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efforts for ongoing account statement analysis and document search, and prepared 343 “Recommended Action Forms” totaling \$1,403,172. It is expected that these forms will result in close-out posting by OST’s Office of Trust Funds Management (OTFM) during the next reporting period.

New Projects

Interior Imaging and Coding Specifications

On February 26, 2003, OHTA sent a memorandum to the Director, Executive Secretariat, and to all Chief Information Officers of Interior bureaus and offices requesting concurrence with OHTA’s proposed document imaging standards for its historical accounting project. These standards incorporate NARA’s standard imaging specifications.

Draft coding specifications were distributed to OHTA contractors for review and comment. OHTA expects to finalize its draft coding requirements for IIM trust documents for its historical accounting work during the next reporting period.

On June 19, 2003, representatives of OHTA, several of its contractors, and a Minerals Management Service Contracting Officer met to discuss the proposed contract for coding of imaged Indian trust documents for OHTA’s historical accounting project. As a result of the meeting, the contractor is expected to submit a revised proposal during the next reporting period to reflect the targeted document coding requirements identified by OHTA.

Alaska Project to Image and Code Indian Trust Documents

OHTA has selected BIA’s Alaska Region to begin its historical accounting work to reconcile land-based IIM accounts. OHTA formed a document search team (Team), consisting of representatives of OHTA’s staff and two historian contractors hired to perform records research. The Team has produced a draft Document Collection Plan that outlines how the Team will coordinate its efforts with other OHTA contractors in developing a statistical sample of receipt and disbursement transactions, how supporting documents for these transactions will be located and recorded, and how the process will be monitored for quality assurance.

The Team implemented the Document Collection Plan pursuant to the prototype sample of transactions for the Alaska Project, and collected and reviewed documents at the Office of Trust Records (OTR) Albuquerque, NM, records facility, NARA’s records facility at Lee’s Summit, MO, offices of a BIA records contractor in Albuquerque, and OST’s OTFM office in Albuquerque. The purpose of the Team’s document search is to gather and identify Alaska records in preparation for imaging for OHTA’s imaging contractor. OHTA’s imaging contractor expects to begin imaging Alaska IIM trust documents during July 2003.

Following meetings with its pending coding contractor, OHTA determined that coding of imaged Alaska Region trust account records would not meet OHTA’s original time schedule. As a result, on June 23, 2003, OHTA tasked its imaging, document search, accounting, and ART

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contractors to develop an abbreviated version of the coding requirements for the ART that could be performed at the imaging stage in Albuquerque, NM. This process will allow the historical account reconciliation work to begin as soon as all the financial images are entered into the ART. When the coding contractor is operational in Juneau, AK, it is expected that the coding contractor will add the balance of the coding for the Alaska documents.

Obstacles and Delays

OHTA has identified the following problems and concerns.

1. *December 5, 2001, Temporary Restraining Order/Computer Shutdown* – As discussed in this and previous *Status Reports to the Court*, OHTA continues to be affected by the computer shutdown that has delayed the completion of some of its historical accounting work.
2. *June 27, 2003, Temporary Restraining Order/Computer Shutdown* – Interior has been ordered to disconnect from the Internet all information technology systems and computers that house or provide access to individual Indian trust data. OHTA will be delayed in its accounting work because of this Temporary Restraining Order.
3. *Delay on Starting the Alaska Project* – OHTA does not expect to achieve its FY 2003 target goal of completing the reconciliation of 20,000 land-based IIM transactions in the Alaska Region. As of this report, the Alaska Project will not start until the ART undergoes Interior's Certification and Accreditation (C&A) for its IT systems in August 2003. Further, owing to construction work at OTR's Albuquerque records facility, OHTA delayed the onset of document imaging for the Alaska Project.

Assurance Statement

I concur with the contents of the above information on OHTA's activities contained in the *Status Report to the Court Number Fourteen*. The information provided in this section is accurate to the best of my knowledge.

Date: July 29, 2003

Name: *Signature on File*
Bert T. Edwards, Executive Director

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III. OFFICE OF INDIAN TRUST TRANSITION

The Office of Indian Trust Transition (OITT) was authorized by Secretarial Order No. 3235, issued November 20, 2001. OITT was established as a temporary office for the purpose of preparing for the transition of trust operations from the current organizational structure to a new, reorganized, trust operating entity. The mission of OITT included: participating in the tribal task force consultation meetings during 2002; overseeing the "As-Is" business process study, Bureau of Indian Affairs (BIA) data cleanup, Trust Asset and Accounting Management System, and probate project; and developing a Comprehensive Trust Management Plan (CTM).

The reorganized trust services delivery system and CTM were completed during the first half of **CY** 2003. The reorganization was designed in such a way as to enable the new comprehensive trust management plan to be implemented. It is expected that the reorganization of BIA and the Office of the Special Trustee for American Indians (OST) can be fully staffed by the end of FY 2004, although many of the key positions will be filled during FY 2003.

The work of OITT has been satisfactorily completed. CTM is now in place and being implemented. The reorganization was completed with the new organizational alignment of BIA and OST being incorporated into the Departmental Manual on April 21, 2003. Full implementation of the reorganization is expected to continue during the next two fiscal years.

This is expected to be the final report of OITT. During the next reporting period, the Secretary plans to issue a Secretarial Order ending OITT and moving responsibility for oversight of any remaining trust reform projects to BIA and OST. Earlier this calendar year, the Director of OITT was nominated by the President and confirmed by the United States Senate to the position of Special Trustee for American Indians. The Special Trustee will continue to be responsible for compiling the status reports to the Court.

Assurance Statement

I concur with the content of the information contained in the Office of Indian Trust Transition Section of the *Status Report to the Court Number Fourteen*. The information provided in this section is accurate to the best of my knowledge.

Date: July 26, 2003

Name: *Signature on File*
Ross O. Swimmer
Special Trustee for American Indians

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IV. OFFICE OF THE SPECIAL TRUSTEE FOR AMERICAN INDIANS (OST)

Introduction

Ross O. Swimmer was officially sworn in as the new Special Trustee for American Indians on April 17, 2003. He is the third Special Trustee to hold the office since the American Indian Trust Fund Management Reform Act of 1994 (Act) was passed. According to the Act, the Special Trustee is responsible for monitoring the reconciliation of tribal and Individual Indian Money (**TIM**) trust accounts to present a fair and accurate accounting of all trust accounts; to oversee trust reform efforts within the Bureau of Indian Affairs (BIA), Bureau of Land Management (BLM) and the Minerals Management Service (MMS); to ensure that BIA establishes appropriate policies and procedures and develops necessary systems to properly account for and invest IIM funds and prepare accurate and timely reports to account holders; to ensure that BIA establishes policies and practices to maintain accurate ownership and lease data of Indian lands; to ensure that BLM has policies and practices to enforce compliance with Federal requirements for drilling, production, accountability, environmental protection, and safety with respect to the lease of Indian lands; and to ensure that MMS establishes policies and practices to enforce lease compliance, report of production and audit of leases for calculating royalty payments.

In addition, the Special Trustee is responsible for reviewing the budgets of BIA, BLM and MMS for preparation of a consolidated trust management budget that will enable implementation of the comprehensive trust management plan. The budget review is to include a certification that the budgets are adequate for the discharge of the Secretary's trust responsibilities and implementation of the plan. Finally, the Act provides for the appointment of an advisory board to provide advice on all matters within the jurisdiction of the Special Trustee.

Since the appointment of the first Special Trustee, other duties have been assigned to the Special Trustee by the Secretary. These additional duties include control and management of the OST's Office of Trust Funds Management (OTFM), implementation of the Data Quality and Integrity project (formerly BIA data cleanup), and additional oversight and administration as a result of the recent reorganization and the Comprehensive Trust Management Plan (CTM). The latter duties include placement of trust officers at local BIA agencies and trust administrators for BIA regions that will be located in Albuquerque, NM. Although the line authority for these new positions will be through OST, the work of the trust officers and administrators will be closely aligned with BIA counterparts, with special attention directed to beneficiary services.

Special Trustee's Observations:

Accomplishments and Completions

Throughout this *Status Report to the Court Number Fourteen*, the various managers of trust improvement and reform discuss their accomplishments. A few of these are of particular interest to the Special Trustee and will be highlighted in this section.

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Expansion of the OST Financial Audit

Since 1995, OTFM has been audited annually. The audits cover the time from OTFM's receipt of funds through the management and disbursement of funds. In an effort to ensure that collection of the funds is managed appropriately and that internal controls are in place and being followed by all agencies collecting funds on behalf of IIM account holders and tribes, OST has proposed and is implementing an expanded audit for FY 2004 which is expected to cover all funds from the time of collection from the payors through disbursement to the beneficiaries. In addition, the audit will be done under the direction of the Inspector General for Interior rather than OST. The expanded audit should provide greater insight into the management of Indian funds and help identify and address any internal control weaknesses.

Records Improvement

Despite two problems discussed below, I am pleased with the progress of records management. As is reported in the records section of this Report, guidelines have been established for identifying fiduciary trust records, and procedures are well underway for proper management of trust records.

