

FINANCIAL MANAGEMENT

		2002 Actual	2003 Estimated	Uncontroll. & Related Changes (+/-)	Program Changes (+/-)	2004 Request	Change from 2003 (+/-)
Regulation & Technology	\$\$\$	477	485	9	-3	491	6
	FTE	4	4	0	0	4	0
Abandoned Mine Land	\$\$\$	6,070	6,179	116	-35	6,260	81
	FTE	58	58	0	0	58	0
TOTAL	\$\$\$	6,547	6,664	125	-38	6,751	87
	FTE	62	62	0	0	62	0

This business line provides resources for the Financial Management program activity. OSM carries out its financial management program responsibilities through three activities: fee compliance, revenue management, and grants management.

- Fee compliance covers the collection, accounting, audit and investment of abandoned mine reclamation fees, assistance to operators on compliance matters, and regulatory and policy development on fee compliance issues.
- Grants management includes accounting for and reporting on grants awarded to State and Tribes for AML and regulatory purposes.
- Revenue management involves the accounting and collection of revenue other than reclamation fees, such as civil penalties assessed under Federal citations for mining violations and Federal performance bonds forfeited by coal mine permittees.

Financial Management operations are an integral part of OSM's Environmental Restoration and Environmental Protection mission goal areas supporting the Department's Resource Use and Resource Protection goals. State and Tribal grant funding (reclamation and regulatory) disbursement for the administration of regulatory activities and reclamation clean up projects is managed through this program activity. OSM, States, and Tribes fund reclamation project work through the fees collected from current mine operators after they are appropriated by Congress annually. These projects clean up environmental hazards resulting from past mining operations that degrade land and water resources. The regulatory grants fund administration of State regulatory programs that protect people and the environment from adverse affects associated with current mining and ensures the land is restored at the conclusion of mining.

Operational Processes (Program Activities): OSM carries out its program financial management responsibilities through three activities: fee compliance, revenue management, and grants management. This business line does not include administrative accounting or reporting for appropriated funds.

- Fee Compliance***
 - *Company Reporting*
 - *Collection*
 - *Accounting*
 - *Audits*
 - *Investment of AML Fees*
 - *Compliance Assistance to Operators*
 - *Regulatory and Policy*
 - *Development on Fee compliance issues*
- Grants Management***
 - *Accounting and Reporting*
- Revenue Management***
 - *Accounting and collection of revenue other than AML fees (e.g. civil penalties and Federal performance bonds)*

Fee compliance covers the company reporting, collection, accounting, audit, and investment of abandoned mine reclamation fees, assistance to operators on compliance matters, and regulatory and policy development on fee compliance issues.

Grants management includes accounting for and reporting on grants awarded to States and Tribes for AML and regulatory purposes.

Revenue management involves the accounting and collection of revenue other than reclamation fees, such as civil penalties assessed under Federal citations for mining violations and Federal performance bonds forfeited by coal mine permittees.

FY 2004 PERFORMANCE GOALS AND MEASURES

The Financial Management business line supports accomplishment of OSM's Environmental Restoration and Protection mission goals through the collection of fees used for reclamation work and management of reclamation and regulatory grant funds.

The outcome of OSM's Financial Management program performance is mostly measured by the success of the Surface Mining Program in carrying out the two major missions of the organization -- Environmental Restoration and Environmental Protection. The Financial management business line is an integral part and supports accomplishment of both missions. In addition, OSM identified workload indicators for this business line as measures of the efficiency and effectiveness of financial management operations. These measures or indicators include: the Office of Inspector General financial statement audit opinion for fee compliance, revenue management, grants financial services; and, the fee compliance rate for operators reporting coal tonnage.

