Management’s Discussion and Analysis

Reclamation plans project work to avoid water and power disruptions whenever possible. The Redlands Power Canal is used year-round to generate hydroelectric power from water received from the Gunnison River. During construction, hydropower generation will be temporarily interrupted by construction dewatering, which will result in the loss of hydropower revenues for about 4 months. The irrigation season lasts approximately 6 months, from April 15 to October 15. The major construction for the V-type fish screen began after November 1, 2004, when irrigation diversions were no longer needed. Major portions of the work will be completed by April 1, 2005, to allow for spring canal operation, to avoid impacting water deliveries, and to take advantage of low riverflows. Construction is scheduled to be completed by August 2005.

Management Excellence

Managing to Perform Our Mission More Effectively

Reclamation is improving program management, performance reporting, and financial accountability through increased leadership, expanded technical expertise, efficient operations, and improved customer service.

The President’s Management Agenda (PMA) outlined the Government reform vision. The PMA presented a plan for improving five key management areas monitored by a scorecard.

President’s Management Agenda Scorecards: Getting to Green The Office of Management and Budget (OMB) established an Executive Branch Management Scorecard, updated annually, to monitor department status and progress in attaining PMA goals. The objective of the
Scorecard is to strengthen agency accountability. Interior adapted this concept and developed their “Getting to Green” Scorecard as a tool for monitoring each bureau’s and office’s PMA progress. Reclamation ratings for the five key areas are presented in the table below.

### Managing Human Capital to Maintain a Quality Workforce

As a world leader in developing and managing water resources, Reclamation requires a world-class workforce. Reclamation’s highly competent and skilled staff of about 6,000 employees operate and maintain our vast water and power infrastructure; manage and support our technical programs; and address financial, acquisition, information technology, and business management challenges. However, our management is facing many challenges as they work to ensure our future workforce meets the same standards. Issues they must address include:

- Increasing retirement rates
- Increasing job market competition
- Attracting qualified engineers and scientists
- Declining willingness among candidates to relocate
- Recruiting and retaining a diverse labor force

Our goal is to begin developing tomorrow’s workforce today. This goal will be accomplished through advanced planning, such as the FY 2004-2008 Reclamation Workforce Plan, a bureau-wide Outreach and Recruitment Team, and the successful use of the Student Career Employment and the Student Temporary Employment programs. Reclamation currently employs 257 students.

### Expanding E-Government to Facilitate Access to Information and Services

The expansion of E-Government calls for
Reclamation to make improvements in both the management and use of information technology in addressing our programmatic goals. Reclamation is implementing E-Government initiatives to make it easier and more efficient for citizens, customers, employees, partners and stakeholders to access appropriate Reclamation information and services.

We continue to use IT to improve engineering design, facility operations, and communication with our partners and customers. Reclamation also participates in Interior and Federal E-Government initiatives such as Recreation One-Stop and E-Authentication.

We are modernizing records management through automation. The Reclamation Electronic Documents System, which is being implemented throughout the bureau, will improve accessibility, consistency, and accountability in existing systems that manage our records and engineering drawings.

To ensure that our IT investments are well managed, Reclamation worked with Interior and implemented more effective procedures. Areas of focus were IT capital planning and investment control, IT security (discussed in a previous section), and enterprise architecture.

This year, in the capital planning arena, we established an investment review board and began reporting quarterly on the performance of our major investments. All IT systems in the budget are documented in business cases which were submitted to OMB via eCPIC, the Governmentwide, web-based, automated capital planning tool. In addition, progress is ongoing to achieve Information Technology Investment Management maturity level two in Reclamation by the end of FY 2005.

We actively participate in all the Interior Enterprise Architecture (EA) workgroups as they strive to modernize cross-cutting functions. In FY 2005, Reclamation is required to produce a Modernization Blueprint. We have opted to select a “Bureau Unique” Line of Business - Water Management. Because of the broad scope of water management, we are currently working with experts across Reclamation to narrow the scope to a water management subfunction.

As a result of the activities mentioned above, we achieved a green rating on the “Getting to Green” Scorecard as of September 30th.

