benefits		20,945	6,494
Advances and Deferred Revenue		216,819	461,717
Deferred Credits	(Note 13)	992	15,822
Other Liabilities		1,157	38
Total Intragovernmental Liabilities		**275,562**	**612,468**
Public Liabilities:			
Accounts Payable		73,850	49,798
Federal Employees Compensation Act Liability	(Note 11)	20,750	20,270
Environmental Cleanup Costs	(Note 14)	1,000	1,000
Other			
Accrued Payroll and Benefits		25,996	31,670
Advances and Deferred Revenue		4,688	5,429
Deferred Credits	(Note 13)	160,998	79,314
Contingent Liabilities	(Note 15)	693	700
Other Liabilities		-	2
Total Public Liabilities		**287,975**	**188,183**
TOTAL LIABILITIES	(Note 10)	**563,537**	**800,651**
Commitments and Contingencies	(Note 15 and Note 17)		
NET POSITION			
Unexpended Appropriations		338,947	376,361
Cumulative Results of Operations		863,025	785,416
Total Net Position		**1,201,972**	**1,161,777**
TOTAL LIABILITIES AND NET POSITION		**$ 1,765,509**	**$ 1,962,428**

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

Department of the Interior
Departmental Offices
Consolidated Statement of Net Cost of Operations
For the Years Ended September 30, 2003, and 2002
(dollars in thousands)

	2003	2002
Working Capital Fund		
Cost	$ 501,205	$ 351,190
Earned Revenue	486,664	347,659
Net Cost	**14,541**	**3,531**
Departmental Management		
Cost	201,185	185,745
Earned Revenue	27,300	23,579
Net Cost	**173,885**	**162,166**
Environmental Activity		
Cost	11,385	15,500
Earned Revenue	-	-
Net Cost	**11,385**	**15,500**
Services to Native Americans		
Cost	150,374	109,162
Earned Revenue	14,783	10,025
Net Cost	**135,591**	**99,137**
Services to Insular Areas		
Cost	370,974	410,791
Earned Revenue	2,232	3,252
Net Cost	**368,742**	**407,539**
Central Utah Project		
Cost	30,143	17,518
Earned Revenue	4,070	5,518
Net Cost	**26,073**	**12,000**

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

Department of the Interior
Departmental Offices
Consolidated Statement of Net Cost of Operations (Continued)
For the Years Ended September 30, 2003, and 2002
(dollars in thousands)

		2003	2002
Net Cost of Continuing Operations			
Cost		**1,265,266**	**1,089,906**
Earned Revenue		**535,049**	**390,033**
Net Cost		**730,217**	**699,873**
Discontinued Operations			
Interior Franchise Fund	(Note 30)		
Cost		-	420,775
Earned Revenue		-	422,522
Net Cost		**-**	**(1,747)**
Totals			
Cost		**1,265,266**	**1,510,681**
Earned Revenue		**535,049**	**812,555**
Net Cost of Operations	(Note 18)	**$ 730,217**	**$ 698,126**

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

Department of the Interior
Departmental Offices
Consolidated Statement of Changes in Net Position
For the Years Ended September 30, 2003, and 2002
(dollars in thousands)

		2003	2002
UNEXPENDED APPROPRIATIONS			
Beginning Balance		**$ 376,361**	**$ 436,270**
Budgetary Financing Sources			
Appropriations Received, General Funds	(Note 19)	684,972	682,582
Appropriations Transferred In/Out		(9,657)	(30,543)
Appropriations-Used		(709,315)	(710,524)
Other Budgetary Financing Sources		(3,414)	(1,424)
Total Budgetary Financing Sources		(37,414)	(59,909)
Ending Balance - Unexpended Appropriations		**$ 338,947**	**$ 376,361**
CUMULATIVE RESULTS OF OPERATIONS			
Beginning Balances		$ 785,416	$ 740,419
Discontinued Operations, Franchise Fund	(Note 30)	(1,410)	
Beginning Balances, as adjusted		**784,006**	**740,419**
Budgetary Financing Sources			
Appropriations-Used		709,315	710,524
Transfers In/Out without Reimbursement		13,745	13,289
Non-Exchange Revenue:			
Donations and Forfeitures of Cash and Cash		4,128	1,069
Other Non-Exchange Revenue		46,687	39,525
Other Budgetary Financing Sources		(13,505)	(34,510)
Other Financing Sources			
Imputed Financing from Financing Absorbed from Others		17,725	10,282
Transfers In/Out without Reimbursement		(4,024)	(1,478)
Donations and Forfeitures of Property		35,165	4,422
Total Financing Sources		809,236	743,123
Net Cost of Operations		(730,217)	(698,126)
Ending Balance - Cumulative Results of Operations		**$ 863,025**	**$ 785,416**

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

Department of the Interior
Departmental Offices
Combined Statement of Budgetary Resources
For the Years Ended September 30, 2003 and 2002
(dollars in thousands)

		2003		2002	
		Total Budgetary Accounts	**Non-Budgetary Credit Program Financing Accounts**	**Total Budgetary Accounts**	**Non-Budgetary Credit Program Financing Accounts**
Budgetary Resources:					
Budget Authority:	(Note 19)				
Appropriations Received		$ 894,574	$ -	$ 850,621	$ -
Net Transfers, Current Year Authority		(2,562)	-	(19,327)	-
Unobligated Balance:					
Beginning of Fiscal Year		754,440	(2,175)	503,220	-
Beginning of Fiscal Year, Discontinued Operations	(Note 30)	(378,442)	-		
Net Transfers, Unobligated Balance, Actual		(349)	-	8,088	-
Spending Authority From Offsetting Collections, as Restated:	(Note 29)				
Earned					
Collected		666,962	1,751	886,823	2,189
Receivable From Federal Sources		(24,522)	(475)	38,332	(381)
Change in Unfilled Customer Orders					
Advance Received		125,340	-	229,831	-
Without Advance From Federal Sources		23,746	-	167,888	-
Recoveries of Prior Year Obligations		12,342	-	14,180	-
Permanently Not Available		(5,128)	3,200	(3,112)	(3,200)
Total Budgetary Resources		**$ 2,066,401**	**$ 2,301**	**$ 2,676,544**	**$ (1,392)**

Department of the Interior
Departmental Offices
Combined Statement of Budgetary Resources (Continued)
For the Years Ended September 30, 2003 and 2002
(dollars in thousands)

		2003		2002	
		Total Budgetary Accounts	Non-Budgetary Credit Program Financing Accounts	Total Budgetary Accounts	Non-Budgetary Credit Program Financing Accounts
Status of Budgetary Resources:					
Obligations Incurred:					
Direct		$ 871,350	$ 783	$ 842,032	$ 783
Reimbursable		791,050	-	1,080,072	-
Total Obligations Incurred	(Note 20)	1,662,400	783	1,922,104	783
Unobligated Balance:	(Note 24)				
Apportioned, as Restated	(Note 29)	392,001	-	748,443	(2,175)
Unobligated Balance not Available		12,000	1,518	5,997	-
Total Status of Budgetary Resources		**$ 2,066,401**	**$ 2,301**	**$ 2,676,544**	**$ (1,392)**
Relationship of Obligations to Outlays:					
Obligations Incurred		$ 1,662,400	$ 783	$ 1,922,104	$ 783
Obligated Balance, Net, Beginning of Fiscal Year		491,251	2,575	508,285	4,637
Obligated Balance, Discontinued Operations	(Note 30)	(48,799)	-	-	-
Obligated Balance, Net, End of Fiscal Year, as Restated:	(Note 29)				
Accounts Receivable		26,143	-	96,262	475
Unfilled Customer Orders From		34,574	-	235,834	-
Undelivered Orders		(583,217)	-	(646,874)	(3,050)
Accounts Payable		(93,555)	-	(176,473)	-
Less: Spending Authority Adjustments, as Restated	(Note 29)	(11,566)	475	(220,400)	381
Outlays:					
Disbursements		1,477,231	3,833	1,718,738	3,226
Collections		(792,302)	(1,751)	(1,116,655)	(2,189)
Subtotal		684,929	2,082	602,083	1,037
Less: Offsetting Receipts		(166,969)	-	(204,362)	-
Net Outlays		**$ 517,960**	**$ 2,082**	**$ 397,721**	**$ 1,037**

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

Department of the Interior
Departmental Offices
Consolidated Statement of Financing
For the Years Ended September 30, 2003 and 2002
(dollars in thousands)

		2003	2002
Resources Used to Finance Activities, as Restated:	(Note 29)		
Budgetary Resources Obligated:			
Obligations Incurred		$ 1,663,183	$ 1,922,887
Less: Spending Authority From Offsetting Collection/Adjustments		(805,144)	(1,338,862)
Obligations Net of Offsetting Collections and Adjustments		858,039	584,025
Less: Offsetting Receipts		(166,969)	(204,362)
Net Obligations		691,070	379,663
Other Resources:			
Donations and Forfeitures of Property		35,165	4,422
Transfers In/Out Without Reimbursement		(4,024)	(1,478)
Imputed Financing From Costs Absorbed by Others		17,725	10,282
Net Other Resources Used to Finance Activities		48,866	13,226
Total Resources Used to Finance Activities		**739,936**	**392,889**
Resources Used to Finance Items Not Part of the Net Cost of Operations:			
Change in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided, as Restated	(Note 29)	42,018	323,859
Resources That Fund Expenses Recognized in Prior Periods		(113)	(32)
Budgetary Offsetting Collections and Receipts That Do Not Affect Net Cost of Operations:			
Offsetting Receipts Not Part of the Net Cost of Operations		167,686	206,064
Resources That Finance the Acquisition of Assets		(192,700)	(149,872)
Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations		(13,505)	(35,182)
Total Resources Used to Finance Items Not Part of the Net Cost of Operations		3,386	344,837
Total Resources Used to Finance the Net Cost of Operations		**743,322**	**737,726**

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

Department of the Interior
Departmental Offices
Consolidated Statement of Financing (Continued)
For the Years Ended September 30, 2003 and 2002
(dollars in thousands)

		2003	2002
Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:			
Components Requiring or Generating Resources in Future Periods:			
Increase (Decrease) in Annual Leave Liability		191	1,137
Upward/Downward Re-estimates in Credit Subsidy Expense		(475)	(381)
Increase (Decrease) in Exchange Revenue Receivable From the Public		-	(486)
Other		877	(1,444)
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods		593	(1,174)
Components Not Requiring or Generating Resources:			
Depreciation and Amortization		5,016	4,382
Components of Net Cost of Operations Related to Transfer Accounts Where Budget Amounts or Proprietary Amounts are Reported by Other Federal Entities	(Note 27)	(18,453)	(43,064)
Other		(261)	256
Total Components of Net Cost of Operations That Will Not Require or Generate Resources		(13,698)	(38,426)
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period		**(13,105)**	**(39,600)**
Net Cost of Operations		**$ 730,217**	**$ 698,126**

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

U.S. Department of the Interior
Departmental Offices

Notes to Principal Financial Statements
As of and For the Years Ending
September 30, 2003 and 2002

NOTE 1
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Department of the Interior (DOI) is responsible for the management, preservation and operation of the Nation's public lands and natural resources including the following:

a) Carrying out related scientific research and investigations;
b) Developing and using resources in an environmentally sound manner;
c) Providing an equitable return on these resources to the American taxpayer; and,
d) Carrying out trust responsibilities of the U.S. Government with respect to American Indians and Alaska natives, as well as commitments to island communities.

The Secretary of the Interior (Secretary) is responsible for ensuring that these diverse programs and priorities of the DOI are conducted effectively and efficiently in accordance with Presidential and Congressional direction. The Secretary provides:

a) Executive level leadership from the Immediate Office of the Secretary (SIO),
b) Coordination among bureaus and management of significant DOI initiatives through programmatic Assistant Secretaries,
c) Policy guidance from the Assistant Secretary – Policy, Management and Budget, and,
d) Cost effective services through the National Business Center (NBC), the Office of the Solicitor (SOL) and the Office of Inspector General (OIG).

Departmental Offices (DO) consist of ten offices or programs that support the role of the Secretary and the Secretary's immediate office, in ensuring that the DOI fulfills its responsibilities. These offices are:

- Immediate Office of the Secretary (SIO)
- Office of Inspector General (OIG)
- Office of the Solicitor (SOL)
- Office of Insular Affairs (OIA)
- National Indian Gaming Commission (NIGC)
- Office of the Special Trustee for American Indians (OST)
- Central Utah Project Completion Act (CUPCA) and the Utah Reclamation Mitigation and Conservation Commission (Commission)
- Natural Resource Damage Assessment and Restoration Fund (NRDAR)
- National Business Center (NBC)
- Office of Aircraft Services (OAS)
- Interior Franchise Fund (IFF) – fiscal year 2002 only

Responsibility Segments

The following are the DO responsibility segments as presented in the Statement of Net Cost, footnote 18, and other supplementary information:

- Working Capital Fund (NBC and OAS)

- Departmental Management (also includes OIG, SOL, Miscellaneous Receipts; Contribution Account for the President's Council on Sustainable Development; Penalties and Fines, and Suspense funds)

- Environmental Activity (Everglades Watershed Protection, Oil Spill Emergency, Everglades Restoration, NRDAR, Federal Lands Subsistence Management, King Cove, Title V and Title VI Priority Land Acquisitions, and Fire Protection Services)

- Services to Native Americans (Office of the Special Trustee for American Indians, Indian Land Consolidation Pilot, Tribal Special Fund, and Tribal Trust Fund)

- Services to Insular Areas (Assistance to Territories, Trust Territory of the Pacific Islands, Compact of Free Association, Micronesian Claims Fund, Payments to the United States Territories, and Assistance to American Samoa Direct Loan Financing Account)

- Central Utah Project (Utah Reclamation Mitigation and Conservation Commission and Central Utah Project Completion Act)

- Interior Franchise Fund (IFF) – FY02 only

DO maintains accounts in the following fund types:

1. General Funds – These funds consist of expenditure accounts used to record financial transactions arising from Congressional appropriations as well as receipt accounts. The principal general fund expenditure accounts maintained are:

   a. Departmental Management
   b. OIG
   c. Administration of Territories
   d. NRDAR (14X1618)
   e. CUPCA
   f. OST
   g. SOL
   h. Everglades Watershed Protection

2. Trust Funds – These funds were established to carry out specific programs under trust agreements and statutes. The OST Tribal Trust Fund is the principal trust fund.

3. Receipt Funds – These funds arise from the sovereign and regulatory powers unique to the Federal Government. Receipts primarily include miscellaneous fines and penalties, administrative fees, and interest.

4. Special Funds – These are funds established by law where collections from a specified source are earmarked to finance a particular program, and the law neither authorizes the fund to conduct a cycle of business-type operations nor designates it as a trust fund. The receipts earmarked to a fund are recorded in one or more special fund receipt accounts. The fund's appropriations and associated transactions are recorded in a special fund expenditure account. These funds includes both expenditure and receipt accounts. The principal special funds are:

   a. Title V (148/15039) and Title VI (140/35039) Priority Land Acquisition
   b. NRDAR (14X5198)
   c. NIGC (14X5141)
   d. Everglades Restoration (14X5233)
   e. OST Tribal Special Fund (14X5265)
   f. CUPCA-Commission (14X5174)

5. Revolving Funds – These are funds authorized by specific provisions of law to finance a continuing cycle of business-type operations. The receipts are credited directly to the revolving fund as offsetting collections and are available for expenditure without further action by Congress. The principal revolving fund is the Working Capital Fund (WCF).

B. Basis of Presentation and Accounting

These financial statements have been prepared to report the financial position, net costs, changes in net position, budgetary resources, and reconciliation of net cost of operations to budgetary obligations of DO as required by the Chief Financial Officers Act (CFO) of 1990, as amended, and the Government Management Reform Act of 1994. These financial statements have been prepared from the financial records of DO in accordance with accounting principles generally accepted in the United States of America (GAAP), Office of Management and Budget (OMB) Bulletin No. 01-09, "Form and Content of Agency Financial Statements." GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB), which is the official standard setting body for the Federal government. These financial statements present proprietary and budgetary information while other financial reports also prepared by DO pursuant to OMB directives are used to monitor and control the DO use of budgetary resources. In accordance with OMB financial statement reporting guidelines, DO has presented comparative 2002 financial statements. Certain 2002 amounts have been reclassified to conform to current year presentation.

These financial statements should be read with the realization that they are for a component of the United States Government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides resources and legal authority to do so. DO financial statements 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 of receipt or payment of cash. The budgetary accounting principles, on the other hand, are designed to recognize the obligations of funds according to legal requirements, which in many cases is prior to occurrence of an accrual-based transaction. The recognition of budgetary accounting transactions is essential for compliance with legal constrains and controls over the use of federal funds.

Reimbursements are recognized as revenues when earned. These revenues may be used to offset the cost of producing the product or furnishing the service for which they are received, including an amount to recover the costs of appropriate overhead.

Transactions and balances among the DO and programs have been eliminated from the consolidated balance sheets, consolidated statements of net cost, and the consolidated statements of changes in net position. As provided for in OMB financial statement reporting guidelines, the statement of budgetary resources is presented on a combined basis, therefore intra-DO transactions and balances have not been eliminated from this statement. In accordance with OMB financial statement reporting guidelines, intra-DO transactions and balances have been eliminated from the Consolidated Statement of Financing except for transactions and balances related to obligations incurred, spending authority from offsetting collections, other adjustments, and off-setting receipts, which are presented on a combined basis.

C. Entity and Non-Entity Assets

Entity assets are assets the reporting entity has authority to use in its operations. Non-entity assets are those assets that are held by an entity but are not available to the entity. Examples of non-entity assets include miscellaneous receipts funds and amounts held for or due from clients for payroll processing services.

D. Fund Balance with Treasury

DO maintains all cash accounts with the U.S. Department of the Treasury (Treasury). The account Fund Balance with Treasury includes general, special, revolving, trust, and other funds available to pay current liabilities and finance authorized purchases. Cash receipts and disbursements are processed by Treasury, and DO's records are reconciled with those of Treasury on a regular basis. The Fund Balance with Treasury as shown on the Consolidated Balance Sheets represents the net undisbursed balance of appropriation warrants or other disbursement authority. The Fund Balance with Treasury relative to unobligated appropriations in expired accounts is unavailable for new obligations.

E. Investments, Net

Office of the Special Trustee for American Indians

In accordance with authorizing legislation, the Secretary invests Tribal Trust and Special Funds in marketable or non-marketable market-based securities issued by the Treasury Federal Investment Branch of the Bureau of the Public Debt or marketable securities issued by government-sponsored entities. Non-marketable market based securities are Treasury securities that are issued by the Bureau of the Public Debt to Federal entities. They are not traded on any securities exchange, but mirror the prices of particular Treasury Securities trading in the Government securities market. Public securities are marketable securities consisting mainly of various mortgage instruments, bonds, and notes issued by government-sponsored entities. Investment instruments are continually reviewed for appropriateness in conjunction with current tribal needs. Investments are generally held to maturity. Investments made for Tribal Trust and Special Funds are valued at cost and adjusted for amortization of premiums and discounts. The premiums and discounts are recognized as adjustments to interest income, utilizing the effective interest method. Interest on investments is accrued as it is earned. The market value is calculated using the market price of securities as shown on the Financial Times Inter-Active data on September 30 multiplied by the number of units held. Market values for overnight investments are the same as or equivalent to par value.

Utah Reclamation Mitigation and Conservation Commission

Pursuant to Section 402(c) of the authorizing legislation, the Utah Reclamation Mitigation and Conservation Commission (Commission) provides investment recommendations to the DOI CUPCA Program Director, who utilizes the Bureau of Reclamation (BOR) to provide the Secretary of the Treasury with these investment recommendations. The Secretary of the Treasury invests the funds in non-marketable market-based securities, which are Treasury securities that are issued by the Bureau of the Public Debt to Federal entities. They are not traded on any securities exchange, but mirror the prices of particular Treasury Securities trading in the Government securities market. Investments are held until maturity. Investments are valued at cost and adjusted for amortization of premiums and discounts. The premiums and discounts are recognized as adjustments to interest income, utilizing the straight-line method for short-term securities (i.e., bills) and the effective rate interest method for longer-term securities (i.e. notes), if applicable. Interest on investments is accrued as it is earned. The market value is calculated using the market price of securities as shown on Treasury's FedInvest Price File or the Wall Street Journal on September 30 multiplied by the number of notes held. Market values for overnight investments are reported as the investment par value.

Natural Resource Damage Assessment and Restoration Fund

In accordance with authorizing legislation, the Secretary invests funds held in trust for the NRDAR. The funds are invested in non-marketable market-based securities that the Treasury issues to federal entities without statutorily determined interest rates. Non-marketable market-based securities are Treasury securities that are issued by the Bureau of the Public Debt to Federal entities. They are not traded on any securities exchange, but mirror the prices of particular Treasury Securities trading in the Government securities market. Funds are invested in both long and short-term securities, depending upon the customer's needs for their funds. Securities are held until maturity. Investments are valued at cost and adjusted for amortization of premiums and discounts. The premiums and discounts are recognized as adjustments to interest income, utilizing the straight-line method as these are short-term securities (i.e. bills) and there is no material difference compared to the effective interest method. Interest on investments is accrued as it is earned. The market value is calculated using the market price of securities as shown on Treasury's FedInvest Price File or the Wall Street Journal on September 30 multiplied by the number of notes held. Market values for overnight investments are the same as or equivalent to par value.

F. Accounts Receivable, Net

Accounts receivable consists of amounts owed to DO by other Federal agencies and the public. Federal accounts receivable generally arise from the provision of goods and services to other Federal agencies and, with the exception of occasional billing disputes, are considered to be fully collectible. Receivables from the public generally arise either from the provision of goods and services or from the levy of fines and penalties resulting from DOI regulatory responsibilities. The ongoing review of outstanding receivables supports recording an allowance for certain receivables from prior years that may not be cost effective to pursue collecting. An allowance for doubtful accounts is established based on a review of all receivables and an analysis of outstanding past due balances by fund by fiscal year.

G. Loans Receivable, Net

The OIA has issued two loans, one pre-credit reform loan to the Virgin Islands authorized under the Federal Financing Bank Act of 1973 (PL 93-224) and one loan to the Government of American Samoa (ASG) authorized under the Federal Credit Reform Act of 1990 (PL 101-508).

The loan to the Virgin Islands was non-subsidized. The source for this loan was a loan to the Office of the Secretary (OS) from the Federal Financing Bank (FFB), Treasury. The loan receivable from the Virgin Islands has an offsetting liability to the FFB. Any budget authority for the additional cost of the loan must be made available out of existing appropriations or from other budgetary resources. No allowance for estimated uncollectible amounts is required.

The loan to the ASG is financed by a combination of two sources. One source is for the long-term cost of the loan and the other for the remaining non-subsidized portion of the loan. Congress annually provides a one-year appropriation, available for obligation in the fiscal year for which it is provided, to meet the estimated long-term costs of the loan. Long-term costs are defined as the net present value of the estimated cash outflows associated with the loans less estimated cash inflows.

Loans are accounted for as receivables after the funds have been disbursed. For the loan obligated prior to October 1, 1991, no allowance for estimated uncollectible amounts has been recognized. For the loan obligated after October 1, 1991, loans receivable is reduced by an allowance for estimated uncollectible amounts which is equal to the present value of the net cash flows of the subsidy costs, using the interest rate differential between loans receivable and Treasury borrowings.

H. Interest Receivable, Net

Loan Interest
Interest on the loan to the Virgin Islands is based on the amortization schedule prepared by the FFB. Interest payments are due on January 31 and July 31. At year-end, interest accrued is based upon the period of August through September.