Unfortunately, two matters relating to records management occurred during this reporting period involving the MMS. Some records that appear to be Indian trust records were destroyed at the Farmington Indian Minerals Office and records relating to MMS audits were misplaced and subsequently recreated without advising the Inspector General that the recreated records were not originals. I reviewed these two matters with the appropriate authorities and am satisfied that there were internal controls and substantial guidance from Interior managers which should have prevented these breaches of records policy. In each case, action has been taken to discipline the employees involved. However, as a result of one adverse personnel action, the employee involved has filed a grievance against Interior. This matter will continue to be reviewed by OST.

Audit and Review

OST has created an Office of Trust Review and Audit (OTRA) consisting of a portion of the previous Office of Risk Management and the former Office of American Indian Trust that was transferred to OST from BIA and was responsible for reviewing tribal self-governance trust compact operations. OTRA will focus on reviewing internal controls, investigating complaints from IIM and tribal account holders, continuing and expanding the audits and reviews of tribal trust contracts and compacts for operation of trust operations, and will manage a program to rate the effectiveness of BIA and OST trust operations for compliance with internal controls and management of trust operations at locations providing trust services.

OTRA will also have available the services of an investigator from the Office of the Inspector General of Interior in the event of complaints, or allegations of wrongdoing or criminal acts. OTRA division has also been in contact with the Department of the Treasury to request full time support from the Office of the Comptroller of the Currency (OCC) to develop the rating system

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for use in evaluating the various locations of trust operations within BIA and OST. **An** OCC examiner is expected to be available on detail to support this effort beginning September 2003.

Reorganization

The reorganization of BIA and OST was completed through the establishment of the new organizational structure in the Department Manual on April 21, 2003. The reorganization is intended to support the goals and objectives of the CTM which was completed earlier this calendar year. The CTM also incorporates the Fiduciary Obligations Compliance Plan elements which is the plan submitted to the court on January 6, 2003. Unless the Court directs otherwise, Interior will continue implementing the CTM and reorganization including all parts related to financial management included in the Fiduciary Obligations Compliance Plan.

The reorganization has been presented to the field offices and tribes at numerous briefings during this reporting period. BIA has explained the plan to its field offices. Although there appears to be some resistance from some BIA employees to parts of the plan, BIA is to be commended for its efforts, in particular for the recognition that it must change the culture of its organization as it relates to trust management. In this regard, the BIA has engaged the services of a contractor to assist in "change management" support. I have attended several sessions with the contractor and believe that this effort will be very helpful to BIA and OST employees as the reorganization is fully implemented from now through the next calendar year.

Information Technology

This continues to be an area of great concern. To date, no new system has been developed to support the required real property and natural resource management activity of BIA. Continued use of legacy systems is causing problems with BIA trust management. These legacy systems must be replaced in an orderly manner as soon as possible. Interior has a trust architect working with the Assistant Secretary-Indian Affairs Chief Information Officer and OST Chief Information Officer to help determine the kind of systems necessary and fit them into the trust architecture. It is believed that additional progress toward identifying the necessary systems will continue during the next reporting period.

The lack of Internet access is continually reflected as an obstacle in the various sections contained in this *Status Report to the Court Number Fourteen*. Although security of systems is **an** appropriate goal, limited use of the Internet is necessary to support the work of the various bureaus involved in trust reform and management. A direct result of the December 5, 2001 Temporary Restraining Order/computer shutdown and the recent June 27, 2003, Order, is the very large backlog of encumbrances to be filed in the land record title offices and the need to use antiquated manual methods for determining title rather than being able **to** rely on automated systems. Although the automated system is the system of record for land titles, the inability to record documents electronically and transmit this information timely to all BIA land title offices, results in some documents having to be examined by hand to ensure that the title reflects current ownership. This also adds to substantial delays in providing official title status reports.

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Similarly, probates are affected by the lack of availability of Internet use, particularly in case preparation, the stage of probate **work** where the greatest backlog exists. Due to the highly fractionated land ownership, probates are often done for estates of minimal value – less than \$100. To manage nearly four million fractionated interests of property owned by approximately four hundred thousand individual Indians spread over half of the United States is virtually impossible without access to modern tools such as the Internet. Interior must continue doing whatever is possible to meet the requirements of the court for reconnection to the Internet or develop other methods of interaction such **as** dedicated telephone access for communication purposes.

Summary

Overall, I am pleased with the progress of trust reform and improvement. I believe the reorganization will be of great help in focusing on the fiduciary trust obligations of Interior.

Assurance Statement

The comments and observations are provided by the Special Trustee and reflect the opinion of the Special Trustee only.

Date: July 26, 2003

Name: *Signature on File*
Ross O. Swimmer
Special Trustee

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A. TRUST BUSINESS MODELING

Introduction

During this reporting period, the Department of the Interior (Interior) commenced the “To-Be” Reengineering phase of its effort to build a highly effective fiduciary trust services delivery organization. The “To-Be” reengineering phase is a process redesign activity intended to transform the current trust business processes into more efficient, consistent, integrated and fiscally sound business processes that meet the needs and priorities of the beneficiaries and Interior. The “To-Be” reengineering phase consists of seven major tasks:

- Conduct a reengineering training workshop
- Develop a Concept of Operations
- Develop an initial “To-Be” Model
- Conduct model redesign and refinement (includes Gap and Cost-benefit analysis)
- Validate the initial “To-Be” Model during Bureau of Indian Affairs (BIA) Regional site visits
- Finalize the “To-Be” Model
- Develop an Implementation Strategy

The integrated and beneficiary-centric “To-Be” Model is scheduled to be completed by March 31, 2004. Implementation of the “To-Be” Model across Interior will follow.

The project organization leadership includes the Trust Executive Steering Committee for oversight, the Office of the Special Trustee for American Indians (OST) and BIA for project direction, and the Trust Program Management Center for the development of the “To-Be” model, and coordination and implementation of the final trust services delivery model.

Accomplishments and Completions

During this reporting period a copy of the “As-Is” business process study was submitted to the Court and made available to the general public. In addition, the preparation, planning, scheduling, team building and training tasks were completed. Parameters or foundations of the “To-Be” Model were established and progress is currently being made on development of the initial “To-Be” Model. The following list summarizes the completed reengineering activities:

- A Project Plan for reengineering was completed which sets the scope, management approach, schedule, human resources, change control, quality assurance and tasks for development of the “To-Be” Model. The Project Plan includes:
 - A “To-Be” Change Management Plan which is intended to prepare stakeholders for the changes that the “To-Be” Model will require across Interior.
 - A “To-Be” Communication Plan which is a strategy for keeping all stakeholders informed as Interior makes progress toward the “To-Be” model. This plan is a

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dynamic one which will be modified as the effectiveness of the various communication strategies is evaluated.

- A “Business Case for Action” was prepared to relate the importance of reengineering to Interior’s trust reform effort and to reinforce the goals of the *Comprehensive Trust Management Plan* (CTM). The Business Case also includes reengineering goals and the need for partnerships and collaboration.
- A reengineering core team was identified for the purpose of engaging appropriate Interior bureaus, agencies and offices, and Tribes in the reengineering effort at different levels. Their assistance is critical to the identification of trust business process alternatives and opportunities for improvement. The core team is divided into a technical group (Tier 1) and a review and validation group (Tier 2).
- A reengineering training workshop was held in Albuquerque, NM. The purpose of the workshop was to acquaint the business process sponsors and the Tier 1 core team participants with business process reengineering methodologies, strategies and concepts. Change management strategies, design principles and implementation activities were also presented.
- Initial design criteria which provide the operating principles, parameters and guidelines for reengineering were developed for the “To-Be” Model. The design criteria were extracted from the Secretary’s Trust Principles and the direction, goals and objectives identified in the CTM.
- The Full Service “To-Be” Concept of Operations (ConOps) was developed by the trust business process modeling team. The ConOps is a high-level view of how trust management will function in the “To-Be” Model and serves as the basis, or foundation, for the “To-Be” process design. The ConOps illustrates the Beneficiary-Land and Natural Resources relationship and builds upon the three business lines and the Service Delivery Model identified in the CTM.
- The first “To-Be” Reengineering Workshop was held in May 2003. A Workshop Summary Report and a CD with the Process Workflow Charts were distributed to the participants, and the Tier 2 core team.

The business process modeling team proposed the following initial core trust business processes:

- Beneficiary Relationship Development and Management
- Financial Operation
- Ownership
- Land and Natural Resources Planning
- Land and Natural Resources Use and Management

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- The second “To-Be” Reengineering Workshop was held in June 2003. During this workshop, previously identified trust functions became sub-processes to the core trust business processes identified during the first Workshop. Each sub-process was defined by a process description and logical beginning and ending points. In addition, specific roles, locations and organizations involved in performing the new sub-processes were identified. A Workshop Summary Report and a CD with the Process Workflow Charts were distributed to the participants and the Tier 2 core team.

