



# ANNUAL PERFORMANCE AND ACCOUNTABILITY REPORT

FISCAL YEAR 2006



**INDIAN AFFAIRS**  
**U.S. DEPARTMENT OF THE INTERIOR**



The Dedication of the  
Manuel Lujan, Jr.  
Indian Affairs Building  
and Grand Opening  
Ceremony for  
the National Indian  
Programs Training Center  
Thursday, April 27, 2006  
1011 Indian School Road NW  
Albuquerque, New Mexico



... of a dedication and grand opening of the National Indian Programs Training Center (NPTC). An Indian morning and luncheon will be held on the grounds of the building at the US Department of the Interior for many years. Representing the program, Congress, the Bureau of Indian Affairs, the Office of the Special Trustee for American Indians, members of the Department's executive leadership team, and other members of the Indian Affairs community will be in attendance. In early 2005, a task force was organized to study the feasibility of a new training center. The task force made recommendations to the executive team regarding the location and organization of the center. A site was selected by the US Department of the Interior in Albuquerque, New Mexico, and the NPTC was established in Albuquerque, New Mexico, under the leadership of the Bureau of Indian Affairs' Assistant Regional Director for the Albuquerque Region.

Establishing the NPTC in Albuquerque places this key Indian Affairs program in a location that is accessible to the nation's diverse Indian population. The Center will also be available for training Indian Affairs and tribal employees bringing a unified training approach to developing Indian Country program expertise.

The Center will provide courses and training to develop leadership skills for Indian people and for employees who serve Indian programs. Additionally, the Center will address Indian program work at all levels and functions and will provide staff to use new technology and resources. The Center will also be a place for Indian tribes, who have contracted or completed a contract with the Department, to provide services to their tribes under the Indian Self-Determination Act to receive training for their employees and for their

The new NPTC will occupy the building that was formerly the site of the Indian Affairs Office building. The building was designed by the Department of the Interior and is a prime example of modern architecture.

**Program**  
Manuel Lujan, Jr.  
Assistant Secretary, Indian Affairs

- 8:45 am - Registration
- 9:00 am - Opening Remarks
- 9:15 am - Invocation
- 9:30 am - Remarks by Secretary of the Interior, Mr. Dirk Kempthorne
- 9:45 am - Remarks by Assistant Secretary for Indian Affairs, Mr. Manuel Lujan, Jr.
- 10:00 am - Remarks by Assistant Secretary for Indian Affairs, Mr. Manuel Lujan, Jr.
- 10:15 am - Remarks by Assistant Secretary for Indian Affairs, Mr. Manuel Lujan, Jr.
- 10:30 am - Remarks by Assistant Secretary for Indian Affairs, Mr. Manuel Lujan, Jr.
- 10:45 am - Remarks by Assistant Secretary for Indian Affairs, Mr. Manuel Lujan, Jr.
- 11:00 am - Remarks by Assistant Secretary for Indian Affairs, Mr. Manuel Lujan, Jr.
- 11:15 am - Remarks by Assistant Secretary for Indian Affairs, Mr. Manuel Lujan, Jr.
- 11:30 am - Remarks by Assistant Secretary for Indian Affairs, Mr. Manuel Lujan, Jr.
- 11:45 am - Remarks by Assistant Secretary for Indian Affairs, Mr. Manuel Lujan, Jr.
- 12:00 pm - Lunch
- 12:15 pm - Open House
- 12:30 pm - Remarks by Assistant Secretary for Indian Affairs, Mr. Manuel Lujan, Jr.
- 12:45 pm - Remarks by Assistant Secretary for Indian Affairs, Mr. Manuel Lujan, Jr.
- 1:00 pm - Remarks by Assistant Secretary for Indian Affairs, Mr. Manuel Lujan, Jr.
- 1:15 pm - Remarks by Assistant Secretary for Indian Affairs, Mr. Manuel Lujan, Jr.
- 1:30 pm - Remarks by Assistant Secretary for Indian Affairs, Mr. Manuel Lujan, Jr.
- 1:45 pm - Remarks by Assistant Secretary for Indian Affairs, Mr. Manuel Lujan, Jr.
- 2:00 pm - Remarks by Assistant Secretary for Indian Affairs, Mr. Manuel Lujan, Jr.
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- 3:00 pm - Remarks by Assistant Secretary for Indian Affairs, Mr. Manuel Lujan, Jr.
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- 3:30 pm - Remarks by Assistant Secretary for Indian Affairs, Mr. Manuel Lujan, Jr.
- 3:45 pm - Remarks by Assistant Secretary for Indian Affairs, Mr. Manuel Lujan, Jr.
- 4:00 pm - Remarks by Assistant Secretary for Indian Affairs, Mr. Manuel Lujan, Jr.
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Manuel Lujan, Jr., a native New Mexican, was born in San Francisco, New Mexico and died in Santa Fe. He earned a B.A. from the College of Santa Fe and also attended St. Mary's College in California.

Mr. Lujan represented the State of New Mexico in the U.S. House of Representatives from 1989 through 1995. While serving in Congress he was named Republican of the House Indian and Indian Affairs Committee and its Energy and Environmental Subcommittee. He was Vice Chairman of the House Indian, Native and Country Committee, member of the President's National Council on Indian Affairs, and member of the President's National Council on Indian Affairs. In addition to serving the National Science Foundation (NSF) on the Board, he has also served several Indian tribal governments and has organized a private sector 2001-2002 foundation that has provided hundreds of scholarships for students attending colleges in New Mexico.

Mr. Lujan was appointed by former President George Bush as the 40th Secretary of the Interior. As Secretary of the Interior, Manuel Lujan, Jr. was responsible for leading the nation's natural resource programs within the Department and for overseeing the nation's natural resources and lands. He coordinated education in a variety of Indian Affairs, including the Indian Self-Determination and Education Assistance Act and the Indian Health Care Act. He received a series of national awards and recognition for his leadership and commitment to the Indian community.

Mr. Lujan was a member of the National Council on Indian Affairs, the National Council on Indian Education, the National Council on Indian Health, the National Council on Indian Housing, the National Council on Indian Lands, the National Council on Indian Law, the National Council on Indian Literature, the National Council on Indian Music, the National Council on Indian Religion, the National Council on Indian Science, the National Council on Indian Social Science, the National Council on Indian Sports, the National Council on Indian Theater, the National Council on Indian Visual Arts, the National Council on Indian Writing, and the National Council on Indian Youth.

Mr. Lujan was a member of the National Council on Indian Affairs, the National Council on Indian Education, the National Council on Indian Health, the National Council on Indian Housing, the National Council on Indian Lands, the National Council on Indian Law, the National Council on Indian Literature, the National Council on Indian Music, the National Council on Indian Religion, the National Council on Indian Science, the National Council on Indian Social Science, the National Council on Indian Sports, the National Council on Indian Theater, the National Council on Indian Visual Arts, the National Council on Indian Writing, and the National Council on Indian Youth.

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**DEDICATION OF THE MANUEL LUJAN, JR., INDIAN AFFAIRS BUILDING**

**APRIL 27, 2006**



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# INTRODUCTION

## MESSAGE FROM THE ASSISTANT SECRETARY - INDIAN AFFAIRS



Indian Affairs  
U.S. Department of the Interior

I am pleased to present our Performance and Accountability Report for Fiscal Year FY2006. It is designed to inform the Administration, the Congress, and the public of the actions Indian Affairs has taken in response to its fiscal stewardship and government-to-government commitment for improving the lives of American Indians and Alaska Natives.

During FY2006, we continued this Administration's firm commitment to the American Indians and Alaska Natives by working on a government-to-government basis with tribal leaders to promote self-determination and self-governance and by focusing our mutual efforts toward promoting economic growth and prosperity within Indian country.

We also remained committed to trust reform by protecting trust assets and fulfilling our trust responsibilities to individual and tribal trust beneficiaries. During FY2006, IA, in collaboration with the Office of the Special Trustee for American Indians, continued efforts to improve the effectiveness of the internal controls over Indian trust funds. We implemented a "lock box" business process to segregate realty and land management activities from accounting activities, while simultaneously facilitating timely deposits. In addition, we expanded the use of the Trust Asset Accounting Management System to cover over 80 percent of the trust fund dollars. Furthermore, we made significant progress in reducing the probate backlog, which resulted in a more timely distribution of income to the appropriate account holders of Indian trust assets.

In FY2006, we began restructuring Indian education programs by creating the new Bureau of Indian Education. This is expected to improve Indian education by promoting quality education opportunities for all American Indians and Alaska Natives. This also includes hiring highly qualified program administrators and leaders at the Senior Executive Level. The BIE is focused programmatically on assisting schools to attain adequate yearly progress goals by decreasing the learning gap for students attending BIE schools. This is in conjunction with an increased emphasis on accountability for those schools needing assistance to turn around their low-performance. As in previous years, we continue to invest in the successful FACE and Reading First programs to promote early child literacy to establish the foundation for life-long learning. As part of the BIE's school replacement program two new replacement schools opened their doors to Indian children in FY2006.

The Bureau of Indian Affairs Public Safety and Justice Services programs worked extensively to build positive relationships with the local Indian communities. We continued to uphold the constitutional sovereignty and customs of the Indian tribes, while simultaneously protecting the rights, lives and property of all American Indians and Alaska Natives. During FY2006 three new state of the art detention facilities were opened while we continued to work hard to increase detention staffing, provide training for staff, improve facility conditions, and improve management at Indian Country detention facilities. We supported various successful and ongoing programs, such as Operation Dream Catcher, which provides training for BIA law enforcement officials to combat methamphetamine and provides methamphetamine awareness training to Indian country; the nationally recognized Drug Abuse Resistance Education (DARE) program; the Gang Resistance Education and Training (GREAT) program; and the BIA Traffic Safety Initiative program. In FY2006, we issued the Child Protection Handbook to assist human service workers and law enforcement officials in protecting Indian children at risk of child abuse and neglect.

# INTRODUCTION

## MESSAGE FROM THE ASSISTANT SECRETARY

In FY2006, we established the Office of Indian Energy and Economic Development to develop modern innovative and collaborative approaches for improving economic development opportunities. This new office is using its energy, economic development, workforce development, and guaranteed loan programs to help tribes confront unemployment and under-employment issues on reservations and take the next steps toward economic sovereignty.

This report also presents the status of IA's compliance with certain legal and regulatory requirements. Taken as a whole, I am convinced that IA's financial data is reliable and complete and that our systems of management, administrative, and financial controls are operating effectively.

I am very proud of the vast improvements we achieved during FY2006. The accomplishments could not have been achieved without the dedicated and concerted efforts of our IA personnel. Although several challenges remain, I am confident our IA personnel will continue to build a positive and promising environment of opportunities so that every American Indian and Alaska Native youth can continue to strive for and attain their hopes, dreams, and aspirations with the deepest pride in their culture, language, and traditions as America's first people.

*Carl J. Artman*

*Assistant Secretary – Indian Affairs*

# INTRODUCTION

## HOW TO READ THIS REPORT: FROM MISSION TO MEASUREMENT

### Purpose of This Report

The Indian Affairs' Performance and Accountability Report (PAR) for Fiscal Year (FY) 2006 provides financial and performance information that enables the Congress, the President, and the general public to assess the performance of the Indian Affairs' organization relative to its mission and stewardship of entrusted resources.

The term "Indian Affairs" will be used in this report to mean the Office of the Assistant Secretary - Indian Affairs (AS-IA), the Bureau of Indian Affairs (BIA), and the Bureau of Indian Education (BIE).



**Headgate Rock Dam, Colorado River.**

### How the Report is Organized

#### Section I: Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) section is a concise overview of the entire report. It is similar to an executive summary that is included in a private sector company's annual report. This section provides a clear and concise description of Indian Affairs' key performance indicators, analysis of financial statements, systems and controls, compliance with laws and regulations, and actions taken or planned to address management issues. It focuses on the most important matters and provides a balanced analytical assessment of program and

financial performance that includes both positive and negative information. This section is also the medium for communicating insights about Indian Affairs and an understanding of the organization's financial status.

#### Section II: Performance

The Performance section contains an assessment of Indian Affairs' effectiveness in its programs and the results of performance measures, as well as Indian Affairs' progress in achieving "Green Status" under the President's Management Agenda (PMA). Program evaluation tables are presented by mission area that assess key data at a glance. Program Assessment Rating Tool (PART) results are also included.

#### Section III: Financial

The Financial section contains the Chief Financial Officer's message describing the progress and challenges pertaining to Indian Affairs' financial stewardship and performance management. The message includes compliance information regarding Indian Affairs' internal management controls under the Federal Managers' Financial Integrity Act (FMFIA) and financial management systems under the Federal Financial Management Improvement Act (FFMIA).

This section also includes the Inspector General's transmittal letter, the Independent Auditors' Report, management's response to the Independent Auditors' Report, Indian Affairs' financial statements and other Bureau-specific Required Supplementary Information (RSI) and Required Supplementary Stewardship Information (RSSI).

#### Section IV: Appendices

This section contains a glossary of acronyms and a list of Federally recognized Indian tribes.





# INTRODUCTION

## INDIAN AFFAIRS AT A GLANCE

### History

The Bureau of Indian Affairs (BIA) is the oldest bureau of the U.S. Department of the Interior (DOI). Established in 1824, the BIA currently provides services (directly or through contracts, grants or compacts) to 1.9 million American Indians and Alaska Natives who are members of the 561 federally recognized Tribes.

Today, the Office of the Assistant Secretary – Indian Affairs (AS-IA), the BIA, and the Bureau of Indian Education (BIE) comprise the Indian Affairs' (IA) organization:

- AS-IA provides primary policy setting and management oversight for the IA organization, and administers support functions to BIA and BIE;
- BIA performs direct program work, in support of all IA functions, in Regional and Agency offices; and
- BIE is responsible for directing education programs at BIE operated and grant schools.

### Mission

The Bureau of Indian Affairs' mission is to enhance the quality of life, to promote economic opportunity, and to carry out the responsibility to protect and improve the trust assets of American Indians, Indian tribes and Alaska Natives. This mission is accomplished through the delivery of quality services and maintenance of government-to-government relationships within the spirit of Indian self-determination.

### Strategic Goals

Mission Area: Serving Communities

- Improve Protection of Lives, Resources, and Property
- Fulfill Indian Fiduciary Trust Responsibilities
- Advance Quality Communities for Tribes and Alaska Natives

Mission Area: Resource Protection

- Protect Cultural and Natural Heritage Resources

[NOTE: Under the FY2007 budget restructuring, the Resource Protection Mission Area is added, however, associated performance measures are reported for FY2006. The current FY2006 Statement of Net Costs does not reflect this mid-2006 realignment, but it will be reflected in the FY2007 Statement.]

### Organization

As previously mentioned, IA is comprised of the AS-IA, BIA, and BIE, with the Central Office being located in Washington, DC, and satellite offices in Herndon and Reston, VA; Boise, ID; Denver, CO; and Albuquerque, NM.

The BIA is comprised of the following 12 Regional Offices:

Alaska (Juneau, AK)  
Northwest (Portland, OR)  
Eastern (Nashville, TN)  
Pacific (Sacramento, CA)  
Eastern Oklahoma (Muskogee, OK)  
Rocky Mountain (Billings, MT)  
Great Plains (Aberdeen, SD)  
Southern Plains (Anadarko, OK)  
Midwest (Fort Snelling, MN)  
Southwest (Albuquerque, NM)  
Navajo (Gallup, NM)  
Western (Phoenix, AZ)

### Major Programs

The BIE is comprised of 23 Education Line Offices supporting 61 BIE operated and 123 grant schools on 65 reservations, across 23 states.

# INTRODUCTION

## INDIAN AFFAIRS AT A GLANCE

### Employees

Indian Affairs has over 10,000 employees, approximately 85 percent of whom are American Indians or Alaska Natives. The Indian Affairs' workforce is almost evenly divided between the BIA and the BIE, with AS-IA being only about 2 percent. The workforce operates from 266 duty stations throughout the continental United States and Alaska, and is made up of 191 occupational series to provide services to American Indians and Alaska Natives in 29 states. The work performed by Indian Affairs' employees is extensive and covers virtually the entire range of government

program services including education, social services, law enforcement and justice, economic and workforce development, trust asset management, realty, land and heirship records, tribal government support, forestry, agriculture and range lands development, water resources, fish and wildlife management, roads, housing, and irrigation and power systems.

### Internet Address

Indian Affairs is currently under a court order which precludes access to the Internet.

### Major Programs

<p><b>AS-IA</b></p> <ul style="list-style-type: none"> <li>• Cultural Resource Activities</li> <li>• Economic Development</li> <li>• Environmental Management</li> <li>• Facilities Management and Construction</li> <li>• Federal Acknowledgment</li> <li>• Indian Gaming Management</li> <li>• Self-Governance</li> </ul>	<p><b>BIA (continued)</b></p> <ul style="list-style-type: none"> <li>• Probates Real Estate Services</li> <li>• Resolution of Land Claims</li> <li>• Roads Construction and Maintenance</li> <li>• Safety of Dams</li> <li>• Self-Determination</li> <li>• Social Services</li> <li>• Surface and Subsurface Leasing and Permitting</li> <li>• Tribal Courts</li> <li>• Water Resources</li> <li>• Wildland Fire Management</li> </ul>
<p><b>BIA</b></p> <ul style="list-style-type: none"> <li>• Agriculture and Range Management</li> <li>• Cadastral Surveys</li> <li>• Division of Corrections</li> <li>• Forestry</li> <li>• Homeland Security</li> <li>• Housing</li> <li>• Indian Land Consolidation</li> <li>• Indian Police Academy</li> <li>• Irrigation and Power</li> <li>• Land Titles and Records</li> <li>• Law Enforcement</li> <li>• Natural Resources</li> <li>• Parks, Wildlife and Fisheries</li> </ul>	<p><b>BIE</b></p> <ul style="list-style-type: none"> <li>• Community Development/Outreach</li> <li>• Counseling Services</li> <li>• Elementary Education</li> <li>• Family and Child Education</li> <li>• Post Secondary Education</li> <li>• Secondary Education</li> <li>• Special Education Program</li> <li>• Student Financial Aid</li> </ul>

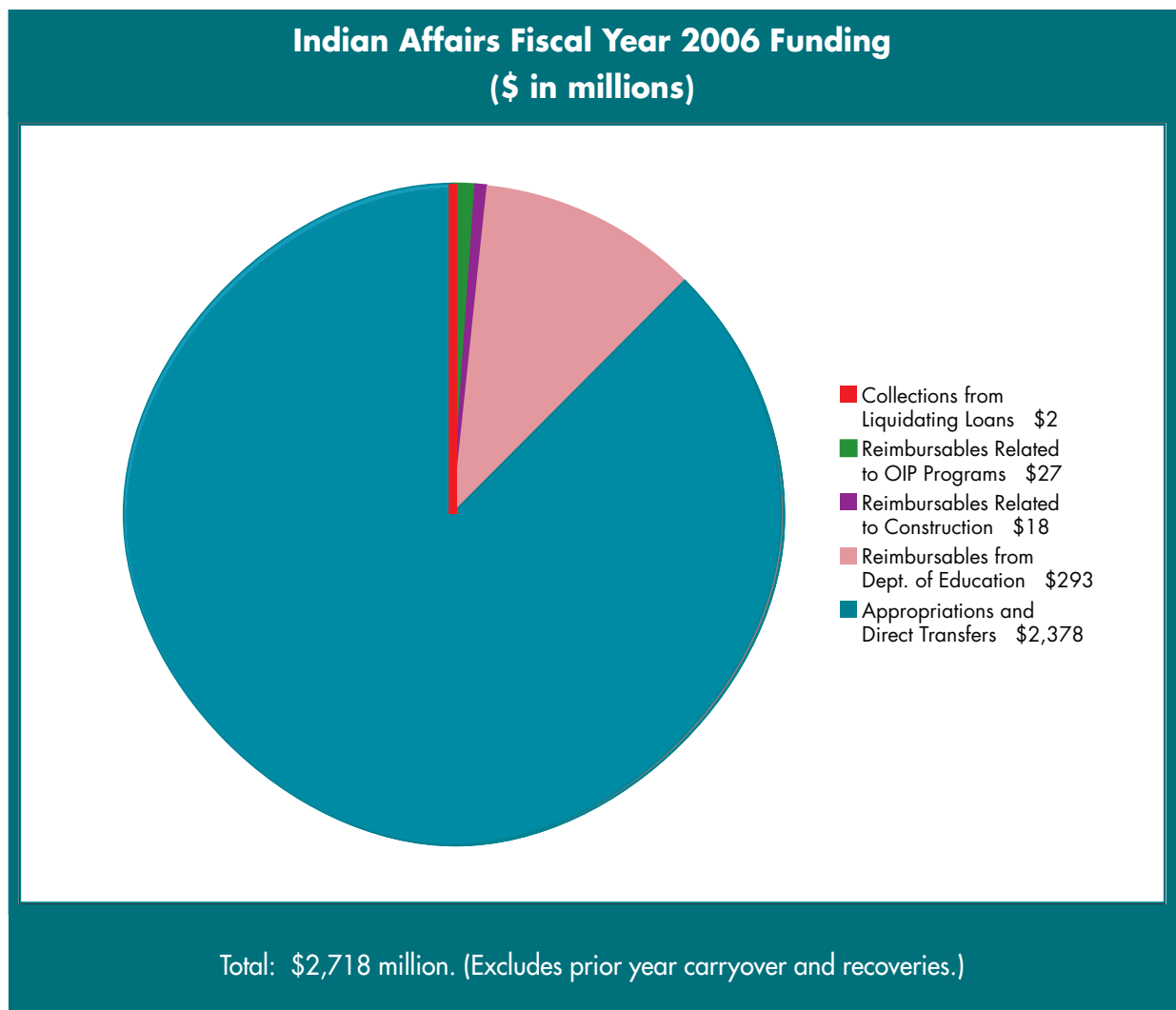


# INTRODUCTION

## INDIAN AFFAIRS AT A GLANCE

### Budget in Brief

Indian Affairs' FY2006 funding, including appropriations, transfers, and reimbursables, was \$2,718 million. This amount excludes carryover, recoveries, and allocation transfers where Indian Affairs is the child.





# SECTION I. MANAGEMENT'S DISCUSSION AND ANALYSIS OVERVIEW OF THE ORGANIZATION



## What We Do

During the last two centuries, the Congress ratified numerous treaties and enacted dozens of laws that dealt directly with the lives and property of American Indians and Alaska Natives. While Federal trust obligations lie at the heart of the Federal-Indian relationship, the scope of the United States' responsibilities to Indian people extends beyond basic trust obligations to include a wide range of services delivered in concert with the principle of Indian self-determination.



**Testing fish population, Nez Perce Fisheries.**

Although the role of Indian Affairs has changed significantly over the last three decades in response to a greater emphasis on Indian self-determination, the tribes still look to Indian Affairs for a broad spectrum of services. The extensive span of Indian Affairs' programs covers virtually the entire range of state and local government services.

Employees within Indian Affairs work with tribal governments and their representatives to:

- Protect tribal lands and natural resources;
- Fulfill Federal trust responsibilities and mandates of Federal laws, Presidential Executive Orders, and Federal policies; and
- Create the necessary infrastructure and educational opportunities to help build stronger tribal communities.



**Wildland firefighter works to dig a fireline.**

The Federal trust responsibility is not only a legal and political relationship between the Federally recognized tribes and the United States government, it is a unique relationship between "trustee" and "beneficiary." Early United States Supreme Court decisions described the Federal-Indian relationship as a guardian-ward relationship which has evolved into the trust relationship doctrine.



**Construction crew pouring concrete sidewalk.**

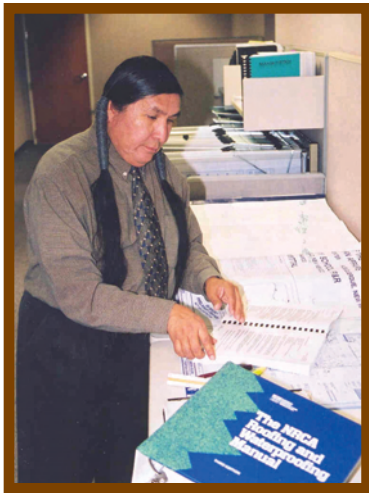
Self-determination and self-governance are Federal policies which recognize the right of tribes to manage their own affairs, while keeping intact



## SECTION I. MANAGEMENT'S DISCUSSION AND ANALYSIS

### OVERVIEW OF THE ORGANIZATION

their trust relationship with the Federal government. The basis for this relationship is the tribal governments' sovereign authority and inherent right to self-determination and self-governance. They provide the foundation for tribes to exert an increasing control over their own governmental operations.



**BIA  
Architect.**

Furthermore, the 561 Federally recognized American Indian tribes and Alaska Native villages each possess inherent governmental authority derived from their tribal sovereignty. Today, their responsibilities include providing education, job training, and employment programs for their members while identifying and promoting long-term economic growth and social development, and managing their portions of the 56 million acres that are held in trust for Indian Tribes and individuals.

### Our Accomplishments

#### The Office of the Assistant Secretary - Indian Affairs (AS-IA)

The Office of the AS-IA is the primary policy setting and management oversight organization for Indian Affairs' functions. As such, it has ultimate responsibility for accomplishing the Indian Affairs' mission:

"...to fulfill its trust responsibilities and promote self-determination on behalf of Tribal governments, American Indians and Alaska Natives."

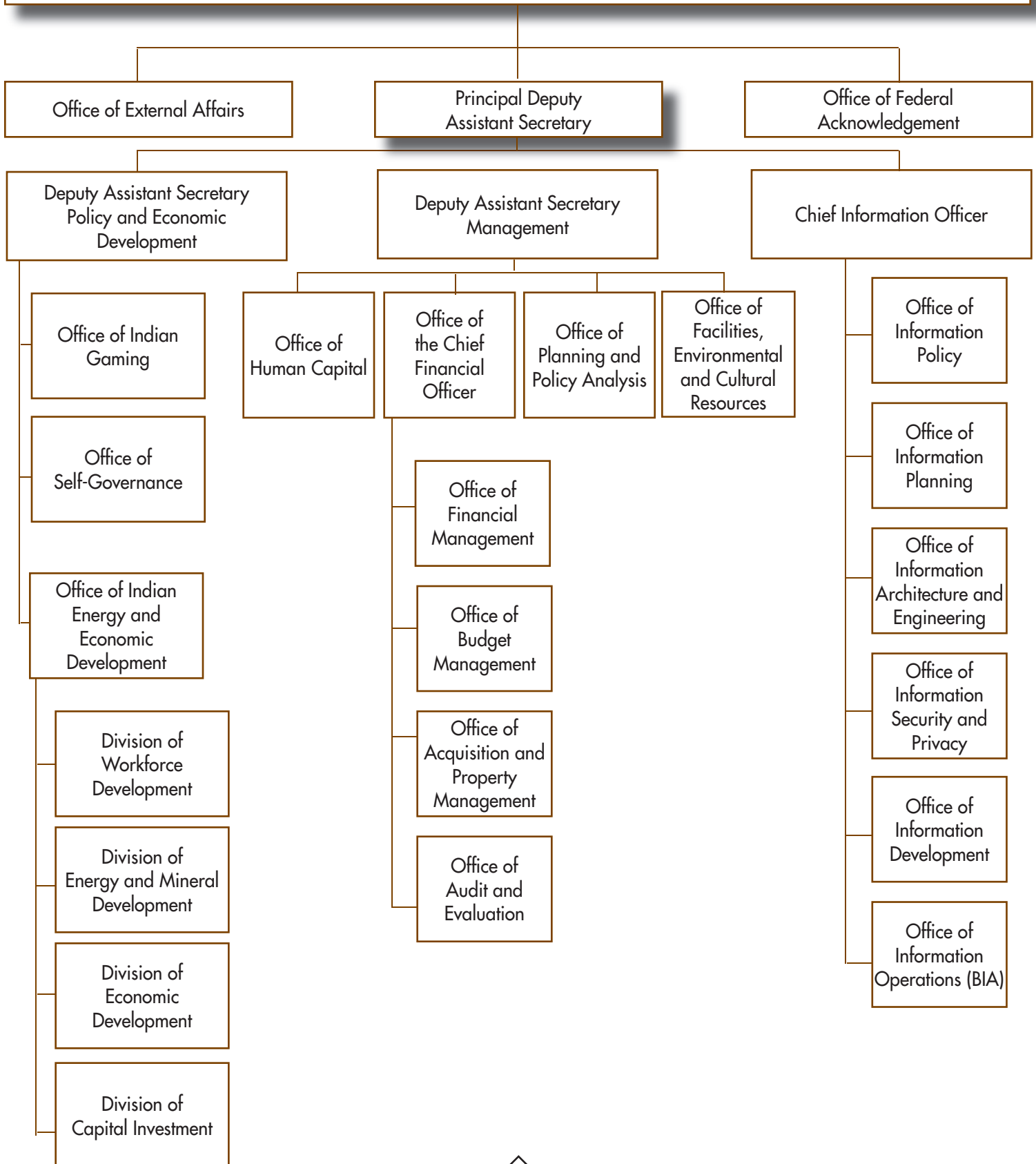
The Office of the AS-IA is composed of the Assistant Secretary, who is assisted by the Principal Deputy Assistant Secretary (DAS), two Deputy Assistant Secretaries, and the Chief Information Officer.

- The DAS - Policy and Economic Development manages the Energy and Economic Development, Indian Gaming, and Self-Governance programs, as well as other issues, such as international issues.
- The DAS - Management oversees the budget; finance; acquisition; property; policy; performance management; human capital management, including equal opportunity; construction; facilities operations and maintenance; environmental, cultural, and safety programs; and internal evaluation and audit.
- The Chief Information Officer is responsible for managing the Indian Affairs' information management and technology program.

# SECTION I. MANAGEMENT'S DISCUSSION AND ANALYSIS

## OVERVIEW OF THE ORGANIZATION • ASSISTANT SECRETARY - INDIAN AFFAIRS

### Assistant Secretary-Indian Affairs



## SECTION I. MANAGEMENT'S DISCUSSION AND ANALYSIS

### OVERVIEW OF THE ORGANIZATION

#### Deputy Assistant Secretary – Policy and Economic Development

##### *Office of Indian Energy and Economic Development*

The Office of Indian Energy and Economic Development (IEED) fosters strong Indian communities with sustainable economic development by promoting and supporting the creation of Indian owned businesses and the development of Indian energy and mineral resources. The Office of IEED also implements P.L.102-477 (job placement and training), as amended, as well as the Indian Financing Act of 1974.

The Office of IEED administered Economic Development programs with FY2006 appropriated funds of \$51.8 million and the Guaranteed Loan program with appropriated funds, not to exceed \$87.4 million.

The Office of IEED bolstered tribal business infrastructures by facilitating adoption and implementation of commercial law codes and by Indian Initiative training of personnel to administer the businesses. The Office of IEED's promotion of the Buy-Indian program has helped to increase total dollar value of government charge card purchases from Indian vendors. Indian Affairs will undertake an education initiative in FY2007 – FY 2008 for charge card users to ensure a better understanding of the impact of increased purchases on Indian owned businesses to stimulate Indian economies. The Office of IEED will monitor the implementation of the charge card initiative by review and analysis of monthly reports on charge card activity in the market segments.

#### Deputy Assistant Secretary - Management

The Deputy Assistant Secretary - Management (DAS-M) oversees four major program offices: Office of Human Capital; Office of the Chief Financial Officer; Office of Planning and Policy Analysis; and Office of Facilities, Environmental, and Cultural Resources for total funding of \$232.1 million.

Accomplishments during FY2006 included:

- Established, in conjunction with the Office of the Special Trustee for American Indians (OST) and DOI University, the BIA-1 and BIA-2 complex situated on Indian Trust land in Albuquerque, NM. Construction of this complex allowed for the consolidation of six offices in the Albuquerque area, including the Southwest Regional Office, Southern Pueblo Agency, Facilities Management, Law Enforcement, Indian Education and the DOI Environmental and Regulatory offices. Additionally, a secure data center was established to be used as a backup and disaster recovery site. This consolidation is expected to result in significant cost savings. A significant component of this complex is the establishment of the National Indian Programs Training Center (NIPTC) through a joint venture between Indian Affairs, OST, and DOI University. The NIPTC is a state-of-the-art educational facility housed in BIA-2 that includes training rooms, a distance learning center, and the ability to hold conferences of various sizes.



**Two employees at the National Indian Programs Training Center in Albuquerque, NM.**



## SECTION I. MANAGEMENT'S DISCUSSION AND ANALYSIS

### OVERVIEW OF THE ORGANIZATION

- Established a new office dedicated to internal evaluations of financial and program operations, and implementation of revised OMB Circular A-123.
- Developed a restructured budget, to be implemented in FY2007, which will more accurately support the Indian Affairs' mission.
- Created the Indian Excellence/Honors Program whereby managers can "direct hire" graduates of colleges/universities and high schools who meet defined academic achievement. The program eliminates 25 of 34 steps in the staffing process; provides incentives for management to establish connections with Indian schools that are managed by IA; and provides incentives for student achievement. The college and high school Honors Programs are first-of-a-kind in the Federal government. The program is in full compliance with 25 CFR Part 5 (Indian Hiring Preference).
- Implemented an automated activity-based time reporting system to interface with existing Activity-Based Costing/Management System.
- Established at least one efficiency measure for each program throughout Indian Affairs to track progress of program performance.

#### Chief Information Officer

The Office of the Chief Information Officer (OCIO) was funded at \$57.4 million in FY2006, and is responsible for information resources and technology management for Indian Affairs. During FY2006, substantial steps were taken to

improve the technical infrastructure needed to successfully carry out Indian Affairs' programs, including:

- Completed a migration to a highly secure Information Technology (IT) Enterprise computing platform on February 28, 2006. There are now 5,745 computers successfully migrated into the "IndianAffairs.gov" domain within the secure Trust network.
- Facilitated, coordinated, and assisted Indian Affairs' IT system managers in preparing 10 major and over 25 non-major investments, all of which passed DOI and Office of Management and Budget (OMB) review and scoring.
- Established a secure data center in the new BIA complex in Albuquerque, NM, which will be used as a backup data center/disaster recovery site.

#### The Bureau of Indian Affairs (BIA)

The BIA mission is:

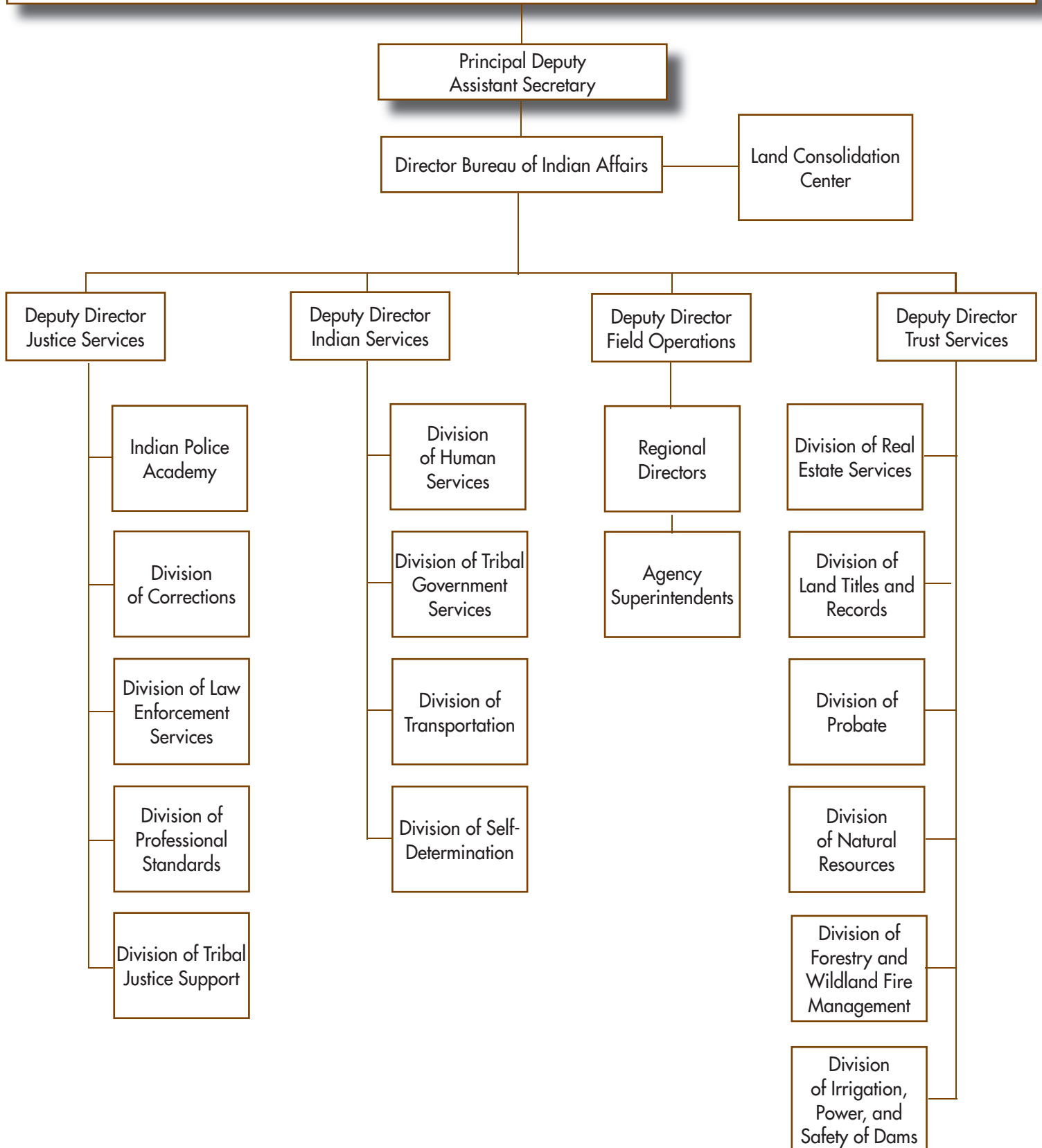
"to enhance the quality of life, to promote economic opportunity, and to carry out the responsibility to protect and improve the trust assets of American Indians, Indian tribes and Alaska Natives ... ."

All direct program work is accomplished by Indian Affairs' functions in the BIA's Regional and Agency offices. The Director of the BIA is responsible for policy, implementation, and oversight of Justice Services, Indian Services, Trust Services, and Field Operations - the Regional and Agency Offices that administer Indian programs at the tribal level.

# SECTION I. MANAGEMENT'S DISCUSSION AND ANALYSIS

## OVERVIEW OF THE ORGANIZATION • THE BUREAU OF INDIAN AFFAIRS (BIA)

### Assistant Secretary-Indian Affairs



## SECTION I. MANAGEMENT'S DISCUSSION AND ANALYSIS

### OVERVIEW OF THE ORGANIZATION • THE BUREAU OF INDIAN AFFAIRS (BIA)

#### Office of Justice Services

The Office of Justice Services received \$212.1 million in FY2006 to support the Federally recognized Tribes; protect individual rights, lives, and property; and promote and preserve peace within Indian Country. Funding included \$55.6 million for Detention/Corrections. Currently, 1 in 10 American Indians and Alaska Natives over the age of 12 is the victim of violent crime. Factors of crime in Indian Country include: high unemployment, geographic barriers, lack of municipal infrastructure, and infiltration of drug use in reservation and off-reservation tribal communities. Indian Affairs actively outsources 78 percent of its law enforcement program to the Tribes.

During FY2006, IA resolved 16 out of 25 Office of Inspector General (OIG) audit deficiencies found at detention centers. Improvements included: increased oversight, clear staffing models, enhanced training capacity/standards, protocols for serious incidents, and coordination with the Department of Health and Human Services' (DHHS) Indian Health Service (IHS). In FY2006, Indian Affairs also worked directly with OMB and Tribes to close the gap in implementing voluntary standards to improve the performance reporting of tribal courts.

#### Office of Indian Services

In FY2006, Indian Services received \$374.7 million to support Tribal government and \$150.4 million to support Tribal individuals. These funds were used to promote safe and quality living environments, strong communities, self-sufficiency and individual rights while enhancing protection of the lives, property and well-being of American Indians and Alaska Natives. Additionally, Indian Services received \$275.6 million in FY2006 from the Federal Highway Administration (FHWA) for new road construction and maintenance in Indian Country.

Indian Services also provides counseling and protective services for victims of child abuse and neglect, and social and financial fiduciary

services for minors with Individual Indian Money (IIM) accounts. The Office of Indian Services has focused on implementing child abuse prevention and developing a long-term strategy for dealing with methamphetamine abuse from an Indian Affairs' perspective. Substandard housing and homelessness in Indian communities were also reduced through funding for needed repairs to existing structures and the construction of new homes.

#### Office of Trust Services

The Office of Trust Services (OTS) executes Indian Affairs' trust responsibilities (funded at \$294.6 million in FY2006) to Indian tribes and individuals including protection and use of property, natural resources, water, fish and wildlife, gathering and other rights; and to promote and maintain tribal self-determination and self-governance. Indian Affairs' management responsibilities cover more than 56 million acres of land held in trust by the Federal government on behalf of Indian tribes and individuals.



**Fisheries-Biologists conducting stream study.**

In FY2006, Real Estate Services reduced the probate case inventory by 20 percent. Data collection, management and control are major issues due to the volume of transactions that OTS processes. To help fulfill Indian Affairs' fiduciary

## SECTION I. MANAGEMENT'S DISCUSSION AND ANALYSIS

### OVERVIEW OF THE ORGANIZATION

responsibility, it has partnered with the Office of the Special Trustee for American Indians (OST) to establish a lockbox process for centralizing Trust receipt and deposit processing. The Indian Affairs' Trust Asset and Accounting Management System (TAAMS) is also improving information management of trust-related data through the implementation of standardized business processes and the maintenance of accurate, consistent data.

Indian Affairs' Natural Resources management was funded at \$152.8 million for FY2006. Natural Resources management responsibilities include: operation and management of dams and irrigation systems; protection against invasive species; treaty guaranteed natural resource access and management rights; agriculture and range management; and fish, wildlife and parks on Federal Indian Trust lands.



**Installing a spring box at Walker River Reservation.**

The Forestry program supports large areas of forested trust lands, with approximately 85 percent in active production. The Indian Affairs' Fish, Wildlife and Parks Program relies heavily upon collaboration with Tribes, other Federal agencies, and states and localities to accomplish its objectives. The Agriculture and Range Management Program completed a vegetation inventory

of carrying capacities for livestock and wildlife on 3 million trust acres. In FY2006, the Indian Water Rights Litigation/Negotiation Program supported 31 active litigation actions brought by the United States to protect Indian trust assets (water).

#### **The Bureau of Indian Education (BIE)**

The newly created Bureau of Indian Education is responsible for directing education programs at BIE-operated and tribally operated contract and grant schools to meet their mission:

"... to provide quality education opportunities from early childhood through life in accordance with the tribes' needs for cultural and economic well-being in keeping with the wide diversity of Indian Tribes and Alaska Native villages as distinct cultural and governmental entities. The Bureau considers the whole person (spiritual, mental, physical and cultural aspects)."

The BIE designed its school system to meet the Federal government's commitment to educate American Indian children in a manner that will enhance their cultural and economic well-being. BIE operates two post-secondary institutions, and manages operational grants to another 24 tribal colleges and universities. The BIE funds 184 elementary, secondary day and boarding schools on 65 Indian reservations in 23 states. Most are located in economically underdeveloped rural areas that suffer from poor literacy rates, low incomes, and high unemployment.



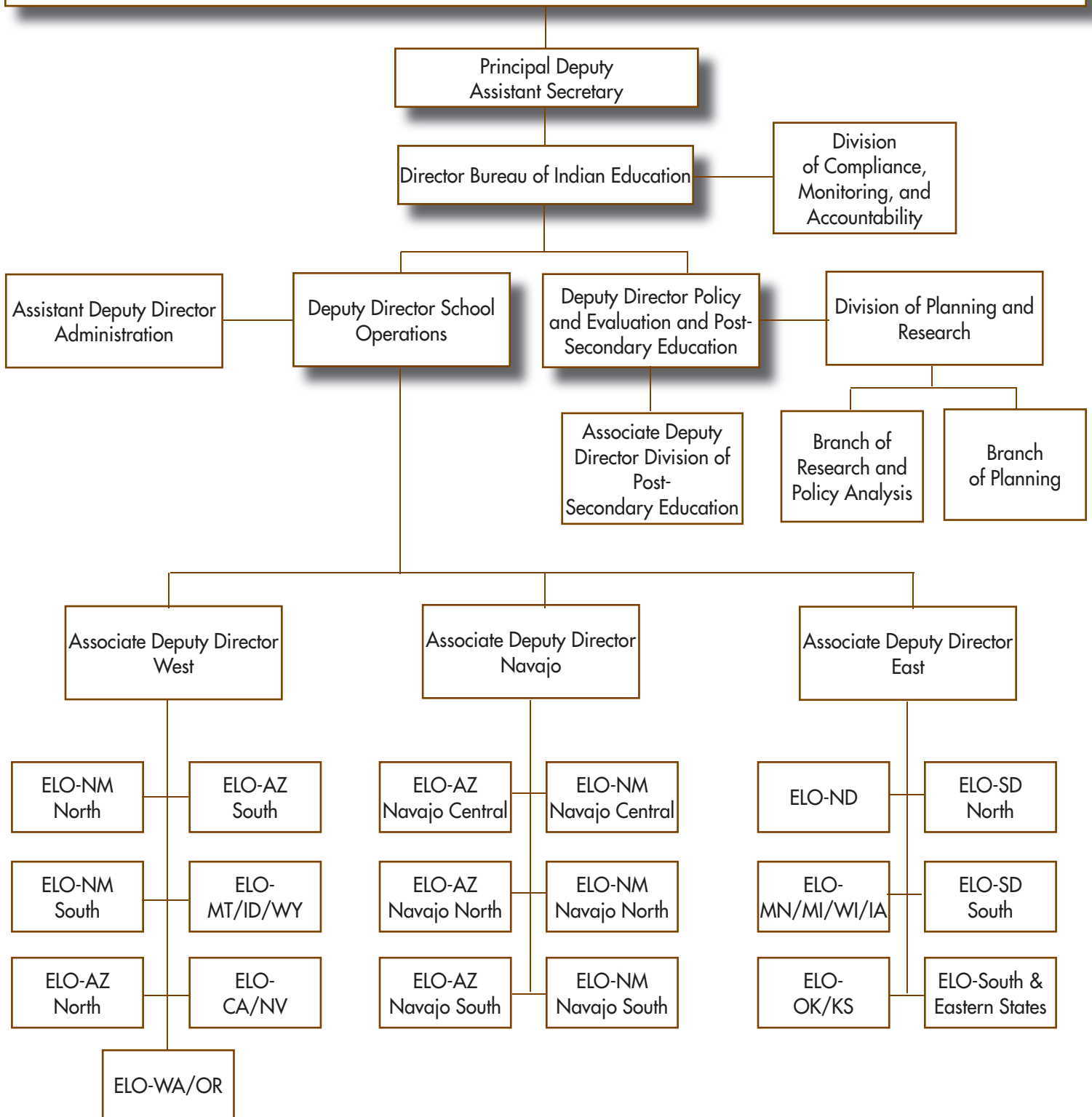
**Adult Basic Education Class being taught with funds from the Zuni Tribe's 477 Program.**



# SECTION I. MANAGEMENT'S DISCUSSION AND ANALYSIS

## OVERVIEW OF THE ORGANIZATION • THE BUREAU OF INDIAN EDUCATION (BIE)

### Assistant Secretary-Indian Affairs



## SECTION I. MANAGEMENT'S DISCUSSION AND ANALYSIS

### OVERVIEW OF THE ORGANIZATION

FY2006 funding for Education included \$646.4 million to operate Indian Education programs, \$206.8 million for Education Construction (funded and administered under BIA) and \$228 million provided by the U.S. Department of Education.