Table 1: Strategic Goals and Measures

OSM Mission Goal Areas:			
<p>Environmental Restoration</p> <p>To provide a cleaner and safer environment by reclaiming and restoring land and water degraded by past mining</p> <p style="text-align: center;">&</p> <p>Environmental Protection</p> <p>To protect people and the environment during current mining operations and to ensure that the land is restored to beneficial use after mining has ceased</p>			
DOI Goal	DOI Outcome Measure	OSM Goal	OSM Measures
Resource Use – Manage or Influence Resource Use to Enhance Public Benefit, Promote Responsible Use, and Ensure Optimal Value -Energy	1. Ensure X% of sites free from off-site impacts. 2. Number of acres where reclamation goals are achieved as evidenced by release from phase III performance bonds.	Produce financial statements free of material weaknesses regarding fee compliance, revenue, and grants financial services.	Unqualified Financial statement opinion from the Inspector General.
Resource Protection – Improve Health of Watersheds, Landscapes and Marine Resources that are DOI Managed or Influenced in a Manner Consistent with Obligations Regarding the Allocation and Use of Water	1. Number of land acres for which degradation from past mining has been reclaimed 2. Number of stream-miles and number of acres of impounded water for which degradation from past surface coal mining has been reclaimed	Maintain a 99% fee collection and compliance rate.	Percent of fees due that are collected.
			Percent of fee reports filed on time.
			Percent of permits filed electronically.

Data Verification and Validation for Measure: OSM has various internal controls and system capabilities to assure accurate and timely reporting of data related to program performance. Additionally, the financial data and measures for this business line are subject to audit annually by the Department of the Interior’s Office of the Inspector General.

Actions Required to Achieve Annual Goals: OSM will use technology to increase compliance and improve processing of collections. This includes using the Internet to ease the coal companies’ reporting burden to receive quarterly coal production reports, provide information to companies, and allow companies to make payments on-line. OSM will continue to use new and streamlined collection services as they become available and will work with customers and stakeholders to ensure fair and consistent policies.

In FY 2004 OSM will continue to pursue opportunities to participate in e-government projects, such as, building node off the Small Business Administration’s ‘Business Compliance One Stop’ and Health and Human Services E-grants in support of the Administration’s e-government initiative.

In accordance with guidelines established by the Chief Financial Officer's Council, OSM is converting to a new grant disbursement system. OSM will need to ensure a smooth transition to the new system through cooperative training with Treasury and customer service. OSM has over 174 grants and cooperative agreements with the States and Tribes, accounting for over \$259 million.

Resources, Skills, and Technology Needed: To support program activities and to ensure that operators continue to support the surface mining program by paying appropriate fees, OSM plans to maintain a highly trained cadre of fee compliance auditors, program accountants, and financial systems personnel. Training will continue so that financial management personnel maintain a high level of skill and technical expertise. OSM will also continue to use contractors to handle billing, data entry and appropriate collection functions.

In FY 2004, the President's Budget requests \$6.2 million for the Fee Compliance Program activity; \$0.4 million for the Revenue Management program activity; and \$0.2 million for the Grants Financial Management program activity to meet the annual goals discussed above.

The following section details, by program activity, the funding and FTE resources required to meet the performance measures.

**Table 2 – Justification of Program and Performance
Financial Management
Summary Increases/Decreases for FY 2004
(Dollars in Thousands)**

Program Activity		Regulation & Technology			Abandoned Mine Lands			Total			Inc/ Dec
		2002 Actual	2003 Estimated	2004 Request	2002 Actual	2003 Estimate	2004 Request	2002 Actual	2003 Estimate	2004 Request	
Fee Compliance	\$\$\$	0	0	0	5,988	6,095	6,175	5,988	6,095	6,175	80
	FTE	0	0	0	57	57	57	57	57	57	0
Revenue Management	\$\$\$	388	394	399	0	0	0	388	394	399	5
	FTE	3	3	3	0	0	0	3	3	3	0
Grants Financial Management	\$\$\$	89	91	92	82	84	85	171	175	177	2
	FTE	1	1	1	1	1	1	2	2	2	0
TOTAL	\$\$\$	477	485	491	6,070	6,179	6,260	6,547	6,664	6,751	87
	FTE	4	4	4	58	58	58	62	62	62	0

ONGOING PROGRAM

1. Fee Compliance

The fee compliance activity provides funding used by OSM, States and Tribes to restore land and water degraded by past mining practices to beneficial uses. The fee is collected from active coal operators based upon tons of coal produced and sold. The use of this money funds the accomplishment of the Department's Restoration mission goal.