Current Status

The actual “To-Be” reengineering activity began in May and is expected to continue through September 2003, and is scheduled to be carried out during monthly workshops with the Tier 1 core team. Between the workshops, the business process sponsors plan to continue developing detailed process flow diagrams for the new business processes. In addition, processes are being aligned with the organizational roles and business lines as outlined in the CTM. Implementation of the Communication Plan is continuing and meetings are scheduled in July 2003 to develop a joint OST and BIA Change Management Strategy.

Delays and Obstacles

Major obstacles affecting Interior’s efforts to build a trust services delivery model include:

- The lack of Internet access
- The sheer complexity of reengineering the existing trust business processes to achieve integrated and consistent business processes
- The massive, Interior-wide change which will be required to transform the existing trust business processes into a beneficiary-centric operation.

Assurance Statement

I concur with the content of the information contained in the Trust Business Modeling section of the *Status Report to the Court Number Fourteen*. The information provided in this section is accurate to the best of my knowledge.

Date: July 30, 2003

Name: *Signature on File*

D. Jeff Lords
Acting Deputy Special Trustee,
Trust Accountability

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B. COMPREHENSIVE TRUST MANAGEMENT PLAN

Accomplishments and Completions

The Comprehensive Trust Management Plan (CTM) was submitted to the Court during this reporting period. Following the publication of CTM, an outreach plan was developed to inform Department of the Interior (Interior) employees about CTM, and the recently-authorized reorganization of the Bureau of Indian Affairs (BIA) and the Office of the Special Trustee for American Indians (OST). The outreach plan was implemented during June with onsite meetings in each of the twelve BIA regions. Nine teams of OST/BIA managers went to the regions to brief staff and Tribal representatives on CTM and reorganization.

Current Status

CTM provides a framework for all trust reform initiatives with an emphasis on improvement in beneficiary services, business processes, organization structure and technology. It is anticipated that implementation of CTM will span several years and result in improved services to tribal and individual trust beneficiaries. Trust reform will be implemented largely through the reengineering of Interior business management processes known as the "To-Be" project. A team of personnel from all Interior bureaus and offices with trust management responsibility has been meeting since April 2003 to design how trust business should be conducted in the future. One focus of the initiative is on development of a one-stop service delivery system that will enable beneficiaries to obtain information regardless of which office receives the request.

The reorganization is another major component of trust management reform in CTM. The realignment is expected to provide for improved effectiveness, accountability of trust assets and overall management. The Secretary of the Interior approved the Departmental Manual changes on **April 21, 2003**, authorizing the reorganization. One significant result of the reorganization will be the placement of OST Trust Officers in BIA Agency Offices and in Indian country. The Trust Officer is expected to be a central point of contact for beneficiaries to obtain information and trust services, and is expected to oversee proper management of trust assets to ensure compliance with the Secretary's fiduciary trust responsibilities.

Trust Reform Project Management Tracking Software (TMT) that is tied to the goals and objectives in CTM is being developed to track the timely implementation of critical projects that will significantly impact the implementation of trust reform. TMT should provide management at all levels of the organization with access to information about the various ongoing trust initiatives to ensure accomplishment of plan goals and objectives. Presently, TMT is expected to be connected only to BIA and OST networks. However, it is anticipated that with the future restoration of Internet services, additional bureaus' initiatives will be included in the system, enabling the Special Trustee to track the status of the projects and initiatives across bureaus, and manage the implementation of CTM.

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The TMT is expected to link trust projects to CTM by organizing the data according to CTM Strategic Framework. Specifically, the data is expected to be organized according to the four framework areas of

1. Beneficiaries (Tribal and Individual Indians)
2. Business Processes
3. Organization
4. Technology and Data

This should enable the Special Trustee to determine the number of projects underway in each area of consideration and should provide greater accountability through increased communication of project status.

The next steps to be completed for TMT include:

- Development and implementation within the next reporting period.
- Issuing a data call to the different bureaus within Interior.
- Organization and entry of trust reform project task data into TMT, to implement CTM.
- Training for project managers.
- Address developmental issues and determine management reporting capabilities.

Obstacles and Delays

OST continues to encounter obstacles which result in the delay of CTM and trust reform efforts. These obstacles tend to fall into two categories:

- Personnel considerations
- Technological considerations

Personnel considerations include employee transition impacts and change management necessitated by OST/BIA reorganization. This obstacle was expected and is currently being addressed through implementation of an outreach plan. OST anticipates this obstacle to lessen over time, but not to be resolved until after full implementation of the reorganization.

Technological considerations include the need for better communication and coordination within and across bureaus. Currently, being unable to share large amounts of information electronically across bureaus is hindering the ability of Interior to communicate and implement trust reform as effectively as possible. In order to share documents and information in electronic format, this information must currently be saved to disk and mailed or hand-delivered. This increased delay hinders trust reform as transmission of data in a manual format often takes days instead of minutes.

The lack of Internet access includes side effects such as the compounding effect of additional work. This is demonstrated by the increased amount of manual work necessary to complete a

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task. As staff is diverted away from specific trust reform initiatives to improve the communication and coordination between bureaus, CTM is delayed. This "extra work" consumes important resources that could otherwise be better spent to further trust reform efforts if the electronic obstacle to communication and coordination did not exist.

Assurance Statement

I concur with the content of the information contained in the Comprehensive Trust Management Plan section of the *Status Report to the Court Number Fourteen*. The information provided in this section is accurate to the best of my knowledge.

Date: July 28, 2003

Name: *Signature on File*

Victor J. Christiansen

Office of the Special Trustee for American Indians

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C. TRUST DATA QUALITY AND INTEGRITY (Formerly BIA Data Clean-up)

Introduction

The success of trust reform depends foremost on the accuracy of data, upon which trust land is maintained, trust land ownership is determined, trust income distributed, and trust accounts managed. The purpose of this trust reform task is to standardize trust data elements, implement quality controls which will ensure trust data is accurate, current, and secure, and to provide trust real property asset statements to beneficiaries.

Background

As reported in the *Ninth Report to the Court*, this trust reform task, then titled, "Trust Data Quality Analysis," was the previous Bureau of Indian Affairs (**BIA**) Data Cleanup task. The **BIA** Data Cleanup effort was part of a systems approach to trust reform that was directed toward converting to the Trust Asset and Accounting Management System (TAAMS). Data cleanup focused on technology and system logic issues, with a specific emphasis on researching data which did not convert from the legacy systems to TAAMS. Data cleanup did not necessarily focus on business-oriented data cleanup issues, such as standardizing databases or addressing fiduciary responsibility and beneficiary priorities.

As further reported in the *Ninth Report to the Court*, until the core trust business processes were reengineered, data cleanup requirements would be driven by fiduciary responsibilities and priorities. The reprioritized data cleanup project would begin by correcting all trust data used to manage producing assets for beneficiaries. Developing corrected, operational databases would require identifying data items that are critical to producing an accurate record of beneficiaries' assets or ensuring correct distributions of trust income.

As reported in the *Tenth Report to the Court*, the Office of the Special Trustee for American Indians (OST), Trust Systems and Projects (TS&P) office met with the Director, BIA Office of Trust Responsibilities and representatives from four BIA Land Title and Records Offices (LTRO) to discuss the direction of data cleanup and the development of Critical Data Elements (CDE). It was also reported that the TS&P office selected the Anadarko Agency and Concho Agency to renew data quality and evaluation work, as these agencies were two of the top three trust fund individual Indian money generating agencies in the country and accounted for seventeen percent (17%) of trust fund revenue produced.

As further reported in the *Tenth Report to the Court*, once the list of CDE was agreed upon and formalized, documents and data cleanup actions would be reviewed and measured against these elements and subjected to a data quality and validation process. Any errors found would be reported to the appropriate data owners for validation. Once the document or data cleanup action was validated, the information would be stored in an independent interim data system to ensure that data integrity was maintained. Subsequent changes to the interim data system would be tightly controlled and require third-party validation.

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As reported in the *Eleventh Report to the Court*, the Concho, Anadarko, and Eastern Navajo Agencies, were selected as Data Quality and Integrity (DQ&I) Model Agency Project sites as they were three of the top four agencies for having the highest recurring amounts of trust income being deposited into Individual Indian Moneys (IIM) accounts. Upon full implementation at these sites, the DQ&I Model Agency Project would be scheduled for implementation at the remaining top ten agencies, prior to a nation-wide deployment.

As further reported in the *Eleventh Report to the Court*, a data warehouse was scheduled to be developed and used to extract, periodically, CDE originating from the systems used by the various Interior bureaus and offices (primarily BIA, Office of Trust Funds Management (OTFM), and Minerals Management Service). It was conceptualized that the data warehouse would serve as the interim data system for the storage of validated CDE, and transaction updates to the validated CDE would be tightly controlled and require third-party validation, as reported in the *Tenth Report to Court*.

As reported in the *Twelfth Report to the Court*, the Trust Data Quality Analysis section was re-titled DQ&I. It was also reported that site assessments were conducted at the Concho, Anadarko, and Eastern Navajo Agencies, and that the contractor's data cleanup efforts were modified to focus on the CDE validation/correction effort at the three DQ&I model sites.