**Using Competitive Sourcing to Obtain the Best Value**

Competitive sourcing is designed to make the Government more efficient and enable it to obtain the best value when providing commercial activities. We completed a full study of 91 positions
in January 2004 as part of efforts to meet the current year PMA goal. Study results indicated the positions should remain in-house. Additionally, we completed 4 streamlined studies that involved 252 positions; an additional 136 positions were converted to contracted positions using the direct conversion process. The overall cost savings resulting from all of these studies (full study, conversion, and streamline) was approximately $1.1 million.

Reclamation continues to comply with the Federal Activities Inventory Reform Act and OMB competitive sourcing requirements. Under the revised OMB Circular A-76, Performance of Commercial Activities, all A-76 studies must now focus on either standard or streamlined competition, thus eliminating previously used direct conversion studies. Reclamation is developing a “Green Plan” for FY 2005-2008 in an effort to retain our green rating on Interior’s scorecard as shown in the scorecard table.

**Budget and Performance Integration** Reclamation develops, tracks, and reports performance achievements and correlates the information with budget and cost data to facilitate budget and management decisionmaking. In FY 2004, we made additional refinements to our Activity-Based Costing process, including the development of rules and guidance for activity coding and preparing system modifications to improve data integrity and use. As a result of these refinements, FY 2004 cost information for each activity was available to Interior and Reclamation managers for decisionmaking.

In FY 2004, Reclamation’s Budget and Performance Integration initiative received a green rating for the first time in the PMA Scorecard’s existence. The accomplishment was predominantly due to our commitment to strengthen our performance-based budgeting framework through the use of integrated cost, budget, and performance data to support decisionmaking.

**Improving Financial Performance** In response to the PMA item, “Improving Financial Performance,” Reclamation has implemented significant financial management improvements. We have enhanced our monthly and quarterly financial analysis and reporting functions. We prepared full quarterly financial statements and related notes throughout FY 2004. In addition, finance, budget, acquisitions, property, and program offices worked collaboratively to develop and implement procedures to expedite year-end closing. These improvements ensure that management receives accurate and timely financial information and that we continue to receive “unqualified” audit opinions. Since 1995, Reclamation has received “unqualified” audit opinions on all reports issued, which is a testament of our
strong commitment to provide accurate and timely financial information. We will continue to ensure that information is provided to management, the Administration, and the Congress for effective decisionmaking and that reliable and accurate information is provided for our publics and partners to forge effective relationships.

Reclamation implemented corrective actions and resolved all outstanding financial statement internal control weaknesses except for the material weakness associated with our land reconciliation. FY 2004 oversight reviews focused on the land reconciliation effort, which is scheduled for completion in FY 2005. Reclamation finance offices continue to strengthen internal controls through continuing risk assessment, implementing quality control processes, conducting accounting oversight reviews, developing accounting policy, and providing training.

Program Assessment Rating Tool (PART)

OMB developed the Program Assessment Rating Tool (PART) to assess the effectiveness of Federal programs. The assessment results help OMB recommend management actions, submit budget requests, and make legislative proposals that are more results oriented. The PART examines various factors that contribute to the effectiveness of a program and requires that conclusions be explained and substantiated with evidence.

Several Reclamation programs have received ratings under PART. The Hydropower program was evaluated under PART in FY 2002. The PART review acknowledged that the program has a clear purpose and overall good management; however, it found that the program lacked adequate long-term goals. New long-term goals were developed to measure results, and the program was re-evaluated in FY 2003. The Hydropower program scored 92 percent on the second evaluation. The new long-term goals should help Reclamation better focus our resources on maintaining the long-term viability of our hydropower infrastructure.

Reclamation’s Rural Water program was assessed in FY 2002, and rated low – “Results Not Demonstrated,” despite the fact that every rural water project authorized by the Congress and administered by us met the project purposes. The low rating was based upon the fact that Reclamation does not have an authorized comprehensive rural water program. As a result of the low rating, the Administration submitted legislation to the Congress in an attempt to obtain authorization to establish a comprehensive rural water program. We are optimistic that a comprehensive program will be approved by the Congress in the near future.
In FY 2003, the Research and Development program was rated very high – “Effective” by the PART process. The high rating was largely due to the development of sound performance measures for the program.

Reclamation initiated PART evaluations of two of its programs during FY 2004: (1) Water Management Planning and Construction, and (2) Recreation and Concession activities. OMB’s review comments were received during the latter part of FY 2004 and are currently being evaluated. Reclamation anticipates additional discussions with OMB and Interior to determine how best to accommodate OMB’s concerns.

