



U.S. Department of the Interior
Office of Inspector General

AUDIT REPORT

NATIONAL BIOLOGICAL SERVICE
FINANCIAL STATEMENTS FOR
FISCAL YEAR 1994

REPORT NO. 95-I-546
FEBRUARY 1995



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
Washington, D.C. 20230

FEB 23 1995

MEMORANDUM

TO: The Secretary

FROM: Acting Inspector General

SUBJECT SUMMARY: Final Audit Report for Your Information - "National Biological Service Financial Statements for Fiscal Year 1994" (No. 95-I-546)

DISCUSSION: Based on the results of our audit, we concluded that the National Biological Service's financial statements for fiscal year 1994 are presented fairly, the Service's internal accounting control structure except for the controls related to accounts payable (accrued expenses) meets the established internal control objectives, and the Service has complied in all material respects with applicable laws and regulations. We also found the financial information in the Service's overview to be consistent with the information presented in its financial statements.

Based on the Service's response to the draft report, we considered the recommendation relating to accounts payable resolved.


Joyce N. Fleischman

Attachment

Prepared by: Marvin Pierce
Extension: 208-4252



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL

Headquarters Audits
1550 Wilson Boulevard
Suite 401
Arlington, VA 22209

FEB 24 1995

Memorandum

To: Assistant Secretary for Fish and Wildlife and Parks

From: Acting Assistant Inspector General for Audits

Subject: Final Audit Report on National Biological Service Financial Statements for Fiscal Year 1994 (NO. 95-I-546)

This report presents the results of our audit of the National Biological Service's financial statements for fiscal year 1994, as required by the Chief Financial Officers Act of 1990. Based on the results of our audit, we concluded that (1) the financial statements are reliable in all material respects; (2) the internal control structure in effect on September 30, 1994, provided reasonable assurance that any losses of assets or misstatements in financial information that are material to the financial statements would be detected except for the controls relating to accounts payable (accrued expenses); (3) there were no instances of material noncompliance with selected provisions of laws and regulations for fiscal year 1994 that we tested; and (4) the financial information in the overview relating to the financial statements is reliable and consistent with the information contained in the statements.

In our draft report, we recommended that the Biological Service strengthen internal controls by developing and implementing procedures to recognize accrued expenses for all goods and services received by the end of the year. The February 3, 1995, response (Appendix 1) from the Biological Service concurred with our recommendation, and the response was sufficient for us to consider the recommendation resolved. Accordingly, the unimplemented recommendation will be referred to the Assistant Secretary - Policy, Management and Budget for tracking of implementation, and no further response to this office is required.

The legislation, as amended, creating the Office of Inspector General requires semiannual reporting to the Congress on all audit reports issued, action taken to implement audit recommendations, and identification of each significant recommendation on which corrective action has not been taken.


Marvin Pierce

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United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
Headquarters Audits
1550 Wilson Boulevard
Suite 401
Arlington, VA 22209

FEB 24 1995

Memorandum

To: Director, National Biological Service

From: Acting Assistant Inspector General for Audits

Subject: Final Report on National Biological Service Financial Statements for Fiscal Year 1994

In accordance with the Chief Financial Officers Act of 1990, we audited the accompanying National Biological Service's financial statements for the fiscal year ending September 30, 1994. These financial statements are the responsibility of the National Biological Service, and our responsibility is to express an opinion, based on our audit, on these financial statements.

Our audit was conducted in accordance with the "Government Auditing Standards," issued by the Comptroller General of the United States, and Office of Management and Budget Bulletin 93-06, "Audit Requirements for Federal Financial Statements," and was completed on February 3, 1995. These audit standards require that we plan and perform the audit to obtain reasonable assurance as to whether the accompanying financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and notes. An audit also includes assessing the accounting principles used and significant estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

We found that the financial statements and accompanying notes present fairly the National Biological Service's assets, liabilities, and net position; revenues, financing sources, and expenses; cash flows; and budget and actual expenses. We also found that these financial statements are presented in conformity with the accounting standards and policies described in Note 1 of the Notes to Financial Statements. We did not audit the information presented in the supplemental schedules that follow the Notes to Financial Statements; therefore, we do not express an opinion on them.

As part of our audit, we evaluated the Biological Service's internal control structure, tested the Biological Service's compliance with selected provisions of laws and

regulations, and reviewed the financial information presented in the Biological Service's overview. However, because of inherent limitations in any system of internal controls, losses, noncompliance, or misstatements may nevertheless occur and not be detected. We also caution that projecting our evaluations to future periods is subject to the risk that controls or the degree of compliance with the controls may deteriorate.

Except as discussed in the paragraph below, we found that the Biological Service's internal control structure in effect on September 30, 1994, was sufficient to safeguard assets against loss from unauthorized use or disposition; ensure that transactions were executed in accordance with laws and regulations; ensure that transactions were properly recorded, processed, and summarized; and provide reasonable assurance that any losses, noncompliance, or misstatements that are material to the financial statements would be detected. In addition, we found that there were no material instances of noncompliance with selected provisions of laws and regulations for fiscal year 1994 that we tested, and nothing came to our attention in the course of our other audit work to indicate that material noncompliance with such provisions occurred. Further, we found that the financial information in the Biological Service's overview relating to the financial statements is reliable and consistent with the information presented in the financial statements.

Our audit disclosed that the Biological Service had not established procedures to ensure that accounts payable (accrued expenses) were established for unrecorded payment vouchers held by the U.S. Fish and Wildlife Service's Finance Center, which provides the Biological Service with accounting services. This issue is considered a significant reportable condition but not a material weakness (see page 3).

Our review of Office of Inspector General and U.S. General Accounting Office audit reports related to the scope of this audit disclosed that there were no significant unresolved and unimplemented recommendations that affected the Biological Service's financial statements.


Marvin Pierce

FINDING AND RECOMMENDATION

Recording Accounts Payable (Accrued Expenses)

The National Biological Service needs to improve its year-end procedures for ensuring that accruals are made for all goods and services received by the end of the fiscal year. Procedures were not developed because the Biological Service believed that its existing fiscal year-end accrual process recognized all valid expenses and accounts payable. However, we found 3,066 documents for goods and services received that had been submitted by the Biological Service's field offices to the Finance Center but that had not been processed. (The Biological Service's accounting records are maintained by the U.S. Fish and Wildlife Service's Finance Center.) Consequently, as of September 30, 1994, approximately \$2 million had not been accrued as expenses or recorded as accounts payable. Although the Biological Service took steps after the end of fiscal year 1994 to reduce the backlog of unrecorded documents and made adjustments to the financial statements for the unrecorded accrued expenses, further procedures are need to ensure that accruals are made for any unrecorded expenses at fiscal year-end.

Recommendation

We recommend that the Biological Service strengthen internal controls by developing and implementing procedures to recognize accrued expenses for all goods and services received by the end of each fiscal year.

National Biological Service Response

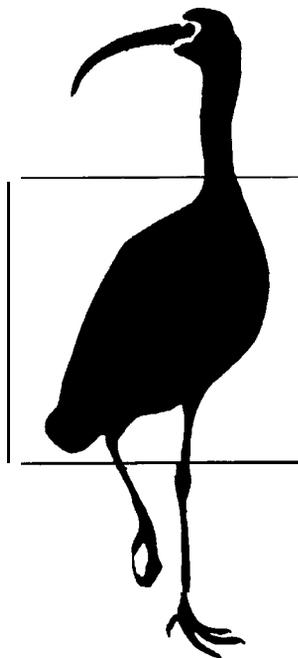
The February 3, 1995, response (Appendix 1) from the Chief Financial Officer, National Biological Service, concurred with the recommendation. The Biological Service said that it will work on policies and procedures with the U.S. Fish and Wildlife Service's Division of Finance to ensure that accrued expenditures are established for unrecorded payment vouchers during the year-end process.