As reported in the *Thirteenth Report to the Court*, the Eastern Navajo Agency (ENA) was removed from the DQ&I Pilot Agency site list for fiscal year 2003, because: (1) the Integrated Resources Management System was not being fully utilized in their trust processes; (2) the Southwest Region LTRO had a processing backlog for ENA, and (3) the Southwest Region LTRO had not yet converted to TAAMS land title product.

As further reported in the *Thirteenth Report to the Court*, the Trust Enterprise Architecture (TEA)-Integrated Product Team (IPT), recommended the DQ&I Project proceed with the development of a statement of performance database (rather than a data warehouse as originally contemplated) for temporary CDE data storage that would be used in the comparison, analysis, and variance reporting in support of the statement of performance production.

The statement of performance database was the name used, by TEA-PT, for the database where CDE, extracted from the non-integrated trust systems (i.e. TAAMS land title product, Real Estate Module, Integrated Records Management System, Royalty Distribution Reporting System, and the Trust Funds Accounting System), would be temporarily stored in order to compare and analyze CDE and produce CDE variance reports.

As a result of this TEA-IPT recommendation, the DQ&I Project implementation approach was modified to incorporate the following three main components: (1) CDE validation/correction; (2) implementation of a Post Quality Assurance process, and (3) variance reporting, to facilitate timeliness and efficiency.

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Accomplishments and Completions

During this reporting period, the following major accomplishments were completed by the Trust Program Management Center:

- The DQ&I Draft Concept of Operations (ConOps) document was provided to the Director, BIA and the Deputy Assistant Secretary Information Resources Management/ Chief Information Officer. The ConOps document provides the detailed methodology and strategy for implementing the DQ&I project.
- The Trust Funds Accounting System (TFAS) trust real property asset reporting feasibility study was received. The feasibility study, so far, indicates TFAS, with some enhancements and modifications would be capable of generating trust real property asset statements for beneficiaries who own trust property within the jurisdiction of the Anadarko and Concho Agencies. TFAS trust fund distribution feasibility study has been suspended due to BIA's efforts in analyzing existing systems which can perform trust fund distributions.
- Alaska Region and Eastern Oklahoma Region Land Title Data Conversion assessments were completed. These assessments were conducted to determine whether there were databases containing accurate land title information for these regions which could be uploaded to TAAMS land title product. The assessment findings were provided to BIA for further action.
- A DQ&I site assessment was conducted at the Pima Agency. The purpose of this site assessment was to collect information pertaining to this agency's document processing backlog, trust systems used, volume of trust transactions, and sources of trust income. This information is expected to be used for DQ&I project implementation planning at this location.
- Variance report formats and requirements were developed. These report formats and requirements will be forwarded to BIA for report development in the next reporting period.

In addition, during this reporting period, the contractor successfully completed the following:

- 588 right-of-way (ROW) files were organized at the Concho Agency.
- 1,637 surface lease files were organized at the Anadarko Agency.
- 310 oil and gas (O&G) lease assignment documents, at the Anadarko Agency, were prepared for recordation and submitted to the Southern Plains Regional Office (SPRO) - LTRO.

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- 551 homesite and business lease files were organized at the Anadarko Agency.

Current Status

DQ&I Pilot Agency Project

The Concho and Anadarko Agencies are the DQ&I Pilot Agency Project sites. The DQ&I project is scheduled to be implemented the next reporting period at these agencies, as well as at the SPRO-LTRO. The SPRO-LTRO is the servicing office for the Concho and Anadarko Agencies.

The DQ&I project strategy and methodology focuses on accomplishing two initiatives: (1) implementing a Post Quality Assurance (Post-QA) process at the Anadarko Agency, Concho Agency and SPRO-LTRO, and (2) validating/correcting current CDE to their source documents. CDE are defined as those trust data elements which are needed to provide: (1) timely and accurate payments to beneficiaries; (2) timely and accurate transaction listings and asset inventories to beneficiaries, and (3) effective management of the assets. Examples of CDE are beneficiary name, account number, tract identification number, and land ownership interests.

Once the DQ&I project has been successfully implemented at the Anadarko Agency, Concho Agency, and SPRO-LTRO, the DQ&I project is planned to be implemented at other agency locations based upon the locations annual recurring amount of trust income deposited into IIM accounts and the number of IIM accounts at that location.

Post-QA Process

The Post-QA process is a review of the previous day's encoding of CDE transactions relating to land title and realty (i.e., tract identification (ID) numbers, land owner ID numbers, ownership interests, encumbrance documents, etc.). Specifically, the Post-QA process compares transactions entered into the BIA legacy systems to their source input documents, with the intent of ensuring CDE transaction accuracy. The Post-QA is expected to be performed by a contractor at the Anadarko Agency, Concho Agency, and SPRO-LTRO. Under the DQ&I Draft ConOps, the Post-QA process is the mechanism designed to help ensure that validated/corrected CDE will remain accurate.

CDE Validation/Correction

Current CDE should be validated/corrected, on a land tract-by-land tract basis, to their source input document with errors being delivered to the CDE owner for resolution. It has been administratively determined that the CDE validation/correction timeframe is 15 years or the last land title status report certification date, whichever is closer to the date CDE validation/correction begins.

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Upon completion of CDE validation/correction at the Anadarko Agency, Concho Agency, and SPRO-LTRO, the Post-QA process should help ensure that updates to CDE, which have been validated/corrected, are accurate.

CDE Variance Reporting

CDE variance reports are expected to be utilized to promote timely and efficient Post-QA and CDE validation/correction. These variance reports should identify by land tract: (1) CDE; (2) CDE variances between BLA and OST systems, where CDE are common among systems, and (3) CDE updates.

These variance reports can also be utilized by the Anadarko Agency, Concho Agency, SPRO-LTRO, and OST, as these reports should show CDE discrepancies between the respective trust systems. By knowing where these discrepancies are, these offices: (1) should be able to better administer the trust data they manage, and (2) can perform root cause analyses to determine the causes of CDE discrepancies across trust systems.

Contractor Efforts

For fiscal year (FY) 2002, the allocation for BIA data cleanup activities was \$10,956,000. For FY 2003, the allocation for BIA data cleanup activities was reduced to \$4,967,000. Due to the allocation reduction and the new focus of the DQ&I project, as reported in the *Twelfth Report to the Court*, the contractor's efforts were modified to focus on CDE validation/correction effort at the DQ&I pilot sites. BIA concurred with our modification to reduce the contractor's level of effort and to focus on DQ&I pilot sites.

During this reporting period the contractor's focus was: (1) DQ&I pilot agency project tasks at the Anadarko and Concho Agencies; (2) Southwest Regional Office (SRO)-LTRO document processing tasks for ENA, and (3) Encoding Alaska Region land title transactions into TAAMS land title product. The Alaska Region land title encoding was performed at the contractor's Albuquerque, NM, office.

Specifically, the contractor's continued efforts in support of the Pilot agency projects were:

- ROW recordation preparation at the Concho Agency.
- O&G file organization at the Concho Agency.
- Land title report gathering and anomaly verification at the Concho Agency.
- O&G lease file organization at the Anadarko Agency.
- Land title report gathering and anomaly verification at the Anadarko Agency.

In addition, the contractor's efforts continued to support:

- Drafting and encoding, into the Land Records Information System (LRTS), administrative probate modifications for ENA.
- Encoding encumbrances, into LRIS, for ENA.
- Encoding, into LRIS, Certificate of Indian Blood administrative modifications for ENA.

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- Encoding land title documents (i.e. trust patents, conveyances, encumbrance documents, etc.) into TAAMS land title product, for the Alaska Region.

Data Cleanup Delays and Obstacles

As reported in the contractor's quarterly report to OST, during this reporting period the contractor's data cleanup efforts were impacted by the following:

- Delayed access to **BIA** legacy systems due to untimely issuance of user identifications from the Office of Information Resource Management and subsequent untimely security profile set-up by local BIA offices.
- LRIS being unavailable for encoding or for requesting reports at SRO-LTRO.
- LRIS overnight batch update failures at SRO-LTRO.
- TAAMS land title product being unavailable for encoding or for requesting reports.

Assurance Statement

I concur with the content of the information contained in this Trust Data Quality and Integrity section of the *Status Report to the Court Number Fourteen*. The information provided in this section is accurate to the best of my knowledge.

Date: July 28, 2003

Name: *Signature on File*

John E. White

Supervisory Trust Reform Specialist

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D. CURRENT ACCOUNTING ACTIVITIES

Overview

Current accounting activities include the following: 1) Locate Missing Mandatory Documents for Unrestricted Accounts; 2) Trust Funds Accounting System (TFAS); 3) Whereabouts Unknown Accounts (WAU); 4) Special Deposit Accounts; 5) Small Balance Accounts; and 6) Accounting Discrepancies.

