<u>Status Report to the Court</u>
Number Fourteen

<u>For the Period</u>

April 1, 2003 through June 30, 2003

August 1, 2003

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I.   INTRODUCTION

This *Status Report to the Court Number Fourteen (Report)* represents the period of April 1, 2003, through June 30, 2003. The *Report* is provided to keep the Court informed of the progress of the Department of the Interior's (Interior) trust reform and improvement and its progress toward conducting a historical accounting of individual Indian monies held in trust by the United States.[1]

During this reporting period, a new Special Trustee was officially sworn in to become the third Special Trustee since the American Indian Trust Fund Management Reform Act of 1994 was enacted by Congress. The new Special Trustee was formerly the Director of the Office of Indian Trust Transition, and has extensive experience with the financial industry and the Indian trust.

Other accomplishments during this reporting period include:

- development of decision trees to provide employees an efficient way of determining whether or not they are creating or using fiduciary trust records;

- implementation of a process for determining survey priorities that was developed by the Bureau of Land Management for use by the Bureau of Indian Affairs (BIA);

- approval and initial implementation of the reorganization of BIA and the Office of the Special Trustee for American Indians (OST);

- emphasis placed on audit and accountability through the creation of the Office of Trust Review and Audit (OTRA) in OST.

OTRA is expected to increase the audits and reviews of self-governance tribes as well as respond to questions and concerns from individual Indian trust beneficiaries. In addition, OTRA will develop a rating system for all Interior offices that handle fiduciary trust activities.

Several of the reports discuss the reorganization and reengineering efforts of Interior. All Interior Departmental Manual changes for the reorganization were completed during this reporting period. Progress is also reported for both of these initiatives as a result of briefings that have been held to inform employees and tribal beneficiaries of the organizational changes and to gather information useful for the "To-Be" modeling effort. These projects remain on schedule and full implementation is expected to occur during the next two fiscal years.

The Court should note changes in the title and content of two of the sections in this and previous *Status Reports to the Court*. First, the Trust Data Quality and Integrity (DQ&I) section comes from what was formerly called the BIA Data-Cleanup Project, and an effort to define and track the critical data elements necessary to the management of the fiduciary Indian trust. The original

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[1]   This Report contains information on the broad trust reform efforts underway at Interior. Accordingly, it may include information on reform efforts that are not within the scope of the *Cobell* ligation.

BIA Data-Cleanup Project was primarily focused on correcting data in the individual Indian account information and title information. DQ&I staff and contractors are working with the reorganization and reengineering projects to begin converting BIA agencies to the new trust business processes and organization, and to ensure that data contained at the agencies is correct and the data quality is maintained.

The second change, previously reported as OST Data-Cleanup, is the Current Accounting Activities section. The Current Accounting Activities is a compendium of not only the administrative cleanup project that was completed by creating a file containing information for each account holder, but also reports on the trust funds accounting system, the whereabouts unknown project, special deposit accounts project, small dollar accounts issues and residual accounting discrepancies that remain from prior to the conversion to the new accounting system.

This *Report* is prepared in the same format as the 8th through the 13th *Reports* with each manager reporting on accomplishments during the reporting period, current activities, and obstacles and delays affecting completion of their projects. This *Report* is compiled by OST and is intended to provide the Court with comprehensive information regarding the progress of trust reform, improvement and accountability.

II.   SECRETARY GALE NORTON'S OBSERVATIONS

Overview

Since our last status report, the Department of the Interior continued to design and implement long-term comprehensive reform. The House of Representatives and the Senate Committee on Appropriations both acted on Interior's FY 2004 appropriations bill. The Trial 1.5 and the recent Internet shutdown by the court have focused much of the attention of Interior's senior trust management on these particular challenges. Some of the activities described below occurred during the time this *Report* was being prepared but after the reporting period. These developments are believed to have sufficient importance that the Court should receive this information prior to the next reporting period.

Congressional Action

As I have previously informed the Court, on February 3, 2003, the Administration's budget was submitted to Congress during a time when funding for most domestic programs was restrained. Nevertheless, the Indian trust budget submission was the largest ever requested. The overall budget request for Interior for FY 2004 is approximately 3.3% over the FY 2003 request; our FY 2004 Indian trust budget request is 44% higher than our request for FY 2003. Nearly one-half of the $344 million increase in Interior's FY 2004 budget is proposed for funding trust reform initiatives. This high level of funding demonstrates our commitment to trust reform.

Subsequent to the Administration's budget submission, there was a considerable amount of action both in the House and Senate appropriating and authorizing committees on the issue of Indian trust funds.

House Action

On July 10, 2003, while this status report was being compiled, the House Appropriations Committee reported H.R. 2691 to the full House with House Report 108-195. The overall Federal trust programs funding in H.R. 2691 was $219,641,000, which was $55,000,000 below the budget request but $79,282,000 above the FY 2003 enacted level. The Committee included $75,000,000 for historical accounting, a decrease of $55,000,000 from the budget request but an increase of $65,844,000 above the FY 2003 enacted level. The House also funded Indian Land Consolidation at $20,980,000, the same as the budget request and $13,052,000 above the FY 2003 enacted level. These funding levels were included, without amendment, in H.R. 2691 as passed by the House on July 18, 2003.