Office of Inspector General Comments

The Biological Service's response was sufficient for us to consider the recommendation resolved but not implemented. Accordingly, it will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation (see Appendix 2).

u. s. Department of the Interior - National Biological Service

**Annual Financial
Report of Fiscal Year
1994 Activity**



**DEPARTMENT OF THE INTERIOR
National Biological Service**

Fiscal Year 1994 Annual Financial Report

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**Annual Financial Report of Fiscal Year 1994 Activity
National Biological Service**

The Organization

Background

The National Biological Service came into existence November 11, 1993, with the passage of the Department of the Interior and related agencies Appropriation Act for 1994, Public Law 103-138.

The Department established the NBS by combining the biological research and survey activities of seven Departmental bureaus. The table below shows the number of employees transferred from the contributing agencies to the NBS on November 14, 1993:

<u>Bureau</u>	<u>Employees Transferred</u>
Bureau of Land Management (BLM)	30
Minerals Management Service (MMS)	4
Bureau of Reclamation (BOR)	6
National Park Service (NPS)	200
U.S. Fish and Wildlife Service (FWS)	1,608
Office of Surface Mining Reclamation&Enforcement (OSM)	1
U.S. Geological Survey (USGS)	0
Total :	<u>1,849</u>

Structure

The programs and functions of the NBS are carried out through the following major organizational components:

Headquarters Office

Consists of the Director, Deputy Director, Assistant Directors, and the staff offices and divisions reporting to them and provides national policy formulation and program direction for each of the programs implemented under the NBS Research, Inventory and Monitoring, and Information Transfer.

Regions

The NBS Regions were approved in 1994 and will come into existence in 1995. Each office will be headed by a Regional Director, and will have overall responsibility for providing line management, procedural and operational guidance for all NBS activities - except national programs - within the region under its jurisdiction. There will be four Regions, Western, Mid-Continent, Southern and Eastern.

Science Centers

Each headed by a Center Director, Science Centers have responsibility for directing and conducting large scale regional research, monitoring, and information transfer activities within their specialty areas of jurisdiction; for coordination with and support to resource managers and other research customers; for providing administrative support as delegated; and for supervising Field Stations for whom they have jurisdiction. There are 16 Science Centers.

Cooperative Units

Each headed by a Unit Leader, Cooperative Units have responsibility for conducting research, graduate-level education, and technical assistance activities in support of Interior bureaus, other federal and state agencies, and universities. Their activities are most often local, regional, or statewide in nature, but they may address larger scale issues as special expertise is needed. Acting in concert, they can also provide a nationwide network of research stations. There are 72 Cooperative Units.

Inventory and Monitoring Activities

The Assistant Director for Inventory and Monitoring directs national efforts for the status and trends; and establishes policy, standards, and protocols for a coordinated inventory and monitoring program at the local and regional level. Activities will include efforts to inventory the abundance, distribution, and health of plants, animals, and ecosystems on public lands and as requested, on state and private lands. Standardized protocols are being established in cooperation with other agencies to enhance comparability of methods.

Information Transfer

The Assistant Director for Information Transfer directs activities related to management and storage of data within the NBS as well as the transfer of scientific information to research customers. These activities include the development of scientific publications, databases, and syntheses of information generated by research and inventory and monitoring programs.

Bureauwide Support Offices

The Geographic Information Systems Technical Center, located in Denver, Colorado, and headed by the Technical Center Director, provides Bureauwide technical, scientific, data management and administrative services. It maintains field stations for local and regional support in Onalaska, Wisconsin.

The Mission

The mission of the NBS is to work with others to provide the scientific understanding and technologies needed to support the sound management and conservation of our Nation's biological resources. The primary role of the NBS is to meet the biological research needs of other organizations within the Department of the Interior, other federal agencies, States, local entities, Tribes, and private and nonprofit users. The NBS acts as an independent science bureau, without advocating positions on resource management issues and without regulatory or land and water development authorities.

The Programs Objectives and Accomplishments

The NBS is comprised of the following seven program areas, each with specific responsibilities to carry out the Director's scientific research objectives.

- o Research
 - Species Biology
 - Population Dynamics
 - Ecosystems
- o Inventory and Monitoring
- o Information Transfer
- o Cooperative Research Units
- o Facility Operation and Maintenance
- o Administration
- o Construction

Research Overview

Research on biological resources includes laboratory and field studies on plants and animals, including their habitats. Data collection analysis and reports are on subjects such as systematic, physiology behavior, ecology, system processes, structure and functions. Research involves both basic and applied scientific investigation that will provide information useful for the management of plants, animals, and ecosystems. It is intended that research on biological resources will be both interdisciplinary and broader than just biological research. For instance, NBS will include research on valuing biological resources (economic models) and will examine demographic and technological trends to help anticipate research effects and establish research needs.

The NBS Research Activity includes three Subactivities: (1) Species Biology, (2) Population Dynamics, and (3) Ecosystems.

Species Biology Research

Program Objectives

Species biology research provides the Department of the Interior bureaus and others with basic biological information manifested at the species level. This information is related to the survival and reproduction of individual members of a species, i.e., their essential needs and life requirements. It includes research into physiology, behavior, genetics, health and disease control, reproduction, systematic, toxicology, and habitat needs. Information gained through species biology research contributes to the ability of agencies to fulfill the mandates of: (1) managing trust species (including plants) such as those listed as threatened or endangered under the Endangered Species Act; migratory birds; marine mammals; and fish that are anadromous or migratory in inter-jurisdictional waters; and (2) other species of interest in managing land resources, such as nongame species and nonindigenous species.

Program Accomplishments

Current species biology research is focused on four broad program areas: contaminants, wildlife, fish, and endangered species. Contaminants research is conducted to determine the effects of contaminants on biotic resources, mechanisms of toxic action such as teratology in sensitive species, identification of species that can be used as surrogates in testing to protect rare species and their environments, and, for protection of individual species establishment of environmental criteria for contaminants.

Research on wildlife focuses on birds covered by the Migratory Bird Treaty Act, including waterfowl, neotropical migratory birds, raptors, shorebirds, and short-distance migrants, and on marine mammals. It includes studies to gain knowledge on nesting behavior, physiology, and organisms that cause disease in wildlife and the ways these organisms affect host organism biology. Species-level research on other nongame species focuses on systematic and taxonomy, primarily in conjunction with responsibility for curation of collections of amphibians, reptiles, birds, and mammals from North and Central America in the U.S. National Museum of Natural History.

These studies also investigate the distribution and range of plants and animals. This also includes certain investigations of taxa to clarify matters of identity, distribution or abundance that may be of management significance. For example, research on polar bears, walrus and sea otters, species covered by the Marine Mammal Protection Act and assigned to Department of the Interior stewardship, focuses on molecular biological techniques to develop information that may be used in defining populations and relationships.

Fish species research focuses on the following basic aspects of fishery resources: (1) provide species level biological information needed to improve the quality and quantity of cultured fish, the operating efficiency of hatchery rearing systems, and fish diseases and health in cultured and wild populations. Anesthetics, disinfectants, and related therapeutants are formulated, tested, and registered to allow improved fish culture and population management; (2) collect and provide information about the biology of aquatic nonindigenous species (ANS), such as exotic zebra mussels, in order to identify the principal pathways by which ANS are introduced and dispersed, to develop methods to prevent and control potential ANS, and to minimize impacts; (3) investigates the effects of project-induced modifications of reservoir storage levels, water releases and temperature changes on individual species, including detailed studies on endangered species potentially affected by Department of the Interior projects.

The NBS conducts research to determine effects of nonindigenous species on native flora and fauna, develops methods to prevent the introduction of potentially nuisance species into the Nation's ecosystems, develop environmentally safe measures to control established nuisance species, and monitor the distribution and potential spread of nonindigenous species in North America. The NBS research program on non-native species is approximately \$3.5 million in FY 1995. Activities include a major research effort on the zebra mussel invasion, focusing on the effects of zebra mussels on the Great Lakes ecosystem, development of a geographic information system to establish their current and potential geographic distribution in the Nation, and development of environmentally safe methods for their control. Research is also conducted on the biological effects and control of nonnative weeds on Federal lands.