**Newly constructed Baca High School, Baca, NM.**

To address improvements in school management and operations, the BIE created the Program Improvement and Accountability Plan (PIAP) which initiated a number of organizational changes. Bureau results are posted in more detail on BIE's website (<http://www.oiep.bia.edu>) in the form of an Annual Report accessible to the general public. Additionally, the BIE is exploring new programs, such as distance education, to bring qualified teachers into the classroom. A FY2005 study found that Indian student proficiency lagged behind other non-Indian students from the same states. With a slight increase in the BIE budget from FY2005 to FY2006, Adequate Yearly Progress (AYP) increased from 28 percent to 32 percent, respectively. AYP is an annual indicator of reading and math proficiency, attendance rates, and graduation rates.



**Labs provide tribal children opportunities to develop their computer skills.**

# SECTION I. MANAGEMENT'S DISCUSSION AND ANALYSIS

## PERFORMANCE SUMMARY

### Indian Affairs' Key Performance Indicators Overview

This section identifies seven key performance indicators (KPIs) for programs under the purview of the Assistant Secretary - Indian Affairs. These measures were identified by the Program Offices as the most representative measures which gauge the effectiveness of Indian Affairs' programs. The seven KPIs were selected from among many performance indicators because they best fulfilled the criteria of best practices related to performance measures:

- Outcome-oriented: Directly measure impacts that are important to citizens in Indian Country, and/or key outputs that are linked to the key end-outcome goals
- Measurable: Data are available to determine progress toward goal achievement
- Realistic: Improvement in these goals can be reasonably expected in cooperation with efforts of key stakeholders - e.g., states, local government, and Tribal governments
- Aligned: Directly support the mission and goals outlined in the DOI Strategic Plan
- Tied to incentives: Evaluation of Indian Affairs' leadership and workforce individual performance is directly linked with their contribution to achieving key performance goals measured by the KPIs



**Small log thinning operation for overall timber stand improvements and wildland fire protection.**

### Key Performance Indicator #1 • Forestry

This KPI supports the program commitment made to OMB to develop a long-term goal of ensuring 100 percent of forested reservations have forest management plans. This is not only a requirement in the Forest statutory authority, but management planning is necessary for there to be active forest management on forested Indian reservations. This KPI is also a leading indicator that forests will be preserved to achieve the objectives that best serve the interest of the Indian community.

KPI#1: percentage of forested reservations covered by forest management plans.			
End Outcome Goal: Fulfill Indian Fiduciary Trust Responsibilities			
Strategic Goal/Service or Office	FY06 Target	FY06 Actual	Results
Forestry	40 percent	41.25 percent	Target Exceeded

# SECTION I. MANAGEMENT'S DISCUSSION AND ANALYSIS

## PERFORMANCE SUMMARY

### Key Performance Indicator #2 • Probate

This KPI measures progress toward eliminating the defined backlog in probate caseload. The case preparation backlog is scheduled to be eliminated by September 30, 2007. Elimination of the probate backlog is important because it allows the program to dedicate its efforts to meet the ongoing demand for probate services, and foster more efficient utilization of Indian Affairs' resources. A case is considered part of the backlog if: (1) the case was part of the managed probate inventory as of October 1, 2005, and (2) the date of death, as evidenced by the Secretary's records on October 2, 2005, was either unknown or prior to January 21, 2000.

KPI#2: percent reduction in the case-preparation backlog (pre-2000) each year (# eliminated/# backlog cases at the beginning of FY)			
End Outcome Goal: Fulfill Indian Fiduciary Trust Responsibilities			
Strategic Goal/ Service or Office	FY06 Target	FY06 Actual	Results
Probate	55 percent	82.5 percent	Target Exceeded

### Key Performance Indicator #3

This KPI measures Indian Affairs' ability to become and remain current with the ongoing demand for probate services. Probate cases are monitored from the date the Department is notified of the death of a beneficiary. The average age of pre-adjudication cases measures the elapsed time between the notification of death and the submission of a case for adjudication.

(For this measure, the smaller number represents a positive metric.)

KPI#3: Average age of probate cases in pre-adjudication (# in years)			
End Outcome Goal: Fulfill Indian Fiduciary Trust Responsibilities			
Strategic Goal/ Service or Office	FY06 Target	FY06 Actual	Results
Probate	7	1.9	Target Exceeded

### Key Performance Indicator #4 • Justice Services

This KPI directly measures Title I crimes. Indian Affairs strives to reduce the rate of violent crime in Indian Country through the hiring and development of well trained law enforcement personnel, establishment of communications systems that allow police to respond rapidly to incidents, and widespread implementation of community-oriented policing.

KPI#4: Enhance Public Safety Crime: Part I violent crime rate per 100,000 inhabitants (lower # is good)			
End Outcome Goal: Fulfill Indian Fiduciary Trust Responsibilities			
Strategic Goal/ Service or Office	FY06 Target	FY06 Actual	Results
Public Safety & Justice	TBD	491.85	Establish baseline

### Key Performance Indicator #5

This KPI is significant because rapid clearance of criminal cases is a leading indicator of future crime prevention. Indian Affairs is in the process of implementing innovative programs to ensure that cases are processed and closed in a timely fashion to avoid dismissal for failure to provide a speedy trial.

KPI#5: Increase Case Clearance Rate by 10 percent Annually			
End Outcome Goal: Advance Quality Communities for Tribes and Alaska Natives			
Strategic Goal/ Service or Office	FY06 Target	FY06 Actual	Results
Public Safety & Justice	Establish baseline	43 percent	Establish baseline



## SECTION I. MANAGEMENT'S DISCUSSION AND ANALYSIS

### PERFORMANCE SUMMARY

#### Key Performance Indicator #6

In 2004, the Department's OIG issued a report summarizing findings concerning the status of Indian Affairs' owned and operated correctional facilities. The report contained 25 recommendations for improving the conditions in these facilities – including improved training for prison guards, more effective oversight and monitoring, and increased cooperation with DHHS' Indian Health Service. Indian Affairs developed a Corrective Action Plan to satisfy the 25 recommendations made by the OIG, and this KPI addresses the percentage of recommendations that will be implemented.

KPI#6: Improve Detention Program Management: X percent of OIG recommendations are corrected on schedule			
End Outcome Goal: Advance Quality Communities for Tribes and Alaska Natives			
Strategic Goal/Service or Office	FY06 Target	FY06 Actual	Results
Public Safety & Justice	TBD	100 percent	Target Not Met

#### Key Performance Indicator #7 • Tribal Courts

This KPI supports the strategic goal of reducing crime in Indian Country by ensuring that cases are reviewed in a fair and impartial manner. Indian Affairs worked with the tribal courts to develop standards for independent Tribal Court reviews. A process has been established through an independent association of judges to evaluate several Tribal Courts annually. Standards were prepared based upon a study of states that identified key areas of court operation. This measurement is intended to reflect annual performance. Of the 24 scheduled court reviews, 24 received an acceptable rating.

KPI#7: percent of DOI-supported Tribal justice systems receiving an acceptable rating under Independent Tribal Court reviews			
End Outcome Goal: Advance Quality Communities for Tribes and Alaska Natives			
Strategic Goal/Service or Office	FY06 Target	FY06 Actual	Results
Tribal Courts	Establish baseline	100 percent	Target Met



## SECTION I. MANAGEMENT'S DISCUSSION AND ANALYSIS

### ANALYSIS OF OUR FINANCIAL STATEMENTS

The Indian Affairs' financial statements, Section III of this report, received an unqualified audit opinion issued by the independent accounting firm of KPMG LLP. It is Indian Affairs' responsibility to prepare these statements to provide reliable information that is useful for assessing performance and allocating resources.

The financial data presented in this report has been prepared from the Indian Affairs' books and records in accordance with accounting principles generally accepted in the United States of America. These principles for Federal entities are the standards prescribed by the U.S. generally accepted accounting principles (GAAP).

#### Assets - What We Own

Indian Affairs had total assets of \$3.07 billion at the end of FY2006, less than 1 percent decrease from the previous year's total assets of \$3.09 billion. Approximately 50 percent of Indian Affairs' assets are contained within Fund Balances with



**New fire engine for Navajo Region.**

Treasury (FBWT). The \$19 million increase in FBWT from FY2005 primarily results from a slight increase (\$5 million) in appropriations received and a slight decrease (\$8 million) in net outlays incurred.

Property, plant and equipment (PP&E) comprised Indian Affairs' second largest asset total at 44 percent. Overall, PP&E decreased by \$33 million, a slight decrease of 2 percent from the FY2005 level.

Receivables consisted of \$7 million in accounts receivables owed from other Federal agencies, \$32 million in accounts receivables from the public, and \$17 million in loans receivables. Receivables decreased in FY2006 by \$6 million (9.6 percent) primarily because of repayments collected for the loans receivables as well as the change in net present value of credit reform loans receivable due to subsidy re-estimate calculation.

#### Liabilities - What We Owe

Indian Affairs had total liabilities of \$735 million at the end of FY2006, a 12 percent decrease over the previous year's total liabilities of \$838 million. This decrease was due to payment of legal cases settled and/or dismissed and liquidation of advances received from the Department of Education.

Approximately one-third (32 percent) of Indian Affairs' FY2006 liabilities were for the Judgment Fund (\$120 million), contingent liabilities (\$58 million), and environmental clean-up liabilities (\$55 million). Another 27 percent of the Indian Affairs' total liabilities (\$195 million) were employment related liabilities. These included \$30 million in employee benefits, \$23 million in accrued payroll and benefits, \$116 million of Federal Employment Compensation Act (FECA) actuarial liability, and \$26 million in annual leave. The employment related liabilities showed a slight decrease of 2 percent from the FY2005 level.

Credit reform related liabilities of \$122 million consisted of \$92 million (75 percent) in loan guarantee and \$30 million (25 percent) in Treasury borrowings to finance the loan programs. The 10 percent increase from the FY2005 level was due to an upward subsidy re-estimate in the Loan Guarantees program.

## SECTION I. MANAGEMENT'S DISCUSSION AND ANALYSIS

# ANALYSIS OF OUR FINANCIAL STATEMENTS

Federal agencies, by law, cannot disburse money unless the Congress has appropriated funds. Funded liabilities are expected to be paid from funds currently available to Indian Affairs, whereas unfunded liabilities will be paid from funds made available to Indian Affairs in future years. Of the total liabilities, \$449 million (61 percent) were unfunded and largely comprised of environmental and legal contingent liabilities, FECA actuarial liabilities, and unfunded annual leave.

Tables 1-1 and 1-2 summarize Indian Affairs' assets and liabilities as of FY2005 and FY2006.

(\$255 million), Loans (\$25 million), and related programs (\$138 million). The remaining 31 percent of budgetary resources were from unobligated balances carried forward, recoveries of \$734 million and offsetting collections of \$340 million.

Indian Affairs classifies revenue as either exchange or non-exchange revenue. Exchange revenue is derived from transactions in which both parties, Indian Affairs and the public or other governmental entity, receive value. They include fees collected for utilities, the Indian Affairs' education and school lunch programs,

construction operations, and the rental of equipment. Reimbursable agreements with the Department of Education, which offset the cost of Tribal and BIE operated primary schools, are recognized as exchange revenue. Exchange revenue, shown on the Indian Affairs' Consolidated Statement of Net Cost, reduces the reported cost of operations.

Non-exchange revenue is derived from the government's sovereign right to demand payment, including fines for late payment of loans. Non-exchange revenue is recognized when a specifically identifiable, legally enforceable claim to resources arises, and to the

extent that collection is probable and the amount can be reasonably estimated. These revenues are not considered in reducing Indian Affairs' operating costs and are, therefore, reported on the Consolidated Statements of Changes in Net Position.

During FY2006, Indian Affairs earned approximately \$138 million in revenues from the public and \$269 million in revenue from other Federal entities, for a total of \$407 million. This

**Table 1-1. Assets by Type**

Type	Percent Change	FY2006 (\$ millions)	FY2005 (\$ millions)
Fund Balance with Treasury	+ 1.3 percent	\$ 1,527	\$ 1,508
Property, Plant & Equipment, Net	- 2.4 percent	\$ 1,339	\$ 1,372
Advances to Others & Prepayments	- 6.9 percent	\$ 80	\$ 86
Investments, Net	+ 2.9 percent	\$ 70	\$ 68
Receivables, Net	- 9.6 percent	\$ 56	\$ 62
<b>Total Assets</b>	<b>- 0.8 percent</b>	<b>\$ 3,072</b>	<b>\$ 3,096</b>

**Table 1-2. Liabilities by Type**

Type	Percent Change	FY2006 (\$ millions)	FY2005 (\$ millions)
Judgment Fund and Contingent Liabilities	+ 0.9 percent	\$ 233	\$ 231
Employment Related Liabilities	- 2.0 percent	\$ 195	\$ 199
Credit Reform Related Liabilities	+ 9.9 percent	\$ 122	\$ 111
Accounts Payable	- 70.3 percent	\$ 43	\$ 145
Other Liabilities	- 6.6 percent	\$ 142	\$ 152
<b>Total Liabilities</b>	<b>- 12.3 percent</b>	<b>\$ 735</b>	<b>\$ 838</b>

## Results of Operations

### What Indian Affairs Received

For FY2006, Indian Affairs had total budgetary resources of \$3.45 billion -- no change from the FY2005 level. Approximately 69 percent of the resources consisted of Appropriations Received and Direct Transfers, totaling \$2.38 billion. The appropriations were for the Operations of Indian Programs (OIP) (\$1.96 billion), Construction



# SECTION I. MANAGEMENT'S DISCUSSION AND ANALYSIS

## ANALYSIS OF OUR FINANCIAL STATEMENTS

represents a decrease of \$42 million from FY2005 (\$449 million), which is from the revenues earned from the Department of Education.

### What Indian Affairs Spent

Net cost of operations decreased by \$297 million or 11 percent from \$2.8 billion in FY2005 to \$2.5 billion in FY2006. The decrease is largely due to the early implementation of the OMB Circular A-136 Parent/Child reporting requirement for the Department of Transportation Highway Trust Fund. The FY2006 net cost associated with this allocation transfer is reported on the parent's (Federal Highway Administration) financial statements.

The majority of the budgetary resources were spent during the current year to support three major end outcome goals: Improve Protection of Lives, Resources, and Property; Fulfill Indian Fiduciary Trust Responsibilities; and Advance Quality Communities for Tribes and Alaska Natives. Of the \$2.5 billion in total net cost, Advance Quality Communities for Tribes and Alaska Natives accounted for 76 percent (\$1.9 billion) of the total.

Under the FY2007 budget restructuring, end outcome goal - Protect Cultural and Natural Heritage Resources - will be added. The current FY2006 Statement of Net Costs does not reflect this mid-2006 realignment, but it will be reflected in the FY2007 Statement.

As of fiscal year-end, \$2.8 billion of budgetary resources had been obligated, representing no change from FY2005. Gross outlays, which reflect the actual cash disbursed against Indian Affairs' obligations, totaled \$2.6 billion.

Tables 1-3 and 1-4 reflect the funds provided to Indian Affairs and how these funds were used.



**Road construction crew at work repairing street.**

**Table 1-3. Where Funds Come From**

Type	Percent Change	FY2006 (\$ millions)	FY2005 (\$ millions)
Appropriations and Direct Transfers	- 0.2 percent	\$ 2,378	\$ 2,383
Unobligated Balances Carry-forward and Recoveries	- 6.0 percent	\$ 734	\$ 781
Offsetting Collections	+ 10.0 percent	\$ 340	\$ 309
<b>Total Budgetary Resources</b>	<b>- 0.6 percent</b>	<b>\$ 3,452</b>	<b>\$ 3,473</b>

**Table 1-4. Where Funds Go**

Type	Percent Change	2006 (\$ millions)	2005 (\$ millions)
Improve protection of Lives, Resources, and Property	- 4.7 percent	\$ 182	\$ 191
Fulfill Indian Fiduciary Trust Responsibilities	- 19.2 percent	\$ 424	\$ 525
Advance Quality Communities for Tribes and Alaska Natives	- 8.9 percent	\$ 1,882	\$ 2,068
<b>Net Cost</b>	<b>- 10.6 percent</b>	<b>\$ 2,488</b>	<b>\$ 2,784</b>

## SECTION I. MANAGEMENT'S DISCUSSION AND ANALYSIS

### ANALYSIS OF OUR FINANCIAL STATEMENTS

#### Financial Performance Metrics - What We Measure

The Debt Collection Improvement Act (DCIA) of 1996 requires timely referral to the Department of Treasury for collection of delinquent receivables. During FY2006, Indian Affairs referred \$7.4 million to Treasury for collection. Of the current and past debts referred to Treasury, \$830 thousand was collected in FY2006. Overall, Indian Affairs improved its performance in this category by 13 points from a referral rate of 86 percent in FY2005 to 99 percent this fiscal year.

Indian Affairs also strived to increase the percentage of all payments (travel and vendor) made via electronic funds transfer (EFT). In FY2006, we exceeded the DOI goal for electronic travel pay-

ments by 3 percent from a baseline of 96 percent. The percent of vendor payments made electronically, however, were slightly below (2 percent) the DOI target because of the remote locations of many of the Indian Affairs' vendors.

The Prompt Payment Act requires that Federal agencies pay their bills on time or an interest penalty must be paid to vendors. During FY2006, 9 percent of invoices required interest penalties compared to 14 percent for FY2005; however, we recognize continued improvement is still needed in this area.

Table 1-5 presents a fiscal year-end summary of Indian Affairs' performance relative to the DOI's performance goals.

Table 1-5. Indian Affairs - DOI Metrics

Type	Why It Is Important	FY2006 Actual	FY2006 Performance Goal	Target Met, Not Met, or Exceeded
Percent of Accounts Receivable from Public delinquent over 180 days referred to Treasury	Actively collecting debt improves management accountability and reduces Treasury borrowing.	99 percent	95 percent	Exceeded
Percent of Vendor Payments made electronically	Use of electronic funds transfer saves money, reduces paperwork, and improves cash management.	94 percent	96 percent	Not Met
Percent of Travel Payments made electronically	Use of electronic funds transfer saves money, reduces paperwork, and improves cash management.	99 percent	96 percent	Exceeded
Percent of Vendor Payments made on time	Timely payment reduces interest charges and reflects a high degree of accountability and integrity.	91 percent	98 percent	Not Met
Employee Travel Cards delinquent over 60 days	Reducing outstanding travel card balances helps increase rebates to agencies.	2.7 percent	2 percent	Not Met

## SECTION I. MANAGEMENT'S DISCUSSION AND ANALYSIS

# ANALYSIS OF OUR FINANCIAL STATEMENTS

### Stewardship Information

The stewardship resources for which Indian Affairs is accountable have been categorized into two groups: "Stewardship Assets" and "Stewardship Investments." Stewardship Assets are property entrusted to or owned by the Federal government for the long-term benefit of the Nation (such as public land). The government is charged with safeguarding and maintaining these assets. Indian Affairs' Stewardship Assets consist of: Heritage Assets - Museum Property Collections, Heritage Assets - Non-Collectables, and Stewardship Land. Stewardship Investments represent expenses charged to current operations that are expected to benefit the Nation over time. Indian Affairs' Stewardship Investments consist of: Human Capital - Indian Education and Non-Federal Physical Property.

The Indian Affairs' museum property collection includes art work, archeological materials, historical objects, and associated records. Indian Affairs' non-collectible assets consist of one site (Haskell Indian Nations University in Lawrence, Kansas) designated by the Secretary of Interior as a National Historic Landmark. Indian Affairs' Stewardship land encompasses a wide range of activities, including recreation, conservation, and functions vital to the culture and livelihood of the American Indians and Alaska Natives.

Indian Affairs' investment in human capital includes Indian educational programs and Indian employment, training and related services. The goal of the Indian Affairs education program is to provide quality education opportunities in Indian communities from early childhood throughout life, with consideration given to the mental, physical, emotional, spiritual and cultural aspects of the individual being served. The Indian Employment, Training and Related Services Act allows Federally recognized Tribes to use Federal funding to provide employment, education, training, child care, welfare reform and related services in Indian communities.

Indian Affairs' investment in Non-Federal Physical Property includes schools, dormitories and other infrastructures; the Indian Reservation Roads Program; and the Indian Reservation Roads Bridge Program.

Costs of stewardship-type resources are treated as expenses in the financial statements in the year the costs are incurred. These costs and the resultant resources are intended, however, to provide long-term benefits to the public and are included as RSI and RSSI reporting to highlight their long-term benefit nature and to demonstrate accountability over them. Depending on the nature of the resources, stewardship reporting may consist of financial and non-financial data. Stewardship Assets are not required to be included in the Balance Sheet section of Indian Affairs' financial statements.

See the RSI and RSSI portion of Section III for complete disclosures regarding stewardship information.



**BIA road crew grading dirt road for local access to homes.**

## SECTION I. MANAGEMENT'S DISCUSSION AND ANALYSIS

# ANALYSIS OF OUR FINANCIAL STATEMENTS

### **Limitations of the Financial Statements**

The principal financial statements have been prepared to report the financial position and results of operations of Indian Affairs, pursuant to the requirements of 31 USC 3515 (b).

While the statements have been prepared from the books and records of Indian Affairs in accordance with generally accepted accounting

principles for Federal entities and the formats prescribed by the OMB, the statements are in addition to the financial reports used to monitor and control the budgetary resources which are prepared from the same books and records.

The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.



## SECTION I. MANAGEMENT'S DISCUSSION AND ANALYSIS

# COMPLIANCE WITH LEGAL AND REGULATORY REQUIREMENTS

### Improper Payments Information Act

The Improper Payments Information Act of 2002 (P.L. 107-300) requires Federal agencies to carry out a cost-effective program for identifying payment errors and recovering any amounts overpaid.

Improper payment means any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirement. These include: overpayments, under payments (including inappropriate denial of payment of service), any payment that was made to an ineligible recipient or for an ineligible service, duplicate payments, payments for services not received, late payment interest not earned, and payments that do not take credit for appropriate discounts. The term "improper payment" and "erroneous payment" have the same meaning for these purposes.

In accordance with the Improper Payments Information Act of 2002 and Department guidance, Indian Affairs reviewed their programs' internal controls to gain reasonable assurance that controls were in place to limit the chance of making improper payments. Although IA did not have any programs meeting the \$100 million threshold, sufficient controls were in place to minimize the risk of making improper payments.

### Management Assurances

The following management assurances are provided as they relate to the following two statutes:

#### Federal Managers' Financial Integrity Act

The FMFIA of 1982 requires agencies to establish management control and financial systems that provide reasonable assurance that the integrity of Federal programs and operations is protected. It also requires that the head of the agency provide an annual assurance statement on whether the agency met this requirement and whether any material weaknesses exist.

The FMFIA assurance statement also requires a management's assessment of the effectiveness of the internal controls to support effective and efficient programmatic operations; reliable financial reporting and compliance with applicable laws and regulations; and whether the financial management systems conform to financial systems requirements.

In FY2006, Indian Affairs conducted an assessment of their systems of management, accounting, and administrative controls in accordance with the requirements and guidelines prescribed by the FMFIA and OMB Circular A-123, "Management's Responsibility for Internal Control" dated December 21, 2004.

#### Assessment of Internal Controls

In response to FMFIA and the Department's FY2006 Internal Control and Audit Follow-up Program guidance, Indian Affairs conducted several program and financial Management Control Reviews (MCR), evaluations, assessments and audits during FY2006.

In assessing the internal management controls, Indian Affairs relied on management's knowledge and experience of daily operations of its programs and systems of accounting and administrative controls, coupled with the information obtained from various internal control assessments; OIG and Government Accountability Office (GAO) audits; internal program evaluations and studies; and other performance plans and reports.

The assessment did not identify any new material weaknesses or non-conformances. Consequently, the existence of prior year material weaknesses, Wireless Communication and Detention Centers, did not prevent the Associate Deputy Secretary from providing reasonable assurance as to the effectiveness of its internal control taken as a whole.

## SECTION I. MANAGEMENT'S DISCUSSION AND ANALYSIS

# COMPLIANCE WITH LEGAL AND REGULATORY REQUIREMENTS

### Controls over Financial Reporting

During FY2006, Indian Affairs conducted an assessment of their effectiveness of internal controls over financial reporting, which included the safeguarding of assets and compliance with applicable laws and regulations in accordance with the requirements of Appendix A of OMB Circular A-123 and the Chief Financial Officers' Council Implementation Guide dated July 31, 2005, as implemented by the Department. The Indian Affairs' assessment focused on specific financial reports and related financial statement line items identified by the Department as material to the Department's consolidated financial reports.

Based on the results of this assessment, Indian Affairs provided reasonable assurance to the Department that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2006 was operating effectively and no material weaknesses were found in the design and operation of their internal controls.

During FY2006, Indian Affairs also assessed its information technology systems to determine whether they generally complied with the requirements of the Federal Information Security Management Act (FISMA), and Appendix III of OMB Circular A-130, "Management of Federal Information Resources."

### Federal Financial Management Improvement Act

The FFMIA of 1996 requires that agencies' financial management systems provide reliable financial data in accordance with generally accepted accounting principles and standards. Under FFMIA, financial management systems must substantially comply with the following three requirements:

- Federal financial management system requirements
- Applicable Federal accounting standards
- U.S. Government Standard General Ledger (USSGL) at the transaction level.

The Act also requires that the independent

auditors' report relating to the financial statements must state whether the Indian Affairs' financial management system complies with the above requirements.

In light of the above, Indian Affairs evaluated their financial management system during FY2006 and concluded that it conformed substantially with the above Federal financial system requirements. In fact, IA maintains that its internal management controls and financial management system programs are in substantial compliance with FFMIA. It is within this overall acceptable framework that IA continues to:

- Integrate the appropriate internal management controls into the appropriate business processes and the financial management system at the pertinent organizational level
- Review internal management controls and financial management system controls on a recurring basis
- Develop and implement corrective action plans on management control weaknesses
- Monitor the corrective action plans until the identified weaknesses were corrected.

Although IA continues to maintain the above position on FFMIA compliance, the independent auditors' report has asserted over the past few years that the Bureau's financial management system (i.e., the Department's Federal Financial System) does not substantially comply with the FFMIA accounting and system requirements concerning selected federal accounting standards and the USSGL at the transaction level. Each of these auditors' reports, however, did not specifically identify any instance in which IA's financial management system did not substantially comply with the FFMIA requirements.

### Resolution of Internal Control Weaknesses and Non-Compliance with Laws and Regulations

The following table summarizes actions taken to resolve the material weaknesses and instances of noncompliance with laws and regulations cited in the FY2005 Independent Auditors' Report.

## SECTION I. MANAGEMENT'S DISCUSSION AND ANALYSIS

### COMPLIANCE WITH LEGAL AND REGULATORY REQUIREMENTS

Material Weakness	Corrective Actions	Target Correction Date
Controls Over Indian Trust Fund	In conjunction with the Office of the Special Trustee for American Indians, Indian Affairs validated the business processes for: processing probate cases, conducting leasing activities for minerals and mining, and surface uses; managing forests, negotiating timber contracts and managing the timber sale process; managing acquisitions and sales of Indian lands; and handling the processing of land transactions. Additionally, Indian Affairs performed tests of controls over selected functions to provide assurance that the business processes are being followed. In October 2006, the Department downgraded the Department's FY2005 Financial Statement Material Weakness to a bureau-level reportable condition.	FY2007
Controls Over Property, Plant, and Equipment	Revised various policies and procedures to strengthen the controls over property, plant and equipment. Specifically, the Construction-In-Progress (CIP) Accounting Management Handbook was revised to reflect new business processes. Further, staff was trained on these new business processes. The Office of the Chief Financial Officer (OCFO) also instituted periodic testing of CIP transactions to ensure accuracy of the data and to provide assurance that the business processes are being followed.	FY2006
Controls Over Accounts Receivable and Deferred Revenue	The OCFO instituted significant actions to strengthen the internal controls for Unbilled Accounts Receivable and Advances to Others (Education Agreements). These included implementing procedures for establishing contracts/agreements in the Federal Financial System (FFS), completing a full reconciliation of the agreements to FFS, and developing an OCFO tracking system in conjunction with the BIE to ensure all agreements are accurately reflected in FFS.	FY2006
OMB Circular A-133 <i>Audits of States, Local Governments, and Non-profit Organizations</i>	Indian Affairs revised its manual and training materials to clarify the roles and responsibilities of the awarding agency in the Single Audit process and developed performance standards and Government Performance and Results Act performance measurements to ensure the timely issuance of management decisions and receipt of Single Audit reports. Monthly reporting to management was enhanced. As of September 30, 2006, Indian Affairs had no outstanding management decisions which were more than 6 months after the date of receipt.	FY2006
Debt Collection Improvement Act of 1996	Developed comprehensive policies and procedures to include application of the proper collection tools and due process, use of the proper interest rate for delinquent debts, timely referral to the U.S. Treasury, and proper management review. Implemented quarterly certifications from regional managers, Education Line Officers, and the National Business Center (NBC) on accounts receivable balances review and timely debt referral. Revised FY2007 Service Level Agreement with the NBC to institute additional reporting requirements that would facilitate IA monitoring of NBC's debt collection and referral process.	FY2006
OMB Circular A-25, <i>User Charges</i>	Issued Indian Affairs' Burden Rate Implementation policy which addresses the roles and responsibilities for establishing and administering burden rates, the methodology and frequency for establishing a burden rate, and the criteria for determining which reimbursable agreements warrant the application of the burden rate. Policy is effective October 1, 2006.	FY2007
Federal Financial Management Improvement Act of 1996	The FFMA noncompliance finding summarizes the identified audit deficiencies which resulted in Indian Affairs' financial management systems not substantially complying with applicable Federal accounting standards and the U.S. Government Standard General Ledger (USSGL). Indian Affairs has addressed deficiencies in its Construction-in-Progress, accounts receivables and deferred revenue, contingent liabilities and direct and guaranteed loan processes to ensure proper reporting in accordance with the Federal accounting standards. In addition, Indian Affairs has implemented new posting models to ensure that transactions recording the donation of a capitalized asset are in accordance with the USSGL.	FY2006





## SECTION I. MANAGEMENT'S DISCUSSION AND ANALYSIS

### LOOKING FORWARD

**W**ith accountability becoming an ever increasing demand of American citizens, government must continue to improve its delivery of public services and stewardship of public resources. Responding to these demands will require government decision-makers to adopt new ways of thinking, to consider different ways of achieving goals, and to use new types of information to guide decisions. Indian Affairs is no different. In fact, Indian Affairs is adopting the principles of performance-based management in its effort to address these demands.

Indian Affairs' performance-based management seeks to shift the focus away from its preoccupation with activities, such as "student loans" and "probates", to a focus on the "results" and "outcomes" of those activities. For instance, we need to focus our energy on the "real gains attained" as a result of the student graduations and probate closures. In other words, the Indian Affairs' performance-based management approach systematically integrates into our decisions the "results it intends to achieve" when thinking about organizational structures, program and service delivery strategies, use of technology, and human capital practices.

The following summaries, as well as the summary of *Cobell v. Kempthorne* at the end of this section, present the most serious management challenges facing Indian Affairs. For the most part, the challenges are not amenable to simple, near-term resolution and can only be addressed by a concerted, persistent effort resulting in progress over a long period of time. Although these issues tend to guide our oversight efforts, we continually re-assess the Indian Affairs' goals and objectives to ensure that our focus remains relevant, timely, and responsive to changing priorities.

#### Information Technology

Indian Affairs is continuously reviewing new technologies to better manage and provide services for our internal and external customers.

Improved security and management controls have resolved over 20 previous audit findings. Although still under a Court Order that keeps Indian Affairs' offices disconnected from the Internet, plans have been put in place to securely implement e-Government systems at such time as connectivity is approved.

To meet the challenges that new technologies bring, Indian Affairs is also preparing the necessary acquisition and implementation plans that protect information assets while simultaneously providing the highest quality of service and access to needed information. These new technologies will also require updated policies and procedures to maintain a high level of operational effectiveness and management controls. Close monitoring will be paramount to ensuring that the promised benefits of these technologies are achieved.

#### Human Capital Management

Like several other Federal, State and Local government agencies, Indian Affairs faces the challenge of attracting and retaining a highly skilled workforce. Indian Affairs is taking comprehensive steps to address this problem across all mission areas by implementing a strategic approach to manage and maintain human capital. A workforce restructuring plan has identified gaps in mission critical occupations and the steps needed to continuously track the progress in filling those gaps, capture critical competencies and skills, determine management and leadership depth, and facilitate further gap analysis. The plan fosters better management of the existing workforce and enables improved strategic decisions about future workforce needs. Indian Affairs also faces a management challenge similar to other Federal agencies as a large portion of its workforce becomes eligible for retirement in the next five to ten years.

Additionally, implementation of "Homeland Security Presidential Directive No. 12" (HSPD-12) personnel security clearance requirements presents another challenge that will impact the

## SECTION I. MANAGEMENT'S DISCUSSION AND ANALYSIS

### LOOKING FORWARD

timeliness and costs for implementing Human Capital Management. The new processes implement secure and reliable methods for identification and clearance of employees and contractors, but require a higher level of coordination with the Department and other Federal agencies.

#### **Probate and Estate Services**

Indian Affairs is in the process of implementing far-reaching management reforms in the area of Indian Trust Management. These reforms are reflected in the Department's Strategic Plan goals, and include reduction in the backlog of probates, facilitating the consolidation of Indian land ownership, and assisting in the restoration of economic viability of Indian assets. During FY2006, Indian Affairs substantially increased its submissions of probate records to the Office of Hearings and Appeals for determining legal heirs and beneficiaries. This increased focus on probates has improved the accuracy and timeliness of Indian Trust ownership records, which is crucial for making accurate payments to Trust beneficiaries.

#### **Indian Poverty, Unemployment, Violence, and Substance Abuse**

Data from the 2000 Census indicated that the total Native American Indian and Alaska Native population grew to 2.5 million, nearly five times the population reported in 1960. With this increased population, Indian Country is experiencing increased poverty, unemployment, violence, infant mortality, suicide, alcoholism and substance abuse. Moreover, the 2003 Indian Labor Force Report reflected that the Nation's Indian service population was 1.6 million, with a workforce of only 800,528. Furthermore, 32 percent of the employed workforce was shown to be living below the poverty line established by DHHS.

Despite these severe hardships, Indian Tribes and Indian Affairs continue to improve the quality of life for their constituents in the areas of

Social Services, Tribal government infrastructure, Indian Education, job training, and employment opportunities. These efforts remain challenges in the coming years with shrinking budgetary resources to meet ever increasing populations.

#### **Managerial Cost Accounting and Performance-Based Budgeting**

A continuing Indian Affairs' management challenge is the need to ensure its programs are achieving their intended purposes through performance-based management. Indian Affairs continues to re-examine performance measures each quarter for each program and business function to determine performance results and provide information to management for decision-making and budget formulation.

Indian Affairs is also continuing its ongoing Activity Based Costing/Management effort to determine the costs of doing business. Allocation of direct and indirect costs to lines of business, programs, functions, activities and their associated outputs provide management with performance and financial information, trend analyses, and workload analyses.

A Performance-Based Budgeting model is being developed in association with budget restructuring, strategic planning, and Activity Based Costing/Management initiatives. Linking these disciplines and their corresponding information will allow Indian Affairs' management to connect what they intend to achieve with the allocated resources needed to achieve it, and the measures showing the extent of their success.

#### **Cobell v. Kempthorne**

For several years, the DOI has been involved in an accounting project of unprecedented proportions. No other federal financial system—not the tax collection system, the social security system, or the Medicare system—has ever been tasked with undertaking an accounting of this type and scope. The resources necessary to

## SECTION I. MANAGEMENT'S DISCUSSION AND ANALYSIS

### LOOKING FORWARD

accomplish this task are over \$300 million. DOI is continuing its accounting work, consistent with its own 2003 accounting plan and the funding provided by the Congress, and has made substantial progress. To date, DOI has spent more than \$100 million conducting historical accounting that has principally covered the 70 percent of accounts opened in or after 1985 and existing through the 1985–2000 electronic accounting system era. Records prior to 1985 have been examined in the Judgment and Per Capita reconciliations and in the “Named Plaintiffs and Their Predecessors in Interest” reconciliations, which went back as far as 1914.

DOI's experience in conducting its accounting has revealed that a very high percentage of financial records are available—a quarter of a billion pages of Indian records have been collected and electronically indexed. DOI's accounting experts have uncovered no evidence of fraud or widespread systemic error in the U.S. government's handling of the Individual Indian Money (IIM) accounts, and the few errors that have been found are generally small in monetary value. This picture is a significantly different from that offered by DOI's critics. The historical accounting work on Individual Indian Money (IIM) accounts completed to-date by DOI supports several significant conclusions:

- Supporting contemporaneous records do exist and can be located for a very high percentage of accounts and transactions.
- Differences between supporting records and recorded transactions are few in number, small in size, and not widespread or systemic.
- There is no evidence that historical records have been altered or that hackers have tampered with electronic records.
- There is ample evidence that monies collected for individual Indians were distributed to the correct recipient—contrary to the claims of Interior's critics.

DOI has completed a great deal of work to reach these conclusions:

- Collected about a quarter of a billion pages of Indian records—with over 15 million relevant pages, some dating to the 1910s—located, digitally imaged, and coded for search and retrieval.
- DOI's accounting consultants, using these documents to reconcile (or compare) the actual Individual Indian Money (IIM) account transactions with the expected postings based on an examination of the original financial documents and ownership records.
- Fully reconciled more than 25,800 out of a total of 42,218 Judgment and Per Capita Individual Indian Money accounts (accounts based on payments to tribal members) with balances as of December 31, 2000, representing 56 percent of more than \$150 million in account balances; and
- Reconciled nearly 17,000 transactions in Land-Based accounts (accounts that derive their income from the sale or use of land assets and resources), which in aggregate constitutes 10 percent of all the dollars in such accounts.
- Uncovered only small differences that affect Individual Indian Money (IIM) accounts. While important to each affected account holder, in each portion of the accounting work to date, only about one percent of all the transactions reconciled has been found to be different from what was expected, some in favor of the account holder (overpayments), and some in favor of the U.S. Government (underpayments).
- Determined the aggregate value of the dollars posted that are different from the expected postings constitutes less than one percent of all the dollars reconciled.

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Through the use of statistical samples, DOI is now in a position to draw conclusions with a high degree of confidence about the overall accuracy of the transactions in the Land-Based Individual Indian Money accounts covering the 1985–2000 period. Based on the sample findings, DOI's experts are highly confident that the difference rates for all disbursement and deposit transactions are very small, and that the vast majority of these differences are less than \$10.

The Office of Historical Trust Accounting (OHTA) continues to conduct its historical accounting and is preparing historical statements of accounts for Individual Indian Money account holders. The court of appeals found that the use of statistical methods is an appropriate tool as a consequence of completion of data validation. By the end of the historical accounting, OHTA will be in position to prepare and mail (with District Court permission) over 300,000 historical statements of account. OHTA continues to work on the pre-1985 transactions and expects to complete this reconciliation by FY2010.



## SECTION II. PERFORMANCE

### THE PRESIDENT'S MANAGEMENT AGENDA



This section summarizes the results of the Indian Affairs' annual performance measurement program required under the Government Performance Results Act (GPRA) by comparing actual performance with the projected or targeted performance levels defined in the annual performance budget. The detailed performance summaries show where targets were met, not met, or exceeded and the sources of the data used.

Internal processes for data collection require certified verification of data at several levels within Indian Affairs from the field through the Central Office to ensure the validity of the performance information reported. Indian Affairs is using the DOI "Data Validation & Verification Matrix Tool Template" to evaluate data collection and reporting systems as described in the Performance Data Credibility memorandum issued by the Assistant Secretary on January 16, 2003. The DOI guidelines for data quality instituted in FY2003 were covered at a series of Management Discussion and Analysis training sessions held April through May 2006 with senior program management and staff level managers. Requirements were delineated to identify responsibility for collection, reporting and retention of data and supporting information. Indian Affairs will continue to revise and improve data elements and collection efforts to provide even stronger verification and validation of relevant, accurate, and timely performance information that provides true accountability of program results.

Indian Affairs has shown improved performance in a number of areas. Much of that improvement can be traced to the use of Program Assessment Rating Tool (PART) reviews to help plan future direction, and implementation of the Activity Based Costing/Management program to provide data needed to measure efficiency in each program area. The President's Management Agenda (PMA) also considers government-wide established criteria by which the success of Indian Affairs' management functions can be measured.

#### The President's Management Agenda

The PMA considers government-wide established criteria by which the success of Indian Affairs' management functions can be measured.

##### Strategic Management of Human Capital

The "Strategic Management of Human Capital" initiative tasks agencies to reshape their organizations to meet a standard of excellence with special emphasis on targeting reforms in civil service as well as developing and recruiting talent and leadership within organizations.

Indian Affairs continued reshaping its organization in FY2006 by implementing the following strategies for the management of human capital: (1) identify critical competencies, (2) target candidates most likely to possess critical competencies, (3) streamline the hiring procedures to have job offers made faster than the competition, and (4) establish entry-level training programs to teach employees the technical aspects of the work.

In FY2006, the Office of Human Capital Management surveyed management to identify occupations considered most critical and the core competencies associated with these occupations. To determine skill gaps, a survey instrument was developed and administered in FY2006. A plan to measure skill gaps in the most critical occupations is to be conducted in FY2007 and FY2008.

A notable FY2006 accomplishment by Indian Affairs was the reduction of hiring time to an average of 33 days. The OPM hiring target is 45 days for General Schedule employees. The Office of Human Capital Management implemented a quarterly report to verify and validate hiring time frames.

Indian Affairs targeted reforms to manage human capital by conducting a review of the SES hiring system in April 2006. The review determined that it required 10 to 11 months on average to fill a position. The results of the study will be

## SECTION II. PERFORMANCE

### THE PRESIDENT'S MANAGEMENT AGENDA

used in the upcoming fiscal year to identify hiring obstacles and reduce the processing time for SES applications.

#### Competitive Sourcing

The Competitive Sourcing initiative is a management tool that allows managers to compete Federally operated activities that are not inherently governmental. This initiative takes advantage of market-based competition while at the same time allowing existing Federal employees to compete for the work. As a result, competitive sourcing generates significant savings and noticeable performance improvements. As an initial step in the competitive sourcing process, agencies are tasked with determining their inherently governmental and non-inherently governmental functions when filing documentation required by the Federal Activities Inventory Reform (FAIR) Act. Such documentation essentially assesses the susceptibility of work functions to be competed.

Indian Affairs completed its FAIR Act study in March 2006. This is a major building block in the President's Competitive Sourcing strategy to maximize use of competition to enhance program operations and improve service delivery.

Moreover, Indian Affairs has taken advantage of market-based competition by completing two streamlined studies in FY2005. The Rocky Mountain Regional Office (RMRO) streamlined study completed in September 2005 focused on 27 road maintenance Full Time Employees (FTEs). Indian Affairs is monitoring the cost savings of a streamlined study at RMRO with an estimated cost savings of \$350,000 per year. Indian Affairs announced the Navajo Regional Office road maintenance standard study in Fed BIZOPS.

#### Improved Financial Management

The Improved Financial Management initiative requires that Federal financial systems produce accurate and timely information to support operating, budget, and policy decisions. To meet this requirement, Federal agencies are charged

with implementing managerial cost accounting practices, receiving clean audit opinions on their annual financial statements, meeting accelerated financial reporting deadlines, and ensuring financial management systems are compliant with Federal laws and regulations.

Indian Affairs reconciled 94 percent of dollars associated with reimbursable agreements, established controls over advances, and provided supporting documentation. Policies and procedures were established to implement an Indian Affairs' burden rate on all eligible agreements beginning in FY2007. Corrective actions were taken to close out accounting system non-conformances by establishing Indian Affairs' policies and procedures related to accounts receivable, debt collection and Construction-in-Progress. Overall, BIA corrected 100 percent of all financial-related FY2005 audit findings associated with Material Weaknesses and Non-Compliances with Laws and Regulations.

Furthermore, financial performance metrics (e.g., Prompt Payment Act compliance) are in senior managers' performance plans to ensure that management is directly accountable for administrative and programmatic performance.

#### Expanding Electronic Government (e-Government)

The Expanding Electronic Government initiative supports projects that offer performance gains across agency boundaries via Internet communications (such as e-procurement, e-grants, e-regulation, and e-signatures). Another aspect of the strategy is to develop secure IT systems and ensure strict adherence to IT project cost, schedule, and performance. This initiative will make it easier for citizens to access and receive high-quality service from the Federal government, while reducing the cost of delivering those services.

Indian Affairs is not permitted to connect to the Internet as a result of the ongoing Cobell v. Kempthorne lawsuit. Therefore, Indian Affairs is only able to meet the e-Government objectives internally through its Intranet. Indian Affairs has an e-Government policy and plan in place that

## SECTION II. PERFORMANCE

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can be implemented if the court rescinds Internet restrictions.

#### Budget and Performance Integration

The Budget and Performance Integration initiative provides an increased focus on the integration of performance into budgetary decision-making and budget formulation. Agencies are required to identify high quality outcome measures and to accurately monitor the performance of programs and associated performance costs. The expected outcomes are better control and management oversight of resources used, as well as increased accountability of program managers related to performance results.

In most program areas, Indian Affairs has two fiscal years worth of performance information (FY2004 and FY2005). We are working with the program areas to establish baselines and collect performance data with the intention to use FY2006 information, in conjunction with the previous fiscal years, to project cost targets.

Using the existing cost and performance information, Indian Affairs has identified a number of efficiency measures for each program. Specifically in FY2006, at least one efficiency measure per program has been evaluated through the OMB Program Assessment Rating Tool (PART) process. This is a key step towards tracking cost and performance improvements.

The environment in which budget decisions are made and justified is evolving into one that is increasingly performance based and integrates information across program areas, regions, and the DOI.

For this reason, Indian Affairs meets quarterly with the Tribal Budget Advisory Council (TBAC) to discuss and confer on various budget issues. In addition, a timeline is continually updated and shared with the TBAC which illustrates tribal opportunities for contributing to the budget process.

Specifically, a great deal of progress has been made in the budget consultation process. During the development of the FY2007 budget, a

tribal budget subcommittee was created to work with the Indian Affairs' budget officer to meet OMB guidelines. This was a very successful and cooperative meeting. Since then, the subcommittee, Indian Affairs budget office personnel, and the Associate Deputy Secretary have met several times to address such topics as FY2008 priorities, strategy for budget presentation, common goals, etc. In addition, the subcommittee and IA budget office met together with OMB to address FY2008 goals and priorities.

#### Asset Management

The Asset Management initiative is to promote efficient and economical use of United States real property assets and to ensure management accountability for implementing Federal real property management reforms.

Indian Affairs is responsible for the administration and management of approximately 56 million acres of land held in trust by the United States for American Indians, Indian tribes, and Alaska Natives. Indian Affairs is thus accountable for a wide reaching inventory of assets, ranging from United States Calvary outposts built in the 1800s to structures built to house Indian Affairs' agents at rural agency locations throughout the western states. Assets include Indian Affairs' administrative offices, schools, law enforcement and detention facilities, employee housing, municipal infrastructure support systems (public roads, dams, irrigation systems, forestry, and heritage assets) in addition to natural resources on land held in trust.

In FY2006, Indian Affairs' overall Asset Management Plan was developed to improve management of Federal assets used to deliver Federal program services to federally recognized tribes and tribal members. Currently, Indian Affairs' site-specific Asset Management Plans are under development.

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#### **Program Assessment Rating Tool Status**

The PART was announced by the OMB in July 2002 as a tool for formally evaluating the effectiveness of Federal programs. The OMB PART guidance describes PART as a systematic method of assessing the performance of program activities across the Federal government. The PART is a diagnostic tool with the main objective being to improve program performance. The PART assessments help link performance to budget decisions and provide a basis for making recommendations to improve results. The PART is composed of a series of questions designed to provide a consistent approach to rating programs across the Federal government, relying on objective data to assess programs across a range of issues related to performance.