OSM's Fee Compliance Program carries out SMCRA's requirements to ensure coal operators accurately report tonnage and pay reclamation fees. The program goal is to maximize compliance by fairly and consistently applying policy and collection procedures at a reasonable cost. In FY 2002, the program achieved a 99.9 percent collection rate resulting in \$287 million in total collections. The program achieved a 94.2 percent compliance rate for operators filing their tonnage reports on time. After working closely with the industry, 99.9 percent of the required reports were filed. OSM's goal is to increase the initial on-time reporting level to reduce the follow-up effort that is currently required. In terms of efficiency, the total direct program cost was less than two percent of the amount collected.

Since the inception of the AML Fund through FY 2002, OSM has collected \$5.8 billion. The Abandoned Mine Land Reclamation Act of 1990 required OSM to invest the unappropriated balance of the Fund in U.S. Treasury issued public debt securities after October 1, 1991. This has generated interest of over \$711 million through November 30, 2002, of which \$630 million has been transferred to the United Mine Workers Combined Benefit Fund, as required by law. Table 18 details the actual and projected annual collections and earnings of the AML Fund.

The Fee Compliance Program is comprised of two highly integrated components, -- collections and audits -- that work hand-in-hand to maximize compliance, minimize the burden on industry, and ensure the efficient use of resources. For example, key initiatives that these components will continue in FY 2004 include:

- Developing a consolidated coal data reporting system. This project is being coordinated with other Federal and state agencies that collect information from the coal industry. It is intended to allow companies to electronically report information one time for multiple government uses.
- Expanding coal companies' use of electronic tonnage reporting and fee payment systems. These mechanisms offer efficiencies for both the industry and government.

Details on these and other services the collection and audit components provide are described in the following sections.

a. AML Fee Collection

The collection component assures that the AML Fee payment requirements of SMCRA are consistently and fairly applied across the country, creating a level playing field for all coal

companies. In FY 2002, OSM collected 99.9 percent of the AML Fees due during the year. Total AML Fee collections were \$287 million.

To assist in managing AML Fee collections, OSM utilizes the Fee Billing Accounting and Collection System (FEEBACS). This computerized system provides subsidiary accounts receivable and management information needed to manage the fee compliance program. FEEBACS is integrated with the Applicant Violator System to track new permits from initial permitting through fee reporting. AML fee payments are tracked by permit number of producing coal companies for each quarter of the year. In addition, the system issues quarterly OSM-1 coal reclamation fee reports for industry coal sale reporting and fee computation. The package includes all data available on potentially producing permits to simplify the reporting requirements by industry. The forms are pre-printed and mailed to the companies to facilitate tonnage reporting and fee payment. Beginning in 2001, companies could elect to report over the Internet, using the E-filing system described below.

OSM-1 Reports covering over 3,000 permits are processed each quarter. OSM has developed an internet-based system to allow coal companies to file their quarterly coal production reports electronically. Companies report that the system saves them time and money and the system was cited as an outstanding process improvement by the Denver Federal Executive Board and was given their 2001 Excellence in Government Award. Currently, companies use the system to report on over 900 permits. The new system helps streamline the reporting process, makes it easier for companies to report on time, reduces errors, and makes it easier to follow-up with companies that have not reported. During FY 2002, the system was enhanced to allow companies to make payment online, using the Treasury Department's Pay.Gov payment method. This new feature saves companies time and wire transfer costs, while providing OSM with faster information about collections for investment purposes. During FY 2003 and 2004, OSM plans to continue promoting the use of E-filing and online payment by companies.

OSM will also continue working on a consolidated single reporting form for coal companies to use to report to multiple Federal and State agencies. OSM is participating in a pilot test of this concept with the Internal Revenue Service, the Mine Safety and Health Administration, the Small Business Administration, the State of Pennsylvania, the Interstate Mining Compact Commission and a volunteer group of coal companies. The results of this test will help the participants assess the benefits and feasibility of this concept.

b. AML Fee Audit

SMCRA requires OSM to conduct audits to ensure full compliance with the law's reclamation fee requirements, so funds are available for State, Tribal, and Federal reclamation efforts. To meet that mandate, the compliance program is designed to promote timely and accurate reporting of coal tonnage and to ensure correct fee payments. In addition to conducting audits, this includes providing the information and assistance operators need to comply, and taking enforcement action when non-compliance occurs.