2004 Performance Measure Highlights

Introduction


Beginning this year, all of Reclamation’s performance information will be incorporated into Interior’s unified strategic and annual plans and will be reported in Reclamation’s Annual Operating Plan that may be found on our GPRA website. Seven of our goals that best reflect our mission and key accomplishments are highlighted in this section of the Annual Report.

Delivering Water

Following are four key water goals and narratives to clarify them. The four key goals are: (1) deliver water, (2) facility reliability, (3) increase water availability, and (4) remove Colorado River salt.

The performance goal, deliver water, measures the amount of water releases or diversions from Reclamation-owned and -operated facilities. Water delivered includes water provided for agriculture, municipal and industrial uses, fish and wildlife, and other contracted and authorized purposes. This goal does not include water delivered from transferred works or facilities operated by districts where Reclamation does not have substantial operational control.
In FY 2004, Reclamation delivered more than 28 million acre-feet of water to meet contract obligations and other water resource needs. The result was slightly lower than expected due to continuing drought conditions in parts of the Western United States.

<table>
<thead>
<tr>
<th>Goal: Deliver Water</th>
<th>Annual Target</th>
<th>Estimated Accomplishment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acre-feet of water delivered, in million acre-feet (MAF)</td>
<td>29.1</td>
<td>28.8</td>
</tr>
</tbody>
</table>

To date, 606,000 tons of salt have been eliminated from the Colorado River as the result of our sponsored control and prevention projects. Our ultimate goal is to maintain salinity at or below the water quality standards set for the Colorado River Basin, which is based on the Triennial Review of the Colorado River Basin Salinity Standard required by the Clean Water Act.

<table>
<thead>
<tr>
<th>Goal: Facility Reliability—Dams and Water Conveyance</th>
<th>Annual Target</th>
<th>Actual Accomplishment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent of dams with a good to fair reliability rating</td>
<td>96%</td>
<td>98%</td>
</tr>
<tr>
<td>Percent of associated features with a good to fair reliability rating</td>
<td>96%</td>
<td>97%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Goal: Increase Water Availability</th>
<th>Annual Target</th>
<th>Actual Accomplishment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in acre-feet of water availability</td>
<td>102,109</td>
<td>103,598</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Goal: Remove Colorado River Salt</th>
<th>Annual Target</th>
<th>Actual Accomplishment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tons of salt loading eliminated</td>
<td>25,000</td>
<td>26,680</td>
</tr>
</tbody>
</table>
Reducing the amount of water applied to saline soils is the single most effective salinity control measure. Reclamation has been able to reduce Colorado River salt removal project costs from an average of $70 per ton removed to an average of $20-35 per ton. This performance goal measures the success of our efforts to increase the total amount of salt removed by 25,000 tons each year.

**Delivering Power**

Below are three key hydropower goals and some specific accomplishment activities for this year.

Reclamation’s Hydropower program has been successful in meeting all of its hydropower-related benchmarking goals. Our O&M costs have been in the lowest quartile of hydropower producers every year since benchmarking began. In fact, on average, Reclamation’s O&M costs have decreased, when adjusted for inflation, over the benchmarking period. In addition, our forced outage rate has bested the industry average of 2.5 percent by almost half every year since 2001. Finally, Reclamation has begun a benchmark for facility reliability. Last year, the Hydropower program established a baseline to determine the percentage of facilities ranking in fair to good condition, and that baseline will be reported for all Reclamation hydropower facilities in aggregate.

<table>
<thead>
<tr>
<th>Goal: Power Production Benchmarking</th>
<th>Annual Target</th>
<th>Estimated Accomplishment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost-effective power production</td>
<td>Within lowest quartile of hydropower producers</td>
<td>Within lowest quartile of hydropower producers</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Goal: Forced Outage</th>
<th>Annual Target</th>
<th>Estimated Accomplishment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forced outage rate less than or equal to industry average</td>
<td>Less than or equal to 2.5%</td>
<td>Less than or equal to 1%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Goal: Facility Reliability Rating—Power</th>
<th>Annual Target</th>
<th>Actual Accomplishment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent of hydropower facilities in fair to good condition</td>
<td>96%</td>
<td>100%</td>
</tr>
</tbody>
</table>
ASSURANCE STATEMENT

The Bureau of Reclamation has completed an assessment of its systems of management, administrative, and financial controls in accordance with the standards and guidelines established by the Federal Managers’ Financial Integrity Act (FMFIA) and the Office of Management and Budget. The objectives of this assessment were to ensure that: (1) programs achieved their intended results; (2) resources were used consistently with agency mission; (3) resources were protected from waste, fraud, and mismanagement; (4) laws and regulations were followed; and (5) reliable and timely information was maintained, reported, and used for decisionmaking.