The PART questionnaire is divided into four sections:

1. Program Purpose & Design,
2. Strategic Planning,
3. Program Management, and
4. Program Results.

Points are awarded to a program based on the answer to each question, and an overall rating of effectiveness is then assigned. There are five categories of possible ratings: Effective, Moderately Effective, Adequate, Ineffective, and Results Not Demonstrated.

Since FY2002, Indian Affairs has undergone 16 PART reviews. These reviews are listed in the following chart and their results are depicted using the colors red (ineffective or results not demonstrated), yellow (adequate), green (moderately effective and effective), and blue (effective) for each section and the final determination score from OMB. The chart illustrates that Indian Affairs' weakest areas have been in the Strategic Planning and Program Results sections. Comparatively, the table illustrates Indian Affairs' strengths in the Program Management section.

The OMB typically provides their final score for PART reviews in the November-December time frame. Until such time, results are not final for in-process PART reviews.



# SECTION II. PERFORMANCE

## THE PRESIDENT'S MANAGEMENT AGENDA

Program Assessment Rating Tool Results - 2003 - 2006							
Program Reviewed	Part Year	RePart Year	Purpose & Design (20 Percent)	Strategic Planning (10 Percent)	Program Management (20 Percent)	Program Results (50 Percent)	Final Determination from OMB*
School Construction	2002	2004	80	56	80	28	Results Not Demonstrated
School Operations	2002		100	86	71	20	Adequate
Indian Land Consolidation	2002		75	50	70	75	Moderately Effective
Tribal Courts	2003		40	25	0	0	Results Not Demonstrated
Indian Law Enforcement	2003		60	43	65	0	Results Not Demonstrated
Indian Forestry	2003		100	88	100	33	Adequate
Road Maintenance	2004		60	38	57	13	Results Not Demonstrated
Post-Secondary Ed-Tribal Colleges	2004		100	75	78	26	Adequate
Indian Employment & Training	2004		80	100	100	53	Moderately Effective
BIA Housing Improvement Program	2005		40	12	72	27	Results Not Demonstrated
BIA Operation & Maintenance of Irrigation Project	2005		80	12	57	16	Results Not Demonstrated
BIA Dam Safety & Dam Maintenance	2005		80	100	88	78	Moderately Effective
Economic Development Loan Guarantee	2005		100	62	89	33	Adequate
Human Services**	2006		**	**	**	**	Adequate
Natural Resources**	2006		**	**	**	**	Moderately Effective
Real Estate Services**	2006		**	**	**	**	Results Not Demonstrated

\*Regardless of overall score, a rating of "Results Not Demonstrated" is given when programs do not have agreed-upon long- and short-term performance measures or lack baselines and performance data.





\*\*The 2006 program review score by section is pending OMB final disposition.




Legend	Score
Effective	85-100
Moderately Effective	70 - 84
Adequate	50 - 69
Ineffective	0 - 49
Results Not Demonstrated	*

# SECTION II. PERFORMANCE

## THE PRESIDENT'S MANAGEMENT AGENDA

### Indian Affairs' Performance Measures





<b>Mission Area: Resource Protection</b>			
<b>End Outcome Goal: Protect Cultural and Natural Heritage Resources</b>			
 <b>Target Met</b>	 <b>Target Not Met</b>	 <b>Establish Baseline</b>	 <b>Target Exceeded</b>
Note: 1. TBD - The published target in official budget documents is listed as "TBD," meaning To Be Determined.			
2. All listed actuals for 2006 are based on only 3 quarters of data, final 4 <sup>th</sup> quarter data collection is ongoing.			






Performance	Results					Purpose	Source
	2003 Actual	2004 Actual	2005 Actual	2006 Planned	2006 Actual		
 Percent of collections in DOI inventory in good condition.	16 percent	17 percent	22 percent	19 percent	34.1 percent	Outcome measure that tracks the proportion of collections maintained in an appropriate condition.	Program Records
 Percent of archaeological sites on DOI inventory in Good condition.	n/a	n/a	n/a	Establish baseline	88 percent Baseline Established	Outcome measure that tracks the proportion of archaeological sites being properly maintained.	Program Records
 Percent of historic structures on DOI inventory in Good condition.	n/a	n/a	n/a	Establish baseline	Baseline Not Established	Outcome measure that tracks the proportion of historic structures in the DOI inventory being maintained in "good" condition, as defined by internal standards.	Program Records

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## THE PRESIDENT'S MANAGEMENT AGENDA

### Indian Affairs' Performance Measures

<b>Mission Area: Serving Communities</b>			
<b>End Outcome Goal: Fulfill Indian Fiduciary Trust Responsibilities</b>			
 <b>Target Met</b>	 <b>Target Not Met</b>	 <b>Establish Baseline</b>	 <b>Target Exceeded</b>
Note: 1. TBD - The published target in official budget documents is listed as "TBD," meaning To Be Determined.			
2. All listed actuals for 2006 are based on only 3 quarters of data, final 4 <sup>th</sup> quarter data collection is ongoing.			

Safety of Dams							
Performance	Results					Purpose	Source
	2003 Actual	2004 Actual	2005 Actual	2006 Planned	2006 Actual		
 Other facilities, including dams are in fair to good condition as measured by the Facilities Condition Index (FCI).	n/a	n/a	.146	.143	.138	Provides an overall gauge of dam physical condition and is an intermediate outcome that is a leading indicator that dams will be safe and economically beneficial for Indian and neighboring communities	Program Records
 Improve the percentage of dams in fair to good condition annually.	n/a	n/a	38 percent	39 percent	42 percent	Monitors the proportion of the total problem (dams in poor condition) that is being addressed and, with the assistance of baseline data, the rate at which the problem (failing/aging dams) is being resolved.	Program Records
 Improve Facility Reliability Rating by "x" percent annually.	n/a	n/a	61 percent	64 percent	64.2 percent	Leading indicator that dams will be safe and economically beneficial for Indian communities. Note: This is the annual measure for the long-term measure shown below.	Program Records
 Improve the Facility Reliability Rating to 69 percent by 2008.	n/a	n/a	n/a	Establish baseline	64.2 percent Baseline established	Leading indicator that dams will be safe and economically beneficial for Indian communities.	Program Records
 Final construction contract amounts will be within "x" percent of the initial contract award amount.	n/a	n/a	17 percent	17 percent	3.1 percent	An important efficiency measure that indicates how well construction contracts are being managed; also satisfies OMB efficiency measure requirement.	Program Records

# SECTION II. PERFORMANCE

## THE PRESIDENT'S MANAGEMENT AGENDA

### Indian Affairs' Performance Measures




**Mission Area: Serving Communities**

**End Outcome Goal: Fulfill Indian Fiduciary Trust Responsibilities**

 **Target Met**    
  **Target Not Met**    
  **Establish Baseline**    
  **Target Exceeded**

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Probate							
Performance	Results					Purpose	Source
	2003 Actual	2004 Actual	2005 Actual	2006 Planned	2006 Actual		
 Average age of probate cases in pre-adjudication (# in years).	n/a	n/a	9	7	1.9	Good indicator of management efficiency in processing cases before they get to the point that factors beyond Indian Affairs' control intervention.	Program Records
 Percent of estates closed.	n/a	n/a	n/a	Establish baseline	58.4 percent Baseline established	Monitors the proportion of the total workload that is being addressed and, with the assistance of baseline data, the rate at which the challenge is being resolved.	Program Records
 Percent reduction in the case preparation backlog (pre-2000) each year (# eliminated/# backlog cases at beginning of fiscal year).	n/a	n/a	n/a	55 percent	82.5 percent	Measures progress towards eliminating the defined backlog in the probate caseload.	Program Records






# SECTION II. PERFORMANCE

## THE PRESIDENT'S MANAGEMENT AGENDA

### Indian Affairs' Performance Measures





<b>Mission Area: Serving Communities</b>			
<b>End Outcome Goal: Fulfill Indian Fiduciary Trust Responsibilities</b>			
 <b>Target Met</b>	 <b>Target Not Met</b>	 <b>Establish Baseline</b>	 <b>Target Exceeded</b>
Note: 1. TBD - The published target in official budget documents is listed as "TBD," meaning To Be Determined.			
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Irrigation							
Performance	Results					Purpose	Source
	2003 Actual	2004 Actual	2005 Actual	2006 Planned	2006 Actual		
 Increase the percentage of maintenance projects that are completed within established timeframes.	n/a	n/a	n/a	Establish baseline	Baseline not established	Timeliness measure that is a leading indicator of timely provision of greater economic benefits for Indian communities.	Program Records
 Improve the condition of the Irrigation Projects by eliminating the deferred maintenance backlog.	n/a	n/a	n/a	Establish baseline	Baseline not established	This is a strong efficiency measure that demonstrates the rate at which funds designated for irrigation improvement are being applied for that purpose; it then serves as a leading indicator of economic benefits for Indian communities.	Program Records
 Ensure compliance with regulations and policy issues in 100 percent of Irrigation Projects by 2013.	n/a	n/a	n/a	12.5 percent	13.3 percent	Clear indicator of accountable operations; and also bolsters Administration and Congressional confidence in the effectiveness of Indian Affairs' operations.	Program Records

# SECTION II. PERFORMANCE

## THE PRESIDENT'S MANAGEMENT AGENDA

### Indian Affairs' Performance Measures





<b>Mission Area: Serving Communities</b>			
<b>End Outcome Goal: Fulfill Indian Fiduciary Trust Responsibilities</b>			
 <b>Target Met</b>	 <b>Target Not Met</b>	 <b>Establish Baseline</b>	 <b>Target Exceeded</b>
Note: 1. TBD - The published target in official budget documents is listed as "TBD," meaning To Be Determined.			
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Irrigation (continued)							
Performance	Results					Purpose	Source
	2003 Actual	2004 Actual	2005 Actual	2006 Planned	2006 Actual		
 Complete inventory and preliminary assessment of 100 percent of Irrigation Projects.	n/a	n/a	0.94	100 percent	100 percent	This measure is required to establish priorities for project improvements based on finalized assessments.	Program Records
 Complete comprehensive condition assessment on 20 percent of revenue-generating irrigation projects annually.	n/a	n/a	7 percent	20 percent	0 percent	This measure targets the assessments toward those irrigation projects that have the greatest potential for producing economic benefits for Indian communities.	Program Records
 Establish Action Plans to correct non-compliance issues in Irrigation Projects (cumulative).	n/a	n/a	5/16	7/16	5/16	Required follow-up measure after project assessments have been completed.	Program Records

# SECTION II. PERFORMANCE

## THE PRESIDENT'S MANAGEMENT AGENDA

### Indian Affairs' Performance Measures





<b>Mission Area: Serving Communities</b>			
<b>End Outcome Goal: Fulfill Indian Fiduciary Trust Responsibilities</b>			
 <b>Target Met</b>	 <b>Target Not Met</b>	 <b>Establish Baseline</b>	 <b>Target Exceeded</b>
Note: 1. TBD - The published target in official budget documents is listed as "TBD," meaning To Be Determined.			
2. All listed actuals for 2006 are based on only 3 quarters of data, final 4 <sup>th</sup> quarter data collection is ongoing.			




Irrigation (continued)							
Performance	Results					Purpose	Source
	2003 Actual	2004 Actual	2005 Actual	2006 Planned	2006 Actual		
 Increase the percentage of maintenance projects that are completed within established timeframe.	n/a	n/a	n/a	TBD	Baseline not established	Monitors efficiency of irrigation maintenance.	Program Records
 Percent Completed condition assessments of revenue-generating irrigation projects (cumulative).	n/a	n/a	n/a	TBD	0 percent	Measurement tracks the condition of the revenue-generating irrigation projects as opposed to other irrigation projects that may be funded on an ad-hoc basis.	Program Records
 Percent of total acres of agricultural and grazing land that have resource management plans completed (cumulative).	n/a	n/a	14 percent	20 percent	20 percent	Management measure: proportion of total agricultural management problem being addressed.	Program Records
 Percent of acres leased where leased proceeds exceed administrative costs of the parcel.	n/a	n/a	n/a	TBD	68,022 (partial)	Measure of cost-effectiveness in managing leases.	Program Records

# SECTION II. PERFORMANCE

## THE PRESIDENT'S MANAGEMENT AGENDA

### Indian Affairs' Performance Measures

<b>Mission Area: Serving Communities</b>			
<b>End Outcome Goal: Fulfill Indian Fiduciary Trust Responsibilities</b>			
 <b>Target Met</b>	 <b>Target Not Met</b>	 <b>Establish Baseline</b>	 <b>Target Exceeded</b>
Note: 1. TBD - The published target in official budget documents is listed as "TBD," meaning To Be Determined.			
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Forestry							
Performance	Results					Purpose	Source
	2003 Actual	2004 Actual	2005 Actual	2006 Planned	2006 Actual		
 Percentage of acres on forested reservations that have a Forest Management Plan or Integrated Resource Management Plan (IRMP) with forest management provisions.	41 percent	44 percent	85 percent	87 percent	84.91 percent	This measure ensures that essential resources are preserved for future beneficial use and to promote economic benefits for tribes.	Program Records
 Percentage of forested reservations covered by Forest Management Plans.	n/a	34 percent	37 percent	40 percent	42.31 percent	Together with the above measure, this measure provides a balanced assessment of forest management effectiveness from the perspective of both the acreage and the communities being protected.	Program Records
 Percentage of total annual allowable harvest offered for sale.	n/a	n/a	81 percent	80 percent	74.06 percent (est.)	Measure provides a perspective on the proportion of the revenue opportunity being capitalized upon and the revenue potential remaining. It is also a strong leading indicator of economic benefits accruing to Indian communities.	Program Records





# SECTION II. PERFORMANCE

## THE PRESIDENT'S MANAGEMENT AGENDA

### Indian Affairs' Performance Measures

<b>Mission Area: Serving Communities</b>			
<b>End Outcome Goal: Fulfill Indian Fiduciary Trust Responsibilities</b>			
 <b>Target Met</b>	 <b>Target Not Met</b>	 <b>Establish Baseline</b>	 <b>Target Exceeded</b>
Note: 1. TBD - The published target in official budget documents is listed as "TBD," meaning To Be Determined.			
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Environmental Resource Management							
Performance	Results					Purpose	Source
	2003 Actual	2004 Actual	2005 Actual	2006 Planned	2006 Actual		
 Percentage of bureaus/facilities with Environmental Management System (EMS) plans.	n/a	75 percent	100 percent	100 percent	100 percent	This is a measure that reflects environmental protection outcomes by instituting thought-out, logical environmental plans.	Program Records
 Percentage of planned environmental audits conducted.	n/a	170 percent	n/a	100 percent	100 percent	This is a measure that reflects management reviews of environmental plans to institute appropriate management controls.	Program Records

# SECTION II. PERFORMANCE

## THE PRESIDENT'S MANAGEMENT AGENDA

### Indian Affairs' Performance Measures

**Mission Area: Serving Communities**

**End Outcome Goal: Advance Quality Communities for Tribes and Alaska Natives**



**Target Met**



**Target Not Met**



**Establish Baseline**



**Target Exceeded**

Note: 1. TBD - The published target in official budget documents is listed as "TBD," meaning To Be Determined.

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#### Human Services

Performance	Results					Purpose	Source
	2003 Actual	2004 Actual	2005 Actual	2006 Planned	2006 Actual		
Improve the percentage of supervised IIM case records reviewed in accordance with 25 Code of Federal Regulations (CFR) Part 115.427.	n/a	n/a	77 percent	77 percent	89 percent	A measure that tracks Indian Affairs' accountability and can potentially raise Administration, Congressional, and stakeholder confidence in Indian Affairs as a well-managed operation.	Social Services Quarterly Reporting System

#### Housing Improvement

Performance	Results					Purpose	Source
	2003 Actual	2004 Actual	2005 Actual	2006 Planned	2006 Actual		
Percent of construction schedules met within the established project timeframe.	n/a	n/a	n/a	Establish baseline	65 percent Baseline established	Measures the efficiency of Indian Affairs' oversight and also satisfies OMB PART requirement for an efficiency measure.	Program Records
Percent of funding going to actual construction or repair of housing.	n/a	n/a	n/a	Establish baseline	62 percent Baseline established	An additional measure of Indian Affairs' oversight efficiency. The definition of the measure may have to be qualified to include those parts of the funding process that are within reasonable control or influence of the Housing Improvement Program (HIP).	Program Records

# SECTION II. PERFORMANCE

## THE PRESIDENT'S MANAGEMENT AGENDA

### Indian Affairs' Performance Measures

**Mission Area: Serving Communities**

**End Outcome Goal: Advance Quality Communities for Tribes and Alaska Natives**

✓ <b>Target Met</b>	▼ <b>Target Not Met</b>	■ <b>Establish Baseline</b>	▲ <b>Target Exceeded</b>
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Note: 1. TBD - The published target in official budget documents is listed as "TBD," meaning To Be Determined.

2. All listed actuals for 2006 are based on only 3 quarters of data, final 4<sup>th</sup> quarter data collection is ongoing.





(Note: In all measures under "Education" and "Post-Secondary Education," where "No Data" is listed, the BIE reports based on a school year rather than a fiscal year. Therefore, data is not available at this time.)

Education							
Performance	Results					Purpose	Source
	2003 Actual	2004 Actual	2005 Actual	2006 Planned	2006 Actual		
Percent of BIE-funded schools achieving AYP.	n/a	n/a	.30	.34	No Data	Meaningful outcome that is consistent with "No Child Left Behind" (NCLB) intent, but doesn't require strict comparability w/National standards; also satisfies OMB PART outcome requirement.	DCMA
■ Percent of schools not making AYP that improved in reading proficiency.	n/a	n/a	n/a	Establish baseline	No Data	Provides an intermediate outcome measure that allows schools to demonstrate meaningful interim progress on the way to achieving AYP goals.	DCMA
■ Percent of schools not making AYP that improved in math proficiency.	n/a	n/a	n/a	Establish baseline	No Data	Provides an intermediate outcome measure that allows schools to demonstrate meaningful interim progress on the way to achieving AYP goals.	DCMA
✓ Improve the average student attendance rate at BIE-funded schools.	n/a	n/a	91 percent	91 percent	90.1 percent (partial)	This is an outcome goal that is within the reasonable influence of Indian Affairs' administrators and is also a leading indicator of academic progress.	DCMA


# SECTION II. PERFORMANCE

## THE PRESIDENT'S MANAGEMENT AGENDA

### Indian Affairs' Performance Measures

<b>Mission Area: Serving Communities</b>			
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 <b>Target Met</b>	 <b>Target Not Met</b>	 <b>Establish Baseline</b>	 <b>Target Exceeded</b>
Note: 1. TBD - The published target in official budget documents is listed as "TBD," meaning To Be Determined.			
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(Note: In all measures under "Education" and "Post-Secondary Education," where "No Data" is listed, the BIE reports based on a school year rather than a fiscal year. Therefore, data is not available at this time.)

Education (continued)							
Performance	Results					Purpose	Source
	2003 Actual	2004 Actual	2005 Actual	2006 Planned	2006 Actual		
 Percent of students in BIE-funded schools that read independently by the end of 3 <sup>rd</sup> grade.	n/a	48 percent	40.6 percent	43 percent	47 percent (partial)	Provides an intermediate outcome measure that allows schools to demonstrate meaningful interim progress on the way to achieving AYP goals.	Individual school's Consolidated School Reform Plan Annual Report submitted to DCMA
Percent of teachers that are highly qualified in select subject areas.	n/a	n/a	n/a	95 percent	90 percent (partial)	This is a leading outcome indicator based on the quality of teachers as a predictor of student proficiency in targeted subject matter. This also points to probable AYP improvement.	Individual school's Consolidated School Reform Plan Annual Report submitted to DCMA
Improve student proficiency in language arts at BIE-funded schools.	51 percent	52 percent	47 percent	48 percent	44.36 percent (partial)	Provides an intermediate outcome measure that allows schools to demonstrate meaningful interim progress on the way to achieving AYP goals.	Individual school's Consolidated School Reform Plan Annual Report submitted to DCMA



# SECTION II. PERFORMANCE

## THE PRESIDENT'S MANAGEMENT AGENDA

### Indian Affairs' Performance Measures

<b>Mission Area: Serving Communities</b>			
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✓ <b>Target Met</b>	▼ <b>Target Not Met</b>	■ <b>Establish Baseline</b>	▲ <b>Target Exceeded</b>
Note: 1. TBD - The published target in official budget documents is listed as "TBD," meaning To Be Determined.			
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Education (continued)							
Performance	Results					Purpose	Source
	2003 Actual	2004 Actual	2005 Actual	2006 Planned	2006 Actual		
▲ Improve student proficiency in math at BIE-funded schools.	53 percent	53 percent	35 percent	36 percent	39 percent (partial)	Provides an intermediate outcome measure that allows schools to demonstrate meaningful interim progress on the way to achieving AYP goals.	DCMA





(Note: In all measures under "Education" and "Post-Secondary Education," where "No Data" is listed, the BIE reports based on a school year rather than a fiscal year. Therefore, data is not available at this time.)

Post-Secondary Education							
Performance	Results					Purpose	Source
	2003 Actual	2004 Actual	2005 Actual	2006 Planned	2006 Actual		
Increase the number of degrees granted by Junior and Senior Colleges/Universities.	1,723	1,533	1,263	1,288	No Data	The measure is a leading indicator of positive social and economic outcomes for Indian communities.	Individual Institution's Report submitted to DCMA
■ Increase the number of students achieving proficiency by passing the two required freshman level English courses or testing out.	n/a	91 percent	66 percent	TBD	No Data	Leading indicator of graduation rates; and provides the opportunity to demonstrate interim progress toward graduation and ultimately positive social and economic outcomes.	Individual Institution's Report submitted to DCMA



# SECTION II. PERFORMANCE

## THE PRESIDENT'S MANAGEMENT AGENDA

### Indian Affairs' Performance Measures

<b>Mission Area: Serving Communities</b>			
<b>End Outcome Goal: Advance Quality Communities for Tribes and Alaska Natives</b>			
 <b>Target Met</b>	 <b>Target Not Met</b>	 <b>Establish Baseline</b>	 <b>Target Exceeded</b>
Note: 1. TBD - The published target in official budget documents is listed as "TBD," meaning To Be Determined.			
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(Note: In all measures under "Education" and "Post-Secondary Education," where "No Data" is listed, the BIE reports based on a school year rather than a fiscal year. Therefore, data is not available at this time.)




Post-Secondary Education (continued)							
Performance	Results					Purpose	Source
	2003 Actual	2004 Actual	2005 Actual	2006 Planned	2006 Actual		
 Increase the number of students achieving proficiency by passing the one required freshman level math course or testing out.	n/a	70 percent	13 percent	Establish baseline	No Data	Leading indicator of graduation rates; and it provides the opportunity to demonstrate interim progress toward graduation and ultimately positive social and economic outcomes.	Individual Institution's Report submitted to DCMA
Percent of students achieving high school graduation.	n/a	n/a	n/a	84 percent	No Data	This measure provides a reference for comparison with performance from published statistics from national and regional reports.	Individual Institution's Report submitted to DCMA
 Improve the teacher retention rate.	n/a	n/a	n/a	Establish baseline	No Data	Qualified teacher retention was emphasized as important during the PART review as a factor in improved student proficiency.	Individual Institution's Report submitted to DCMA

# SECTION II. PERFORMANCE

## THE PRESIDENT'S MANAGEMENT AGENDA

### Indian Affairs' Performance Measures

<b>Mission Area: Serving Communities</b>			
<b>End Outcome Goal: Advance Quality Communities for Tribes and Alaska Natives</b>			
 <b>Target Met</b>	 <b>Target Not Met</b>	 <b>Establish Baseline</b>	 <b>Target Exceeded</b>
Note: 1. TBD - The published target in official budget documents is listed as "TBD," meaning To Be Determined.			
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Construction - Education							
Performance	Results					Purpose	Source
	2003 Actual	2004 Actual	2005 Actual	2006 Planned	2006 Actual		
 BIE school facilities in acceptable condition as measured by the Facility Condition Index (FCI, lower FCI # is good).	n/a	n/a	0.1795	0.1712	0.1194	Monitors the proportion of the total problem that is being addressed and, with the assistance of baseline data, the rate at which the problem is being resolved. Change in the metric should be a function of Indian Affairs' interventions that demonstrate reasonable control or influence over the state of facility conditions.	Program Records
 Increase percentage of academic construction projects with costs within or below the target range.	n/a	43 percent	48 percent	50 percent	51 percent	Reflects that Indian Affairs' contract management and capital planning controls are in place and effective.	Program Records
 Increase the percentage of replacement schools constructed in four years or less.	n/a	43 percent	57 percent	58 percent	59 percent	Efficiency/timeliness measure that reflects Indian Affairs' effectiveness in oversight activities. Satisfies OMB PART requirement.	5-Year Deferred Maintenance & Construction Plan/ ABC

# SECTION II. PERFORMANCE

## THE PRESIDENT'S MANAGEMENT AGENDA

### Indian Affairs' Performance Measures

**Mission Area: Serving Communities**



**End Outcome Goal: Advance Quality Communities for Tribes and Alaska Natives**

 **Target Met**    
  **Target Not Met**    
  **Establish Baseline**    
  **Target Exceeded**

Note: 1. TBD - The published target in official budget documents is listed as "TBD," meaning To Be Determined.

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#### Construction - Education (continued)





Performance	Results					Purpose	Source
	2003 Actual	2004 Actual	2005 Actual	2006 Planned	2006 Actual		
 Reduce the percentage of Indian Affairs' building square footage identified as excess.	n/a	15 percent	16 percent	06 percent	19 percent	Reflects Indian Affairs' managerial efficiency in timely and appropriate allocation of building space and disposal of unneeded space.	Program Records
 Increase the percentage of Facilities Improvement & Repair (FI&R) projects constructed in four years.	n/a	53 percent	55 percent	59 percent	62 percent	Efficiency/timeliness measure that reflects Indian Affairs' effectiveness in construction oversight activities.	Program Records







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## THE PRESIDENT'S MANAGEMENT AGENDA

### Indian Affairs' Performance Measures

<b>Mission Area: Serving Communities</b>			
<b>End Outcome Goal: Advance Quality Communities for Tribes and Alaska Natives</b>			
 <b>Target Met</b>	 <b>Target Not Met</b>	 <b>Establish Baseline</b>	 <b>Target Exceeded</b>
Note: 1. TBD - The published target in official budget documents is listed as "TBD," meaning To Be Determined.			
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Law Enforcement and Detention							
Performance	Results					Purpose	Source
	2003 Actual	2004 Actual	2005 Actual	2006 Planned	2006 Actual		
 Increase Case Clearance Rate by 10 percent annually.	n/a	n/a	n/a	Establish baseline	43 percent	Indicates improvement of clearing law enforcement cases.	Program Records
 Improve Community Policing: BIA will achieve 100 percent participation by all BIA Field Agencies.	n/a	n/a	30 percent	50 percent	58 percent	This is a measure of stakeholder support and participation in a strategy that leverages the resources of the community in crime prevention.	Program Records
 Improve Detention Program Management: "x" percent of OIG recommendations are corrected on schedule.	n/a	n/a	n/a	Establish baseline	64 percent	A measure of Program compliance with OIG recommendations. However, the nature of the OIG recommendations may signal process or output improvements that are critical to achievement of enforcement outcomes.	Program Records
 Crime: Part 1 violent crime rate per 100,000 inhabitants (lower # is good).	n/a	n/a	n/a	Establish baseline	491.85 Baseline established	Allows for comparison between crime rates for Part 1 violent crime and national rates in consistent terms.	Program Records

# SECTION II. PERFORMANCE

## THE PRESIDENT'S MANAGEMENT AGENDA

### Indian Affairs' Performance Measures

**Mission Area: Serving Communities**


**End Outcome Goal: Advance Quality Communities for Tribes and Alaska Natives**

 **Target Met**    
  **Target Not Met**    
  **Establish Baseline**    
  **Target Exceeded**


Note: 1. TBD - The published target in official budget documents is listed as "TBD," meaning To Be Determined.

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#### Tribal Courts

Performance	Results					Purpose	Source
	2003 Actual	2004 Actual	2005 Actual	2006 Planned	2006 Actual		
 Percent of DOI-supported Tribal judicial systems receiving an acceptable rating under independent Tribal Court reviews.	n/a	0	16 percent	Establish baseline	100 percent Baseline established	This measure addresses an important intermediate outcome that is a leading indicator of equitable and objective decisions rendered by Tribal Courts.	Program Records





#### Construction - Detention



Performance	Results					Purpose	Source
	2003 Actual	2004 Actual	2005 Actual	2006 Planned	2006 Actual		
 Detention: Law enforcement facilities are in acceptable condition as measured by the FCI (lower FCI # is good).	n/a	0.1127	0.0971	0.0955	0.0914	Monitors the proportion of the total problem that is being addressed and, with the assistance of baseline data, the rate at which the problem is being resolved. It is also a leading indicator of appropriate prisoner treatment.	Program Records

# SECTION II. PERFORMANCE

## THE PRESIDENT'S MANAGEMENT AGENDA

### Indian Affairs' Performance Measures

<b>Mission Area: Serving Communities</b>			
<b>End Outcome Goal: Advance Quality Communities for Tribes and Alaska Natives</b>			
 <b>Target Met</b>	 <b>Target Not Met</b>	 <b>Establish Baseline</b>	 <b>Target Exceeded</b>
Note: 1. TBD - The published target in official budget documents is listed as "TBD," meaning To Be Determined.			
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Job Placement and Training							
Performance	Results					Purpose	Source
	2003 Actual	2004 Actual	2005 Actual	2006 Planned	2006 Actual		
 Number of participants that earned a diploma, certificate, or degree (as a result of program intervention).	n/a	n/a	14,314	15,500	1,806 (partial)	This is consistent with government-wide common labor measures, indicating job placement and training success.	Program Records
 Percentage of participants that attain literacy skills.	n/a	27	No Data	20 percent	20.3 percent (partial)	This measure was selected by a cross-cutting, multi-agency team. It is intermediate in nature as improved literacy enhances a person's employability.	Program Records
Percentage of participants that attain numeracy skills.	n/a	0	27 percent	30 percent	No Data	This measure was selected by a cross-cutting, multi-agency team. It is intermediate in nature as improved literacy enhances a person's employability.	Program Records

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## THE PRESIDENT'S MANAGEMENT AGENDA

### Indian Affairs' Performance Measures

**Mission Area: Serving Communities**

**End Outcome Goal: Advance Quality Communities for Tribes and Alaska Natives**



**Target Met**



**Target Not Met**



**Establish Baseline**



**Target Exceeded**

Note: 1. TBD - The published target in official budget documents is listed as "TBD," meaning To Be Determined.

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### Roads Operation and Maintenance

Performance	Results					Purpose	Source
	2003 Actual	2004 Actual	2005 Actual	2006 Planned	2006 Actual		
Transportation: percent of miles of road in acceptable condition based on the Service Level Index.	n/a	n/a	21 percent	16 percent	11 percent	This measure defines successful roads' maintenance program achievement.	Program Records
Percentage of bridges in acceptable condition based on the Service Level Index.	n/a	47 percent	52 percent	49 percent	62.42 percent	This measure defines successful bridge maintenance achievement.	Program Records



# SECTION II. PERFORMANCE

## THE PRESIDENT'S MANAGEMENT AGENDA

### Indian Affairs' Performance Measures

**Mission Area: Serving Communities**

**End Outcome Goal: Advance Quality Communities for Tribes and Alaska Natives**



**Target Met**



**Target Not Met**



**Establish Baseline**



**Target Exceeded**

Note: 1. TBD - The published target in official budget documents is listed as "TBD," meaning To Be Determined.

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### Economic Development - Guaranteed Loans

Performance	Results					Purpose	Source
	2003 Actual	2004 Actual	2005 Actual	2006 Planned	2006 Actual		
Number of jobs created through capital provided by DOI loans.	n/a	1,719	1,922	1,800	2,598	This is an end outcome measure that addresses the extent to which the BIA economic loan program improved unemployment in Indian Country.	Program Records
Cost per job achieved (lower # is good; cost includes transportation, tools, and maintenance until first paycheck is received).	n/a	1,799	2,190	1,700	2,117	This is an efficiency measure that gauges the cost-effectiveness of program efforts.	ABC
Increase the percentage of jobs created that are long-term positions.	n/a	n/a	90 percent	91 percent	No Data	This is a long-term outcome measure and one of the key impacts that indicate whether the loan program has permanent effects on Indian Country unemployment.	Program Records
Increase the average household income in Indian Country.	n/a	33,409	32,866	Establish baseline	No Data	To enable tracking of improved economic posture of Indian Country households.	Program Records
Reduce Default Rates on BIA-guaranteed loans.	n/a	1.64 percent	2 percent	2 percent	2 percent	This is an intermediate outcome measure that gauges the impact of effective Indian Affairs' loan oversight. It is also a leading indicator of positive outcomes (e.g., jobs that accrue from the loan program).	Program Records
Reduce Subsidy levels on BIA loans.	n/a	6.13 percent	6.76 percent	4.75 percent	4.75 percent	Enables comparison with other similar government loans.	Program Records

# SECTION II. PERFORMANCE

## THE PRESIDENT'S MANAGEMENT AGENDA

### Performance Measures Discontinued

As a part of the DOI's Strategic Plan revision, Indian Affairs undertook a sweeping review of its performance measures. The following performance measures were discontinued during FY2006.

Indian Affairs conducted an organization-wide management review of measures previously identified for FY2006. Senior levels of management within Indian Affairs and the DOI were directly involved in the review. Particular consideration was given to whether or not a measure directly supported the Indian Affairs' mission for the respective programs. As a result, the following list of measures was determined to be unsatisfactory indicators of program performance.

Safety of Dams			
Measures Discontinued	2003 Actual	2004 Actual	2005 Actual
Improve the condition of dams.	UNK	0.136	0.135
Complete rehabilitation construction on two dams for a total of 23 dams with completed construction.	1.6	1.5	2
Perform recurring maintenance on 117 dams.	110	112	117
Perform Early Warning Systems maintenance on 62 dams.	UNK	66	65

Mission Area: Serving Communities			
End Outcome Goal: Fulfill Indian Fiduciary Trust Responsibilities			
Realty			
Measures Discontinued	2003 Actual	2004 Actual	2005 Actual
Improve management of land and natural resource assets percent of ownership for which lease data is matched within 10 days.	UNK	UNK	Establish baseline
Leasing: Percent of leases executed within 10 days.	UNK	32 percent	69 percent
Percent of tracts for which DOI has data responsibility where real property ownership data are current, standardized, and integrated and title status reports are provided within 10 days of request.	UNK	UNK	UNK

Probate			
Measures Discontinued	2003 Actual	2004 Actual	2005 Actual
Probate: Percent of estates in which assets are distributed and all title information is updated in standard probate process cycle time.	UNK	29 percent	100 percent
Percent of probate cases where document preparation and post/record work has been completed.	UNK	15 percent	88 percent

## SECTION II. PERFORMANCE

### THE PRESIDENT'S MANAGEMENT AGENDA

<b>Land Acquisitions (These measures are reported by OST.)</b>			
<b>Probate</b>			
<b>Measures Discontinued</b>	<b>2003 Actual</b>	<b>2004 Actual</b>	<b>2005 Actual</b>
Land acquisitions: Number of interests acquired.	n/a	n/a	n/a
Number of fractional ownership interest consolidated into usable land parcels for tribal, economic, and community development.	n/a	n/a	n/a
Number of Individual Indian Money accounts inactivated/closed.	n/a	n/a	n/a
Land Conveyances: Acreage of approved land conveyances completed.	UNK	57,565	144,206

<b>Agriculture</b>			
<b>Measures Discontinued</b>	<b>2003 Actual</b>	<b>2004 Actual</b>	<b>2005 Actual</b>
Percent of eligible trust land acres that are under lease for agricultural use.	n/a	0.7	0.7
Percent of acres of forest, grazing, and agricultural leases achieving desired conditions where condition is known and where specified in management plans consistent with applicable environmental laws and regulations.	n/a	0.5	0.35
Invasive species (Prevention): Number of new invasive species detected and invasions prevented through monitoring and regulation of known invasion pathways and vectors eradication.	n/a	1	1
percent of acres protected for current and future beneficial use.	n/a	n/a	n/a
Invasive species: percent change in baseline in the number of acres infested with invasive plant species.	n/a	0.068	0.072
Invasive species (Control/Management): percent of infested acres and percent of populations of invasive organisms that are managed for containment or eradication.	n/a	59 percent	20 percent
Invasive species (Early Detection): percentage of localized infestations of known or suspected invasive species that is detected and assessed.	n/a	5 percent	16 percent

## SECTION II. PERFORMANCE

### THE PRESIDENT'S MANAGEMENT AGENDA

Forestry			
Measures Discontinued	2003 Actual	2004 Actual	2005 Actual
Volume of timber offered for sale.	634	580	627
Stabilize, or increase the volume of timber offered for sale (stabilized rate is 585 million board feet).	n/a	580	467
percent of acres of forest leases achieving desired conditions where condition is known and where specified in management plans consistent with applicable environmental laws and regulations.	1.75 percent	1.75 percent	n/a

Range Management			
Measures Discontinued	2003 Actual	2004 Actual	2005 Actual
Percent of eligible trust land acres that are under lease for grazing land.	n/a	76 percent	76 percent
Percent of acres of grazing leases achieving desired conditions where condition is known and where specified in management plans consistent with applicable environmental laws and regulations.	n/a	13 percent	13 percent

Water			
Measures Discontinued	2003 Actual	2004 Actual	2005 Actual
Number of acres of energy and non-energy Trust resources land developed that are reclaimed to appropriate land condition and water quality standards.	n/a	n/a	n/a

Cultural and Natural Heritage Resources			
Measures Discontinued	2003 Actual	2004 Actual	2005 Actual
Percent of Interior/Tribal land use agreements that need to incorporate protections for Indian sacred sites and sacred resources and their use that do incorporate them.	n/a	100 percent	100 percent
Percent of cultural properties in Indian Affairs' inventory in Good condition.	n/a	61 percent	60 percent
Percent of paleontologic localities in DOI inventory in Good condition.	n/a	n/a	n/a

## SECTION II. PERFORMANCE

### THE PRESIDENT'S MANAGEMENT AGENDA

<b>Environmental Resource Management</b>			
<b>Measures Discontinued</b>	<b>2003 Actual</b>	<b>2004 Actual</b>	<b>2005 Actual</b>
Percent of National Environmental Policy Act (NEPA) documents completed.	n/a	69 percent	90 percent

<b>Post-Secondary Education</b>			
<b>Measures Discontinued</b>	<b>2003 Actual</b>	<b>2004 Actual</b>	<b>2005 Actual</b>
Achieve X-percent parity on graduation rates between tribal and non-tribal community colleges.	n/a	n/a	n/a

<b>Mission Area: Serving Communities</b>			
<b>End Outcome Goal: Advance Quality Communities for Tribes and Alaska Natives</b>			
<b>Tribal Government</b>			
<b>Measures Discontinued</b>	<b>2003 Actual</b>	<b>2004 Actual</b>	<b>2005 Actual</b>
Percent of Tribes with performance-based P.L. 93-638 Agreements.	n/a	42 percent	54 percent
Percent of Tribes with performance-based P.L. 103-413 Agreements.	n/a	40 percent	40 percent
Percent of contracts and compacts with performance-based criteria.	n/a	n/a	n/a
Percent of contractors submitting required audits on time.	n/a	n/a	14 percent
Percent of audits with timely management action.	n/a	n/a	44 percent

<b>Human Services</b>			
<b>Measures Discontinued</b>	<b>2003 Actual</b>	<b>2004 Actual</b>	<b>2005 Actual</b>
Increase percentage of Active Supervised IIM account deficiencies corrected.	n/a	n/a	28 percent
Improve the percentage of Indian Child Welfare Act (ICWA) notifications processed within established processing time.	n/a	n/a	97 percent
Reduce the percentage of ineligible applicants receiving services.	n/a	n/a	94 percent
Percent of active supervised IIM accounts reviewed for compliance with policies and procedures.	n/a	n/a	.61

<b>Welfare Assistance</b>			
<b>Measures Discontinued</b>	<b>2003 Actual</b>	<b>2004 Actual</b>	<b>2005 Actual</b>
Percent of General Assistance recipients with Individual Service Plans completed.	n/a	n/a	n/a



## SECTION II. PERFORMANCE

### THE PRESIDENT'S MANAGEMENT AGENDA

Housing Improvement			
Measures Discontinued	2003 Actual	2004 Actual	2005 Actual
Percent of eligible HIP applicants whose need for safe and sanitary housing in Indian Country is met.	9 percent	9 percent	5 percent

Education			
Measures Discontinued	2003 Actual	2004 Actual	2005 Actual
Percent of teacher proficiencies in select subject areas -- 76 percent of teachers are teaching in their area(s) of certification.	UNK	74 percent	94 percent
Improve the teacher retention rate.	UNK	91 percent	89 percent
Percent of students achieving High School graduation	n/a	80 percent	82 percent
Percent of Indian and Alaska Native students demonstrating knowledge of native language, history and customs.	n/a	84 percent	76 percent
Achieve parity between the Tribal community and the U.S. rural area national average on high school and college graduation.	n/a	80 percent	82 percent
Award adequate level scholarships: The number of scholarships awarded within targeted funding level.	9,021	9,021	n/a
Award adequate level scholarships: The number of Special Higher Education Scholarships.	299	299	n/a
The incidences of violence and substance abuse in BIE funded schools will decrease by 2 percent from the previous year.	9,129	7,146	7,288

Law Enforcement and Detention			
Measures Discontinued	2003 Actual	2004 Actual	2005 Actual
Percent of detention centers properly staffed to minimal National Institute of Corrections (NIC) Safety Standards Internal Program.	n/a	n/a	n/a
Achieve parity between Tribal community and U.S. national average on violent crime - Indian Country Violent Crime Rate; National Violent Crime Rate.	n/a	n/a	n/a
Percent of Law Enforcement agencies on par with recommended national ratio of staffing Indian Affairs	n/a	n/a	n/a
Incident Response Rate (Ability to respond to incident reports as compared to like rural law enforcement agencies).	n/a	n/a	n/a

## SECTION II. PERFORMANCE

### THE PRESIDENT'S MANAGEMENT AGENDA

Tribal Courts			
Measures Discontinued	2003 Actual	2004 Actual	2005 Actual
Percent of tribal courts receiving independent review as scheduled for the fiscal year.	n/a	n/a	n/a

Guaranteed Loans			
Measures Discontinued	2003 Actual	2004 Actual	2005 Actual
Number of jobs created through the efforts of P.L.102-477.	n/a	n/a	676
Achieve parity between Tribal community and U.S. national average on rural unemployment rates and per capita income.	n/a	43 percent vs 5 percent	43 percent vs 5 percent

Job Placement and Training			
Measures Discontinued	2003 Actual	2004 Actual	2005 Actual
Number of job placements.	n/a	7,081	14,314
Percent Job Retention one year out.	n/a	n/a	n/a

Management Excellence - Facilities			
Measures Discontinued	2003 Actual	2004 Actual	2005 Actual
Improve the condition of administrative /employee housing facilities.	n/a	0.4308	0.3735
Buildings (e.g., administrative, employee housing) in "Fair" to "Good" condition as measured by the FCI Internal Program.	n/a	0.131	0.424



## SECTION III. FINANCIAL INFORMATION

### MESSAGE FROM THE CHIEF FINANCIAL OFFICER



Indian Affairs  
U.S. Department of the Interior

During FY2006, Indian Affairs achieved both programmatic and administrative successes in support of its mission relating to the American Indians, Indian tribes and Alaska natives. For the ninth year, the Independent Auditors issued an “unqualified opinion” on our financial statements. While this is a significant accomplishment, we recognize that, in and of itself, this is only one factor in ensuring the ongoing success of our financial management organization.

During this past year, we placed increased emphasis on recruiting highly-qualified individuals to complement our financial management organization. We were able to recruit individuals with strong backgrounds in Federal financial management from within the Department, as well as from other Federal agencies which has helped to provide us with a broad range of expertise to draw from in managing the complexities of a \$3.45 billion Federal agency. We are encouraged with our successes, but recognize the ongoing challenges to recruit and retain a highly qualified financial management workforce necessary to support the Indian Affairs’ unique requirements. Coupled with this staffing effort, we have aggressively addressed issues identified during the FY2005 financial statements audit and strengthen our policies and procedures to safeguard against these issues in the future.

We have, through increased oversight and data certifications, strengthened our internal controls over financial operations and reporting to ensure data integrity. Partnering with our Regional offices, we have instituted many new policies and procedures for improved financial management oversight. In FY2006 we increased our emphasis on internal controls in support of OMB revised Circular A-123, Management’s Responsibility for Internal Control, to include both internal control reviews within the financial reporting and program areas. Through increased awareness and oversight, we have made significant improvements in these areas.

In FY2007, we will implement a newly restructured budget for our Operation of Indian Programs (OIP). This restructured budget will align the OIP budget programmatically, provide full transparency for Tribal Priority Allocation funding, as well as increase the accountability for OIP programs and program managers. We continued to support the Department’s ongoing conversion to a new integrated Departmental financial/budget management system and will continue to prepare internally for our future implementation. During FY2006 we placed strong emphasis on ensuring that our staff worked together with other bureaus to share best practices, as well as kept abreast of all new OMB and Treasury guidance. We will continue to invest in training to ensure that our current and future workforce is fully equipped to perform their critical jobs.

I am pleased with the improvements made in Indian Affairs’ financial management during FY2006, but I also recognize that we must not only sustain our progress but strive to overcome the challenges ahead. We will continue to focus on the integrity of our data, and on being able to present that data to both internal and external customers in a useful and timely manner. I am confident, however, that the dedicated employees within Indian Affairs’ are capable of meeting and overcoming those challenges.

Grayford Payne  
Chief Financial Officer  
Indian Affairs

## SECTION III. FINANCIAL INFORMATION



This part of the Section III, Financial Information, contains our Financial Statements, Notes to the Basic Financial Statements, Required Supplementary Information, and Required Supplementary Stewardship Information.