Interest on the loan to the ASG is determined annually based on the prevailing market yield on Treasury securities of comparable maturity. Interest is calculated when advances are paid to the ASG and recalculated when payments are received. Interest is due and payable annually on the last day of the fiscal year, September 30, on the unpaid principal balance of each advance outstanding, with a final payment of interest due upon maturity.

Investment Interest
Investment interest receivable is accrued when earned.

Other Interest
Interest receivable on accounts receivable is recognized as it is earned.

I. Advances and Prepayments

Advances and prepayments to Federal agencies and to the public include prepaid obligations for land purchases, construction, grants, employee travel, and certain other reimbursable services.

J. Inventory and Related Property, Net

The inventory of operating supplies on hand at the end of the fiscal year is stated at historical cost using a moving average cost method.

The OAS inventories are primarily comprised of non-issued aircraft parts and fuel that will be consumed or sold in future operations. Aircraft parts, which are consumed in the operation and maintenance of fleet aircraft, are valued at historical cost, based on the moving-average cost method. Fuel inventories are consumed or sold to various Federal and non-Federal entities and valued at historical cost, based on the moving-average method. The recorded values are adjusted for the results of physical inventories taken periodically. Expenses are recorded when the inventories are consumed or sold.

K. General Property, Plant, and Equipment, Net

Property, Plant, and Equipment consists of land, buildings, structures and facilities, construction in progress, internal use software, equipment, vehicles, and aircraft. The DOI Property Accounting Policy and Procedures and the OS Administrative Handbook "Personal Property Receipt and Accountability" require assets which meet certain thresholds described below to be capitalized at acquisition cost. Depreciation expense and accumulated depreciation are calculated and recorded monthly based on the actual acquisition cost as recorded in the finance system and on the useful life determined by the Property Office using GSA standards. The following summarizes the capitalization and depreciation policy for each category:

- Land acquired for general operating purposes with an initial acquisition cost of over $100,000 is capitalized at acquisition cost.

- Buildings with an initial acquisition cost of over $100,000 are capitalized at acquisition cost and depreciated using the straight-line amortization method over a useful life from 20 to 50 years. There is a ten percent salvage value.

- Construction in progress with an initial acquisition cost of over $100,000 is capitalized at acquisition cost. Construction in progress 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 Construction in Progress when the project is completed.

- Structures and facilities consist of the Wasatch County Efficiency Project and the Syar Tunnel. These are part of the Colorado River Storage Project and are accounted for under CUPCA. The project is capitalized at acquisition cost and is depreciated using the straight-line method over a period of 100 years. The capitalization threshold is $25,000. There is no salvage value.

- Internal use software with an initial acquisition cost of over $100,000 is capitalized at acquisition cost and is amortized using the straight-line method over a period of 2 to 5 years. There is no salvage value.

- Equipment and vehicles with an initial acquisition cost of $15,000 or more and an estimated service life of greater than 2 years is capitalized. This equipment is capitalized at acquisition cost and is depreciated using the straight-line method over a period of 3 to 7 years. There is no salvage value. ADP hardware with an initial acquisition cost of $15,000 or more and an estimated service life of 2 years or greater is capitalized. The ADP hardware is capitalized at acquisition cost and is depreciated using the straight-line method over a period of 3 to 7 years. There is no salvage value.

- Aircraft are recorded depending upon the method of acquisition in the following manner:

  1. Aircraft transferred from other government agencies are capitalized at the net book value, either as stated on the transfer document, computed from the acquisition value stated on the document, or the estimated fair market value listed in Aircraft Price Digest, in that order of preference.
  2. Aircraft acquired by the bureaus through forfeiture proceedings and subsequently transferred to the fleet are capitalized at the estimated fair market value listed in the Aircraft Price Digest at the time of receipt.
  3. Aircraft purchased directly by OAS or other DOI bureaus are capitalized at acquisition cost.

  OAS depreciates aircraft using the straight-line method assuming a 20-year useful life. The residual value of aircraft is generally set at 50% of the capitalized value, based on historical resale trends for well-maintained aircraft.

- Donated property and equipment are capitalized at the estimated fair market value at time of acquisition and depreciated over a period of 3 to 20 years using the straight-line method. There is no salvage value.

L. Liabilities

Liabilities represent the amount of monies or other resources that are likely to be paid by DO as the result of a transaction or event that has already occurred. However, no liability can be paid absent an appropriation. Liabilities for which an appropriation has not been enacted are therefore disclosed as liabilities not covered by budgetary resources, and there is no certainty that appropriations will be enacted. Also, the Government, acting in its sovereign capacity, can abrogate liabilities of the DO arising from other than contracts.

Liabilities Covered by Budgetary Resources - Liabilities incurred which are covered by realized budgetary resources as of the balance sheet date. Available budgetary resources include: (1) new budget authority, (2) unobligated balances of budgetary resources at the beginning of the year or net transfers of prior year balances during the year, (3) spending authority from offsetting collections (credited to an appropriation or fund account), and (4) recoveries of unexpired budget authority through downward adjustments of prior year obligations. Liabilities are considered covered by budgetary resources if they are to be funded by permanent indefinite appropriations, which have been enacted and signed into law as of the balance sheet date, provided that the resources may be apportioned by OMB without further action by the Congress and without a contingency having to be met first.

Liabilities Not Covered by Budgetary Resources - This category is for liabilities, which are not considered to be covered by budgetary resources, as provided above.

Current Liabilities - Probable future outflow or other sacrifice of resources as a result of past transactions or events whose liquidation is reasonably expected to occur within a relatively short period of time, usually 12 months.

Non-Current Liabilities - Probable future outflow or other sacrifice of resources as a result of past transactions or events whose liquidation is reasonably expected to occur beyond one year.

M. Debt

Debt represents funds borrowed from Treasury to finance the loan programs authorized under the Federal Financing Bank Act of 1973 (PL 93-224) and the Federal Credit Reform Act of 1990 (PL 101-508).

In 1977, a loan was extended to the SIO from the FFB, Treasury, for the purpose of operating a direct loan program. The loan is recorded under Treasury Account Symbol 14X0418. Interest is based on the amortization schedule for the loan with the FFB. Principal and interest payments are due in January and July of each year. Interest is accrued at year-end based upon the period of July through September. The loan has a final payment due date of January 2, 2007. Should the loan be defaulted, payment will be made from the Virgin Islands Rum Fund Tax proceeds currently collected in Treasury Account Symbol 14X0418.

In 2001, a loan was extended to the SIO from the Bureau of the Public Debt, Treasury for the purpose of operating a direct loan. Funds are appropriated to the SIO in the amount necessary to pay the cost associated with the program. The loan is recorded under Treasury Account Symbol 14X4163 and the appropriated subsidy is recorded under Treasury Account Symbol 14X0412. Interest is accrued annually based on the prevailing market yield on Treasury securities of comparable maturity. The loan has a final payment due date of September 30, 2027. Should the loan be defaulted, the appropriated subsidy in Treasury Account Symbol 14X0412 will be used for the loan repayment.

N. Personnel Compensation and Benefits

Salary and Wages

Salary and wages of employees are recognized as accrued payroll expenses and related liabilities as earned. These are recognized as a funded liability when accrued.

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 which had been appropriated to DO as of the date of the financial statements. The amount accrued is based upon current pay of the employees. Sick leave and other types of leave are expensed when used and no future liability is recognized for these amounts.

Retirement Programs

DO employees participate in one of two retirement programs, either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS), which became effective on January 1, 1987. Most DO employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, could elect to either join FERS and Social Security or remain in CSRS. Employees covered by CSRS are not subject to Social Security taxes, nor are they entitled to accrue Social Security benefits for wages subject to CSRS.

For FERS employees, DO contributes an amount equal to one percent of the employee’s basic pay to the tax deferred thrift savings plan and matches employee contributions up to an additional four percent of pay. FERS employees can contribute up to 13 percent of their gross earnings to the plan. CSRS employees are limited to a contribution of five percent of their gross earnings and receive no matching contribution from DO.

The U.S. Office of Personnel Management (OPM) is responsible for reporting assets, accumulated plan benefits, and unfunded liabilities, if any, applicable to CSRS participants and FERS employees governmentwide, including DO employees. DO has recognized an Imputed Cost and Imputed Financing Source for the difference between the estimated service cost and the contributions made by DO and its covered employees. The estimated cost of pension benefits is based on rates issued by OPM. Following guidance from the DOI Office of Financial Management, the imputed cost for pension expense is calculated by multiplying base salary by the net rate, which is the gross rate presented by OPM less the portion paid by the DO and the employee.

Federal Employees Group Life Insurance (FEGLI) Program

Employees are entitled to participate in the FEGLI. Participating employees can obtain “basic life” term life insurance, with the employee paying two-thirds of the cost and the 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. 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 basic life coverage. Because DO’s contributions to the basic life coverage are fully allocated by OPM to the preretirement portion of coverage, DO has recognized the entire service cost of the post-retirement portion of basic life coverage as an Imputed Cost and Imputed Financing Source.

O. Advances from Others

Advances from Others consist of amounts received from other Federal agencies and the public in advance of services performed. Advances also include amounts received from other DOI bureaus to fund special projects.

P. Deferred Revenue

Unearned revenue is recorded as deferred revenue (current liability), until such time as the revenue is earned.

Q. Federal Employees Contribution Act-Liability

Federal Employees Contribution Act
The Federal Employees Contribution Act (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 U.S. Department of Labor (Labor), who pays valid claims and subsequently seeks reimbursement from DO for these paid claims, administers the FECA program.

The FECA liability consists of two components. The first component is based on actual claims paid by Labor but not yet reimbursed by DO. DO reimburses Labor for the amount of the actual claims as funds are appropriated for this purpose. There is generally a two to three year time period between payment by Labor and reimbursement by DO.

The second component is the estimated liability for future benefit payments as a result of past events. This liability includes death, disability, medical, and miscellaneous costs. This component is determined by Labor annually as of September 30, using a method that considers historical benefit payment patterns, wage inflation factors, medical inflation factors, and other variables. The projected annual benefit payments are discounted to present value using OMB's economic assumptions for 10-year Treasury notes and bonds. To provide for the effects of inflation on the liability, wage inflation factors (i.e., cost of living adjustments) and medical inflation factors (i.e., consumer price index medical adjustments) are applied to the calculation of projected future benefit payments. These factors are also used to adjust historical benefit payments to current-year constant dollars. A discounting formula is also used to recognize the timing of benefit payments based on 13 payments per year instead of one lump-sum payment per year.

Labor also evaluates the estimated projections to ensure that the estimated future benefit payments are appropriate. The analysis includes three tests: (1) a comparison of the current-year projections to the prior-year projections, (2) a comparison of the prior-year projected payments to the current-year actual payments, excluding any new case payments that had arisen during the current year, and (3) a comparison of the current-year actual payment data to the prior-year actual payment data. Based on the analysis, adjustments may be made to the estimated future benefit payments.

R. Environmental Cleanup Costs Due to the Public

Environmental Cleanup Costs Due to the Public consist of OAS's liabilities for the estimated cost of hazardous waste cleanup in the working capital fund.

S. Revenues and Financing Sources

The United States Constitution prescribes that no money may be expended by a federal agency unless and until funds have been made available by congressional appropriation. Thus, the existence of all financing sources is dependent upon congressional appropriation.

Appropriations –The vast majority of DO's operating funds are appropriated by the Congress to the DOI from the general receipts of the Treasury. These funds are made available to DO for a specified time period, (usually one fiscal year or multiple fiscal years) or indefinitely, depending upon the authorizing language. For example, funds for general operations are generally made available for one fiscal year; funds for long-term projects such as major construction will be available to DO for the expected life of the project; and funds used to establish revolving fund operations are generally available indefinitely (i.e., no year funds). The Statement of Budgetary Resources presents information about the resources appropriated to DO.

Exchange and Non-Exchange Revenue – DO classifies revenues as either exchange or non-exchange revenue. Exchange revenues are those revenues derived from transactions in which both parties to the transactions sacrifice value and receive value in return.

OAS's revenues are derived from the sale of goods to DOI operating bureaus and other federal agencies at cost plus an administrative fee. Goods include operating supplies and miscellaneous goods in support of aviation operations at the bureaus and agencies.

Exchange revenues earned by DO are classified according to their appropriate responsibility segments and are presented on the statement of net cost, in order to match these revenues with their associated costs. Exchange revenue is primarily from services provided on a reimbursable basis to governmental and public entities. Exchange revenues are recognized at the time goods or services are provided.

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

Non-exchange revenues are presented as financing sources on the statement of changes in net position. Non-exchange revenues are inflows of resources that the Government demands by its sovereign power or receives by donation. The two largest categories of these non-exchange revenues, Donations and Forfeitures of property and other non-exchange revenue, are related to court ordered fines and penalties for violations of gaming regulations enforced by the NIGC and the negotiated settlements for environmental cleanup enforced by the NRDAR. Donations and transfers, both monetary and non-monetary, are also classified as non-exchange revenues and are recognized when received.

T. Other Financing Sources

Transfers – Transfers of assets from other Government entities.

Imputed Financing Sources – In certain instances, operating costs of DO are paid out of funds appropriated to other federal agencies. In accordance with GAAP, as outlined in guidance issued by the OMB, all expenses of a Federal entity should be reported by those agencies whether or not the agency will ultimately pay these expenses. Amounts for certain expenses of the DO, which will be paid by other Federal agencies, are recorded in the consolidated statement of net cost of operations. A related amount is recognized in the consolidated statement of changes in net position as an imputed financing source. DO records imputed expense and financing sources for employee retirement and health benefit costs, which is paid by the OPM.

U. Net Position

Net position consists of unexpended appropriations and cumulative results of operations. Unexpended appropriations represent amounts of budget authority to include unobligated or obligated balances not rescinded or withdrawn.

V. Use of Estimates

The preparation of the financial statements in accordance with GAAP requires management to make estimates and assumptions that effect the reported amount of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

W. Income Taxes

As an agency of the U.S. Government, DO is exempt from all income taxes imposed by any governing body, whether it be a federal, state, Commonwealth of the United States, local, or foreign government.

NOTE 2
ASSET ANALYSIS
(dollars in thousands)

	Entity Unrestricted	Non-Entity	9/30/2003
Intragovernmental Assets			
Fund Balance with Treasury	$ 726,572	$ 173,142	$ 899,714
Investments, Net	371,802	-	371,802
Accounts and Interest Receivable, Net	22,005	-	22,005
Advances and Prepayments	9,788	-	9,788
Total Intragovernmental Assets	1,130,167	173,142	1,303,309
Investments, Net	181,540	-	181,540
Accounts and Interest Receivable, Net	8,703	1,716	10,419
Loans and Interest Receivable, Net	24,675	-	24,675
Inventory and Related Property, Net	523	-	523
General Property, Plant, and Equipment, Net	241,008	-	241,008
Advances and Prepayments	4,035	-	4,035
Total Assets	**$ 1,590,651**	**$ 174,858**	**$ 1,765,509**

	Entity Unrestricted	Non-Entity	9/30/2002
Intragovernmental Assets			
Fund Balance with Treasury	$ 988,160	$ 87,788	$ 1,075,948
Investments, Net	369,043	-	369,043
Accounts and Interest Receivable, Net	86,309	4	86,313
Advances and Prepayments	54,958	-	54,958
Total Intragovernmental Assets	1,498,470	87,792	1,586,262
Investments, Net	137,409	-	137,409
Accounts and Interest Receivable, Net	3,187	2,742	5,929
Loans and Interest Receivable, Net	24,193	-	24,193
Inventory and Related Property, Net	482	-	482
General Property, Plant, and Equipment, Net	202,313	-	202,313
Advances and Prepayments	5,840	-	5,840
Total Assets	**$ 1,871,894**	**$ 90,534**	**$ 1,962,428**

The non-entity assets represent miscellaneous receipts funds and amounts held for or due from clients for payroll processing services.

All other DO funds are entity unrestricted. Unrestricted assets are those currently available for use. Included in entity unrestricted assets are OST Tribal Special and Tribal Trust Funds (Federal portion), which have limitations on their use.

NOTE 3
FUND BALANCE WITH TREASURY
(dollars in thousands)

Fund Type		9/30/2003		9/30/2002
General Funds	$	342,467	$	345,048
Special Funds		61,050		59,452
Revolving Funds		319,038		577,239
Trust Funds		263		267
Other Fund Types		176,896		93,942
Total Fund Balance with Treasury	**$**	**899,714**	**$**	**1,075,948**

Status of Fund Balance		9/30/2003		9/30/2002
Unobligated:				
Available	$	100,461	$	494,313
Unavailable		191,433		99,415
Obligated Not Yet Disbursed		607,820		482,220
Total Status of Fund Balance with Treasury	**$**	**899,714**	**$**	**1,075,948**

The amounts presented for Fund Balance with Treasury as unobligated (available and unavailable) and obligated not yet disbursed differ from the amounts presented on the Statement of Budgetary Resources because: (1) budgetary resources include amounts which are not part of fund balance with Treasury; and (2) not all fund balance with Treasury amounts are reflected in budgetary resources. The major examples of (1) for DO are investments and allocation accounts where DO is the parent. The major examples of (2) for DO are deposit and other funds which do not record budgetary resources and allocation accounts where DO is the child. The treatment of allocation accounts is discussed further in note 27.

NOTE 4
INVESTMENTS, NET
(dollars in thousands)

			9/30/2003						
Description	Investment Type		Cost		Amortized (Premium) Discount		Investments Net		Market Value Disclosure
U.S. Treasury Securities:									
Utah Reclamation, Mitigation and Conservation Account	Non-Marketable market-based	$	139,875	$	(946)	$	138,929	$	139,694
Natural Resource Damage Assessment and Restoration Fund	Non-Marketable market-based		156,026		(713)		155,313		155,552
Tribal Trust and Special Funds	Marketable		45,875		45		45,920		46,150
Tribal Trust and Special Funds	Non-Marketable market-based		29,966		-		29,966		29,966
Total U.S. Treasury Securities			371,742		(1,614)		370,128		371,362

Description	Investment Type	9/30/2003 Cost	Amortized (Premium) Discount	Investments Net	Market Value Disclosure
Accrued Interest		1,674	-	1,674	-
Total Non-Public Investments		**373,416**	**(1,614)**	**371,802**	**371,362**
Public Securities:					
Tribal Trust and Special Funds	Marketable	179,733	323	180,056	184,490
Total Public Securities		179,733	323	180,056	184,490
Accrued Interest - Public		1,484	-	1,484	-
Total Public Investments		**181,217**	**323**	**181,540**	**184,490**
TOTAL INVESTMENTS		**$ 554,633**	**$ (1,291)**	**$ 553,342**	**$ 555,852**

Description	Investment Type	9/30/2002 Cost	Amortized (Premium) Discount	Investments Net	Market Value Disclosure
U.S. Treasury Securities:					
Utah Reclamation, Mitigation and Conservation Account	Non-Marketable market-based	$ 136,441	$ (2,476)	$ 133,965	$ 135,945
Natural Resource Damage Assessment and Restoration Fund	Non-Marketable market-based	146,582	(414)	146,168	146,517
Tribal Trust and Special Funds	Marketable	24,962	(46)	24,916	25,452
Tribal Trust and Special Funds	Non-Marketable market-based	62,540	(89)	62,451	62,467
Total U.S. Treasury Securities		370,525	(3,025)	367,500	370,381
Accrued Interest		1,543	-	1,543	-
Total Non-Public Investments		**372,068**	**(3,025)**	**369,043**	**370,381**
Public Securities:					
Tribal Trust and Special Funds	Marketable	135,703	-	135,703	141,430
Total Public Securities		135,703	-	135,703	141,430
Accrued Interest - Public		1,706	-	1,706	-
Total Public Investments		**137,409**	**-**	**137,409**	**141,430**
TOTAL INVESTMENTS		**$ 509,477**	**$ (3,025)**	**$ 506,452**	**$ 511,811**

NOTE 5
ACCOUNTS AND INTEREST RECEIVABLE, NET
(dollars in thousands)

9/30/2003 Accounts and Interest Receivable		Public		Federal		Total
Current	$	7,741	$	890	$	8,631
1-180 days		283		-		283
181-365 days		43		-		43
Over 1 year		50		-		50
Total Billed Accounts Receivable		8,117		890		9,007
Unbilled Receivables		2,313		21,115		23,428
Total Accounts Receivable		10,430		22,005		32,435
Allowance for Doubtful Accounts		(11)		-		(11)
Total Accounts and Interest Receivable, Net	**$**	**10,419**	**$**	**22,005**	**$**	**32,424**

9/30/2002 Accounts and Interest Receivable		Public		Federal		Total
Current	$	2,941	$	156	$	3,097
1-180 days		155		43		198
181-365 days		8		-		8
Over 1 year		16		50		66
Total Billed Accounts Receivable		3,120		249		3,369
Unbilled Receivables		2,813		86,064		88,877
Total Accounts Receivable		5,933		86,313		92,246
Allowance for Doubtful Accounts		(4)		-		(4)
Total Accounts and Interest Receivable, Net	**$**	**5,929**	**$**	**86,313**	**$**	**92,242**

9/30/2003 Allowance for Doubtful Accounts		Beginning Balance	Allowance Additions	Allowance Reductions		Ending Balance
Total Public	$	(4)	(11)	4	$	(11)

There was no allowance for doubtful accounts for Federal accounts receivable for 2003.

9/30/2002 Allowance for Doubtful Accounts		Beginning Balance	Allowance Additions	Allowance Reductions		Ending Balance
Total Public	$	(2)	(13)	11	$	(4)
Total Federal	$	(488)	-	488		-

The ongoing review of outstanding receivables supports recording an allowance for certain receivables from prior years that may not be cost effective to pursue collecting. A detailed analysis of accounts receivable by fund by fiscal year was performed to support the allowance.

NOTE 6
LOANS AND INTEREST RECEIVABLE, NET
(dollars in thousands)

Loans Receivable Public: Description		9/30/2003		9/30/2002
Virgin Islands	$	9,834	$	11,697
ASG		17,739		14,919
Less: Allowance for Present Value of Subsidy Cost		(2,898)		(2,423)
Total	**$**	**24,675**	**$**	**24,193**

Loans Receivable consists of two loans, one pre-credit reform loan to the Virgin Islands and one post-credit reform loan to the ASG.

1. In 1977, a loan was extended to the Virgin Islands from the FFB, Treasury, through the SIO. This loan is considered a pre-credit reform loan. The loan receivable from the Virgin Islands has an offsetting liability to the FFB. It has a final payment due date of January 2, 2007. In 2000, this loan was transferred from Treasury Account Symbol 14X0412, Administration of the Territories, to 14X0418, Fiscal Assistance Payments to U.S. Territories as requested by the OIA. Principal and interest payments are due in January and July of each year. Interest is based on the amortization schedule for the loan with the FFB. The interest is accrued each year-end based upon the period of July through September.

2. In 2001, a loan was extended to the ASG from the OIA, DO, and DOI. This loan is considered a post-credit reform loan. The total has been approved for $18,600 and bears interest at a rate equal to the Treasury cost of borrowing for obligations of similar duration. (The actual amount of the loan that was disbursed to ASG at September 30 is disclosed in the table below.) The proceeds of the loan will be used by the ASG for debt reduction and fiscal reform. As payments become due, they shall be secured and accomplished with funds from the Escrow Account. The Escrow Account was established under the terms and conditions of the Tobacco Master Settlement Agreement and a judgment granted by the High Court of American Samoa on January 5, 1999 (Civil Action 119-98, American Samoa Government v. Philip Morris Tobacco Co., et. al.). The parties entered into the Agreement on November 23, 1998.

An analysis of the loans receivable and the nature and amounts of the subsidy and administrative costs associated with the direct loans is provided in the following tables.