The audit staff is strategically located in field offices in most of the coal-producing areas, which is instrumental in providing direct service to coal operators. To ensure quality, all work is

carried out in accordance with Government Auditing Standards issued by the Comptroller General of the United States. The continuing professional education and training of OSM's auditing staff is emphasized in accordance with those standards.

By structuring the audit program so that all companies have the potential to be audited, an effective deterrent to noncompliance is always present. To support the program goal of maximizing compliance, OSM auditors will conduct more than 200 audits and compliance checks in FY 2004. Beyond the deterrent effect, this provides an opportunity to directly assist industry on accounting and reporting matters. For example, when instances of non-compliance are identified, the auditors explain each issue and how similar occurrences can be avoided in the future.

Auditors also provide several other services necessary to achieve a high level of compliance. The following are a few examples of the work planned for FY 2004.

- *Examining all permit transactions recorded by regulatory authorities:* The audit staff will need to review more than 1,000 newly issued coal mining permits and transactions (transfers and amendments), which can affect the parties responsible for paying fees. Nearly 1,200 were handled in FY 2002. By continuing these efforts, the program has greater assurance that all producing permits are identified in a timely manner, and operators are informed of their reporting and payment responsibilities.
- *Developing necessary revisions to the fee requirements:* The primary focus will be on determining whether the rules for taking excess moisture deductions in calculating fees can be simplified. The auditors have the most direct contact with operators and the subject-matter expertise to identify, develop, test, and implement any needed changes. This is part of an ongoing effort to ensure fairness and a level playing field among all operators in paying fees, and to minimize the compliance burden.
- *Promoting E-government:* The first aspect will cover promoting electronic tonnage reporting and fee payment by demonstrating the systems for companies during audits. The second will entail outreach sessions with industry for input on the consolidated coal data reporting project.
- *Coordinating work with the Internal Revenue Service:* OSM initiated discussions with the IRS on how the fee compliance and coal excise tax compliance programs could be more efficient. OSM audit results have always been sent to the IRS, but the OSM assistance will be expanded to better support the excise tax program, and reduce the overall audit burden on industry.
- *Working with States and Tribes:* Discussions have intensified on how OSM can share information and take other steps with the States and Tribes to make more efficient use of our resources. As with the IRS work, this initiative also carries the potential of reducing the industry's regulatory burden. The focus in FY 2004 will be on eliminating redundant data gathering and coordinating coal company audits.

Overall, there also will be a continued emphasis on customer service. Industry feedback on the FY 2002 audits indicated that all customer service standards were met, which is critical to maximizing compliance and collections.

Table 3-Actual and Estimated Deposits to the AML fund
AML Production Fees, Investment Earnings, and Associated Fees
(Production in millions of tons)
(Dollars in Millions)

	2002“Actuals”	2002 Projections <i>(as submitted in FY 2001)</i>		2003 Projections		2004 Projections		2005 Projections	
		DOE	OSM	DOE	OSM	DOE	OSM	DOE	OSM
Production *									
Underground	361	386	403	393	410	400	417	412	415
Surface	659	655	636	673	654	687	668	699	671
Lignite	80	100	88	96	84	97	84	99	87
AML Fees **	\$287.0	\$285.2		\$292.2		\$301.6		\$305.9	
Investment	\$43.3	\$47.6		\$60.7		\$78.0		\$80.5	
Total	\$330.3	\$332.8		\$352.9		\$379.6		\$386.4	

**DOE Production is based on the Department of Energy (DOE) “Annual Energy Outlook 2001, OSM Case”. OSM tonnage uses the last reported production (Fiscal Year 2002) and then increases or decreases based on the percentage increase or decrease in DOE production for each coal type. The OSM projections are usually lower because AML fees are assessed on the tonnage sold, used, or transferred while the DOE figures are based on the tonnage produced.*

***AML Fees are calculated based on the OSM tonnage estimates multiplied by the applicable fee rate: \$.15, \$.35, and \$.10 for underground, surface, and lignite, respectively. This calculation is then adjusted for moisture content, reduced coal prices and fees, administrative fees and uncollectible fee estimates. Current Authority to collect AML fees ends in 2004. The Administration will seek authorization to extend the fund.*