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# SECTION III. FINANCIAL INFORMATION

## Indian Affairs Consolidated Balance Sheet as of September 30, 2006 (dollars in thousands)

ASSETS	
Intragovernmental Assets:	
Fund Balance with Treasury (Note 2)	\$ 1,527,303
Investments, Net (Note 3)	69,525
Accounts and Interest Receivable (Note 4)	6,939
Other:	
Advances and Prepayments	2,351
<b>Total Intragovernmental Assets</b>	<b>1,606,118</b>
Cash (Note 3)	189
Investments, Net (Note 3)	1,052
Accounts and Interest Receivable, Net (Note 4)	31,541
Loans and Interest Receivable, Net (Note 5)	17,238
General Property, Plant and Equipment, Net (Note 6)	1,338,650
Other:	
Advances and Prepayments	77,482
<b>TOTAL ASSETS (Note 7)</b>	<b>\$ 3,072,270</b>
Stewardship Property, Plant and Equipment (Note 8)	
LIABILITIES	
Intragovernmental Liabilities:	
Accounts Payable	\$ 10,471
Debt (Note 9)	29,715
Other:	
Accrued Employee Benefits	30,687
Advances and Deferred Revenue	90,326
Deposit Funds	1,188
Judgment Fund (Note 10)	119,892
Resources Payable to Treasury (Note 5P)	14,216
Other Miscellaneous Liabilities	19,819
<b>Total Intragovernmental Liabilities</b>	<b>316,314</b>
Accounts Payable	32,136
Loan Guarantee Liability (Note 5)	92,380
Federal Employees Compensation Act Actuarial Liability	116,092
Environmental and Disposal Liabilities (Note 10, 11)	55,096
Other:	
Accrued Payroll and Benefits	23,160
Unfunded Annual Leave	25,809
Advances and Deferred Revenue	4,145
Deposit Funds	10,665
Contingent Liabilities (Note 10)	57,790
Other Miscellaneous Liabilities	1,710
<b>TOTAL LIABILITIES (Note 13)</b>	<b>735,297</b>
Commitments and Contingencies (Note 10, 11, 12)	
Net Position	
Unexpended Appropriations - Earmarked Funds (Note 14)	13
Unexpended Appropriations - Other Funds	1,334,894
Cumulative Results of Operations - Earmarked Funds (Note 14)	281,173
Cumulative Results of Operations - Other Funds	720,893
<b>Total Net Position</b>	<b>2,336,973</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 3,072,270</b>

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

## SECTION III. FINANCIAL INFORMATION

### Indian Affairs Consolidated Balance Sheet as of September 30, 2005 (dollars in thousands)

ASSETS	
Intragovernmental Assets:	
Fund Balance with Treasury (Note 2)	\$ 1,508,092
Investments, Net (Note 3)	66,541
Accounts and Interest Receivable (Note 4)	7,231
Other:	
Advances and Prepayments	2,556
<b>Total Intragovernmental Assets</b>	<b>1,584,420</b>
Cash (Note 3)	638
Investments, Net (Note 3)	1,065
Accounts and Interest Receivable, Net (Note 4)	26,330
Loans and Interest Receivable, Net (Note 5)	28,131
General Property, Plant and Equipment, Net (Note 6)	1,372,343
Other:	
Advances and Prepayments	82,632
<b>TOTAL ASSETS (Note 7)</b>	<b>\$ 3,095,559</b>
LIABILITIES	
Intragovernmental Liabilities:	
Accounts Payable	\$ 55,409
Debt (Note 9)	29,715
Other:	
Accrued Employee Benefits	29,890
Advances and Deferred Revenue	91,966
Deposit Funds	2,790
Judgment Fund (Note 10)	117,323
Resources Payable to Treasury (Note 5P)	21,041
Other Miscellaneous Liabilities	11,264
<b>Total Intragovernmental Liabilities</b>	<b>359,398</b>
Accounts Payable	89,795
Loan Guarantee Liability (Note 5)	81,670
Federal Employees Compensation Act Actuarial Liability	121,283
Environmental and Disposal Liabilities (Note 10, 11)	51,576
Other:	
Accrued Payroll and Benefits	22,263
Unfunded Annual Leave	26,030
Advances and Deferred Revenue	7,400
Deposit Funds	4,357
Contingent Liabilities (Note 10)	62,487
Other Miscellaneous Liabilities	11,700
<b>TOTAL LIABILITIES (Note 13)</b>	<b>837,959</b>
Commitments and Contingencies (Note 10, 11, 12)	
Net Position	
Unexpended Appropriations	1,242,503
Cumulative Results of Operations	1,015,097
<b>Total Net Position</b>	<b>2,257,600</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 3,095,559</b>

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

# SECTION III. FINANCIAL INFORMATION

## Indian Affairs Consolidated Statements of Net Cost for the fiscal years ended September 30, 2006, and September 30, 2005 (dollars in thousands)

MISSION: SERVING COMMUNITIES	FY 2006	FY 2005
<b>End Outcome Goal: Fulfill Indian Fiduciary Trust Responsibilities</b>		
Costs	\$ 530,512	\$ 626,836
Less: Earned Revenue	(106,776)	(101,758)
Net Cost	<u>423,736</u>	<u>525,078</u>
<b>End Outcome Goal: Advance Quality Communities for Tribes and Alaska Natives</b>		
Costs	2,177,609	2,412,939
Less: Earned Revenue	(295,845)	(344,682)
Net Cost	<u>1,881,764</u>	<u>2,068,257</u>
<b>End Outcome Goal: Improve Protection of Lives, Resources and Property</b>		
Costs	186,680	192,988
Less: Earned Revenue	(4,648)	(2,120)
Net Cost	<u>182,032</u>	<u>190,868</u>
<b>Total</b>		
Costs	2,894,801	3,232,763
Less: Earned Revenue	(407,269)	(448,560)
<b>Net Cost of Operations (Note 15)</b>	<u>\$ 2,487,532</u>	<u>\$ 2,784,203</u>

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

## SECTION III. FINANCIAL INFORMATION

### Indian Affairs Consolidated Statement of Changes in Net Position for the fiscal year ended September 30, 2006 (dollars in thousands)

	Earmarked (Note 14)		All Other		Consolidated
<b>UNEXPENDED APPROPRIATIONS</b>					
Beginning Balance	\$	13	\$	1,242,490	\$ 1,242,503
<b>Budgetary Financing Sources</b>					
Appropriations Received, General Funds		-		2,331,607	2,331,607
Appropriations Transferred In/(Out)		-		241,420	241,420
Appropriations-Used		-		(2,446,663)	(2,446,663)
Other Adjustments		-		(33,960)	(33,960)
<b>Net Change</b>		-		92,404	92,404
<b>Ending Balance - Unexpended Appropriations</b>	\$	13	\$	1,334,894	\$ 1,334,907
<b>CUMULATIVE RESULTS OF OPERATIONS</b>					
Beginning Balance	\$	263,984	\$	751,113	\$ 1,015,097
<b>Adjustment (Note 16)</b>					
Change in Accounting Principle - Early Implementation of Parent/Child Reporting for FHWA		(3,060)		-	(3,060)
<b>Beginning Balance, as adjusted</b>		260,924		751,113	1,012,037
<b>Budgetary Financing Sources</b>					
Appropriations-Used		-		2,446,663	2,446,663
Non-Exchange Revenue		12		50	62
Transfers In/(Out) without Reimbursement		(74)		(6,065)	(6,139)
<b>Other Financing Sources</b>					
Imputed Financing from Costs Absorbed by Others		805		57,149	57,954
Transfers In/(Out) without Reimbursement		(118)		(20,915)	(21,033)
Donations and Forfeitures of Property		-		54	54
<b>Total Financing Sources</b>		625		2,476,936	2,477,561
<b>Net Cost of Operations</b>		19,624		(2,507,156)	(2,487,532)
<b>Net Change</b>		20,249		(30,220)	(9,971)
<b>Ending Balance - Cumulative Results of Operations</b>	\$	281,173	\$	720,893	\$ 1,002,066

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

## SECTION III. FINANCIAL INFORMATION

### Indian Affairs Consolidated Statement of Changes in Net Position for the fiscal year ended September 30, 2005 (dollars in thousands)

<b>UNEXPENDED APPROPRIATIONS</b>	
Beginning Balance	\$ 1,177,902
<b>Budgetary Financing Sources</b>	
Appropriations Received, General Funds	2,338,479
Appropriations Transferred In/(Out)	248,838
Appropriations-Used	(2,491,411)
Other Adjustments	(31,305)
<b>Net Change</b>	<b>64,601</b>
<b>Ending Balance - Unexpended Appropriations</b>	<b>\$ 1,242,503</b>
<b>CUMULATIVE RESULTS OF OPERATIONS</b>	
Beginning Balance	\$ 975,708
<b>Budgetary Financing Sources</b>	
Appropriations-Used	2,491,411
Non-Exchange Revenue	153
Transfers In/(Out) without Reimbursement	240,178
Other Budgetary Financing Sources	(4,968)
<b>Other Financing Sources</b>	
Imputed Financing from Costs Absorbed by Others	68,435
Transfers In/(Out) without Reimbursement	12,218
Donations and Forfeitures of Property	16,165
<b>Total Financing Sources</b>	<b>2,823,592</b>
<b>Net Cost of Operations</b>	<b>(2,784,203)</b>
<b>Net Change</b>	<b>39,389</b>
<b>Ending Balance - Cumulative Results of Operations</b>	<b>\$ 1,015,097</b>

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



# SECTION III. FINANCIAL INFORMATION

## Indian Affairs Combined Statements of Budgetary Resources for the fiscal years ended September 30, 2006, and September 30, 2005 (dollars in thousands)

	Total Budgetary Accounts		Financing Accounts	
	2006	2005	2006	2005
<b>Budgetary Resources (Note 17):</b>				
Unobligated balance, beginning of Fiscal Year:	\$ 643,822	\$ 700,581	\$ 83,117	\$ 76,836
Recoveries of prior year unpaid obligations	89,881	80,562	-	-
Budget Authority				
Appropriation	2,434,081	2,428,873	-	-
Borrowing Authority	-	-	-	100
Spending authority from offsetting collections				
Earned				
Collected	290,241	340,434	31,041	16,581
Change in receivables from Federal sources	1,736	3,483	-	-
Change in unfilled customer orders				
Advance received	(4,890)	(55,001)	-	-
Without advance from Federal sources	52,730	19,959	-	-
Total Budget Authority	2,773,898	2,737,748	31,041	16,681
Nonexpenditure transfers, net, anticipated and actual	(17,177)	(4,065)	-	-
Permanently not available	(38,710)	(42,024)	-	-
<b>Total Budgetary Resources</b>	<b>\$ 3,451,714</b>	<b>\$ 3,472,802</b>	<b>\$ 114,158</b>	<b>\$ 93,517</b>
<b>Status of Budgetary Resources:</b>				
Obligations incurred:				
Direct	\$ 2,514,203	\$ 2,480,165	\$ 5,965	\$ 10,400
Reimbursable	294,020	348,742	-	-
<b>Total Obligations incurred</b>	<b>2,808,223</b>	<b>2,828,907</b>	<b>5,965</b>	<b>10,400</b>
Unobligated balance available:				
Apportioned	567,200	602,303	108,193	83,117
<b>Total Unobligated balance available</b>	<b>567,200</b>	<b>602,303</b>	<b>108,193</b>	<b>83,117</b>
Unobligated balance not available	76,291	41,592	-	-
<b>Total Status of Budgetary Resources</b>	<b>\$ 3,451,714</b>	<b>\$ 3,472,802</b>	<b>\$ 114,158</b>	<b>\$ 93,517</b>
<b>Change in Obligated Balance:</b>				
Obligated balance, net				
Unpaid obligations, brought forward, beginning of period	\$ 780,582	\$ 660,742	\$ 64	\$ 3,824
Less: Uncollected customer payments from Federal sources, brought forward, beginning of period	(34,070)	(10,628)	-	-
<b>Total unpaid obligated balances, net, beginning of period</b>	<b>746,512</b>	<b>650,114</b>	<b>64</b>	<b>3,824</b>
Obligations incurred, net	2,808,223	2,828,907	5,965	10,400
Less: Gross outlays	(2,620,365)	(2,628,505)	(8,029)	(14,160)
Less: Recoveries of prior year unpaid obligations, actual	(89,881)	(80,562)	-	-
Change in uncollected customer payments from Federal sources	(54,466)	(23,441)	-	-
<b>Total, unpaid obligated balance, net, end of period</b>	<b>\$ 790,023</b>	<b>\$ 746,512</b>	<b>\$ -</b>	<b>\$ 64</b>
<b>Obligated Balance, net, end of period - by component:</b>				
Unpaid obligations	\$ 878,559	\$ 780,582	\$ -	\$ 64
Less: Uncollected customer payments from Federal sources	(88,536)	(34,070)	-	-
<b>Total, unpaid obligated balance, net, end of period</b>	<b>\$ 790,023</b>	<b>\$ 746,512</b>	<b>\$ -</b>	<b>\$ 64</b>
<b>Net Outlays:</b>				
Net Outlays				
Gross outlays	\$ 2,620,365	\$ 2,628,505	\$ 6,029	\$ 14,160
Less: Offsetting collections	(285,350)	(285,433)	(31,042)	(16,580)
Less: Distributed Offsetting receipts	(104,848)	(93,383)	-	-
<b>Net Outlays (Receipts)</b>	<b>\$ 2,230,167</b>	<b>\$ 2,249,689</b>	<b>\$ (25,013)</b>	<b>\$ (2,420)</b>

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

# SECTION III. FINANCIAL INFORMATION

## Indian Affairs Consolidated Statements of Financing for the fiscal years ended September 30, 2006, and September 30, 2005 (dollars in thousands)

	FY 2006	FY 2005
<b>Resources Used to Finance Activities:</b>		
Budgetary Resources Obligated:		
Obligations Incurred	\$ 2,814,188	\$ 2,839,307
Less: Spending Authority From Offsetting Collections and Recoveries	(460,739)	(406,018)
Obligations Net of Offsetting Collections and Recoveries	2,353,449	2,433,289
Less: Offsetting Receipts	(104,848)	(93,383)
Net Obligations	2,248,601	2,339,906
Other Resources:		
Donations and Forfeitures of Property	54	16,165
Transfers In (Out) Without Reimbursement	(21,033)	12,218
Imputed Financing From Costs Absorbed by Others	57,954	68,435
Net Other Resources Used to Finance Activities	36,975	96,818
<b>Total Resources Used to Finance Activities</b>	<b>2,285,576</b>	<b>2,436,724</b>
<b>Resources Used to Finance Items Not Part of the Net Cost of Operations:</b>		
Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered but Not Yet Provided	(171,933)	(104,312)
Change in Unfilled Customer Orders	47,840	(35,042)
Resources That Fund Expenses Recognized in Prior Periods	(41,539)	(33,469)
Budgetary Offsetting Collections and Receipts That Do Not Affect Net Cost of Operations:		
Credit Program Collections Which Increase Liabilities for Loan Guarantees or Allowances for Subsidy	31,042	16,581
Offsetting Receipts Not Part of the Net Cost of Operations	11,750	(141)
Resources That Finance the Acquisition of Assets	(79,786)	(106,705)
Allocation Transfers Reconciling Item, Parent (Note 18)	(5,631)	(7,410)
Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations	642	(37,077)
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	(207,615)	(307,575)
<b>Total Resources Used to Finance the Net Cost of Operations</b>	<b>2,077,961</b>	<b>2,129,149</b>
<b>Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:</b>		
Components Requiring or Generating Resources in Future Periods:		
Increase in Annual Leave Liability	-	-
Increase in Environmental and Disposal Liability	3,520	-
Upward/Downward Re-estimates in Credit Subsidy Expense	10,921	21,358
Increase in Contingent Liability	-	4,417
Other	4,550	5,115
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	18,991	30,890
Components Not Requiring or Generating Resources:		
Depreciation and Amortization (Note 6)	91,242	70,905
Revaluation of Assets or Liabilities	4,581	12,614
Allocation Transfers Reconciling Item, Child (Note 18)	291,886	530,033
Other	2,871	10,612
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	390,580	624,164
<b>Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period</b>	<b>409,571</b>	<b>655,054</b>
<b>Net Cost of Operations (Note 15)</b>	<b>\$ 2,487,532</b>	<b>\$ 2,784,203</b>

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

# SECTION III. FINANCIAL INFORMATION

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2006, AND SEPTEMBER 30, 2005

### **Note 1** **Summary of Significant** **Accounting Policies**

#### (a) Reporting Entity

Indian Affairs, created in 1824, is a bureau within the Department of the Interior (DOI). Indian Affairs is primarily responsible for the administration of Federal programs for federally recognized Indian Tribes, and for carrying out the Trust responsibilities emanating from treaties, the U.S. Constitution, laws, court decisions and other agreements with American Indian Tribes and Alaska Natives.

The accompanying financial statements of Indian Affairs include all appropriated funds obtained through the DOI. They do not contain Trust funds, Trust deposit funds, or clearing accounts that are maintained by the Office of Trust Funds Management (OTFM), a non-Indian Affairs program operated by the DOI. The financial statements of Indian Affairs also do not include information related to the Indian Arts and Crafts Board (Board). While Indian Affairs receives appropriations related to the Board, the assets are under the control of the Office of the Secretary. Therefore, the Office of the Secretary is the reporting entity for the Board.

#### (b) Basis of Presentation

These financial statements have been prepared to report the financial position, the net cost of operations, the changes in net position, the status and availability of budgetary resources, and the reconciliation between proprietary and budgetary accounts of Indian Affairs, consistent with the Chief Financial Officers' Act of 1990 and the Government Management Reform Act of 1994. These financial statements have been prepared from the books and records of Indian Affairs in accordance with accounting principles generally accepted in the United States of America (GAAP) using guidance issued by the Federal Accounting Standards Advisory Board (FASAB), the

Office of Management and Budget (OMB), the DOI, and Indian Affairs' accounting policies summarized in this note. These financial statements present proprietary and budgetary information, while other financial reports prepared by Indian Affairs pursuant to the OMB directives are used to monitor and control Indian Affairs' use of Federal budgetary resources.

In accordance with OMB Circular A-136, Form and Content of Agency Financial Statements, the consolidated Balance Sheets, Statements of Changes in Net Position, Statements of Financing, Statements of Net Cost, and associated notes are presented on a comparative basis with the prior year. The Statements of Budgetary Resources are presented on a combined rather than consolidated basis, which means that intra-entity eliminations were not made. They are also presented on a comparative basis with the prior year.

#### (c) Basis of Accounting

Financial transactions reflected in the Consolidated Balance Sheets, Consolidated Statements of Net Cost, and Consolidated Statements of Changes in Net Position are recorded on an accrual basis of accounting. Financial transactions reflected in the Combined Statements of Budgetary Resources are reported on a budgetary basis of accounting. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. The budgetary accounting method facilitates compliance with legal requirements and mandated controls over the use of Federal funds. It generally differs from the accrual basis of accounting in that obligations are recognized when new orders are placed, contracts awarded, or services received, that will require payments during the same or future period. Indian Affairs' Statements of Financing reconcile differences between the budgetary and accrual basis of accounting. Intra-entity transactions have been eliminated for financial statements presented on a consolidated basis.



## SECTION III. FINANCIAL INFORMATION

### NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2006, AND SEPTEMBER 30, 2005

#### (d) Revenues and Financing Sources

##### *Appropriations/Appropriations-Used:*

Most of Indian Affairs' operating funds are provided by the budget authority within Congressional appropriations. Indian Affairs receives appropriations on an annual, multi-year, and no-year basis. Upon expiration of an annual or multi-year appropriation, the obligated and unobligated balances retain their fiscal year identity. Expired unobligated balances are maintained separately within an expired account. Unobligated balances for expired funds can be used to make adjustments to existing obligations, but are otherwise not available for any new obligations except in certain cases relating to Indian Trust management and reform activities. In such cases, unobligated balances from prior appropriations acts made under the same headings are available for expenditure or transfer. Annual and multi-year appropriations are canceled at the end of the fifth year after expiration. No-year appropriations do not expire. Appropriations of budget authority are recognized as used when goods and services are received, benefits provided, or grants are disbursed.

##### *Reappropriations/Balance Transfers:*

Indian Affairs is authorized to transfer the balances of certain expired funds at the end of the fiscal year in which they expire. Balances that expire for appropriations 14202100, Operation of Indian Programs, and 14202628, Guaranteed Loans – Program account, can be re-appropriated or transferred, respectively, into appropriation 14202100.

##### *Contract Authority Transfer:*

Budget authority is granted to Indian Affairs from the Department of Transportation (DOT) in the form of contract authority, which authorizes Indian Affairs to incur obligations for the maintenance and construction of roads on Indian Affairs and Trust properties. A receivable is recorded for the amount of expenses incurred but not reimbursed, and when funding is requested from the DOT to facilitate road construction projects.

Upon the DOT approval and disbursement of funds, contract authority is converted to a "transfer in" financing source. The Federal Highway Administration (FHA) issues contract authority to Indian Affairs with which it can then obligate funds. Upon disbursement of the obligations, contract authority is converted to a "transfer in" after FHA approval. This is applicable for FY2005 reporting.

##### *Appropriations Transfers - In (Out):*

Indian Affairs is provided financing through transfers from the Bureau of Land Management (BLM), DOI's Office of the Secretary, Federal Highway Administration (FHA), Department of Labor (DOL), Department of Health and Human Services (HHS), and Department of Agriculture (USDA). Indian Affairs also transfers funds to the Bureau of Reclamation (BOR). Intragovernmental transfers of budget authority (i.e., appropriated funds), or assets without reimbursement, are recorded at book value.

##### *Exchange and Non-Exchange Revenue:*

Indian Affairs classifies revenue as either exchange revenue or non-exchange revenue. Exchange revenue is derived from transactions in which both parties, Indian Affairs and the public or other governmental entity, receive value. They include fees collected for utilities, Indian Affairs' education and school lunch programs, construction operations, and the rental of equipment. Reimbursable agreements with the Department of Education (Education), which offset the cost of Tribal and Indian Affairs operated primary schools, are recognized as exchange revenue. Exchange revenue presented on Indian Affairs' Consolidated Statement of Net Cost serves to reduce the reported cost of operations.

Non-exchange revenue is derived from the government's sovereign right to demand payment, including fines for late payment of loans. Non-exchange revenue is recognized when a specifically identifiable, legally enforceable claim to resources arises, and to the extent that collection is probable and the amount is reasonably estimable.

## SECTION III. FINANCIAL INFORMATION

### NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2006, AND SEPTEMBER 30, 2005

These revenues are not considered in reducing Indian Affairs' operating costs and are therefore reported on the Consolidated Statements of Changes in Net Position.

Prices charged to the Tribes by Indian Affairs are set by law or regulation and in certain cases may not be designed to recover full costs (e.g., fees collected for utilities and school lunch programs). To further explain this, Indian Affairs did not apply a burden rate to reimbursable agreements in prior years because burden assessment rates are applicable to all reimbursable contracts and agreements except for those related to the Department of Education, Public Law 93-638, the Indian Self Determination and Education Assistance Act, and the Federal Highway Program. These programs accounted for approximately 94 percent of total Indian Affairs reimbursable agreements, contracts, and grants, to which it did not deem the remaining dollar amount of reimbursable agreements material.

#### *Imputed Financing from Costs Absorbed by Others:*

In certain cases, operating costs of Indian Affairs are paid for by funds appropriated to other Federal entities. For example, the Office of Personnel Management (OPM) pays for pension benefits for most Indian Affairs employees. Certain legal judgments against Indian Affairs are paid from the Judgment Fund maintained by the Department of the Treasury (Treasury). The OMB limits imputed costs to be recognized by Federal entities to the following: (1) employees' pension benefits; (2) health insurance, life insurance, and other benefits for retired employees; (3) other post employment benefits for retired, terminated, and inactive employees, including severance payments, training and counseling, continued health care, and unemployment and workers' compensation under Federal Employees' Compensation Act (FECA); and (4) losses in litigation proceedings. Indian Affairs reports applicable imputed costs on the Consolidated Statements of Net Cost.

In FY2005, DOI implemented FASAB Interpretation No. 6, "Accounting for Imputed Intra-departmental Costs: An Interpretation of SFFAS

No. 4." It clarifies that reporting entities should account for the imputed intra-departmental costs in accordance with the full cost provisions of SFFAS No. 4, "Managerial Cost Accounting Standards and Concepts". A department-wide analysis was conducted to determine the type of activities that were applicable under the Interpretation. Based on the analysis, Indian Affairs recognized the following intra-departmental imputed costs and imputed financing from the following providing bureaus: (1) Office of the Solicitor for non-reimbursed costs related to legal assistance and council directly identifiable to Indian Affairs, (2) Bureau of Reclamation for the non-reimbursed costs performed under the Chiloquin Dam Fish Passage Project for Indian Affairs, (3) Bureau of Land Management for the non-reimbursed overhead costs related to reimbursable services performed for Indian Affairs, and (4) Office of the Special Trustees for the non-reimbursed costs related to the assistance with Indian Affairs' special deposit accounts cleanup and technical assistance provided for maintaining the Trust and non-Trust records. The impact of implementing this standard in FY2005 was to increase intra-departmental imputed costs and imputed financing by approximately \$15 million for the year ended September 30, 2006 and \$13.5 million for the year ended September 30, 2005.

In addition, an imputed financing source is recognized on the Consolidated Statements of Changes in Net Position. Those intra-departmental imputed costs and imputed financing are eliminated for the DOI financial statements.

Rescissions: Occasionally, the Congress passes legislative action to permanently cancel portions of budgetary resources. Note 17 provides additional information regarding rescissions.

#### **(e) Assets**

Assets presented on Indian Affairs' Consolidated Balance Sheets include both entity and non-entity balances. Entity assets are assets that Indian Affairs has authority to use in its operations. Non-entity assets are held and managed by Indian Affairs, but are not available for use in its



## SECTION III. FINANCIAL INFORMATION

### NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2006, AND SEPTEMBER 30, 2005

operations. Intragovernmental assets arise from transactions between Indian Affairs and other Federal entities.

#### (f) Fund Balance with Treasury

Fund Balance with Treasury represents un-disbursed balances remaining as of fiscal year-end from which Indian Affairs is authorized to make expenditures and pay liabilities resulting from operational activity, except as restricted by law. Fund Balance with Treasury includes funds received from direct appropriations, contract authority, transfers, offsetting receipts and funds held in budget clearing accounts.

#### (g) Investments, Net

Indian Affairs is authorized by law to invest irrigation and power receipts in the U.S. Treasury and public securities. Investments consist of marketable and overnight investments with the U.S. Treasury and in public securities. Public securities consist mainly of various mortgage instruments, bonds, and bank notes. Mortgage instruments are with the Federal National Mortgage Association, the Government National Mortgage Association, and the Federal Home Loan Mortgage Corporation. Bonds and bank notes are with the Federal Home Loan Bank. Investments are reported on the Consolidated Balance Sheets at cost, net of amortized premiums or discounts, if any. It is Indian Affairs' intent to hold investments to maturity unless they are needed to finance claims or otherwise sustain the operations of Indian Affairs. No provision has been made in the financial statements for unrealized gains or losses on these securities.

#### (h) Accounts and Interest Receivable, Net

Accounts receivable consist of amounts owed to Indian Affairs by other Federal agencies and the public. Amounts due from Federal agencies arise from work performed under reimbursable agreements by Indian Affairs for the benefit of other Federal agencies. These amounts are considered fully collectible. Accounts receivable from the public include amounts for various programs, including fees for irrigation and power services.

Receivables due from the public are stated net of an allowance for estimated uncollectible amounts, which is determined by Indian Affairs' ability to collect delinquent debt and an analysis of aged receivable activity.

#### (i) Loans and Interest Receivable, Net

Loans are accounted for as receivables after the funds have been disbursed. Direct loans made prior to October 1, 1991 are stated net of an allowance for estimated uncollectible amounts. Direct loans obligated on or after October 1, 1991 are stated net of an allowance for estimated uncollectible amounts, which is equal to the present value of the subsidy costs. Interest income is recorded quarterly based on lending rates.

Credit reform legislation authorizes Indian Affairs to borrow from the U.S. Treasury the amount of a direct loan disbursement, less the subsidy. In the case of the guaranteed loan financing, Indian Affairs may borrow to meet default claims in excess of its cash balances expected from collections and subsidy costs. Credit subsidy costs represent the estimated long-term cost to the government of direct loans or loan guarantees calculated on a net present value basis, excluding administrative costs. The Direct and Guaranteed Loan Programs are authorized to use loan repayments to retire borrowings from the Treasury; to pay guaranteed loan default claims, interest on borrowing, and interest supplements (Guarantee Loan Program only) to participating banks, and to close pre-1992 direct loan accounts.

Note 5 provides additional information on Loans and Interest Receivable, Net.

#### (j) Property, Plant and Equipment, Net

Property, plant and equipment consists of land and land rights, buildings and improvements, facilities and structures, furniture and equipment, construction-in-progress (CIP), and software purchased or developed for internal use. Land easements and rights-of-way purchased for maintenance of roads on Trust property are expensed as incurred. Land easements and rights-of-way purchased for power and irrigation activities

## SECTION III. FINANCIAL INFORMATION

### NOTES TO THE BASIC FINANCIAL STATEMENTS

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are capitalized at acquisition cost. All costs related to roads, bridges, trails, land and land rights on Trust property are expensed as incurred. There are no restrictions on the use or convertibility of property, plant and equipment.

Indian Affairs capitalizes property, plant and equipment purchases with an acquisition cost in excess of \$15,000 for personal property, \$100,000 for buildings, improvements, facilities and other structures, and \$100,000 for software. Depreciation and amortization are computed using the straight-line method over the assets' useful lives, ranging from 3 to 25 years for furniture, equipment, and software. Buildings, improvements, production plant, and other structures useful lives range from 15 to 100 years. Amortization of capitalized software begins on the date of acquisition if purchased, or when the module or component has been successfully tested if developed internally. Leasehold improvements are amortized and depreciated in the same manner as the associated leased asset. Costs for construction projects are recorded as CIP until completed. Indian Affairs begins to record depreciation expense once the asset has been placed in service.

Indian Affairs leases the majority of its office space and vehicles from the General Services Administration (GSA). The lease costs approximate commercial lease rates for similar properties and vehicles.

#### (k) Other Assets

Other assets consist of prepayments, advances to others, and the cost of fractional interests in Indian land allotments. Prepayments are expenditures that provide future benefits, and are often recurrent in nature, covering such items as rent, insurance, and supplies.

Advances to others are payments made in contemplation of the future performance of services, receipt of goods, incurrence of expenditures, or receipt of other assets. Advances to others consist primarily of amounts paid to Tribes for future construction activities. Indian Affairs records disbursements made to the Tribes for

the construction of Indian Affairs owned assets as advances to others, with periodic adjustments made to CIP as work is performed (i.e., expenditures are incurred). All other disbursements to the Tribes related to grants and contracts are recorded as expenses of Indian Affairs at such time as the funds are disbursed to the Tribes.

Indian Land allotments were acquired under the Indian Land Consolidation Act Amendments of 2000 (P.L.106-462). The Act was created as a Trust reform measure to reduce the large number of fractionated interests. The Act provides that the Secretary of the DOI can hold, in Trust for the Tribe, an interest in Indian land acquired under the program. Revenues generated from that interest would accrue to Indian Affairs to recover the purchase price of the land, and to provide funds to purchase additional fractionated lands. Once the purchase price is recovered, future revenues generated from the fractional land held would accrue to the Tribe. The Act also provides that the fractional land may be sold to an Indian landowner or to the Tribe prior to recovery of the purchase price, subject to restrictions and subject to a DOI Secretarial finding. In FY2004, Indian Affairs created a reserve for the entire amount of the asset as its recoverability was uncertain. This policy continues through FY2006.

#### (l) Liabilities

Intragovernmental liabilities are claims against Indian Affairs by other Federal entities. Liabilities covered by budgetary or other resources are those liabilities for which Congress has appropriated funds or other resources (funding from receivables and offsetting receipts). Liabilities not covered by budgetary or other resources represent amounts owed in excess of available congressionally appropriated funds or other resources. The liquidation of liabilities not covered by budgetary or other resources is dependent on future Congressional appropriations or other resources. Liabilities resulting from Indian Self-Determination Contract Agreements are recognized at the time an Indian Tribe requests the disbursement.

## SECTION III. FINANCIAL INFORMATION

### NOTES TO THE BASIC FINANCIAL STATEMENTS

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All other liabilities are recognized as goods or services provided to Indian Affairs.

#### (m) Advances, Deferred Revenue, and Deposit Fund Liabilities

Indian Affairs receives an advance of funds for reimbursable work performed for other Federal agencies and the public. Advances from others and deferred revenue are recognized when the funds are received. Revenue is recognized when reimbursable costs are incurred, and the advance from others balance is decreased accordingly. The most significant portion of advances from others is for reimbursable agreements with the U.S. Department of Education, where Indian Affairs is reimbursed for the expenditures incurred related to Tribal and Indian Affairs operated schools.

The Deposit Fund Liabilities balance includes the liability for funds associated with the Non-Trust Deposits and Bids for Indian Lands (14X6053). These are bids held in escrow until the winning bid is determined.

#### (n) Accrued Payroll and Benefits

Accrued payroll and benefits represent amounts for annual leave, compensatory time, and other leave time. A significant amount of the accrual is presented as a component of liabilities not covered by budgetary resources on the Consolidated Balance Sheets, and is adjusted for changes in compensation rates and reduced for annual leave taken. Sick leave is expensed when taken.

#### (o) Retirement Plans

##### *Civil Service Retirement System (CSRS) and Federal Employees Retirement System (FERS):*

Most employees of Indian Affairs participate in either the CSRS or FERS defined-benefit pension plans. FERS went into effect on January 1, 1987. FERS and Social Security automatically cover most employees hired after December 31, 1983. Employees hired prior to January 1, 1984, could elect to either join FERS and Social Security, or remain in the CSRS.

Indian Affairs is not responsible for and does

not report CSRS or FERS assets, accumulated plan benefits, or liabilities applicable to its employees. The OPM administers the plans, is responsible for, and reports these amounts.

##### *Thrift Savings Plan (TSP):*

Employees covered by CSRS and FERS are eligible to contribute to the U.S. Government's TSP, administered by the Federal Retirement Thrift Investment Board. A TSP account is automatically established for FERS-covered employees, and Indian Affairs makes a mandatory contribution of one percent of basic pay. FERS-covered employees are entitled to contribute an unlimited percentage of basic pay to their TSP account, provided the percentage does not result in exceeding the IRS annual cap amount of \$15,000 for 2006. Indian Affairs makes matching contributions up to four percent of basic pay. Employees covered by CSRS are entitled to contribute up to 10 percent of basic pay to their TSP account. Indian Affairs makes no matching contributions for CSRS-covered employees.

##### *Federal Employees Health Benefit (FEHB) Program:*

Most Indian Affairs employees are enrolled in the FEHB Program, which provides post-retirement health benefits. The OPM administers this program and is responsible for the reporting of the associated liabilities. Employer agencies and covered employees are not required to contribute for post-retirement health benefits. The OPM calculates the U.S. Government's service cost for covered employees each FY. Indian Affairs has recognized the entire service cost of these post-retirement benefits for covered employees as an imputed cost and an imputed financing source on its financial statements.

##### *Federal Employees Group Life Insurance (FEGLI) Program:*

Most Indian Affairs employees are entitled to participate in the FEGLI Program. Participating employees can obtain basic term life insurance, with the employee paying two-thirds of the cost and Indian Affairs paying one-third. Additional coverage is optional, to be paid fully by the

## SECTION III. FINANCIAL INFORMATION

### NOTES TO THE BASIC FINANCIAL STATEMENTS

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employee. The basic life coverage may be continued into retirement if certain requirements are met. The OPM administers this program and is responsible for the reporting of those liabilities. For each FY, the OPM calculates the U.S. Government's service cost for the post retirement portion of basic life coverage. Indian Affairs' contributions to the basic life coverage are fully allocated by the OPM to the post-retirement portion of coverage, and accordingly, Indian Affairs has recognized the entire service cost of the post-retirement portion of basic life coverage as an imputed cost and imputed financing source.

#### (p) Workers' Compensation

A liability is recorded for estimated future payments to be made for workers' compensation pursuant to the Federal Employees Compensation Act (FECA). The FECA program is administered by the DOL, which initially pays valid claims and subsequently seeks reimbursement from Federal agencies employing the claimants. A reimbursement to the DOL on payments made occurs approximately two years subsequent to the actual disbursement. Budgetary resources for this Intragovernmental liability are made available to Indian Affairs as part of its annual appropriation from Congress in the year in which the reimbursement to the DOL takes place. Additionally, the liability estimate includes the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases. Based on information provided by the DOL, the DOI allocates the actuarial liability to its bureaus and departmental offices based on the payment history for those entities. The estimated liability is not covered by budgetary resources and will require future funding.

#### (q) Contingent Liabilities, and Environmental and Disposal Liabilities

A contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss. The uncertainty will ultimately be resolved when one or more future events occur or fail to occur. Indian Affairs recognizes a contingent liability when a past event or

exchange transaction has occurred, and a future outflow or other sacrifice of resources is measurable and probable. A contingency is disclosed in the Notes to the Basic Financial Statements when any of the conditions for liability recognition are not met, and when the chance of the future confirming event or events occurring is more than remote.

Indian Affairs does not record a liability for environmental and disposal costs on non-Indian Affairs owned land where Indian Affairs did not cause or contribute to the contamination, without first conducting a legal review of the matter. Further, Indian Affairs will not record an environmental liability for the estimated remediation or abatement of certain building materials, such as asbestos, lead-based paint, and polychlorinated-biphenols (PCBs) unless and until the materials become friable or otherwise capable of causing contamination.

Changes in environmental and disposal cost estimates are recognized prospectively and developed in accordance with Departmental policy, which addresses systematic processes for cost estimating including third-party estimates. Changes in environmental disposal cost estimates are based on progress made in, and revision of, the disposal plans, assuming current technology, laws and regulations. A 3.03 percent inflation factor is applied to prior estimates.

Notes 10 and 11 provide additional information regarding other contingent liabilities and environmental and disposal liabilities.

#### (r) Intragovernmental Debt

Intragovernmental debt consists primarily of notes payable to the U.S. Treasury related to borrowings to fund the Credit Reform Loan Program. See full discussion regarding loans and the related notes payable to Treasury in Note 1 (i), Note 5 and Note 9.

#### (s) Unexpended Appropriations

Unexpended appropriations represent the net budget authority from appropriations that have not yet been used. Indian Affairs recognizes



## SECTION III. FINANCIAL INFORMATION

### NOTES TO THE BASIC FINANCIAL STATEMENTS

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appropriations received as “Unexpended Appropriations” even if a Treasury Warrant has not yet been received, or the amount has not been fully apportioned. Indian Affairs reduces unexpended appropriations as expenditures are made, and also adjusts for other changes in budgetary resources, such as rescissions and transfers. The net increase or decrease in unexpended appropriations for the year is recognized by Indian Affairs as a change in net position and reported on Consolidated Statements of Changes in Net Position.

#### (f) Offsetting Receipts

Offsetting Receipts are cash collections resulting from business-type activities that are credited to the offsetting receipt accounts, and deducted from gross budget authority and outlays, rather than added to receipts. The receipts types included for Indian Affairs are Intra-budgetary Receipts deducted by Indian Affairs, and Proprietary Receipts from the Public.

#### (u) Use of Estimates

Management has made certain estimates and assumptions in the reporting of assets, liabilities, revenues, expenses, obligations incurred, spending authority from offsetting collections, and in the footnote disclosures. Actual results could differ from these estimates. Significant estimates in the accompanying financial statements include the Accounts Payable, Loan Guarantee Liability, Environmental and Disposal Liabilities, Allowance for Doubtful Accounts, Depreciation and Amortization, and Contingent Liabilities.

#### (v) Taxes

Indian Affairs, as a Federal agency, is not subject to Federal, State, or local income taxes and, accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

#### (w) Reclassifications

Indian Affairs has reclassified certain FY2005 balances in both the Financial Statements and the following footnotes to be consistent with the current year presentation.

#### (x) Earmarked Funds

In accordance with OMB Circular A-136 (Financial Reporting Requirements) and SFFAS 27 (Identifying and Reporting Earmarked Funds), Indian Affairs is required to identify and disclose information related to Earmarked Funds beginning Fiscal Year 2006. The detailed disclosure is contained in Note 14. Per the provisions of SFFAS 27, FY2005 Statements and related disclosures were not restated.

Earmarked funds are financed by specifically identified revenues and are required by statute to be used for designated activities or purposes, and must be accounted for separately from Indian Affairs' general revenues. The funds include: Power, Irrigation, Highway Trust and Other.

#### (y) Change in Accounting Principle

In July 2006, an updated OMB Circular A-136 was issued to the federal community delineating federal financial reporting requirements. In prior years of this guidance, federal agencies (child) were allowed to report proprietary activity in their financial statements, if material to them. However, beginning in FY2007, the child agencies will be required to provide parent agencies with all of their financial activity. Only parent agencies will report this financial activity in their financial statements. Early implementation is allowed if both the parent and the child agency agree. In the case of the Highway Trust Fund, both Indian Affairs and the Department of Transportation agreed and early implementation was adopted in FY2006. The cumulative effect of this change in accounting principle resulted in a decrease of \$264.9 million to the net cost of operations on the Statement of Net Cost and a \$3.1 million decrease to the beginning balance of cumulative results of operations on the Statement of Changes in Net Position.



# SECTION III. FINANCIAL INFORMATION

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2006, AND SEPTEMBER 30, 2005

### Note 2: Fund Balance with Treasury

Indian Affairs' Fund Balance with Treasury as of September 30, 2006 and September 30, 2005 are summarized as follows:

Fund Balance with Treasury by Fund Type (dollars in thousands)		
Fund	FY2006	FY2005
General Funds	\$ 1,385,365	\$ 1,374,367
Special Funds	17,661	16,798
Trust Funds	-	21,157
Other Fund Types:		
Credit Related Funds	108,545	85,504
Deposit & Clearing Accounts	15,732	10,266
Total Fund Balance with Treasury by Fund Type	<u>\$ 1,527,303</u>	<u>\$ 1,508,092</u>

Indian Affairs maintains balances with Treasury by fund type. The fund types and purposes are described below:

- **General Funds** – These funds consist of appropriations and other receipts not earmarked by law for a specific purpose, and the related expenditures of those funds.
- **Special Funds** – These funds are credited with receipts from special sources that are earmarked by law for a specific purpose. When collected, these receipts are available immediately for expenditure for special programs such as Operation and Maintenance of Quarters, Indian Irrigation and Power Systems, and the Alaska Re-supply Program.
- **Trust Funds** – This fund accounts for the budget authority granted to Indian Affairs from the DOT Highway Trust Fund used for the maintenance and construction of roads on Indian Affairs and Trust property.
- **Other Fund Types** – These funds account for cash flows to and from the government resulting from direct and guaranteed loan activity of Indian Affairs for loans, which occurred before and after enactment of

the Federal Credit Reform Act of 1990.

The programs provide guaranteed loans to Indian Tribes and organizations, individual Indians, and Alaska Natives for economic development purposes. They also include miscellaneous receipt accounts, transfer accounts, performance bonds, deposit and clearing accounts maintained to account for receipts and disbursements awaiting proper classification.

The amounts in the Status of FBWT differ from those presented in the Combined Statements of Budgetary Resources because (1) the FBWT amounts include balances without corresponding budgetary amounts for miscellaneous receipt and allocation transfer accounts where Indian Affairs is the child (receiver of the transfer); (2) for allocation transfers where Indian Affairs is the parent (transferor), and the budgetary amounts are reported by Indian Affairs but the fund balance is reported by the child; (3) budgetary resources supported by invested balances, and; (4) amounts in deposit and budget clearing accounts.

Status of FBWT as of September 30, 2006, and September 30, 2005 are summarized as follows:

The unobligated, unavailable fund balance represents amounts from appropriations for which the period of availability for obligation has expired.

Status of Fund Balance with Treasury (dollars in thousands)		
Fund	FY2006	FY2005
Unobligated:		
Available	\$ 591,013	\$ 612,272
Unavailable	136,668	145,373
Obligated Not Yet Disbursed	783,390	740,202
Subtotal:	\$ 1,511,571	\$ 1,497,847
Fund Balance with Treasury Not Covered by Budgetary Resources		
Clearing and Deposit Accounts	15,732	10,245
Subtotal:	15,732	10,245
Total Status of Fund Balance with Treasury	<u>\$ 1,527,303</u>	<u>\$ 1,508,092</u>

# SECTION III. FINANCIAL INFORMATION

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2006, AND SEPTEMBER 30, 2005

### NOTE 3: Investments, Net and Cash

Intragovernmental marketable securities consist of overnight investments with the U.S. Treasury. The overnight investments earn interest based on Treasury's daily repo rate, which averaged 4.60 percent during the year ended September 30, 2006, and 2.65 percent during the year ended September 30, 2005.

The federal government does not set aside assets to pay future benefits or other expenditures associated with earmarked funds. The cash receipts collected from the public for an earmarked fund are deposited in the U.S. Treasury, which uses the cash for general Government purposes. Treasury securities are issued to Indian Affairs as evidence of its receipts. Treasury securities are an asset to Indian Affairs and a liability to the U.S. Treasury. Because Indian Affairs and the U.S. Treasury are both parts of the Government, these assets and liabilities offset each other from

the standpoint of the Government as a whole. For this reason, they do not represent an asset or liability in the U.S. Government-wide financial statements.

Treasury securities provide Indian Affairs with authority to draw upon the U.S. Treasury to make future benefit payments or other expenditures. When Indian Affairs requires redemption of these securities to make expenditures, the Government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way that the Government finances all other expenditures.

For both FY2006 and FY2005, amortization of investments was immaterial.

Indian Affairs' investments, net as of September 30, 2006 and September 30, 2005, are summarized as follows:

Indian Affairs' Investments, Net (dollars in thousands)		
Investment	FY2006	FY2005
<b>Historical Cost</b>		
Intragovernmental Securities		
Marketable Treasury Securities	\$ 69,480	\$ 66,541
Accrued Interest	45	-
Total Intragovernmental Securities	69,525	66,541
Public Securities, Net	1,052	1,065
Investments at Cost	\$70,577	\$67,606
<b>Market Value Disclosure</b>		
Intragovernmental Securities		
Marketable Treasury Securities	\$ 69,525	\$ 66,451
Public Securities	1,052	1,066
Market Value Disclosure	\$ 70,577	\$ 67,607
<b>Cash</b>		
Cash Not Yet Deposited to Treasury	\$ 174	\$ 623
Imprest Funds	15	15
Total Cash	\$189	\$638

# SECTION III. FINANCIAL INFORMATION

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2006, AND SEPTEMBER 30, 2005

### Note 4: Accounts and Interest Receivable, Net

Accounts and Interest Receivable, Net as of September 30, 2006, and September 30, 2005, are summarized as follows:

Accounts and Interest Receivable from the Public (dollars in thousands)		
	FY2006	FY2005
Accounts and Interest Receivable from the Public		
Current	\$ 5,884	\$ 4,553
1 - 180 Days Past Due	2,985	5,203
181 - 365 Days Past Due	1,668	1,212
1 to 2 Years Past Due	3,766	3,092
Over 2 Years Past Due	\$ 15,213	\$ 15,092
Total Billed Accounts and Interest Receivable - Public	\$ 29,516	\$ 29,152
Unbilled Accounts and Interest Receivable	24,511	21,987
Total Accounts and Interest Receivable - Public	54,027	51,139
Allowance for Doubtful Accounts - Public	(22,486)	(24,809)
Total Accounts and Interest Receivable - Public Net of Allowance	\$ 31,541	\$ 26,330

Accounts and Interest Receivable from Federal Agencies (dollars in thousands)		
	FY2006	FY2005
Accounts and Interest Receivable from Federal Agencies		
Billed	\$ 1	\$ 914
Unbilled	6,938	6,317
Total Accounts and Interest Receivable - Federal	\$ 6,939	\$ 7,231

Unbilled Receivables reflect work performed to date on agreements that will be billed in the future.

### Note 5: Loans and Interest Receivable, Net

Loans and loan guarantees consist of the Indian Direct Loan Program (Credit Reform), Indian Loan Guarantee Program (Credit Reform), and Liquidating Fund for Loans (Pre Credit Reform).

Direct loan obligations and loan guarantee commitments made prior to FY1992, and the resulting direct loans or loan guarantees, are reported using the allowance for loss method. Under this method, the nominal amount of the direct loan is reduced by an allowance for uncollectible amounts, and the liability for loan guarantees is the amount the agency estimates will more likely than not require a future cash outflow to pay default claims.

Direct loan obligations and loan guarantee commitments made beginning FY1991, and the resulting direct loans or loan guarantees, are governed by the Federal Credit Reform Act of 1990 (The Act). The Act provides that the present value of the subsidy costs (i.e., interest rate differentials, interest subsidies, estimated delinquencies and defaults, fee offsets, and other cash flows) associated with the direct loans and loan guarantees be recognized as a cost in the year the direct or guaranteed loan is disbursed.

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

FY1995 was the final year of funding for the Indian Direct Loan Program. Although funding

# SECTION III. FINANCIAL INFORMATION

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2006, AND SEPTEMBER 30, 2005

ended, Indian Affairs continues to receive collections on direct loans made in 1995 and earlier. The Indian Loan Guarantee Program continues to receive annual funding from Congress.

Included in the financial statements is a subsidy reestimate computed at the end of each FY. The amounts included in the consolidated financial statements are not reported in the budget until the following FY. Neither the amounts in loans receivables, net, nor the value of the assets related to direct loans disclosed in this report, are the same as the proceeds that would be expected from selling these loans.