In partnership with other Federal, state and nongovernmental agencies, NBS also conducts research on chemical and biological control of sea lampreys in the Great Lakes, brown tree snake control on Guam, evaluation of biological agents for controlling purple loosestrife, and the biology and control of ruffe in Lake Superior, and effects of introduced species as competitors and vectors of pathogens on native biota in Hawaii.

In addition, one global climate change research project focuses on determining the threshold sensitivities of freshwater and coastal aquatic organisms to the direct effects of ultraviolet radiation using survival, mortality, behavioral modification, and biochemical measures as indicators of stress.

Population Dynamics Research

Program Objectives

Population dynamics research provides tools and information for understanding and making predictions about groups of individuals of a species' population. This research is directed at determining the causes and effects of variation in populations of fish and wildlife, including determining natality and mortality rates, productivity, recruitment, effects of predation and competition, and the influence of environmental variables. Effective management requires understanding the relationships among these factors, because most management efforts are directed to populations, not individuals. Population-level research helps answer questions concerning population status and species survival. Scientists have demonstrated, for example, that certain contaminants cause carcinomas in some fish species; population dynamics research will address the question as to how effects on individuals, such as carcinomas, influence the survival of the population.

Program Accomplishments

Population dynamics research on migratory game birds includes analysis and modeling of information collected from management surveys and field studies on breeding grounds in the Prairie Pothole region, Alaska and Canada, and wintering grounds. Research on nongame species focuses primarily on nongame migratory birds, mammals, reptiles and amphibians. Research includes determining population trends, improving census methods and investigating species declines. The role of disease and other limiting factors in the population dynamics of wildlife species is also evaluated.

Investigations such as population modeling provide information used to assess and allocate fishery resources. Data are needed to fulfill long-term commitments to the International Joint Commission for management of fish populations and established treaties in the Great Lakes basin. Concepts and methods are developed to predict the impacts of selective harvest of populations of anadromous and transboundary species and long-term effects of intensive fishing on naturally reproducing stocks. This research also includes investigations on the effects of nonindigenous species on native stocks.

Ecosystems Research

Program Objectives

Research on ecosystems provides information for and understanding of communities of species, and relates needs of these communities to the surrounding environment. It provides information and

tools for holistic conservation of plant and animal resources.

The Department of the Interior has separate but interrelated responsibilities for vast tracts of public land and for populations of fish and wildlife species under federal jurisdiction. Ecosystem-level research addresses the need for sound scientific knowledge to guide the Department's efforts in meeting both kinds of responsibilities in a comprehensive, integrated fashion.

Program Accomplishments

Management of ecosystems can lead to cost savings over the current system for conservation of living resources, which is largely directed toward individual species. Conservation of one or of many species may be the ultimate goal of ecosystems research, but the prime emphasis is on the natural structure and function of ecosystems rather than on the biology of single species examined in isolation. Conservation of a single species is expensive and often impossible once ecosystems on which these species depend have been lost or critically altered. Research on endangered and threatened species has traditionally been conducted at the species and population levels. However, attention has focused recently on studying groups of species within a given ecosystem and the broad range of factors that threaten species and ecosystems.

Specific areas of research include effects of environmental contaminants, acid precipitation, global climate change and habitat alterations on ecosystems; the influence of nonindigenous and other undesirable species on native biotic communities; and functions and values of unique or high-diversity systems such as habitat islands and riparian and wetland habitats, in maintaining fish and wildlife populations. Ecosystem research develops and evaluates alternative habitat management practices, restoration strategies, and mitigation measures for their effectiveness in maintaining and enhancing populations and ecosystems. Also included is research on new methods of measuring and tracking the condition of ecosystems that ultimately might form the basis for improved inventory and monitoring programs.

Ecosystem research under way in FY 1994 includes a variety of investigations related to wildlife, fisheries, and habitat conservation issues. Studies of wildlife emphasize the effects of environmental change on populations for which the Department has statutory responsibility, particularly game and nongame migratory birds. Increasingly, NBS will catalyze and participate in regional and issue-specific agenda and priority setting efforts. These efforts will be based on consultations with a range of management and scientific interests, and upon collection and assessment of a full range of existing information.

Studies of neotropical migratory birds attempt to relate changes in distribution, abundance, and species composition to habitat fragmentation of the breeding grounds and to tropical deforestation in Central and South American wintering areas. Other research attempts to measure, predict, and evaluate habitat management alternatives on resources of concern to the Department, including effects of specific management regimes on waterfowl productivity, hunter harvest, predation, and outbreaks of disease. Fishery investigations broadly examine the relationships between quality of aquatic environments and the occurrence and abundance of fish species. Much of this research focuses on the quality, availability, and effects of development on necessary habitats. For example, some studies examine the factors affecting fish passage at hydroelectric facilities, evaluate habitat changes in impounded rivers and the response of fish populations to them, and assess the dynamics of food webs on which young fish depend.

NBS participates in the United States Global Change Research Program (USGCRP), which is administered by the National Science and Technology Council. NBS Global Change Research supports ecological process studies and long-term measurement of ecological responses at the species, community, ecosystem, landscape and regional level. Projects are designed to: (1) determine response and sensitivity of species, ecosystems, and ecological processes to existing climate conditions and other environmental factors; (2) evaluate how global change may influence ecosystem dynamics, structure and function; habitat quality; population viability; species abundance and distribution; physiological response of species; changes in migratory patterns; and long-term ecosystem variability, resiliency and productivity; and (3) assess approaches to sustain productivity, health, and diversity of species, populations and ecosystems through adaptation or mitigation.

Global Change research is being conducted in National Parks, in Fish and Wildlife Service refuges, and on Bureau of Land Management lands. Where appropriate, research involves the surrounding ecosystem, for example, in South Florida and the Pacific Northwest. Several research projects are collaborative efforts with the U.S. Geological Survey or the U.S. Forest Service. Other projects utilize the academic expertise and technological facilities of state universities (e.g., through cooperative agreements).

NBS conducts research in relation to oil and gas development on the Outer Continental Shelf. These studies include the potential impacts of oil and gas development on territories and movements of seabirds, marine mammals, benthic organisms, and sea turtles. Research also relates to long-term assessments of the effects of oil and gas operations. NBS will conduct research for OSM on the

use of wetlands to treat waters and areas affected by acid mine drainage. Other research needs include developing improved revegetation abilities.

NBS conducts and manages research in support of the Bureau of Reclamation's needs for biological information. Research needs include study of wildlife habitat, especially riparian habitat, in conjunction with the operation of Reclamation projects; evaluation of wetland habitat to be created from the re-use of treated sewage effluent; examination of new methods for monitoring water quality and aquatic toxicity in waters impaired by heavy metals pollution; and investigation of emergent plant invasion and saline lake beaches to protect the piping plover habitat.

Inventory and Monitoring

Program Objectives

The program objectives of the Inventory and Monitoring program are:

- Conduct inventories and monitor the status and trends of the Nation's biotic resources including plants, animals and ecosystems.
- Publish the first periodic National Biological Status and Trends Report in FY 1995.
- Integrate and coordinate existing Department of the Interior (DOI) inventory and monitoring efforts to ensure maximum collaboration with inventory and monitoring efforts outside the Department, with a focus on filling identified gaps.

Program Accomplishments

The NBS is developing an integrated Inventory and Monitoring Activity with common standards and protocols. This will allow for statistically valid assessments of trends and comparisons among locales and across time. The integrated monitoring programs are structured, so that the results can be readily tailored to provide information at the level of detail and scale requested by each specific user (e.g., National Park superintendents, U.S. Fish and Wildlife Service Refuge managers, Bureau of Land Management managers, Bureau of Reclamation engineers), and others, while providing a national overview of biological indicators of managed species and lands.