Table 4 – Summary Status of Abandoned Mine Reclamation Fund
(Dollars in Thousands)

Fiscal Year	Receipts & Interest Income			Appropriations			Unappropriated AML Fund Balance
	Amount	Interest Earned	Cumulative	Amount	Transfer To UMWA	Cumulative	
1978	105,444		105,444	36,647		36,647	68,797
1979	184,433		289,877	61,451		98,098	191,779
1980	199,000		488,877	94,843		192,941	295,936
1981	192,657		681,534	82,485		275,426	406,108
1982	222,644		904,178	115,333		390,759	513,419
1983	197,196		1,101,374	213,079		603,838	497,536
1984	216,554		1,317,928	271,228		875,066	442,862
1985	226,426		1,544,354	296,941		1,172,007	372,347
1986	219,162		1,763,516	197,277		1,369,284	394,232
1987	215,304		1,978,820	203,720		1,573,004	405,816
1988	229,890		2,208,710	199,380 ¹¹		1,772,384	436,326
1989	235,493		2,444,203	193,160		1,965,544	478,659
1990	243,519		2,687,722	192,772		2,158,316	529,406
1991	243,761		2,931,483	198,955		2,357,271	574,212
1992	241,954	39,328	3,212,765	187,803		2,545,074	667,691
1993	238,153	30,633	3,481,551	187,930		2,733,004	748,547
1994	244,296	40,090	3,765,937	190,107 ²		2,923,111	842,826
1995	255,416	61,730	4,083,083	182,386		3,105,497	977,586
1996	256,451	69,383	4,408,917	173,887	47,184	3,326,568	1,082,349
1997	266,783	81,006	4,756,706	177,085	31,374	3,535,027	1,221,679
1998	273,039	67,031	5,096,776	177,624 ³	32,562	3,745,213	1,351,563
1999	276,674	82,831	5,456,281	185,392	81,766	4,012,371	1,443,910
2000	274,297	94,370	5,824,948	195,873	108,959 ⁴	4,317,203	1,507,745
2001	284,044	103,496	6,212,488	215,038	182,018 ⁵	4,714,259	1,498,229
2002	287,066	43,278	6,542,832	203,455	90,179 ⁶	5,007,893	1,534,939
2003	292,196	33,758	6,868,786	174,300	56,079	5,238,272	1,630,514
2004	301,590	41,774	7,212,150	185,300	41,774	5,465,346	1,746,804

¹ Total does not include \$7M transferred into the fund by supplemental authority, which does not affect the Unappropriated Balance.

² Total includes \$7.2 M transferred into the fund by supplemental authority, which does not affect the Unappropriated Balance.

³ Total does not include \$3.2M transferred into the fund by supplemental authority, which does not affect the Unappropriated Balance.

⁴ Total includes one-time \$68M emergency appropriation, as well as the annual appropriation of \$41m.

⁵ Total includes annual amount of \$102.9M, as well as \$78.M of the one-time \$967M mandated under PL 106-291.

⁶ Total includes annual amount of \$113.6M, less \$23.3M returned by UMWACBF as mandated under PL 106-291.

The FY 2003-2004 receipt figures and interest earnings are projections. Beginning in FY 1992, SMCRA was amended to allow the AML Fund to be invested. The Energy Policy Act of 1992 provided that funds from the interest earned could be transferred to the United Mine Workers of America Combined Benefit Fund.

2. Grants Financial Management

This activity accounts for and disburses reclamation and regulatory grants to States and Tribes under OSM's Environmental Restoration and Environmental Protection business lines. Grants represent the majority of OSM's budget and fund the protection and restoration of land, water, and structures adversely affected by mining operations (past and present). The grants financial management activity includes the disbursement, accounting, reporting and recovery of grant funds. It also includes the computer systems used to support these functions. Approximately half of the funding request (\$0.92 million) supports DOI's Resource Use goal and (\$0.85 million) supports DOI's Resource Protection goal area.