A. Direct Loan Obligated prior to 1992 (Allowance for loss method) (dollars in thousands):

Virgin Islands Loan		Loan Receivable Gross	Interest Receivable	Less Allowance for Loan Losses		Value of Assets Related to Direct Loan
9/30/2003	$	9,605	229	-	$	9,834
9/30/2002	$	11,426	271	-	$	11,697

B. Direct Loan Obligated After 1991 (Allowance for Present Value Method) (dollars in thousands):

Government of American Samoa Loan		Loan Receivable Gross	Interest Receivable	Less Allowance for Present Value of Subsidy Cost		Value of Assets Related to Direct Loan
9/30/2003	$	17,324	415	(2,898)	$	14,841
9/30/2002	$	14,513	406	(2,423)	$	12,496

C. Total Amount of Direct Loans Disbursed (Post-1991) (dollars in thousands):

Direct Loan Programs	9/30/2003	9/30/2002
Government of American Samoa	$ 3,100	$ 15,500

D. Subsidy Expense – Direct Loans (dollars in thousands):

Government of American Samoa	Interest Differential	Defaults	Total
9/30/2003	$ (6)	$ 481	$ 475
9/30/2002	$ (4)	$ 385	$ 381

E. Subsidy Rates for Direct Loans by Program and Component:

Government of American Samoa	Interest Differential	Defaults	Total
9/30/2003	(0.21%)	15.79%	15.58%
9/30/2002	(0.21%)	15.79%	15.58%

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

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

Government of American Samoa	9/30/2003	9/30/2002
Beginning balance of the subsidy cost allowance	$ 2,423	$ 2,042
A. Interest rate differential costs	(6)	(4)
B. Default costs (net of recoveries)	481	385
Total of the above subsidy expense components	475	381
Ending balance of the subsidy cost allowance	**$ 2,898**	**$ 2,423**

G. Administrative Expense – Direct Loans (dollars in thousands):

Loan Program	9/30/2003	9/30/2002
Government of American Samoa	$ 783	$ 783

NOTE 7
INVENTORY AND RELATED PROPERTY
(dollars in thousands)

Description	9/30/2003	9/30/2002
Airplane Parts	$ 477	$ 429
Aviation Fuel	46	53
Total	**$ 523**	**$ 482**

NOTE 8
GENERAL PROPERTY, PLANT, & EQUIPMENT, NET
(dollars in thousands)

9/30/2003			
Description	**Gross**	**Accumulated Depreciation**	**Net**
Land	$ 18,819	$ -	$ 18,819
Buildings	143	19	124
Structures and Facilities	20,089	434	19,655
Construction in Progress-General	168,560	-	168,560
Equipment, Vehicles, and Aircraft	54,424	23,129	31,295
Internal Use Software:			
In Use	8,362	6,614	1,748
In Development	807	-	807
Total	**$ 271,204**	**$ 30,196**	**$ 241,008**

9/30/2002			
Description	**Gross**	**Accumulated Depreciation**	**Net**
Land	$ 18,644	$ -	$ 18,644
Buildings	143	16	127
Structures and Facilities	19,566	233	19,333
Construction in Progress-General	127,801	-	127,801
Equipment, Vehicles, and Aircraft	53,998	20,367	33,631
Internal Use Software - In Use	8,474	5,697	2,777
Total	**$ 228,626**	**$ 26,313**	**$ 202,313**

For 2002, Construction in Progress-General includes $12,234 in Construction on Abeyance. The costs for Construction in Progress as of September 30, 2003 and 2002 are from the Central Utah Project Completion Act Office account as reported to DO by the Bureau of Reclamation.

NOTE 9
STEWARDSHIP ASSETS
(dollars in thousands)

Statement of Federal Financial Accounting Standard (SFFAS) No. 6, "Accounting for Property, Plant and Equipment," established various categories of stewardship property, plant, and equipment, including stewardship land and heritage assets. The majority of the land acquired was with the purpose of mitigating the loss of fish and wildlife resources caused by Reclamation project construction. Stewardship assets are treated as expenses that are intended to provide long-term benefits to the public. The costs associated with acquiring and improving stewardship land were $5,269 and $4,442 for the years ended September 30, 2003 and 2002, respectively. For additional discussion of stewardship assets, refer to the Required Supplementary Stewardship Information section of this report.

NOTE 10
LIABILITIES ANALYSIS
(dollars in thousands)

Liabilities covered by budgetary resources are funded liabilities to be paid with existing budgetary resources. Liabilities not covered by budgetary resources are not funded by existing budgetary resources and will need to be funded either by congressional actions or collections in the future.

	9/30/2003				
	Covered by Budgetary Resources		Not Covered by Budgetary Resources		
	Current	Non-Current	Current	Non-Current	Total
Intragovernmental Liabilities:					
Accounts Payable	$ 10,342	$ -	$ -	$ -	$ 10,342
Debt	2,193	13,280	3,059	6,775	25,307
Other:					
Accrued Payroll and Benefits	17,528	-	973	2,444	20,945
Advances and Deferred Revenue	216,819	-	-	-	216,819
Deferred Credits	-	-	992	-	992
Other Liabilities	-	-	222	935	1,157
Total Other	234,347	-	2,187	3,379	239,913
Total Intragovernmental Liabilities	**246,882**	**13,280**	**5,246**	**10,154**	**275,562**
Public Liabilities:					
Accounts Payable	73,850	-	-	-	73,850
Federal Employees Compensation Act Liability	-	-	-	20,750	20,750
Environmental Cleanup Costs	-	-	-	1,000	1,000
Other:					
Accrued Payroll and Benefits	6,508	-	-	19,488	25,996
Advances and Deferred Revenue	4,688	-	-	-	4,688
Deferred Credits	-	-	160,998	-	160,998
Contingent Liabilities	-	-	693	-	693
Total Other	11,196	-	161,691	19,488	192,375

	9/30/2003 Covered by Budgetary Resources		Not Covered by Budgetary Resources		
	Current	Non-Current	Current	Non-Current	Total
Total Public Liabilities	85,046	-	161,691	41,238	287,975
Total Liabilities	**$ 331,928**	**$ 13,280**	**$ 166,937**	**$ 51,392**	**$ 563,537**

	9/30/2002 Covered by Budgetary Resources		Not Covered by Budgetary Resources		
	Current	Non-Current	Current	Non-Current	Total
Intragovernmental Liabilities:					
Accounts Payable	$ 104,427	$ -	$ -	$ -	$ 104,427
Debt	1,178	11,095	1,299	10,398	23,970
Other:					
Accrued Payroll and Benefits	2,367	-	1,651	2,476	6,494
Advances and Deferred Revenue	461,717	-	-	-	461,717
Deferred Credits	-	-	15,822	-	15,822
Other Liabilities	-	-	38	-	38
Total Other	464,084	-	17,511	2,476	484,071
Total Intragovernmental Liabilities	**569,689**	**11,095**	**18,810**	**12,874**	**612,468**
Public Liabilities:					
Accounts Payable	49,798	-	-	-	49,798
Federal Employees Compensation Act Liability	-	-	-	20,270	20,270
Environmental Cleanup Costs	-	-	-	1,000	1,000
Other:					
Accrued Payroll and Benefits	12,372	-	-	19,298	31,670
Advances and Deferred Revenue	5,429	-	-	-	5,429
Deferred Credits	-	-	79,314	-	79,314
Contingent Liabilities	-	-	700	-	700
Other Liabilities	-	-	2	-	2
Total Other	17,801	-	80,016	19,298	117,115
Total Public Liabilities	**67,599**	**-**	**80,016**	**40,568**	**188,183**
Total Liabilities	**$ 637,288**	**$ 11,095**	**$ 98,826**	**$ 53,442**	**$ 800,651**

For 2003 and 2002, DO anticipates that the liabilities listed above as not covered by budgetary resources will be funded from future budgetary resources when required. The Virgin Island debt is not covered by budgetary resources and will be funded by loans receivable due from the Virgin Island Government (See Note 12 for further details). DO receives budgetary resources for the Federal Employee Compensation Act (FECA) liability, the Environmental Cleanup Costs, and Contingent liabilities when they are needed for disbursements. The unfunded Accrued Payroll and Benefits due to the public represents annual leave. Budgetary resources are generally provided for annual leave when it is taken. Deferred credits represent deposits received from customers, including monies paid to Departmental Offices for payroll services (See Note 13 for further discussion).

NOTE 11
Federal Employee Compensation Act Liability Due to the Public
(dollars in thousands)

DO has recorded an estimated, unfunded liability for the expected future cost for death, disability, and medical claims under FECA of approximately $20,750 as of September 30, 2003 and $20,270 as of September 30, 2002. This estimated liability is calculated by Labor using a method that considers historical benefit payment patterns, wage inflation factors, medical inflation factors, and other variables. These actuarially computed projected annual benefit payments are discounted to present value using the OMB economic assumptions for ten-year Treasury notes and bonds. The Labor calculated the estimated future benefit payments based on several assumptions. The interest rate assumptions utilized to discount the estimated future benefit payments to present value are 5.20 percent in year one and thereafter.

The usage inflation factors (COLA) and medical inflation factors (CPI Medical Adjustment) used in the calculation are as follows:

	2003		2002	
Fiscal Year	Cost of Living Adjustment	Consumer Price Index Medical Adjustment	Cost of Living Adjustment	Consumer Price Index Medical Adjustment
1992	5.00%	7.96%	5.00%	7.96%
1993	2.83%	6.61%	2.83%	6.61%
1994	2.77%	5.27%	2.77%	5.27%
1995	2.57%	4.72%	2.57%	4.72%
1996	2.63%	3.99%	2.63%	3.99%
1997	2.77%	3.11%	2.77%	3.11%
1998	2.70%	2.77%	2.70%	2.77%
1999	1.53%	3.50%	1.53%	3.50%
2000	1.97%	3.70%	1.97%	3.70%
2001	2.93%	4.42%	2.93%	4.42%
2002	3.33%	4.44%	3.33%	4.44%
2003	1.80%	4.31%	1.80%	4.31%
2004	2.30%	3.21%	2.67%	4.01%
2005	2.00%	3.54%	2.40%	4.01%
2006	1.83%	3.64%	2.40%	4.01%
2007	1.97%	3.80%	2.40%	4.01%
2008 and thereafter	2.17%	3.92%	2.40%	4.01%

NOTE 12
DEBT
(dollars in thousands)

Description	2002 Beginning Balance	Net Borrowings (Payments)	2002 Ending Balance	Net Borrowings (Payments)	2003 Ending Balance
Federal Financing Bank:					
Virgin Islands Loan	$ 13,420	$ (1,723)	$ 11,697	$ (1,863)	$ 9,834
Treasury:					
American Samoa Loan	13,141	(868)	12,273	3,200	15,473
Total	**$ 26,561**	**$ (2,591)**	**$ 23,970**	**$ 1,337**	**$ 25,307**

Of the $9,834 payable for the Virgin Islands Loan for 2003, $3,059 is a current liability and $6,775 is non-current (payable beyond one year). Of the $15,473 payable for the American Samoa Loan in 2003, $2,193 is a current liability and $13,280 is non-current. The amount of the current liability for the American Samoa Loan is contingent upon recoveries from the Tobacco Master Settlement agreement signed November 23, 1998.

Of the $11,697 payable for the Virgin Island Loan in 2002, $1,299 was current and $10,398 was non-current. Of the $12,273 payable for the American Samoa Loan in 2002, $1,178 was current and $11,095 was non-current.

The related interest costs for the Virgin Island Loan in 2003 is $1,036 and in 2002 was $1,156. The related interest costs for the American Samoa Loan in 2003 is $783 and in 2002 was $783. Interest is accrued annually based on the prevailing market yield on Treasury Securities of comparable maturities. The weighted average interest rate used to calculate interest owed to Treasury is 5.4%.

NOTE 13
DEFERRED CREDITS

(dollars in thousands)

Deferred credits of $161,990 as of September 30, 2003 and $95,136 as of September 30, 2002, primarily include funds held for or due from clients and employees. These funds represent amounts received from other federal entities for payroll processing and disbursement to the employees of federal agencies (payroll), state and local governments (payroll taxes), and OPM (employee benefits). The un-disbursed funds held for clients are $174,858 as of September 30, 2003 and $90,534 as of September 30, 2002.

NOTE 14
ENVIRONMENTAL CLEANUP COSTS, PUBLIC

(dollars in thousands)

OAS's liability for Environmental Cleanup Costs of $1,000 for September 30, 2003 and 2002, respectively, consists of the estimated cost of hazardous waste cleanup at an aircraft maintenance facility in Alaska. The estimated cost is based on an estimate of the amount of soil contaminated and the cost to remove it. It is estimated that cleanup will be started in 1-2 years.

NOTE 15
CONTINGENT LIABILITIES, PUBLIC

(dollars in thousands)

A. The accrued and additional potential Contingent Liabilities as of September 30, 2003 and 2002 are summarized in the categories below:

	Accrued Liabilities		Additional Potential Liabilities			
			FY 2003		FY 2002	
	FY 2003	FY 2002	Lower	Upper	Lower	Upper
Contingent Liabilities	$ 693	$ 700	$ -	$ 10,100	$ 325	$ 1,075

The accrued liability for 2003 represents two OST cases, one for contract termination and one for improper disbursement from an IIM account. The potential liabilities for 2003 represents four cases: two SIO cases, one for employment discrimination and one for contract termination and two OST cases, one for discrimination based on reprisal for prior EEO activity and one for contract termination.

The above amounts are based on information from the SOL. The information in this table does not include the claims discussed in B (below).

B. The Secretary of the Interior is entrusted with the management of the monies and lands held in trust by the federal government for Indian tribes and individuals. There have been long standing, complicated problems with Indian trust fund accounting and management. Currently, there are claims and potential claims relating to past trust fund management on both tribal accounts and Individual Indian Money (IIM) accounts. Twenty-two tribes have filed suits seeking a full accounting of their tribal trust funds; in addition, a significant IIM class action lawsuit is pending. In the IIM action, a class of Native American beneficiaries of IIM trust accounts administered by the Department alleges that the Interior and Treasury Departments have breached trust obligations with respect to the management of IIM funds. The plaintiffs have claimed that they are seeking only an "accounting" of the IIM trust funds in the Federal district court proceedings, and not damages, but have also contended publicly that they may be owed as much as $176 billion. In the Department's FY2004 appropriations act, Congress appropriated funds for certain specified Indian trust accounting activities, but placed limitations on historical accounting requirements, pending further congressional action or December 31, 2004, whichever occurs first.

The Department's Office of the Solicitor states that no estimate or range of loss can be made at this time regarding any financial liability that may result from settlement from tribal accounts, the IIM trust fund litigation, and any other related claims.

C. DO has a number of other claims and lawsuits pending against it. In the opinion of management and the SOL, the resolution of these claims and lawsuits will not materially affect DO financial position or operations. Therefore, no provision for these claims and lawsuits has been made in the accompanying financial statements.

NOTE 16
INDIAN TRUST FUNDS

The Department, through OST, maintains approximately 1,400 accounts for Tribal and Other Trust Funds (including the Alaska Native Escrow Fund) with combined monetary assets of approximately $2,880 million as of September 30, 2003 and $2,856 million as of September 30, 2002.

The balances that have accumulated in the Tribal and Other Trust Funds have resulted from judgment awards, settlements of claims, land use agreements, royalties on natural resource depletion, other proceeds derived directly from trust resources, and investment income.

The trust fund balances for Tribal and Other Trust Funds contain two categories:

1. Trust funds held for Indian tribes (considered non-federal monies), and
2. Trust funds held by the DOI, for future transfer to a tribe upon satisfaction of certain conditions or where the corpus of the fund is non-expendable (considered federal monies).

The non-federal and federal funds are reflected as separate components of the fund balance in the Tribal and Other Trust Funds financial statements. The trust funds considered federal funds are reflected in DO's financial statements.

The OST also maintains about 260,000 and 252,000 open Individual Indian Monies (IIM) accounts as of September 30, 2003 and 2002, respectively, with a fund balance of approximately $413 million as of September 30, 2003 and $411 million as of September 30, 2002.

The IIM Fund is primarily a deposit fund for individuals who have a beneficial interest in the trust funds. IIM account holders realize receipts primarily from land use agreements, royalties on natural resource depletion; other proceeds derived directly from trust resources, judgment and tribal per capita distributions, and investment income.

Summaries of the financial statements of the Tribal and Other Trust Funds and the IIM Trust Funds are at the end of this note. The amounts in the summaries do not include the values related to trust lands or other trust resources managed by the DOI.

Financial Statements and Basis of Accounting. The Tribal and Other Trust Fund statements of assets and trust fund balances and statements of changes in trust fund balances were prepared using a cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP). The cash basis of accounting differs from GAAP in that receivables and payables are not recorded 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 IIM Trust Fund statements of assets and trust fund balances and statements of changes in trust fund balances 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 recorded with the exception of interest earned on invested funds (including discount accretion and premium amortization). Receipts are recorded when received with the exception of interest, and disbursements are recorded when paid. Interest is recorded when earned, including accretion/amortization of investment discounts and premiums. Investments are stated at amortized cost.

Audit Results. With Office of Inspector General oversight, independent auditors audited the Tribal and Other Trust Funds and the IIM Trust Funds financial statements as of and for the years ended September 30, 2003 and 2002. 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' reports were qualified as a result of the following:

- It was not practicable for independent auditors to extend audit procedures sufficiently to satisfy themselves as to the fairness of the trust fund balances and changes in trust fund balances reflected in the financial statements as a result on inadequacies in certain Department of the Interior accounting systems and processes.

- Certain parties do not agree with the trust fund balances reflected in the financial statements and these parties have filed, or are expected to file claims against the Department.

For more information, see Note 15, Contingent Liabilities.

Tribal and Other Trust Funds
Statements of Assets and Trust Fund Balances – Cash Basis
As of September 30, 2003 and 2002
(dollars in thousands)

ASSETS	**9/30/2003**	**9/30/2002**
Current Assets		
Cash and Cash Equivalents	$ 507,578	$ 723,702
Investments	2,372,434	2,132,587
TOTAL ASSETS	2,880,012	2,856,289
TRUST FUND BALANCES		
Held for Indian Tribes	2,624,471	2,633,118
Held by the Department of the Interior and considered to be U.S. Government funds	255,541	223,171
TOTAL TRUST FUND BALANCES	**$ 2,880,012**	**$ 2,856,289**

Tribal and Other Trust Funds
Statements of Changes in Trust Fund balances – Cash Basis
For the Years Ended September 30, 2003 and 2002
(dollars in thousands)

	9/30/2003	9/30/2002
Receipts	$ 256,168	$ 293,785
Interest Received	118,010	139,249
Gain (Loss) on Disposition on Investments, Net	4,291	1,690
Disbursements	(354,746)	(383,452)
Increase (decrease) in Trust Fund Balances, Net	23,723	51,272
Trust Fund Balances-Beginning of Year	2,856,289	2,805,017
Trust Fund Balances-End of Year	$ 2,880,012	$ 2,856,289

Note: The independent auditors' expressed a qualified opinion on these financial statements. See "Audit Results" section above.

Individual Indian Monies Trust Funds
Statements of Assets and Trust Fund Balances – Modified Cash Basis
As of September 30, 2003 and 2002
(dollars in thousands)

ASSETS	**9/30/2003**	**9/30/2002**
Current Assets		
Cash and Cash Equivalents	$ 26,488	$ 44,018
Investments	382,325	362,796
Accrued Interest Receivable	4,255	4,531
TOTAL ASSETS	**$ 413,068**	**$ 411,345**
TOTAL TRUST FUND BALANCES, held for Individual Indians	**$ 413,068**	**$ 411,345**

Individual Indian Monies Trust Funds
Statements of Changes in Trust Fund Balances – Modified Cash Basis
For the Years Ended September 30, 2003 and 2002
(dollars in thousands)

	9/30/2003	9/30/2002
Receipts	$ 170,996	$ 168,248
Interest Earned	22,817	23,022
Gain (Loss) on Disposition on Investments, Net	436	83
Disbursements	(192,526)	(184,148)
Increase (decrease) in Trust Fund Balances, Net	1,723	7,205
Trust Fund Balances-Beginning of Year	411,345	404,140
Trust Fund Balances-End of Year	$ 413,068	$ 411,345

Note: The independent auditors' expressed a qualified opinion on these financial statements. See "Audit Results" section above.

NOTE 17
LEASES
(dollars in thousands)

GSA Real Property: Most of the DO facilities are rented from the GSA, which charges rent that is intended to approximate commercial rental rates. For Federally-owned property, DO generally does not execute an agreement with GSA nor is there a formal expiration date. DO, however, is normally required to give 120 to 180 days notice to vacate and the amount of these leases remains constant from year to year. The Federally-owned GSA leases are included in the estimated future lease for 2004 through 2008 below.

For non-Federally-owned property, an occupancy agreement is executed with GSA, and again the DO may normally cancel these agreements with 120 days notice. These leases were primarily for office space and office equipment. There is an option to renew many of its operating leases at terms similar to the initial terms. These leases are included in the future minimum lease payment schedule below based on the lease terms.

All GSA leases assume a 2004 lease escalation in accordance with GSA budget estimates, normally 3 percent but ranging up to 14 percent for selected locations. An escalation of 3 percent per year is assumed for all periods after 2004.

Other Real Property: For other real property, the amount for 2004 is based either on a three percent increase over the other real property expense for 2003 or the actual lease agreements. For subsequent years, 2005 and after, the amounts are inflated each year at either three percent over the previous year or according to the actual lease agreement.

Personal Property: Equipment and furniture rentals are included in personal property. The personal property amount for 2004 is based either on a three percent increase over the actual personal property expense amount for 2003 or the actual lease agreements. For subsequent years, 2005 and after, the amounts are inflated each year at either three percent over the previous year or according to the actual lease agreement.

The aggregate of the DO future payments due under noncancellable operating leases for real property and personal property; and the DO estimated real property rent payments to GSA for 2004 through 2008 are presented below:

Operating Lease Commitments

Fiscal Year	GSA Real Property	Other Real Property	Personal Property	Totals
2004	$ 23,200	$ 3,009	$ 164	$ 26,373
2005	23,032	3,099	169	26,300
2006	23,173	3,192	174	26,539
2007	22,424	3,288	179	25,891
2008	20,562	3,386	185	24,133
Thereafter	4,716	3,488	190	8,394
Total Future Lease Payments	**$ 117,107**	**$ 19,462**	**$ 1,061**	**$ 137,630**

NOTE 18
NET COST OF OPERATIONS
(dollars in thousands)

Intragovernmental costs represent the costs incurred to generate the related intra-governmental revenue. DO estimated intra-governmental costs, as intra-governmental revenue plus an allocated portion of the retirement costs paid by OPM on behalf of the DO that DO did not bill to intra-governmental customers.

The following two tables present DO's Consolidating Schedule of Net Cost by Program and Responsibility Segment for September 30, 2003 and 2002. DO's presentation is consistent with the strategic goals included in the DOI's strategic plan and in accordance with the Government Performance and Results Act.