House Report 108-195 also noted the Committee's approval of Interior's reorganization of the trust functions for the Bureau of Indian Affairs and the Office of the Special Trustee for American Indians. The report "urges Interior to move as expeditiously as possible in implementing this reorganization so that trust reform can continue to move forward."

Section 137 of H.R. 2691, as reported, would have required the Secretary to conduct a historical accounting in a manner similar to that proposed by Interior in its January 6, 2003, Plan. It also provided the Secretary with authority to resolve accounting claims through a voluntary settlement process. The House Report noted:

> After six years of litigation in the *Cobell v. Norton* class action law suit, the Committee has appropriated hundreds of millions of dollars in litigation related activities that could have been used to fund health and education programs in Indian country or directed towards reforming the outdated trust systems in Interior. The Committee still faces the likelihood of appropriating hundreds of millions of dollars, or possibly billions, for a historical accounting. The result of this process will likely provide more and more money to accountants and lawyers with little benefit for the individual account holders. To date, not a single dollar has reached the Indian people.

While H.R. 2691 was under consideration on the House floor, Representative Richard Pombo, Chairman of the House Resources Committee, raised a point of order with regard to section 137, stating that the section sought to impose new duties, and, as such, constituted legislation on an appropriations bill. Representative Pombo's objection was sustained, and the provisions were removed from the bill.

Prior to the floor objection, Chairman Pombo held a hearing on July 9, 2003, before the full Committee on Resources, the subject of which was "Can a Process be Developed to Settle Matters Relating to the Indian Trust Fund Lawsuit?" Associate Deputy Secretary James Cason testified for Interior at this hearing. (A copy of his written testimony and Section 137 of H.R. 2691 are attached to this report for the convenience of the Court.) The Chairman expressed his intent at that hearing to raise the point of order with regard to section 137. He also emphasized that the Committee on Resources would take up the matter and move forward with settlement legislation.

<u>Senate Action</u>

On July 10, 2003, the Senate Appropriations Committee reported S. 1391 to the full Senate with Senate Report 108-89. The Senate bill included the same funding levels for the Federal Trust Programs as passed by the House.

The Senate Report states that, due to the ongoing litigation and uncertainty as to whether Interior's historical accounting plan will be fully accepted by the Court, the Committee did not fund the entire request. The Report also noted that because past accounting efforts have illustrated few mistakes within the individual accounts reconciled, it is the Committee's belief that the funding provided "will allow Interior to utilize a statistical sampling model sufficient to further illustrate Interior's performance in managing trust accounts." The Committee also made clear that its reduction below the request level should not be mistaken for an endorsement of the plaintiffs' accounting model or its assumptions.

S. 1391, as with previous years' appropriations, includes a provision stating that "notwithstanding any other provision of law, the Secretary shall not be required to provide a quarterly statement of performance for any Indian trust account that has not had activity for at least 18 months and has a balance of $1.00 or less."

In addition, S. 1391 includes $22,980,000 for Indian Land Consolidation, an increase of $15,052,000 over the FY 2003 enacted level, and $2,000,000 over the budget request. The Senate Report notes that consolidating fractionated interests "is one of the most effective means of ameliorating a problem that grows worse every year." As of the writing of this section of the Report, the full Senate has not taken action on S. 1391.

During this reporting period, the Senate Committee on Indian Affairs indicated its interest in resolving *Cobell v. Norton*. On June 13, 2003, Chairman Campbell and Ranking Minority Member Inouye sent a letter to Tribal leaders asking for their help in tackling three major tasks that would improve the management of Indian trust:

- Stop the continuing fractionation of Indian lands and focus on the core problems of Indian probate by swiftly enacting legal reforms to the Indian probate statute.

- Begin an intense effort to reconsolidate the Indian land base by buying small parcels of fractionated land and returning them to tribal ownership.

- Explore "creative, equitable, and expedient ways to settle the *Cobell v. Norton* lawsuit."

The Senate Committee on Indian Affairs scheduled a July 30, 2003, hearing to discuss methodologies for settling the *Cobell* lawsuit.

Organizational Leadership

During this reporting period, Ross Swimmer was officially sworn in as the new Special Trustee for American Indians. Aurene Martin continues as Acting Assistant Secretary-Indian Affairs, and no permanent nominee has yet been named. They are building a closer working relationship among the Office of the Special Trustee, the Bureau of Indian Affairs, and other Interior agencies in the advancement of trust improvements.

BIA and OST Reorganization

In the Department of the Interior, the action necessary to change organizational structures is to amend the Departmental Manual. On April 21, 2003, changes to the Departmental Manual affecting reorganization of the BIA and the OST were finalized. These changes reflect new organizational charts and delineate new roles and responsibilities. Implementation requires further personnel actions to move people into new positions. In addition, new hiring has begun to increase the number of fiduciary trust employees at local agencies and regional sites.