After grants are issued, the grant disbursement system allows States and Tribes to request funds and receive payment within one day. The grants tracking system allows grant specialists to track grant awards, disbursements and costs, and manage the grant financing. Grant awards are entered into the Grants Information Financial Tracking System (GIFTS) to establish a grant account balance. As States and tribes need funds, they submit a drawdown request for funds through OSM's on-line Draw-Down Express System. The Draw-Down Express System automatically checks GIFTS to assure that funds are available. If funds are available, the system approves the disbursement and a payment is issued. GIFTS is updated as payments are made. As States and Tribes spend the grant funds they have received, they submit cost reports, which are entered into the system. GIFTS gives OSM grant specialists and States and tribes on-line reports, which show the status of grant funds.

During FY 2003, OSM will complete the migration of its payment processes to a Government Grant Payment System replacing the present Draw-Down Express System. This is required of all government agencies that made grant payments. OSM will continue to work with the States and tribe to make sure that their grants management needs are met. During FY 2004, OSM plans to meet or exceed the following measures:

- 99 percent of grant payment requests will be processed within one day; and
- 95 percent of States and tribes will rate our services as satisfactory or better.

The Table on the following page details the AML Unappropriated Balance as of September 30, 2002, by a description of its allocation.

**Office Of Surface Mining
AML Unappropriated Balance
September 30, 2002
Prepared by the Division of Financial Management**

Total Funds to be Allocated: \$1,534,938,776.53

Description of Allocation	Balance as of 10/02/01 1/	LESS: 2002 Appropriation	LESS: 2002 5/ UMWBF Transfer	Post Appr. & Trans. Balance	Investment Int. 10/02/01 -09/30/2002	Collections for 10/02/01 -09/30/2002	Balance As Of 09/30/2002
RAMP Allocation	\$244,744,024.26	\$0.00	\$0.00	\$244,744,024.26	\$0.00	\$28,998,509.17	\$273,742,533.43
Federal Expense 2/	\$66,311,248.89	(\$67,572,718.00)	\$0.00	(\$1,261,469.11)	\$0.00	\$57,997,018.32	\$56,735,549.21
Historical Coal 3/	\$126,527,777.39	(\$56,965,532.00)	\$0.00	\$69,562,245.39	\$0.00	\$57,997,018.32	\$127,559,263.71
UMWA	\$179,033,866.22	\$0.00	(\$90,178,804.24)	\$88,855,061.98	\$43,277,875.33	\$0.00	\$132,132,937.31
Total Fed Share 1/ and 4/	\$616,616,916.76	(\$124,538,250.00)	(\$90,178,804.24)	\$401,899,862.52	\$43,277,875.33	\$144,992,545.81	\$590,170,283.66
Total State Share	\$881,611,442.95	(\$78,916,750.00)	\$0.00	\$802,694,692.95	\$0.00	\$142,073,799.92	\$944,768,492.87
Total	\$1,498,228,359.71	(\$203,455,000.00)	(\$90,178,804.24)	\$1,204,594,555.47	\$43,277,875.33	\$287,066,345.73	\$1,534,938,776.53

1/ With Public Law 106-291, Congress authorized a transfer to the United Mine Workers Combined Benefit Fund using interest earned in FY 1992-1995. \$78,976,478.05 (net of \$173,996.17, a Congressionally reduced appropriation, subsequently restored) was transferred under this law, \$23,427,452.36 (net) was returned to OSM in 2002, leaving a remaining balance in this pool of \$41,307,751.81.

2/ The Federal Expense Distribution was calculated using 2002 distribution levels

3/ The Historical Coal Distribution was calculated using 2002 distribution levels

4/ This amount includes interest income received of \$39,328,466.11 prior to 10/01/92. Per Congressional appropriation language, OSM used \$7,000,000 of that leaving remaining interest earned of \$32,328,486.11. The remaining balance of investment earnings in all years after all transfers is \$113,125,427.37

5/ \$113,606,256.60 is the amount transferred at the beginning of FY 2002 to the United Mine Workers Benefit Fund for estimated expenses in FY 2002 and for adjustments to actual expenditures in FY 1996, FY 1997, FY 1998, FY 1999, FY 2000 and FY 2001. \$74,941.22 was transferred to the Combined Benefit Fund in FY 2002 pursuant to Public Law 106-291. The Combined Benefit fund returned \$23,328,397.41 to OSM, but remains in an appropriated fund and is restricted through the end of FY 2002.