Reclamation relied on the knowledge and experience management has gained from the daily operation of its programs and systems of management, administrative, and financial controls and information obtained from sources such as management control assessments, Office of Inspector General (OIG) and Government Accountability Office (GAO) audits, program evaluations/studies, audits of financial statements, and performance plans and reports to support the annual assurance statement.

Based on the results of the fiscal year (FY) 2004 assessment, Reclamation can conclude that (1) our systems of management, administrative, and financial controls provide reasonable assurance that the objectives of the FMFIA have been achieved; (2) our sensitive information systems provide reasonable assurance that the objectives of OMB’s Circular A-130, Management of Federal Information Resources, have been achieved; and (3) that our financial systems generally conform to Government-wide standards and requirements.

Reclamation is on schedule to correct the land reconciliation material weakness by the end of FY 2005. The existence of this material weakness does not prevent Reclamation from providing reasonable assurance on the effectiveness of its management controls taken as a whole.

John W. Keys, III
Commissioner
Management’s Discussion and Analysis

Financial Analysis

Accelerated Reporting Due Dates

Reclamation is proud to report that we completed the FY 2004 year-end closing process in just 2 days. Our financial statements and this annual report were completed and submitted to Interior by October 18th, just 18 days after our year ended. This is a significant accomplishment given the diversity of our programs and financing sources. Private industry financial statements and audits are typically completed 90 days after year-end. Reclamation’s successful and timely completion of the financial statement audit contributed to Interior’s successful completion of their annual report and audit by the November 15th due date established by OMB. The accelerated due date was established in response to the PMA item, “Improved Financial Management,” which included an initiative to improve reporting timeliness and usefulness.

The preparation of accurate financial and performance information is not a one-time event. Generally accepted accounting principles (GAAP) require that accurate and timely financial information be produced and available to program managers, partners, beneficiaries, other Federal agencies, and the auditors throughout the fiscal year. This year, Reclamation prepared monthly financial statements and quarterly financial statements with footnotes. Due dates were progressively shortened for each quarter. The accelerated reporting due dates established by OMB are intended to bring Federal agency financial reporting up to private sector standards.

Financial Statements

Reclamation’s management is responsible for the integrity and objectivity of financial information presented in our financial statements. The financial statements and supplemental schedules in this year’s annual report reflect the financial position and results of our operations and are compliant with the Chief Financial Officers Act of 1990, GPRA, and 31 U.S.C. 3515(b). The statements should be read with the realization that they are for a component of the U.S. Government (OMB Bulletin 01-09, p. 108, section 11.1G.). While the statements have been prepared from Reclamation’s books and records in accordance with GAAP for Federal entities and the formats prescribed by OMB, the statements are, in addition to the
financial reports, used to monitor and control budgetary resources, which are prepared from the same books and records.

The integrity of these statements is supported by the results of our audit, which was conducted by an independent certified public accounting firm under contract with the Office of the Inspector General. Reclamation achieved an unqualified audit opinion again this year. To ensure future financial statements continue to achieve unqualified audit opinions, internal control efforts, which are compliant with Federal Financial Management Improvement Act requirements, are in place and are continually being improved. Moreover, the discipline and staffing required to produce audited financial statements show that management is dedicated to improving financial management and complying with applicable laws and regulations. These statements allow the Congress, external partners, and the general public to monitor how Reclamation uses the resources provided by the Congress and our partners.

Consolidated Statement of Net Costs

Net Cost of Operations  Reclamation revised the reporting segments in the FY 2004 Statement of Net Cost to align our reporting format to Interior’s new Strategic Plan Mission Goals/End Outcome Goals. Reclamation reports expenses and revenues in three of the four Interior mission goals: Resource Use, Resource Protection, and Recreation; Reclamation does not report in the fourth goal, which is Serving Communities.