1. Locate Missing Mandatory Documents for Unrestricted Accounts

Introduction

All unrestricted accounts with automated disbursements require certain documents. For accounts that were established prior to conversion to TFAS, some of these documents are missing, and efforts to acquire them are underway. These documents include disbursement authorizations and W-9 forms or copies of Social Security cards.

As previously reported, Phase I of the data collection task began prior to TFAS conversion. Phase I included updating unrestricted accounts having cumulative disbursements exceeding \$5,000 over a 12-month period. There were 472 accounts identified, and letters and forms were sent to the account holders asking them to complete and return the forms. Documentation has been received for all 472 accounts.

Accomplishments and Completions

Phase II of the "locate missing documents" project included data collection for all remaining unrestricted accounts regardless of their disbursement totals, excluding accounts that already contained all mandatory documents. A total of 39,528 initial letters were mailed to account holders requesting mandatory documents. A minimum of three follow-up requests are expected to be sent to these unrestricted account holders. Documentation of account status change, or other required information for automated disbursement, was received for 1,874 accounts this reporting period. Of the 39,528 total remaining unrestricted accounts, documentation for automated disbursements has been received for 16,019 accounts, leaving 23,509 accounts still awaiting documentation. As of June 30, 2003, 3,853 accounts were placed in restrictive status due to various reasons, i.e., account became a whereabouts unknown, went into probate, etc., thus eliminating the requirement for documentation to support the automated disbursement form and further reducing the number of accounts awaiting documentation for automated disbursement to 19,656, since this project only involves the unrestricted accounts. These accounts will remain in restrictive status until required documentation is received.

Throughout this effort, the cost and logistics of having documents notarized or witnessed has been an obstacle to the success of this project. A new policy is expected to go into effect during the next reporting period that will eliminate the need for notarization. The new policy will only

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require a single witness. The new policy should address the requirements for accepting signatures, and should implement procedures that are similar to private sector standards.

Current Status

Phase I – completed, received documentation for all 472 accounts.

Phase II – **19,656** accounts are awaiting documentation.

Delays and Obstacles

Obstacles include notarization/witnessing requirements, lack of account holder response, mobility of account holders and the lack of Internet access.

Electronic imaging is necessary for immediate access to Individual Indian Monies (IIM) jacket folder contents, including disbursement authorization forms, W-9's, copies of Social Security cards, birth certificates, etc. Imaged documents would be accessible by central office and field staff. If available electronically these documents could be available to all systems simultaneously. This project has been referred to the Assistant Deputy Secretary for consideration.

Lack of imaging has also been identified as an issue by the Office of Historical Trust Accounting (OHTA) and the Office of Trust Records. Meetings to discuss this issue are being planned for later this year.

2. TFAS

Introduction

The conversion of the IIM accounts to TFAS was completed in March 2000. TFAS is a generic term for the contractor's off-the shelf, standard trust accounting system. TFAS provides the basic receipt, accounting, investment, disbursing and reporting functions common to commercial trust funds management operations. The system is owned and operated by a contractor, in a service bureau environment.

Current Status

The Office of the Special Trustee for American Indians (OST) is working with the contractor to explore ways in which it can store additional information in TFAS to provide performance statements to account holders which will identify the source of income and a listing of all assets owned. During the next reporting period, further information from the contractor is expected to be obtained.

The TFAS contract is being reviewed to determine if real estate modules can be used as alternatives to the legacy systems currently in place.

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Delays and Obstacles

None

3. Whereabouts Unknown Accounts

Introduction

Accounts are classified Whereabouts Unknown for various reasons including: new accounts are established without a valid address, notification of a change of address has been received from a third party, correspondence has been initiated but **the** account holder has not responded, mail is returned due to invalid addresses, and account holders refuse or do not claim their mail. As reported in previous *Status Reports to the Court*, multiple methods are being utilized to locate account holders whose whereabouts are unknown.

Accomplishments and Completions

The most recent effort was initiated in November 2002, through an interagency agreement with the Internal Revenue Service (IRS) for a letter forwarding service. As of June 30,2003, addresses for 1,996 account holders were updated as a result of the IRS letter forwarding process.

Current Status

The WATCH effort, as described in earlier status reports to the Court, continues with a contractor that notifies OST of possible address changes. During this reporting period, 3,3 **14** WATCH notifications were received from the contractor. Verification letters and change of address forms were then sent to these account holders.

OST is working with the Social Security Administration and Veteran's Administration in an effort to locate WAU account holders. OST is waiting for *Agreements Covering Reimbursable Services* and projected cost estimates from both organizations. Approvals from both organizations have been obtained, and an agreement has been reached. The contract memorializing this agreement is expected during the next reporting period.

During the next reporting period, OST will be working on establishing interagency agreements with Personnel Offices in other Interior agencies to share the WAU list in an attempt to compare databases for current address information.

Priority is put into locating the current Top 100 highest dollar balance WAU account holders. Efforts include looking for phone numbers, calling other account holders with same last name, calling field offices, etc. During this reporting period, 16 out of the top 100 WAU account holders were located, with combined accounts in excess of \$1,187,000.

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As of June 30, 2003, there were 67,184 WAU accounts totaling \$88.4 million. The following table illustrates the number of accounts stratified by account balance and WAU category:

Account Balance	Correspondence/ Check Returned	Account Setup W/No Address	Awaiting Address Confirmation	Refused/ Unclaimed Mail	Total
Equal to or over \$100,000	27	13	3	0	43
Under \$100,000 and equal to or over \$50,000	42	9	13	0	64
Under \$50,000 and equal to or over \$5000	2,875	657	520	3	4,055
equal to or over \$1000	6,411	1,713	1,134	5	9,263
Under \$1000 and equal to or over \$100	11,546	3,606	1,959	23	17,134
Under \$100 and equal to or over \$1	17,498	5,750	3,939	64	27,251
Under \$1	6,217	2,016	1,121	20	9,374
Total	44,616	13,764	8,689	115	67,184

Delays and Obstacles

OST has been unable to access TransUnion's address database due to the Court's Internet access order of December 2001, which delays progress on locating addresses for returned mail. Transunion is a contractor that notifies OST of address changes. As a workaround, OST and Datacom continue to request social security number traces via telephone; and TransUnion continues to provide notification of address changes via the WATCH program. However, these methods are less efficient and take more time than would access to TransUnion's database.

4. Special Deposit Accounts

Introduction

The Bureau of Indian Affairs (BIA)/OST Interagency Handbook Procedures define Special Deposit Accounts (SDA) as temporary accounts for the deposit of trust funds that cannot immediately be credited to the rightful account holders, and may be used only as an exception to the mandate for immediate deposit and distribution of trust funds to individual Indian and tribal beneficiaries.

The SDA project was divided into three projects: 1) OHTA has responsibility for SDA that were opened on or before December 31, 2000, also known as the retrospective accounts. 2) SDA created between the date range of January 1, 2001, and December 31, 2002, are the responsibility of OST and BIA. 3) Current or prospective activity is the responsibility of BLA, with oversight

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by OST. In the current activity, it is the responsibility of BIA to distribute funds within 30 days of receipt into SDA in accordance with the BIA-issued SDA policy.

Accomplishments and Completions

As of June 30, 2003, there were 20,786 SDA with a fund balance of \$61.2 million, as compared to March 31, 2003, when there were 21,124 SDA with a fund balance of \$67 million. This is a decrease of 338 SDA and \$5.8 million from the previous period.

In coordination with the BIA/OST Interagency Handbook training, training of BJA and OST staff on the SDA Document Preparation and Encoding Training Procedures was completed for the remaining six BIA Regions. Supplemental training also was provided at the Great Plains, Western and Southwest regions for additional staff selected by the BIA.

Transition of the workload between OST and OHTA on the SDA pilot project accounts is complete. For those SDA that fell into the population of accounts for which OHTA is responsible, working copy files were transferred to the OHTA Project Manager. OHTA has taken possession of the files and has hired a contractor to continue work on the accounts.

Current Status

As reported in previous *Status Reports to the Court*, OST's primary focus is on the daily operation and maintenance of the SDA Pro database. This enables OST to track electronically transactional activity and generate reports that both BIA and OST management can use as tools to prevent the recurrence of problems historically associated with SDA.

The SDA Pro database began capturing receipts and disbursements from SDA on January 2, 2003, and provides an aging report of undistributed SDA funds. The monthly SDA aging summary and detail reports are made available on the StrataVision Product, as well as other ancillary reports that serve as additional research tools. These reports are available for on-line viewing or printing by OST and BIA employees with favorable clearance to view trust data. Reports are designed to serve as a management tool for tracking and monitoring activity at the agency level and for monitoring compliance or non-compliance with SDA policy.

The Office of Trust Fund Management's (OTFM), Division of Trust Funds Accounting and OST Trust Accountability Special Projects Office continue to work with field offices to obtain the required information necessary to process funds from transactions (i.e., lease/contract/permit and allotment/tract). The monthly status reports to Regional Directors include a report on the encoding compliance and distribution compliance (i.e., SDA aging report). The intent is to provide feedback to the senior level management so they can enforce compliance at all levels within their region.