Consolidating Schedule of Net Cost by Program and Responsibility Segment
For the Year Ended September 30, 2003
(dollars in thousands)

	TOTAL 2003	Office of the Secretary	Office of the Inspector General	Office of the Solicitor	Office of Insular Affairs	National Indian Gaming Commission	Office of the Special Trustee	Central Utah Project	Natural Resources Damage Assessment	Office of Aircraft Services	Eliminations
Working Capital Fund											
Cost - Services and Goods Provided to the Public	**$ 18,514**	$ 17,509	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,005	$ -
Less: Earned Revenue from the Public	**9,678**	7,421	-	-	-	-	-	-	-	2,257	-
Net Cost - Services and Goods Provided to the Public	**8,836**	10,088	-	-	-	-	-	-	-	(1,252)	-
Cost - Services and Goods Provided to Federal Agencies	**482,691**	454,420	-	-	-	-	-	-	-	137,836	(109,565)
Less: Earned Revenue from Federal Agencies	**476,986**	448,715	-	-	-	-	-	-	-	137,836	(109,565)
Net Cost - Services and Goods Provided to Federal Agencies	**5,705**	5,705	-	-	-	-	-	-	-	-	-
Net Cost	**14,541**	**15,793**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,252)**	**-**
Departmental Management											
Cost - Services and Goods Provided to the Public	**173,097**	81,300	37,624	53,205	-	-	-	-	-	968	-
Less: Earned Revenue from the Public	**364**	13	350	-	-	-	-	-	-	1	-
Net Cost - Services and Goods Provided to the Public	**172,733**	81,287	37,274	53,205	-	-	-	-	-	967	-
Cost - Services and Goods Provided to Federal Agencies	**28,088**	27,085	2,635	7,118	-	-	-	-	-	-	(8,750)
Less: Earned Revenue from Federal Agencies	**26,936**	26,295	2,541	6,850	-	-	-	-	-	-	(8,750)
Net Cost - Services and Goods Provided to Federal Agencies	**1,152**	790	94	268	-	-	-	-	-	-	-
Net Cost	**173,885**	**82,077**	**37,368**	**53,473**	**-**	**-**	**-**	**-**	**-**	**967**	**-**
Environmental Activity											
Cost - Services and Goods Provided to the Public	**11,385**	-	-	-	-	-	-	-	11,385	-	-
Less: Earned Revenue from the Public	**-**	-	-	-	-	-	-	-	-	-	-
Net Cost - Services and Goods Provided to the Public	**11,385**	-	-	-	-	-	-	-	11,385	-	-
Cost - Services and Goods Provided to Federal Agencies	**-**	-	-	-	-	-	-	-	-	-	-
Less: Earned Revenue from Federal Agencies	**-**	-	-	-	-	-	-	-	-	-	-
Net Cost - Services and Goods Provided to Federal Agencies	**-**	-	-	-	-	-	-	-	-	-	-
Net Cost	**11,385**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**11,385**	**-**	**-**

Consolidating Schedule of Net Cost by Program and Responsibility Segment (Continued)
For the Year Ended September 30, 2003
(dollars in thousands)

	TOTAL 2003	Office of the Secretary	Office of the Inspector General	Office of the Solicitor	Office of Insular Affairs	National Indian Gaming Commission	Office of the Special Trustee	Central Utah Project	Natural Resources Damage Assessment	Office of Aircraft Services	Eliminations
Services to Native Americans											
Cost - Services and Goods Provided to the Public	**145,289**	-	-	-	-	11,122	134,167	-	-	-	-
Less: Earned Revenue from the Public	**9,808**	-	-	-	-	9,775	33	-	-	-	-
Net Cost - Services and Goods Provided to the Public	**135,481**	-	-	-	-	1,347	134,134	-	-	-	-
Cost - Services and Goods Provided to Federal Agencies	**5,085**	-	-	-	-	-	5,085	-	-	-	-
Less: Earned Revenue from Federal Agencies	**4,975**	-	-	-	-	-	4,975	-	-	-	-
Net Cost - Services and Goods Provided to Federal Agencies	**110**	-	-	-	-	-	110	-	-	-	-
Net Cost	**135,591**	**-**	**-**	**-**	**-**	**1,347**	**134,244**	**-**	**-**	**-**	**-**
Services to Insular Areas											
Cost - Services and Goods Provided to the Public	**370,679**	-	-	-	370,679	-	-	-	-	-	-
Less: Earned Revenue from the Public	**1,937**	-	-	-	1,937	-	-	-	-	-	-
Net Cost - Services and Goods Provided to the Public	**368,742**	-	-	-	368,742	-	-	-	-	-	-
Cost - Services and Goods Provided to Federal Agencies	**295**	-	-	-	295	-	-	-	-	-	-
Less: Earned Revenue from Federal Agencies	**295**	-	-	-	295	-	-	-	-	-	-
Net Cost - Services and Goods Provided to Federal Agencies	**-**	-	-	-	-	-	-	-	-	-	-
Net Cost	**368,742**	**-**	**-**	**-**	**368,742**	**-**	**-**	**-**	**-**	**-**	**-**
Central Utah Project											
Cost - Services and Goods Provided to the Public	**26,058**	-	-	-	-	-	-	26,058	-	-	-
Less: Earned Revenue from the Public	**-**	-	-	-	-	-	-	-	-	-	-
Net Cost - Services and Goods Provided to the Public	**26,058**	-	-	-	-	-	-	26,058	-	-	-
Cost - Services and Goods Provided to Federal Agencies	**4,085**	-	-	-	-	-	-	4,196	-	-	(111)
Less: Earned Revenue from Federal Agencies	**4,070**	-	-	-	-	-	-	4,181	-	-	(111)
Net Cost - Services and Goods Provided to Federal Agencies	**15**	-	-	-	-	-	-	15	-	-	-
Net Cost	**26,073**	**-**	**-**	**-**	**-**	**-**	**-**	**26,073**	**-**	**-**	**-**

Consolidating Schedule of Net Cost by Program and Responsibility Segment (Continued)
For the Year Ended September 30, 2003
(dollars in thousands)

	TOTAL 2003	Office of the Secretary	Office of the Inspector General	Office of the Solicitor	Office of Insular Affairs	National Indian Gaming Commission	Office of the Special Trustee	Central Utah Project	Natural Resources Damage Assessment	Office of Aircraft Services	Eliminations
TOTAL											
Cost - Services and Goods Provided to the Public	**745,022**	**98,809**	**37,624**	**53,205**	**370,679**	**11,122**	**134,167**	**26,058**	**11,385**	**1,973**	**-**
Less: Earned Revenue from the Public	**21,787**	**7,434**	**350**	**-**	**1,937**	**9,775**	**33**	**-**	**-**	**2,258**	**-**
Net Cost - Services and Goods Provided to the Public	**723,235**	**91,375**	**37,274**	**53,205**	**368,742**	**1,347**	**134,134**	**26,058**	**11,385**	**(285)**	**-**
Cost - Services and Goods Provided to Federal Agencies	**520,244**	**481,505**	**2,635**	**7,118**	**295**	**-**	**5,085**	**4,196**	**-**	**137,836**	**(118,426)**
Less: Earned Revenue from Federal Agencies	**513,262**	**475,010**	**2,541**	**6,850**	**295**	**-**	**4,975**	**4,181**	**-**	**137,836**	**(118,426)**
Net Cost - Services and Goods Provided to Federal Agencies	**6,982**	**6,495**	**94**	**268**	**-**	**-**	**110**	**15**	**-**	**-**	**-**
Net Cost of Operations	**$ 730,217**	**$ 97,870**	**$ 37,368**	**$ 53,473**	**$ 368,742**	**$ 1,347**	**$ 134,244**	**$ 26,073**	**$ 11,385**	**$ (285)**	**$ -**

Consolidating Schedule of Net Cost by Program and Responsibility Segment
For the Year Ended September 30, 2002
(dollars in thousands)

	TOTAL	Office of the Secretary	Office of the Inspector General	Office of the Solicitor	Office of Insular Affairs	National Indian Gaming Commission	Office of the Special Trustee	Central Utah Project	Natural Resources Damage Assessment	Office of Aircraft Services	Interior Franchise Fund	Eliminations
Working Capital Fund												
Cost - Services and Goods Provided to the Public	**$ 8,541**	$ 6,183	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,358	$ -	$ -
Less: Earned Revenue from the Public	**5,010**	4,241	-	-	-	-	-	-	-	769	-	-
Net Cost - Services and Goods Provided to the Public	**3,531**	1,942	-	-	-	-	-	-	-	1,589	-	-
Cost - Services and Goods Provided to Federal Agencies	**342,649**	329,040	-	-	-	-	-	-	-	128,660	-	(115,051)
Less: Earned Revenue from Federal Agencies	**342,649**	329,040	-	-	-	-	-	-	-	128,660	-	(115,051)
Net Cost - Services and Goods Provided to Federal Agencies	**-**	-	-	-	-	-	-	-	-	-	-	-
Net Cost	**3,531**	**1,942**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,589**	**-**	**-**
Departmental Management												
Cost - Services and Goods Provided to the Public	**159,367**	76,416	34,685	47,315	-	-	-	-	-	951	-	-
Less: Earned Revenue from the Public	**16**	(3)	-	-	-	-	-	-	-	19	-	-
Net Cost - Services and Goods Provided to the Public	**159,351**	76,419	34,685	47,315	-	-	-	-	-	932	-	-
Cost - Services and Goods Provided to Federal Agencies	**26,378**	26,839	2,401	4,832	-	-	-	-	-	-	-	(7,694)
Less: Earned Revenue from Federal Agencies	**23,563**	24,302	2,305	4,650	-	-	-	-	-	-	-	(7,694)
Net Cost - Services and Goods Provided to Federal Agencies	**2,815**	2,537	96	182	-	-	-	-	-	-	-	-
Net Cost	**162,166**	**78,956**	**34,781**	**47,497**	**-**	**-**	**-**	**-**	**-**	**932**	**-**	**-**

Consolidating Schedule of Net Cost by Program and Responsibility Segment (Continued)
For the Year Ended September 30, 2002
(dollars in thousands)

	TOTAL	Office of the Secretary	Office of the Inspector General	Office of the Solicitor	Office of Insular Affairs	National Indian Gaming Commission	Office of the Special Trustee	Central Utah Project	Natural Resources Damage Assessment	Office of Aircraft Services	Interior Franchise Fund	Eliminations
Environmental Activity												
Cost - Services and Goods Provided to the Public	**15,500**	-	-	-	-	-	-	-	15,500	-	-	-
Less: Earned Revenue from the Public	**-**	-	-	-	-	-	-	-	-	-	-	-
Net Cost - Services and Goods Provided to the Public	**15,500**	-	-	-	-	-	-	-	15,500	-	-	-
Cost - Services and Goods Provided to Federal Agencies	**-**	-	-	-	-	-	-	-	-	-	-	-
Less: Earned Revenue from Federal Agencies	**-**	-	-	-	-	-	-	-	-	-	-	-
Net Cost - Services and Goods Provided to Federal Agencies	**-**	-	-	-	-	-	-	-	-	-	-	-
Net Cost	**15,500**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**15,500**	**-**	**-**	**-**
Services to Native Americans												
Cost - Services and Goods Provided to the Public	**107,940**	-	-	-	-	8,647	99,293	-	-	-	-	-
Less: Earned Revenue from the Public	**8,803**	-	-	-	-	8,803	-	-	-	-	-	-
Net Cost - Services and Goods Provided to the Public	**99,137**	-	-	-	-	(156)	99,293	-	-	-	-	-
Cost - Services and Goods Provided to Federal Agencies	**1,222**	-	-	-	-	-	1,343	-	-	-	-	(121)
Less: Earned Revenue from Federal Agencies	**1,222**	-	-	-	-	-	1,343	-	-	-	-	(121)
Net Cost - Services and Goods Provided to Federal Agencies	**-**	-	-	-	-	-	-	-	-	-	-	-
Net Cost	**99,137**	**-**	**-**	**-**	**-**	**(156)**	**99,293**	**-**	**-**	**-**	**-**	**-**
Services to Insular Areas												
Cost - Services and Goods Provided to the Public	**409,556**	-	-	-	409,556	-	-	-	-	-	-	-
Less: Earned Revenue from the Public	**2,017**	-	-	-	2,017	-	-	-	-	-	-	-
Net Cost - Services and Goods Provided to the Public	**407,539**	-	-	-	407,539	-	-	-	-	-	-	-
Cost - Services and Goods Provided to Federal Agencies	**1,235**	-	-	-	1,547	-	-	-	-	-	-	(312)
Less: Earned Revenue from Federal Agencies	**1,235**	-	-	-	1,547	-	-	-	-	-	-	(312)
Net Cost - Services and Goods Provided to Federal Agencies	**-**	-	-	-	-	-	-	-	-	-	-	-
Net Cost	**407,539**	**-**	**-**	**-**	**407,539**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Consolidating Schedule of Net Cost by Program and Responsibility Segment (Continued)
For the Year Ended September 30, 2002
(dollars in thousands)

	TOTAL	Office of the Secretary	Office of the Inspector General	Office of the Solicitor	Office of Insular Affairs	National Indian Gaming Commission	Office of the Special Trustee	Central Utah Project	Natural Resources Damage Assessment	Office of Aircraft Services	Interior Franchise Fund	Eliminations
Central Utah Project												
Cost - Services and Goods Provided to the Public	12,123	-	-	-	-	-	-	12,123	-	-	-	-
Less: Earned Revenue from the Public	123	-	-	-	-	-	-	123	-	-	-	-
Net Cost - Services and Goods Provided to the Public	12,000	-	-	-	-	-	-	12,000	-	-	-	-
Cost - Services and Goods Provided to Federal Agencies	5,395	-	-	-	-	-	-	5,395	-	-	-	-
Less: Earned Revenue from Federal Agencies	5,395	-	-	-	-	-	-	5,395	-	-	-	-
Net Cost - Services and Goods Provided to Federal Agencies	-	-	-	-	-	-	-	-	-	-	-	-
Net Cost	**12,000**	**-**	**-**	**-**	**-**	**-**	**-**	**12,000**	**-**	**-**	**-**	**-**
Net Cost of Continuing Operations												
Cost - Services and Goods Provided to the Public	713,027	82,599	34,685	47,315	409,556	8,647	99,293	12,123	15,500	3,309	-	-
Less: Earned Revenue from the Public	15,969	4,238	-	-	2,017	8,803	-	123	-	788	-	-
Net Cost - Services and Goods Provided to the Public	697,058	78,361	34,685	47,315	407,539	(156)	99,293	12,000	15,500	2,521	-	-
Cost - Services and Goods Provided to Federal Agencies	376,879	355,879	2,401	4,832	1,547	-	1,343	5,395	-	128,660	-	(123,178)
Less: Earned Revenue from Federal Agencies	374,064	353,342	2,305	4,650	1,547	-	1,343	5,395	-	128,660	-	(123,178)
Net Cost - Services and Goods Provided to Federal Agencies	2,815	2,537	96	182	-	-	-	-	-	-	-	-
Net Cost	**699,873**	**80,898**	**34,781**	**47,497**	**407,539**	**(156)**	**99,293**	**12,000**	**15,500**	**2,521**	**-**	**-**
Discontinued Operations												
Interior Franchise Fund												
Cost - Services and Goods Provided to the Public	(1,134)	-	-	-	-	-	-	-	-	-	(1,134)	-
Less: Earned Revenue from the Public	613	-	-	-	-	-	-	-	-	-	613	-
Net Cost - Services and Goods Provided to the Public	(1,747)	-	-	-	-	-	-	-	-	-	(1,747)	-
Cost - Services and Goods Provided to Federal Agencies	421,909	-	-	-	-	-	-	-	-	-	422,917	(1,008)
Less: Earned Revenue from Federal Agencies	421,909	-	-	-	-	-	-	-	-	-	422,917	(1,008)
Net Cost - Services and Goods Provided to Federal Agencies	-	-	-	-	-	-	-	-	-	-	-	-
Net Cost	**(1,747)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,747)**	**-**

Consolidating Schedule of Net Cost by Program and Responsibility Segment (Continued)
For the Year Ended September 30, 2002
(dollars in thousands)

	TOTAL	Office of the Secretary	Office of the Inspector General	Office of the Solicitor	Office of Insular Affairs	National Indian Gaming Commission	Office of the Special Trustee	Central Utah Project	Natural Resources Damage Assessment	Office of Aircraft Services	Interior Franchise Fund	Eliminations
Total												
Cost - Services and Goods Provided to the Public	711,893	82,599	34,685	47,315	409,556	8,647	99,293	12,123	15,500	3,309	(1,134)	-
Less: Earned Revenue from the Public	16,582	4,238	-	-	2,017	8,803	-	123	-	788	613	-
Net Cost - Services and Goods Provided to the Public	695,311	78,361	34,685	47,315	407,539	(156)	99,293	12,000	15,500	2,521	(1,747)	-
Cost - Services and Goods Provided to Federal Agencies	798,788	355,879	2,401	4,832	1,547	-	1,343	5,395	-	128,660	422,917	(124,186)
Less: Earned Revenue from Federal Agencies	795,973	353,342	2,305	4,650	1,547	-	1,343	5,395	-	128,660	422,917	(124,186)
Net Cost - Services and Goods Provided to Federal Agencies	2,815	2,537	96	182	-	-	-	-	-	-	-	-
Net Cost of Operations	$ 698,126	$ 80,898	$ 34,781	$ 47,497	$ 407,539	$ (156)	$ 99,293	$ 12,000	$ 15,500	$ 2,521	$ (1,747)	$ -

NOTE 19
BUDGET AUTHORITY
(dollars in thousands)

Description	9/30/2003	9/30/2002
Appropriated Trust and Special Fund Receipts	$ 174,925	$ 175,308
Appropriations Realized	684,972	682,582
Transfers of Budget Authority	(2,562)	(19,327)
Receipts not Available for Obligation	34,677	(7,269)
Total Budget Authority	**$ 892,012**	**$ 831,294**

Appropriations received on the Statement of Changes in Net Position differs from that reported on the Statement of Budgetary Resources because appropriations received reported on the Statement of Changes in net position does not include appropriated dedicated and earmarked receipts. Dedicated and earmarked receipts are accounted for as either exchange or non-exchange revenue.

NOTE 20
APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED
(dollars in thousands)

	9/30/2003 Apportioned Category B	9/30/2002 Apportioned Category B
Obligations Incurred:		
Direct	$ 872,133	$ 842,815
Reimbursable	791,050	1,080,072
Total Obligations Incurred	**$ 1,663,183**	**$ 1,922,887**

NOTE 21
AVAILABLE BORROWING/CONTRACT AUTHORITY, END OF PERIOD

There was no available borrowing/contract authority as of September 30, 2003 and 2002.

NOTE 22
TERMS OF BORROWING AUTHORITY USED
(dollars in thousands)

In 2001, a loan was extended to the SIO from the Bureau of the Public Debt, U.S. Department of the Treasury for the purpose of operating a direct loan. As of September 30, 2003 and 2002, the outstanding loan balances were $15,473 as of September 30, 2003 and $12,273 as of September 30, 2002. Funds are appropriated to the SIO in the amount necessary to pay the cost associated with the program. The loan is recorded under Treasury Account Symbol 14X4163 and the appropriated subsidy is recorded under Treasury Account Symbol 14X0412. Interest is accrued annually based on the prevailing market yield on Treasury securities of comparable maturity. The loan has a final payment due date of September 30, 2027. Should the loan be defaulted, the appropriated subsidy in 14X0412 will be used for the loan repayment.

NOTE 23
PERMANENT INDEFINITE APPROPRIATIONS

Various permanent public laws authorize DO to retain certain receipts. These are referred to as permanent indefinite appropriations because (a) the appropriations come from permanent public laws rather than the annual appropriations process; and (b) the amount appropriated depends upon the amount of the receipts rather than a specific amount.

14X5141	National Indian Gaming Commission, Gaming Activity Fees The primary mission of the NIGC is to regulate gaming activities on Indian lands.
14X5174	Utah Reclamation and Mitigation Conservation Account The Commission has exclusive responsibility for completing the fish, wildlife, and recreation projects in the State of Utah required as part of the Central Utah Project.
14X5198	Natural Resources Damage Assessment and Restoration Fund NRDAR is responsible for the promulgation of regulations for the assessment of damages for injury to, destruction of, or loss of natural resources resulting from a discharge of oil or release of a hazardous substance.
14X5233	Everglades Restoration Account Funds utilized for the acquisition of real property within the Everglades ecosystem and the funding of resource protection and resource maintenance activities in the Everglades ecosystem.
14X5265	Tribal Special Fund Funds in the Tribal Special Fund are those not designated in the law as a trust, and generally are funds held and invested to carry out obligations of the Secretary of the Interior.
14X8030	Tribal Trust Fund Tribal trust funds are deposited into consolidated accounts in the U.S. Treasury pursuant to: (1) general or specific acts of Congress and (2) Federal management of tribal real properties, the titles to which are held in trust for the tribes by the United States. These funds are available to the respective tribal groups for various purposes, under various acts of Congress, and may be subject to the provisions of tribal constitutions, bylaws, charters, and resolutions of the various tribes, bands or groups.
14X8369	Take Pride in America, Gifts and Bequests Utilizes funds for establishing and maintaining a public awareness campaign in cooperation with public and private organizations and individuals.

NOTE 24
LEGAL ARRANGEMENTS AFFECTING USE OF UNOBLIGATED BALANCES
(dollars in thousands)

As of September 30, 2003 and 2002, the unobligated balances - available funds can be used for new obligations - are $392,001 and $746,268, respectively. As of September 30, 2003 and 2002, the amounts in unobligated balances - unavailable funds are only available to pay for upward adjustments to existing obligations - are $13,518 and $5,997, respectively. Unobligated balances whose period of availability has expired are not available for new obligation and may only be used for recording, adjusting, and liquidating obligations properly chargeable to the fiscal year account. For a fixed appropriation account, the balance can be carried forward for five fiscal years after the period of availability ends. At the end of the fifth fiscal year, the account is closed and any remaining balance is canceled. For a no-year account, the unobligated balance is carried forward indefinitely until (1) specifically rescinded by law, or (2) the head of the agency concerned or the President determines that the purposes for which the appropriation was made have been carried out and disbursements have not been made against the appropriation for 2 consecutive years.

NOTE 25
EXPLANATION OF DIFFERENCES BETWEEN THE STATEMENT OF BUDGETARY RESOURCES AND THE BUDGET OF THE U.S. GOVERNMENT
(In millions)

The Statement of Budgetary Resources has been prepared to coincide with the amounts shown in the President's Budget (Budget of the United States Government). The President's Budget with the actual 2002 amounts was released on February 3, 2003 and can be found at the OMB Web site: www.whitehouse.gov/omb. The difference between the 2002 Statement of Budgetary Resources and the Presidents' Budget is solely due the IFF. The IFF differences are related to a $94 million adjustment for the Statement of Budgetary Resources that was not incorporated into the Presidents' Budget. The following table summarizes the IFF differences between the 2002 Statement of Budgetary Resources and the President's budget. The actual amounts for 2003 in the President's Budget were not available at the time the financial statements were prepared.

14X4529 Interior Franchise Fund

Line #	Description	2002 Financial Statements	Presidents' Budget	Difference
	Budget resources available for obligation:			
22.00	New budget authority (gross)	$ 771	$ 677	$ (94)
23.90	Total budgetary resources available for obligation	$ 899	$ 805	$ (94)
24.40	Unobligated balance carried forward, end of year	$ 378	$ 284	$ (94)
	Change in obligated balances:			
74.00	Change in uncollected customer payments (unexpired)	$ (201)	$ (107)	$ 94
74.40	Obligated balance, end of year	$ 49	$ 143	$ 94

NOTE 26
EXPLANATION OF DIFFERENCES BETWEEN LIABILITIES NOT COVERED BY BUDGETARY RESOURCES AND COMPONENTS REQUIRING OR GENERATING RESOURCES IN FUTURE PERIODS

The Statement of Financing, includes a section depicting the change in certain unfunded liabilities. The amounts in this section do not necessarily correlate to the change in liabilities not covered by budgetary resources reported in Note 10. Differences are primarily the result of certain Treasury requirements related to where changes in various liabilities are reported on the Statement of Financing. Additionally, some liability accounts not covered by budgetary resources are not included in the Statement of Financing.

NOTE 27
STATEMENT OF FINANCING
(dollars in thousands)

The intent of the Statement of Financing is to facilitate the reconciliation of the financial net cost of operations with obligations of budget authority. Because the accrual-based measures used in the Statement of Net Cost differ from the obligation-based measures used in the Statement of Budgetary resources, this reconciliation is useful in understanding the differences.