### A. The Direct Loan and /or Loan Guarantee Programs

#### (i) Indian Direct Loan Program (Credit Reform)

Indian Affairs made direct loans to an eligible individual, business, or Tribe during FY1992 through FY1995.

#### (ii) Indian Loan Guarantee Program (Credit Reform)

Indian Affairs guaranteed loans made by private lenders to an eligible individual, business, or Tribe after FY1991.

#### (iii) Liquidating Fund for Loans (Pre-Credit Reform)

Indian Affairs made direct loans and guaranteed loans made by private lenders to an eligible individual, business, or Tribe prior to FY1991.

Loans and interest receivable, net of allowance for doubtful collection, for Indian Affairs' loan programs as of September 30, 2006 and September 30, 2005 consist of:

Notes and Interest Receivable, Net (dollars in thousands)		
	FY2006	FY2005
Direct Loans Obligated Prior to FY1992	\$ 13,836	\$ 18,378
Direct Loans Obligated After FY1991	2,347	8,890
Defaulted Guaranteed Loans from Pre-FY1992 Guarantees	422	317
Defaulted Guaranteed Loans from Post-FY1991 Guarantees	633	546
<b>Total Loans</b>	<b>\$ 17,238</b>	<b>\$ 28,131</b>

An analysis of loans receivable, loan guarantees, the liability for loan guarantees, the nature and amounts of the subsidy, and administrative costs associated with the direct loans and loan guarantees is provided in the following sections.

### B. Direct Loans Obligated Prior to FY1992 (Allowance for Loss Method):

Direct Loans Obligated Prior to FY1992 (Allowance for Loss Method) (dollars in thousands)					
Indian Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance for Loan Losses	Value of Assets Related to Direct Loans
FY2006	\$ 15,905	\$ 5,153	\$ -	\$(7,222)	\$ 13,836
FY2005	\$ 17,154	\$ 4,812	\$ -	\$(3,588)	\$ 18,378

# SECTION III. FINANCIAL INFORMATION

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2006, AND SEPTEMBER 30, 2005

### C. Direct Loans Obligated After FY1991:

Direct Loans Obligated After FY1991 (dollars in thousands)					
Indian Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance Subsidy Cost (Present Value)	Value of Assets Related to Direct Loans
FY2006	\$ 6,933	\$ 342	\$ -	\$ (4,928)	\$ 2,347
FY2005	\$ 7,774	\$ 461	\$ -	\$ 655	\$ 8,890

### D. Total Amount of Direct Loans Disbursed Post-1991:

Funding for the Indian Direct Loan Program ended in FY1995.

### E. Subsidy Expense for Direct Loans by Program and Component:

Subsidy Expense for New Loans Disbursed - Modifications and Reestimates (dollars in thousands)				
Indian Direct Loan Program	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
FY2006	\$ -	\$ 3,770	\$ 2,134	\$ 5,904
FY2005	\$ -	\$ 51	\$ 3	\$ 54

### F. Subsidy Rates for Direct Loans by Program and Component:

Funding for the Indian Direct Loan Program ended in FY1995.



## SECTION III. FINANCIAL INFORMATION

### NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2006, AND SEPTEMBER 30, 2005

#### G. Schedule for Reconciling Direct Loan Subsidy Cost Allowance Balances:

Beginning Balance, Changes, and Ending Balance (Post-1991 Direct Loans) (dollars in thousands)		
	FY2006	FY2005
Beginning Balance of the Subsidy Cost Allowance	\$ (655)	\$ 293
Add Subsidy Expense for Direct Loans Disbursed During the Reporting Years by Component:		
(a) Interest Rate Differential Costs	-	-
(b) Default Costs (net of recoveries)	-	-
(c) Fees and Other Collections	-	-
(d) Other Subsidy Costs	-	-
Total of the Above Subsidy Expense Components	-	-
Adjustments:		
(a) Loan Modifications	-	-
(b) Fees Received	-	-
(c) Foreclosed Property Acquired	-	-
(d) Loans Written Off	\$ (263)	\$ (847)
(e) Subsidy Allowance Amortization	(58)	(42)
(f) Other	-	(113)
Total Adjustments	\$ (321)	\$ (1,002)
Ending Balance of the Subsidy Cost Allowance Before Reestimates	\$ (976)	\$ (709)
Add or Subtract Subsidy Reestimates by Component:		
(a) Interest Rate Reestimate	\$ 3,770	\$ 51
(b) Technical/Default Reestimate	2,134	3
Total of the Above Reestimate Components	5,904	54
Ending Balance of the Subsidy Cost Allowance	\$ 4,928	\$ (655)

The allowance for subsidy account reflects the unamortized credit reform subsidy for direct loans. It appears in the financing fund of the direct loan program, and is subtracted from the loans receivable on the consolidated balance sheet.

#### H. Defaulted Guaranteed Loans from Pre-1992 Guarantees (Allowance for Loss Method):

Defaulted Guaranteed Loans from Pre-1992 Guarantees (Allowance for Loss Method) (dollars in thousands)					
Liquidating Fund for Loans	Defaulted Guaranteed Loans, Receivable Gross	Interest Receivable	Foreclosed Property	Allowance for Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
FY2006	\$ 8,431	\$ 5,634	\$ -	\$ (13,643)	\$ 422
FY2005	\$ 6,804	\$ 3,757	\$ -	\$ (10,244)	\$ 317

# SECTION III. FINANCIAL INFORMATION

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2006, AND SEPTEMBER 30, 2005

### I. Defaulted Guaranteed Loans from Post-1991 Guarantees (Present Value Method):

Defaulted Guaranteed Loans from Post-1991 Guarantees (Present Value Method) (dollars in thousands)					
Indian Direct Loan Program	Defaulted Guaranteed Loans, Receivable Gross	Interest Receivable	Foreclosed Property	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
FY2006	\$ 5,610	\$ 1,437	\$ -	\$ (6,414)	\$ 633
FY2005	\$ 4,930	\$ 1,052	\$ -	\$ (5,436)	\$ 546

### J. Loan Guarantees:

Guaranteed Loans Outstanding as of September 30, 2006:

Guaranteed Loans Outstanding as of September 30, 2006 (dollars in thousands)		
Fiscal Year	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
Pre-1992	\$ 342	\$ 295
FY1992	645	572
FY1993	265	222
FY1994	9,946	8,944
FY1995	1,734	1,395
FY1996	1,523	1,371
FY1997	5,455	4,855
FY1998	4,302	3,857
FY1999	15,725	14,127
FY2000	38,931	34,960
FY2001	23,083	20,382
FY2002	25,506	21,835
FY2003	41,705	37,383
FY2004	66,829	59,778
FY2005	34,467	31,013
FY2006	47,682	41,999
Total	\$ 318,140	\$ 282,988

# SECTION III. FINANCIAL INFORMATION

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2006, AND SEPTEMBER 30, 2005

New Guaranteed Loans Disbursed in FY2006 and FY2005 (dollars in thousands)		
Fiscal Year	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
Amount Paid in FY2006 for Prior Years	\$ 14,024	\$ 12,622
Amount Paid in FY2006 for 2006 Guarantees	47,744	42,970
FY2006 Total	\$ 61,768	\$ 55,592
Amount Paid in FY2005 for Prior Years	\$ 24,305	\$ 21,874
Amount Paid in FY2005 for 2005 Guarantees	28,725	25,852
FY2005 Total	\$ 53,030	\$ 47,726

### K. Liability for Loan Guarantees:

Liability for Loan Guarantees (Estimated Future Default Claims for Pre-1992 Guarantees) (dollars in thousands)			
Indian Loan Guarantee Program	Liabilities for Losses on Pre-1992 Guarantees, Estimated Future Default Claims	Liabilities for Loan Guarantees for Post- 1991 Guarantees, Present Value	Total Liabilities for Loan Guarantees
FY2006	\$ -	\$ 92,380	\$ 92,380
FY2005	\$ -	\$ 81,670	\$ 81,670

### L. Subsidy Expense for Loan Guarantees by Program and Component:

Subsidy Expense for New Loan Guarantees (dollars in thousands)					
Indian Loan Guarantee Program	Interest Supplements	Defaults	Fees and Other Collections	Other	Total
FY2006	\$ 2,172	\$ 1,712	\$ (1,039)	\$ -	\$ 2,845
FY2005	\$ 2,415	\$ 2,011	\$ (954)	\$ -	\$ 3,472

Modifications and Reestimates (dollars in thousands)				
Indian Loan Guarantee Program	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
FY2006	\$ -	\$ (464)	\$ 5,481	\$ 5,017
FY2005	\$ -	\$ 3,760	\$ 14,955	\$ 18,715

# SECTION III. FINANCIAL INFORMATION

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2006, AND SEPTEMBER 30, 2005

Total Indian Loan Guarantee Subsidy Expense (dollars in thousands)		
	FY2006	FY2005
Indian Loan Guarantee Program	\$ 7,862	\$ 22,187

M. Subsidy Rates for Loan Guarantees by Program and Component:

Budget Subsidy Rates for Loan Guarantees for the Current Year's Cohorts					
Indian Loan Guarantee Program	Interest Supplements	Defaults	Fees and Other Collections	Other	Total
FY2006	3.45 percent	3.10 percent	-1.80 percent	0.00 percent	4.75 percent
FY2005	4.48 percent	4.08 percent	-1.80 percent	0.00 percent	6.76 percent

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

# SECTION III. FINANCIAL INFORMATION

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2006, AND SEPTEMBER 30, 2005

### N. Schedule for Reconciling Loan Guarantee Liability Balances:

Schedule for Reconciling Loan Guarantee Liability Balances Beginning Balance, Adjustments, and Ending Balance (dollars in thousands)		
	FY2006	FY2005
Beginning Balance of the Loan Guarantee Liability	\$ 81,670	\$ 60,081
Add Subsidy Expense for Guaranteed Loans Disbursed During the Reporting Years by Component:		
(a) Interest Supplemental Costs	2,172	2,415
(b) Default Costs (net of recoveries)	1,712	2,011
(c) Fees and Other Collections	(1,039)	(954)
(d) Other Subsidy Costs	-	-
Total of the Above Subsidy Expense Components	\$ 2,845	\$ 3,472
Adjustments:		
(a) Loan Guarantee Modification	-	-
(b) Fees Received	\$ 1,092	\$ 952
(c) Interest Supplements Paid	(2,405)	(1,657)
(d) Foreclosed Property and Loans Acquired	-	-
(e) Claim Payments to Lenders	(289)	(2,849)
(f) Interest Accumulation on the Liability Balance	4,541	2,956
(g) Other (recovery, revenue, and prior period adjustments)	(91)	-
Total Adjustments	\$ 2,848	\$ (598)
Ending Balance of the Loan Guarantee Liability Before Reestimates	\$ 87,363	\$ 62,955
Add or Subtract Subsidy Reestimates by Component:		
(a) Interest Rate Reestimate	\$ (464)	\$ 3,760
(b) Technical/Default Reestimate	5,481	14,955
Total of the Above Reestimate Components	\$ 5,017	\$ 18,715
Ending Balance of the Loan Guarantee Liability	\$ 92,380	\$ 81,670

The loan guarantee liability account is the financing fund for loan guarantee programs. It represents the expected present value of cash flows to and from the government from loan guarantees. The initial transaction transfers the subsidy monies from the program fund to the financing fund.

### Other Federal Credit Reform Information

#### O. Administrative Expense:

Administrative Expense (dollars in thousands)		
	FY2006	IFY2005
Indian Loan Guarantee Program	\$ 671	\$ 1,151



# SECTION III. FINANCIAL INFORMATION

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2006, AND SEPTEMBER 30, 2005

### P. Resources Payable to Treasury

The resources payable to Treasury represents Indian Affairs' liquidating fund assets (cash and loans receivable, net of an allowance) less any liabilities that may be held as working capital. Loans made in 1991 and before (pre credit reform direct loans and assigned loan guarantees) are accounted for in liquidating funds. These funds collect loan payments and pay any related expenses or default claims. At the end of each year, any unobligated cash on hand is transferred to Treasury. As of September 30, 2006, and September 30, 2005, the payable to Treasury amounted to \$14.2 million and \$21.0 million, respectively.

### Q. Notes Payable to Treasury

Indian Affairs has authority to borrow funds from the U.S. Treasury for its loan programs in accordance with the Federal Credit Reform Act of 1990 and related legislation. Interest is accrued daily on the outstanding principal balance of direct and assigned loans based on a 365-day year for credit reform loans. The interest rate charged on each loan is the Indian Financing Act Rate that was effective at the time the loan was made and ranges from 4.87 percent to 11.12 percent. These loans have various maturity dates from 2006 to 2028 (see Note 9, Intragovernmental Debt).

The guaranteed loan financing fund can borrow funds when the cash balance in a financing fund cohort is insufficient to pay default claims, interest subsidy payments, downward subsidy reestimates or the interest expense on prior Treasury borrowings. The balance in this account as of September 30, 2006 and September 30, 2005 was \$6.8 million. As of September 30, 2006, and September 30, 2005, there was no balance for Interest Payable.

Indian Affairs' direct loan program ended in 1995. However, borrowings arising from direct loans made between 1992 and 1995 are still outstanding. These borrowings are being repaid as scheduled and as of September 30, 2006, and September 30, 2005 the balance was \$22.9 million. Interest Payable as of September 30, 2006, and September 30, 2005, there was no balance for Interest Payable.

These balances are reported on Indian Affairs' Balance Sheet and together comprise the full amount of Indian Affairs' Intragovernmental Debt.

# SECTION III. FINANCIAL INFORMATION

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2006, AND SEPTEMBER 30, 2005

### NOTE 6: PROPERTY, PLANT, AND EQUIPMENT, NET

Property, Plant, and Equipment balances as of September 30, 2006, are summarized as follows:

Property, Plant, and Equipment Balances as of September 30, 2006 (dollars in thousands)			
	Acquisition Cost	Accumulated Depreciation	Net Book Value FY2006
Land and Land Improvements	\$ 67,288	\$ 27,011	\$ 40,277
Buildings	1,346,345	659,490	686,855
Structures and Facilities	960,537	573,577	386,960
Leasehold Improvements	1	-	1
Construction in Progress - General	134,855	-	134,855
Equipment, Vehicles, and Aircraft	223,554	144,544	79,010
Internal Use Software			
In Use	\$ 15,865	\$ 5,181	\$ 10,684
In Development	8	-	8
<b>Total Property Plant and Equipment</b>	<b>\$ 2,748,453</b>	<b>\$ 1,409,803</b>	<b>\$ 1,338,650</b>

Property, Plant, and Equipment balances as of September 30, 2005, are summarized as follows:

Property, Plant, and Equipment Balances as of September 30, 2005 (dollars in thousands)			
	Acquisition Cost	Accumulated Depreciation	Net Book Value FY2005
Land and Land Improvements	\$ 66,629	\$ 25,084	\$ 41,545
Buildings	1,338,761	612,208	726,553
Structures and Facilities	942,450	551,119	391,331
Construction in Progress - General	116,896	-	116,896
Equipment, Vehicles, and Aircraft	223,742	139,349	84,393
Internal Use Software			
In Use	\$ 15,865	\$ 4,248	\$ 11,617
In Development	8	-	8
<b>Total Property Plant and Equipment</b>	<b>\$ 2,704,351</b>	<b>\$ 1,332,008</b>	<b>\$ 1,372,343</b>

# SECTION III. FINANCIAL INFORMATION

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### SEPTEMBER 30, 2006, AND SEPTEMBER 30, 2005

Depreciation and amortization expense amounted to \$91.2 million and \$70.9 million for the years ended September 30, 2006 and September 30, 2005, respectively.

In fulfilling the Bureau's mission, Indian Affairs frequently donates property to Indian Tribes. The net book value recognized as a loss on disposal of equipment related to donated property amounted to \$5.9 million and \$16.1 million during the years ended September 30, 2006 and September 30, 2005, respectively.

#### NOTE 7: ASSETS ANALYSIS

Non-entity accounts receivable include amounts that will be collected by Indian Affairs in the future, but will not be available for use. The amounts will be forwarded to Treasury at a later date. Non-entity accounts receivable include accrued interest and penalties on delinquent debt, and other miscellaneous receivables.

Non-entity FBWT consists of receipts collected on behalf of the OTFM (Appropriation 14X6053, Non-Trust Deposits and Bids for Indian Land). These are primarily for real estate services where bids are held in escrow until the winning bid is determined.

Assets, as of September 30, 2006, are summarized as follows:

Assets as of September 30, 2006 (dollars in thousands)			
Investment	Entity Unrestricted	Non-Entity Restricted	FY2006
<b>Intragovernmental Assets</b>			
Fund Balance with Treasury	\$ 1,516,067	\$ 11,236	\$ 1,527,303
Investments, Net	69,525	-	69,525
Accounts and Interest Receivable, Net	(619)	7,558	6,939
Other			
Advances and Prepayments	\$ 2,351	\$ -	\$ 2,351
Total Intragovernmental Assets	\$1,587,324	\$ 18,794	\$1,606,118
Cash	\$ 189	\$ -	\$ 189
Investments, net	1,052	-	1,052
Accounts and Interest Receivable, Net	19,298	12,243	31,541
Loans and Interest Receivable, Net	17,238	-	17,238
General Property, Plant, and Equipment, Net	1,338,650	-	1,338,650
Other			
Advances and Prepayments	\$77,482	-	\$ 77,482
Subtotal	\$ 77,482	-	\$ 77,482
Total Assets	\$ 3,041,233	\$ 31,037	\$ 3,072,270
Stewardship Assets			

# SECTION III. FINANCIAL INFORMATION

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2006, AND SEPTEMBER 30, 2005

Assets as of September 30, 2005 (dollars in thousands)			
	Entity Unrestricted	Non-Entity Restricted	FY2005
<b>Intragovernmental Assets</b>			
Fund Balance with Treasury	\$ 1,501,329	\$ 6,763	\$ 1,508,092
Investments, Net	66,541	-	66,541
Accounts and Interest Receivable, Net	5,778	1,453	7,231
Other			
Advances and Prepayments	\$ 2,556	\$ -	\$ 2,556
<b>Total Intragovernmental Assets</b>	<b>\$ 1,576,204</b>	<b>\$ 8,216</b>	<b>\$ 1,584,420</b>
Cash	\$ 638	\$ -	\$ 638
Investments, net	1,065	-	1,065
Accounts and Interest Receivable, Net	15,228	11,102	26,330
Loans and Interest Receivable, Net	28,131	-	28,131
General Property, Plant, and Equipment, Net	1,372,343	-	1,372,343
Other			
Advances and Prepayments	\$ 82,632	-	\$ 82,632
<b>Subtotal</b>	<b>\$ 82,632</b>	<b>-</b>	<b>\$ 82,632</b>
<b>Total Assets</b>	<b>\$ 3,076,241</b>	<b>\$ 19,318</b>	<b>\$ 3,095,559</b>
<b>Stewardship Assets</b>			

Assets, as of September 30, 2005, are summarized as follows:

### NOTE 8: STEWARDSHIP ASSETS

Effective October 1, 2005, Indian Affairs adopted SFFAS No. 29, Heritage Assets and Stewardship Land. This standard requires Federal agencies to reclassify all heritage asset and stewardship land information as basic except for condition information, which is considered Required Supplementary Information. This reclassification will take place over a 4-year period beginning with FY2006. The following is required basic information for this fiscal year.

Indian Affairs manages heritage assets and stewardship land as part of its stewardship responsibilities to Indian tribes and to the American public. Indian Affairs' heritage assets include museum collections and historic structures that support Indian Affairs' mission in honoring relationships with Indian tribes and the strategic plan goals for serving Indian communities and preserving cultural and natural heritage resources. Indian Affairs' museum property collections are collected and preserved to further Indian Affairs' mission by documenting bureau activities, such as the history of Indian schools and celebrating government-to-government relations between the Federal Government and tribal governments. The collections are exhibited in Indian schools and displayed in Indian Affairs' administrative offices to illustrate the history, mission and activities of Indian Affairs, as well as to highlight traditional and contemporary American Indian material

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culture. A significant area of Indian Affairs' museum collections responsibility is the management of archeological collections removed from Indian reservation lands under permits issued under the authority of Antiquities Act of 1906, and the associated documentation. These collections are also managed in museums, universities, and other repositories, and are made available to tribes and the public through research, exhibitions, and publications that document and highlight tribal histories and traditions.

Indian Affairs' stewardship policy for heritage assets and stewardship land is to preserve the important artistic, historic, scientific, and cultural qualities of these resources; to document and provide access; and to provide accountability, in keeping with federal laws and regulations, and DOI policies. Indian Affairs' responsibility for heritage assets has been established under several cultural resource and property management authorities, to include the Antiquities Act of 1906 (16 U.S.C. 431-433); the Reservoir Salvage Act of 1960, as amended (16 U.S.C. 469-469c); the Archaeological Resources Protection Act of 1979, as amended (16 U.S.C. 470aa-mm); Archaeological Resources Protection Act of 1979 (ARPA); Curation of Federally-Owned and Administered Archeological Collections (36 C.F.R. Part 79); the Native American Graves Protection and Repatriation Act of 1990 (NAGPRA); Federal Property and Administrative Services Act of 1949, as amended (40 U.S.C. 483 (b)); Interior Property Management Directives, 410 Departmental Manual (410 DM); and Interior Property Management: Managing Museum Property, 411 Departmental Manual (411 DM), and Indian Affairs' Managing Museum Property Policy Manual (2001).

Land owned by Indian Affairs generally consists of parcels located within the boundaries of Indian Reservations which have been withdrawn for administrative uses and are not directly related general PP&E. Therefore, classifying this land as Stewardship Land is consistent with SFFAS No. 6 (Accounting for Property, Plant and Equipment) and SFFAS No. 29 (Heritage Assets and Stewardship Land) in that heritage assets,

including stewardship land, are to be held for the general welfare of the nation and are intended to be preserved and protected.

Indian Affairs' Heritage Assets include both collectible and non-collectible assets. Collectible Indian Affairs' heritage assets are museum collections, which are assemblages of objects, works of art, and/or historic documents, representing archeology, art, ethnography, biology, geology, paleontology, and history, collected according to a rational scheme and maintained so they can be preserved, studied, and interpreted for public benefit. A collection includes cataloged and/or uncataloged objects under the control of an administrative unit/location, which may have multiple facilities/spaces that house the collection. Non-collectible Indian Affairs' heritage assets include Federal properties managed by Indian Affairs that have been designated as significant cultural and historic assets and listed on the National Historic Landmarks.

Stewardship land encompasses a wide range of activities, to include recreation, conservation, and functions vital to the culture of the American Indians and Alaska Natives. The categories used by Indian Affairs are Cultural, School, and Housing; Other Recreation Areas; Reclamation and Irrigation; and Other Stewardship Lands.

The Required Supplementary Information (RSI) section of this report provides additional information concerning stewardship land and heritage assets.

#### **NOTE 9: INTRAGOVERNMENTAL DEBT**

Indian Affairs' debt to Treasury consists entirely of borrowings to finance the Credit Reform Loan programs.

The Credit Reform Act of 1990 authorizes Indian Affairs to borrow from the U.S. Treasury the amount of a direct loan disbursement, less subsidy. The Act provides that the present value of the subsidy costs (i.e., interest rate differentials, interest subsidies, estimated delinquencies and



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defaults, fee offsets and other cash flows) associated with the direct loans and loan guarantees be recognized as a cost in the year the direct or guaranteed loan is disbursed.

Indian Affairs' Intragovernmental Debt Related to the Credit Reform Act of 1990, as of September 30, 2006 and September 30, 2005, is summarized below:

Indian Affairs' Intragovernmental Debt Related to the Credit Reform Act of 1990 as of September 30, 2006, and September 30, 2005 (dollars in thousands)					
	FY2005 Beginning Balance	Borrowing/ (Repayments), Net	FY2005 Ending Balance	Borrowing/ Interest/ (Repayments), Net	FY2006 Ending Balance
Credit Reform Borrowings	\$ 29,615	\$ 100	\$ 29,715	\$ -	\$ 29,715
Total Debt Due to Treasury	\$ 29,615	\$ 100	\$29,715	\$ -	\$ 29,715

### NOTE 10: CONTINGENT LIABILITIES

Indian Affairs is a party to various administrative proceedings, legal actions, environmental suits, and claims that may eventually result in the payment of substantial monetary claims to third parties, or in the unplanned reallocation of material budgetary resources to pay for the cleanup of environmentally damaged sites. Sufficient information is not currently available to determine if the ultimate resolution of these proceedings, actions and claims will materially affect the financial position or net cost of operations of Indian Affairs.

The legal claims deemed probable of loss have been enumerated and submitted to Indian Affairs by the DOI Office of the Solicitor (SOL). Indian Affairs reviews these claims and summarizes the data on a detailed Contingent Liability Report. Indian Affairs forwards questions to the DOI SOL regarding cases where changes were made (i.e., estimate change, change in probability, deletions and additions) and where no explanation for the change was evident on the legal letter. The amount of potential minimal liability has been estimated and accrued in the financial statements, including certain judgments that have been issued against Indian Affairs and appealed. Indian Affairs has not accrued estimated legal

liabilities if the amounts or probability of loss against Indian Affairs are uncertain.

The payment of any judgment against Indian Affairs could be made from Indian Affairs' appropriations or from Treasury's Judgment Fund. Generally, cash settlements are expected to be paid out of the Judgment Fund rather than from the operating resources of Indian Affairs. Indian Affairs is required, however, to reimburse the Judgment Fund for settlements or court orders on suits brought through the Contract Disputes Act of 1978.

The potential liability for claims deemed to be probable or reasonably possible of loss is outlined in the table below. The lower value of the estimated range of probable loss has been accrued and presented as a contingent legal liability payable in the accompanying Consolidated Balance Sheets.

The total amount that Indian Affairs is required to repay to the Judgment Fund is \$119.9 million at September 30, 2006, and \$117.3 million at September 30, 2005, and is recorded as a Judgment Fund reimbursement payable on the September 30, 2006, and September 30, 2005, Consolidated Balance Sheets.

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Contingent and Environmental and Disposal Liabilities as of September 30, 2006, and September 30, 2005, are summarized as follows:

Contingent and Environmental and Disposal Liabilities as of September 30, 2006 (dollars in thousands)			
	Accrued Liabilities	Additional Potential Liabilities	
		Lower End of Range	Upper End of Range
Contingent Liabilities			
Probable	\$ 57,790	\$ 57,790	\$ 391,540
Reasonably Possible	-	144,967	488,259
Estimated Environmental and Disposal Liabilities			
Probable	\$ 55,096	\$ 55,096	\$ 56,464
Reasonably Possible	-	\$ 8,065	\$ 8,065

Contingent and Environmental and Disposal Liabilities as of September 30, 2005 (dollars in thousands)			
	Accrued Liabilities	Additional Potential Liabilities	
		Lower End of Range	Upper End of Range
Contingent Liabilities			
Probable	\$ 62,487	\$ 62,487	\$ 399,088
Reasonably Possible	-	114,842	431,267
Estimated Environmental and Disposal Liabilities			
Probable	\$ 51,576	\$ 51,576	\$ 52,360
Reasonably Possible	-	\$ 8,715	\$ 8,717

### Indian Trust Fund Litigation

The Secretary of the Department 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 accounting and management. Presently, there is significant litigation pending related to Trust management for Indian tribes and individuals.

Thirty-six tribal Trust cases currently are pending in various Federal district courts and the U.S. Court of Federal Claims. The cases, which were brought by twenty-nine different tribes, involve claims for Trust fund and asset mismanagement, accounting and other declaratory relief. A substantial number of the cases are stayed pending settlement negotiations or discovery. Additionally, in many of these cases, the court does not have jurisdiction to grant monetary relief.

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In addition, a significant class action lawsuit has been brought on behalf of individual Indian beneficiaries of the Individual Indian Money (IIM) Trust accounts. The lawsuit alleges that the Interior and Treasury Departments have breached their Trust obligations with respect to the management of funds in the Individual Indian Money accounts. The plaintiffs claim they are seeking an accounting of the IIM Trust funds and no damages.

Notwithstanding the damages or other claims described above, no probable estimate or range of loss can be made at this time regarding any financial liability that may result from judgment or settlement of the tribal Trust cases or Individual Indian Money Trust fund litigation.

#### **NOTE 11: ENVIRONMENTAL AND DISPOSAL LIABILITIES**

Indian Affairs is subject to environmental laws and regulations regarding air, water, and land use, the storage and disposal of hazardous materials, and the operations and closure of facilities at which environmental contamination may be present. The primary Federal laws covering environmental response, remediation and monitoring are the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), the Resource Conservation and Recovery Act (RCRA), the Oil Pollution Act (OPA), the Clean Water Act (CWA), the Clean Air Act (CAA), the Safe Drinking Water Act (SDWA), and the Asbestos Hazard Emergency Response Act (AHERA). Responsible parties, which may include Federal agencies under certain circumstances, are required to remediate releases of hazardous substances at or from facilities they own, operated, or at which they arranged for the disposal of such substances.

Indian Affairs remediates many types of environmental contaminations including hazardous materials, oil spills, asbestos, lead-based paint, and landfills. Indian Affairs annually compiles the estimated amount of future liability, estimated

cost of preparing studies, and estimated amount of funding needed for remediation. The potential liability for remediation costs deemed probable or reasonably estimable (but do not meet the requirements for accrual), as of September 30, 2006, and September 30, 2005, is outlined in the table presented in Note 10. The lower value of the estimated range of probable loss has been accrued and presented as an environmental cleanup cost liability in the accompanying Consolidated Balance Sheets.

Indian Affairs' contingent liability for potential environmental cleanup of sites that are considered reasonably possible and estimable include the expected future response costs, and, for those sites where future cleanup costs are unknown, the cost of studies necessary to evaluate cleanup requirements. Note 10 describes contingent legal liabilities, some of which are related to environmental claims made by third parties.

The change in the estimated accrued environmental liability from September 30, 2005, to September 30, 2006, is primarily due to refinement of estimated remediation costs, the addition of new sites, and the payment of the liability when remediation is performed. There are no material changes in total estimated disposal costs that are due to changes in law and technology.

#### **NOTE 12: LEASES**

Indian Affairs has many cancelable operating leases with the General Services Administration (GSA), primarily for office space and vehicles, which do not have a stated expiration date. Indian Affairs has reported its future minimum liability on the GSA operating leases based on a schedule of lease terms provided by the GSA. Indian Affairs has non-GSA leases for other real and personal property and has projected the future minimum lease rental expenses by using FY2006 as the base year. For both GSA and non-GSA leases, Indian Affairs calculates the expenses based on the OMB inflation factor. For non-GSA leases, Indian Affairs intends to replace expired leases with similar

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lease terms on like-kind properties. Future estimated minimum lease payments for operating leases as of September 30, 2006, are as follows:

Future Operating Lease Payments (dollars in thousands)					
	Real Property		Personal Property		Total
	Federal	Public	Federal	Public	
2007	\$ 17,643	\$ 10,177	\$ 8,687	\$ 88	\$ 36,595
2008	14,618	10,443	8,895	49	34,005
2009	13,509	10,677	9,109	15	33,310
2010	12,197	10,956	9,328	1	32,482
2011	9,551	10,346	9,551	-	29,448
Thereafter	44,951	119,248	12,562	-	176,761
Total Future Operating Lease Payments	\$ 112,469	\$ 171,847	\$ 58,132	\$ 153	\$ 342,601

Rental expenses of approximately \$42.6 million and \$38.6 million were incurred for operating leases for the years ended September 30, 2006, and September 30, 2005, respectively.

#### **NOTE 13: LIABILITIES ANALYSIS**

Public liabilities are claims against Indian Affairs by non-federal entities. Indian Affairs anticipates that the liabilities listed below will be funded from future budgetary resources when required. Indian Affairs receives budgetary resources for the FECA liability, the environmental cleanup costs, and contingent liabilities when they are needed for disbursements. Current liabilities are amounts owed by Indian Affairs that are due within the fiscal year following the reporting date. Non-current liabilities are amounts owed by Indian Affairs and are not due to be paid within one year of the fiscal year-end.

Liabilities as of September 30, 2006, are summarized as follows:

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Total Liabilities September 30, 2006 (dollars in thousands)					
	Covered by Budgetary Resources		Not Covered by Budgetary Resources		FY2006
	Current	Non-Current	Current	Non-Current	Total
<b>Intragovernmental Liabilities:</b>					
Accounts Payable	\$ 10,471	\$ -	\$ -	\$ -	\$ 10,471
Debt	-	29,715	-	-	29,715
Other					
Accrued Employee Benefits	4,347	-	8,947	17,393	30,687
Advances and Deferred Revenue	90,326	-	-	-	90,326
Deposit Funds	-	-	-	1,188	1,188
Judgment Fund	-	-	-	119,892	119,892
Resources Payable to Treasury	-	-	-	14,216	14,216
Other Miscellaneous Liabilities	-	-	-	19,819	19,819
Subtotal - Other	\$ 94,673	\$ -	\$ 8,947	\$ 172,508	\$ 276,128
<b>Total Intragovernmental Liabilities</b>	<b>\$ 105,144</b>	<b>\$ 29,715</b>	<b>\$ 8,947</b>	<b>\$ 172,508</b>	<b>\$ 316,314</b>
Accounts Payable	\$ 32,136	\$ -	\$ -	\$ -	\$ 32,136
Loan Guarantee Liability	-	92,380	-	-	92,380
FECA Actuarial Liability	-	-	-	116,092	116,092
Environmental and Disposal Liabilities	-	-	-	55,096	55,096
Other:					
Accrued Payroll and Benefits	23,160	-	-	-	23,160
Unfunded Annual Leave	-	-	-	25,809	25,809
Advances and Deferred Revenue	4,145	-	-	-	4,145
Deposit Funds	-	-	-	10,665	10,665
Contingent Liabilities	-	-	-	57,790	57,790
Other Miscellaneous Liabilities	-	-	-	1,710	1,710
Subtotal - Other	27,305	-	-	95,974	123,279
<b>Total Liabilities</b>	<b>\$ 164,585</b>	<b>\$ 122,095</b>	<b>\$ 8,947</b>	<b>\$ 439,670</b>	<b>\$ 735,297</b>



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Liabilities as of September 30, 2005, are summarized as follows:

Total Liabilities September 30, 2005 (dollars in thousands)					
	Covered by Budgetary Resources		Not Covered by Budgetary Resources		FY2005
	Current	Non-Current	Current	Non-Curent	Total
<b>Intragovernmental Liabilities:</b>					
Accounts Payable	\$ 55,409	\$ -	\$ -	\$ -	\$ 55,409
Debt	-	29,715	-	-	29,715
Other					
Accrued Employee Benefits	4,561	-	9,335	15,994	29,890
Advances and Deferred Revenue	91,965	-	1	-	91,966
Deposit Funds	-	-	-	2,790	2,790
Judgment Fund	-	-	-	117,323	117,323
Resources Payable to Treasury	-	-	-	21,041	21,041
Other Miscellaneous Liabilities	-	-	-	11,264	11,264
Subtotal - Other	\$ 96,526	\$ -	\$ 9,336	\$ 168,412	\$ 274,274
<b>Total Intragovernmental Liabilities</b>	<b>\$ 151,935</b>	<b>\$ 29,715</b>	<b>\$ 9,336</b>	<b>\$ 168,412</b>	<b>\$ 359,398</b>
Accounts Payable	\$ 89,795	\$ -	\$ -	\$ -	\$ 89,795
Loan Guarantee Liability	-	81,670	-	-	81,670
FECA Actuarial Liability	-	-	-	121,283	121,283
Environmental and Disposal Liabilities	-	-	-	51,576	51,576
Other:					
Accrued Payroll and Benefits	22,263	-	-	-	22,263
Unfunded Annual Leave	-	-	-	26,030	26,030
Advances and Deferred Revenue	7,400	-	-	-	7,400
Deposit Funds	-	-	-	4,357	4,357
Contingent Liabilities	-	-	-	62,487	62,487
Other Miscellaneous Liabilities	-	-	-	11,700	11,700
Subtotal - Other	29,663	-	-	104,574	134,237
<b>Total Liabilities</b>	<b>\$ 271,393</b>	<b>\$ 111,385</b>	<b>\$ 9,336</b>	<b>\$ 445,845</b>	<b>\$ 837,959</b>

Indian Affairs acts as a custodian for Treasury when it receives principal, interest, and penalties from the beneficial users of agreements related to construction costs of power and irrigation projects. Indian Affairs is required to transfer collections to the Treasury General Fund. As of September 30, 2006, and September 30, 2005, Indian Affairs recorded a receivable and an offsetting payable for these agreements in the amount of \$11.1 million, and \$11.4 million, respectively. The payable balance is recorded in other liabilities, Intragovernmental, and the receivable is recorded in public accounts receivable.

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Indian Affairs classifies receipts on behalf of the OTFM in 14X6053 (Non-Trust Deposits and Bids for Indian Lands) as non-entity liabilities. These are primarily for real estate services where bids are held in escrow until the winning bid is determined.

Unfunded annual leave amounted to \$25.8 million as of September 30, 2006, and \$26.0 million as of September 30, 2005.

Indian Affairs' only debt is with the U.S. Treasury for the borrowings related to the loan programs. Indian Affairs' total borrowings from Treasury as of September 30, 2006, and September 30, 2005, were \$29.7 million. See Note 5 and Note 9 for additional information regarding Indian Affairs' loan programs.

### **NOTE 14: EARMARKED FUNDS**

Indian Affairs has certain funds that are financed by specifically identified revenues and are required by statute to be used for designated activities or purposes and must be accounted for separately from Indian Affairs' general revenues. These are Earmarked Funds. The following is a description of Indian Affairs' Major Earmarked Funds.

#### **Power systems – Indian Irrigation Projects-**

Funds are obtained through the periodic collection from power consumers and users in the 3 Bureau power projects based on statutory requirements. Collected funds are used to operate, maintain and rehabilitate power system infrastructure on each project such as, but not limited to: power generating facilities, power substations, electrical switching stations, transmission lines, distribution lines and deteriorated infrastructures.

#### **Operation & Maintenance, Indian Irrigation Systems-**

Funds are obtained through the annual collection from water users of assessments against irrigation lands in the 17 Bureau irrigation projects based on statutory requirements. Collected funds are used to operate, maintain, and rehabilitate irrigation infrastructure such as, but not limited to: (1) water storage reservoirs, diversion structures, pumping plants; (2) canal, pumping plants, water control structures; and (3) deteriorated infrastructure.

#### **Highway Trust Fund-**

Indian Affairs is the child. DOT-FHA is the parent. This fund is a trust fund and is financed by specifically identified revenues and other financing sources. In FY2006, Indian Affairs adopted early implementation for Parent Child reporting for Highway Trust Fund transfers with the DOT-FHA. The result of this implementation is that the Parent agency (DOT-FHA) will report the financial activity in their Financial Statements.

The following table shows the Assets, Liabilities and Net Position for Indian Affairs' Earmarked Funds as of September 30, 2006. "Other Earmarked Funds" includes: Operation and Maintenance of Quarters, Natural Resource Damage Assessment and Restoration, Alaska Resupply Program, and Indian Water Rights and Habitat Acquisition Program.

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### Assets, Liabilities, and Net Position for Indian Affairs' Earmarked Funds as of September 30, 2006 (dollars in thousands)

	Indian Power Systems	Indian Irrigation Systems	Highway Trust Fund	Other Earmarked Funds	FY2006
<b>Assets:</b>					
Fund Balance with Treasury	\$ 4,534	\$ 3,111	\$ -	\$ 10,030	\$ 17,675
Investments, Net	41,968	28,609	-	-	70,577
Accounts Receivable, Net	5,098	2,991	-	807	8,896
Loans Receivable, Net	-	-	-	-	-
General Property, Plant, and Equipment, Net	73,820	112,225	-	22	186,067
Other Assets	315	163	-	-	478
<b>Total Assets</b>	<b>\$ 125,735</b>	<b>\$ 147,099</b>	<b>\$ -</b>	<b>\$ 10,859</b>	<b>\$ 283,693</b>
<b>Liabilities:</b>					
Accounts Payable	613	600	-	216	1,429
Debt	-	-	-	-	-
Other Liabilities	401	539	-	138	1,078
<b>Total Liabilities</b>	<b>\$ 1,014</b>	<b>\$ 1,139</b>	<b>\$ -</b>	<b>\$ 354</b>	<b>\$ 2,507</b>
<b>Net Position:</b>					
Unexpended Appropriations	\$ -	\$ -	\$ -	\$ 13	\$ 13
Cumulative Results of Operations	124,721	145,960	-	10,492	281,173
<b>Total Net Position</b>	<b>124,721</b>	<b>145,960</b>	<b>-</b>	<b>10,505</b>	<b>281,186</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 125,735</b>	<b>\$ 147,099</b>	<b>\$ -</b>	<b>\$ 10,859</b>	<b>\$ 283,693</b>
<b>Cost/Revenue:</b>					
Gross Costs	\$ 57,114	\$ 21,429	\$ -	\$ 6,604	\$ 85,148
Earned Revenue	(68,477)	(29,905)	-	(6,390)	(104,772)
<b>Net Cost of Operations</b>	<b>\$ (11,363)</b>	<b>\$ (8,476)</b>	<b>\$ -</b>	<b>\$ 214</b>	<b>\$ (19,624)</b>
<b>Net Position:</b>					
Net Position, Beginning Balance	\$ 113,485	\$ 136,659	\$ 3,060	\$ 10,793	\$ 263,997
Adjustment - Change in Accounting Principle - Early Implementation of Parent/Child Reporting for FHWA	-	-	(3,060)	-	(3,060)
Non-Exchange Revenue	(64)	76	-	-	12
Budgetary Transfers In/(Out) without Reimbursement	-	-	-	(74)	(74)
Other Financing Sources					
Transfers In/(Out) without Reimbursement	(62)	(56)	-	-	(118)
Imputed Financing from Costs Absorbed by Others	-	805	-	-	805
Net Cost of Operations	11,362	8,476	-	(214)	19,624
Change in Net Position	11,236	9,301	(3,060)	(288)	17,189
<b>Net Position, Ending Balance</b>	<b>\$ 124,721</b>	<b>\$ 145,960</b>	<b>\$ -</b>	<b>\$ 10,505</b>	<b>\$ 281,186</b>

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### **NOTE 15: NET COST OF OPERATIONS**

The Government Performance and Results Act (GPRA) requires Federal agencies to formulate strategic plans, identify major strategic goals, and report performance and costs relating to these goals. Under GPRA, the strategic plans must be revised and updated every three years. Accordingly, Indian Affairs updated its strategic plan in FY2004, and replaced the three Indian Affairs' GPRA Goals, applicable in FYs 2001 through 2003, with one Mission Area Goal. The Mission Area Goal, which began in FY2004, is "Serving Communities". In addition, GPRA requires that Indian Affairs report costs for the Mission Goal on "Serving Communities". Accordingly, Indian Affairs has presented the Earned Revenues and Gross Costs through FY2006 and 2005 by the Mission Area Goal identified in the FY2004 Strategic Plan.

Please refer to the tables on Serving Communities for further information.

### **NOTE 16: Adjustment to the Beginning Balance of Net Position/ Change in Accounting Principle**

In July 2006, an updated OMB Circular A-136 was issued to the federal community delineating federal financial reporting requirements. In prior years of this guidance, federal agencies (child) were allowed to report proprietary activity in their financial statements, if material to them. However, beginning in FY2007, the child agencies will be required to provide parent agencies with all of their financial activity. Only parent agencies will report this financial activity in their financial statements. Early implementation is allowed if both the parent and the child agency agree. In the case of the Highway Trust Fund, both Indian Affairs and the Department of Transportation agreed and early implementation was adopted in FY2006. This change is considered a Change in Accounting Principle.

### **NOTE 17: Combined Statements of Budgetary Resources**

#### Apportionment Categories of Obligations Incurred

The Combined Statements of Budgetary Resources provide information about how budgetary resources were made available, as well as their status at the end of the period. It is the only financial statement "exclusively" derived from the entity's budgetary general ledger accounts in accordance with budgetary accounting rules that are incorporated into GAAP for the Federal Government. The Total Budgetary Resources are \$3,565.9 million and \$3,566.3 million as of September 30, 2006 and September 30, 2005, respectively; which includes new budget authority, unobligated balances at the beginning of the year and transferred in/out during the year, spending authority from offsetting collections, recoveries of prior year obligations, and any adjustment to these resources. Indian Affairs' Unobligated Balance Available at September 30, 2006, is \$675.4 million, and at September 30, 2005, is \$685.4 million, none of which is exempt from apportionment.

Indian Affairs had \$900.4 million and \$728.4 million in budgetary resources obligated for undelivered orders at Fiscal Years ending September 30, 2006, and September 30, 2005 respectively.

For the years ended September 30, 2006, and September 30, 2005, Indian Affairs incurred obligations as summarized on the following page.