The Director of BIA has designated BJA Deputy Regional Directors to coordinate the effort to distribute funds in SDA that are greater than 30 days old. The priority established is to work on accounts with undistributed receipts greater than 90 days old, then 60 and 30 days old. The

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Special Projects office has been working with BIA agency staff to identify the undistributed funds greater than 90 days old to support the distribution of the funds.

During the week of June 30,2003, OST Trust Acquisition Support Services and program management issued a request for proposal for OST's portion of the SDA project. OST expects to evaluate and select a contractor within the next reporting period.

In the *Status Report to the Court Number Thirteen*, it was reported that six agencies in the Great Plains Region did not have the Management Accounting Distribution System (MADS) interest calculation module installed. The Great Plains Region reported that the MADS interest calculation module has been installed across the region, except for Pine Ridge and Fort Totten agencies. Pine Ridge is to be re-cabled and new communication hardware is expected to be installed by the end of July. It is anticipated Pine Ridge will have the program in operation by mid-August. Fort Totten expects to have the program in operation by the end of FY 2003.

Delays and Obstacles

To benefit from SDA Pro's capabilities, the required information must be properly encoded in accordance with the SDA Document Preparation and Encoding Procedures. Information required to maximize SDA Pro's functionality is still not available on all source documents from relevant BIA programs. Furthermore, at some locations, encoding procedures are used only intermittently. The manual processes and follow-up work needed when this information is either unavailable or improperly encoded causes increased workload, and delays completion of **SDA** distribution. However, training on the SDA Document Preparation and Encoding Procedures was completed during this reporting period, and compliance with these procedures is expected to improve as a result.

Furthermore, during this reporting period, OST Trust Accountability requested the assistance of four BIA Realty Specialists to help oversee these problems. In the next reporting period, it is expected that the BIA Realty Specialists will assist in the effort to distribute funds greater than 90 days old.

5. Small Balance Accounts

As of June 30, 2003, there were 19,570 accounts that have a \$.01 - \$1.00 balance with no activity for the previous 18 months. The total sum included in those accounts is \$5,702.79. Statements are sent to accountholders for these accounts on an annual basis pursuant to direction from Congress.

In the next reporting period, OST and the Office of the Solicitor expect to complete work on an options paper identifying potential legislative and/or administrative resolutions of this matter.

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6. Accounting Discrepancies

Introduction

Prior to conversion to TFAS, and as previously identified in the High Level Implementation Plan, a number of accounting discrepancies existed and needed to be researched. Some of these discrepancies may impact individual accounts.

OST has an extensive daily and monthly reconciliation process in place to make certain that all transactional reporting to the Department of the Treasury (Treasury) is accurate and that any differences are researched and corrected by the next accounting period. There have been no known uncorrected differences between Treasury and OST since at least June 30, 1998. The current process ensures, on a continuing basis, that all differences are corrected in a timely manner.

Accomplishments and Completions

As reported in the previous report, the adjustment between Treasury and Interior to reconcile accounts was effective March 31, 2003. As anticipated, this adjustment was confirmed during the current reporting period.

Current Status

Efforts continue to resolve the nearly \$6 million difference between the subsidiary account ledger (liabilities) and the IIM investment pool (assets). The solution requires an appropriation from Congress. On June 3, 2003, legislation requesting an authorization and appropriation for approximately \$6 million was sent to Congress to resolve this problem.

Accounting Discrepancies mentioned in previous audit reports that occurred prior to the conversion process are currently being evaluated for resolution. A plan to resolve these additional discrepancies is expected to be developed during the next reporting period.

Assurance Statement

I believe that the information provided by me in the Current Accounting Activities section of the *Status Report to the Court Number Fourteen* is an objective and informative analysis of that project as of June 30, 2003. My belief is based on my knowledge and review of credible evidence.

Date: July 29, 2003

Date: July 28, 2003

Name: *Signature on File*
Dianne M. Moran
Trust Operations Officer

Name: *Signature on File*
Helen Riggs
Project Manager

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I believe that the information provided by me in the Accounting Discrepancies section of the *Status Report to the Court Number Fourteen* is an objective and informative analysis of that project as of June 30,2003. My belief is based on my knowledge and review of credible evidence.

Date: July 28,2003

Name: *Signature on File*
Michael Fansler
Program Analysis Officer

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E. RECORDS MANAGEMENT

Introduction

A records management program has been developed and implemented, and continues to evolve, to ensure that: necessary Indian records are maintained; records retention needs are met through authorized schedules; and the records are safeguarded throughout their life-cycle. The Office of Trust Records (OTR) was established in 1999 to develop and implement a program for the economical and efficient management of trust records, consistent with the American Indian Trust Fund Management Reform Act of 1994, the Federal Records Act, other statutes and their implementing regulations. The line authority for supervision and management of OTR remains with the Assistant Deputy Secretary.

This Status Report modifies the format of reporting on each strategic goal identified in *Status Report to the Court Number Eleven*. This report will include information on strategic goals when activity has occurred on those goals.

Accomplishment and Completions

Fiduciary Trust Records Definition

OTR continued to assist the Assistant Deputy Secretary to develop decision trees for the Bureau of Indian Affairs (BIA), Office of the Special Trustee for American Indians (OST), the Bureau of Land Management, the Minerals Management Service (MMS), the Office of Surface Mining (OSM), and other Department of the Interior (Interior) Bureaus/Services/Offices. On **April 30, 2003**, the Deputy Secretary issued a memorandum on the "Definition of Indian Fiduciary Trust Records" to the Solicitor, Assistant Secretaries and Bureau Directors and Office Heads, wherein the Deputy Secretary attached a definition of an Indian fiduciary trust record that is bureau/office specific. The definition is determined by following the bureau/office-appropriate process outlined on the "Is it a Fiduciary Trust Record?" decision tree which was attached for each bureau/office. The definition process established is expected to be incorporated into the Departmental Manual during the next reporting period.

The Deputy Secretary stated that the decision trees apply only to Interior records. Interior plans to meet with representatives of compacted and contracted tribes to develop appropriate decision trees for use with records that Tribes possess in the management of trust assets. In furtherance of the development of appropriate decision trees for use by compacted and contracted tribes, the Assistant Deputy Secretary, OTR and BIA began discussions with two Tribal leaders regarding development of an appropriate definition for Tribes to apply to the records they possess under self-governance compacts and self-determination contracts. Discussions with additional Tribal leaders are expected to occur in the next reporting period.

The record series matrices for BIA and OST, indicating which series are or are not trust records, are expected to be finalized and issued in the next reporting period. OSM advised the Assistant

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Deputy Secretary on May 19, 2003, that it had applied the OSM decision tree to its records schedule and developed a matrix of records series containing trust records.

Records Management Liaisons

Eight positions for OTR records management liaisons at BIA regional offices were advertised on June 23, 2003. Two additional positions are expected to be advertised in the next reporting period.

Current Status

Records Retention Schedules

On May 22, 2003, OTR and the Assistant Deputy Secretary held a conference call with the National Archives and Records Administration (NARA) to discuss the Indian trust land and natural resources record schedules currently incorporated in the 4000 series of the 16 Bureau of Indian Affairs Manual (BIAM), submitted to NARA, and electronic schedules as described in the *Status Report to the Court Number Thirteen*. On June 24-26, 2003, NARA representatives traveled to Albuquerque and worked with OTR staff on the records schedules. Based on comments received from NARA, work on the record schedules has been re-focused and will update the 4000 series of the BIAM rather than replacing the record series structure. NARA has verbally agreed that all current collections of Indian records held by Interior will be permanent. Written confirmation from NARA is expected to be incorporated in a memorandum of understanding during the next reporting period.

Record Keeping Requirements

On May 19, 2003, the OTR Director issued a memorandum to BIA Directors and OST which provided "Guidance and Procedures to Follow when Requesting Approval to Move Records to the Federal Records Center (FRC) or OTR Records Service Center." In the memorandum, the Director reiterated that inactive records could be retired to an FRC or OTR as long as the additional guidance provided in the March 31, 2003, memorandum is followed. OTR will continue to assist BIA and OST offices in retirement of records to FRC. OTR will assist in obtaining accession numbers from NARA and approvals from the Assistant Deputy Secretary for BIA and OST.

Training

The revised records training program resumed on April 16, 2003. Training materials incorporated the trust records decision trees issued by the Deputy Secretary specific to BIA and OST offices. The forms "Records Move Plans" and the "Approval Requests for Moving Inactive Records to OTR and the FRC," and procedures to move records, have also been incorporated. The examples used in the training program are actual forms used by BIA and OST, but all information contained within the forms is fictitious.

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Evaluation of Records Program

OTR submitted draft policies and procedures for conducting records site assessments to the Office of the Assistant Deputy Secretary for review and comment. OTR staff worked with the Office on revising the policies and procedures. Although it was expected that the drafts would be ready for distribution to BLA and OST for review and comment during this reporting period, the drafts were not completed in time to be distributed. The drafts are expected to be distributed and site assessments to begin in the next reporting period.