3. Revenue Management

The Revenue Management activity involves managing a variety of non-fee revenues and receivables that come from the agency's operations. These include the following:

- Federal civil penalties issued for mining violations. The total outstanding balance of open civil penalty cases was \$161,709 at the end of FY 2002, including interest and late charges. New civil penalties recorded in FY 2002 totaled \$186,801.
- Bond forfeitures by federally permitted mining companies.
- Fees for mine permit reviews and blaster certification training.

The bonds and penalties assessed ensure responsible management practices in the extraction of coal resources. Levy of penalties and fees help to ensure operators compliance with coal mining regulations and ensure the land is restored to beneficial use at the conclusion of mining operations.

Civil penalty collections are used to reclaim post-SMCRA mine sites. To maximize the collection rate on civil penalties, OSM uses all of the debt collection tools available. These tools include demand letters, personal contact with the debtor, use of payment plans, referral to private collection agencies or the Department of Treasury, litigation through the Solicitor's Office, and referral to the Department of Treasury for payment offset. Additionally, delinquent civil penalties are reported to the Applicant Violator System so that violators and debtors do not obtain permits to mine coal until the outstanding debt and violations have been resolved. These are the same tools used in the AML Fee collection program. However, because the majority of the companies that incur AML Fees are viable, the collection rate for AML Fees is higher than the collection rate for civil penalties.

During 2003-2004 OSM plans to continue to refer civil penalty debt that is more than 180 days delinquent to the Department of Treasury for collection, in accordance with the Debt Collection Improvement Act of 1996. OSM has a memorandum of understanding with the Department of Treasury whereby they will provide collection services on debts over 180 days delinquent. During FY 2002, OSM referred 100 percent of qualifying civil penalty debts to Treasury.

Bond forfeitures on federally permitted lands are used to reclaim mine sites when a company fails to perform reclamation. It is a positive indicator that bond forfeitures have declined over the past three years.

FY 2002 PROGRAM PERFORMANCE ACCOMPLISHMENTS

In 2002, the major accomplishments in the Financial Management program activity include:

- OSM received its twelfth consecutive unqualified audit opinion on our FY 2002 financial statements. No material weaknesses identified.
- OSM Completed pilot of pay.gov a node off the Treasury ‘Simplified and Unified Tax and Wage Reporting’ e-government project in April 2002.
- OSM Collected \$287,066,346 in fees from active coal mine operators that will be used to reclaim lands abandoned prior to passage of the Surface Mining Law in 1977.
- OSM worked with four western state audit organizations and identified means of increasing efficiency and reducing the compliance burden of coal company audits.
- OSM and the Internal Revenue Service developed new steps to improve efficiency and reduce the burden of coal companies’ compliance with the reclamation fee and coal excise tax requirements.
- OSM Distributed \$191,501,525 to state abandoned mine programs to reclaim abandoned mine land health and safety hazards and \$56,575,000 to state coal

	2002 Planned	2002 Actual	Change	Reason for Change
No material weaknesses on financial statements	100%	100%	0	No change.
Fee collection rate	99%	99.9%	+0.9%	Exceeded planned performance
Initial compliance rate	93%	94.2%	+1.8%	Exceeded planned performance
Increase the number of permits reporting by e-filing	0	28%	n/a	New performance statistic.
Process requests for grant payments within one day	99%	99%	0%	No change.
Customer satisfaction	95%	90%	-5%	Planned performance not achieved.

mine regulatory programs.

FY 2003 PLANNED PROGRAM PERFORMANCE

- OSM will continue to promote E-filing of OSM-1, coal production reports, and online payments by companies.