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Note 15 Table: FY2006  
Mission: Serving Communities (dollars in thousands)

	Operation of Indian Programs	Construction	Other	Elimination of Intra-Bureau Activity	FY2006 Total
<b>Fulfill Indian Fiduciary Trust Responsibilities</b>					
Intragovernmental Costs	\$ 114,296	\$ 5,346	\$ 12,128	\$ (3,721)	\$ 128,049
Public Costs	259,685	7,093	135,685	-	402,463
Total Costs	\$ 373,981	\$ 12,439	\$ 147,813	\$ (3,721)	\$ 530,512
Intragovernmental Earned Revenue	\$ 1,505	\$ 297	\$ 8,876	\$ (3,721)	\$ 6,957
Public Earned Revenue	3,707	-	96,112	-	99,819
Total Earned Revenue	5,212	297	104,988	(3,721)	106,776
Net Costs	\$ 368,769	\$ 12,142	\$ 42,825	\$ -	\$ 423,736
<b>Advance Quality Communities for Tribes and Alaska Natives</b>					
Intragovernmental Costs	\$ 179,592	\$ 10,269	\$ 2,573	\$ -	\$ 192,434
Public Costs	1,734,143	152,504	98,528	-	1,985,175
Total Costs	\$ 1,913,735	\$ 162,773	\$ 101,101	\$ -	\$ 2,177,609
Intragovernmental Earned Revenue	\$ 256,398	\$ 344	\$ 5,755	\$ -	\$ 262,497
Public Earned Revenue	15,843	13,445	4,060	-	33,348
Total Earned Revenue	\$ 272,241	\$ 13,789	\$ 9,815	\$ -	\$ 295,845
Net Costs	\$ 1,641,494	\$ 148,984	\$ 91,286	\$ -	\$ 1,881,764
<b>Improve the Protection of Lives, Resources, and Property</b>					
Intragovernmental Costs	\$ -	\$ (2,834)	\$ 19,669	\$ -	\$ 16,835
Public Costs	1,201	2,888	165,756	-	169,845
Total Costs	\$ 1,201	\$ 54	\$ 185,425	\$ -	\$ 186,680
Intragovernmental Earned Revenue	\$ -	\$ -	\$ 37	\$ -	\$ 37
Public Earned Revenue	1	-	4,610	-	4,611
Total Earned Revenue	1	-	4,647	-	4,648
Net Costs	\$ 1,200	\$ 54	\$ 180,778	\$ -	\$ 182,032
<b>Total</b>					
Intragovernmental Costs	\$ 293,888	\$ 12,781	\$ 34,370	\$ (3,721)	\$ 337,318
Public Costs	1,995,029	162,485	399,969	-	2,557,483
Total Costs	\$ 2,288,917	\$ 175,266	\$ 434,339	\$ (3,721)	\$ 2,894,801
Intragovernmental Earned Revenue	\$ 257,903	\$ 641	\$ 14,668	\$ (3,721)	\$ 269,491
Public Earned Revenue	19,551	13,445	104,782	-	137,778
Total Earned Revenue	\$ 277,454	\$ 14,086	\$ 119,450	\$ (3,721)	\$ 407,269
Net Cost of Operations	\$ 2,011,463	\$ 161,180	\$ 314,889	\$ -	\$ 2,487,532



# SECTION III. FINANCIAL INFORMATION

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2006, AND SEPTEMBER 30, 2005

Note 15 Table: FY2005  
Mission: Serving Communities (dollars in thousands)

	Operation of Indian Programs	Construction	Other	Elimination of Intra-Bureau Activity	FY2005 Total
<b>Fulfill Indian Fiduciary Trust Responsibilities</b>					
Intragovernmental Costs	\$ 143,520	\$ 2,533	\$ 16,947	\$ (3,010)	\$ 159,990
Public Costs	266,152	12,174	188,520	-	466,846
Total Costs	\$ 409,672	\$ 14,707	\$ 205,467	\$ (3,010)	\$ 626,836
Intragovernmental Earned Revenue	\$ 6,179	\$ -	\$ 6,677	\$ (3,010)	\$ 9,846
Public Earned Revenue	3,638	7,120	81,154	-	91,912
Total Earned Revenue	9,817	7,120	87,831	(3,010)	101,758
Net Costs	\$ 399,855	\$ 7,587	\$ 117,636	\$ -	\$ 525,078
<b>Advance Quality Communities for Tribes and Alaska Natives</b>					
Intragovernmental Costs	\$ 151,721	\$ 1,199	\$ 11,435	\$ -	\$ 164,355
Public Costs	1,761,673	145,922	340,989	-	2,248,584
Total Costs	\$ 1,913,394	\$ 147,121	\$ 352,424	\$ -	\$ 2,412,939
Intragovernmental Earned Revenue	\$ 311,353	\$ 23	\$ 8,339	\$ -	\$ 319,715
Public Earned Revenue	12,588	3,386	8,993	-	24,967
Total Earned Revenue	\$ 323,941	\$ 3,409	\$ 17,332	\$ -	\$ 344,682
Net Costs	\$ 1,589,453	\$ 143,712	\$ 335,092	\$ -	\$ 2,068,057
<b>Improve the Protection of Lives, Resources, and Property</b>					
Intragovernmental Costs	\$ 24,482	\$ 10,799	\$ 14,938	\$ -	\$ 50,219
Public Costs	6,582	(3,757)	139,944	-	142,769
Total Costs	\$ 31,064	\$ 7,042	\$ 154,882	\$ -	\$ 192,988
Intragovernmental Earned Revenue	\$ -	\$ -	\$ 20	\$ -	\$ 20
Public Earned Revenue	58	227	1,815	-	2,100
Total Earned Revenue	58	227	1,835	-	2,120
Net Costs	\$ 31,005	\$ 6,815	\$ 153,047	\$ -	\$ 190,868
<b>Total</b>					
Intragovernmental Costs	\$ 319,723	\$ 14,531	\$ 43,320	\$ (3,010)	\$ 374,564
Public Costs	2,034,406	154,339	669,453	-	2,858,199
Total Costs	\$ 2,354,129	\$ 168,870	\$ 712,773	\$ (3,010)	\$ 3,232,763
Intragovernmental Earned Revenue	\$ 317,532	\$ 23	\$ 15,036	\$ (3,010)	\$ 329,581
Public Earned Revenue	16,284	10,733	91,962	-	118,979
Total Earned Revenue	\$ 333,816	\$ 10,756	\$ 106,998	\$ (3,010)	\$ 448,560
Net Cost of Operations	\$ 2,020,313	\$ 158,114	\$ 605,775	\$ -	\$ 2,784,203

# SECTION III. FINANCIAL INFORMATION

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2006, AND SEPTEMBER 30, 2005

Note 17 Table: Incurred Obligations September 30, 2006 (dollars in thousands)				
	Apportioned		Not Subject to Apportionment	FY2006 Total
	Category A	Category B		
Obligations Incurred:				
Direct	\$ -	\$ 2,520,168	\$ -	\$ 2,520,168
Reimbursable	-	294,020	-	294,020
Total Obligations Incurred	\$ -	\$ 2,814,188	\$ -	\$ 2,814,188

Note 17 Table: Incurred Obligations September 30, 2005 (dollars in thousands)				
	Apportioned		Not Subject to Apportionment	FY2005 Total
	Category A	Category B		
Obligations Incurred:				
Direct	\$ -	\$ 2,490,565	\$ -	\$ 2,490,565
Reimbursable	-	348,742	-	348,742
Total Obligations Incurred	\$ -	\$ 2,839,307	\$ -	\$ 2,839,307

All of these obligations were by apportionment Category B, which typically distribute budgetary resources by activities, projects, objects, or a combination of these categories, as opposed to fiscal quarters or years.

### Borrowing

Indian Affairs receives borrowing authority from Treasury for its loan programs in accordance with the Federal Credit Reform Act of 1990 and related legislation. No new authority was granted or exercised in FY2006. In FY2005, Indian Affairs exercised its statutory authority and borrowed \$100 thousand from Treasury. See Note 5 and Note 9 for details regarding the terms of the borrowing and authority used.

### Adjustments to the Beginning Balance of Budgetary Resources

During FY2005, the Congress passed the Appropriations Act of 2005 (P.L. 108-447). As a result of this legislative action, the U.S. Treasury issued three warrants rescinding approximately \$33 million of Indian Affairs' budgetary resources.

### Permanent Indefinite Appropriations

Indian Affairs has several permanent indefinite appropriations which are primarily for special projects and loan programs, such as Claims and Treaty Obligations, Indian Loan Guaranty Financing and Insurance Fund Liquidating Account, Revolving Fund for Loans Liquidating Account, and Alaska Resupply Program.

# SECTION III. FINANCIAL INFORMATION

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2006, AND SEPTEMBER 30, 2005

### Appropriations Received

Appropriations Received on the Combined Statements of Budgetary Resources differ from those reported as Appropriations Received, General Fund on the Consolidated Statements of Changes in Net Position because the balance on the Consolidated Statements of Changes in Net Position excludes certain earmarked receipts.

### Legal Arrangements Affecting Use of Unobligated Balances

Indian Affairs' Unobligated Balance, not Available of \$76.3 million and \$41.6 million for the years ended September 30, 2006 and September 30, 2005, respectively, are summarized as follows:

Indian Affairs' Unobligated Balance, not Available for the years ended September 30, 2006, and September 30, 2005 (dollars in thousands)		
	FY2005 Ending Balance	FY2006 Ending Balance
Unapportioned Amounts Unavailable for Future Apportionments	\$ 1,646	\$ 831
Expired Authority	74,645	40,761
Total Budgetary Accounts	\$ 76,291	\$ 41,592
Non-Budgetary Credit Program Financial Accounts	-	-
Unobligated Balance, Unavailable	\$ 76,291	\$ 41,592

Expired authority is not available to fund new obligations but remains available for up to five years to pay for adjustments to obligations incurred prior to expiration.

### Explanation of Differences between the Combined Statements of Budgetary Resources and the Budget of the United States Government

Paragraph 79(g) of Statement of Federal Financial Accounting Standard No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, calls for an explanation of any mate-

rial differences between the information reported in the Combined Statements of Budgetary Resources and the amounts described as 'actual' in the Budget of the United States Government. As such, Indian Affairs has reconciled the President's FY2007 Budget Request to the September 30, 2005, financial statements. The President's FY2008 Budget Request will be available in February 2007. At that time, Indian Affairs will reconcile the FY2006 Combined Statement of Budgetary Resources to the FY2008 Budget Request.

In other words, during the budget process, Indian Affairs uses the information on the SF-133 and other reports to input budgetary information into the "actual" column of the Program and Financing (P&F) Schedules contained within

the Presidents Budget (PB). This means that certain amounts in the SBR can be linked to the amounts in the "actual" columns of the P&F Schedule. Because guidance for preparing the SBR and the "actuals" in the PB may differ for certain line items, differences may exist

between the two documents. Differences between amounts in the SBR and the "actuals" in the P&F Schedule can occur because of differences in treatment of certain items in the two documents, such as the amounts unavailable for obligation and expired accounts. For example, expired budget authority is excluded from the PB but included in the SBR. Because such differences may exist, the Federal accounting standards require all agencies to explain the significant differences between the information presented in the SBR and the information described as "actual" in the PB in the Notes to the Basic Financial Statements.

# SECTION III. FINANCIAL INFORMATION

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2006, AND SEPTEMBER 30, 2005

The following chart summarizes the significant differences between Indian Affairs' SBR and the PB:

Summary of the Differences Between Indian Affairs' SBR and the PB				
	FY2005 Amount Per President's Budget*	FY2005 Amount Per Statement of Budgetary Resources	Differences	Explanations
<b>Budgetary Resources:</b>				
Unobligated Balance:				
Beginning of Fiscal Year	\$ 716	\$ 777	\$ (61)	a
Recoveries of prior year Unpaid Obligations	58	81	(23)	b
<b>Budget Authority:</b>				
Appropriations Received	\$ 2,426	\$ 2,429	\$ (3)	c
Spending Authority from Offsetting Collections	307	325	(18)	b
Nonexpenditure Transfers, Net	12	(4)	16	b
Temporarily Not Available Pursuant to Public Law	(13)	-	(13)	b
Permanently Not Available	(39)	(42)	3	c
<b>Status of Budgetary Resources:</b>				
Obligations Incurred	\$ 2,797	\$ 2,839	\$ (42)	d
Unobligated Balance - Avail/Not Avail	684	727	(43)	b
<b>Change in Obligated Balance:</b>				
Obligated Balance, Net, Beginning of Fiscal Year	\$ 649	\$ 654	\$ (5)	e
Obligations Incurred	2,797	2,839	(42)	d
Less: Gross Outlays	(2,603)	(2,643)	40	f
Less: Recoveries of Prior Year Unpaid Obligations	(58)	(81)	23	b
<b>Net Outlays:</b>				
Gross Outlays	\$ 2,603	\$ 2,643	\$ (40)	f
Less: Offsetting Collections	(284)	(302)	18	b
*Source: Fiscal Year 2005 Actual Amounts as published in the Appendix to the Budget of the United States Government, Fiscal Year 2007.				
a. \$39 million of the difference is due to balances in expired appropriations that are included in the SBR but excluded from the President's Budget. The remaining \$22 million difference is from a FY2004 FBWT issue. This issue was related to two Treasury Appropriation Fund symbols (TAFS) (14X2301 and 14X2303). It created a beginning balance difference between Treasury, FFS, and Hyperion. This issue was fixed in FY2005 and will not be a difference in FY2006.				
b. Difference is due to activity in expired appropriations which is included in the SBR but excluded from the President's Budget.				
c. Difference is in 14202100 and is due to rounding.				
d. \$20 million of the difference is due to balances in expired appropriations that are included in the SBR but excluded from the President's Budget. The remaining \$22 million difference was from a FY2004 FBWT issue. This issue was related to two TAFS (14X2301 and 14X2303) together. It created a beginning balance difference between Treasury, FFS, and Hyperion. This issue was fixed in FY2005 and will not be a difference in FY2006.				
e. There is a \$2 million difference due to an accrual for interest receivable from Treasury from FY2004. This was a beginning balance difference between FFS and Hyperion. The remaining \$3 million difference is due to the Credit Reform Financing Fund. This fund shows \$3 million on the SBR but is \$0 on the President's Budget since it is considered non-budgetary.				
f. There are two issues causing differences: (1) The FY2004 FBWT issue as stated in "a" above; and (2) The Credit Reform Financing Fund as stated in "e" above.				

# SECTION III. FINANCIAL INFORMATION

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2006, AND SEPTEMBER 30, 2005

### NOTE 18: STATEMENTS OF FINANCING

There is a relationship between certain line items reported on the Consolidated Statements of Financing under "Total Components of Net Cost of Operations that will Require or Generate Resources in Future Periods," and the change in components of costs that are included in liabilities not covered by budgetary resources reported in Note 13. Increases in liabilities covered by budgetary resources will be reported in this section; decreases will be reported as part of the line item "Resources that Fund Expenses Recognized in Prior Periods."

Indian Affairs is a recipient of allocation transfers of funds from the BLM, DOT, DOL, USDA, HHS, and the DOI Office of the Secretary. Indian Affairs currently transfers funds to the BOR.

Indian Affairs transfers funds to the BOR for construction of the Navajo Indian Irrigation Project (NIIP). This project was authorized by P.L. 87-483 (September 13, 1962), and construction began in 1964. Project facilities are being constructed in 11 blocks with current work in the 9th block. Each block is approximately 10,000 acres. Based on a FY2006 recalculation of developed irrigation acreage, the project is 70 percent complete with construction through Block 9, Stage 1 complete. Nine blocks were under irrigation for the fiscal year ending September 30, 2006 and eight blocks were under irrigation for the fiscal year ending September 30, 2005.

In May of 2006, a committee on appropriations prepared a report that recommended directing the secretary to give first priority within construction funding to correcting NIIP construction deficiencies and completing rehabilitation of the older NIIP blocks. It is estimated that this process will be completed in FY 2010. If the moratorium on new construction was lifted now, completion of the project would require an additional 23 to 44 years of construction and development, depending on annual funding levels from \$40 million to \$26 million, respectively. Under this law, Congress appropriated funding for the project to Indian Affairs, which then transferred funding to the BOR for construction and cost accounting of the facilities. Subsequently, the BOR and Indian Affairs entered into a formal Memorandum of Agreement that provides for the transfer of the book value costs of the project facilities to Indian Affairs upon completion. As such, upon completion of construction of designated segments of project facilities, agreed upon by both bureaus, the book value costs of the completed facilities will be transferred to Indian Affairs by formal document. Indian Affairs recognizes the asset as a transfer-in at the time of transfer. Reclamation did not transfer any costs to Indian Affairs in FY2006 and transferred \$4.8 million in residual costs in FY2005. The transfer amount originally disclosed in the FY2005 Footnote was \$14.3 million. However, this amount was revised per memorandum from BOR dated April 13, 2006 (the revision was for \$9.5 million, resulting in \$4.8 million).

The allocation transfers that occurred during the years ended September 30, 2006 and September 30, 2005 are noted in the following tables:

This table summarizes the transfer appropriations where Indian Affairs is the transferor (i.e., parent).

Summary of Transfer Appropriations where Indian Affairs is the Transferor (i.e. parent) (dollars in thousands)				
Appropriation	Trading Partner	Nature and Purpose of Transfer	Reconciling Difference	
			FY2006	FY2005
14X2301	DOI - Bureau of Reclamation	Construction of distribution systems for the Navajo Indian Irrigation Project by BOR	\$ (5,631)	\$ (7,410)

# SECTION III. FINANCIAL INFORMATION

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2006, AND SEPTEMBER 30, 2005

This table summarizes the transfer appropriations where Indian Affairs is the recipient (i.e., child):

Summary of Transfer Appropriations where Indian Affairs is the Recipient (i.e. child) (dollars in thousands)				
Appropriation	Trading Partner	Nature and Purpose of Transfer	Reconciling Difference	
			FY2006	FY2005
14-14X0120.20	DOI - Office of the Secretary	TAAMS/Trust Fund Improvement	\$ 7,023	\$ 11,429
14-12X1105.20	Department of Agriculture	Forest Management and Utilization	\$ 1,205	\$ 824
14-14X1119.20	DOI - Bureau of Land Management	Fire Protection	\$ -	\$ 7,669
14-14X1121.21	DOI - Bureau of Land Management	Central Hazardous Materials	\$ 879	\$ 1,279
14-14X1125.20	DOI - Bureau of Land Management	Wildland Fire Management	\$ 181,121	\$ 159,886
14-14X1618.20	DOI - Office of the Secretary	Natural Resource Damage Assessment	\$ 1,285	\$ 1,044
14-14X2103.20	DOI - Office of the Secretary	Indian Land Consolidation Project	\$ 32,528	\$ 44,176
14-160174.20	Department of Labor	Training & Employment Services for Native Americans	\$ 10,555	\$ 12,096
14-69X8083.20	Federal Highway	Road Construction on Federal and Indian Lands	\$ -	\$ 247,188
14-75X1550.20	Health and Human Services	Child Care Development	\$ 15,334	\$ 13,456
14-75X1515.20	Health and Human Services	Payments to the States for Child Care Development	\$ 11,097	\$ 10,498
14-75X1552.20	Health and Human Services	Native Employment Works	\$ 30,859	\$ 20,488
		Total Reconciling Difference	\$ 291,886	\$ 530,033

In FY2006, Indian Affairs adopted early implementation for Parent Child reporting for the Federal Highway Trust Fund transfers with the DOT-FHA. Accordingly, the Parent agency (DOT-FHA) reports all activity in the Financial Statements. As such, there is no reconciling item for this fund for the FY2006 Statement of Financing.



# SECTION III. FINANCIAL INFORMATION

## REQUIRED SUPPLEMENTARY INFORMATION

UNAUDITED-SEE AUDITOR'S REPORT

### Deferred Maintenance

The Indian Affairs owns, builds, purchases and contracts services for assets such as schools, dormitories, detention facilities, police stations, office buildings, roads, bridges, dams, and irrigation systems.

These assets are used to support the Indian Affairs' stated mission. The Indian Affairs' assets include some deteriorating facilities for which repair and maintenance have not been adequately funded. Current and prior budgetary restraints require that repair and maintenance on these assets be postponed to future years.

The Indian Affairs defines deferred maintenance as maintenance that was not performed when it should have been, or that was scheduled but then delayed until a future period. Inadequately funded maintenance may result from reduced budgets, reallocation of maintenance funds for emergency requirements, insufficient management systems or practices, and competition for resources from other program needs.

Deterioration of facilities can adversely impact public health and safety, reduce employees' morale and productivity, and increase the need for costly major repair or early replacement of structures and equipment. Undue wear on facilities may not be immediately noticeable to users, but inadequate maintenance can require that a facility be replaced or undergo major reconstruction before the end of its expected useful life.

The Indian Affairs program staff use Indian Affairs' Facilities Management Information System to regularly update Indian Affairs' multi-phased inventory and deferred maintenance backlog. The Indian Affairs' current estimate for deferred maintenance includes property categories such as roads, bridges, and trails; irrigation, dams, and other water structures; buildings, and other structures.

Generally, the estimates include costs for such items as: (1) construction contract administration and inspection; (2) construction materials; (3) transportation; (4) removal of existing

appurtenances, (e.g., guard rails), furnishing and equipment items that are not physically attached to property, along with related storage, inventorying, and tagging; (5) fixed equipment; and/or (6) routine annual and preventive maintenance of facilities and other infrastructure. Estimates generally exclude vehicles and most other categories of operating equipment.

The Office of Facilities Management and Construction (OFMC) prepares the estimates for buildings and other structures. The Division of Transportation (DT) prepares the estimates for roads, bridges, and trails. The Division of Natural Resources, Branch of Irrigation, Power and Safety of Dams (IPSOD) prepares the estimates for irrigation, dams, and other water structures.

Due to the scope, nature, and variety of the assets entrusted to the Indian Affairs, as well as the nature of deferred maintenance itself, exact estimates of deferred maintenance are very difficult to determine. The assessment of deferred maintenance for the Indian Affairs is dependent upon OFMC, DT, and IPSOD having accurate and complete facilities information. In addition, the accumulation of facility data will provide the necessary information for compliance with the Federal accounting standard that requires annual reporting of deferred maintenance of fixed assets (SFAS No. 6, Accounting for Property, Plant, and Equipment). The Indian Affairs has chosen "condition assessment" as the method to be used for determining deferred maintenance data.

# SECTION III. FINANCIAL INFORMATION

## REQUIRED SUPPLEMENTARY INFORMATION

### UNAUDITED-SEE AUDITOR'S REPORT

FY2006 Bureau Deferred Maintenance Estimates are shown in the following table.

FY2006 Bureau Deferred Maintenance Estimates (dollars in thousands)									
			Estimated Range of Deferred Maintenance for 2006						
			General PP&E		Stewardship PP&E		Total		
Type of Deferred Maintenance	Item(s) Covered Note (1)	Condition Category Note (2)	Low	High	Low	High	Low	High	
<b>Financial Statement Estimated Deferred Maintenance</b>									
Roads, Bridges, and Trails	A, B, C, D	G, F, P	\$ 309,152	\$ 377,853	\$ 1,242	\$ 1,517	\$ 310,394	\$ 379,370	
Irrigation, Dams, and Other Water Structures	A, B, C, D	G, F, P	1,030,845	1,259,922	1,267	1,548	1,032,112	1,261,470	
Buildings (e.g., Administration, Education, Housing, Historic Buildings)	A, B, C, D	G, F, P	610,045	745,610	2,927	3,577	612,972	749,187	
Other Structures (e.g., Recreation Sites, Hatcheries, etc.)		n/a	-	-	-	-	-	-	
Total Indian Affairs		G, F, P	\$ 1,950,042	\$ 2,383,385	\$ 5,436	\$ 6,642	\$ 1,955,478	\$ 2,390,027	
Note (1) Category:									
A. Critical Health and Safety Deferred Maintenance: A facility deferred maintenance need that poses a serious threat to public or employee safety.									
B. Critical Resource Protection Deferred Maintenance: A facility deferred maintenance need that poses a serious threat to natural or cultural resources.									
C. Critical Mission Deferred Maintenance: A facility deferred maintenance need that poses a serious threat to a bureau's ability to carry out its assigned mission.									
D. Compliance and other Deferred Maintenance: A facility deferred maintenance need that will improve public or employee safety, health, or accessibility: compliance with codes, standards, laws, complete unmet programmatic needs and mandated programs; protection of natural or cultural resources to a bureau's ability to carry out its assigned mission.									
Note (2) Category:									
Good - Facility/equipment condition meets established maintenance standards; operates efficiently; and has a normal life.									
Fair - Facility/equipment condition meets minimum standards but requires additional maintenance or repair to prevent further deterioration, increase operating efficiency, and to achieve normal life expectancy.									
Poor - Facility/equipment does not meet most maintenance standards and requires frequent repairs to prevent accelerated deterioration and provide a minimal level of operating function. In some cases that includes condemned or failed facilities.									
Based on periodic condition assessments, and indicator of condition is the percent of facilities and items of equipment in each of the "Good," "Fair," or "Poor" categories.									

# SECTION III. FINANCIAL INFORMATION

## REQUIRED SUPPLEMENTARY INFORMATION

UNAUDITED-SEE AUDITOR'S REPORT

### Stewardship Land

In FY2005, Indian Affairs reported stewardship land in "acres." For FY2006, DOI changed the methodology on how stewardship land is reported, therefore Indian Affairs is reporting by "units" rather than "acres."

Stewardship Land					
Category by Type	Land Units				Condition <sup>1</sup>
	2005 Beginning Balance	Additions	Withdrawals	2006 Ending Balance	Acceptable or Needs Intervention
Other Recreation Areas	15	-	-	15	Acceptable
Cultural, Schools, and Housing	79	-	-	79	Acceptable
Reclamation and Irrigation Areas	75	1	-	76	Acceptable
Other Stewardship Lands	51	-	-	51	Acceptable
Total	220	1	-	221	

1. Land is categorized as "acceptable" when it is adequate for operating needs and the Department has not identified any improvements that are necessary to prepare and/or sustain the land for its intended use. Land is categorized as "needs intervention" when the Department has identified improvements that are necessary to prepare and/or sustain the land for its intended use.

The following are the Stewardship Land categories used by Indian Affairs:

- Other Recreation Areas – consists primarily of fishing sites where only tribal members are provided with access to rivers for fishing.
- Cultural, Schools and Housing – consists primarily of home sites, both tribal and non-tribal. Included is the Sherman Institute Cemetery located in Riverside, California and land associated with several Indian schools, including 10 acres at the Turtle Mountain Community School in Belcourt, North Dakota.
- Reclamation and Irrigation Areas – used for numerous irrigation projects. Includes any buildings and water plants specifically associated with the project, as well as the irrigated land itself. In addition, it includes water reservoirs and their surrounding land, including the Weber Reservoir in Carson City, Nevada.
- Other Stewardship Lands – used primarily for farming and grazing, but includes forest and wildlife areas in Montana and Wisconsin. Also included in this area is office space.

# SECTION III. FINANCIAL INFORMATION

## REQUIRED SUPPLEMENTARY INFORMATION

UNAUDITED-SEE AUDITOR'S REPORT

### Heritage Assets – Non-Collectibles

In FY2005, Indian Affairs included in its Non-Collectible Heritage Assets the archeological sites and sites listed or eligible for listing on the National Register of Historic Places. For FY2006, DOI changed the methodology as to what should be included as Non-Collectible Heritage Assets. Assets are now to be included as Non-Collectible Heritage Assets if they have either a Presidential, Congressional, or Departmental (by the Secretary of the Interior) designation as a historic landmark. Indian Affairs has classified one site as a National Historic Landmark designated by the Secretary of Interior (Haskell Indian Nations University in Lawrence, Kansas). The Haskell campus consists of 300 acres and includes 47 buildings, a historic cemetery and a Medicine Wheel earthwork. The campus was designated a National Historic Landmark on July 4, 1961.

Non-Collectible Cultural and Natural Heritage Assets - FY2006								
Category by Type	Land Units				Condition <sup>1</sup> ( percent)			
	Beginning Balance	Additions (units)	Withdrawals (units)	2006 Ending Balance (units)	Good	Fair	Poor	Unknown
National Historic Landmarks (NHL)	0	1	0	1	0	0	1	0
Total	0	1	0	1	0	0	1	0

1. "Good" condition means that a site shows no clear evidence of negative disturbance or deterioration by natural forces or human activities; "fair" means that a site shows clear evidence of negative disturbance or deterioration by natural forces and/or human activities; "poor" means that a site shows clear evidence of human activities and no corrective actions have been taken to protect and preserve the integrity of the site; "unknown" may mean that, due to the nature of the site, such as sites underwater, the condition cannot be determined or that, due to financial constraints, the condition of a site cannot be determined.

### Heritage Assets –Museum Property

In FY2005, Indian Affairs reported its Collectible Heritage Assets – Museum Collections as either collections "held at Indian Affairs facilities" or collections "held at non-Indian Affairs facilities". In FY2006, DOI changed its methodology on how museum property is reported. Museum collections are now to be reported as either collections "held at Interior facilities" or collections "held at non-Interior facilities". Of the 72 collections reported as "held at non-Indian Affairs facilities" in FY2005, 6 were held at DOI facilities. Therefore, Indian Affairs has reclassified these 6 collections as "held at Interior facilities" for FY2006 reporting.

Heritage Assets - Museum Property								
Interior Museum Collections	Beginning Collections	Additions	Withdrawals	Ending Collections	Condition of Facility Housing Collection <sup>1</sup>			
					Good	Fair	Poor	Not Yet Assessed
Held at Interior Facilities	106	2	-	108	26	25	44	13
Held at Non-Interior Facilities	66	1	2	65	33	12	2	18
Total	172	3	2	173	59	37	46	31

1. "Good" condition means meeting more than 70 percent of standards in Departmental Manual Chapter 411, Museum Property; "fair" means meeting 50-70 percent of Departmental standards; "poor" means meeting less than 50 percent of Departmental Standards.

# SECTION III. FINANCIAL INFORMATION

## REQUIRED SUPPLEMENTARY INFORMATION

### UNAUDITED-SEE AUDITOR'S REPORT

Museum collection condition is assessed based on the level of facility compliance with Departmental policy (411DM), with a rating of "Good" determined as meeting 70 percent of the Department's policy requirements. Facilities are assessed using the Department of the Interior Museum Checklist, reviewing American Associations of Museums accreditation, and adopting the Army Corps of Engineers Mandatory Center of Expertise (MCX-CMAC) scores for compliance with 36 C.F.R Part 79, Curation of Federally-Owned and Administered Archeological Collections, which is similar to 411DM, in collaboration with other Interior bureaus.

### Combining Statement of Budgetary Resources by Major Program

The Indian Affairs receives funding from four direct appropriations and several permanent appropriations. The direct appropriations include:

- Operation of Indian Programs (OIP)
- Construction
- Indian Land and Water Claim Settlements and Miscellaneous Payments to Indians
- Indian Guaranteed Loan Program Account

The permanent appropriations include:

- Miscellaneous Permanent
- Quarters Operation and Maintenance
- White Earth Settlement Fund
- The appropriation for Indian Guaranty and Insurance Fund, Liquidating Account; Revolving Fund for Loans, Liquidating Account; Indian Direct Loan Program Account; and the Indian Guaranteed Loan Program Account

The OIP and Construction appropriations are specifically designated as Major Budget Accounts. The other appropriations are combined for presentation on the Statements of Budgetary Resources (SBR). The following describes the Indian Affairs Major Budget Accounts on OIP and Construction.

### Operation of Indian Programs

The Indian Affairs is primarily funded by the OIP appropriation, which is for expenses necessary for the operation of Indian programs, as authorized by law, including the Snyder Act of November 2, 1921; the Indian Self-Determination and Education Assistance Act of 1975, as amended; the Education Amendments of 1978; and the Tribally Controlled Schools Act of 1988, as amended.

The following activities are funded by the OIP appropriation:

- Tribal Government
- Human Services
- Education
- Public Safety and Justice
- Community Development
- Resources Management
- Trust Services
- General Administration

The activities within the OIP program are numerous and have a wide scope of performance. Listed below are some of the primary functions Indian Affairs performs within the OIP programs:

- Provides technical assistance to Tribal governments and Tribal organizations to improve their ability to contract Indian Affairs programs
- Promotes Indian self-determination and allows Tribes to combine various contracted programs into one agreement
- Supports new Federally acknowledged Tribes and Tribal governments
- Provides Tribes with resources to foster strong and stable Tribal governments and exercise their authority as sovereign Nations
- Strengthens and stabilizes the administrative structures of Tribes and Tribal organizations currently contracting and/or compacting under the authority of P.L. 93-638

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- Enables Tribes to exercise their rights as sovereign Nations by establishing and maintaining their own civil and criminal codes in accordance with local Tribal customs and traditions
- Protects and preserves Tribal and individual treaty rights
- Improves welfare systems for Indian Tribes and Alaska Natives
- Provides resources to protect Indian children and prevent the separation of Indian families
- Improves the quality of life of needy Indians by eliminating substandard housing and homelessness on or near Federally recognized reservation communities
- Allows Tribes the flexibility to design human service programs that better meet the needs of their communities
- Provides scholarships that improve local economies
- Improves the success of students at each educational level by providing financial assistance for eligible students
- Enables students to obtain a GED or the basic skills needed to transition to a community college or job placement
- Provides supplementary assistance to meet the unique and specialized needs of Indian children in public school systems
- Provides funds for policy development, curriculum additions, and general program operations at Tribal colleges and universities
- Provides economic growth in Tribal communities through job placement and training
- Provides maintenance of roads and bridges
- Provides technical assistance to Indian Tribes where land and natural resources are Trust assets
- Assists Tribes in developing conservation and management plans to protect and preserve their natural resources on Trust land and off-reservation resources
- Manages or assists Tribes with the management of their forests consistent with Tribal goals
- Restores Indian lands infested with invasive species to productive agronomic uses
- Provides funds to meet Tribal needs for management of fisheries, wildlife, outdoor recreation, public use, and conservation enforcement
- Provides access to energy and non-energy mineral leasing and ensures the responsible use of lands that are developed
- Provides expert geo-technical services to Tribes involved in oil and gas exploration and drilling, field operations and sales, and liaison with other Federal agencies, Tribal governments, and individual Indian mineral owners to ensure effective communication in royalty management activities
- Provides overall management responsibility for the operation of Trust functions at the agency and Tribal level
- Provides assistance to Tribes and other agency personnel in various rights protection issues
- Improves ownership information and administers and manages all land held in Trust for the benefit of individual Indians and Tribes
- Prepares probate cases for submission to responsible decision makers for the distribution of estates
- Protects and preserves Trust lands and resources
- Provides security personnel and other physical protection
- Develops policy guidelines on land acquisition requests for gaming, Tribal/state



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compacts, per capita distribution plans, Secretarial approval of trust asset and gaming-related contracts, and Secretarial procedures for class III gaming

- Provides core funding for management and administrative services
- Develops, implements, and reviews agency-level safety programs for compliance with Federal laws and regulations to ensure safe and healthful workplaces
- Protects cultural and natural resources

#### Construction

Indian Affairs is also funded with a Construction appropriation. This appropriation is for expenses necessary for construction, repair, improvement, and maintenance of irrigation and power systems, buildings, utilities, and other facilities, to include: architectural and engineering services by contract; acquisition of lands, and interests in lands; and preparation of land for farming; and for construction of the Navajo Indian Irrigation Project.

The Construction appropriation funds the following activities:

- Education construction
- Public safety and justice construction
- Resources management construction
- Tribal government construction
- Emergency response
- Reimbursable programs
- General administration

Indian Affairs owns or provides funding for a broad variety of buildings and other facilities across the Nation including buildings with historical and architectural significance. Clearly, Indian Affairs' construction and maintenance program is a multifaceted operation challenged with meeting its broad facility needs.

The construction program is responsible for correcting identified code and standard deficiencies at Indian Affairs facilities. Indian Affairs' program staff receives continuous training on Indian Affairs' Facilities Management Information System, which is used to regularly update the Indian Affairs' multi-phased inventory and deferred maintenance backlog.

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 FY2006 Combining Schedule of Budgetary Resources by Major Program(dollars in thousands)

	Operation of Indian Programs	Construction	Other Budgetary Accounts	Total Budgetary Accounts
<b>Budgetary Resources:</b>				
Unobligated balance, beginning of Fiscal Year	\$ 362,232	\$ 211,219	\$ 70,371	\$ 643,822
Recoveries of prior year unpaid obligations	40, 835	44,539	4,507	89,881
Budget Authority				
Appropriation	1,991,490	\$ 275,637	\$ 166,954	\$ 2,434,081
Borrowing Authority	-	-	-	-
Spending authority from offsetting collections				
Earned				
Collected	274,175	13,704	2,362	290,241
Change in receivables from Federal sources	1,355	381	-	1,736
Change in Unfilled Customer Orders				
Advance Received	(1,489)	(3,401)	-	(4,890)
Without Advance from Federal Sources	45,559	7,171	-	52,730
Total Budget Authority	\$ 2,311,090	293,492	\$ 169,316	\$ 2,773,898
Nonexpenditure Transfers, Net, Anticipated and Actual	\$ 535	\$ (16,657)	\$ (1,055)	\$ (17,177)
Permanently Not Available	(29,300)	(4,055)	(5,355)	(38,710)
Total Budgetary Resources	\$ 2,685,392	\$ 528,538	\$ 237,784	\$ 3,451,714
<b>Status of Budgetary Resources:</b>				
Obligations Incurred:				
Direct	\$ 1,957,502	\$ 394,097	\$ 162,604	\$ 2,514,203
Reimbursable	281,978	12,042	-	294,020
Total Obligations Incurred	\$ 2,239,480	\$ 406,139	\$ 162,604	\$ 2,808,223
Unobligated Balance Available:				
Apportioned	\$ 372,506	\$ 122,399	\$ 72,295	\$ 567,200
Total Unobligated Balance Available	\$ 372,506	\$ 122,399	\$ 72,295	567,200
Unobligated Balance Not Available	73,406	-	2,885	76,291
Total Status of Budgetary Resources	\$ 2,685,392	\$528,538	\$ 237,784	\$ 3,451,714
<b>Obligated Balance:</b>				
Obligated Balance, Net				
Unpaid obligations, brought forward, beginning of period	\$ 262, 403	\$485,834	\$ 32,345	\$ 780,582
Less: Uncollected customer payments from Federal sources, brought forward, beginning of period	(30,200)	(3,870)	-	(34,070)
Total Unpaid Obligated Balances, Net, Beginning of Period	\$ 232, 203	\$481,964	\$ 32,345	\$ 746,512
Obligations Incurred, Net	\$ 2,239,480	\$ 406,139	\$ 162,604	\$ 2,808,223
Less: Gross Outlays	(2,201,358)	(259,480)	(159,527)	(2,620,365)
Less: Recoveries of prior year unpaid obligations, actual change in uncollected customer payments from Federal sources	(40,835)	(44,539)	(4,507)	(89,881)
Change in uncollected customer payments from Federal sources	(46,914)	(7,552)	-	(54,466)
Total Unpaid Obligated Balance, Net, End of Period	\$ 182,576	\$ 576,532	\$ 30,915	\$ 790,023
Obligated balance, net, end of period - by component				
Unpaid Obligations	\$ 259,690	\$ 587,954	\$ 30,915	\$ 878,559
Less: Uncollected customer payments from Federal sources	(77,114)	(11,422)	-	(88,536)
Total Unpaid Obligated Balance, Net, End of Period	\$ 182,576	\$ 576,532	\$ 30,915	\$ 790,023
<b>Net Outlays:</b>				
Gross Outlays	\$ 2,201,358	\$ 259,480	\$ 159,527	\$ 2,620,365
Less: Offsetting collections	(272,686)	(10,302)	(2,362)	(285,350)
Less: Distributed Offsetting receipts	-	-	(104,848)	(104,848)
Net Outlays (Receipts)	\$ 1,928,672	\$ 249,178	\$ 52,317	\$ 2,230,167

Section III. Financial Information • Required Supplementary Information  
 Unaudited - See Auditor's Report  
 FY2005 Combining Schedule of Budgetary Resources by Major Program(dollars in thousands)

	Operation of Indian Programs	Construction	Other Budgetary Accounts	Total Budgetary Accounts
<b>Budgetary Resources:</b>				
Unobligated balance, beginning of Fiscal Year	\$ 375,186	\$ 240,880	\$ 84,515	\$ 700,581
Recoveries of prior year unpaid obligations	44,815	33,313	2,434	80,562
Budget Authority				
Appropriation	1,958,347	\$ 323,626	\$ 146,900	\$ 2,428,873
Borrowing Authority	-	-	-	-
Spending authority from offsetting collections				
Earned				
Collected	327,727	10,361	2,346	340,434
Change in receivables from Federal sources	3,072	411	-	3,483
Change in Unfilled Customer Orders				
Advance Received	(54,286)	(715)	-	(55,001)
Without Advance from Federal Sources	17,898	2,061	-	19,959
Total Budget Authority	\$ 2,252,758	335,744	\$ 149,246	\$ 2,737,748
Nonexpenditure Transfers, Net, Anticipated and Actual	\$ 4,563	\$ (7,342)	\$ (1,286)	\$ (4,065)
Permanently Not Available	(31,065)	(4,497)	(6,462)	(42,024)
Total Budgetary Resources	\$ 2,646,257	\$ 598,098	\$ 228,447	\$ 3,472,802
<b>Status of Budgetary Resources:</b>				
Obligations Incurred:				
Direct	\$ 1,947,344	\$ 374,819	\$ 158,002	\$ 2,480,165
Reimbursable	336,681	12,061	-	348,742
Total Obligations Incurred	\$ 2,284,025	\$ 386,880	\$ 158,002	\$ 2,828,907
Unobligated Balance Available:				
Apportioned	\$ 321,674	\$ 211,218	\$ 69,411	\$ 602,303
Total Unobligated Balance Available	\$ 321,674	\$ 211,218	\$ 69,411	602,303
Unobligated Balance Not Available	40,558	-	1,034	41,592
Total Status of Budgetary Resources	\$ 2,646,257	\$ 598,098	\$ 228,447	\$ 3,472,802
<b>Obligated Balance:</b>				
Obligated Balance, Net				
Unpaid obligations, brought forward, beginning of period	\$ 290,338	\$ 347,667	\$ 22,737	\$ 660,742
Less: Uncollected customer payments from Federal sources, brought forward, beginning of period	(9,230)	(1,398)	-	(10,628)
Total Unpaid Obligated Balances, Net, Beginning of Period	\$ 281,108	\$ 346,269	\$ 22,737	\$ 650,114
Obligations Incurred, Net	\$ 2,284,025	\$ 386,880	\$ 158,002	\$ 2,828,907
Less: Gross Outlays	(2,267,146)	(215,400)	(145,959)	(2,628,505)
Less: Recoveries of prior year unpaid obligations, actual change in uncollected customer payments from Federal sources	(44,815)	(33,313)	(2,434)	(80,562)
Change in uncollected customer payments from Federal sources	(20,969)	(2,472)	-	(23,441)
Total Unpaid Obligated Balance, Net, End of Period	\$ 232,203	\$ 481,963	\$ 32,346	\$ 746,512
Obligated balance, net, end of period - by component				
Unpaid Obligations	\$ 262,402	\$ 485,834	\$ 32,346	\$ 780,582
Less: Uncollected customer payments from Federal sources	(30,199)	(3,871)	-	(34,070)
Total Unpaid Obligated Balance, Net, End of Period	\$ 232,203	\$ 481,963	\$ 32,346	\$ 746,512
<b>Net Outlays:</b>				
Gross Outlays	\$ 2,267,146	\$ 215,400	\$ 145,959	\$ 2,628,505
Less: Offsetting collections	(273,441)	(9,646)	(2,346)	(285,433)
Less: Distributed Offsetting receipts	-	-	(93,383)	(93,383)
Net Outlays (Receipts)	\$ 1,993,705	\$ 205,754	\$ 50,230	\$ 2,249,689



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### General Stewardship Information

The Indian Affairs stewardship reporting is in accordance with the regulations of the Federal government. The regulations require the Federal agencies to report on their stewardship over certain resources entrusted to them and certain responsibilities they assume that cannot be measured in traditional financial reports. In FY2006, "Stewardship Investments" will only be reflected in the RSSI reporting.

Although these resources and responsibilities do not meet the criteria for assets and liabilities that are required to be reported within the financial statements, they are important to understanding both the operation and financial condition of the Indian Affairs at the date of the financial statements and in subsequent periods.

Stewardship resources involve substantial investment by Indian Affairs for the benefit of the Nation. Costs of stewardship-type resources are treated as expenses in the financial statements in the year the costs are incurred. These costs and the resultant resources are intended, however, to provide long-term benefits to the public and are included as Required Supplementary Stewardship Information (RSSI) reporting to highlight for the user their long-term benefit nature and to demonstrate accountability over them. Depending on the nature of the resources, stewardship reporting may consist of financial and non-financial data.

Furthermore, the Indian Affairs administers Federal Indian policy and performs trust responsibility for Federally recognized American Indian Tribes and Alaska Natives. The policies and responsibilities emanate from treaties, the U.S. Constitution, laws, court decisions, and other agreements. Indian Affairs provides services directly or through self-determination, contracts, grants, and compact agreements with Tribes. The range of services is similar to that provided by State and Local governments. The Indian Affairs' responsibilities extend to its stewardship of roads, bridges, land, and Indian education.

### Human Capital

#### Indian Education

Taking the lead in Indian Affairs in the area of education is the Bureau of Indian Education (BIE), formerly the Office of Indian Education Programs (OIEP). The BIE vision and long-range goal is to unite and promote healthy Indian communities through lifelong learning. This is implemented through its dedicated commitment to its mission, which is to provide quality education opportunities from early childhood throughout life, with consideration given to the mental, physical, emotional, spiritual and cultural aspects of the individual being served.

Since 1995, tribes have operated more schools through grants and contracts than the Indian Affairs has operated. In School Year (SY) 2005-2006, 123 of the 184 schools/dorms were administered by tribes and tribal organizations, which is equivalent to 67 percent of the total schools.

Through various education programs, a significant human capital investment in Indian education was made towards improving the lives of American Indians and Alaska Natives. In FY2006, \$ 542.0 million was expended for Indian education programs, excluding the construction and facilities maintenance, which benefit American Indians and Alaska Natives from childhood throughout adulthood.

The FY2002 - 2006 expenses that relate to the Investment in Human Capital are detailed in the following table.



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FY2002 - FY2006 Investment in Human Capital (dollars in millions)						
Category	FY2002	FY2003	FY2004	FY2005	FY2006	Total
Educational Programs <sup>1</sup>	\$ 606.8	\$ 559.6	\$ 570.2	\$ 549.0	\$ 542.0	\$ 2,827.6
Other	15.0	11.8	11.9	12.1	10.5	61.3
Total	\$ 621.8	\$ 571.4	\$ 582.1	\$ 561.1	\$ 552.5	\$ 2,888.9

1. Educational Programs include School Operations, Adult Education, Post-Secondary Education, Scholarship Programs, and the Indian Employment, Training, and Related Services Act.

The School Operations Program consists of the Indian School Equalization Program (ISEP), transportation, Family and Child Education (FACE) and administrative cost funds. The ISEP provides formula-based funding for Indian Affairs-operated, grant, and contract elementary and secondary schools. Funds are distributed using the ISEP formula, which considers Weighted Student Units (WSU) in order to provide basic educational programs for Indian children in grades K through 12. This funding is for operating the Bureau funded schools, i.e., funding for school staff, school programs, textbooks and general supplies that are used by the school to educate Indian children.

### Significant Output/Accomplishments

Significant accomplishments in school operations include:

On June 19, 2006, the Secretary of the Interior officially announced the name and organization change from the Office of Indian Education Programs to the Bureau of Indian Education (BIE).

The BIE, in collaboration with the Department of Education, school staff, tribes and tribal school boards, developed a Program Improvement and Accountability Plan (PIAP). The PIAP is a management tool to assist the BIE with tracking and reporting program accomplishments; improving management and oversight of resources; and support achieving GPRA Goals. The PIAP provides the structure to meet the six critical education objectives of the BIE. The PIAP was approved by the DOI Associate Deputy Secretary on August 8, 2005.

On January 1, 2005, the DOI Associate Deputy Director approved the Improved Management System (IMS) plan. The BIE restructuring is expected to improve the span of control for improved accountability and management expectations; equalize the workload for education line offices; and assist in aligning the education line offices with their respective State departments of education. This will allow for a partnership with each of the 23 states to focus on standards, curriculum and assessment. In addition, it separates various administrative functions from instructional education leadership responsibilities.

In November 2005, the FOCUS Program was implemented to assist five schools that were identified as having potential to obtain adequate yearly progress (AYP) and to meet the goals of the No Child Left Behind Act.

On July 1, 2005, the provisions of the No Child Left Behind Act were implemented through ISEP regulations (25 CFR Part 39) that were developed during negotiated rulemaking with tribes and schools. These regulations required significant changes to the student count process and in the operation of academic and residential ISEP programs.

Prior to School Year 2005-2006, students were counted for funding during the last full week of September each year. During School Year 2005-2006, schools were funded for academic and residential programs based on the average daily membership of the previous three years (SY2002-2003, 2003-2004, and 2004-2005). The following count reflects the September count for SY2004-2005, and the three year average daily membership for the SY2005-2006 and SY2006-2007.



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SY2004 - SY2007 Student Count						
	SY2006-SY2007		SY2005-SY2006		SY2004-SY2005	
School Operations	Schools	Students	Schools	Students	Schools	Students
Contract/Grant Schools	123	28,697	123	29,826	122	29,403
Bureau-operated Schools	61	17,221	61	17,866	62	18,218
Totals	184	45,919**	184	47,692**	184	47,621*
*Adjusted for LCO Count Appeal						
**Three-Year Average						

The student count conducted during School Year 2005-2006 was used in calculating the three year [SY2003-2004, 2004-2005 and 2005-2006] average membership for School Year 2006-2007 beginning July 1, 2006. Because of student count appeals filed by several schools, the count will not be finalized until December 1, 2006. Before resolution of the student count appeals, the calculated SY2005-2006 ADM was 42,722. [This will increase if appeals are resolved in favor of the schools. The calculated SY2005-2006 ADM was derived by dividing the aggregate membership days for all students for each school by each school's number of calendar days; then adding the ADM for all schools to determine the Bureau's total ADM. The 42,722 calculated ADM was derived from 50,937 [may have attended more than one school) students in attendance throughout SY2005-2006.].

#### Adult Education

The Adult Education Program provides opportunities for adult Indians and Alaska Natives to obtain the General Equivalency Diploma (GED). It also provides basic skills for transition to community college or job placement. In addition, this program specifically provides educational opportunities for American Indians and Alaska Natives to improve their employment skills and abilities while enhancing the local economy and their economic competitiveness on reservations. It also reduces their economic dependence on welfare programs. In sum, the tribes support the continuing Adult Education Program with several education programs under Tribal Priority Allocations (TPA) funding process.