The Statement of Financing considers four types of activity: 1) resources used to fund activities; 2) resources used to fund items not part of the net cost of operations; 3) components of net cost of operations that do not require or generate resources during the reporting period; and 4) components of net cost that require future funding.

Allocation transfers are the amounts of budget authority and other resources transferred to other agencies or bureaus to carry out the purposes of the parent account. DO is both a parent agency and a recipient of allocation transfers.

OMB Circular A-11 requires parent accounts to report their allocation agency's transactions as part of their Statement of Budgetary Resources, while the recipient of allocation transfers reports the proprietary activity on its Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position. This process creates a reconciling difference on the Statement of Financing.

Allocation transfers result in a difference between the budgetary and proprietary accounts because the budgetary amounts are reported by the parent (transferring agency) and the proprietary amounts are reported by the child (receiving agency). DO is involved in allocation transfers as both a parent and a child. The allocation transfers to which DO is a party are shown below:

Appropriation	Parent	Child	9/30/2003 Reconciling Difference	9/30/2002 Reconciling Difference
14X0120	Office of Special Trustee	Bureau of Indian Affairs	$ (295)	$ (26,575)
14X2103	Office of Special Trustee	Bureau of Indian Affairs	(8,645)	(8,403)
14X1618	DOI-Office of the Secretary	Bureau of Indian Affairs	15	(1,162)
14X1618	DOI-Office of the Secretary	Bureau of Land Management	(158)	(156)
14X1618	DOI-Office of the Secretary	Bureau of Reclamation	(60)	(53)
14X1618	DOI-Office of the Secretary	U.S. Fish and Wildlife Service	(2,380)	(2,934)
14X1618	DOI-Office of the Secretary	National Park Service	(441)	(810)
14X1618	DOI-Office of the Secretary	U.S. Geological Survey	(9)	(30)
14X5198	DOI-Office of the Secretary	Bureau of Land Management	(117)	(147)
14X5198	DOI-Office of the Secretary	Bureau of Reclamation	1	(8)
14X5198	DOI-Office of the Secretary	U.S. Fish and Wildlife Service	(10,230)	(6,560)
14X5198	DOI-Office of the Secretary	U.S. Geological Survey	(924)	(665)
14X5198	DOI-Office of the Secretary	National Park Service	(920)	(851)
14X8145	Environmental Protection Agency	DOI-Office of the Secretary	967	990
14X1121	Bureau of Land Management	DOI-Office of the Secretary	718	491
14X1125	Bureau of Land Management	DOI-Office of the Secretary	3,966	3,794
14X0600	General Services Administration	DOI-Office of the Secretary	59	15
Total Transfer Accounts Where Budgetary Activity is Reported by Parent Entity			**$ (18,453)**	**$ (43,064)**

The purpose and nature of the transfers and receipts of budget authority are as follows:

Appropriation 14X0120 – Office of Special Trustee for American Indians

Funds are transferred from DO to the affected bureau for the operation of trust programs for Indians by direct expenditure, contracts, cooperative agreements, compacts, and grants to remain available until expended.

Appropriation 14X1618 and 14X5198 – Natural Resource Damage Assessment Fund

Funds to conduct natural resource damage assessment activities necessary to carry out the provisions of the comprehensive Environmental Response, Compensation, and Liability Act and the Oil Pollution Act of 1990. Funds are transferred from DO to the affected bureau to perform the restorations work.

Appropriation 14X2103 – Indian Land Consolidation

Funds are transferred from DO to the affected bureau for the necessary expenses related to Indian Land Consolidation.

Appropriation 14X8145 – Hazardous Substance Response Trust Fund

Funds are transferred from DO to the affected bureau for the Comprehensive Environmental Response Compensation Liability Act activities including response preparedness and management, trustee assistance, damage capability and scientific support.

Appropriation 14X1121 – Central Hazardous Materials Fund

Funds are transferred from DO to the affected bureau for the necessary expense for the remedial action, including associated activities of hazardous waste substances, pollutants, or contaminants pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act.

Appropriation 14X1125 – Wildland Fire Management

Funds are transferred from DO to the affected bureau for the necessary expenses related to fire preparedness, suppression operations, fire science and research, emergency rehabilitation, hazardous fuel reduction and rural fire assistance.

Appropriation 14X0600 – Electronic Government

Funds are transferred from DO to the affected bureau for the development of Electronic Government under an allocation appropriation from the General Services Administration.

NOTE 28
DEDICATED COLLECTIONS

(dollars in thousands)

The tables below contain summarized information for funds financed with dedicated collections that are held for later use to accomplish the fund's purpose.

	9/30/2003						
	A	B	C	D	E	F	
	NRDAR	NIGC	CUPCA Commission	Everglades Restoration	Priority Land Acquisition	Tribal Trust and Special Funds	Totals
Assets:							
Fund Balance with Treasury	$ 404	$ 4,252	$ 30,379	$ 3,330	$ 22,685	$ (34)	$ 61,016
Investments, Net	155,695	-	140,134	-	-	257,512	553,341
Accounts Receivable	5,706	-	-	-	-	-	5,706
Property, Plant, and Equipment and Other Assets	-	121	4,170	5	2,713	-	7,009
Total Assets	161,805	4,373	174,683	3,335	25,398	257,478	627,072
Liabilities:							
Accounts Payable	3	170	446	146	2,229	-	2,994
Other Liabilities	-	1,150	231	8	-	-	1,389
Total Liabilities	3	1,320	677	154	2,229	-	4,383
Total Net Position	161,802	3,053	174,006	3,181	23,169	257,478	622,689
Total Liabilities and Net Position	161,805	4,373	174,683	3,335	25,398	257,478	627,072
Net Position, Beginning of Fiscal Year	151,620	3,018	161,441	4,844	35,656	224,897	581,476
Change in Net Position:							
Investment, Interest and Other	34,475	434	11,262	-	(12,487)	12,211	45,895
Transfers In/Out without Reimbursement	(22,184)	-	6,061	-	-	28,877	12,754
Exchange Revenue - Services Provided and Other	-	7,891	4,027	-	-	-	11,918
Program Expenses	(2,109)	(8,290)	(8,785)	(1,663)	-	(8,507)	(29,354)
Net Position, End of Fiscal Year	$ 161,802	$ 3,053	$ 174,006	$ 3,181	$ 23,169	$ 257,478	$ 622,689

	9/30/2002						
	A	B	C	D	E	F	
	NRDAR	NIGC	CUPCA Commission	Everglades Restoration	Priority Land Acquisition	Tribal Trust and Special Funds	Totals
Assets:							
Fund Balance with Treasury	$ 5,006	$ 3,839	$ 22,600	$ 4,963	$ 23,044	$ (34)	$ 59,418
Investments, Net	146,614	-	134,907	-	-	224,931	506,452
Accounts Receivable	-	-	4	-	-	-	4
Property, Plant, and Equipment and Other Assets	-	-	4,495	1	14,997	-	19,493
Total Assets	151,620	3,839	162,006	4,964	38,041	224,897	585,367
Liabilities:							
Accounts Payable	-	186	394	120	2,385	-	3,085
Other Liabilities	-	635	171	-	-	-	806
Total Liabilities	-	821	565	120	2,385	-	3,891
Total Net Position	151,620	3,018	161,441	4,844	35,656	224,897	581,476
Total Liabilities and Net Position	151,620	3,839	162,006	4,964	38,041	224,897	585,367
Net Position, Beginning of Fiscal Year	151,967	3,292	149,645	5,224	70,258	196,242	576,628
Change in Net Position:							
Investment, Interest and Other	22,561	-	10,749	-	(34,602)	16,949	15,657
Transfers In/Out without Reimbursement	(19,987)	-	6,000	-	-	26,950	12,963
Exchange Revenue - Services Provided and Other	-	7,093	5,362	-	-	(135)	12,320
Program Expenses	(2,921)	(7,367)	(10,315)	(380)	-	(15,109)	(36,092)
Net Position, End of Fiscal Year	$ 151,620	$ 3,018	$ 161,441	$ 4,844	$ 35,656	$ 224,897	$ 581,476

A. Section 301(c) of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) requires promulgation of regulations for the assessment of damages for injury to, destruction of, or loss of natural resources resulting from a discharge of oil or release of a hazardous substance. The responsibility for this rulemaking was delegated to DOI by the President in Executive Order 12580 (January 23, 1987). DO accounts for and reports for this fund through the Natural Resource Damage Assessment and Restoration fund 14X5198. The primary aim of NRDAR is to restore natural resources injured as the result of oil spills or hazardous substance releases. The program assesses the damages and injuries to natural resources entrusted to DOI and negotiates legal settlements or takes other legal actions against the responsible parties for the spill or release. Funds from these settlements are then used to restore the injured resources at no expense to the taxpayer. Settlements often include the recovery of the costs incurred in assessing the damages. These funds are then used to fund further damage assessments.

B. NIGC was created in 1988, when Congress enacted the Indian Gaming Regulatory Act. DO accounts for and reports for this fund through the National Indian Gaming Commission fund 14X5141. The primary mission of the NIGC is to regulate gaming activities on Indian lands for the purposes of shielding Indian tribes from organized crime and other corrupting influences; ensuring that Indian tribes are the primary beneficiaries of gaming revenues; and assuring that gaming is conducted fairly and honestly by both operators and players. To effect these goals, NIGC is authorized to conduct investigations; undertake enforcement actions, including the assessment of fines and the issuance of closure orders; conduct background investigations; conduct audits; review and approve tribal gaming ordinances and management contracts; and issue such regulations as necessary to meet its responsibilities. The NIGC is funded by an assessment of less than one-tenth of one percent of the gross revenues of Indian gaming operations.

C. The primary purpose of CUPCA is to provide for the orderly completion of the Central Utah Project by authorizing water development and conservation features and wildlife mitigation projects, and by providing funding for such activities. The CUPCA office within DO is mandated by the Act to, among other responsibilities, transfer funds to the Commission, which has exclusive responsibility for completing the fish, wildlife, and recreation projects in the State of Utah required as part of the Central Utah Project. The Commission also receives transfers of annual appropriations from the Western Area Power Administration of the Department of Energy. The Commission has discretion to either expend such funds, or parts thereof, for mitigation activities, or to invest such funds, or parts thereof, in a trust fund established by CUPCA, the interest from which is for the future use of the Commission. DO accounts for and reports for this fund through the Utah Reclamation Mitigation and Conservation Commission fund 14X5174.

D. DO also administers a small portion of the funds available for the Everglades restoration effort. Section 390 of the Federal Agriculture Improvement and Reform Act (Farm Bill) of 1996 (P.L. 104-217), authorized the establishment of an “Everglades Restoration Account” consisting of funds deposited to a special Treasury account derived from the sale of surplus Federal property located in the State of Florida. Although the authority to receive these funds was abolished by the Water Resources Development Act (P.L. 106-541) passed on December 11, 2000, funds deposited to the account prior to that date remain available to support the restoration effort. DO accounts for and reports for this fund through the Everglades Restoration Account fund 14X5233. These funds are to be utilized for “the acquisition of real property ... within the Everglades ecosystem; and ... the funding of resource protection and resource maintenance activities in the Everglades ecosystem.” This legislation also provided $200 million in appropriated funds that have been used primarily for land acquisitions and exchanges necessary to further the restoration effort. These funds have been fully obligated.

E. Funds under the Priority Land Acquisitions, Land Exchanges and Maintenance account are from the Land and Water Conservation Fund Act of 1965, as amended (16 U.S.C. 4601 – 4 through 11) for priority land acquisitions and exchanges. DO accounts for and reports for these funds through the Title V Priority Land Acquisitions, Land Exchanges, and Maintenance fund (148/15039) and the Title VI Priority Land Acquisitions and Land Exchanges fund (140/35039). These funds are available for the high priority land acquisitions and exchanges and for reducing maintenance backlogs.

F. Established by the American Indian Trust Fund Management Reform Act of 1994 (Public Law 103-412), OST was created to improve the accountability and management of Indian funds held in trust by the Federal government. OST develops and implements the policies and procedures governing the management of Indian trust funds. OST manages and is accountable for tribal trust and special funds that are reported in DO financial statements. DO accounts for and reports for these funds through the Tribal Special fund 14X5265 and the Tribal Trust fund 14X8030. Financing sources for these funds are derived from judgment/award monies from Federal sources and other lease and rental income from public sources.

NOTE 29
RECLASSIFICATIONS AND RESTATEMENT
(dollars in thousands)

DO reclassified certain amounts to conform to current year presentation. The following table presents the changes to the selected line items from each statement:

Selected Balance Sheet Accounts	As Originally Published	Reclassifications (1)	2002 As Adjusted
Intragovernmental Assets:			
Accounts and Interest Receivable, Net	$ 118,730	$ (32,417)	$ 86,313
Total Intragovernmental Assets	1,618,679	(32,417)	1,586,262
Accounts and Interest Receivable, Net	5,981	(52)	5,929
Total Assets	**1,994,897**	**(32,469)**	**1,962,428**
Liabilities:			
Advances and Deferred Revenue – Federal	494,414	(32,697)	461,717
Advances and Deferred Revenue – Public	-	5,429	5,429
Other Liabilities	5,203	(5,201)	2
Total Liabilities	**833,120**	**(32,469)**	**800,651**
Total Liabilities and Net Position	**$ 1,994,897**	**$ (32,469)**	**$ 1,962,428**

Selected Lines from the Statement of Net Cost	As Originally Published	Reclassifications (2)	2002 As Adjusted
Environmental Activity:			
Earned Revenue	$ 22,561	$ (22,561)	$ -
Net Cost	(7,061)	22,561	15,500
Services to Native Americans:			
Earned Revenue	53,925	(43,900)	10,025
Net Cost	55,237	43,900	99,137
Totals:			
Earned Revenue	879,016	(66,461)	812,555
Net Cost	$ 631,665	$ 66,461	$ 698,126

Selected Lines from the Statement of Changes in Net Position	As Originally Published	Reclassifications (2)	2002 As Adjusted
Cumulative Results of Operations:			
Transfers In/Out without Reimbursement	$ (13,661)	$ 26,950	$ 13,289
Other Financing Sources	14	(14)	-
Other Non-Exchange Revenue	-	39,525	39,525
Total Financing Sources	676,662	66,461	743,123
Net Cost of Operations	$ (631,665)	$ (66,461)	$ (698,126)

Selected Budgetary Accounts	As Originally Published	Restatement (4)	Reclassifications (1)	2002 As Adjusted
Budgetary Resources:				
Spending Authority From Offsetting Collections:				
Earned:				
Collected	$ 854,354	$ -	$ 32,469	$ 886,823
Receivable From Federal Sources	70,801	-	(32,469)	38,332
Change in Unfilled Customer Orders:				
Advance Received	262,300	-	(32,469)	229,831
Without Advance From Federal Sources	53,821	81,598	32,469	167,888
Total Budgetary Resources	**2,594,945**	**81,598**	**-**	**2,676,544**
Status of Budgetary Resources:				
Obligations Incurred:				
Direct	841,967	-	65	842,032
Unobligated Balance:				
Apportioned	666,911	81,598	(65)	748,443
Total Status of Budgetary Resources	**2,594,948**	**81,598**	**-**	**2,676,544**
Relationship of Obligations to Outlays:				
Obligations Incurred	1,922,039	-	65	1,922,104
Obligated Balance, Net, End of Fiscal Year:				
Accounts Receivable	128,731	-	(32,469)	96,262
Unfilled Customer Orders From Federal Sources	121,767	81,598	32,469	235,834
Undelivered Orders	(646,809)	-	(65)	(646,874)
Less: Spending Authority Adjustments	$ (138,802)	$ (81,598)	$ -	$ (220,400)

Selected Statement of Financing Accounts	As Originally Published	Restatement (4)	Reclassifications (3)	2002 As Adjusted
Resources Used to Finance Activities:				
Budgetary Resources Obligated:				
Obligations Incurred	$ 1,922,823	$ -	$ 64	$ 1,922,887
Less: Spending Authority From Offsetting Collections/Adjustments	(1,257,265)	(81,598)	1	(1,338,862)
Obligations Net of Offsetting Collections and Adjustments	665,557	(81,598)	65	584,025
Net Obligations	461,195	(81,598)	65	379,663
Total Resources Used to Finance Activities	474,421	(81,598)	65	392,889

Selected Statement of Financing Accounts	As Originally Published	Restatement (4)	Reclassifications (3)	2002 As Adjusted
Resources Used to Finance Items Not Part of the Net Cost of Operations:				
Change in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided	242,324	81,598	(65)	323,859
Budgetary Offsetting Collections and Receipts That Do Not Affect Net Cost of Operations:				
Offsetting Receipts Not Part of the Net Cost of Operations	104,670	-	101,394	206,064
Resources That Finance the Acquisition of Assets	(120,858)	-	(29,014)	(149,872)
Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations	(29,183)	-	(5,999)	(35,182)
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	196,923	81,598	66,316	344,837
Total Resources Used to Finance the Net Cost of Operations	671,345	-	66,381	737,726
Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:				
Components Requiring or Generating Resources in Future Periods:				
Increase (Decrease) in Exchange Revenue Receivable From the Public	(490)	-	4	(486)
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	(1,178)	-	4	(1,174)
Components Not Requiring or Generating Resources:				
Components of Net Cost of Operations Related to Transfer Accounts Where Budget Amounts or Proprietary Amounts are Reported by Other Federal Entities	(43,061)	-	(3)	(43,064)
Other	177	-	79	256

Selected Statement of Financing Accounts	As Originally Published	Restatement (4)	Reclassifications (3)	2002 As Adjusted
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	(38,502)	-	76	(38,426)
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period	(39,680)	-	80	(39,600)
Net Cost of Operations	$ 631,665	$ -	$ 66,461	$ 698,126

Reclassification Explanations

1. DO reclassified $32.5 million of fiscal year 2002 IFF customer agreements from accounts and interest receivable to advances and deferred revenue on the fiscal year 2002 Consolidated Balance Sheet to be consistent with the current year presentation. This also resulted in reclassifications on the fiscal year 2002 Combined Statement of Budgetary Resources.

2. DO reclassified $66.5 million of fiscal year 2002 revenue transactions from earned revenue on the Consolidated Statement of Net Cost to other non-exchange revenue, transfers in/out without reimbursement, and other financing sources on the Consolidated Statement of Changes in Net Position to be consistent with current year presentation.

3. To be consistent with the current year presentation, DO reclassified amounts on the fiscal year 2002 Consolidated Statement of Financing to account for the reclassifications of revenue, assets, and liabilities discussed above as well as other reclassifications within the Statement of Financing.

Restatement Explanation

4. DO restated the FY 2002 Combined Statement of Budgetary Resources and FY 2002 Consolidated Statement of Financing to recognize customer orders received but not recorded in FY 2002. As a result, the following changes were made to FY 2002 amounts previously reported. On the Combined Statement of Budgetary Resources, the Change in Unfilled Customer Orders – Without Advance From Federal Sources increased, Unobligated Balances – Apportioned increased, Unfilled Customer Orders from Federal Sources increased, and Spending Authority Adjustments increased, each by $81.6 million. On the Consolidated Statement of Financing the Spending Authority from Offsetting Collections/Adjustments increased and the Change in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but not yet Provided decreased by $81.6 million.

NOTE 30
Discontinued Operations
(dollars in thousands)

As a result of the significant growth of IFF and increase in operating costs, DOI management determined that it could improve the efficiency of IFF by re-organizing its operations. Effective October 1, 2002, certain products and services offered by the DO working capital fund for sale through the IFF will no longer be offered through the IFF; rather the DO working capital fund will offer these products and services directly to former IFF customers beginning in FY 2003. These products and services include the Federal Financial System, Momentum Financials, Electronic Acquisition System, Electronic Commerce/EDI, Drug & Alcohol Testing, Systems Consulting, Independent Verification and Validation, Quicktime Time and Attendance System, and Crystal Reports Training. DO WCF will provide these products and services for the existing customer agreements and future customer agreements. As a result, DO transferred the related assets of $4,656, liabilities of $5,036 and net position of $(380) from its IFF segment to its working capital fund segment.

Effective October 1, 2002, DO transferred the remaining IFF operations, including Government Works and U.S. Films and Video Productions, to Mineral Management Service. Mineral Management Service (MMS) will provide the products and services for the existing customer agreements and future customer agreements. As a result, Departmental Offices transferred the related assets of $473,526, liabilities of $472,116, and net position of $1,410 to the MMS. DO reported a transfer out of $1,410 on the Statement of Changes in Net Position as a result of this transaction.