Inventories include studies to determine the types, abundance, and distribution of organisms and their habitats. Monitoring provides information on the trends (e.g., increasing or decreasing abundance or locations) of particular species or

habitats. Monitoring also provides qualitative and quantitative indicators of the health and condition of plants, animals, and ecosystems (e.g., species diversity, age structure, presence or loss of functions, or level of contamination). Monitoring the status and trends of plants, animals and ecosystems will provide the early warning indicators needed by resource managers to plan proactively, allowing the time for collaborative solutions between environmental and economic interests.

The NBS Inventory and Monitoring Activity is consolidating, integrating, and building upon contributing programs transferred from several DOI bureaus, including national programs such as the Gap Analysis Project (GAP), Biomonitoring of Environmental Status and Trends (BEST), North American Bird Banding System (NABBS), Electronic Data Processing (EDP) Section migratory bird data storage and the Breeding Bird Survey (BBS), plus specific research and site-specific efforts directed toward National Parks, BLM and BOR lands, and National Wildlife Refuges.

The Inventory and Monitoring Activity is conducting studies to develop and/or improve inventory and monitoring tools and techniques that provide enhanced capability and accuracy in surveying and enumerating populations and habitats; detecting and quantifying environmental stressors such as contaminants; assessing the condition or health of species, populations, and ecosystems; and interpreting, modeling, and reporting the results of monitoring. Some tools or techniques being developed and validated include a prototype technique for identifying and mapping areas of species richness (one measure of biological diversity) and identifying gaps where more habitat protection and management is needed (GAP). Other examples of tools being developed and validated are devices that measure the contaminants in the aquatic environment and the potential for uptake by plants and animals.

Information Transfer

Program Objectives

A wealth of data exists about the natural resources of the United States. In addition to the data produced by the NBS Research and Inventory and Monitoring activities, these data are located in files, publications, and computers in Federal, State and local governments and in non-government organizations such as universities, museums, libraries, corporations and conservation and natural heritage groups. A major challenge for the NBS is to find these data and make the data useful to NBS customers and partners to support sound management of natural resources. In addition, these data are critical for the identification of data gaps to be targeted by NBS Research and Inventory and Monitoring activities.

The Information Transfer budget activity is managed by the Information and Technology Services (I&TS) component of the NBS. I&TS works to provide access to, disseminate, and share biological resource data and information on the biological resources of the United States. To accomplish this, it is necessary to plan and implement information technology systems and techniques for the collection, storage, retrieval, analysis, use, and timely dissemination of comprehensive biological data and information to promote sound management of the Nation's natural resources. One of the objectives of NBS is to be a leader in identifying, developing, and promoting appropriate technologies and information products. Specifically, NBS promotes and supports the use of GIS and statistical techniques in study and data gathering designs, remote sensing technology and techniques in data gathering, techniques for ecosystem modeling, simulations, forecasting and visualization, multi-media (sound and video), and graphics presentations. It will also lead in establishing partnerships among customers and contributors internal and external to NBS.

Program Accomplishments

The majority of the funding and staffing resources which formed the I&TS program immediately after the creation of NBS were located at the research centers across the country. These resources were dedicated to development of new techniques, methods and protocols, information dissemination and technical assistance for understanding and sustaining healthy fish and wildlife and their aquatic and terrestrial habitats. In FY 1994, these important activities were sustained and redirected to provide information and technology services to all DOI bureaus and their partners. In addition, these activities were more sharply focused on ecosystems related issues. Examples include: synthesis of data to evaluate policies for preservation, and habitat and water management in various ecosystems nationwide; development of standardized economic techniques to improve natural resource economic assessments; use of organism health assessment capabilities to link contaminant sources to natural resources damage assessment activities; and technical assistance, such as diagnostic work for fish and wildlife die-offs and contaminant tissue sample analysis.

NBS reported to the Congress in February 1994 on how NBS and the Natural Heritage Network will interrelate with, share, and pool data from other existing Federal databases, including the Environmental Protection Agency's EMAP program, and survey and monitoring efforts currently under way in the U.S. Forest Service and to study how to make such pooled and shared data available to users.

In FY 1994, NBS expanded its information dissemination and technical assistance functions to include the following: editing

and publication of scientific papers in a new series of NBS peer reviewed publications; providing workshops and training in new technologies (e.g., GIS' 93 - a workshop and conference on the development and use of geographic information systems and related technologies); technical assistance in the application of models and techniques; and publication of handbooks (GIS Source book and Wildlife Management) and reviews (Wildlife Review and Fisheries Review). A strategic planning workshop was held to focus on development of policies, guidelines and programs relating to NBS information, communications, and records issues. As a result of the workshop, inter-organizational teams will be employed to develop implementation plans for these issues.

In FY 1994, NBS directed resources to coordinate major NBS information, communications, and records systems. This includes planning and beginning a biological information infrastructure, a capability that does not currently exist, that will provide significant benefits to researchers, resource managers and decision makers. This "National Biological Information Infrastructure" will be a network of distributed databases and information sources (automated and non-automated) for biological resources. This information network is intended for use by Federal and state agencies, researchers, universities and museums, planning and environmental consultants, private companies, landowners, and the public. The information infrastructure is planned for development and implementation in phases. The first phase will be an on-line "directory" (available through Internet or directly) briefly describing existing databases and giving points of contact. The second phase will be a "clearinghouse" allowing users to search a network of computers, look at summary, descriptive information about the databases, and determine if the data in the databases meets their needs. The final phase will be a "virtual" national biological database, in which users access and retrieve data from the distributed databases on the network.

Also in FY 1994, NBS established partnerships with entities producing biological information. For example, the NBS has established a memorandum of understanding with The Nature Conservancy to explore ways that national and state natural heritage data can be accessed and used by the NBS, its customers and partners. Finally, the NBS is identifying the techniques and technology required by NBS and its partners to analyze biological data to assist in directing research activities and in understanding the health and condition of the nation's biological resources.

Cooperative Research Units

Program Objectives

The NBS includes Cooperative Research Units from three former bureaus: the Bureau of Land Management (BLM), the National Park Service (NPS), and the U.S. Fish and Wildlife Service (FWS). While differing in structure, purpose and funding, they share four key features:

- They have been established in cooperation with host universities and, in some cases, state fish and wildlife agencies.
- They provide the capability to address local and regional research needs, and have special focus for mission-oriented research for land and resource managers.
- They offer access through cooperating agencies to special expertise, such as engineering, hydrology and economics, that complement the traditional renewable natural resources research disciplines.
- Because of their dispersed nature, they are a key contact for research colleagues and peers in other federal and state agencies and academia, and support local needs of resource managers.

In addition to these common features, NBS Cooperative Research Units also offer different expertise. These include fish and wildlife research biologists and development of graduate level education programs in fish and wildlife management; forestry and range science biologists; and botanists and social scientists. In this sense, their expertise is more complementary than duplicative.

Program Accomplishments

The Cooperative Research Program provides the natural resources management community with a high quality scientific basis for making management decisions, and with highly trained professionals to implement them. The strengths of the Cooperative Research Program are the unique cooperation among federal and state governments and academia; the diversity of scientific expertise among the federal employees and other cooperators; and the geographic distribution of the units. These cooperative arrangements provide the federal government with access to faculty expertise and university facilities. The dispersed location of the Units offer research opportunities on virtually every type of North American ecological community or system. The Cooperative Research Program helps foster research activity on lands managed by the Department. Moreover, units

cooperate on issues of shared interest, thus allowing work on problems transcending state and regional boundaries, such as resource management in major rivers or ecological systems.

Facilities Operations and Maintenance

Program Objectives

The NBS manages a network of 16 Science Centers, 40 field stations, and 72 Cooperative Research Units. This represents a large capital investment in major research facilities. NBS has responsibility for protecting and maintaining those facilities to carry out their missions. Operation and Maintenance funds provide the basic costs of keeping the research facilities open and operating in a safe and efficient manner. Title to all land, buildings and other structures is still held by the Fish and Wildlife Service and it is anticipated that title will be transferred at a future date.