In FY 2004, Reclamation reported $1.3 billion of expense and $764.2 million of exchange revenues under the Resource Use mission goal. Our key mission activities are reported under this mission goal. It includes the costs associated with providing water and hydropower to our customers in an environmentally responsible and cost-efficient manner. It also includes hydropower and water sales revenue, which reflect cost recovery to the Government for costs incurred to produce and deliver water and hydropower to our customers.

The expenses and revenues reported in the financial reporting category, Centralized Program Support and Other, reflect administrative, working capital, and other costs and revenues incurred and earned while supporting Reclamation’s mission goals.

The FY 2003 Statement of Net Cost, reported by seven major program segments (Water and Energy Management and Development, Facilities Operations, Facilities Maintenance and
Rehabilitation, Fish and Wildlife Management and Development, Land Management and Development, Policy and Administration, and Centralized Program Support) was not restated for FY 2003. The seven major program segments were based on budgetary activities and were used to facilitate the matching of budget activities to accomplishment reporting as required by GPRA of 1993. The format change did not affect the other financial statements found in the Financial and Supplemental Sections.

The Consolidated Statement of Net Cost displays the net cost of operations, which is the difference between revenues and expenses for our core mission of delivering water and power, operating and maintaining our facilities, and the support costs associated with all these activities. Reclamation’s total FY 2004 net cost of operations was $656.5 million, a decrease of $140.4 million from the FY 2003 net cost of operations.

A more detailed report, the Combining Statement of Net Cost, and additional information may be found in the Supplemental Section of this report.

**Revenues and Expenses** Exchange revenues earned by Reclamation as the result of providing goods or services are reported in the Consolidated Statement of Net Cost. Total FY 2004 exchange

![Bar Graph](image)
revenue was $884.7 million, $95.6 million or 12.1 percent more than was reported in FY 2003. FY 2004 expenses were $1.5 billion compared to $1.6 billion in FY 2003, a $44.9 million or 2.8-percent reduction from FY 2003.

Combined Statement of Budgetary Resources

Budgetary Resources The Combined Statement of Budgetary Resources and related disclosures provide information about budgetary resources and their status at the end of the year. Reclamation’s FY 2004 Total Budgetary Resources were $2.43 billion compared to $2.27 billion in FY 2003, an increase of $160 million. Reclamation’s major budget accounts are broken down into five categories; our funding is derived predominantly from three of the five categories: Total Budgetary Authority, Unobligated Balances (i.e., prior year carry-forward balances), and Offsetting Collections. Refer to the Combining Statement of Budgetary Resources and the detailed budgetary information in the Supplemental Section of this report for more information.

Consolidated Balance Sheet

Net Position The Balance Sheet displays Assets, Liabilities, and Net Position. Our Net Position increased by $724.1 million in FY 2004. This increase is $392.9 million higher than the Net Position increase in FY 2003. The Net Position increase is predominantly attributable to an increase of $425.5 million in oil and gas royalties and other revenue transfers received in FY 2004 due to a steady upward trend in oil and gas prices with an increase in activity of offshore oil and gas leases, which are deposited in the Reclamation fund.

Total Assets FY 2004 Total Asset value is $19 billion, an increase of $679.7 million over the FY 2003 Total Asset value. The table on the following page shows the change by asset type.

Reclamation’s property, plant, and equipment (PP&E) $13.1 billion balance accounts for between 75 and 80 percent of Interior’s PP&E total reported in their annual report.

Fund Balance with Treasury The Fund Balance with Treasury represents all undisbursed balances in Reclamation’s accounts, including funds awaiting disbursement for goods and services received. The Reclamation Fund ($3.9 billion) fund balance and other unavailable (restricted) receipt fund balances are included in this asset category. The Congress allocates most of our annual appropriations out of the Reclamation Fund, and many of the revenues received from our beneficiaries are returned to the Reclamation Fund. In contrast to most other Federal public works
Management’s Discussion and Analysis

programs, most of the costs of Reclamation’s projects are repaid by beneficiaries, including irrigation districts, municipalities, and power customers.

**General Property, Plant, and Equipment** Reclamation’s PP&E consists of an extensive infrastructure of dams, powerplants, pumping stations, canals, and other water delivery systems that are used in Reclamation’s day-to-day operations. These assets are reported as General PP&E in accordance with Federal GAAP. Our major PP&E asset categories include Structures and Facilities, Land, Construction-in-Progress – General, Construction-in-Abeyance, Equipment, Vehicles, Buildings, and Internal Use Software.