#### Significant Output/Accomplishment

Sinte Gleska University operates the Adult Education Program on the Rosebud Sioux Indian Reservation. In their FY2005 Annual Report, SGU stated the program "met or surpassed all goals that were set for this year. Sinte Gleska University Adult Basic Education Program is currently the fourth largest adult education program in the state of South Dakota." During FY2005 this program had 55 individuals who attained their GED Certificates. Another 150 students enrolled in the program had attended at least 20 hours of tutoring by year-end. In addition, the program offered employment counseling to 205 individuals.

#### Post-Secondary Education Programs

The Post-Secondary Education Programs are an important component in the economic development of tribal communities. The programs support the Department's goal on "Improving Communities" by promoting growth within Indian communities. Post secondary programs primarily consist of operating grants and supplemental funds for Tribal Colleges and Universities (TCU). In addition, the funds support the Undergraduate and Graduate Scholarship Programs, Haskell Indian Nations University and Southwestern Indian Polytechnic Institute.

The TCU operating funds are provided through the TCU Program, which provides grants to defray expenditures for academic, educational and administrative purposes and for the operation and maintenance of 24 TCUs (One TCU was not funded because it did not meet eligibility requirements). Six tribes supplement the operation

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of their TCUs by providing additional TPA funds for policy development, curriculum additions and general program operations.

The Undergraduate and Graduate Scholarship Program is administered by the Bureau and by tribes under self-determination contracts, grants, or self-governance compacts. The Undergraduate Scholarship Program provides financial assistance for eligible American Indian and Alaska Native students attending accredited post-secondary institutions. Each scholarship award is based on the student's certified financial aid requirements for Title IV Federal Assistance, such as the Pell Grant.

The BIE funds the operating costs of two post-secondary schools in order to prepare Indian students from all tribes for job placement in various occupations. The Haskell Indian Nations University in Lawrence, Kansas, and the Southwestern Indian Polytechnic Institute in Albuquerque, New Mexico, offer their students skill certificates, and associate and bachelor degrees in a variety of studies, sciences and technologies. Two other post-secondary institutions that provide Indian education are Crownpoint Institute of Technology and United Tribes Technical College.

#### *Significant Output/Accomplishment*

The Bureau evaluated and approved a new college to be funded by the Bureau in SY2006-2007 (Ilisagvik College located in Barrow, Alaska).

TCU Student Accomplishments: The TCUs are actively working to help build this nation's science, engineering, technology, and mathematics (STEM) workforce by focusing significant effort on building their STEM curriculum, and increasing student enrollment in STEM, with support from NSF, the Department of Defense, NASA, and USDA.

An initiative that both supports and is supported by the STEM program-building at the TCUs is the NASA Summer Research Experience Program. This summer, 58 TCU faculty and students from 14 TCUs participated in project teams

at six national NASA Research Centers, involving areas such as space exploration, robotics, and climate change. Participants in the SRE program were from Blackfeet Community College, Crownpoint Institute of Technology, the College of the Menominee Nation, Diné College, Haskell Indian Nations University, Keweenaw Bay Ojibwa Community College, Leech Lake Tribal College, Little Priest Tribal College, Oglala Lakota College, Southwest Indian Polytechnic Institute, Salish Kootenai College, Northwest Indian College, Tohono O'odham Community College.

Overall, the project was a great success, with almost all participating students and faculty members having been personally and professionally enriched by their experience working with NASA research, education, and outreach personnel.

Haskell Student Accomplishments: The research of junior Jason A. Koontz, "Physiological studies on a New Isolate of the Gut Fungus, *Smitium culisetae* (Trichomycetes: Harpellates), from Wetland Mosquito Larvae, *Aedes Vexans* (Diptera: Culicidae)" was published in Transactions of the Kansas Academy of Science 109.3/4 (2006): 175-183. It is highly unusual for an undergraduate student to have a single author publication. Jason was a student in the science writing class of professor Lorene Williams.

The fall 2006 issue of the Tribal College Journal featured the creative writing of 14 tribal college students. Haskell is proud of the current students and spring 2006 graduates, under the direction of professors Trish Reeves and Lorene Williams, whose writing was selected for publication. They are:

- Erin Parker, poem "Daddy's Language." Erin received an Associate of Arts with a Creative Writing Emphasis spring 06 and is attending Northeastern State Univ. to work on a bachelors and masters in English Education.
- Jimmy Lee Beason, poem "Twenty-Twenty Vision." Jimmy currently is an American Indian Studies major.

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- Daniel Remmenga, poem "The Raid." Daniel is also an artist and plans to transfer to the Institute of American Indian Arts.
- H. Jack Dubray, story "High Alaskan Adventure." Jack completed an American Indian Studies degree in May 2006 and plans to pursue a Masters of Fine Arts in Creative Writing.
- Michael Bonga, poem "Blue Pills" was honored as a runner up.

Another publication in Tribal College Journal featured Haskell students involved in the Native Grass Project, "Native Grass Researchers Explore Biology, Culture," with photographs by Darryl Monteau and Julie James.

SIPI Student Accomplishments: NASA JPL: two Geospatial Information Technology students and two Electronics Manufacturing students spent ten weeks at the NASA Jet Propulsion Laboratory (JPL) in Pasadena, California. The students were assigned mentors who worked with them on actual NASA projects. Students' topics were tsunami height and better prediction methods, how the Sahara Desert sand storms affected Hurricane Isabel, and robotics for future space travel.

NASA Goddard: Two Geospatial Information Technology students spent ten weeks at NASA Goddard Space Flight Center in Greenbelt, Maryland, studying the effects of grazing and land use changes on the Navajo Reservation.

NASA Langley: An Engineering student spent ten weeks at NASA Langley Research Center in Langley, Virginia, conducting research focusing on aerospace technology.

Public Service Company of New Mexico: Two Geospatial Information Technology students spent their summer working on boundary maps and public presentations of PNM data.

Northern Arizona University: Three SIPI students were selected for Northern Arizona University's "Research Experience in Ecology for Undergraduates" summer 2006 program. As of fall 2006, 4 SIPI students will have transferred to

the School of Forestry at NAU utilizing our 2+2 program.

This summer 3 SIPI students worked with the Pueblo of Santa Ana, 8 students worked with the US Forest Service, (USFS) and 1 student worked with the US Fish and Wildlife Service.

Six SIPI graduates from the past 2 years are now attending regional universities and fully employed as SCEPS (cooperative positions that fund students to obtain their BS degrees while working for the agency each summer); 4 with the USFS and 2 with Indian Affairs.

#### Other Education Programs

Other TPA programs that benefit Indian communities include the Tribal Design Program (TDP) and Johnson O'Malley (JOM) Program. TDPs allow tribes to design services to meet the needs of their local communities and support the goals outlined in the Bureau's Annual Performance Plan. Several tribes use this program to upgrade and improve tribal employee skills in the use of computer technology.

The Johnson O'Malley (JOM) Program provides supplemental financial assistance to meet the unique and specialized education needs of eligible Indian students (Ages 3 through Grade 12) attending public schools. JOM is the only BIE program that provides for the culturally-related and supplementary academic needs of Indian children attending public schools.

These programs support the BIE's Annual Performance Plan goal that seeks to improve the succession of students to each educational level.

#### Significant Output/Accomplishment

During School Year 2005-2006, the Navajo Nation's JOM Program (through 37 schools, school districts and tribal subcontracts) provided assistance to more than 51,000 students in Arizona, New Mexico and Utah. An example of assistance provided students by JOM, in addition to school supplies, materials, tutoring and

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cultural classes, the Page Unified School District Indian Education Council approved the use of JOM funds to supplement other funds to pay for 8 students to attend a welding competition in Tulsa, Oklahoma. Three of the students won scholarships to attend welding school after high school.

#### 477 Program

The Indian Employment, Training and Related Services Act (P.L. 102-477) allows Federally recognized Tribes to consolidate funding from the Department of Labor, Health and Human Services, and Department of the Interior to provide employment, education, training, child care, welfare reform and related services. The tribal governments are allowed to integrate the employment, training and related services in order to effect improved services. In essence, the services reduce joblessness in Indian communities and foster economic development on Indian lands, while serving tribally determined goals that are consistent with policies of self-determination and self-governance.

#### *Significant Output/Accomplishment*

Most noteworthy, the tribes spent fewer funds on administration, while simultaneously improving increased client services through the reduction of administrative burdens. For instance, annual tribal reporting on various forms and instructions was reduced from several hundred pages to only a few pages per year. As a result, the program now requires only one set of client files and applications, instead of several different application forms, eligibility documentation and other related administrative burdens.

The P.L. 102-477 initiative continues to grow with an increasing number of tribes seeking participation. Currently, there are 51 grantees representing 237 federally-recognized tribes. In 2005 the "477" program served 38,675 participants. Of those completing their program, approximately 94 percent met their education, training, employment or related goals. Most of the 6 percent not

reaching their goals were cash assistance recipients. Many of the cash assistance recipients have experienced long-term unemployment or have never worked. Most of the "477" participants are involved in direct employment activities. Most of the clients in the 477 program were female, (54 percent of the clients were female).

Economic Development continues to be an increasing goal for job creation activities. In 2005, 831 new jobs were created. The "477" program has assisted 1,651 businesses.

Child care services were offered to 4,565 families while they were at work or in school. Most of the children are in non-tribal center based care. In 2005, 1,671 participants acquired a degree or certificate while attending a school.

#### **Non-Federal Physical Property**

The Indian Affairs' investment in Non-Federal Physical Property includes schools, dormitories and other infrastructures, the Indian Reservation and Roads (IRR) Program and the Indian Reservation Roads Bridge Program (IRRBP).

The Office of Facility Management and Construction (OFMC), in conjunction with the Indian Affairs, owns or provides funds for a considerable number and broad variety of buildings and other associated facilities across the nation, including buildings with historic and architectural significance. The Indian Affairs construction program is a multifaceted, intricate operation that encompasses the areas of Education, Public Safety and Justice, Resource Management and General Administration.

The education facilities serve a number of schools that provide educational opportunities for approximately 48,000 students. Indian Affairs also provides funding for administrative buildings at a number of tribal locations. Other facilities include dormitories, road forestry and detention centers, numerous irrigation facilities and significantly hazardous dams. Additionally, program sub-activities have elements that include minor improvements, repair and replacement, portable

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## REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

### UNAUDITED-SEE AUDITOR'S REPORT

classrooms, emergency repairs, demolition and reduction of excess space, environmental projects, telecommunication improvements and repair, seismic safety, and emergency management systems. Finally, Indian Affairs is continually striving to correct code and standard deficiencies.

Funding for school projects is provided to the tribes through P.L. 93-638 contracts or through P.L. 297 grants. Once the funds are awarded, the Indian Affairs has the option of giving the tribe the entire amount, portioning the funds over time, or holding the funds until the tribe demonstrates they can begin the project.

The Indian Affairs Division of Transportation jointly administers the IRR Program and the IRRBP with the Federal Highway Administration's (FHA) Federal Lands Highway (FLH). The purpose of the IRR Program is to provide safe and adequate transportation and public road access to and within Indian reservations, Indian lands, and communities for Indians and Alaska Natives, visitors, recreational users, resource users, and others, while contributing to economic development, self-determination, and employment of Indians and Alaska Natives. As of October 2005, the IRR program contained approximately 28,589 miles of Indian Affairs and tribally-owned public roads and 33,990 miles of State, County, and Local government public roads, as well as an inventory of over 824 Indian Affairs-owned bridges.

The expenses for all investments in non-Federal physical property for FY2002 through September 30, 2006, are as follows:

Investment in Non Federal Physical Property September 30, 2006 (dollars in millions)						
Category	FY2002	FY2003	FY2004	FY2005	FY2006	Total
Dams and Other Water Structures	\$ -	\$ -	\$ -	\$ 3.9	\$ 0.2	\$ 4.1
Roads and Bridges	254.5	238.3	213.7	96.5	108.0	911.0
Schools and Public Buildings <sup>1</sup>	47.5	19.0	45.3	36.4	28.1	176.3
Other	-	-	-	-	-	-
Total	\$ 302.0	\$ 257.3	\$ 259.0	\$ 136.8	\$ 136.3	\$1,091.4

1. In prior years one of the categories was "Dams and Other Structures," and Indian Affairs had dollars that related to "Other Structures." In FY2005, a new category was created, "Dams and Other Water Structures." Therefore, Indian Affairs recategorized the prior year dollars into the Schools and Public Buildings since the dollars were not related to the new category.







# SECTION III. FINANCIAL INFORMATION

## AUDITOR'S REPORT



### United States Department of the Interior

OFFICE OF INSPECTOR GENERAL  
Washington, DC 20240

MAR 07 2007

#### Memorandum

To: Assistant Secretary for Indian Affairs

From: Anne L. Richards *Anne L. Richards*  
Assistant Inspector General for Audits

Subject: Independent Auditors' Report on the Indian Affairs Financial Statements for Fiscal Years 2006 and 2005 (Report No. X-IN-BIA-0014-2006)

### ***INTRODUCTION***

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This memorandum transmits the KPMG LLP (KPMG) auditors' report of the Indian Affairs (IA) financial statements for fiscal years 2006 and 2005 (Attachment 1). The Chief Financial Officers Act of 1990 (Public Law 101-576), as amended, requires the Inspector General or an independent auditor, as determined by the Inspector General, to audit the Department of the Interior (DOI) financial statements. Under a contract issued by DOI and monitored by the Office of Inspector General (OIG), the independent public accounting firm KPMG performed an audit of the IA fiscal years 2006 and 2005 financial statements. The contract required that the audit be performed in accordance with the "Government Auditing Standards" issued by the Comptroller General of the United States and Office of Management and Budget Bulletin No. 06-03, "Audit Requirements for Federal Financial Statements."

### ***RESULTS OF INDEPENDENT AUDIT***

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In its audit report dated November 15, 2006, KPMG issued an unqualified opinion on the IA financial statements. With regard to internal controls over financial reporting, however, KPMG identified five reportable conditions, of which two were considered to be material weaknesses, and two deficiencies related to Required Supplementary Information. In addition, KPMG identified one instance in which IA did not comply with laws and regulations, specifically the Federal Financial Management Improvement Act of 1996 (FFMIA). The report contains 20 recommendations that, if implemented, should resolve the findings.

### ***STATUS OF RECOMMENDATIONS***

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In its February 5, 2007 response (Attachment 2) to the draft report, IA agreed with five of the eight findings and disagreed with three of the findings. IA disagreed with the classification of two of the latter findings as material weaknesses. Although IA did not specifically address each of the five recommendations for these two findings, it agreed to take corrective action on these two findings. IA did address each of the 15 other recommendations, stating that it agreed

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with 13 recommendations and disagreed with 2 recommendations (see Attachment 3, "Status of Audit Report Recommendations").

Of the 20 recommendations, 10 are repeated from last year's Report No. X-IN-BIA-0006-2005. Five repeat recommendations were closed after the Assistant Secretary for Policy, Management and Budget (PMB) received documentation that the recommendations had been implemented. However, the actions taken by IA did not fix the conditions. Four repeat recommendations were closed without being implemented. The remaining repeat recommendation is still unimplemented. In its response, IA disagreed with one of the repeat recommendations. Therefore, we will refer this repeat recommendation to the Assistant Secretary, PMB, for resolution. We will refer eight repeat recommendations to the Assistant Secretary, PMB, for tracking of implementation. The remaining unimplemented repeat recommendation will continue to be tracked under the prior report.

Based on the IA response, we consider 5 of the 10 new recommendations as resolved but not implemented and will refer them to the Assistant Secretary, PMB, for tracking of implementation. We will refer the remaining five new recommendations to the Assistant Secretary, PMB, for resolution.

### ***EVALUATION OF KPMG AUDIT PERFORMANCE***

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To fulfill our monitoring responsibilities, the OIG:

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

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

### ***REPORT DISTRIBUTION***

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The legislation, as amended, creating the OIG requires semiannual reporting to the 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. The distribution of the report is not restricted, and copies are available for public inspection.

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We appreciate the courtesies and cooperation extended to KPMG and the OIG staff during the audit. If you have any questions regarding the report, please contact me at 202-208-5512.

### Attachments (3)

cc:     Audit Liaison Officer, Assistant Secretary for Indian Affairs  
          Chief Financial Officer, Indian Affairs  
          Audit Liaison Officer, Indian Affairs  
          Director, Office of Financial Management  
          Acting Focus Leader, Management Control and Audit Follow-up, Office of Financial  
          Management  
          Focus Leader, Financial Reporting, Office of Financial Management  
          Audit Liaison Officer, Office of Financial Management

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KPMG LLP  
2001 M Street, NW  
Washington, DC 20036

### Independent Auditors' Report

Assistant Secretary for Indian Affairs and Inspector General  
U.S. Department of the Interior:

We have audited the accompanying consolidated balance sheets of Indian Affairs (IA) as of September 30, 2006 and 2005, and the related consolidated statements of net cost, changes in net position, and financing, and the combined statements of budgetary resources (hereinafter referred to as "consolidated financial statements") for the years then ended. The objective of our audits was to express an opinion on the fair presentation of these consolidated financial statements. In connection with our fiscal year 2006 audit, we also considered IA's internal controls over financial reporting, Required Supplementary Stewardship Information, and performance measures, and tested IA's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements that could have a direct and material effect on these consolidated financial statements.

#### SUMMARY

As stated in our opinion on the consolidated financial statements, we concluded that IA's consolidated financial statements as of and for the years ended September 30, 2006 and 2005, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.

As discussed in our opinion, in fiscal year 2006, IA changed its method of accounting for and reporting of earmarked funds, heritage assets, stewardship land, and certain allocation transfers to adopt changes in accounting standards and Office of Management and Budget (OMB) requirements.

Our consideration of internal controls over financial reporting, Required Supplementary Stewardship Information, and performance measures resulted in the following conditions being identified as reportable conditions:

#### Reportable Conditions Considered to be Material Weaknesses

- A. Controls over the Indian Trust Funds
- B. Controls over Leases

#### Other Reportable Conditions

- C. Controls over Charge Cards
- D. Controls over Unbilled Accounts Receivable and Advances from Others
- E. Controls over Performance Measures

We also noted the following deficiencies in internal control over Required Supplementary Information that, in our judgment, could adversely affect IA's ability to collect, process, record, and summarize this information.

- F. Deferred Maintenance
- G. Museum Collections



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## AUDITOR'S REPORT



The results of our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements disclosed the following instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Bulletin No. 06-03, *Audit Requirements for Federal Financial Statements*.

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

The following sections discuss our opinion on IA's consolidated financial statements; our consideration of IA's internal controls over financial reporting, Required Supplementary Stewardship Information, and performance measures; our tests of IA's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements; and management's and our responsibilities.

### **OPINION ON THE FINANCIAL STATEMENTS**

We have audited the accompanying consolidated balance sheets of Indian Affairs (IA) as of September 30, 2006 and 2005, and the related consolidated statements of net cost, changes in net position, and financing, and the combined statements of budgetary resources (hereinafter referred to as "consolidated financial statements") for the years then ended.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of IA as of September 30, 2006 and 2005, 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 U.S. generally accepted accounting principles.

As discussed in Note 1(x) to the consolidated financial statements, IA changed its method of accounting for and reporting earmarked funds in fiscal year 2006 to adopt the provisions of the Federal Accounting Standards Advisory Board's Statement of Federal Financial Accounting Standards (SFFAS) No. 27, *Identifying and Reporting Earmarked Funds*. Also as discussed in Note 8 to the consolidated financial statements, IA changed its method of reporting for heritage assets and stewardship land in fiscal year 2006 to adopt the applicable provisions of the Federal Accounting Standards Advisory Board's SFFAS No. 29, *Heritage Assets and Stewardship Land*. Also as discussed in Note 1(y) to the consolidated financial statements, IA changed its method of accounting for and reporting certain allocation transfers in fiscal year 2006 as permitted by OMB Circular No. A-136, *Financial Reporting Requirements*.

The information in the Management's Discussion and Analysis, Required Supplementary Stewardship Information, and Required Supplementary Information sections is not a required part of the consolidated financial statements, but is supplementary information required by U.S. generally accepted accounting principles and OMB Circular No. A-136, *Financial Reporting Requirements*. 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. As a result of such limited procedures, we believe that the Required Supplementary Information for museum collections are not presented in conformity with U.S. generally accepted accounting principles because the Required Supplementary Information disclosures for museum collections disclose the condition of the facility housing the museum collection rather than the condition of the underlying museum collection. Also, we believe that the Required Supplementary Information for deferred maintenance is not presented in conformity with U.S. generally accepted accounting principles because IA does not have adequate internal controls surrounding the compilation of deferred maintenance estimates. Finally, we believe that IA does not have adequate internal controls over the collection, processing, recording, and summarizing of performance information and reporting of performance measures in accordance with management's criteria.



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## AUDITOR'S REPORT



Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The information included in the Introduction, Performance Section, and Appendices of IA's fiscal year 2006 Annual Report on Performance and Accountability (PAR), as reflected in the accompanying table of contents, are presented for purposes of additional analysis and are not required as part of the consolidated financial statements. This information has not been subjected to auditing procedures and, accordingly, we express no opinion on it.

### 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 IA's ability to record, process, summarize, and report financial data consistent with the assertions by management in the consolidated 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 caused by error or fraud, in amounts that would be material in relation to the consolidated 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. Because of inherent limitations in internal control, misstatements due to error or fraud may nevertheless occur and not be detected.

In our fiscal year 2006 audit, we noted certain matters, described below, involving internal control over financial reporting and its operation that we consider to be reportable conditions. We believe that reportable conditions A and B are material weaknesses. Exhibit I presents the status of prior year reportable conditions.

#### A. Controls over Indian Trust Funds

The United States Congress has designated the Secretary of the Interior as the trustee delegate with responsibility for the monetary and non-monetary resources held in trust on behalf of American Indian Tribes, individual Indians, and other trust funds (hereinafter 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), IA, other Interior bureaus, and agreements with American Indian Tribes. OST is a component of Departmental Offices.

Indian trust assets, including the trust funds, are primarily managed under the delegated authority of OST and IA. Management of Indian trust assets on behalf of the trust beneficiaries is dependent upon the processing of trust-related transactions within certain information systems of the U.S. Department of the Interior (DOI), including but not limited to OST, IA, Minerals Management Service (MMS), and other DOI bureaus and offices. IA and other DOI bureaus and offices are responsible for managing the natural resources located within the boundaries of Indian reservations and trust lands, as well as the processing of data regarding the ownership and leasing of Indian lands. The allocation and distribution of receipts and certain disbursements by OST to trust beneficiaries is significantly dependent and reliant upon the receipt of timely and accurate information derived from records maintained by IA, MMS, and other DOI bureaus and offices.

The Indian Trust Funds' balances include appropriated accounts that are considered Federal funds and non-Federal accounts that belong to beneficiaries of the Indian Trust Funds. The Federal accounts are reflected in Interior's financial statements, while the non-Federal accounts, which represent the majority of the

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Indian Trust Funds, are not reflected in Interior's financial statements. However, the Indian Trust Funds' transactions and balances are disclosed in a footnote to Interior's financial statements, in accordance with Federal accounting standards.

DOI has invested a significant amount of resources improving controls over Indian Trust Funds; however, we noted that DOI needs to continue its efforts to resolve historical differences for items 1, 2, 3, and 4 below, and IA needs to improve procedures and internal controls for item 5 below, to ensure that the Indian Trust Funds' activity and balances are recorded properly and timely, as follows.

### ***1. Trust Fund Balances***

The financial information systems and internal control procedures used in the processing of Indian Trust Funds' transactions and determination of the Indian Trust Funds' balances have suffered historically from a variety of system and procedural internal control weaknesses. In addition, current management is burdened with the ongoing impact of decades of accumulated discrepancies in the accounting records. Furthermore, certain Indian Trust Funds' beneficiaries do not agree with the trust fund balances and/or have requested an accounting of the Indian Trust Funds. DOI has invested a significant amount of resources identifying historical records and preparing an accounting of the Indian Trust Fund balances and will continue with this historical accounting effort.

### ***2. Individual Indian Monies Subsidiary Ledger***

The control account for Individual Indian Monies (IIM) account holders represents the aggregate net balance of trust funds held on behalf of IIM account holders, as reflected in the detailed subsidiary ledger of IIM accounts (subsidiary ledger). The control account balance has historically not agreed to the sum of the balances from the subsidiary ledger, and it cannot be determined which balance, if either, is correct. Consequently, the balance of funds invested for IIM account holders may not be correct. The amount invested for IIM is based on the IIM control account balance. As of September 30, 2006 and 2005, the aggregate sum of all positive balances included in the subsidiary ledger exceeded the control account by approximately \$6 million. Accordingly, IIM account holders with positive balances may have been penalized by lower interest earnings. In addition, as of September 30, 2006 and 2005, the subsidiary ledger contained negative account balances totaling approximately \$44 million (of which approximately \$164,000 and \$192,000 was attributed to individual Indian accounts as of September 30, 2006 and 2005, respectively).

### ***3. Special Deposit Accounts***

As of September 30, 2006 and 2005, there were approximately 22,000 and 20,000 special deposit accounts reflected in the subsidiary ledger with balances totaling approximately \$36 million and \$40 million, respectively. In accordance with Title 25 of the Code of Federal Regulations and as directed by IA, OST records receipts into special deposit accounts within the subsidiary ledger when the recipient trust fund account is unknown at the time of receipt. When IA identifies the trust fund account(s), OST transfers the amount from the special deposit account(s) to the designated trust fund account(s) in accordance with IA instructions. A significant number of special deposit accounts have remained inactive for the past several years and new special deposit accounts were established during fiscal year 2006 and 2005. A significant number of special deposit accounts continue to require resolution.

### ***4. Undistributed Interest and Unusual Balances***

OST and/or IA have not been able to determine the proper recipients of undistributed interest of approximately \$5.2 million and \$4.3 million as of September 30, 2006 and 2005, respectively.



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Furthermore, there were Tribal Trust Funds' accounts with negative cash balances totaling approximately \$721,000 and \$724,000 as of September 30, 2006 and 2005, respectively that required resolution.

### **5. *Entering and Maintaining Trust Fund Information***

The regional and agency offices of IA perform a critical role in the initial input and subsequent changes to the Indian Trust Funds' information disclosed by Departmental Offices. We noted weaknesses in the following areas:

#### **a. *Trust Fund Systems***

IA has not completed implementation of an automated system for tracking and processing activities of the Indian trust assets. Agency offices use "off-the-shelf" software, internally developed software, in-house databases, and manual processes to manage ownership records, track lease activity, account for receivables/revenue, and determine distribution amounts. IA has developed an automated system for certain activities and completed the first phase of the roll-out in September 2006. The second phase of the rollout is expected to be completed in all agency offices by September 30, 2007. This situation increases the risk that transactions are recorded inaccurately and untimely.

#### **b. *Accounts Receivable***

IA has not fully developed and communicated standardized policies and procedures for establishing, tracking, and pursuing accounts receivable for the Indian Trust Funds. This results in inconsistent processes and increases the risk that amounts due to Indian Trust Funds are not identified and ultimately collected.

#### **c. *Probate Backlog***

IA did not consistently enter probate orders for land title into the trust management systems timely. Although IA made progress in reducing the backlog as of September 30, 2006 and September 30, 2005, respectively, IA indicated that it had probate orders that had not been prepared, adjudicated, recorded, and/or encoded. IA expects to have the backlog resolved in September 2008. This increases the potential for untimely distributions of income to the account holders of the Indian Trust Funds.

#### **d. *Supervised and Restricted Accounts***

IA did not consistently perform reviews over active supervised accounts, nor did it maintain documentation for supervised accounts, including social service assessment and evaluation forms, disbursement documentation, annual review documentation, court orders, and notification of restriction letters. Additionally, IA did not consistently perform reviews over active supervised accounts for contracted or compacted tribes. Finally, although each of the regions that we visited had compiled a listing of active supervised accounts, the regions expended significant efforts generating the listing. IA has since identified a report from the Trust Fund Accounting System (TFAS) which lists all active supervised accounts. IA needs to work with OST to validate the completeness of this report, and once validated, ensure its timely distribution to the appropriate agency offices.

### **Recommendation**

We recommend that IA work collaboratively with DOI to develop and implement procedures and internal controls to address the deficiencies in controls related to Indian Trust Funds.

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### **Management Response**

Management has prepared an official response presented as a separate attachment to this report. In summary, management disagreed with the significance of our findings because management believes that the controls are operating effectively, accounting and asset management resource systems are reliable, and monies are properly and timely accounted for. Therefore, management believes this is a management letter comment.

### **Auditors' Response to Management's Response**

As summarized above, management has not resolved significant financial reporting differences from prior periods and weaknesses in IA trust-related systems and processes continue to exist at September 30, 2006. Therefore, we continue to believe that the weaknesses identified constitute a material weakness.

### **B. Controls over Leases**

IA needs to improve controls over leases to ensure that lease related transactions are properly recorded, classified, accounted for and disclosed in accordance with federal financial accounting standards. Specifically, during our testwork procedures, we noted control weaknesses in the following areas:

#### ***1. Future Operating Lease Payments Disclosure***

In accordance with accounting standards, IA is required to disclose future operating lease payments. However, IA did not appropriately prepare the future operating lease payment schedule used to generate the disclosure. Specifically, we identified differences between the future operating lease payment schedule and the real and personal property lease agreements selected for testwork as of September 30, 2006. Of the 120 real and personal property lease agreements selected for testwork, termination dates for 31 and monthly lease payments for 15 of the agreements did not agree to the operating lease payment schedule. Furthermore, the future operating lease schedule did not include the escalation clause embedded in one lease agreement. Additionally, one lease agreement in the operating lease schedule was not a lease, but was a one-time rental of video equipment. As a result of our observations, IA expended a significant amount of time and resources analyzing lease agreements and adjusted its schedule of future minimum lease payments by a total of approximately \$56 million.

#### ***2. Tenant Improvements***

Tenant improvements associated with IA lease agreements are expensed as paid, as IA believes that tenant improvement amounts are immaterial to total property, plant, and equipment. Upon performing our testwork over tenant improvements as of September 30, 2006, we noted IA did not have a complete inventory of its tenant improvements. As a result, IA did not have the appropriate information to analyze the impact to the financial statements of not recording them in accordance with Federal accounting standards. As a result of our observation, IA analyzed their lease agreements and identified approximately \$19 million in tenant improvements that are not recorded as assets and are being expensed as paid.

#### ***3. Capital versus Operating Lease Assessments***

In accordance with the accounting standards, IA is required to capitalize leases that meet certain criteria. However, IA did not appropriately review leases to determine if they were capital or operating leases. Specifically, during our September 30, 2006 testwork, we noted that IA was unable to provide lease determination schedules for 36 of the 45 personal property leases selected for testwork and did not appropriately prepare the determination schedule for one of the personal property leases reviewed.

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Additionally, upon our inspection of the lease determination sheet for the only new real property lease during the fiscal year, we noted IA did not appropriately prepare the lease determination schedule or agree it to the related supporting documentation. IA utilized the incorrect fair value for the leased property and did not consider the escalation clauses in the agreement when calculating the net present values of lease payments. Furthermore, we noted a lack of management review over lease determination spreadsheets by IA accounting personnel.

#### **4. Lease Agreements**

IA does not have adequate standardized policies and procedures for tracking and maintaining appropriate supporting documentation for lease agreements. Specifically, we noted lease agreements could not be provided for 10 leases selected for testwork. Additionally, IA did not maintain the appropriate signed/approved lease agreements for 20 leases selected for testwork. A lack of adequate supporting documentation contributes to the internal control deficiencies noted above associated with both capital versus operating lease determinations and the calculation of the future operating lease payments disclosure.

#### **Recommendations**

We recommend that IA:

1. Provide additional training and guidance to train those personnel responsible for accounting for lease agreements to ensure that they accurately prepare lease determination schedules, and always obtain and fully document the details applicable to the lease agreement in assessing the classification of the lease as an operating or capital lease.
2. Management review lease determination schedules to ensure the spreadsheet was prepared correctly.
3. Maintain complete signed copies of all lease agreements for both personal property and real property.
4. Perform reviews, at least quarterly, of its future operating lease payment schedule used to generate its disclosure to ensure all leases are included in the schedule and the information for the leases included on the spreadsheets is complete and accurate.

#### **Management Response**

Management has prepared an official response presented as a separate attachment to this report. In summary, management disagreed with the significance of our findings because management believes that the existing controls are operating effectively.

#### **Auditors' Response to Management's Response**

As summarized above, IA has significant internal controls weaknesses because IA did not appropriately review leases to determine if they were capital or operating leases and inappropriately expensed \$19 million of tenant improvements. In addition, IA adjusted its schedule of future minimum lease payments by approximately \$56 million. Finally, IA does not have adequate policies in place for tracking and maintaining appropriate supporting documentation for lease agreements. Therefore, we continue to believe that the weaknesses identified constitute a material weakness.

#### **C. Controls over Charge Cards**

In fiscal year 2006, IA charge cards were used in transactions totaling approximately \$77 million. By not ensuring that controls are operating effectively, IA increases its risk that charge cards may be used for



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purposes other than official government related business which could lead to poor public perception of IA's ability to manage its financial resources. IA issues charge cards to its employees to streamline acquisition and payment procedures and to reduce the administrative burden associated with traditional and emergency purchasing of travel items, supplies, and services. In conjunction with the issuance of these cards, the DOI published guidance and instructions on the card's utilization through the *Integrated Charge Card Program Guide*. This guidance sets forth policy regarding the restrictions of use of the cards as well as certain internal control procedures such as timely and complete reconciliation of billing statements by cardholders and approving officials. However, IA did not consistently follow these internal control procedures due to the need for additional training on charge card procedures and the need for more diligent management oversight at the field level.

Specifically, during our testwork, we noted that out of 175 cardholder statements examined, 56 (32 percent) of the statements had not been properly reviewed in a timely manner. In addition, we identified eight instances where the incorrect budget object class (BOC) was used for the transaction.

### Recommendations

Consistent with prior year, we recommend IA:

1. Provide users and approving official's additional training on DOI's charge card policies.
2. Approving officials be more diligent in monitoring and enforcing compliance with DOI's charge card policies.
3. Select a statistical sample of charge card purchases, on a quarterly basis, to ensure IA's compliance with established internal control policies and procedures as well as obtain and review supporting documentation for the expenditures to ensure the validity of the purchases and appropriateness of BOC's used.

### Management Response

Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our findings, and its comments were responsive to our recommendations.

### D. Controls over Unbilled Accounts Receivable and Advances from Others

IA did not appropriately review unbilled accounts receivable and advances from others related to non-Department of Education reimbursable agreements that are reported on the consolidated balance sheet as of September 30, 2006. Consequently, there is an increased risk that unbilled accounts receivable and advances from others balances will not be recorded in accordance with federal accounting standards. Specifically, during our testwork, we noted the inconsistent application of account posting models, which resulted in both the advances from others account being improperly drawn down and the unbilled receivable account being improperly increased. Additionally, we noted instances of multiple offsetting transactions within and between unbilled accounts receivable and advances from others that may or may not be appropriate. Furthermore, we identified "unnatural" balances in both the unbilled accounts receivable and the advances to others account detail.

As a result of the deficiencies noted above, we were unable to evaluate these accounts on the agreement level basis. Therefore, we were unable to complete our audit procedures over approximately \$15 million of the unbilled accounts receivable balance and \$6 million of the advances to others balance as of

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September 30, 2006. Additionally, based on the testwork completed, we noted \$10 million (60 percent) of the unbilled accounts receivable balance was over one year old and had not been billed on a timely basis. Failure to bill customers in a timely manner may reduce the collectibility of the receivable.

### Recommendations

We continue to recommend that:

1. Program officials and their staff actively monitor new reimbursable agreements to ensure that they bill their customers timely for services provided to minimize any new problems with unbilled agreements.
2. Program officials use existing reports to identify and research older unbilled amounts and prepare bills for those amounts.
3. Program officials and IA continue to identify offsetting balances between unbilled accounts receivable and advances from others and prepare adjustments to clear the offsetting balances in a timely manner.
4. IA continues its efforts to reconcile the general ledger to the subsidiary ledger showing unbilled and advance balances at the agreement levels.
5. Once the general ledger and customer agreement line table is reconciled, OFM should develop monthly exception reports that identify abnormal unbilled accounts receivable/advances from others balances and distribute them to the regions on a regular basis. Regions should initiate or request corrective actions to address abnormal balances in a timely manner.

### Management Response

Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our findings, and its comments were responsive to our recommendations.

### INTERNAL CONTROLS OVER REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION AND PERFORMANCE MEASURES

Under OMB Bulletin No. 06-03, the definition of material weaknesses is extended to other controls as follows. 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 caused by error or fraud, in amounts that would be material in relation to the Required Supplementary Stewardship Information or material to a performance measure or aggregation of related performance measures, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Because of inherent limitations in internal control, misstatements due to error or fraud may nevertheless occur and not be detected.

Our consideration of the internal control over the Required Supplementary Stewardship Information and the design and operation of internal control over the existence and completeness assertions related to performance measures reported in the Management's Discussion and Analysis section would not necessarily disclose all matters involving the internal control and its operation related to Required Supplementary Stewardship Information or the design and operation of the internal control over the existence and completeness assertions related to performance measures that might be reportable conditions.

# SECTION III. FINANCIAL INFORMATION

## AUDITOR'S REPORT



In our fiscal year 2006 audit, we noted no matters involving the internal control and its operation related to Required Supplementary Stewardship Information that we considered to be material weaknesses as defined above.

In our fiscal year 2006 audit, we noted a reportable condition involving the design and operation of internal controls over the existence and completeness assertions related to key performance measures described below that, in our judgment, could adversely affect IA's ability to collect, process, record, summarize and report performance measures in accordance with management's criteria. However, the reportable condition is not believed to be a material weakness as defined above.

### **E. Performance Measures**

With respect to the design and operation of internal controls over the existence and completeness assertions over key performance measures reported in the Management's Discussion and Analysis (MD&A) section of the fiscal year 2006 PAR, we noted certain significant deficiencies that could adversely affect IA's ability to collect, process, record, summarize and report performance measures in accordance with management's criteria.

Specifically, during our testwork over the June 30, 2006 draft MD&A received on September 15, 2006, IA revised the number of key performance measures as a result of our testwork. Upon our request for evidence to support the performance measures in the draft, IA reduced the number of key performance measures from ten to eight. Further, upon our subsequent discussions with performance measure subject matter experts regarding the "Percentage of Annual Allowable Harvest offered for sale" measure, IA removed it due to a lack of sufficient evidence to support its results. In addition, during our review of the September 30, 2006 PAR received on October 17, 2006, we identified inconsistencies between performance measure information reported in the MD&A and the performance sections of the PAR. Specifically, we noted that the "Percent reduction in the case-preparation backlog (pre-2000) each year (number eliminated/number backlog cases at the beginning of FY)" measure reported results in the MD&A, however was marked as "discontinued" in the performance section. Additionally, we noted that the "Average age of probate cases in pre-adjudication (number in years)" and "Percent of DOI supported Tribal justice systems receiving an acceptable rating under independent Tribal Court reviews" measures reported different results in the MD&A and performance sections of the PAR. We further noted that there is no process whereby the Office of Planning and Policy Analysis (PPA), who has overall responsibility identifying and reporting key performance measures in IA's PAR, conducts timely reviews of the performance data collected to ensure that verification and validation of the data were sufficiently performed by IA Program Offices. As such, PPA cannot accurately determine the reliability of performance measures or place reliance on them to evaluate IA programs for effectiveness.

### **Recommendations**

We recommend that:

1. PPA enhance its internal controls to perform additional verification and validation procedures over data submitted by IA Program Offices.
2. PPA develop and implement a centralized reporting system to track the results of performance measures.



# SECTION III. FINANCIAL INFORMATION

## AUDITOR'S REPORT



### Management Response

Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our findings, and its comments were responsive to our recommendations.

### INTERNAL CONTROLS OVER REQUIRED SUPPLEMENTARY INFORMATION

In our fiscal year 2006 audit, we noted certain significant deficiencies in internal control over Required Supplementary Information described in the following paragraphs that, in our judgment, could adversely affect IA's ability to collect, process, record, and summarize Required Supplementary Information.

#### F. Deferred Maintenance

IA has not fully implemented the requirements of SFFAS No. 6, *Accounting for Property, Plant, and Equipment*, as amended by SFFAS No. 14, *Amendments to Deferred Maintenance Reporting Amending SFFAS No. 6* and SFFAS No. 8, *Supplementary Stewardship Reporting*. SFFAS No. 6 requires IA to estimate the deferred maintenance for its general, heritage, and stewardship assets using either the condition assessment survey or life cycle costing method. IA has adopted the condition assessment survey method, which requires IA to perform periodic inspections of assets to determine their current condition and estimate the cost to correct any deficiencies. Specifically, the deferred maintenance estimate and related condition of major classes of assets disclosed could be misstated due to the following:

1. Personnel responsible for obtaining the deferred maintenance estimates from the field do not have line authority over field personnel responsible for developing the estimates.
2. Limitations and lack of system controls over the systems used to manage IA's deferred maintenance estimates. Specifically, deferred maintenance estimates associated with Roads, Bridges, and Trails and Irrigation, Dams, and Other Water Structures are accumulated using Excel spreadsheets while deferred maintenance estimates related to Buildings and Other Structures are accumulated using the Facilities Management Information System (FMIS).
3. IA has not fully established policies and procedures to determine deferred maintenance for all assets. Specifically, IA does not consistently update the condition assessments required under the condition assessment survey method for irrigation systems and power projects.

#### Recommendations

We continue to recommend that IA:

1. Develop lines of authority to ensure that deferred maintenance estimates are submitted to proper personnel on a timely basis and that adequate effort and support is provided to personnel in the field developing the estimates.
2. Implement a management information system to track the deferred maintenance estimates associated with Roads, Bridges, and Trails and Irrigation, Dams, and Other Water Structures to ensure those estimates are accurate.

# SECTION III. FINANCIAL INFORMATION

## AUDITOR'S REPORT



### Management Response

Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our findings, and its comments were responsive to our recommendations.

### G. Museum Collections

IA has not fully established internal controls to determine and disclose the condition of museum collections in accordance with Federal accounting standards, as IA disclosed the condition of the facility housing the collection rather than the condition of the underlying museum collection. IA considers museum collections to be in stable condition if the facility housing the museum collection is in stable condition. If a collection is housed in a poor facility, the condition of the collection would be considered “poor”, regardless of the actual condition of the collection itself. If that same collection is moved to a new facility which is in good condition, the collection would then be considered in “good” condition because the surrounding environment is in “good” condition and any environmental problems contributing to the deterioration of the collection would improve because of the condition of the new facility.

In addition, during our September 30, 2006 testwork over the condition assessments for facilities housing museum collections, we noted that 31 (18 percent) of the 173 facilities did not have condition assessments. Additionally, of the 15 facilities we selected for testwork, two of the condition assessments had not been updated since their completion in 1999, which is greater than the 5 year assessment interval mandated under DOI policy. Furthermore, one facility with a condition assessment score of 19 percent, received a “fair” rating rather than a “poor” rating, which is not consistent with DOI policy.

### Recommendations

We recommend that IA:

1. Assess and disclose the condition of the museum collections (i.e., the condition of the asset) rather than the condition of the facility housing the collection. Although the condition of the facility may be an important criterion in determining the condition of the museum collection, we recommend that IA consider other factors, such as whether or not IA intends to improve the collection, in defining the acceptable condition for museum collections.
2. Implement policies and procedures to ensure the timely and accurate completion of condition assessments for all IA facilities housing museum collections in accordance with applicable DOI policies.

### Management Response

Management has prepared an official response presented as a separate attachment to this report. In summary, management disagreed with our findings because management believes that its disclosures are in accordance with SFFAS No. 29 and museum industry practices.

### Auditors' Response to Management's Response

As summarized above, IA needs to establish controls to determine and disclose the condition of museum collections in accordance with applicable accounting standards. SFFAS No. 29 defines condition as the physical state of an asset and indicates that the condition of an asset is based on an evaluation of the physical status/state of an asset, its ability to perform as planned, and its continued usefulness. By only



# SECTION III. FINANCIAL INFORMATION

## AUDITOR'S REPORT



disclosing the condition of the facility housing the collection, IA did not inform financial statement users of the condition of the underlying museum collections. Therefore, we continue to believe that the weaknesses identified constitute a reportable condition.

### COMPLIANCE AND OTHER MATTERS

Our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, as described in the Responsibilities section of this report, exclusive of those referred to in the *Federal Financial Management Improvement Act of 1996* (FFMIA), disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 06-03.

The results of our tests of compliance with certain provisions of other laws and regulations, exclusive of those referred to in FFMIA, disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 06-03.

The results of our tests of FFMIA disclosed instances, described below, where IA's financial management systems did not substantially comply with applicable Federal accounting standards. The results of our tests of FFMIA disclosed no instances in which IA's financial management systems did not substantially comply with Federal financial management system requirements or the United States Government Standard General Ledger at the transaction level.

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

The results of our tests of FFMIA disclosed no instances in which IA's financial management systems did not substantially comply with Federal financial management systems requirements or the United States Government Standard General Ledger at the transaction level, however, as described below, we identified instances where IA's financial management systems did not substantially comply with applicable Federal accounting standards.

IA is required to prepare its financial statements in accordance with Federal accounting standards. As discussed in the Internal Control Over Financial Reporting section of this report, we identified several reportable conditions that affected IA's ability to prepare its financial statements and related disclosures in accordance with Federal accounting standards. Also, as discussed in the Internal Control over Required Supplementary Stewardship Information and Performance Measures and Internal Control over Required Supplementary Information sections of this report, IA needs to improve its policies and procedures for determining and reporting deferred maintenance, performing condition assessments related to museum collections, and preparing performance measures to comply with Federal accounting standards. As a result, IA does not substantially comply with the accounting standard indicators of FFMIA.

#### Recommendation

We recommend that IA management address the control weaknesses described in the Internal Control Over Financial Reporting, Required Supplementary Stewardship Information and Performance Measures, and Required Supplementary Information sections of this report.

#### Management Response

Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our findings, and its comments were responsive to our recommendation.

# SECTION III. FINANCIAL INFORMATION

## AUDITOR'S REPORT



### RESPONSIBILITIES

#### *Management's Responsibilities*

The United States Code Title 31 Sections 3515 and 9106 require agencies to report annually to Congress on their financial status and any other information needed to fairly present their financial position and results of operations. To assist the U.S. Department of the Interior meet these reporting requirements, IA prepares annual financial statements in accordance with OMB Circular No. A-136.

Management is responsible for the consolidated financial statements, including:

- Preparing the consolidated financial statements in conformity with U.S. generally accepted accounting principles;
- Preparing the Management's Discussion and Analysis (including the performance measures), Required Supplementary Information, and Required Supplementary Stewardship Information;
- Establishing and maintaining effective internal controls over financial reporting; and
- Complying with laws, regulations, contracts, and grant agreements applicable to IA, including FFMIA.

In fulfilling this responsibility, management is required to make estimates and judgments to assess the expected benefits and related costs of internal control policies.

#### *Auditors' Responsibilities*

Our responsibility is to express an opinion on the fiscal year 2006 and 2005 consolidated financial statements of IA based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Bulletin No. 06-03. Those standards and OMB Bulletin No. 06-03 require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of IA's internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes:

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

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

In planning and performing our fiscal year 2006 audit, we considered IA's internal control over financial reporting by obtaining an understanding of IA's 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 consolidated financial statements. We

# SECTION III. FINANCIAL INFORMATION

## AUDITOR'S REPORT



limited our internal control testing to those controls necessary to achieve the objectives described in *Government Auditing Standards* and OMB Bulletin No. 06-03. 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 an opinion on IA's internal control over financial reporting. Consequently, we do not provide an opinion thereon.