	2002 Actual	2003 Plan	2004 Plan	Change	Comment/ Explanation of 2004
No material weaknesses on financial statements	100%	100%	100%	0	No change.
Fee collection rate	99%	99%	99%	0	Ensure continued high compliance with fee requirements on coal production.
Initial compliance rate	94.2%	93%	94%	+1%	Ensure continued high compliance with fee requirements on coal production.
Increase the number of permits reporting by e-filing	28%	35%	40%	+5%	Will continue to promote use of new online filing of OSM-1 in 2004.
Process requests for grant payments within one day	99%	99%	99%	0	No change.
Customer satisfaction	90%	95%	95%	0	OSM continues to strive for the highest possible customer satisfaction of grant management services.

JUSTIFICATION OF 2004 PROGRAM CHANGES

Financial Management	FY 2004 Budget Request	Program Changes (+/-)
\$(000)	6,751	-38
FTE	62	0

Information Technology (-\$38,000) -The Department is undertaking significant information technology reforms to improve the management of IT investments, to improve the security of systems and information, and to realize short and long term efficiencies and savings. The Department is taking a corporate approach that will include consolidated purchases of hardware and software, consolidation of support functions including helpdesks and email support, and web services, and coordination of training.

In addition to Department-wide efforts, the Bureau will explore further savings in information technology by fully participating in Departmental enterprising and capital planning projects, delaying system enhancements, consolidating bureau level services (i.e., servers and helpdesk), accelerating the acquisition of the MS Enterprise Licensing agreement, and reviewing life cycle replacements. In addition, potential savings may result from competitive sourcing studies.

FY 2004 FINANCIAL MANAGEMENT PERFORMANCE

DOI Strategic Goal: Resource Protection – Improve Health of Watersheds and Landscapes						
End Outcome Goal 4.1: Improve Health of Watersheds and Landscapes						
End Outcome Measure(s)	FY 2001 Actual	FY 2002 Plan	FY 2002 Actual	FY 2003 Plan	FY 2004 Plan	Change in Performance 2003 to Planned 2004
Number of equivalent land acres for which degradation from past mining has been reclaimed.	13,808 ¹	8,200	8,019 ²	6,900	6,900	0
Number of stream-miles and number of acres of impounded water for which degradation from past surface coal mining has been reclaimed. ³	N/A	N/A	N/A	N/A	150	0
Intermediate Outcome: Restore and maintain proper function to watersheds and landscapes						
Intermediate Outcome Measures	FY 2001 Actual	FY 2002 Plan	FY 2002 Actual	FY 2003 Plan	FY 2004 Plan	Change in Performance 2003 to Planned 2004
Number of mine-scarred land acres improved for beneficial uses. ³	N/A	N/A	N/A	N/A	6,900	
Number of miles of streams improved. ³	N/A	N/A	N/A	N/A	150	
Number of acres of non-stream (impounded) surface water improved. ³	N/A	N/A	N/A	N/A	150	0

DOI Strategic Goal: Resource Use – Provide Access for Responsible Use and Optimal Value.						
End Outcome Goal 2.1: Manage Resources to Enhance Public Benefit, Promote Responsible Use, and Ensure Optimal Value - Energy						
End Outcome Measure(s)	FY 2001 Actual	FY 2002 Plan	FY 2002 Actual	FY 2003 Plan	FY 2004 Plan	Change in Performance 2003 to Planned 2004
Ensure 94% of active sites free of off-site impacts.	93.9%	94%	92.8%	94%	94%	0
Number of acres where reclamation goals are achieved as evidenced by release from phase III performance bonds	81,853	75,000	73,407	70,000	70,000	0
Intermediate Outcome: Enhance Responsible Use Management Practices.						
Intermediate Outcome Measures	FY 2001 Actual	FY 2002 Plan	FY 2002 Actual	FY 2003 Plan	FY 2004 Plan	Change in Performance 2003 to Planned 2004
Restore and mitigate damage:						
Number of acres reclaimed in phase I and II	180,503	112,000	106,136	100,000	100,000	0

1\ FY2001 accomplishments reported by the States and Tribes included more than one fiscal year. OSM's calculated estimate for 2001 was 8,600. 8,600 was the baseline for the number of acres for which reclamation was initiated.

2\ This is below the 2002 target goal; however, there is a delay in reporting projects completed by the states and it is anticipated that the goal will be attained when all on-the-ground reclamation is reported.

3\ New performance measure for 2004. No existing baseline.