Program Accomplishments

This Activity includes the base administrative and facility management costs of the NBS research centers, their field stations, and associated support for Cooperative Research Units. These activities are not directly related to the specific research programs; the needs remain relatively constant regardless of the number or types of projects conducted and represent the cost of maintaining the research capability. These costs include basic administrative services and utilities, safety and security services, laundry services, waste disposal, cleaning services, grounds maintenance, mechanical systems maintenance, public use-related expenses, and the salaries of staff who provide routine maintenance. Because of the nature of biological research - especially the potential for disseminating contagious disease vectors or contaminated wastes - many of these facilities have extremely high standards for isolation and containment of wastes.

Administration

Program Objectives

The program objectives of the Administration program are:

- To provide general administrative support to all NBS programs and organization levels to enable them to function effectively.
- To provide that support with a quality service ethic and at the lowest possible cost, and

- To develop opportunities and programs to ensure a culturally diverse NBS work force.

Program Accomplishments

The Administration Activity provides executive and managerial direction, budget development and execution, procurement and contracting services, property management, financial management, directives systems management, human resources management, safety, and funding for a variety of Bureauwide fixed costs. Administration provides funding for a portion of NBS executive and managerial direction expenses, including portions of NBS's four regional executive staff, and for basic administrative support services to sustain ongoing operations for all NBS programs.

In order to minimize administrative overhead costs, much of NBS' general administration requirements will continue to be provided by buying services from other Departmental bureaus.

Bureau-wide fixed costs are budgeted centrally because certain essential program support costs are relatively uncontrollable by NBS, and due to the nature of the origination and billing arrangements, are more effectively and efficiently managed centrally. This includes space rental payments to GSA and to private lessors, FTS 2000 charges and some of NBS's general purpose commercial telephone services, unemployment compensation payments to the Department of Labor, mail and postal service, and payments to the Department for services provided through the Departmental Working Capital Fund.

Construction

Program Objectives

This activity funds construction of new facilities for the NBS, and will also include funding for the rehabilitation and modernization necessary to meet new laws and standards, and to improve the capabilities of the facilities so that research may be conducted efficiently.

Program Accomplishments

During FY 1994, NBS commenced major rehabilitation of two pathological incinerators at the National Wildlife Health Research Center in Madison, Wisconsin, to comply with the State of Wisconsin Administrative Code regarding Control of Hazardous Pollutants. Additionally, planning and design commenced for rehabilitation of the biology building at the National Fisheries Contaminants Research Center in Columbia, Missouri, to facilitate biological research and to improve energy conservation.

Operation and Maintenance of Quarters

Program Objective

The program objectives of the Operation and Maintenance of Quarters is to provide for maintenance and operation of National Biological Service quarters through the use of rental receipts.

Program Accomplishments

In certain designated circumstances, it is necessary for personnel to occupy government-owned quarters. Such circumstances include isolation of the site, protection of wildlife or fishery stocks (e.g., water flow to fish tanks could be interrupted by freeze), health and welfare of visitors, and protection of government property.

Quarters require regular operational upkeep as well as periodic rehabilitation and upgrading to maintain safe and healthful conditions for occupants. Rental receipts are used for general maintenance and repair of quarters buildings; code and regulatory improvements; retrofitting for energy efficiency; correction of safety discrepancies, utilities, access roads, grounds and other site maintenance service; and the purchase of replacement equipment such as household appliances, air conditioners, furnaces, lease agreements; and routine maintenance costs which continue when housing units are vacant. "Vacant" housing is made available for occupancy by volunteers who are not subject to paying rent.

Financial Management Performance

Background

NBS receives many of the basic financial management services from the U. S. Fish and Wildlife Service (Service). The Service's Finance Center (1) receives and processes all of the NBS obligation and payment documents, (2) prepares, issues and collects Accounts Receivable for debts arising out of the normal course of business, (3) prepares all the regulatory financial reports and statements, and (4) prepares the internal financial management reports used by the NBS operating units to manage their funds.

The NBS Finance primary focus is to ascertain the type and scope of future financial management services needed and information required by NBS financial management.

Accomplishments

NBS participated in a study regarding Remote Data Entry. Based on the results of this study NBS dramatically expanded the use of the Federal Financial System (FFS). The NBS Science Center's were provided the training and empowered to enter financial data directly into the FFS. These improvements increased the accuracy and timeliness of document input.

NBS actively participated in the Department's financial management community by participating in the Chief Financial Officers and Financial Officers Partnership activities.

NBS has increased the use of the Employee Travel Credit Card program resulting in a decrease in the number and amount of temporary duty travel advances.

NBS began implementing a series of directives, instructions and procedures to improve financial management.

Reimbursable agreements accounted for \$33 million in obligations in 1994. NBS has instituted policy and procedures concerning delegations of authority; and the basic budget and financial requirements of reimbursable agreements.

NBS has also begun efforts to expand the use of the GSA Small Item Purchases Credit Card system. NBS plans to have all appropriate organizations trained and issued the cards by the end of FY 1995.

Initiatives

Determine the scope of financial management activity in future fiscal years.

Fiscal Year 1994 Activity: NBS received the authority from the Department's Office of Financial Management to explore various options and alternatives in this area.

Determine the basic needs of NBS' various operating entities from region, research station and cooperative units.

Fiscal Year 1994 Activity: Finance has expanded the capabilities of the Research Center's by expanding their roles in: (a) redistribution of payroll costs, (b) redistribution of non payroll costs, (c) Input of year-end accruals, and (d) transmittal of year-end documents directly to the Finance Center for processing. In addition, we are continuing to explore various options in providing each unit with automated Budget Tracking systems.

Determine the NBS future role in Remote Data Entry.

Fiscal Year 1994 Activity: NBS plans a vigorous expansion of Remote Data Entry. Our future plans involve: (a) Small Item Payments, (b) Small Item Credit Card and (c) Utility payments.

Study new automated approaches that may save FTE and Budget resources.

Fiscal Year 1994 Activity: Finance has completed the first phase of the Budget Tracking system study. Now that NBS has the ability to seek alternative solutions to our financial management needs, we will also be able to strengthen our integrated approach to these problems. As an example the Fixed Asset module of FFS is being implemented by some Interior bureaus for Personal Property Management.

**NATIONAL BIOLOGICAL SERVICE
STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 1994
(IN DOLLARS)**

1994

ASSETS

Entity Assets:

Intragovernmental Assets:

Fund Balance with Treasury (Note 2)	\$ 56,645,137
Accounts Receivable, Net – Public (Note 3)	1,101,979
Advances	82,062

Governmental Assets:

Accounts Receivable, Net – Federal (Note 3)	9,033,684
Other Governmental (Note 10)	10,399,604
Property and Equipment, Net (Note 4)	<u>1,440,836</u>

Total Entity Assets

78,703,302

TOTAL ASSETS

\$ 78,703,302

LIABILITIES

Liabilities Covered by Budgetary Resources:

Intragovernmental Liabilities:

Accounts Payable	\$ 2,888,224
Other Intragovernmental Liabilities (Note 5)	4,182,984

Governmental Liabilities:

Accounts Payable	2,484,868
Other Government Liabilities (Note 5)	<u>924,514</u>

Total Liabilities Covered by Budgetary Resources: 10,480,590

Liabilities not Covered by Budgetary Resources:

Governmental Liabilities:

Other Government Liabilities (Note 5) 7,445,692

Total Liabilities not Covered by Budgetary Resources: 7,445,692

TOTAL LIABILITIES

17,926,282

NET POSITION

Balances:

Unexpended Appropriations (Note 6)	56,331,003
Invested Capital	1,440,836
Cumulative Results of Operations (Note 6)	51,269
Other (Note 10)	10,399,604
Future Funding Requirements (Note 6)	<u>(7,445,692)</u>
Total Net Position (Note 6)	<u><u>60,777,020</u></u>

TOTAL LIABILITIES AND NET POSITION

\$ 78,703,302

The accompanying notes are an integral part of this financial statement.