Record Retrieval

The contractor indexing Indian records in Albuquerque, NM and in Kansas City, MO continued its work. The index database was modified to increase processing speed while maintaining high quality data. However, the modification to the database resulted in some problems which affected production in June. These problems included having too many active users logged onto the system, workstations being rebooted improperly, and having three bad PCs on the system. The contractor corrected the problems in Albuquerque. The database problems are expected to be resolved at the Kansas City site during the next reporting period.

Hardware and software necessary to implement a single index database with full text search capabilities were purchased. A new server was configured and loaded with this software. This new server and associated software has not been connected to the Local Area Network. Documentation and technical requirements to allow that connection are expected to be completed during the next reporting period. System testing and data loading will continue on a stand alone basis. Search capabilities and queries are expected to be further developed and tested in the next reporting period.

In indexing boxes of Indian records at both the Albuquerque and Lee's Summit locations, priority continued to be given to boxes responsive to Tribal trust litigation requests for production of documents.

Farmington Indian Minerals Office (FIMO) Review

OTR participated as a team member in an investigation of alleged destruction of trust records at FIMO in Farmington, NM. The destruction came to light as a result of a management control evaluation at FIMO by MMS/Minerals Revenue Management. OTR's participation was requested by the Assistant Deputy Secretary. The team found that trust records had been destroyed. Records training requested by the Acting FIMO Director is expected to be provided in the next reporting period by OTR and NARA staff.

Reporting

OTR provided a monthly report of April 2003 activities through the Department of Justice (DOJ) for transmittal to the Special Master. On May 29,2003, the Special Master notified DOJ that

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OTR was relieved of its obligation to provide him with further monthly reports. Therefore, OTR will no longer provide monthly reports to DOJ for transmittal to the Special Master.

Delays and Obstacles

- The time frame projected for data entry work on the indexing project is still not on target and fell further behind due to database problems encountered as noted above. The contractor had representatives on site in Albuquerque in June to successfully address these issues.
- While the contractor is fully staffed at the Kansas City indexing site, the site in Albuquerque still is not at its targeted staffing level. Recruitment efforts increased and the Albuquerque site is expected to be fully staffed in the next reporting period.
- OTR completed the physical relocation of the two OTR Albuquerque offices into one central location during May and June. This move affected progress on the ongoing work as staff packed their materials and files in mid-May, the physical move took place, and the subsequent unboxing of files occurred through mid-June. The benefit to OTR is that staff of these offices are located in one building and are now also co-located with the indexing contractor in Albuquerque.

Assurance Statement

I concur with the content of the information contained in the Records Management section of the *Status Report to the Court Number Fourteen*. The information provided in this section is accurate to the best of my knowledge.

Date: August 1, 2003

Name: *Signature on File*

Ethel J. Abeita

Director, Office of Trust Records

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F. TRAINING

Introduction

The Department of the Interior (Interior) has a continuing responsibility to provide adequate staffing, supervision and training for trust fund management and accounting (25 U.S.C. Sec. 162 a(d)(7)). Trust training is an integral part of all training for Interior employees who are involved in the management of Indian Trust Assets, and is essential to the success of Interior's trust reform efforts.

Accomplishments and Completions

A new training office was established on April 21, 2003, as part of the reorganization. The office is responsible for the development and implementation of an Interior-wide trust training program for personnel performing trust asset and trust management functions. The Office of the Special Trustee for American Indians (OST) hired a Management/Program Analyst to work with its Trust Training Coordinator to develop a centralized trust management training program.

Five regional training sessions on the *Interagency Procedures Handbook* were completed during this reporting period. In total, 1,363 individuals have attended the training. This completes the *Interagency Procedures Handbook* training of current employees. Training will be offered in the future for new employees as required. The *Interagency Procedures Handbook* details trust program procedures and was developed as a joint effort between the Bureau of Indian Affairs (BIA) and OST.

OST offered four sessions of the course, *Fiduciary Overview Program*. The courses were taught by a contractor and were offered in Billings, MT, Albuquerque, NM, Tulsa, OK, and Portland, OR. A total of 149 BIA, OST and Tribal managers attended the course in these areas. This course provides managers with a comparison of the Federal Indian trust administered through Interior with more traditional trusts administered through banks and other financial institutions.

During this reporting period, a contractor provided the course, *Trust Foundations: An Introduction to Trust Reform and Change*, to 612 students in 24 locations. This course provides employees with a basic knowledge of the Federal trust responsibility and the trust reform activities. This brings the number of employees who have completed the training to 2,951.

Hands-on training for the Trust Funds Accounting System, Stratavision and Historical Query, is provided on an as-needed basis for OST, BIA and contractor staff.

Current Status

OST worked with an Interior team to resolve the issue of an appropriate registrar system to track attendance and course completion for employees who enroll in trust training classes. OST is working to contract registrar services from the Bureau of Land Management (BLM) until Interior

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implements an Interior-wide system. **An** agreement with BLM for interim services is expected to be in place in the next reporting period.

The curriculum committee discussed in *Status Report to the Court Number Thirteen* was not selected as anticipated. This effort will continue during the next reporting period. An outline for a draft training plan has been developed and will be circulated during the next reporting period.

OST training staff and BIA training staff are working together to develop orientation sessions for new employees, as well as for employees who may be assigned new duties under the reorganization. These sessions will range from one day to six weeks, depending on the type of position and responsibilities of the personnel. **An** important aspect of the orientation program will be to help employees understand the need for trust reform and how their jobs fulfill the trust responsibility. This program plan is anticipated to be completed by the end of CY 2003.

A training inventory is being developed that identifies training that was provided to trust employees during the past three years. This will provide an inventory of existing courses, what has been successful, who provided training, and in which locations and subjects training has been a priority.

Delays and Obstacles

OST did not contract for an independent registrar system because an Interior-wide system is under development. Although this is a delay, OST is satisfied with the solution of contracting with BLM for this service until an Interior-wide system is in place.

OST has been unable to access the Internet due to the Temporary Restraining Orders issued in December 2001 and June 2003. This restriction prevents electronic communication with other governmental agencies and contractors, and prevents and hinders research of training tools, and potential contractors.

Assurance Statement

I concur with the content of the information contained in this section of the *Status Report to the Court Number Fourteen*. The information provided in this section is accurate to the best of my knowledge.

Date: July 29, 2003

Name: *Signature on File*
Dianne M. Moran
Acting Director, Trust Training

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G. RISK MANAGEMENT AND INTERNAL CONTROL

Introduction

The project objectives are to (1) systematically address and make recommendations to resolve management control deficiencies and (2) design and implement a comprehensive **Risk Management Program** that includes extensive management controls to monitor and evaluate the Department of the Interior (Interior) Indian trust asset management program.

Organizational Change

Due to the reorganization of Indian trust activities this reporting period, the **risk** management functions of the Office of Trust Risk Management (OTRM) were moved to the Trust Program Management Center (TPMC). **All** other functions and initiatives within OTRM were assigned to a new office, the Office of Trust Review and Audit (OTRA), which replaced OTRM. Due to this reassignment of duties, future reports will cover review and audit activities separately from risk management functions.

Accomplishments and Completions

Pilot Risk Management Programs

The Management Control Plan Database (MCPD) application, a tool developed to aid trust managers in performing and monitoring their internal control programs, was submitted this period to the Office of the Special Trustee for American Indians (OST) Acting Chief Information Officer for certification and accreditation assessment. The database includes key business processes directly related to fiduciary trust management. The application identifies program objectives, risks, internal controls for mitigating risks, and review and assessment processes for determining whether controls are appropriately functioning. Where controls need to be modified or improved, MCPD will record a corrective action plan to be monitored in the follow-up assessment process. It also includes reporting features that managers at all levels can use to monitor progress and provide support for the annual assurance statements required by the Federal Managers Financial Integrity Act of 1982. MCPD working model continues to support the pilot programs operating in the Northwest and Southern Plains Bureau of Indian Affairs (BIA) Regions.

OTRA contractors trained staff and managers at the Northwest Region, Warm Springs, Yakama, and Fort Hall agencies to use the programs contained within MCPD. Planning was completed for training of staff on the Risk Management program **at** the remaining ten BIA Regions. The rollout plan is expected to be presented to the Trust Executive Steering Committee and the Regional Directors during the next reporting period. The schedule for completing BIA-wide implementation is the end of calendar year 2003.

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A risk management pilot development program for the Bureau of Land Management (BLM) fluid minerals program was initiated in the New Mexico State Office in April 2003. Two workshops for developing similar programs and for validating work processes for solid minerals, fluid minerals, and cadastral survey, were held in Santa Fe, NM and Billings, MT in June 2003. BLM plans to implement pilot programs early in fiscal year 2004.

Project Coordination and Training

OTRA management and its contractor continued Risk Management overview training for trust managers. This period, four additional courses were presented jointly with Cannon Financial Institute to BIA, BLM, Minerals Management Service (MMS) and some Tribal managers in Tulsa, OK, Billings, MT, Albuquerque, NM and Portland, OR.