The following summarizes the transfer:

Schedule of Assets, Liabilities, and Net Position
As of October 1, 2002
(dollars in thousands)

Description		**Transfer**
Total Assets	**$**	**473,526**
Total Liabilities		472,116
Total Net Position		1,410
Total Liabilities and Net Position	**$**	**473,526**

Schedule of Budgetary Information
As of October 1, 2002
(dollars in thousands)

Description		**Transfer**
Budgetary Resources:		
Obligated	$	48,799
Unobligated		378,442

U.S. Department of the Interior
Departmental Offices

Required Supplementary Information
September 30, 2003

Department of the Interior
Departmental Offices
Combining Statement of Budgetary Resources by Budget Account
For the Year Ended September 30, 2003
(dollars in thousands)

	Total Budgetary Accounts	Department Management 14_0102	Working Capital Fund 14X4523	Administration of Territories 14X0412	Compact of Free Association 14X0415	Office of Special Trustee 14X0120	Natural Resources Damage Assessment and Restoration 14X1618	Tribal Special Fund 14X5265	Tribal Trust Fund 14X8030	Payments to U.S. Territories 14X0418	Other Budget Accounts
Budgetary Resources:											
Budget Authority:											
Appropriations Received	**$ 894,574**	$ 72,427	$ -	$ 76,217	$ 166,471	$ 141,277	$ 33,156	$ 80,360	$ 56,667	$ 94,822	$ 173,177
Net Transfers, Current Year Authority (+/-)	**(2,562)**	564	-	-	-	(352)	(4,461)	-	-	-	1,687
Unobligated Balance:											
Beginning of Fiscal Year	**375,998**	1,434	34,146	16,130	15,023	28,486	160,416	63,153	24,094	-	33,116
Net Transfers, Unobligated Balance, Actual (+/-)	**(349)**	2,900	-	-	-	354	(1,352)	-	-	-	(2,251)
Spending Authority From Offsetting Collections:											
Earned											
Collected	**666,962**	29,559	619,080	317	-	4,236	-	-	-	2,857	10,913
Receivable From Federal Sources	**(24,522)**	(3,213)	(22,851)	(168)	-	771	-	-	-	-	939
Change in Unfilled Customer Orders											
Advance Received	**125,340**	(152)	125,602	(19)	-	-	-	-	-	-	(91)
Without Advance From Federal Sources	**23,746**	18	22,531	642	-	235	-	-	-	-	320
Recoveries of Prior Year Obligations	**12,342**	2,459	4,280	1,559	-	1,502	483	-	-	-	2,059
Permanently Not Available	**(5,128)**	(884)	-	(339)	(58)	(919)	(36)	-	-	(1,821)	(1,071)
Total Budgetary Resources	**2,066,401**	**105,112**	**782,788**	**94,339**	**181,436**	**175,590**	**188,206**	**143,513**	**80,761**	**95,858**	**218,798**
Status of Budgetary Resources:											
Obligations Incurred:											
Direct	**871,350**	75,471	177	64,103	179,225	152,366	18,262	95,988	52,478	95,858	137,422
Reimbursable	**791,050**	26,002	746,722	(69)	-	5,243	51	-	-	-	13,101
Total Obligations Incurred	**1,662,400**	101,473	746,899	64,034	179,225	157,609	18,313	95,988	52,478	95,858	150,523
Unobligated Balance:											
Apportioned	**392,001**	2,234	32,730	30,032	2,211	18,025	169,887	47,525	28,283	-	61,074
Unobligated Balance not Available	**12,000**	1,405	3,159	273	-	(44)	6	-	-	-	7,201
Total Status of Budgetary Resources	**2,066,401**	**105,112**	**782,788**	**94,339**	**181,436**	**175,590**	**188,206**	**143,513**	**80,761**	**95,858**	**218,798**
Relationship of Obligations to Outlays:											
Obligations Incurred	**1,662,400**	101,473	746,899	64,034	179,225	157,609	18,313	95,988	52,478	95,858	150,523
Obligated Balance, Net, Beginning of Fiscal Year	**442,452**	5,467	115,851	128,919	63,711	49,392	8,572	-	-	-	70,540
Obligated Balance, Net, End of Fiscal Year:											
Accounts Receivable	**26,143**	2,562	20,160	47	-	923	-	-	-	-	2,451
Unfilled Customer Orders From Federal Sources	**34,574**	4,449	26,515	2,228	-	285	-	-	-	-	1,097
Undelivered Orders	**(583,217)**	(5,835)	(264,627)	(106,984)	(52,341)	(69,145)	(6,810)	-	-	-	(77,475)
Accounts Payable	**(93,555)**	(3,028)	(63,679)	(9,808)	-	(9,947)	(709)	-	-	-	(6,384)
Less: Spending Authority Adjustments	**(11,566)**	735	(3,960)	(2,033)	-	(2,508)	(483)	-	-	-	(3,317)
Outlays:											
Disbursements	**1,477,231**	105,823	577,159	76,403	190,595	126,609	18,883	95,988	52,478	95,858	137,435
Collections	**(792,302)**	(29,406)	(744,682)	(298)	-	(4,237)	-	-	-	(2,857)	(10,822)
Subtotal	**684,929**	76,417	(167,523)	76,105	190,595	122,372	18,883	95,988	52,478	93,001	126,613
Less: Offsetting Receipts	**(166,969)**	-	-	-	-	-	(27,618)	(56,667)	(80,295)	-	(2,389)
Net Outlays	**$ 517,960**	**$ 76,417**	**$ (167,523)**	**$ 76,105**	**$ 190,595**	**$ 122,372**	**$ (8,735)**	**$ 39,321**	**$ (27,817)**	**$ 93,001**	**$ 124,224**

Department of the Interior
Departmental Offices
Combining Statement of Budgetary Resources by Budget Account
For the Year Ended September 30, 2002
(dollars in thousands)

	Total Budgetary Accounts	Department Management 14_0102	Working Capital Fund 14X4523	Interior Franchise Fund 14X4529	Administration of Territories 14X0412	Compact of Free Association 14X0415	Office of Special Trustee 14X0120	Natural Resources Damage Assessment and Restoration 14X1618	Tribal Special Fund 14X5265	Tribal Trust Fund 14X8030	Payments to U.S. Territories 14X0418	Other Budget Accounts
Budgetary Resources:												
Budget Authority:												
Appropriations Received	**$ 850,621**	$ 69,946	$ -	$ -	$ 78,751	$ 168,731	$ 99,224	$ 28,116	$ 94,249	$ 40,578	$ 133,923	$ 137,103
Net Transfers, Current Year Authority (+/-)	**(19,327)**	-	-	-	(1,902)	-	(1,975)	(7,280)	-	-	-	(8,170)
Unobligated Balance:												
Beginning of Fiscal Year	**503,220**	1,619	41,187	128,265	15,860	19,343	48,633	160,869	45,525	13,904	-	28,015
Net Transfers, Unobligated Balance, Actual (+/-)	**8,088**	1,348	-	-	-	-	(883)	(1,862)	-	-	-	9,485
Spending Authority From Offsetting Collections:												
Earned												
Collected	**886,823**	24,172	455,021	394,186	1,348	-	1,326	-	-	-	2,880	7,890
Receivable From Federal Sources	**38,332**	(39)	7,787	29,344	92	-	152	-	-	-	-	996
Change in Unfilled Customer Orders												
Advance Received	**229,831**	412	53,452	175,728	177	-	(27)	-	-	-	-	89
Without Advance From Federal Sources	**167,888**	412	(4,335)	172,041	(895)	-	44	-	-	-	-	621
Recoveries of Prior Year Obligations	**14,180**	1,452	5,240	-	1,356	88	2,512	215	-	-	-	3,317
Permanently Not Available	**(3,112)**	(568)	-	-	(111)	-	(53)	-	-	-	(1,688)	(692)
Total Budgetary Resources	**2,676,544**	**98,754**	**558,352**	**899,564**	**94,676**	**188,162**	**148,953**	**180,058**	**139,774**	**54,482**	**135,115**	**178,654**
Status of Budgetary Resources:												
Obligations Incurred:												
Direct	**842,032**	72,927	65	-	78,068	173,139	118,972	19,694	76,621	30,388	135,115	137,043
Reimbursable	**1,080,072**	24,393	524,141	521,122	478	-	1,495	(52)	-	-	-	8,495
Total Obligations Incurred	**1,922,104**	97,320	524,206	521,122	78,546	173,139	120,467	19,642	76,621	30,388	135,115	145,538
Unobligated Balance:												
Apportioned	**748,443**	476	31,573	378,442	15,717	15,023	28,362	160,416	63,153	24,094	-	31,187
Unobligated Balance not Available	**5,997**	958	2,573	-	413	-	124	-	-	-	-	1,929
Total Status of Budgetary Resources	**2,676,544**	**98,754**	**558,352**	**899,564**	**94,676**	**188,162**	**148,953**	**180,058**	**139,774**	**54,482**	**135,115**	**178,654**
Relationship of Obligations to Outlays:												
Obligations Incurred	**1,922,104**	97,320	524,206	521,122	78,546	173,139	120,467	19,642	76,621	30,388	135,115	145,538
Obligated Balance, Net, Beginning of Fiscal Year	**508,285**	2,734	54,013	91,513	134,764	88,015	36,825	6,710	-	34	-	93,677
Obligated Balance, Net, End of Fiscal Year:												
Accounts Receivable	**96,262**	5,775	43,010	45,598	215	-	152	-	-	-	-	1,512
Unfilled Customer Orders From Federal Sources	**235,834**	4,432	3,984	225,005	1,586	-	49	-	-	-	-	778
Undelivered Orders	**(646,874)**	(8,987)	(120,516)	(219,979)	(126,759)	(63,309)	(36,827)	(7,376)	-	-	-	(63,121)
Accounts Payable	**(176,473)**	(6,687)	(42,329)	(99,423)	(3,961)	(402)	(12,766)	(1,196)	-	-	-	(9,709)
Less: Spending Authority Adjustments	**(220,400)**	(1,825)	(8,690)	(201,385)	(553)	(88)	(2,708)	(216)	-	-	-	(4,935)
Outlays:												
Disbursements	**1,718,738**	92,762	453,678	362,451	83,838	197,355	105,192	17,564	76,621	30,422	135,115	163,740
Collections	**(1,116,655)**	(24,584)	(508,473)	(569,915)	(1,525)	-	(1,298)	-	-	-	(2,880)	(7,980)
Subtotal	**602,083**	68,178	(54,795)	(207,464)	82,313	197,355	103,894	17,564	76,621	30,422	132,235	155,760
Less: Offsetting Receipts	**(204,362)**	-	-	-	-	-	-	(22,619)	(130,506)	(40,469)	-	(10,768)
Net Outlays	**$ 397,721**	**$ 68,178**	**$ (54,795)**	**$ (207,464)**	**$ 82,313**	**$ 197,355**	**$ 103,894**	**$ (5,055)**	**$ (53,885)**	**$ (10,047)**	**$ 132,235**	**$ 144,992**

Department of the Interior
Departmental Offices
Supplemental Balance Sheet – Working Capital Fund
As of September 30, 2003, and 2002
(dollars in thousands)

	2003	2002
ASSETS		
Intragovernmental Assets:		
Fund Balance with Treasury	$ 317,520	$ 149,996
Accounts and Interest Receivable, Net	17,668	44,542
Advances and Prepayments	5,179	672
Total Intragovernmental Assets	**340,367**	**195,210**
Accounts and Interest Receivable, Net	2,668	(1,495)
Inventory and Related Property	523	482
General Property, Plant & Equipment, Net	31,059	34,615
Advances and Prepayments	49	1
TOTAL ASSETS	**$ 374,666**	**$ 228,813**
LIABILITIES		
Intragovernmental Liabilities:		
Accounts Payable	1,804	2,873
Other		
Accrued Payroll and Benefits	1,675	1,005
Advances and Deferred Revenue	216,620	91,018
Total Intragovernmental Liabilities	**220,099**	**94,896**
Public Liabilities:		
Accounts Payable	59,019	34,737
Federal Employees Compensation Act Liability	7,165	-
Environmental Cleanup Costs	1,000	1,000
Other		
Accrued Payroll and Benefits	7,723	8,962
Advances and Deferred Revenue	4,690	4,690
Total Public Liabilities	**79,597**	**49,389**
TOTAL LIABILITIES	**299,696**	**144,285**
Commitments and Contingencies		
NET POSITION		
Unexpended Appropriations	6,201	7,219
Cumulative Results of Operations	68,769	77,309
Total Net Position	**74,970**	**84,528**
TOTAL LIABILITIES AND NET POSITION	**$ 374,666**	**$ 228,813**

SELECTED ACCOUNT INFORMATION
For the Year Ended September 30, 2003
(dollars in thousands)

Working Capital Fund Information

The Working Capital Fund (WCF) provides a number of services to other DOI components and to other Federal Agencies. Services include, but are not limited to, management of budget, procurement, personnel management, and finance and accounting services, building management, and aircraft services. These services are provided on a reimbursable basis. The major customers are the DOI components that provide the WCF more than 15 percent of all revenues earned (when aircraft services are removed).

Working Capital Fund information by product line for the year ended September 30, 2003, consisted of the following (amounts are in thousands):

Product Line	Revenue	Expense	Net Profit (Loss)
Aircraft services	$ 140,093	$ 138,841	$ 1,252
Building management/rental	31,279	29,850	1,429
Charge card rebate	6,246	5,297	949
Federal services	418,611	436,774	(18,163)
Y2K/Other	-	8	(8)
Unallocated eliminations *	(109,565)	(109,565)	-
TOTAL	**$ 486,664**	**$ 501,205**	**$ (14,541)**

* Unallocated eliminations are within the Departmental Offices appropriations to or within the WCF

U.S. Department of the Interior
Departmental Offices

Required Supplementary Stewardship Information
September 30, 2003

Departmental Offices has stewardship responsibility for a varied body of resources including stewardship lands, heritage assets, investments in non-federal physical property, and investments in research and development.

STEWARDSHIP LANDS

The Utah Reclamation Mitigation & Conservation Commission's mission is 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 Bureau of Reclamation (BOR) project assets (dams, power plants, roads, pipelines, aqueducts, operation and maintenance buildings, visitor centers, etc.). The Commission's program is separate and distinct from acquisition and construction of BOR PP&E. Land acquired and investments made in order to mitigate for the loss of fish and wildlife resources caused by BOR project construction are not essential or integral parts of the dam, pipeline, etc. and are not "acquired for or in connection with the construction" of the project assets, even if the fish and wildlife mitigation is achieved in the immediate vicinity of the project asset.

The Commission acquires two general categories of lands: 1) fish and wildlife habitat (wetland, riparian and/or upland) for both aquatic and terrestrial species, and 2) land or easements to provide public access to fish and wildlife resources which, once acquired, are also managed to provide habitat values to the extent practicable. In over 95 percent of the acquisitions, the lands have been acquired on a willing seller basis. In all cases, habitat conditions on the lands have been improved, and in many cases improvements have been substantial.

In fiscal year 2003, the Commission has acquired over 85 acres and 120 acres of wetlands around the Great Salt Lake and Utah Lake, respectively. In addition, nearly 35 acres of land was acquired along the middle Provo River for the Commission Provo River Restoration Project.

Utah Reclamation and Conservation Commission
(Number of Acres)

Beginning Acres	Federal Acres: Additions	Federal Acres: Withdrawals	Ending Acres	Total Non-Federal Acres	Combined Acres	Condition	Number Of Sites
11,079.29	206.31	-	11,285.60	-	11,285.60	Acceptable	1.00
1,059.61	34.85	-	1,094.46	-	1,094.46	Needs Intervention	1.00
12,138.90	**241.16**	**-**	**12,380.06**	**-**	**12,380.06**		

PL 102-575, Title's II,III, and IV
Five Year Detail in Acres

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Beginning Balance	6,855.40	7,391.25	10,500.56	11,888.50	12,138.90
Additions	535.85	3,109.31	1,435.29	252.65	241.16
Withdrawals	-	-	(47.34)	(2.25)	-
Ending Balance	**7,391.25**	**10,500.56**	**11,888.50**	**12,138.90**	**12,380.06**

Acceptable condition means that no identified improvements are necessary for the land to meet its intended use. Needs intervention means that improvements have been identified and are necessary for the land to meet its intended use.

HERITAGE ASSETS – CULTURAL

The Departmental Offices are stewards to two important and valuable Heritage Assets:

Museum Property

The Department of the Interior museum activities, including collection management, exhibit development, educational out-reach, and research, are conducted by the museum staff. Objects are acquired through donation, purchase, exchange, transfer, and field collection, and are governed by each individual Bureau's mission and the Interior Museum's ability to manage and preserve the objects in accordance with standards established in 411 Departmental Manual and Bureau policies. The deaccession process follows the guidelines outlined in 411 Departmental Manual Chapter 6.

The following chart indicates the disciplines addressed, location of objects, and estimated number of objects at Bureau facilities and other institutions as of September 30, 2003.

Discipline	Number of Objects in Bureau Facilities	Number of Objects in Other Institutions	Total Number of Objects
Archeology	15	20	35
Art	789	5	794
Ethnography	1,413	1,843	3,256
History	1,812	25	1,837
Documents	75	-	75
Botany	29	1	30
Zoology	47	-	47
Paleontology	11	-	11
Geology	378	-	378
Total Number of Objects	**4,569**	**1,894**	**6,463**

Department of the Interior
FY 2003 Status of Cataloging and Condition of Cataloged Bureau Museum Collections
September 30, 2003

Bureaus and Offices	Estimated Total Collection Size FY 2002	Additions Since Last Report	Withdrawals Since Last Report	Estimated Total Collection Size FY 2003	Total Number Of Bureau Items Catalogued	Number of Cataloged Items With Item-level Condition Data	Number of Cataloged Items In Good, Fair, & Poor Condition		
							Good	Fair	Poor
Office of the Secretary	4,065 catalog records[1]	404 catalog records[2]	-	6,463 item count[3]	5,380	5,200		100%	

[1] This was measured by catalog record in FY2002 & all previous years. After consultation with DOI in FY2003 we are changing to measure by item count to be consistent with other reporting bureaus. This is the measure employed by the Re:Discovery cataloging software in preparing the Collection Management Report. Item count provides a greater level of detail.

[2] An accession inventory discovered a number of catalog records and/or items which had not been reported in previous collections management reports. One item was newly accessioned in FY2003.

[3] Represented by 4,469 catalog records. 4,065 catalog records + 404 catalog records = 4,469 catalog records = 6,463 item count.

The conditions of the museum collections are defined as follows:
- Good - in stable, usable condition
- Fair - in need of minor repair or cleaning to bring to usable condition
- Poor - in need of major conservation treatment to stabilize

FY 2003 Additions and Withdrawals to Museum Collections, by Discipline

	Catalog Records2002 Totals[1]	Catalog Records 2003 Additions[1]	2003 Withdrawals	Item Count 2003 Totals[1]
Archeology	11	-	-	35
Art	369	333	-	794
Ethnography	2,101	-	-	3,256
History	1,102	71	-	1,837
Documents	146	-	-	75
Botany	62	-	-	30
Zoology		-	-	47
Paleontology	8	-	-	11
Geology	266	-	-	378
2003 Totals	**4,065**	**404**	**-**	**6,463**

[1] This was measured by catalog record in FY2002 & all previous years. After consultation with DOI in FY2003 we are changing to measure by item count to be consistent with other reporting bureaus. This is the measure employed by the Re:Discovery cataloging software in preparing the Collection Management Report. Item count provides a greater level of detail. Represented by 4,469 catalog records. 4,065 catalog records + 404 catalog records = 4,469 catalog records = 6,463 item count.

Departmental Offices
FY 2003 Conditions at Locations Housing Bureau Collections
September 30, 2003

Number of locations housing Departmental Offices museum collections	Number of Locations Evaluated	Condition of Collections Based on the % of Departmental Standards Met by the Locations Evaluated		
		Good (Meet > 70%)	Fair (Meet 50-70%)	Poor (Meet < 50%)
Departmental Offices facilities	1		100%	
Other facilities	3	67%	33%	

Indian Arts and Crafts Board

The Indian Arts and Crafts Board (IACB) is a component of the Bureau of Indian Affairs in accordance with the accounting standards. IACB museum collections total 11,052 Native American objects, including 8,169 ethnographic and 2,883 art objects. These collections are housed in three regional museums administered by the IACB: the Sioux Indian Museum, Rapid City, South Dakota; the Museum of the Plains Indian, Browning, Montana; and the Southern Plains Indian Museum, Anadarko, Oklahoma. The three IACB museums are accessible via the Internet at Indian Arts and Crafts Board's web site, www.iacb.doi.gov. These museums play a vital role in promoting authentic Indian arts and crafts through their permanent exhibitions, changing promotional sales exhibitions, and public education activities. The museums serve as major economic, cultural, and educational attractions in their respective regions. Receiving strong support from local Tribes, the museums are staging points for regional and national promotions for the economic benefit of emerging Indian artists and craftspeople.

Rendezvous of Fact and Visions: Retrospective of Works by T.C. Cannon opened at the Southern Plains Indian Museum in July 2003, and continues to draw national recognition. In addition, several museum objects are on loan for the Arthur Amiotte Retrospective; Continuity and Diversity, which toured to seven venues throughout the mid-west during a two-year period.

The Indian Arts and Crafts Board continues to increase public access to museum property. 98.54% of the museum objects are cataloged. The collection is expected to be fully cataloged in 2004.

A. Description of each major category of heritage assets:

The Indian Arts and Crafts Board's heritage assets are museum collection objects.

B. Number of physical units at end of FY2003 and number of units added or withdrawn from the heritage asset record during FY 2003:

Museum of the Plains Indian (MPI), Browning, Montana 0 museum objects added	3,032
Sioux Indian Museum (SIM), Rapid City, South Dakota 2 museum objects added	3,748
Southern Plains Indian Museum (SPIM), Anadarko, Oklahoma 0 museum objects added	4,111

C. Description of the methods of acquisition and withdrawal of heritage assets:

MPI	0 objects added:	
SIM	2 objects added:	(1 gift in Art and 1 gift in Ethnography)
SPIM	0 objects added:	

Gifts:	2
Purchases:	0
Total Acquisitions:	2

There are no provisions for withdrawal or deaccessioning of museum collection objects.

D. Condition of the assets:

Each of the Indian Arts and Crafts Board's three museum collections are adequately safeguarded. Conservation and fire protection surveys have been completed at each location. IACB is unable to provide the condition of these assets by categories (good, fair and poor) for FY2003. This information will be able in FY2004.

E. Deferred maintenance of stewardship assets:

Deferred maintenance for the Museum of the Plains Indian building is reported by the Bureau of Indian Affairs, which is responsible for repairs that exceed $5,000. Deferred maintenance for the Southern Plains Indian Museum building is also reported by the Bureau of Indian Affairs. The Sioux Indian Museum is contained within The Journey museum complex, which is responsible for building maintenance.

The following chart indicates the disciplines addressed, location of objects, and estimated number of objects at Bureau facilities and other institutions as of September 30, 2003.

Discipline	# of Objects in Bureau Facilities	# of Objects in Other Institutions	Total # of Objects
Art	-	2,883	2,883
Ethnography	-	8,169	8,169
Total # of Objects	**-**	**11,052**	**11,052**

Indian Arts and Crafts Board
FY2003 Status of Cataloging and Condition of Cataloged Bureau Museum Collections
September 30, 2003

Bureaus and Office	Estimated Total Collection Size FY2002	Additions Since Last Report	Withdrawals Since Last Report	Estimated Total Collection Size FY2003	Total Number of Bureau Items Cataloged	Number of Cataloged Items With Item-Level Condition Data
Indian Arts and Crafts Board	11,050	2	-	11,052	10,891	See Above

FY 2003 Additions and Withdrawals to IACB Museum Collections, by Discipline

	2002 Totals	2003 Additions	2003 Withdrawals	2003 Totals
Art	2,882	1	-	2,883
Ethnography	8,168	1	-	8,169
2003 Totals	**11,050**	**2**	**-**	**11,052**

Library Collections

The Department of the Interior Library contains holdings that cover the broad range of matters related to the Department's mission to protect and provide access to our Nation's heritage. Specific collections include a comprehensive law collection, an extensive periodical collection, and a rare book collection consisting of 19th-century monographs on Native Americans, American history, and zoology. The collections are augmented by online access with full-text capabilities. Departmental policy dictates that copies of all publications produced by or for its bureaus and offices will be deposited in the Library collection. Library staff applies emerging technologies in the form of an integrated library system operating on an 18 GB web server and the use of digital copies and microfilm reader-printers to expedite document delivery. The condition of the Library collection is rated generally as good, based on the professional judgment of the staff. Good condition represents paper and bindings that are of good quality and which show no sign of deterioration and are free from blemishes, tears, or fraying of pages. The condition of the collection is subject to potential harm from being housed in a facility where mold and water leaks are common.

Publications are selected and deselected from the collection according to the procedures established by library policy, the Aspen Collection Development Plan, and priorities as set by the Contracting Officer's Technical Representative (COTR). Publications are removed from the collection when they become out of date/out of scope, as approved by the COTR.

The Library serves DOI employees in the Washington, DC area and field offices throughout the Nation, and enhances its ability to fulfill its responsibilities by providing an informative website at http://library.doi.gov, online access to the catalog of holdings over the website, and training sessions to familiarize Departmental staff with the treasures of the collection.

Department of the Interior
(Library) Collectible Heritage Assets - September 30, 2003

Library Collections:	September 30, 2002 (units)	Additions (units)	Withdrawals (units)	September 30, 2003 (units)	Condition		
					Good	Fair	Poor
Departmental Library	1,000,000	46,550	48,600	997,950	100%		

INVESTMENTS IN NON-FEDERAL PHYSICAL PROPERTY

Office of Insular Affairs

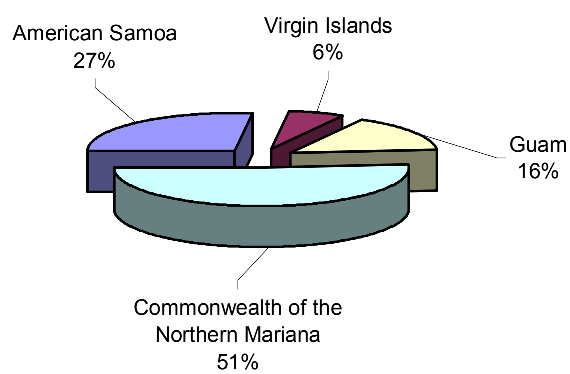
The Office of Insular Affairs (OIA) is a small office which carries out the Secretary=s responsibilities for U.S.-affiliated insular areas. These include the territories of Guam, American Samoa, the U.S. Virgin Islands, and the Commonwealth of the Northern Mariana Islands, as well as the three freely associated states: the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau. All of the OIA programs fall within the mission goal of S*erving Communities -- Increase Economic Self-Sufficiency of Insular Areas (Goal 5 of the Department Strategic Plan).* OIA will achieve its mission by improving the financial management practices of insular governments, increasing economic development, and increasing Federal responsiveness to the unique needs of island communities. The Office of Insular Affairs hopes to increase the resources available to the insular area governments while promoting economic self-sufficiency. The total estimated OIA budget for fiscal year 2005 is $380 million, of which all but $46.1 million is mandatory funding.