**NATIONAL BIOLOGICAL SERVICE
STATEMENT OF OPERATIONS AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 1994
(IN DOLLARS)**

	1994
REVENUES AND FINANCING SOURCES	
Appropriated Capital Used	\$ 109,509,914
Revenues from Sales of Goods and Services	
To the Public	2,158,614
Intragovernmental	15,409,068
Other Revenues and Financing Sources (Note 10)	21,521,323
Total Revenues and Financing Sources	148,598,919
EXPENSES	
Program and Operating Expenses (Note 7)	151,745,141
Other	11,699
Total Expenses	151,756,840
EXCESS (SHORTAGE) OF REVENUES AND FINANCING SOURCES OVER TOTAL EXPENSES	\$ (3,157,921)
NET POSITION, BEGINNING BALANCE	\$ 0
Adjustments (Note 10)	6,163,102
Excess (Shortage) of Revenue and Financing Sources over Total Expenses	(3,157,921)
Plus (minus) Non Operating Changes (Note 8)	57,771,839
NET POSITION, ENDING BALANCE	\$ 60,777,020

The accompanying notes are an integral part of this financial statement.

**NATIONAL BIOLOGICAL SERVICE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 1994
(IN DOLLARS)**

	1994
CASH FLOWS FROM OPERATING ACTIVITIES	
Excess (Shortage) of Revenues and Financing Sources Over Total Expenses	\$ (3,157,921)
Adjustments Affecting Cash Flows	
Appropriated Capital Used	(109,509,914)
Increase (Decrease) in Accounts Receivable	(10,135,663)
Increase (Decrease) in Other Assets	(82,062)
Increase (Decrease) in Accounts Payable	5,373,092
Increase (Decrease) in Other Liabilities	5,107,498
Other Unfunded Expenses	3,209,190
Total Adjustments	(106,037,858)
Net Cash Used by Operating Activities	(109,195,780)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Property, Plant and Equipment	(1,440,836)
Net Cash Used by Investing Activities	(1,440,836)
CASH FLOWS FROM FINANCING ACTIVITIES	
Appropriations (Current Warrants)	163,519,000
Add:	
Transfers of Cash from Others	5,722,753
Deduct:	
Transfers of Cash to Others	(1,960,000)
Net Cash Provided by Financing Activities	167,281,753
Net Cash Provided by Operating, Investing and Financing Activities	56,645,137
Beginning Fund Balance With Treasury	0
Ending Fund Balance With Treasury	\$ 56,645,137

The accompanying notes are an integral part of this financial statement.

**NATIONAL BIOLOGICAL SERVICE
STATEMENT OF BUDGETARY RESOURCES AND ACTUAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 1994
(IN DOLLARS)**

<u>PROGRAM NAME</u>	<u>BUDGET</u>			<u>ACTUAL</u>
	<u>RESOURCES</u>	<u>OBLIGATIONS</u>		<u>EXPENSES</u>
		<u>DIRECT</u>	<u>REIMBURSED</u>	
General and Other Funds	\$ 201,601,678	\$ 142,496,699	\$ 33,189,124	\$ 130,285,830
Adjustment For Resources, Obligations and Expenses Not Transferred by the U.S. Fish and Wildlife Service	31,870,614	10,399,604	0	21,471,010
TOTALS	<u>\$ 233,472,292</u>	<u>\$ 152,896,303</u>	<u>\$ 33,189,124</u>	<u>\$ 151,756,840</u>

BUDGET RECONCILIATION:

A. Total Expenses	\$ 151,756,840
B. Add:	
(1) Capital Acquisitions	1,440,836
C. Less: Expense not covered by Available Budget Authority	
(1) Depreciation and Amortization	0
(2) Annual Leave Expense	3,209,190
(3) Other Expenses	<u>21,471,010</u>
D. Accrued Expenditures	128,517,476
E. Less Reimbursements Earned	<u>17,567,746</u>
F. Accrued Expenditures, Direct (Note 10)	<u>\$ 110,949,730</u>

The accompanying notes are an integral part of this financial statement.

**NATIONAL BIOLOGICAL SERVICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING SEPTEMBER 30, 1994**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

These financial statements have been prepared to report the financial position and results of operations of the National Biological Service (NBS) as required by the Chief Financial Officers Act of 1990. They have been prepared from the books and records of the NBS in accordance with the form and content for entity financial statements specified by the Office of Management and Budget (OMB) in OMB Bulletin 94-01, dated November 16, 1993, as well as the NBS's accounting policies which are summarized in this note.

B. Reporting Entity

The NBS was created by Secretarial Order No. 3173 dated September 29, 1993 under authority provided by sections 2 and 5 of Reorganization Plan No. 3 of 1950 (64 Stat. 1262:5 U.S.C. App.).

The mission of the NBS is to provide the scientific basis for decisions requiring biological knowledge. The NBS conducts studies on biological resources in support of land and resource managers within the Department of the Interior. It also serves, on a reimbursable basis, the needs of other Federal agencies, states, and the private sector.

Authority over money or other budget authority made available to NBS is vested in the Director of NBS, who is responsible for administrative oversight and policy direction of NBS. Separate accounts are maintained to restrict the use of money or other budget authority to the purposes and time period for which authorized and to provide assurance that obligations do not exceed authorized amounts.

The accompanying financial statements have been prepared from NBS's consolidated standard general ledger. Included are all funds and accounts under the control of NBS and allocations from other Federal agency appropriations transferred to NBS under specific legislative authority. NBS is responsible for maintaining accounts in multiple funds. Overall there are three separate fund types:

General Funds -- These funds are expenditure accounts used to record financial transactions arising from Congressional appropriations or other authorizations to spend general revenues. The principal general fund is Research, Inventories, and Surveys.

Trust Funds -- NBS maintains one trust fund account to carry out specific programs under trust agreements and statutes. The Contributed Fund trust fund receives contributions for projects related to research.

Special Funds -- Special fund receipt accounts are credited with receipts from specific sources that are earmarked by law for a specific purpose, but which are not generated from a cycle of operations. These receipts are available immediately. Special fund expenditure accounts are used to record amounts appropriated from special fund receipts to be used for special programs according to specific provisions of law. The principal special fund is Operation and Maintenance of Quarters.

Because the trust fund was determined to have immaterial account balances, it was not considered necessary or appropriate to provide separate combining statements.

C. Basis of Accounting

Transactions are recorded on an accrual accounting basis and a budgetary basis. 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. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds.

D. Revenues and Other Financing Sources

NBS receives the majority of the funding needed to support the program through appropriations. The NBS receives annual, multi-year, and no-year appropriations that may be used within statutory limits for operating expenses and capital expenditures (primarily equipment, furniture, and furnishings). Additional amounts are obtained through reimbursements for services provided for other Federal agencies.

Appropriations are recognized as revenues at the time the related program or administrative expenses are incurred. Appropriations expended for property and equipment are recognized as expenses when the asset is consumed in operations. Other revenues are recognized when earned, i.e., goods have been delivered or services rendered. These revenues may be used to offset the cost of operations at field sites (including an amount to recover the costs of appropriate overhead).

E. Funds with the U.S. Treasury

NBS does not maintain cash in commercial bank accounts. Cash receipts and disbursements are processed by the U.S. Treasury. The balance in the Treasury represents all unexpended balances in NBS accounts. The funds with Treasury are available to pay current liabilities and finance authorized purchase commitments.

F. Property and Equipment

NBS defines capitalized equipment as those assets, other than buildings or other structures, that have an estimated useful life of greater than 1 year and an initial acquisition cost exceeding \$5 thousand. Depreciation is recorded using the straight-line method based on the estimated useful life of the respective assets ranging from 8 to 25 years. Depreciation is not calculated in the year of acquisition.

G. Liabilities

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

H. Annual, Sick, and Other Leave

Annual leave is accrued as it is earned and the accrual is reduced as leave is taken. Each year, the balance in the accrued annual leave account is adjusted to reflect current pay rates. To the extent current appropriations are not available to fund annual leave earned but not taken, funding will be obtained from future funding sources.