Compliance Reviews

Compliance reviews result from inquiries by beneficiaries or other interested groups and usually question the adequacy or status of trust and fiduciary activities of Interior. OTRA assigns the inquiries to internal audit staff to investigate and, when needed, recommend appropriate corrective actions. OST is working with the Office of Inspector General (OIG) to arrange for OIG investigator assistance when these compliance reviews indicate wrongdoing or a potential violation of law.

During this reporting period, 33 cases were in inventory; 4 were completed resulting in 3 reports issued; 5 have field work completed with reports in final review. Of the remaining cases, 9 are in process, 2 are unassigned or suspended, 2 were cancelled and 11 were closed with no findings. One report was a risk assessment for modifying processes to simplify probate functions.

During the next reporting period, all new and ongoing cases are to be screened to assess validity of the complaints/inquiries, determine the appropriate actions to pursue (including querying the complainant for additional information in support of the complaint) and make background queries to the responsible office.

Current Status

Annual Interior Indian Trust Funds Financial Statement Audit

The Indian Trust Funds Financial Statement audit is required by the American Indian Trust Fund Management Reform Act of 1994 and has been conducted by an independent third party each year since 1995. OIG manages the annual audit. The annual trust fund financial audit is being expanded to include several additional operational activities.

A working group comprised of OIG, OST, MMS, BLM and BIA representatives has planned audits covering the operational trust asset management functions not previously covered. In FY 2004, audit coverage is expected to be expanded to include trust cash management at all Interior bureaus and associated internal control processes. In FY 2005, the expanded coverage should

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also include the accuracy of ownership records. The additional audit work is to be managed by OIG and contracted by independent firms.

Annual Audit Corrective Actions

The Data Quality Improvement project is working to resolve the remaining material weakness in the FY 2002 audit by validating the data elements necessary for correct distribution of funds.

The corrective action plan for all outstanding audit findings and recommendations continues to be developed. Key information on corrective actions required has been or is being requested from responsible bureaus and offices. Progress on corrective actions is to be reviewed and monitored through monthly status reports to responsible program managers and the Trust Executive Steering Committee in future reporting periods.

Reengineering-Support (formerly reported as Trust Systems and Projects Support)

An assessment is underway to evaluate risks associated with modifying the signature-witnessing requirements for disbursement authorizations and change of address forms pertaining to adult unrestricted Individual Indian Money accounts.

Indian Trust Rating System

OTRA continued developmental work on the Indian Trust Rating System for assessing operational effectiveness of Interior-wide trust asset management activities. The rating system is expected to identify those activities that are performing satisfactorily or better. It also should identify those activities and related operations that require special attention or assistance.

OTRA staff continued work with the Office of the Comptroller of the Currency (OCC) to obtain history and background information on rating systems that OCC and other regulatory financial agencies use to rate and monitor the performance of fiduciary financial institutions. OCC and other regulators use a Uniform Interagency Trust Rating System to establish priorities for examinations of financial institutions. Where these standards and practices are applicable to the Indian trust business processes, Interior plans to incorporate them into the Indian Trust Rating System.

OST arranged for the detail of a senior examiner from OCC to work with OTRA full time for several months to design and implement the Indian Trust Rating System.

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Assurance Statement

I concur with the content of the information contained in the Risk Management and Internal Controls section of the *Status Report to the Court Number Fourteen*. The information provided in this section is accurate to the best **of** my knowledge.

Date: July 26, 2003

Name: *Signature on File*
Kenneth M. Moyers
Acting Director, Trust Review and Audit

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August 1,2003

H. APPRAISAL

Introduction

The Indian land valuation program was established to provide impartial estimates of market value for a variety of real property interests on land owned in trust or restricted status by individual American Indians, Alaska Natives and Indian tribes. Various regulations governing Indian trust land actions require the Secretary of the Interior to obtain valuations. To meet this requirement, an appraisal or other valuation is used to ensure that fair and just compensation is received on Indian land transactions. The types of land actions are varied. Major types include commercial, industrial, recreational, agricultural and other types of leases; rights-of-way; land sales and land exchanges; grazing and range permits; and assessing trespass damages.

Accomplishments and Completions

Effective April 21,2003, the Office of Appraisal Services (OAS) began reporting to the Deputy Special Trustee-Field Operations. The Chief Appraiser of the Office of the Special Trustee for American Indians (OST) supervises the Regional Appraisers.

As reported in the *Status Report to the Court Number Thirteen*, planning was underway for the Northwest Region to initiate contracts for grazing rate studies. Two new contracts for grazing lease market studies on the Ft. Hall and Colville Indian Reservations were initiated during this reporting period.

OST conducted a market study of rental rates for approximately **63** proprietries located on the Eastern Band of Cherokee Reservation.

The Midwest Regional Appraisal office reported that over 15,000 timber calculations were completed for allotments under the Indian Land Consolidation Program (ILCP). These calculations contribute to the establishment of a comprehensive value per allotment. This initiative consumed approximately 800 man hours.

Current Status

As reported in the *Status Report to the Court Number Thirteen*, a contract with an outside professional organization to evaluate the appraisal functions was awarded on March 21, 2003. The purpose of the contract is to evaluate and report on OAS policies, procedures, efficiency, organizational structure, independence, workload distribution and professional qualifications. The contractor team members planned to perform site reviews at the twelve Bureau of Indian Affairs (BIA) regional offices, review appraisals made on behalf of client organizations, and interview **OAS** regional staff and clients. Ten sites have been visited as of June 30,2003. The contractor report is expected to be completed by the end of August 2003.

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Also, as reported in the *Status Report to the Court Number Thirteen*, planning is underway to delegate budget and financial responsibility to the Regional Appraisers. The Regional Appraisers are scheduled to receive Federal Finance System budget training in July 2003 before being delegated budget and financial responsibility. Delegation will make it easier to process contract awards, approve travel requests, and avoid delays.

BIA and OST have been engaged in a dialogue regarding appraisal services to the Eastern Cherokee Agency. At issue is the necessity of an appraisal report for tribal leases. OST and BLA are working cooperatively with the Tribe to resolve this matter.

Interior has begun an effort to centralize all Interior bureau appraisal programs in order to achieve greater efficiencies, independence in the appraisal process and have greater access to private contract appraisers. It is expected that this effort will resolve many of the backlog problems and improve the timeliness of appraisals. OST is participating in the planning of this Interior-wide project.

As reported in the *Status Report to the Court Number Thirteen*, a Certificate of Eligible Applicants was issued for the Eastern Regional Appraiser, and the position was expected to be filled in this reporting period. However, the status of this position continues to be evaluated in conjunction with the Department of the Interior's (Interior) plan for appraisal consolidation.

Appraisal Backlog

Seven OAS Appraisal Regions reported **1,443** appraisal backlogs (appraisals over 90 days old) for this reporting period as follows:

Alaska	140
Eastern	119
Northwest	450
Navajo	135
Rocky Mountain	184
Midwest	15
Midwest Indian Land Consolidation Program	400

There is currently no appraisal backlog in the Southwest and Great Plains Region.

The Midwest Region provides valuation services for the ILCP and regular appraisal requests. Due to the heavy fractionation in this region, Midwest was selected as the first site for the ILCP pilot. A majority of the allotments are owned in undivided interest. Six Reservations are involved: Bad River, Lac Courte Oreilles, Lac du Flambeau, Keweenaw Bay, Red Cliff, and Fond du Lac. It is expected that more Midwest Regional Reservations will be included in the future. The Midwest Region does not value fractionated interests. Instead a "mass" appraisal process is used to estimate the probable value for several land categories. Based on this master appraisal, the Midwest Region then values all allotments within a reservation by proportionately

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comparing the allotments to the mass appraisal. These valuations are completed on an annual basis.

OAS has requested that the Regional Appraisers with backlogs prepare a “Backlog Elimination Plan” with a primary emphasis on Uniform Standards of Professional Appraisal Practice compliant alternate methods which would increase efficiency and appraisal volume, the use of contract fee appraisers, and limit the need for more staff appraisers.

Delays and Obstacles

The lack of Internet access continues to hinder appraisal efforts.

In June 2003, Interior announced proposed plans to consolidate the real estate appraisal functions now performed by various agencies within Interior. Interior notified the union representing the affected employees of its consideration of the proposed appraisal consolidation. This may temporarily impact workload during OST’s consideration of participating in the consolidation project and as appraisal vacancies occur.

A Memorandum of Agreement (**MOA**) between BIA **and** OST for program funding resulting from the transfer of the appraisal function from BIA to OST was signed December 19, 2002. However, problems continue to exist at the regional and field levels regarding fleet vehicle charge cards and other administrative support services. OST will continue to work with BIA to resolve the issues. The MOA is effective through September 30,2003.

Assurance Statement

I concur with the content of the information contained in this section of the *Status Report to the Court Number Fourteen*. The information provided in this section is accurate to the best of my knowledge.

Date: July 31, 2003

Name: *Signature on File*
Gabriel Sneezy
Acting Director, Office of Appraisal Services