The OIA provides capital improvement grants to the insular areas. The capital investment in non-federal physical property in the territories was approximately $30.9 million in FY 2003. In FY 2003, approximately 75% of the $30.9 million went toward non-federal insular area investments in sewage, wastewater, and solid waste projects; and public buildings, which include hospital and medical facilities. Capital Investment funds provided to the freely associated states: the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau are not included in this report. /1

Figure 1 depicts total investment distributed by insular area. Figure 2 shows capital investment dollars by major activity for each of the insular areas. Figure 3 compares investment dollars for fiscal years 1999 through 2003.

Figure 1
(In thousands)

Percentage of Total Investment ($30,920) Distributed by Insular Area for the Year Ended September 30, 2003



[1] Footnote. In prior years the Supplementary Stewardship Information identified certain funds expended in the Freely Associated States. However, in recent years it has been determined that these funds, which are provided to the freely associated states by the United States Government as authorized under the Compacts of Free Association, are investments to non-U.S. governments and the properties are not owned by the U.S. states, its territories or local governments.

Figure 2
CAPITAL INVESTMENT BY MAJOR ACTIVITY WITHIN INSULAR AREA
FY 2003
(In Thousands)

American Samoa			Commonwealth of the Northern Mariana Islands		
Hospitals	$	1,567	Airports	$	883
Ports		520	Health/Hospitals		402
Public Buildings		956	Electrical/Power		1,124
Roads		46	Public Buildings		5,381
Schools		2,568	Roads		346
Sewer		1,735	Education/Schools		275
Solid Waste		153	Sewer		708
Water		786	Solid Waste		6,562
Total	**$**	**8,331**	Water		222
			Total	**$**	**15,903**

Guam			Virgin Islands		
Public Buildings	$	38	Hospitals	$	1,210
Roads		636	Schools		159
Schools		1,427	Sewer		145
Solid Waste		1,995	Solid Waste		366
Water		710	**Total**	**$**	**1,880**
Total	**$**	**4,806**			

Figure 3
(In thousands)
Capital Investment by Major Activity within Insular Area

American Samoa

1999		2000		2001		2002		2003	
Hospitals	$ 1,969	Hospitals	$ 1,184	Hospitals	$ 1,416	Hospitals	$ 1,564	Hospitals	$ 1,567
Ports	1,091	Ports	1,039	Ports	83	Ports	319	Ports	520
Power	1,130	Power	238	Power	13	Power	238	Public Buildings	956
Public Buildings	1,428	Public Buildings	413	Public Buildings	161	Public Buildings	446	Roads	46
Roads	824	Roads	533	Roads	85	Roads	485	Schools	2,568
Schools	2,637	Schools	4,094	Schools	4,587	Schools	2,242	Sewer	1,735
Sewer	472	Sewer	1,105	Sewer	2,700	Sewer	3,593	Solid Waste	153
Solid Waste	417	Solid Waste	239	Solid Waste	252	Solid Waste	100	Water	786
Water	1,501	Tank Farm	1,000	Water	694	Water	733		
		Water	1,088						
Total	$ 11,469	**Total**	$ 10,933	**Total**	$ 9,991	**Total**	$ 9,720	**Total**	$ 8,331

Commonwealth of the Nothern Mariana Islands

1999		2000		2001		2002		2003	
Hospitals	$ 480	Electrical	$ 599	Airports	$ 1,525	Airports	$ 625	Airports	$ 883
Public Buildings	198	Health/Hospitals	623	Electrical	511	Electrical	777	Health/Hospitals	402
Power	1,885	Public Buildings	2,030	Health/Hospitals	299	Health/Hospitals	108	Electrical	1,124
Schools	2,441	Roads	3,515	Public Buildings	4,188	Public Buildings	4,240	Public Buildings	5,381
Solid Waste	475	Schools	3,950	Roads	701	Roads	431	Roads	346
Sewer	178	Solid Waste	1,528	Schools	5,693	Schools	7,485	Schools	275
Transportation	1,511	Sewer/Drainage	860	Solid Waste	955	Solid Waste	4,793	Solid Waste	6,562
Water	2,566	Water	1,042	Wastewater	1,086	Wastewater	1,384	Wastewater	708
				Water	1,535	Water	229	Water	222
Total	$ 9,734	**Total**	$ 14,147	**Total**	$ 16,493	**Total**	$ 20,072	**Total**	$ 15,903

Federated States of Micronesia

1999		2000		2001	
Power	$ 26	Airports	$ 26	Electrical	$ 337
Sewer	62	Electrical	21	Wastewater	646
Transportation	2,352	Wastewater	547		
Water	23				
Total	$ 2,463	**Total**	$ 594	**Total**	$ 983

Guam

1999		2000		2001		2002		2003	
Public Buildings	$ 1,974	Public Buildings	$ 97	Hospitals	$ 1,309	Hospitals	$ 2,059	Public Buildings	$ 38
Roads	323	School Gyms	195	Public Buildings	240	Public Buildings	504	Roads	636
Sewer	754	Sewer	879	Roads	5,092	Roads	1,268	Schools	1,427
Water	1,112	Water	255	Sewer	490	Sewer	86	Solid Waste	1,995
				Water	2,701	Water	573	Water	710
Total	$ 4,163	**Total**	$ 1,426	**Total**	$ 9,832	**Total**	$ 4,490	**Total**	$ 4,806

Republic of the Marshall Islands

1999		2000	
Water	$ 386	Health/Hospitals	$ 567
Total	$ 386	**Total**	$ 567

Republic of Palau

1999		2000		2002	
Hospitals	$ 231	Health/Hospitals	$ 581	Health/Hospitals	$ 68
Power	311	Electrical	115	Roads	401
Public Buildings	26	Public Buildings	56		
Sewer	326	Wastewater	89		
Transportation	1				
Water	202				
Total	$ 1,097	**Total**	$ 841	**Total**	$ 469

U.S Virgin Islands

1999		2000		2001		2002		2003	
Public Buildings	$ 10	Schools	$ 3,419	Hospitals	$ 54	Hospitals	$ 4,538	Hospitals	$ 1,210
Schools	3,035			Prisons	536	Schools	31	Schools	159
Water	360			Schools	1,004	Sewer	560	Sewer	145
				Sewer	66	Water	359	Solid Waste	366
				Water	805				
Total	$ 3,405	**Total**	$ 3,419	**Total**	$ 2,465	**Total**	$ 5,488	**Total**	$ 1,880

Utah Reclamation Mitigation & Conservation Commission

The Central Utah Project Completion Act (CUPCA) expressly authorized the Utah Reclamation Mitigation & Conservation Commission to invest in fish and wildlife habitat improvements on non-Federal properties because the BOR projects in Utah affected fish and wildlife resources beyond the boundaries of the Reclamation projects, and opportunities to mitigate on Federal lands are often limited.

PL 102-575, Title III 1999-2003 (IN THOUSANDS)	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Schools & Public Buildings	$ 3,519	$ 1,827	$ 1,605	$ 3,845	$ 158
Dams & Other Structures	2	41	390	5	380
Land	1	-	101	35	240
Roads & Bridges	-	-	-	-	-
Total	**$ 3,522**	**$ 1,868**	**$ 2,096**	**$ 3,885**	**$ 778**
Public Buildings					
Sec 313 (c)					
Fish Hatchery Production	3,519	1,827	1,605	3,845	158
CUPCA expressly authorized the Commission to invest in State fish hatcheries to partially offset the cost incurred by others in stocking fish in Federal reclamation reservoirs to provide the fisheries benefits claimed by those Federal projects.					
Dams & Other Structures					
Sec 203 (a)(5)					
Duchesne Strawberry Diversion Structures	2	41	390	5	380
The Commission, in conjunction with the Duchesne County Water Conservancy District, is reconstructing and rehabilitating diversion structures on the Duchesne and Strawberry Rivers.					
Land					
Sec 306 (a)					
Wetlands Around Great Salt Lake	1	-	101	35	240
The Great Salt Lake ecosystem provides the vast majority of the remaining valuable wetlands in Utah and thus is a critical site for achieving wetland mitigation. The Commission has made investments on wetland properties in conjunction with major wetland conservation programs conducted by the State of Utah Division of Wildlife Resources, Utah State University, The Nature Conservancy, and the National Audubon Society. Commission investments have included a variety of habitat improvement.					
Total	**$ 3,522**	**$ 1,868**	**$ 2,096**	**$ 3,885**	**$ 778**

Central Utah Project Completion Act (CUPCA)

CENTRAL UTAH PROJECT COMPLETION ACT (CUPCA) CAPITAL INVESTMENT 1999-2003 (IN THOUSANDS)	1999	2000	2001	2002	2003
Sec 203 (a) (5)					
Duchesne Strawberry Diversion Structures Construction of permanent diversion facilities on the Duchesne and Strawberry Rivers. The Moon Lake Water Users Association privately owns these diversion facilities.	$ 2,397	$ 222	$ -	$ -	$ -
Total	**$ 2,397**	**$ 222**	**$ -**	**$ -**	**$ -**

INVESTMENTS IN RESEARCH AND DEVELOPMENT

Central Utah Project Completion Act (CUPCA)

In order to provide for the completion of the Central Utah Project, Public Law 102-575 was enacted on October 30, 1992. Funds authorized pursuant to this act are appropriated annually to the Secretary and such appropriations are made immediately available in their entirety to the Central Utah Water Conservancy District (CUWCD). In addition, Sec 204 of Public Law 102-575 requires the Central Utah Water Conservancy District to share the costs of the measures in sections 202 and 203 with non-federal funds, with the exception of the Provo River Studies (Sec 202(a)(6)). All CUPCA R&D is applied.

CENTRAL UTAH PROJECT COMPLETION ACT (CUPCA) R&D INVESTMENT 1999-2003 (IN THOUSANDS)	1999	2000	2001	2002	2003
Sec 202(a)(1)					
Conjunctive Use of Surface and Ground Water Purpose: Feasibility Study and development by the Utah Division of Water Resources in coordination with the Jordan Valley Water Conservancy District to allow ground water recharge, management, and the conjunctive use of surface water resources with ground water resources in Salt Lake, Utah, Davis, Wasatch, and Weber Counties in the State of Utah. Cost Share Percentage required: 35 %	$ 3,103	$ -	$ -	$ -	$ -
Sec 202(a)(4)					
Utah Lake Salinity Control Purpose: Feasibility study by the District to reduce the salinity of Utah Lake. Cost Share Percentage required: 50%	25	114	39	23	3
Sec 202(a)(5)					
Provo River Studies Purpose: The District conducted a hydrologic study of the Provo River Basin and a feasibility study of direct delivery of Colorado River Basin water from the Strawberry Reservoir or elsewhere in the Strawberry Collection System to the Provo River Basin. Cost Share Percentage required: NONE	7	-	-	-	-

CENTRAL UTAH PROJECT COMPLETION ACT (CUPCA) R&D INVESTMENT 1999-2003 (IN THOUSANDS)	1999	2000	2001	2002	2003
Sec 206 (b)					
Local Development in Lieu of Irrigation and Drainage	390	956	150	250	840
Purpose: The Secretary provides as a grant to an eligible county an amount that shall constitute 65 percent of the cost of implementation of Potable Water distribution and treatment, Wastewater collection and treatment, and Agriculture water management. Cost Share Percentage required: 35%					
Sec 207(e)(1)					
Water Management Improvement	43	69	35	35	37
Purpose: To conduct a study of wholesale and retail pricing to encourage water conservation and a study of the coordinated operations of independent municipal and industrial and irrigation and water systems. Cost Share Percentage required: 50%					
Sec 207(e)(2)					
Conservation Measures	11,001	13,616	4,000	3,728	5,976
Purpose: Implementation of the conservation measures in accordance with the Water Management Improvement Plan identified in Sec 207(b). Cost Share Percentage required: 35%					
Sec 314 (c)					
Mitigation & Conservation Measures	458	272	287	426	548
Purpose: To provide mitigation and conservation measures outside the State of Utah by restoring damaged natural ecosystems on public lands and waterways affected by the Federal Reclamation program. Cost Share Percentage required: NONE					
Total	**$ 15,026**	**$ 15,028**	**$ 4,510**	**$ 4,462**	**$ 7,405**

Utah Reclamation Mitigation & Conservation Commission

The Commission does not fund basic research. Amounts reported are either for research calculated to determine the means by which mitigation measure or program could be achieved (applied) or to determine the best method or design for an identified mitigation measures (developmental).

Utah Reclamation Mitigation and Conservation Commission
(In Thousands)

PL 102-575, Title's II and III	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Applied Research	283	184	121	109	70
Development	-	38	22	436	392
Total	**283**	**222**	**142**	**544**	**462**

In fiscal year 2003, the Commission's research has focused primarily on the Native Cutthroat Trout and the June Sucker.

U.S. Department of the Interior
Departmental Offices

Other Supplementary Information
September 30, 2003

Department of the Interior
Departmental Offices
Consolidating Balance Sheet
As of September 30, 2003
(dollars in thousands)

	TOTAL	Working Capital Fund	Departmental Management	Environmental Activity	Services to Native Americans	Services to Insular Areas	Central Utah Project	Eliminations
ASSETS								
Intragovernmental Assets:								
Fund Balance with Treasury	**$ 899,714**	$ 317,520	$ 189,099	$ 52,439	$ 96,558	$ 211,917	$ 32,181	$ -
Investments, Net	**371,802**	-	-	155,695	75,973	-	140,134	-
Accounts and Interest Receivable, Net	**22,005**	17,668	4,732	-	890	47	-	(1,332)
Advances and Prepayments	**9,788**	5,179	1,049	3,015	315	213	17	-
Total Intragovernmental Assets	**1,303,309**	**340,367**	**194,880**	**211,149**	**173,736**	**212,177**	**172,332**	**(1,332)**
Investments, Net	**181,540**	-	-	-	181,540	-	-	-
Accounts and Interest Receivable, Net	**10,419**	2,668	2,000	5,705	46	-	-	-
Loans and Interest Receivable, Net	**24,675**	-	-	-	-	24,675	-	-
Inventory and Related Property	**523**	523	-	-	-	-	-	-
General Property, Plant & Equipment, Net	**241,008**	31,059	887	-	1,688	7	207,367	-
Advances and Prepayments	**4,035**	49	16	-	11	-	3,959	-
TOTAL ASSETS	**$ 1,765,509**	**$ 374,666**	**$ 197,783**	**$ 216,854**	**$ 357,021**	**$ 236,859**	**$ 383,658**	**$ (1,332)**
LIABILITIES								
Intragovernmental Liabilities:								
Accounts Payable	**$ 10,342**	$ 1,804	$ 140	$ 2,396	$ 6,354	$ 278	$ 272	$ (902)
Debt	**25,307**	-	-	-	-	25,307	-	-
Other								
Accrued Payroll and Benefits	**20,945**	1,675	18,213	16	961	53	28	(1)
Advances and Deferred Revenue	**216,819**	216,620	259	-	-	158	-	(218)
Deferred Credits	**992**	-	1,203	-	-	-	-	(211)
Other Liabilities	**1,157**	-	771	-	386	-	-	-
Total Intragovernmental Liabilities	**275,562**	**220,099**	**20,586**	**2,412**	**7,701**	**25,796**	**300**	**(1,332)**
Public Liabilities:								
Accounts Payable	**73,850**	59,019	2,066	97	2,574	9,808	286	-
Federal Employees Compensation Act Liability	**20,750**	7,165	9,013	27	4,176	246	123	-
Environmental Cleanup Costs	**1,000**	1,000	-	-	-	-	-	-
Other								
Accrued Payroll and Benefits	**25,996**	7,723	14,827	66	3,178	83	119	-
Advances and Deferred Revenue	**4,688**	4,690	-	-	(2)	-	-	-
Deferred Credits	**160,998**	-	159,152	-	1,846	-	-	-
Contingent Liabilities	**693**	-	-	-	693	-	-	-
Total Public	**287,975**	**79,597**	**185,058**	**190**	**12,465**	**10,137**	**528**	**-**
TOTAL LIABILITIES	**563,537**	**299,696**	**205,644**	**2,602**	**20,166**	**35,933**	**828**	**(1,332)**
Commitments and Contingencies								
NET POSITION								
Unexpended Appropriations	**338,947**	6,201	16,167	25,867	80,272	200,346	10,094	-
Cumulative Results of Operations	**863,025**	68,769	(24,028)	188,385	256,583	580	372,736	-
TOTAL NET POSITION	**1,201,972**	**74,970**	**(7,861)**	**214,252**	**336,855**	**200,926**	**382,830**	**-**
TOTAL LIABILITIES AND NET POSITION	**$ 1,765,509**	**$ 374,666**	**$ 197,783**	**$ 216,854**	**$ 357,021**	**$ 236,859**	**$ 383,658**	**$ (1,332)**

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

U.S. Department of the Interior
Departmental Offices

Independent Auditors' Report

United States Department of the Interior
Office of Inspector General
Washington, D.C. 20240

December 19, 2003

Memorandum

To: Assistant Secretary for Policy Management and Budget

From: Roger La Rouche Roger La Rouche
Assistant Inspector General for Audits

Subject: Independent Auditors' Report on the Departmental Offices' Financial Statements for Fiscal Years 2003 and 2002 (Assignment No. E-IN-DMO-0068-2003)

We contracted with KPMG LLP, an independent certified public accounting firm, to audit the Departmental Offices' financial statements as of September 30, 2003, and for the year then ended. The contract required that KPMG conduct its audit in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States of America, Office of Management and Budget Bulletin 01-02, *Audit Requirements for Federal Financial Statements*, and the General Accounting Office/President's Council on Integrity and Efficiency, *Financial Audit Manual.*

In its Independent Auditor's Report dated November 15, 2003 (Attachment 1), KPMG issued an unqualified opinion on Departmental Offices' financial statements. KPMG identified eight reportable conditions related to internal controls and financial operations: (1) trust funds, (2) suspense accounts, (3) application and general controls over financial management systems, (4) financial reporting, (5) revenue transactions, (6) budgetary resources, (7) costing methodology, and (8) grants. KPMG considers the first two reportable conditions to be material weaknesses. With regard to compliance with laws and regulations, KPMG found Departmental Offices to be noncompliant with portions of the Federal Financial Management Improvement Act (FFMIA). Specifically, Departmental Offices' financial management systems did not substantially comply with Federal financial management systems requirements and Federal accounting standards. In regard to compliance with laws and regulations exclusive of those referred to in the FFMIA, KPMG found the Departmental Offices to be noncompliant with the Single Audit Act Amendments of 1996.

KPMG is responsible for the auditors' report and for the conclusions expressed in the report. We do not express an opinion on the Departmental Offices' financial statements, conclusions about the effectiveness of internal controls, conclusions on whether the Departmental Offices' financial management systems substantially complied with FFMIA, or conclusions on compliance with laws and regulations.

In the November 26, 2003 response (Attachment 2), Departmental Offices generally concurred with the report's findings and recommendations and indicated corrective actions would be taken. Based on Departmental Offices' response, we consider all the recommendations resolved but not implemented. The recommendations will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation.

The legislation, as amended, creating the Office of Inspector General, (5 U.S.C.A. App. 3) requires semiannual reporting to Congress on all audit reports issued, actions taken to implement audit recommendations, and recommendations that have not been implemented. Therefore, this report will be included in our next semiannual report.

We appreciate the cooperation and assistance of Departmental Offices personnel during the audit. If you have any questions, please contact me at (202) 208-5512.

Attachments (2)

2001 M Street NW
Washington, DC 20036

INDEPENDENT AUDITORS' REPORT

Assistant Secretary for Policy, Management and Budget and Inspector General
U.S. Department of the Interior:

We have audited the accompanying consolidated balance sheets of Departmental Offices as of September 30, 2003 and 2002, and the related consolidated statements of net costs, consolidated statements of changes in net position, combined statements of budgetary resources, and consolidated statements of financing, for the years then ended (hereinafter referred to as the "financial statements"). The objective of our audits was to express an opinion on the fair presentation of these financial statements. In connection with our audits, we also considered Departmental Offices' internal control over financial reporting and tested Departmental Offices' compliance with certain provisions of applicable laws and regulations that could have a direct and material effect on its financial statements.

SUMMARY

As stated in our opinion on the financial statements, we concluded that Departmental Offices' financial statements as of and for the years ended September 30, 2003 and 2002, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

In our report dated January 17, 2003, we expressed an opinion on Departmental Offices' 2002 financial statements qualified for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding Departmental Offices' accounts receivable and advances from others. Since that date, Departmental Offices has provided us with such evidence and has reclassified amounts between these accounts as discussed in Note 29 to the financial statements. Accordingly, our present opinion on the 2002 financial statements, as presented herein, is different from that expressed in our previous report.

As discussed in Note 29 to the financial statements, Departmental Offices restated its fiscal year 2002 combined statement of budgetary resources and consolidated statement of financing to record additional budgetary resources. In addition, as discussed in Note 30 to the financial statements, Departmental Offices transferred part of the Interior Franchise Fund to the Minerals Management Service effective October 1, 2002.

Our consideration of internal control over financial reporting identified the following reportable conditions:

<u>Reportable Conditions That Are Considered to be Material Weaknesses</u>

A. Trust funds

B. Suspense accounts

KPMG

Other Reportable Conditions

C. Application and general controls over financial management systems

D. Financial reporting

E. Revenue transactions

F. Budgetary resources

G. Costing methodology

H. Grants

The results of our tests of compliance with certain provisions of laws and regulations disclosed the following instances of noncompliance that are required to be reported herein under *Government Auditing Standards,* issued by the Comptroller General of the United States, or Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements:*

I. *Single Audit Act Amendments of 1996*

J. *Federal Financial Management Improvement Act of 1996* (FFMIA)

The following sections discuss our opinion on the financial statements, our consideration of Departmental Offices' internal control over financial reporting, our tests of Departmental Offices' compliance with certain provisions of applicable laws and regulations, and management's and our responsibilities.

OPINION ON THE FINANCIAL STATEMENTS

We have audited the accompanying balance sheets of Departmental Offices as of September 30, 2003 and 2002, and the related statements of net cost, changes in net position, budgetary resources, and financing for the years then ended.

In our report dated January 17, 2003, we expressed an opinion on Departmental Offices' 2002 financial statements qualified for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding Departmental Offices' accounts receivable and advances from others. Since that date, Departmental Offices has provided us with such evidence and has reclassified amounts between these accounts as discussed in Note 29 to the financial statements. Accordingly, our present opinion on the 2002 financial statements, as presented herein, is different from that expressed in our previous report.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Departmental Offices as of September 30, 2003 and 2002, and its net costs, changes in net position, budgetary resources, and reconciliation of net costs to budgetary obligations for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 29 to the financial statements, Departmental Offices restated its fiscal year 2002 combined statement of budgetary resources and consolidated statement of financing to record additional budgetary resources. In addition, as discussed in Note 30 to the financial statements, Departmental Offices transferred part of the Interior Franchise Fund to the Minerals Management Service effective October 1, 2002.

The information in the Management Discussion and Analysis, Required Supplementary Stewardship Information, and Required Supplementary Information sections is not a required part of the financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America or OMB Bulletin No. 01-09, *Form and Content of Agency Financial Statements*. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information in the Other Supplementary Information section is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position of Departmental Offices' components individually. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Departmental Offices' ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements.

Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements, in amounts that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

In our fiscal year 2003 audit, we noted certain matters involving internal control over financial reporting and its operation that we consider to be reportable conditions. We believe that the reportable conditions A and B are material weaknesses.

A. Trust Funds

The United States Congress has designated the Secretary of the Interior as the primary fiduciary with responsibility for the monetary and non-monetary resources held in trust on behalf of American Indian Tribes, individual Indians, and other trust funds (hereafter collectively referred to as the Indian Trust Funds). The Secretary carries out this fiduciary responsibility through the Office of the Special Trustee for American Indians (OST), the Bureau of Indian Affairs (BIA), and other Department of the Interior (Interior) bureaus. OST is a component of Departmental Offices.

The Indian Trust Funds' balances include balances considered Federal funds and balances considered non-Federal funds. The amounts considered Federal funds are reflected in Departmental Offices' financial statements, while the non-Federal trust funds are not reflected in Departmental Offices' financial statements. However, the Indian Trust Funds' transactions and balances are disclosed in a footnote to Departmental Offices' financial statements, in accordance with Federal accounting standards.

We noted that the procedures and internal controls are not adequate to ensure that the Indian Trust Funds' activity and balances are recorded properly or timely. We noted the following weaknesses:

1. <u>Trust Fund Balances</u> – OST is unable to provide accounting records to properly support the Indian Trust Funds' balances. For example, the aggregate sum of all positive balances of Individual Indian Monies (IIM) trust fund balances in the subsidiary ledger exceed the balance in the control account by approximately $6 million as of September 30, 2003. In addition, as of September 30, 2003, the Individual Indian Monies subsidiary ledger contains negative trust fund balances of approximately $44 million (of which approximately $233 thousand is attributed to individual Indian accounts as of September 30, 2003). In addition, OST was unable to provide documentation supporting the authorization of certain 2003 automated disbursements. OST also is in the process of investigating and resolving an undistributed interest account of approximately $1.7 million. Furthermore, certain account holders do not agree with the trust fund balances and have filed claims against the U.S. Government and Interior, that remain unresolved.

2. <u>Special Deposit Accounts</u> – In accordance with Title 25 of the Code of Federal Regulations and as directed by BIA, OST records receipts into a special deposit account within the IIM subsidiary ledger when the recipient trust fund account is unknown at time of receipt. When BIA identifies the trust fund account, OST transfers the amount from the special deposit account to the designated trust fund account or disburses as appropriate, in accordance with BIA instructions. During fiscal years 2002 and 2001, management of OST, together with the BIA and a contractor, developed and put into place a formal plan to address special deposit accounts. Beginning in fiscal year 2003, Interior's Office of Historical Trust Accounting began working with OST and BIA to distribute funds in special deposit accounts that were opened on or before December 31, 2002. BIA will address special deposit account activity after December 31, 2002, by providing instructions for distributions to OST. Interior needs to resolve approximately $59 million of special deposit accounts included in the IIM subsidiary ledger as of September 30, 2003. At September 30, 2003 a significant number of special deposit accounts continue to require resolution, and management anticipates that these accounts will be reconciled by the beginning of fiscal year 2007.

3. Trust Fund Information Systems – Interior needs to improve security and general controls over the Trust Fund information systems. Specifically, Interior needs to improve segregation of duties, accredit and certify its general and application systems, and strengthen controls to prevent unauthorized access.

4. Appraisal Compacts – One of the key elements in performing realty trust transactions is the requirement to obtain appraisals for realty transactions. Current laws allow the appraisal function to be compacted to tribes, who are often the named parties involved in realty transactions. BIA is responsible for assisting trust beneficiaries in the negotiation and execution of realty transactions. Office of Appraisal Services (OAS) is responsible for conducting reviews of appraisals that are completed for the benefit of tribes or individual trust beneficiaries. Controls are not in place to ensure that all appraisals, completed for the benefit of tribes or individual trust beneficiaries, are provided to OAS.

5. Entering and Maintaining Trust Fund Information – The regional and agency offices of BIA perform a critical role in the initial input and subsequent changes to the Indian Trust Funds' information disclosed by Departmental Offices. We noted the following weaknesses related to the internal controls performed by regional and agency offices:

   a. Segregation of Duties – The responsibilities for trust fund processing are not properly segregated to prevent or detect errors. Specifically, in some locations an individual employee has the ability to initiate lease agreements; generate annual billings for property leases; collect payment for leases; send instructions to OST to create IIM accounts; and distribute funds.

   b. Probate Backlog – The probate orders for land title are not entered into the trust management systems timely. Although BIA has made progress in reducing the backlog, BIA still has probate orders that have not been recorded. This increases the potential for inaccurate and untimely distributions of income to the Indian Trust Fund account holders.

   c. Untimely Deposits – We determined that agency offices did not consistently forward trust receipts to OST in a timely manner. Some of these delays occurred at agency offices where OST and BIA personnel reside and other delays occurred at agency offices occupied by BIA personnel only.

Recommendation

We recommend that the Department of the Interior develop and implement procedures and internal controls to address these deficiencies.

B. Suspense Accounts

Departmental Offices did not reconcile its customer payroll suspense accounts or investigate and resolve the contents of its suspense accounts in a timely manner. During the fiscal year, Departmental Offices had not fully reconciled Standard General Ledger (SGL) account 2400 –*Liability for Deposit Funds, Clearing Accounts, and Undeposited Collections* and recorded Federal payroll withholdings related to the Thrift Savings Plan (TSP) in the incorrect fund.

As a result of our observations, Departmental Offices expended a significant amount of time and resources analyzing, reconciling, and adjusting its financial statement balances to ensure the amounts were fairly stated.

Recommendations

1. We recommend that Departmental Offices reconcile its customer payroll suspense accounts and investigate and resolve the contents of the suspense accounts on a monthly basis.

2. We recommend that Departmental Offices establish controls to ensure it records Federal payroll withholdings in the proper fund. This should include management review and approval of transaction reports.

C. Application and General Controls Over Financial Management Systems

The National Business Center (NBC), a component within Departmental Offices, administers several of the Department's financial management systems, including the Federal Financial System (FFS); Federal Personnel and Payroll System (FPPS); and the Interior Department Electronic Acquisitions System (IDEAS).

Although NBC is working towards improving the security and controls over the information systems, controls need to be improved in the areas described below, as required by OMB Circular A-130, *Management of Federal Information Resources.* These conditions could affect Departmental Offices ability to prevent and detect unauthorized changes to financial information, control electronic access to sensitive information, and protect its information.

1. Entity-wide Security Program – An entity-wide security program, including security policies and a related implementation plan, is the foundation of an entity's security control structure and a reflection of senior management's commitment to addressing security risks. An effective security program includes a risk assessment process, certification process, and effective incident response and monitoring capabilities. Specifically, we noted the following:

   a. Security Program – NBC is making progress towards establishing a security infrastructure, however, continued efforts need to be made in implementing security policies and procedures, and in monitoring the security program. Furthermore, the NBC has not established memorandums of understanding with the Interior bureaus to designate minimum security responsibilities. Finally, NBC has not implemented a comprehensive security awareness program that covers necessary security issues as recommended by NIST.

   b. Certification and Accreditation – NBC has a certification and accreditation program, however, NBC has not fully completed the certification and accreditation process for all application and general support systems.

   c. Background Investigations – NBC does not have controls to ensure that background investigations are performed for contractors.

d. Security Training – NBC's security training curriculum does not meet the minimum requirements established by NIST and its security awareness program does not include minimum requirements for passing the related examination. In addition, NBC has not developed controls to ensure that all employees and contractors receive annual security training.

2. Access Controls – Access controls should provide reasonable assurance that computer resources such as data files, application programs, and computer-related facilities and equipment are protected against unauthorized modification, disclosure, and loss. NBC needs to strengthen controls to prevent and detect access vulnerabilities. In addition, NBC needs to improve controls over granting, terminating, and monitoring system access to applications. Furthermore, NBC has not consistently limited access to system information and has not finalized and communicated guidelines regarding posting of information on the Internet.

3. System Software Controls – Controls over the modification of system software change controls should provide reasonable assurance that operating system controls are protected from unauthorized modification, disclosure, and loss of critical or sensitive information or programs. NBC has not fully limited access to its system software.

4. Software Development and Change Controls – Establishing controls over the modification of application software programs helps ensure that only authorized programs and modifications are implemented. The FPPS manual change control process allows certain database administrators to implement software changes without proper management approval. In addition, NBC has not formalized and approved policies for changes to the Hyperion and IDEAS applications.

Recommendation

We recommend that Departmental Offices develop and implement a formal action plan to improve the security and general controls over the financial management systems. This plan should address each of the areas discussed above, as well as other areas that might affect the information technology control environment to ensure adequate security and protection of the Department of the Interior's information systems.

D. Financial Reporting

Transactions should be promptly recorded, properly classified and accounted for in order to prepare timely accounts and reliable financial and other reports. Departmental Offices needs to improve the following controls over the recording and reporting of financial transactions in the following areas:

1. Segregation of Duties – Departmental Offices has not properly segregated certain financial responsibilities to prevent and detect financial misstatements. We determined that the same individual authorizes, records, and reviews transactions related to loans and certain investments. In addition, supervisors do not consistently review and approve investment reconciliations and manual journal entries to prevent and detect financial misstatements.

2. Intra–departmental Eliminations – Departmental Offices does not reconcile transactions and balances with other components of the Department of the Interior in a timely manner, in accordance with OMB Bulletin No. 01–09, *Form and Content of Agency Financial Statements,* and Department of the Treasury's *Federal Intragovernmental Transactions Accounting and Policies Guide.* This occurred because as Departmental Offices and the other Interior components did not start the reconciliation process until the third quarter of the fiscal year. In addition, Departmental Offices is dependent upon other Interior components to provide amounts and information and these components do not consistently respond to Departmental Offices.

3. Accounts Receivable and Advances from Others – Departmental Offices did not consistently analyze and reconcile unbilled accounts receivable and advances from others at the agreement level. Departmental Offices had approximately $9.5 million of unnatural accounts receivable balances and approximately $2.6 million of advances from others not associated with an agreement. In addition, Departmental Offices had approximately 200 agreements with both accounts receivable and advances from others balances totaling approximately $17 million and $82 million, respectively.

4. Accruals – Departmental Offices needs to improve controls over determining and recording accruals. Departmental Offices did not finalize its accrual process until the end of the year, had to revise the accrual calculation for the Fort Huachuca reimbursable activity as a result of our observations, and the accrual calculation did not match the general ledger by approximately $4 million.

As a result of our observations, Departmental Offices expended additional time and resources analyzing, reconciling, and adjusting its financial statement balances to ensure the amounts were fairly stated.

Recommendations

We recommend that Departmental Offices perform the following, to improve the recording and reporting of financial transactions:

1. Segregation of Duties – Departmental Offices should segregate the responsibilities for authorizing, recording and reviewing transactions and have supervisors review and approve reconciliations and manual journal entries.

2. Intra–departmental Eliminations – We understand that the Department of the Interior is developing an automated process to facilitate the reconciliation of intra–Departmental transactions. We recommend that the Department of the Interior complete and implement this automated process. Until the automated process is implemented, we recommend that Departmental Offices meet with the other Interior components to reconcile transactions and balances on at least a quarterly basis.

3. Accounts Receivable and Advances from Others – We recommend that Departmental Offices develop and implement formal month-end financial reporting processes to identify and resolve unnatural balances, transactions not associated with an agreement, and agreements with both an accounts receivable and advance balance.

4. Accruals – We recommend that Departmental offices improve its controls over accruals as follows:
   a. Compare accrual calculations with subsequent results to assess the accuracy of the calculations;
   b. Reconcile the accrual calculations from the general ledger; and
   c. Require a supervisor to review and approve the accrual calculations and the reconciliation from the accrual calculations to the general ledger.

E. Revenue Transactions

Departmental Offices classified certain receipts related to the Natural Resources Damage Assessment and Restoration (NRDAR) program and certain appropriation transfers from the Bureau of Indian Affairs as exchange revenue instead of non-exchange transactions in accordance with the Federal accounting standards. In addition, Departmental Offices did not recognize accounts receivable for NRDAR settlement funds that Departmental Offices had a legally enforceable claim to, were considered collectible, and were reasonably estimable. As a result of our recommendations, Departmental Offices adjusted the balances appropriately.

Recommendation

We recommend that Departmental Offices develop and communicate policies and procedures to properly classify receipts in accordance with the Federal accounting standards. In addition, we recommend that Departmental Offices develop and implement a process to identify and record accounts receivable related to NRDAR program.

F. Budgetary Resources

Budgetary transactions should be promptly recorded, properly classified and accounted for in order to prepare timely and reliable financial reports. Departmental Offices should improve the following controls over undelivered orders and recoveries of prior year obligation transactions in the following areas:

1. Undelivered Orders – Although Departmental Offices developed and implemented a quarterly certification process for undelivered orders, certain program representatives did not complete the certifications in a timely manner and three of the 78 obligations that we tested during the 2nd and 3rd quarter had not been deobligated in a timely manner.

2. Recoveries of Prior Year Obligations – The accounting system (i.e., Federal Financial System) incorrectly records recoveries of prior year obligations for certain transactions resulting in an overstatement of total budgetary resources and obligations incurred. We noted that reclassifications of obligations between program accounts and certain receipt transactions created inappropriate budgetary recoveries.

As a result of our observations, Departmental Offices expended additional time and resources analyzing, reconciling, and adjusting its budgetary balances to ensure the amounts were fairly stated.

KPMG

Recommendations

1. Undelivered Orders – We recommend that program representatives complete the undelivered order certifications on a quarterly basis and staff accountants record de-obligations in a timely manner. In addition, Departmental Offices should have a second individual review de-obligation transactions to ensure that they are accurate and complete.

2. Recoveries of Prior Year Obligations – We recommend that Departmental Offices modify the system configuration of the general ledger system to properly record downward adjustments. Until the system is properly configured, we recommend that Departmental Offices analyze the amounts included in recoveries of prior year obligations and record correcting entries on a regular basis.

G. Costing Methodology

Departmental Offices through its Working Capital Fund provides certain services on a reimbursable basis as this reduces overall costs and improves efficiency. These services include aircraft, building, communication, reproduction, supply and other services. Departmental Offices does not have a consistent method to arrive at and adjust prices of products and services offered through the Working Capital Fund in accordance with cost accounting standards. As a result, Departmental Offices may not consistently charge its customers.

Recommendations

We recommend that Departmental Offices perform the following to improve its costing methodologies and controls:

1. Establish formal policies and procedures for processing agreements, billings, collections and overhead.

2. Establish an account code structure to track costs consistent with activity-based costing standards or conduct a study to identify an alternative means for recording costs to meet the activity-based costing standards.

This will help ensure that customers are allocated costs on a reasonable and consistent basis.

H. Grants

In accordance with *Single Audit Act Amendments of 1996,* Departmental Offices should monitor grantees to ensure grantees expend awards in accordance with the grant requirements and Federal regulations. Departmental Offices has not fully developed controls to monitor its grantees to detect and prevent misuse of Federal awards. Specifically, Departmental Offices does not consistently perform the following:

1. Reports – Ensure that grantees complete single audits and submit reports within nine months of the grantees' year-end.

2. Findings – Issue management decisions on audit findings within six months after receipt of audit reports and ensure that grantees take appropriate and timely corrective action.

Recommendations

We recommend that Departmental Offices improve its monitoring efforts of grantees as follows:

1. Reports – Establish a monitoring and follow up process to verify that Departmental Offices receives single audits reports within nine months of the grantees' year-end. Departmental Offices should utilize the Federal Clearinghouse website on an on-going basis to determine when an audit report has been submitted. If reports are not received, Departmental Offices should inquire of grantees and consider the need to limit future grant awards until reports are submitted.

2. Findings – Issue management decisions on audit findings within six months after receipt of single audit reports and verify that grantees take appropriate and timely corrective action.

A summary of the status of prior year reportable conditions is included as Exhibit I. We also noted other matters involving internal control over financial reporting and its operation that we have reported to the management of Departmental Offices in a separate letter dated November 15, 2003.

COMPLIANCE WITH LAWS AND REGULATIONS

Our tests of compliance with certain provisions of laws and regulations, as described in the Responsibilities section of this report, exclusive of those referred to in the *Federal Financial Management Improvement Act* (FFMIA), disclosed instances of noncompliance with the following laws and regulations that are required to be reported under *Government Auditing Standards* and OMB Bulletin No. 01-02, and are described below.

I. *Single Audit Act Amendments of 1996*

As discussed in the Internal Control over Financial Reporting section of this report, Departmental Offices does not perform adequate monitoring of grantees in accordance with the *Single Audit Act Amendments of 1996*. Departmental Offices needs to ensure that grantees complete single audits and submit single audit reports to Departmental Offices in a timely manner. In addition, Departmental Offices needs to issue management decisions on findings in a timely manner.

Recommendation

We recommend that in fiscal year 2004, Departmental Offices improve its grantee monitoring process to ensure grantee compliance with the reporting requirements of the *Single Audit Act Amendments of 1996*.

The results of our tests of compliance with other laws and regulations, exclusive of FFMIA, disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 01-02.

The results of our tests of FFMIA disclosed instances, described below, where Departmental Offices' financial management systems did not substantially comply with Federal financial management systems requirements and the Federal accounting standards. The results of our tests of FFMIA disclosed no instances in which Departmental Offices' financial management systems did not substantially comply with the United States Standard General Ledger at the transaction levels.

J. *Federal Financial Management Improvement Act of 1996*

1. Federal Financial Management Systems Requirements – As discussed in the section of our report entitled "Internal Control over Financial Reporting," Departmental Offices needs to improve its EDP security and general control environment. Departmental Offices needs to improve the entity-wide security program, strengthen access controls, limit access to system software, and improve software change and development controls. As a result, Departmental Offices does not substantially comply with the security and general control requirements of OMB Circular A-130, *Management of Federal Information Resources*.

2. Federal Accounting Standards – Departmental Offices is required to prepare its financial statements in accordance with Federal accounting standards. As discussed in the section of our report entitled "Internal Control over Financial Reporting," we identified material weaknesses that affected Interior's ability to prepare its financial statements and related disclosures in accordance with Federal accounting standards. Specifically, we determined that Departmental Offices needs to improve controls over trust funds and suspense accounts.

Recommendations

We recommend that during fiscal year 2004, Departmental Offices perform the following:

1. Federal Financial Management Systems Requirements – Improve the application and general controls over its financial management systems in accordance with requirements set forth in OMB Circular A-130.

2. Federal Accounting Standards – Improve procedures and internal controls to ensure that the financial statements and related disclosures are prepared in accordance with the Federal accounting standards.

RESPONSIBILITIES

Management's Responsibilities

The Government Management Reform Act of 1994 (GMRA) requires each Federal agency to report annually to Congress on its financial status and any other information needed to fairly present its financial position and results of operations. To assist the Department of the Interior in meeting the GMRA reporting requirements, Departmental Offices prepares annual financial statements.

Management is responsible for the financial statements, including:

- Preparing the financial statements in conformity with accounting principles generally accepted in the United States of America;

- Establishing and maintaining internal controls over financial reporting, and preparation of the Management Discussion and Analysis (including the performance measures), required supplementary information, and required supplementary stewardship information, and

- Complying with laws and regulations, including FFMIA.

In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies. Because of inherent limitations in internal control, misstatements, due to error or fraud may nevertheless occur and not be detected.

Auditors' Responsibilities

Our responsibility is to express an opinion on the fiscal year 2003 and 2002 financial statements of Departmental Offices based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, and OMB Bulletin No. 01-02. Those standards and OMB Bulletin No. 01-02 require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes:

- Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- Assessing the accounting principles used and significant estimates made by management; and
- Evaluating the overall financial statement presentation.

We believe that our audits provide a reasonable basis for our opinion.

In planning and performing our fiscal year 2003 audit, we considered Departmental Offices' internal control over financial reporting by obtaining an understanding of Departmental Offices' internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 01-02 and *Government Auditing Standards*. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*. The objective of our audit was not to provide assurance on internal control over financial reporting. Consequently, we do not provide an opinion thereon.

As required by OMB Bulletin No. 01-02, we considered Departmental Offices' internal control over Required Supplementary Stewardship Information by obtaining an understanding of Departmental Offices' internal control, determining whether these internal controls had been placed in operation, assessing control risk, and performing tests of controls. Our procedures were not designed to provide assurance on internal control over Required Supplementary Stewardship Information and, accordingly, we do not provide an opinion thereon.

As further required by OMB Bulletin No. 01-02, with respect to internal control related to performance measures determined by management to be key and reported in the Management Discussion and Analysis, we obtained an understanding of the design of significant internal controls relating to the existence and completeness assertions. Our procedures were not designed to provide assurance on internal control over performance measures and, accordingly, we do not provide an opinion thereon.

As part of obtaining reasonable assurance about whether Departmental Offices' fiscal year 2003 financial statements are free of material misstatement, we performed tests of Departmental Offices' compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 01-02, including certain provisions referred to in FFMIA. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws and regulations applicable to Departmental Offices. Providing an opinion on compliance with laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

Under OMB Bulletin No. 01-02 and FFMIA, we are required to report whether Departmental Offices' financial management systems substantially comply with (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA Section 803(a) requirements.

DISTRIBUTION

This report is intended for the information and use of Departmental Offices' management, the Department of the Interior's management, the Department of the Interior's Office of Inspector General, OMB, the General Accounting Office, and the U.S. Congress, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 15, 2003

Exhibit I

Departmental Offices
Summary of the Status of Prior Year Findings
September 30, 2003

Ref	Fiscal Year 2002 Condition	Fiscal Year 2003 Status
A	Controls over trust funds	This condition has not been corrected and is repeated at finding A.
B	Controls to reconcile transactions and balances with trading partners	This condition has not been corrected and is repeated at finding D.
C	Controls over property, plant, and equipment	This condition has been corrected.
D	Controls over financial reporting	This condition has not been fully corrected and is repeated at finding D.
E	Controls over Interior Franchise Fund	This condition has been corrected.
F	Application and general controls over financial management systems	This condition has not been corrected and is repeated at finding C.
G	Costing methodology	This condition has not been corrected and is repeated at finding G.
H	Section 113 of Public Law 104-208 – *Advances from Interior Franchise Fund*	This condition has been corrected.
I	*Federal Financial Management Improvement Act of 1996*	This condition has not been corrected and is repeated at finding J.

United States Department of the Interior

OFFICE OF THE ASSISTANT SECRETARY
POLICY, MANAGEMENT AND BUDGET
Washington, DC 20240

November 26, 2003
NOV 26 2003

Memorandum

To: Roger La Rouche
Assistant Inspector General for Audits

From: P. Lynn Scarlett
Assistant Secretary for Policy Management and Budget

Subject: Management Response – Independent Auditors' Report on the Departmental Offices' Financial Statements for Fiscal Years 2003 and 2002

We appreciate your efforts to audit the Departmental Offices fiscal year 2003 and 2002 financial statements and provide objective advice on how to improve our financial reporting processes. Our offices worked diligently together to achieve significant results and laid the foundation for achieving reports by the FY 2004 accelerated deadline, while at the same time obtaining an unqualified opinion on both the FY 2003 and FY 2002 financial statements.

As noted in the report, Departmental Offices made progress addressing financial management deficiencies in FY 2003. While we are proud to have achieved an unqualified audit opinion, we still have to employ labor intensive procedures in certain critical areas to compensate for our financial systems deficiencies which hamper our ability to produce timely, reliable financial information. Until these deficiencies are corrected they will adversely affect our overall financial management capabilities and will be a burden on our employees who must deal with these deficiencies on a daily basis.

We generally concur with the 18 recommendations in the Independent Auditors' Report. Corrective actions are underway to address each of the items identified and we will provide your office with new or updated corrective action plans, as appropriate.