Sick leave and other types of nonvested leave are expensed as taken.

I. Retirement Plan

The majority of the NBS's employees participate in the Civil Service Retirement System (CSRS), to which NBS makes matching contributions equal to 7 percent of pay. On January 1, 1987, the Federal Employees Retirement System (FERS) went into effect pursuant to Public Law 99-335. Most employees hired after December 31, 1983, are automatically covered by FERS, and Social Security. Employees hired prior to January 1, 1984, can elect to either join FERS and Social Security or remain in CSRS. A primary feature of FERS is that it offers a savings plan which automatically contributes 1 percent of pay and matches any employee contribution up to an additional 4 percent of pay.

For most employees hired since December 31, 1983, NBS also contributes the employer's matching share for Social Security. NBS does not report CSRS or FERS assets, accumulated plan benefits, or unfunded liabilities, if any, applicable to NBS employees. Reporting such amounts is the responsibility of the Office of Personnel Management and the Federal Employees Retirement System.

J. Comparative Data

Comparative data for the prior year have not been presented because this is the first year for which financial statements are prepared for NBS activities. In future years, comparative data will be presented in order to provide an understanding of changes in the financial position and operations of the NBS.

K. Contingencies

NBS is not aware of any contingent liabilities, litigation, claims, or assessments which represent financial claims against NBS.

L. Supplemental Schedules

Supplemental schedules are presented after these notes for clarification and further disclosure.

NOTE 2. FUND BALANCES WITH TREASURY

Cash receipts and disbursements are processed by the Treasury. The fund balance with Treasury represents all unexpended balances in NBS accounts and the right to draw on the Treasury for allowable expenditures. The balance is comprised of the following at September 30, 1994 (in dollars):

Fund Balances:	<u>Obligated</u>	<u>Unobligated Available</u>	<u>Total</u>
General Funds	\$30,384,886	\$24,658,840	\$55,043,726
Trust Funds	338,601	1,184,794	1,523,395
Special Funds	<u>5,795</u>	<u>72,221</u>	<u>78,016</u>
Total	<u>\$30,729,282</u>	<u>\$25,915,855</u>	<u>\$56,645,137</u>

NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable consists of amounts owed NBS by other federal agencies and amounts owed by the public. Accounts receivable as of September 30, 1994, consist of (in dollars):

	<u>1994</u>
Accounts Receivable-Governmental	\$9,033,684
Accounts Receivable-Intragovernmental	<u>1,101,979</u>
Total Accounts Receivable	<u>\$10,135,663</u>

NOTE 4. PROPERTY AND EQUIPMENT, NET

Depreciation of property, plant, and equipment will be recorded using the straight-line method. Land, property, plant, and equipment consist of the following as of September 30, 1994, (in dollars):

	Service <u>Life</u>	Acquisition <u>Value</u>
Fixed assets	20-50yr	\$ 5,301
Equipment	8-25yr	<u>1,390,358</u>
Sub total		1,395,659
Construction in Progress		<u>45,177</u>
	Total	\$1,440,836

NOTE 5. OTHER LIABILITIES

A. Other Liabilities Covered by Budgetary Resources:

	Total Current <u>Liabilities</u>
Intragovernmental:	
Accrued Funded Payroll/Benefits	\$3,296,912
Advances from Others	499,899
Disbursements in Transit	<u>386,173</u>
Total	<u>\$4,182,984</u>
Governmental:	
Advances from Others	\$914,632
Disbursements in Transit	746
Deposit Liability	<u>9,136</u>
Total	<u>\$924,514</u>

Payments received in advance of the delivery of goods or services relating to reimbursable agreements with the public, such as State-Federal-academic partnerships in research and graduate education for the management of natural resources, totaled \$499,899, and those relating to reimbursable agreements with other Federal agencies totaled \$914,632.

B. Other Liabilities Not Covered by Budgetary Resources:

Other liabilities not covered by budgetary resources total \$7,445,692 and represent the accrued unfunded annual leave of NBS.

NOTE 6. NET POSITION

As of September 30, 1994, fund account balances are as follows (in dollars):

	Appropriated Funds	Trust Funds	Total
Unexpended Appropriations			
Unobligated			
Available	\$24,731,061	\$ 1,184,794	\$25,915,855
Undelivered Orders	30,234,377	180,771	30,415,148
Invested Capital	1,440,836	0	1,440,836
Cumulative Results	956	50,313	51,269
Other	10,399,604	0	10,399,604
Future Funding Requirements	<u>(7,445,692)</u>	<u>0</u>	<u>(7,445,692)</u>
 Total	 <u>\$59,361,142</u>	 <u>\$ 1,415,878</u>	 <u>\$ 60,777,020</u>

NOTE 7. PROGRAM AND OPERATING EXPENSES

Presented below are total operating expenses for FY 1994 by object classification (in dollars):

Operating Expenses by Object Classification:

	<u>1994</u>
Personnel Compensation and Benefits	\$ 89,494,170
Travel and Transportation	4,295,356
Rental, Communication and Utilities	3,563,557
Printing and Reproduction	183,186
Contractual Services	18,994,583
Supplies and Materials	8,188,731
Equipment not Capitalized	1,077,184
Grants, Subsidies and Contributions	4,461,392
Insurance Claims & Indemn/Interest	15,972
NBS Expenses recorded by the U.S.	<u>21,471,010</u>
Fish and Wildlife Service (Note 10)	
Totals	<u>\$151,745,141</u>

NOTE 8. NON-OPERATING CHANGES

Presented below are the non-operating changes for FY 1994 (in dollars).

	<u>1994</u>
Increases:	
Unexpended Appropriations	\$54,009,086
Transfers of Cash from Others	<u>5,722,753</u>
Total Increases	<u>59,731,839</u>
Decreases:	
Transfers of Cash to Others	<u>1,960,000</u>
Total Decreases	<u>1,960,000</u>
Net Non-Operating Changes	<u>\$57,771,839</u>

NOTE 9. CONTINGENCE

The estimate of obligations relating to canceled appropriations for which NBS has contractual commitment for payment is not applicable as NBS does not have any cancelled appropriations for FY94.

NOTE 10. OTHER DISCLOSURES

Although the U.S. Fish and Wildlife Service (FWS) research and development program was transferred to NBS, FWS still holds title to all land, property and equipment. FWS is currently in the process of identifying all property to be transferred to NBS; however, the value of the property has not been determined.

Included in these financial statements as Other Revenues and Financing Sources offset by Program and Operating Expenses are \$21,471,010 in expenses that were recorded on FWS financial records during FY94 that liquidated undelivered orders applicable to functions transferred to NBS that originated prior to October 1, 1993, and were retained in the FWS accounting system. At September 30, 1994, \$ 10,399,604 of these undelivered orders still exist in the FWS accounting system and are reported in these financial statements as Other Governmental Assets offset by Other Net Position Balances.

Also included as an adjustment to Net Position is the future funding requirements at September 30, 1993, in the amount of \$4,236,502 that represented the unfunded annual leave liability applicable to employees that were transferred from FWS when NBS was created.

The Direct Accrued Expenditures as reported on the Statement of Budgetary Resources and Actual Expenses will not agree to the final SF-133, Report on Budget Execution, line 16 for the year ended September 30, 1994, due to an audit adjustment made to accounts payable in the amount of \$2,000,000.