As required by OMB Bulletin No. 06-03, in our fiscal year 2006 audit, we considered IA's internal control over the Required Supplementary Stewardship Information by obtaining an understanding of IA's internal control, determining whether these internal controls had been placed in operation, assessing control risk, and performing tests of controls. We limited our testing to those controls necessary to test and report on the internal control over Required Supplementary Stewardship Information in accordance with OMB Bulletin No. 06-03. However, our procedures were not designed to provide an opinion on internal control over the Required Supplementary Stewardship Information and, accordingly, we do not provide an opinion thereon.

As further required by OMB Bulletin No. 06-03, in our fiscal year 2006 audit, with respect to internal control related to performance measures determined by management to be key and reported in the Management Discussion and Analysis section, we obtained an understanding of the design of internal controls relating to the existence and completeness assertions and determined whether these internal controls had been placed in operation. We limited our testing to those controls necessary to test and report on the internal control over key performance measures in accordance with OMB Bulletin No. 06-03. However, our procedures were not designed to provide an opinion on internal control over reported performance measures and, accordingly, we do not provide an opinion thereon.

As part of obtaining reasonable assurance about whether IA's fiscal year 2006 consolidated financial statements are free of material misstatement, we performed tests of IA's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the consolidated financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 06-03, 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, regulations, contracts, and grant agreements applicable to IA. However, providing an opinion on compliance with laws, regulations, contracts, and grant agreements was not an objective of our audit and, accordingly, we do not express such an opinion.

Under OMB Bulletin No. 06-03 and FFMIA, auditors are required to report whether certain federal entities' 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 assist the auditors of the U.S. Department of the Interior meet this requirement, we performed tests of compliance with FFMIA Section 803(a) requirements.

We noted certain additional matters that we have reported to management of IA in a separate letter dated November 15, 2006.

# SECTION III. FINANCIAL INFORMATION

## AUDITOR'S REPORT



### RESTRICTED USE

This report is intended solely for the information and use of IA's management, the U.S. Department of the Interior's Office of Inspector General, OMB, the U.S. Government Accountability 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, 2006

# SECTION III. FINANCIAL INFORMATION

## AUDITOR'S REPORT

Exhibit I

### BUREAU OF INDIAN AFFAIRS

Status of Prior Year Findings

September 30, 2006

Ref	Condition	Status
A	Controls over Indian Trust Funds	This condition has not been corrected and is repeated in fiscal year 2006. See finding A.
B	Controls over Property, Plant and Equipment	This has been corrected.
C	Controls over Accounts Receivable and Deferred Revenue	This condition has been partially corrected and is repeated in fiscal year 2006. See finding D.
D	Controls over Accounting for Intradepartmental Transactions	This has been corrected.
E	Controls over Charge Cards	This condition has not been corrected and is repeated in fiscal year 2006. See finding C.
F	Controls over Clearing of Suspense Balances	This has been corrected.
G	Controls over Environmental Contingent Liabilities	This has been corrected.
H	Controls over Financial Management	This has been corrected.
I	Controls over Loans	This has been corrected.
J	Controls over Required Supplementary Information - Deferred Maintenance Reporting	This condition has been partially corrected and is repeated in fiscal year 2006. See finding F.
K	Controls over Required Supplementary Stewardship Information	This condition has been partially corrected and is repeated in fiscal year 2006. See finding G.
L	Controls over Performance Measures	This condition has not been corrected and is repeated in fiscal year 2006. See finding E.
M	OMB Circular A-133, <i>Audits of States, Local Governments, and Non-profit Organizations</i>	This has been corrected.
N	<i>Debt Collection Improvement Act of 1996</i>	This has been corrected.
O	OMB Circular A-25, <i>User Charges</i>	This has been corrected.
P	<i>Federal Financial Management Improvement Act of 1996 (FFMIA)</i>	This condition has not been corrected and is repeated in fiscal year 2006. See finding H.



# SECTION III. FINANCIAL INFORMATION

## AUDITOR'S REPORT

ATTACHMENT 2



### United States Department of the Interior

OFFICE OF THE SECRETARY  
Washington, D.C. 20240

FEB 05 2007

#### Memorandum

To: Anne Richards, Assistant Inspector General for Audits  
Office of Inspector General

Jeff Norris  
KPMG LLP

From: Associate Deputy Secretary

Subject: Draft Independent Auditors' Report on the Indian Affairs Financial  
Statements for Fiscal Years 2006 and 2005 (Assignment No.  
X-IN-BIA-0014-2006)

We appreciate the efforts of the Office of Inspector General, and its contractor KPMG LLP, in auditing the Indian Affairs' consolidated financial statements. We are pleased that the result of the audit is again an "unqualified opinion" on our consolidated financial statements. In addition, we appreciate the acknowledgement and recognition noted within several findings on the continued progress we achieved during Fiscal Year 2006.

While we are pleased with the improvements made during Fiscal Year 2006, we recognize that continued improvement is an ongoing challenge. We are confident that our commitment to improving our internal management control environment, our performance measurement activities, and our overall financial management activities will continue. This commitment will enable the Indian Affairs organization to continue to provide more timely, meaningful and useful information for both programmatic and budgetary decision-making.

We will work with the Department to develop and implement corrective action plans for the report recommendations that are responsive and measurable, and demonstrate that Indian Affairs is moving forward in improving its financial, performance, and program management.

We recognize the need to continue to enhance our financial and performance reporting, to allow for better informed and timely decision-making, while simultaneously serving our Indian beneficiaries in the 21<sup>st</sup> century.

# SECTION III. FINANCIAL INFORMATION

## AUDITOR'S REPORT

### INTERNAL CONTROL OVER FINANCIAL REPORTING

#### Reportable Conditions that are considered to be Material Weaknesses

##### A. Controls over Trust Fund Accounting

Indian Affairs does not concur with the classification of this reportable condition as a material weakness.

Based on the results of our testing of key controls, Indian Affairs feels that the controls in place have reduced any risk of a material misstatement to an acceptable level. Indian Affairs also believes that the internal controls in place provide reasonable assurance that trust fund accounting is operating effectively; therefore, there is no adverse material impact on the current financial internal control environment. The testing of key controls also showed that the Bureau of Indian Affairs (BIA) accounting and asset management resource systems are reliable and monies are being properly and timely accounted for. Upon consideration of the corrective actions completed and the procedures and internal controls that have been implemented, Indian Affairs believes the control weakness would more accurately be classified as a management letter comment.

Indian Affairs will complete the corrective action plan developed in prior years to ensure that trust fund information is complete, accurate and timely entered.

##### B. Controls over Leases

Indian Affairs does not concur with the classification of this reportable condition as a material weakness.

The existing controls did reduce to a relatively low level of risk the chance of misstatements that would be material to the financial statements as a whole. A footnote disclosure of future minimum lease payments carried out 20 years into the future is an estimate, and is not an amount that would appear in the body of any financial statement. Further the material portion of the dollar amount identified as understated by Indian Affairs was attributed to one lease, which had an uncommon escalation rate clause to base rent. Indian Affairs contends that not identifying and applying this rare escalation clause to future minimum lease payments calculation was an oversight, and is not indicative of a systemic absence or failure of controls. Other leases with escalation clauses have been properly accounted for which would indicate that the controls are operating effectively and the exception identified was because of the rare occurrence of an escalation clause applicable to the base rent rather than a control deficiency.

Indian Affairs will continue the strong commitment made in Fiscal Year 2006 to address weaknesses in lease accounting. Indian Affairs will enhance its existing process by improving the interaction between the accounting and acquisition functions to ensure that all leases are reviewed in accordance with all Federal accounting policy. Training will be provided to both staffs. In addition, Indian Affairs will include all tenant improvements,

## SECTION III. FINANCIAL INFORMATION

### AUDITOR'S REPORT

Federal and non-Federal, in future analysis and will perform a second capital versus operating lease determination when the facility is ready for occupancy to ensure that the lease is properly recorded in the accounting records. Indian Affairs will also review all lease files to ensure their completeness.

#### **Other Reportable Conditions**

##### **C. Controls over Charge Cards**

Indian Affairs concurs with the recommendations. Indian Affairs will continue to educate and train cardholders and supervisors on charge card responsibilities and will hold program managers responsible for the proper use of charge cards by subordinates. Indian Affairs will perform quarterly reviews to ensure that approving officials and cardholders comply with Indian Affairs procedures.

##### **D. Controls over Unbilled Accounts Receivable and Advances from Others**

Indian Affairs concurs with the recommendations. Indian Affairs will continue its efforts to clean up unbilled amounts and advances from others. Many offsetting balances were cleared in Fiscal Year 2006, but Indian Affairs acknowledges the need to complete the effort. Indian Affairs is also developing procedures to ensure accurate and timely billings of new customers and minimize the development of additional aged unbilled receivables. Finally, Indian Affairs is developing reports that will more efficiently identify exceptions and provide program officials a monitoring tool to better manage their resources.

#### **INTERNAL CONTROL OVER RSSI AND RSI**

##### **E. Performance Measures**

Indian Affairs concurs with the recommendations. Indian Affairs processes are being revised to improve the verification and validation of performance measure data to improve oversight responsibility for integrity of data for the PAR's MD&A. Indian Affairs has developed a database tracking and reporting system to manage its performance measures program.

##### **F. Deferred Maintenance**

Indian Affairs generally concurs with the recommendations. BIA's organizational structure delegates program responsibilities to include deferred maintenance reporting to the Regional Directors, who are held accountable through the performance appraisal system. Program guidance is formulated and disseminated from the Central Office. Program guidance will be reviewed to ensure that adequate controls are in place to require a complete management review of the estimate in a timely manner. The development of management information systems with the capability to track the deferred maintenance estimates associated with Roads, Bridges, and Trails and Irrigation, Dams, and Other Water Structures is underway. In addition, the Division of

## SECTION III. FINANCIAL INFORMATION

### AUDITOR'S REPORT

Transportation has developed a shared electronic spreadsheet for use by the Regions in reporting deferred maintenance data.

#### **G. Museum Collections**

Indian Affairs does not concur with the recommendations. Indian Affairs will continue to assess and report the condition of the facility housing the heritage assets – museum collections - in accordance with Departmental standards for classification, categorization, and condition criteria. In addition, Indian Affairs believes it is implementing its policies and procedures in accordance with Departmental guidance given its limited resources. These efforts will continue in Fiscal Year 2007.

#### **INSTANCES OF NONCOMPLIANCE AND OTHER MATTERS**

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

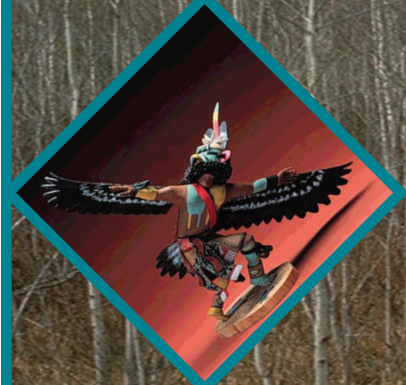
Indian Affairs concurs with the recommendation. Indian Affairs will continue its efforts to improve controls to comply with the accounting standard indicators of FFMIA.



**STATUS OF AUDIT REPORT RECOMMENDATIONS**

<b><u>Recommendation</u></b>	<b><u>Status</u></b>	<b><u>Action Required</u></b>
G.1.	Repeated; unresolved	Recommendation will be referred to the Assistant Secretary for Policy, Management and Budget (PMB) for resolution. This repeat recommendation was referred to the Assistant Secretary, PMB, as recommendation K.1. under Report No. X-IN-BIA-0006-2005.
B.1., B.2., B.3., B.4., and G.2.	Unresolved	Recommendations will be referred to the Assistant Secretary, PMB, for resolution.
C.1., C.2., C.3., D.4., E.1., F.1., F.2., and H.	Repeated; resolved; not implemented	Recommendations will be referred to the Assistant Secretary, PMB, for tracking of implementation. These repeat recommendations were previously referred to the Assistant Secretary, PMB, as recommendations E.1., E.2., E.3., C.1., L., J.1., J.2., and P.1. (respectively) under Report No. X-IN-BIA-0006-2005 and closed.
D.1., D.2., D.3., D.5., and E.2.	Resolved; not implemented	Recommendations will be referred to the Assistant Secretary, PMB, for tracking of implementation.
A.	Resolved; not implemented	Continue tracking for implementation. This repeat recommendation was referred to the Assistant Secretary, PMB, as recommendation A. under Report No. X-IN-BIA-0006-2005.







# SECTION IV. APPENDICES

## APPENDIX A. GLOSSARY OF ACRONYMS

ABCM	Activity Based Costing Management
AS-IA	Office of the Assistant Secretary - Indian Affairs
AYP	Adequate Yearly Progress
BIA	Bureau of Indian Affairs
BIE	Bureau of Indian Education
CFR	Code of Federal Regulations
CIP	Construction-In-Progress
DAS-M	Deputy Assistant Secretary - Management
DCMA	Division of Compliance, Monitoring, and Accountability
DHHS	Department of Health and Human Services
DOI	U.S. Department of the Interior
EFT	Electronic Funds Transfer
EMS	Environmental Management System
FAIR	Federal Activities Inventory Reform Act
FASAB	Federal Accounting Standards Advisory Board
FBWT	Fund Balance with Treasury
FCI	Facilities Condition Index
FECA	Federal Employee Compensation Act
FFMIA	Federal Financial Management Improvement Act
FFS	Federal Financial System
FI&R	Facilities Improvement & Repair
FISMA	Federal Information Security Management Act
FMFIA	Federal Managers' Financial Integrity Act
FTEs	Full Time Employees
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GPRA	Government Performance and Results Act
HIP	Housing Improvement Program
HSPD-12	Homeland Security Presidential Directive No. 12
IA	Indian Affairs, U.S. Department of the Interior
ICWA	Indian Child Welfare Act
IEED	Office of Indian Energy and Economic Development
IHS	Indian Health Service
IIM	Individual Indian Money

# SECTION IV. APPENDICES

## APPENDIX A. GLOSSARY OF ACRONYMS

IRMP	Integrated Resource Management Plan
IT	Information Technology
KPIs	Key Performance Indicators
MCR	Management Control Reviews
MD&A	Management's Discussion and Analysis
NBC	National Business Center
NCLB	No Child Left Behind
NEPA	National Environmental Policy Act
NIC	National Institute of Corrections
NIPTC	National Indian Programs Training Center
OCFO	Office of the Chief Financial Officer
OCIO-IA	Office of the Chief Information Officer - Indian Affairs
OHTA	Office of Historical Trust Accounting
OIG	Office of the Inspector General
OIP	Operations of Indian Programs
OJS	Office of Justice Services
OMB	Office of Management and Budget
OPM	Office of Personnel Management
OST	Office of the Special Trustee for American Indians
OTFM	Office of Trust Funds Management
OTS	Office of Trust Services
PAR	Performance and Accountability Report
PART	Program Assessment Rating Tool
PIAP	Program Improvement and Accountability Plan
PMA	President's Management Agenda
PP&E	Property, Plant and Equipment
RMRO	Rocky Mountain Regional Office
RSI	Required Supplemental Information
RSSI	Required Supplemental Stewardship Information
SES	Senior Executive Service
SOL	Office of the Solicitor
TAAMS	Trust Asset and Accounting Management System
TBD	To Be Determined
USSGL	U.S. Government Standard General Ledger
WUI	Wildland-Urban Interface

## SECTION IV. APPENDICES

### APPENDIX B. LIST OF FEDERALLY RECOGNIZED INDIAN TRIBES

#### Contiguous 48 States

##### -A-

Absentee-Shawnee Tribe of Indians of Oklahoma  
Agua Caliente Band of Cahuilla Indians of the Agua Caliente Indian Reservation, California  
Ak Chin Indian Community of the Maricopa (Ak Chin) Indian Reservation, Arizona  
Alabama-Coushatta Tribes of Texas  
Alabama-Quassarte Tribal Town, Oklahoma  
Alturas Indian Rancheria, California  
Apache Tribe of Oklahoma  
Arapahoe Tribe of the Wind River Reservation, Wyoming  
Aroostook Band of Micmac Indians of Maine  
Assiniboine and Sioux Tribes of the Fort Peck Indian Reservation, Montana  
Augustine Band of Cahuilla Mission Indians of the Augustine Reservation, California

##### -B-

Bad River Band of the Lake Superior Tribe of Chippewa Indians of the Bad River Reservation, Wisconsin  
Bay Mills Indian Community of the Sault Ste. Marie Band of Chippewa Indians, Bay Mills Reservation, Michigan  
Bear River Band of the Rohnerville Rancheria, California  
Berry Creek Rancheria of Maidu Indians of California  
Big Lagoon Rancheria, California  
Big Pine Band of Owens Valley Paiute Shoshone Indians of the Big Pine Reservation, California  
Big Sandy Rancheria of Mono Indians of California  
Big Valley Band of Pomo Indians of the Big Valley Rancheria, California  
Blackfeet Tribe of the Blackfeet Indian Reservation of Montana  
Blue Lake Rancheria, California  
Bridgeport Paiute Indian Colony of California  
Buena Vista Rancheria of Me-Wuk Indians of California  
Burns Paiute Tribe of the Burns Paiute Indian Colony of Oregon

##### -C-

Cabazon Band of Cahuilla Mission Indians of the Cabazon Reservation, California  
Cachil DeHe Band of Wintun Indians of the Colusa Indian Community of the Colusa Rancheria, California  
Caddo Indian Tribe of Oklahoma

## SECTION IV. APPENDICES

### APPENDIX B. LIST OF FEDERALLY RECOGNIZED INDIAN TRIBES

Cahuilla Band of Mission Indians of the Cahuilla Reservation, California  
Cahto Indian Tribe of the Laytonville Rancheria, California  
Campo Band of Diegueno Mission Indians of the Campo Indian Reservation, California  
Capitan Grande Band of Diegueno Mission Indians of California  
Barona Group of Capitan Grande Band of Mission Indians of the Barona Reservation, California  
Viejas (Baron Long) Group of Capitan Grande Band of Mission Indians of the Viejas Reservation, California  
Catawba Indian Nation (aka Catawba Tribe of South Carolina)  
Cayuga Nation of New York  
Cedarville Rancheria, California  
Chemehuevi Indian Tribe of the Chemehuevi Reservation, California  
Cher-Ae Heights Indian Community of the Trinidad Rancheria, California  
Cherokee Nation of Oklahoma  
Cheyenne-Arapaho Tribes of Oklahoma  
Cheyenne River Sioux Tribe of the Cheyenne River Reservation, South Dakota  
Chickasaw Nation, Oklahoma  
Chicken Ranch Rancheria of Me-Wuk Indians of California  
Chippewa-Cree Indians of the Rocky Boy's Reservation, Montana  
Chitimacha Tribe of Louisiana  
Choctaw Nation of Oklahoma  
Citizen Potawatomi Nation, Oklahoma  
Cloverdale Rancheria of Pomo Indians of California  
Cocopah Tribe of Arizona  
Coeur D'Alene Tribe of the Coeur D'Alene Reservation, Idaho  
Cold Springs Rancheria of Mono Indians of California  
Colorado River Indian Tribes of the Colorado River Indian Reservation, Arizona and California  
Comanche Indian Tribe, Oklahoma  
Confederated Salish & Kootenai Tribes of the Flathead Reservation, Montana  
Confederated Tribes of the Chehalis Reservation, Washington  
Confederated Tribes of the Colville Reservation, Washington  
Confederated Tribes of the Coos, Lower Umpqua and Siuslaw Indians of Oregon  
Confederated Tribes of the Goshute Reservation, Nevada and Utah  
Confederated Tribes of the Grand Ronde Community of Oregon  
Confederated Tribes of the Siletz Reservation, Oregon  
Confederated Tribes of the Umatilla Reservation, Oregon  
Confederated Tribes of the Warm Springs Reservation of Oregon



## SECTION IV. APPENDICES

### APPENDIX B. LIST OF FEDERALLY RECOGNIZED INDIAN TRIBES

Confederated Tribes and Bands of the Yakama Indian Nation of the Yakama Reservation, Washington  
Coquille Tribe of Oregon  
Cortina Indian Rancheria of Wintun Indians of California  
Coushatta Tribe of Louisiana  
Cow Creek Band of Umpqua Indians of Oregon  
Coyote Valley Band of Pomo Indians of California  
Crow Tribe of Montana  
Crow Creek Sioux Tribe of the Crow Creek Reservation, South Dakota  
Cuyapaipe Community of Diegueno Mission Indians of the Cuyapaipe Reservation, California

#### **-D-**

Death Valley Timbi-Sha Shoshone Band of California  
Delaware Tribe of Western Oklahoma  
Dry Creek Rancheria of Pomo Indians of California  
Duckwater Shoshone Tribe of the Duckwater Reservation, Nevada

#### **-E-**

Eastern Band of Cherokee Indians of North Carolina  
Eastern Shawnee Tribe of Oklahoma  
Elem Indian Colony of Pomo Indians of the Sulphur Bank Rancheria, California  
Elk Valley Rancheria, California  
Ely Shoshone Tribe of Nevada  
Enterprise Rancheria of Maidu Indians of California

#### **-F-**

Flandreau Santee Sioux Tribe of South Dakota  
Forest County Potawatomi Community of Wisconsin Potawatomi Indians, Wisconsin  
Fort Belknap Indian Community of the Fort Belknap Reservation of Montana  
Fort Bidwell Indian Community of the Fort Bidwell Reservation of California  
Fort Independence Indian Community of Paiute Indians of the Fort Independence Reservation, California  
Fort McDermitt Paiute and Shoshone Tribes of the Fort McDermitt Indian Reservation, Nevada and Oregon  
Fort McDowell Mohave-Apache Community of the Fort McDowell Indian Reservation, Arizona  
Fort Mojave Indian Tribe of Arizona, California & Nevada  
Fort Sill Apache Tribe of Oklahoma

## SECTION IV. APPENDICES

### APPENDIX B. LIST OF FEDERALLY RECOGNIZED INDIAN TRIBES

#### **-G-**

Gila River Indian Community of the Gila River Indian Reservation, Arizona  
Grand Traverse Band of Ottawa & Chippewa Indians of Michigan  
Greenville Rancheria of Maidu Indians of California  
Grindstone Indian Rancheria of Wintun-Wailaki Indians of California  
Guidiville Rancheria of California  
Graton Rancheria

#### **-H-**

Hannahville Indian Community of Wisconsin  
Havasupai Tribe of the Havasupai Reservation, Arizona  
Ho-Chunk Nation of Wisconsin (formerly known as the Wisconsin Winnebago Tribe)  
Hoh Indian Tribe of the Hoh Indian Reservation, Washington  
Hoopa Valley Tribe, California  
Hopi Tribe of Arizona  
Hopland Band of Pomo Indians of the Hopland Rancheria, California  
Houlton Band of Maliseet Indians of Maine  
Hualapai Indian Tribe of the Hualapai Indian Reservation, Arizona  
Huron Potawatomi, Inc., Michigan

#### **-I-**

Inaja Band of Diegueno Mission Indians of the Inaja and Cosmit Reservation, California  
Ione Band of Miwok Indians of California  
Iowa Tribe of Kansas and Nebraska  
Iowa Tribe of Oklahoma

#### **-J-**

Jackson Rancheria of Me-Wuk Indians of California  
Jamestown S'Klallam Tribe of Washington  
Jamul Indian Village of California  
Jena Band of Choctaw Indians, Louisiana  
Jicarilla Apache Tribe of the Jicarilla Apache Indian Reservation, New Mexico

## SECTION IV. APPENDICES

### APPENDIX B. LIST OF FEDERALLY RECOGNIZED INDIAN TRIBES

#### **-K-**

Kaibab Band of Paiute Indians of the Kaibab Indian Reservation, Arizona

Kalispel Indian Community of the Kalispel Reservation, Washington

Karuk Tribe of California

Kashia Band of Pomo Indians of the Stewarts Point Rancheria, California

Kaw Nation, Oklahoma

Keweenaw Bay Indian Community of L'Anse and Ontonagon Bands of Chippewa Indians of the L'Anse Reservation, Michigan

Kialegee Tribal Town, Oklahoma

Kickapoo Tribe of Indians of the Kickapoo Reservation in Kansas

Kickapoo Tribe of Oklahoma

Kickapoo Traditional Tribe of Texas

Kiowa Indian Tribe of Oklahoma

Klamath Indian Tribe of Oregon

Kootenai Tribe of Idaho

#### **-L-**

La Jolla Band of Luiseno Mission Indians of the La Jolla Reservation, California

La Posta Band of Diegueno Mission Indians of the La Posta Indian Reservation, California

Lac Courte Oreilles Band of Lake Superior Chippewa Indians of the Lac Courte Oreilles Reservation of Wisconsin

Lac du Flambeau Band of Lake Superior Chippewa Indians of the Lac du Flambeau Reservation of Wisconsin

Lac Vieux Desert Band of Lake Superior Chippewa Indians of Michigan

Las Vegas Tribe of Paiute Indians of the Las Vegas Indian Colony, Nevada

Little River Band of Ottawa Indians of Michigan

Little Traverse Bay Bands of Odawa Indians of Michigan

Los Coyotes Band of Cahuilla Mission Indians of the Los Coyotes Reservation, California

Lovelock Paiute Tribe of the Lovelock Indian Colony, Nevada

Lower Brule Sioux Tribe of the Lower Brule Reservation, South Dakota

Lower Elwha Tribal Community of the Lower Elwha Reservation, Washington

Lower Lake, California

Lower Sioux Indian Community of Minnesota Mdewakanton Sioux Indians of the Lower Sioux Reservation in Minnesota

Lummi Tribe of the Lummi Reservation, Washington

Lytton Rancheria of California

## SECTION IV. APPENDICES

### APPENDIX B. LIST OF FEDERALLY RECOGNIZED INDIAN TRIBES

#### **-M-**

Makah Indian Tribe of the Makah Indian Reservation, Washington  
Manchester Band of Pomo Indians of the Manchester-Point Arena Rancheria, California  
Manzanita Band of Diegueno Mission Indians of the Manzanita Reservation, California  
Mashantucket Pequot Tribe of Connecticut  
Match-E-Be-Nash-She-Wish Band of Pottawatomi Indians of Michigan (Gun Lake Band)  
Mechoopda Indian Tribe of Chico Rancheria, California  
Menominee Indian Tribe of Wisconsin  
Mesa Grande Band of Diegueno Mission Indians of the Mesa Grande Reservation, California  
Mescalero Apache Tribe of the Mescalero Reservation, New Mexico  
Miami Tribe of Oklahoma  
Miccosukee Tribe of Indians of Florida  
Middletown Rancheria of Pomo Indians of California  
Minnesota Chippewa Tribe, Minnesota (Six component reservations)  
Bois Forte Band (Nett Lake); Fond du Lac Band; Grand Portage Band; Leech Lake Band; Mille Lacs Band; White Earth Band  
Mississippi Band of Choctaw Indians, Mississippi  
Moapa Band of Paiute Indians of the Moapa River Indian Reservation, Nevada  
Modoc Tribe of Oklahoma  
Mohegan Indian Tribe of Connecticut  
Mooretown Rancheria of Maidu Indians of California  
Morongo Band of Cahuilla Mission Indians of the Morongo Reservation, California  
Muckleshoot Indian Tribe of the Muckleshoot Reservation, Washington  
Muscogee (Creek) Nation, Oklahoma

#### **-N-**

Narragansett Indian Tribe of Rhode Island  
Navajo Nation of Arizona, New Mexico & Utah  
Nez Perce Tribe of Idaho  
Nisqually Indian Tribe of the Nisqually Reservation, Washington  
Nooksack Indian Tribe of Washington  
Northern Cheyenne Tribe of the Northern Cheyenne Indian Reservation, Montana  
Northfork Rancheria of Mono Indians of California  
Northwestern Band of Shoshoni Nation of Utah (Washakie)

## SECTION IV. APPENDICES

### APPENDIX B. LIST OF FEDERALLY RECOGNIZED INDIAN TRIBES

#### -O-

Oglala Sioux Tribe of the Pine Ridge Reservation, South Dakota

Omaha Tribe of Nebraska

Oneida Nation of New York

Oneida Tribe of Wisconsin

Onondaga Nation of New York

Osage Tribe, Oklahoma

Ottawa Tribe of Oklahoma

Otoe-Missouria Tribe of Indians, Oklahoma

#### -P-

Paiute Indian Tribe of Utah

Paiute-Shoshone Indians of the Bishop Community of the Bishop Colony, California

Paiute-Shoshone Tribe of the Fallon Reservation and Colony, Nevada

Paiute-Shoshone Indians of the Lone Pine Community of the Lone Pine Reservation, California

Pala Band of Luiseno Mission Indians of the Pala Reservation, California

Pascua Yaqui Tribe of Arizona

Paskenta Band of Nomlaki Indians of California

Passamaquoddy Tribe of Maine

Pauma Band of Luiseno Mission Indians of the Pauma & Yuima Reservation, California

Pawnee Nation of Oklahoma

Pechanga Band of Luiseno Mission Indians of the Pechanga Reservation, California

Penobscot Tribe of Maine

Peoria Tribe of Indians of Oklahoma

Picayune Rancheria of Chukchansi Indians of California

Pinoleville Rancheria of Pomo Indians of California

Pit River Tribe, California (includes Big Bend, Lookout, Montgomery Creek & Roaring Creek Rancherias & XL Ranch)

Poarch Band of Creek Indians of Alabama

Pokagon Band of Potawatomi Indians of Michigan

Ponca Tribe of Indians of Oklahoma

Ponca Tribe of Nebraska

Port Gamble Indian Community of the Port Gamble Reservation, Washington

Potawatomie Indians of Michigan

Potter Valley Rancheria of Pomo Indians of California



## SECTION IV. APPENDICES

### APPENDIX B. LIST OF FEDERALLY RECOGNIZED INDIAN TRIBES

Prairie Band of Potawatomi Indians, Kansas  
Prairie Island Indian Community of Minnesota Mdewakanton Sioux Indians  
of the Prairie Island Reservation, Minnesota  
Pueblo of Acoma, New Mexico  
Pueblo of Cochiti, New Mexico  
Pueblo of Jemez, New Mexico  
Pueblo of Isleta, New Mexico  
Pueblo of Laguna, New Mexico  
Pueblo of Nambe, New Mexico  
Pueblo of Picuris, New Mexico  
Pueblo of Pojoaque, New Mexico  
Pueblo of San Felipe, New Mexico  
Pueblo of San Juan, New Mexico  
Pueblo of San Ildefonso, New Mexico  
Pueblo of Sandia, New Mexico  
Pueblo of Santa Ana, New Mexico  
Pueblo of Santa Clara, New Mexico  
Pueblo of Santo Domingo, New Mexico  
Pueblo of Taos, New Mexico  
Pueblo of Tesuque, New Mexico  
Pueblo of Zia, New Mexico  
Puyallup Tribe of the Puyallup Reservation, Washington  
Pyramid Lake Paiute Tribe of the Pyramid Lake Reservation, Nevada

#### **-Q-**

Quapaw Tribe of Indians, Oklahoma  
Quartz Valley Indian Community of the Quartz Valley Reservation of California  
Quechan Tribe of the Fort Yuma Indian Reservation, California & Arizona  
Quileute Tribe of the Quileute Reservation, Washington  
Quinault Tribe of the Quinault Reservation, Washington

#### **-R-**

Ramona Band or Village of Cahuilla Mission Indians of California  
Red Cliff Band of Lake Superior Chippewa Indians of Wisconsin  
Red Lake Band of Chippewa Indians of the Red Lake Reservation, Minnesota

## SECTION IV. APPENDICES

### APPENDIX B. LIST OF FEDERALLY RECOGNIZED INDIAN TRIBES

Redding Rancheria, California  
Redwood Valley Rancheria of Pomo Indians of California  
Reno-Sparks Indian Colony, Nevada  
Resighini Rancheria, California (formerly known as the Coast Indian Community of Yurok Indians of the Resighini Rancheria)  
Rincon Band of Luiseno Mission Indians of the Rincon Reservation, California  
Robinson Rancheria of Pomo Indians of California  
Rosebud Sioux Tribe of the Rosebud Indian Reservation, South Dakota  
Round Valley Indian Tribes of the Round Valley Reservation, California (formerly known as the Covelo Indian Community)  
Rumsey Indian Rancheria of Wintun Indians of California

#### **-S-**

Sac & Fox Tribe of the Mississippi in Iowa  
Sac & Fox Nation of Missouri in Kansas and Nebraska  
Sac & Fox Nation, Oklahoma  
Saginaw Chippewa Indian Tribe of Michigan, Isabella Reservation  
Salt River Pima-Maricopa Indian Community of the Salt River Reservation, Arizona  
Samish Indian Tribe, Washington  
San Carlos Apache Tribe of the San Carlos Reservation, Arizona  
San Juan Southern Paiute Tribe of Arizona  
San Manuel Band of Serrano Mission Indians of the San Manuel Reservation, California  
San Pasqual Band of Diegueno Mission Indians of California  
Santa Rosa Indian Community of the Santa Rosa Rancheria, California  
Santa Rosa Band of Cahuilla Mission Indians of the Santa Rosa Reservation, California  
Santa Ynez Band of Chumash Mission Indians of the Santa Ynez Reservation, California  
Santa Ysabel Band of Diegueno Mission Indians of the Santa Ysabel Reservation, California  
Santee Sioux Tribe of the Santee Reservation of Nebraska  
Sauk-Suiattle Indian Tribe of Washington  
Sault Ste. Marie Tribe of Chippewa Indians of Michigan  
Scotts Valley Band of Pomo Indians of California  
Seminole Nation of Oklahoma  
Seminole Tribe of Florida, Dania, Big Cypress, Brighton, Hollywood & Tampa Reservations  
Seneca Nation of New York  
Seneca-Cayuga Tribe of Oklahoma

## SECTION IV. APPENDICES

### APPENDIX B. LIST OF FEDERALLY RECOGNIZED INDIAN TRIBES

Shakopee Mdewakanton Sioux Community of Minnesota (Prior Lake)  
Shawnee Tribe of Oklahoma  
Sheep Ranch Rancheria of Me-Wuk Indians of California  
Sherwood Valley Rancheria of Pomo Indians of California  
Shingle Springs Band of Miwok Indians, Shingle Springs Rancheria (Verona Tract), California  
Shoalwater Bay Tribe of the Shoalwater Bay Indian Reservation, Washington  
Shoshone Tribe of the Wind River Reservation, Wyoming  
Shoshone-Bannock Tribes of the Fort Hall Reservation of Idaho  
Shoshone-Paiute Tribes of the Duck Valley Reservation, Nevada  
Sisseton-Wahpeton Sioux Tribe of the Lake Traverse Reservation, South Dakota  
Skokomish Indian Tribe of the Skokomish Reservation, Washington  
Skull Valley Band of Goshute Indians of Utah  
Smith River Rancheria, California  
Snoqualmie Tribe, Washington  
Soboba Band of Luiseno Mission Indians of the Soboba Reservation, California  
Sokaogon Chippewa Community of the Mole Lake Band of Chippewa Indians, Wisconsin  
Southern Ute Indian Tribe of the Southern Ute Reservation, Colorado  
Spirit Lake Tribe, North Dakota (formerly known as the Devils Lake Sioux Tribe)  
Spokane Tribe of the Spokane Reservation, Washington  
Squaxin Island Tribe of the Squaxin Island Reservation, Washington  
St. Croix Chippewa Indians of Wisconsin, St. Croix Reservation  
St. Regis Band of Mohawk Indians of New York  
Standing Rock Sioux Tribe of North & South Dakota  
Stockbridge-Munsee Community of Mohican Indians of Wisconsin  
Stillaguamish Tribe of Washington  
Summit Lake Paiute Tribe of Nevada  
Suquamish Indian Tribe of the Port Madison Reservation, Washington  
Susanville Indian Rancheria, California  
Swinomish Indians of the Swinomish Reservation, Washington  
Sycuan Band of Diegueno Mission Indians of California

#### **-T-**

Table Bluff Reservation - Wiyot Tribe, California  
Table Mountain Rancheria of California

## SECTION IV. APPENDICES

### APPENDIX B. LIST OF FEDERALLY RECOGNIZED INDIAN TRIBES

Te-Moak Tribes of Western Shoshone Indians of Nevada (Four constituent bands: Battle Mountain Band; South Fork Band and Wells Band)

Thlopthlocco Tribal Town, Oklahoma

Three Affiliated Tribes of the Fort Berthold Reservation, North Dakota

Tohono O'odham Nation of Arizona

Tonawanda Band of Seneca Indians of New York

Tonkawa Tribe of Indians of Oklahoma

Tonto Apache Tribe of Arizona

Torres-Martinez Band of Cahuilla Mission Indians of California

Tule River Indian Tribe of the Tule River Reservation, California

Tulalip Tribes of the Tulalip Reservation, Washington

Tunica-Biloxi Indian Tribe of Louisiana

Tuolumne Band of Me-Wuk Indians of the Tuolumne Rancheria of California

Turtle Mountain Band of Chippewa Indians of North Dakota

Tuscarora Nation of New York

Twenty-Nine Palms Band of Luiseno Mission Indians of California

#### **-U-**

United Auburn Indian Community of the Auburn Rancheria of California

United Keetoowah Band of Cherokee Indians of Oklahoma

Upper Lake Band of Pomo Indians of Upper Lake Rancheria of California

Upper Sioux Indian Community of the Upper Sioux Reservation, Minnesota

Upper Skagit Indian Tribe of Washington

Ute Indian Tribe of the Uintah & Ouray Reservation, Utah

Ute Mountain Tribe of the Ute Mountain Reservation, Colorado, New Mexico & Utah

Utu Utu Gwaitu Paiute Tribe of the Benton Paiute Reservation, California

#### **-W-**

Walker River Paiute Tribe of the Walker River Reservation, Nevada

Wampanoag Tribe of Gay Head (Aquinnah) of Massachusetts

Washoe Tribe of Nevada & California (Carson Colony, Dresslerville Colony, Woodfords Community, Stewart Community, & Washoe Ranches)

White Mountain Apache Tribe of the Fort Apache Reservation, Arizona

Wichita and Affiliated Tribes (Wichita, Keechi, Waco & Tawakonie), Oklahoma

Winnebago Tribe of Nebraska

## SECTION IV. APPENDICES

### APPENDIX B. LIST OF FEDERALLY RECOGNIZED INDIAN TRIBES

Winnemucca Indian Colony of Nevada

Wyandotte Tribe of Oklahoma

#### **-Y-**

Yankton Sioux Tribe of South Dakota

Yavapai-Apache Nation of the Camp Verde Indian Reservation, Arizona

Yavapai-Prescott Tribe of the Yavapai Reservation, Arizona

Yerington Paiute Tribe of the Yerington Colony & Campbell Ranch, Nevada

Yomba Shoshone Tribe of the Yomba Reservation, Nevada

Ysleta Del Sur Pueblo of Texas

Yurok Tribe of the Yurok Reservation, California

#### **-Z-**

Zuni Tribe of the Zuni Reservation, New Mexico

### **Alaska**

Village of Afognak

Native Village of Akhiok

Akiachak Native Community

Akiak Native Community

Native Village of Akutan

Village of Alakanuk

Alatna Village

Native Village of Aleknagik

Algaaciq Native Village (St. Mary's)

Allakaket Village

Native Village of Ambler

Village of Anaktuvuk Pass

Yupiit of Andreafski

Angoon Community Association

Village of Aniak



## SECTION IV. APPENDICES

### APPENDIX B. LIST OF FEDERALLY RECOGNIZED INDIAN TRIBES

Anvik Village  
Arctic Village (See Native Village of Venetie Tribal Government)  
Native Village of Atka  
Asa'carsarmiut Tribe (formerly Native Village of Mountain Village)  
Atqasuk Village (Atkasook)  
Village of Atmautluak  
Native Village of Barrow Inupiat Traditional Government (formerly Native Village of Barrow)  
Beaver Village  
Native Village of Belkofski  
Village of Bill Moore's Slough  
Birch Creek Village  
Native Village of Brevig Mission  
Native Village of Buckland  
Native Village of Cantwell  
Native Village of Chanega (aka Chenega)  
Chalkyitsik Village  
Village of Cheformak  
Chevak Native Village  
Chickaloon Native Village  
Native Village of Chignik  
Native Village of Chignik Lagoon  
Chignik Lake Village  
Chilkat Indian Village (Kluckwan)  
Chilkoot Indian Association (Haines)  
Chinik Eskimo Community (Golovin)  
Native Village of Chistochina  
Native Village of Chitina  
Native Village of Chuathbaluk (Russian Mission, Kuskokwim)  
Chuloonawick Native Village  
Circle Native Community  
Village of Clark's Point  
Native Village of Council  
Craig Community Association  
Village of Crooked Creek  
Curyung Tribal Council (formerly Native Village of Dillingham)

## SECTION IV. APPENDICES

### APPENDIX B. LIST OF FEDERALLY RECOGNIZED INDIAN TRIBES

Native Village of Deering  
Native Village of Diomed (aka Inalik)  
Village of Dot Lake  
Douglas Indian Association  
Native Village of Eagle  
Native Village of Eek  
Egegik Village  
Eklutna Native Village  
Native Village of Ekuk  
Ekwok Village  
Native Village of Elim  
Emmonak Village  
Evansville Village (aka Bettles Field)  
Native Village of Eyak (Cordova)  
Native Village of False Pass  
Native Village of Fort Yukon  
Native Village of Gakona  
Galena Village (aka Loudon Village)  
Native Village of Gambell  
Native Village of Georgetown  
Native Village of Goodnews Bay  
Organized Village of Grayling (aka Holikachuk)  
Gulkana Village  
Native Village of Hamilton  
Healy Lake Village  
Holy Cross Village  
Hoonah Indian Association  
Native Village of Hooper Bay  
Hughes Village  
Huslia Village  
Hydaburg Cooperative Association  
Igiugig Village  
Village of Iliamna  
Inupiat Community of the Arctic Slope  
Iqurmit Traditional Council (formerly Native Village of Russian Mission)

## SECTION IV. APPENDICES

### APPENDIX B. LIST OF FEDERALLY RECOGNIZED INDIAN TRIBES

Ivanoff Bay Village  
Kaguyak Village  
Organized Village of Kake  
Kaktovik Village (aka Barter Island)  
Village of Kalskag  
Village of Kaltag  
Native Village of Kanatak  
Native Village of Karluk  
Organized Village of Kasaan  
Native Village of Kasigluk  
Kenaitze Indian Tribe  
Ketchikan Indian Corporation  
Native Village of Kiana  
Agdaagux Tribe of King Cove  
King Island Native Community  
King Salmon Tribe  
Native Village of Kipnuk  
Native Village of Kivalina  
Klawock Cooperative Association  
Native Village of Kluti Kaah (aka Copper Center)  
Knik Tribe  
Native Village of Kobuk  
Kokhanok Village  
New Koliganek Village Council (formerly Koliganek Village)  
Native Village of Kongiganak  
Village of Kotlik  
Native Village of Kotzebue  
Native Village of Koyuk  
Koyukuk Native Village  
Organized Village of Kwethluk  
Native Village of Kwigillingok  
Native Village of Kwinhagak (aka Quinhagak)  
Native Village of Larsen Bay  
Levelock Village  
Lesnoi Village (aka Woody Island)

## SECTION IV. APPENDICES

### APPENDIX B. LIST OF FEDERALLY RECOGNIZED INDIAN TRIBES

Lime Village  
Village of Lower Kalskag  
Manley Hot Springs Village  
Manokotak Village  
Native Village of Marshall (aka Fortuna Ledge)  
Native Village of Mary's Igloo  
McGrath Native Village  
Native Village of Mekoryuk  
Mentasta Traditional Council (formerly Mentasta Lake Village)  
Metlakatla Indian Community, Annette Island Reserve  
Native Village of Minto  
Naknek Native Village  
Native Village of Nanwalek (aka English Bay)  
Native Village of Napaimute  
Native Village of Napakiak  
Native Village of Napaskiak  
Native Village of Nelson Lagoon  
Nenana Native Association  
New Stuyahok Village  
Newhalen Village  
Newtok Village  
Native Village of Nightmute  
Nikolai Village  
Native Village of Nikolski  
Ninilchik Village  
Native Village of Noatak  
Nome Eskimo Community  
Nondalton Village  
Noorvik Native Community  
Northway Village  
Native Village of Nuiqsut (aka Nooiksut)  
Nulato Village  
Nunakauyarmiut Tribe (formerly the Native Village of Toksook Bay)  
Native Village of Nunapitchuk  
Village of Ohogamiut

## SECTION IV. APPENDICES

### APPENDIX B. LIST OF FEDERALLY RECOGNIZED INDIAN TRIBES

Village of Old Harbor  
Orutsararmuit Native Village (aka Bethel)  
Oscarville Traditional Village  
Native Village of Ouzinkie  
Native Village of Paimiut  
Pauloff Harbor Village  
Pedro Bay Village  
Native Village of Perryville  
Petersburg Indian Association  
Native Village of Pilot Point  
Pilot Station Traditional Village  
Native Village of Pitka's Point  
Platinum Traditional Village  
Native Village of Point Hope  
Native Village of Point Lay  
Native Village of Port Graham  
Native Village of Port Heiden  
Native Village of Port Lions  
Portage Creek Village (aka Ohgsenakale)  
Pribilof Islands Aleut Communities of St. Paul & St. George Islands  
Qagan Toyagungin Tribe of Sand Point Village  
Rampart Village  
Village of Red Devil  
Native Village of Ruby  
Village of Salamatoff  
Organized Village of Saxman  
Native Village of Savoonga  
Saint George (See Pribilof Islands Aleut Communities of St. Paul & St. George Islands)  
Native Village of Saint Michael  
Saint Paul (See Pribilof Islands Aleut Communities of St. Paul & St. George Islands)  
Native Village of Scammon Bay  
Native Village of Selawik  
Seldovia Village Tribe  
Shageluk Native Village  
Native Village of Shaktoolik



## SECTION IV. APPENDICES

### APPENDIX B. LIST OF FEDERALLY RECOGNIZED INDIAN TRIBES

Native Village of Sheldon's Point  
Native Village of Shishmaref  
Shoonaq Tribe of Kodiak  
Native Village of Shungnak  
Sitka Tribe of Alaska  
Skagway Village  
Village of Sleetmute  
Village of Solomon  
South Naknek Village  
Stebbins Community Association  
Native Village of Stevens  
Village of Stony River  
Takotna Village  
Native Village of Tanacross  
Native Village of Tanana  
Native Village of Tatitlek  
Native Village of Tazlina  
Telida Village  
Native Village of Teller  
Native Village of Tetlin  
Central Council of the Tlingit & Haida Indian Tribes  
Traditional Village of Togiak  
Tuluksak Native Community  
Native Village of Tuntutuliak  
Native Village of Tununak  
Twin Hills Village  
Native Village of Tyonek  
Ugashik Village  
Umkumiute Native Village  
Native Village of Unalakleet  
Qawalangin Tribe of Unalaska  
Native Village of Unga  
Village of Venetie (See Native Village of Venetie Tribal Government)  
Native Village of Venetie Tribal Government (Arctic Village and Village of Venetie)  
Village of Wainwright

## **SECTION IV. APPENDICES**

### APPENDIX B. LIST OF FEDERALLY RECOGNIZED INDIAN TRIBES

Native Village of Wales

Native Village of White Mountain

Wrangell Cooperative Association

Yakutat Tlingit Tribe



# SECTION IV. APPENDICES

## APPENDIX C. FEEDBACK

### **We'd Like to Hear From You**

We'd like to hear from you about the Indian Affairs' FY2006 Annual Performance and Accountability Report. Did it present the information in a way that you could use? What did you like best and least about our report? How can we improve our report in the future?

You may send written comments to:

U.S. Department of the Interior  
Chief Financial Officer - Indian Affairs  
2051 Mercator Drive  
Reston, VA 20191  
703.390.6484