<table>
<thead>
<tr>
<th>Type of Asset</th>
<th>FY 2004</th>
<th>FY 2003</th>
<th>Net Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund Balance with Treasury</td>
<td>5,233,607</td>
<td>4,719,708</td>
<td>513,899</td>
</tr>
<tr>
<td>Property, Plant, and Equipment</td>
<td>13,065,549</td>
<td>13,055,281</td>
<td>10,268</td>
</tr>
<tr>
<td>Loans and Interest Receivable, Net</td>
<td>166,900</td>
<td>166,621</td>
<td>279</td>
</tr>
<tr>
<td>Accounts and Interest Receivable, Net</td>
<td>383,944</td>
<td>229,430</td>
<td>154,514</td>
</tr>
<tr>
<td>Other</td>
<td>193,310</td>
<td>192,533</td>
<td>777</td>
</tr>
<tr>
<td>Total</td>
<td>19,043,310</td>
<td>18,363,573</td>
<td>679,737</td>
</tr>
</tbody>
</table>
Total Liabilities  FY 2004 Total Liabilities are $905.6 million, a $44.4 million decrease from FY 2003. Reclamation is a bureau of the executive branch of the United States Government, a sovereign entity. Federal agencies, by law, cannot make any payments unless the Congress has appropriated funds. Accordingly, unfunded liabilities reported in the statements cannot be liquidated without the enactment of an appropriation, and ongoing operations are subject to the enactment of appropriations. Reclamation’s Funded Liabilities are paid out of funds currently available to Reclamation. Unfunded liabilities consist primarily of environmental and legal liabilities that will be paid out of funds made available to Reclamation in future years. Funded and unfunded liabilities are discussed in the notes to the financial statements.

<table>
<thead>
<tr>
<th>Type of Liability</th>
<th>FY 2004</th>
<th>FY 2003</th>
<th>Net Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt</td>
<td>114,098</td>
<td>114,826</td>
<td>(728)</td>
</tr>
<tr>
<td>Advances and Deferred Revenue/Credits</td>
<td>281,681</td>
<td>295,562</td>
<td>(13,881)</td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>221,712</td>
<td>239,604</td>
<td>(17,892)</td>
</tr>
<tr>
<td>Accrued Payroll and Benefits</td>
<td>65,918</td>
<td>60,471</td>
<td>5,447</td>
</tr>
<tr>
<td>Federal Employees Compensation Act Liability</td>
<td>85,815</td>
<td>93,468</td>
<td>(7,653)</td>
</tr>
<tr>
<td>Environmental and Contingent Liabilities</td>
<td>68,254</td>
<td>74,904</td>
<td>(6,650)</td>
</tr>
<tr>
<td>Judgement Fund Liability to Treasury</td>
<td>46,959</td>
<td>48,798</td>
<td>(1,839)</td>
</tr>
<tr>
<td>Other</td>
<td>21,143</td>
<td>22,319</td>
<td>(1,176)</td>
</tr>
<tr>
<td>Total</td>
<td>905,580</td>
<td>949,952</td>
<td>(44,372)</td>
</tr>
</tbody>
</table>

Improper Payments

Reclamation completed its FY 2004 Improper Payments risk assessment as required by the Improper Payments Information Act of 2002, P.L. 107-300. We reviewed all major programs and activities: Policy and Administration, Water and Related Resources, Central Valley Project Restoration, Working Capital Fund, and California Bay-Delta Restoration. Various types of payments, such as contracts, purchase orders, charge card, travel, grants, and financial assistance, were made for each of our programs. Our review did not identify any “high” risk programs based on the criteria defined by OMB, and none of our programs and activities required reporting to the President and the Congress or required a progress report on actions to reduce improper payments.
Possible Significant Future Financial Reporting Impact

Beginning in FY 2005, Reclamation may be required to make a significant change in our Accounts Receivable balance. The Accounting and Auditing Policy Committee, a subgroup of the Federal Accounting Standards Advisory Board, conducted hearings this year to research conflicting accounting interpretations and accounting treatments currently in place for Reclamation and the Department of Energy’s Western Area Power Administration. The committee issued an Exposure Draft Federal Financial Accounting and Auditing Technical Release (Technical Release) for Interior, August 2004, and if their guidance stands, Reclamation will be required to record a receivable for all funding transfers made to Western Area Power Administration out of the Reclamation Fund.