DEPARTMENT OF THE INTERIOR
National Biological Service
EMPLOYEE COUNT BY GRADE
as of September 30, 1994

Executive Level	<u>7</u>
GS/GM-15	34
GS/GM-14	129
GS/GM-13	278
GS-12	300
GS-11	154
GS-10	3
GS-9	188
GS-8	10
GS-7	199
GS-6	103
GS-5	270
GS-4	95
GS-3	19
GS-2	5
GS-1	3
Subtotal (GS/GM)	<u>1,790</u>
Wage grade	99
Grand Total	<u><u>1,896</u></u>

Reimbursable Agreements for FY 1994

By Customer Type

	<u>Agreement Amounts</u>	<u>Obligations Incurred</u>	<u>Number of Agreements</u>
Federal Agency			
BONNEVILLE POWER ADMIN	3,865,370	2,725,632	14
BUREAU OF LAND MANAGEMENT	157,663	152,810	9
BUREAU OF RECLAMATION-DFC	791,370	492,023	11
CORPS OF ENGINEERS	12,016,861	10,310,989	74
DEPT OF AIR FORCE	1,288,715	1,013,330	15
DEPT OF ARMY	1,777,063	1,347,732	20
DEPT OF ENERGY	237,897	224,084	2
DEPT OF JUSTICE	2,000	215	1
DEPT OF NAVY	295,021	242,603	8
DEPT OF TRANSPORTATION	36,019	32,957	1
ENVIRONMENTAL PROTECTION AGENCY	5,891,754	2,789,481	38
FISH & WILDLIFE SERVICE	12,340,199	8,404,562	279
FOOD & DRUG ADMIN	93,532	90,844	1
GENERAL SERVICES ADMIN	2,000	1,980	1
MINERALS MANAGEMENT SERVICE	15,611	13,612	3
NASA	42,748	38,654	1
NATIONAL MARINE FISHERIES	745,003	579,777	5
NATIONAL OCEANIC & ATMOSPHERIC AD	355,604	243,298	8
NATIONAL PARK SERVICE	687,382	449,323	22
NATIONAL SCIENCE FOUNDATION	67,800	67,780	1
OFFICE OF AIRCRAFT SERVICE	1,009	1,009	1
OFFICE OF THE SECRETARY	803,053	369,929	5
U S DEPT OF AGRICULTURE	346,431	263,501	12
U S FOREST SERVICE	167,776	117,161	11

	<u>Agreement Amounts</u>	<u>Obligations Incurred</u>	<u>Number of Agreements</u>
U S GEOLOGICAL SURVEY	104,970	88,877	5
US MARINE CORPS	486,002	104,884	5
Federal Agency	42,618,853	30,167,047	553
Non-Government			
CONSERVATION FUND	21,535	19,015	1
UNIVERSITY OF NEBRASKA	57,000	52,215	1
Non-Government	78,535	71,230	2
State Agency			
CENTRAL UTAH WATER CONSERV	14,900	14,900	1
COLORADO STATE UNIVERSITY	191,000	111,267	1
EAST BAY MUNICIPAL UTILITY	2,592	2,592	1
GREAT LAKES FISHERY COMMISSION	1,473,400	1,207,588	1
MASON & HANGER SILAS MASON	316,983	285,285	1
MONTANA POWER CO	29,560	26,053	1
OREGON DEPT OF FISH & WILDLIFE	320,020	317,629	2
SMITHSONIAN INSTITUTION	9,824	2,733	1
SOUTHWESTERN POWER ADMIN	49,403	44,110	1
STATE OF ALASKA	20,000	20,000	1
STATE OF CALIFORNIA	441,044	212,666	4
STATE OF HAWAII	60,000	40,000	2
STATE OF IDAHO	46,000	45,996	2
STATE OF ILLINOIS	9,687	9,645	1
STATE OF INDIANA	58,125	57,702	1
STATE OF IOWA	20,000	20,000	1
STATE OF KENTUCKY	20,000	20,000	1
STATE OF LOUISIANA	35,000	34,615	1
STATE OF NEVADA	27,247	27,028	2
STATE OF NORTH CAROLINA	20,000	20,000	1

	<u>Agreement Amounts</u>	<u>Obligations Incurred</u>	<u>Number of Agreements</u>
STATE OF NORTH DAKOTA	20,000	20,000	1
STATE OF OHIO	20,000	20,000	1
STATE OF SOUTH DAKOTA	20,000	13,557	1
STATE OF TEXAS	20,000	20,000	1
STATE OF VIRGINIA	20,000	20,000	1
STATE OF WASHINGTON	62,594	60,126	2
STATE OF WISCONSIN	73,239	30,920	4
STATE OF WYOMING	20,000	681	1
TENNESSEE VALLEY AUTHORITY	213,115	198,038	2
UPPER MISSISSIPPI RIVER BASIN	100,000	45,256	1
WEST ARAPAHOE SOIL CONSERVATION	2,500	2,466	1
State Agency	3,736,233	2,950,853	43
Grand Total:	46,433,621	33,189,130	598



United States Department of the Interior

NATIONAL BIOLOGICAL SURVEY
Washington, DC 20240

FEB 3 1995

MEMORANDUM

To : Acting Assistant Inspector General for Audits

From: Chief Financial Officer

Subject: Draft Audit Report on National Biological Service
Financial Statements for Fiscal Year 1994 (Assignment
No. C-IN-NBS-001-94)

This is our response to your draft audit report dated January 25, 1995, with the same subject as above.

We concur with your findings that procedures have not been initiated to ensure that accrued expenditures are established for unrecorded payment vouchers held by the Fish and Wildlife Service (FWS) Finance Center during the year-end process.

The National Biological Service (NBS), working in concert with the FWS Division of Finance and using the services of the FWS Finance Center, will pursue the following policies and procedures to ensure that accrued expenditures are established for unrecorded payment vouchers during the year-end process:

1. The NBS is vigorously pursuing the implementation of the IMPACT credit card program. By fiscal year 1995 year-end all Science Centers will be using these credit cards for commercial vendor purchases under \$2,500. This action should greatly decrease the number of vendor invoices received.
2. The NBS, in concert with the FWS Finance Center, will expand the use of vendor payment remote data entry. The current FWS remote data entry plan will allow NBS Science Centers and the NBS Headquarter offices to enter vendor payments of \$2,500 and less. We are working with the FWS Division of Finance on the details of implementation.
3. Vendor invoices and receiving reports are sent to the Finance Center during the year-end process using a special transmittal form. For most of the year-end period these invoices are entered into the Federal Financial System (FFS) as payments vouchers. The payment voucher transactions automatically create

the appropriate accrued expenditure. The NBS is working with the FWS Division of Finance to improve year end accrual procedures for accounts payable, to ensure that an accurate balance for both undelivered orders and accounts payable is reflected in the general ledger and on year end financial statements.

These three actions should, for all practical purposes, eliminate any unrecorded year-end payment vouchers. The year-end vendor payment statistics report revealed that payments of \$2,500 or more represented only 6.5 percent of the 27,200 payments made. The use of the IMPACT credit card and remote data entry of vendor payments, therefore, has the potential of affecting 93.5 percent of vendor invoice payments.

Our IMPACT credit card plan has already been approved by the Department of the Interior. In addition, the office of the Assistant Director for Budget and Administration has conducted credit card training sessions and contracted with the FWS Regional offices and GSA for several others.

The FWS remote data entry of vendor payments plan has already been approved by the Department of the Interior and been tested in the FWS Region 6 office. The FWS has informed us that their immediate plans are to expand the remote data entry of vendor payments to FWS Region 5 and the FWS headquarters office.

The NBS receives all of its financial management services from the FWS Division of Finance. Two of the three actions described above depend on appropriate action by the FWS Division of Finance for effective implementation.

The NBS Deputy Chief Financial Officer, Lawrence Ferris, is the designated responsible official for these actions. The target date for completion is no later than September 30, 1995. Mr. Ferris can be reached on (303) 969-7238. As you know, this was the NBS first financial statements and we appreciated the professional and cooperative manner displayed by your staff. The audit team headed, by Scot Tilley and Jim Lowe, provided helpful advice and guidance to assist us through our first successful financial statement efforts.


James C. Leupold

STATUS OF AUDIT REPORT RECOMMENDATION

Finding/Recommendation Reference	Status	Action Required
1	Resolved; not implemented.	No further response to the Office of Inspector General is required. The recommendation will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation.

**ILLEGAL OR WASTEFUL ACTIVITIES
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