BIA and OST have been conducting informational sessions throughout Indian country on the reorganization, and these continue at the time of the writing of this report. BIA has engaged the services of a contractor to assist in change management support to help employees understand the changes that must occur as they relate to trust management.

Opposition to the reorganization has been expressed by some Indian leaders and employees, but there has thus far been no serious attempt to block reorganization through the Congressional appropriations process. I anticipate that, despite a good strategy for informing employees about reorganization and for answering their questions, Interior will continue to experience the employee concerns and complaints that typically arise with the uncertainties of any reorganization. I also anticipate that, despite our extensive consultation process, some tribal leaders will continue to be concerned about how a stronger structure for trust oversight will affect day-to-day tribal operations.

Court Action

During this reporting period, Trial 1.5 was held. Senior managers spent much of their time preparing for and testifying at the trial. Time and attention was also focused on the more recent shutdown of e-mail and Internet access for the immediate Office of the Secretary, the Executive Secretariat, Office of Historical Trust Accounting, the Office of Congressional and Legislative Affairs, and parts of the National Business Center, Minerals Management Service, and the Bureau of Land Management.

As the Court is aware, during the compilation of this report, the D.C. Circuit Court ruled on the government's appeal of the Court's September 2002 ruling. There are also additional aspects of the case pending at the Court of Appeals.

Reengineering Interior's Trust Business Processes

Interior has reached the stage of its reengineering process known as the "To-Be" project. A team from all Interior bureaus and offices with trust management responsibilities has been meeting since April 2003 to design how trust business should be conducted in the future. This project is described in more detail elsewhere in this report. While this process is laborious and time-consuming, I continue to believe it will yield the best long-term improvements.

Records Management

Interior has also made progress in records management during this reporting period, as described in this status report.

However, I was very concerned during this reporting period to discover that the Minerals Management Service had two noteworthy records management failures. These situations are being reviewed by the Special Trustee. Disciplinary action has been taken with regard to the individuals involved in these failures.

Conclusion

I am pleased that Congress appears ready to fund most of our substantial FY 2004 budget increase for Indian trust functions. As the Interior appropriations bill moves through the Senate, and during conference, we will continue to work with the appropriations committees, especially regarding historical accounting.

Finally, as you will see when you read this report, issues surrounding lack of Internet and e-mail access and information technology security continue to be obstacles for many of our trust programs. Many of these programs would really benefit from transacting business through the Internet and by e-mail. Lack of Internet and e-mail access is causing many delays throughout Interior.

A. INFORMATION TECHNOLOGY

<u>Introduction</u>

This section describes the status of efforts underway regarding the Department of the Interior (Interior) Information Technology (IT) Systems, particularly systems that house or provide access to Individual Indian Trust Data (IITD) or provide various computing capabilities, including functions critical to the proper administration of the Individual Indian Trust responsibilities. This section of the report describes the various efforts being made to improve IT security within Interior, the status of Internet connectivity, steps being taken to move towards Office of Management and Budget A-130 (A-130) compliance, as well as references to other related IT topics.

Interior's computer security efforts are showing significant progress. Substantial efforts have been made during the past 18 months to install firewalls and intrusion detection systems, reconfigure systems, update security patches, scan networks for vulnerabilities, update password procedures and provide computer security training.

Systems vulnerability scanning efforts conducted by Interior demonstrate that perimeter security has improved. Interior is taking steps to eliminate "false positive" scanning results and to ensure the few remaining real vulnerabilities are consistently addressed. Interior has also examined the communications nexus, called the Virtual Private Exchange (VPX), to ensure it is adequately secured. Interior is also preparing for additional security evaluations of its internal IT systems.

Despite the improvements to Interior IT system security, progress on reconnecting Interior systems to the Internet has ground to a halt and has, in fact, been set back by the imposition of another Temporary Restraining Order (TRO). The TRO directs, in relevant part, that the "Interior defendants immediately disconnect from the Internet all information technology systems which house or provide access to individual Indian trust data until such time as the Special Master has determined that all Individual Indian Trust data is properly secured."

Overall, during this reporting period, little or no material progress has been made in obtaining the Special Master's concurrence on proposals to reconnect Interior IT systems to the Internet pursuant to the December 17, 2001, Consent Order. Some of the systems that had been previously reconnected to the Internet, following months of work (e.g., IT systems certifications, developing detailed proposals, visits from the Special Master, follow-up testing, etc.) to obtain approval by the Special Master, have been forced off the Internet, again, by the imposition of the latest TRO.

On a related issue, discussions regarding "penetration" testing have reached an impasse during the reporting period. As the Department of Justice (DOJ) briefed the Court and the Special Master, the Consent Order did not authorize the Special Master to conduct "penetration" testing into Interior's IT systems, and 18 U.S.C. § 1030 provides that it is a felony for a person to seek to gain <u>unauthorized</u> access to information housed on Government computer systems. In an

effort to cooperate voluntarily with the Special Master and to protect the Special Master and associated agents from legal exposure, and to protect Interior's IT systems, Interior permitted the Special Master to conduct penetration testing pursuant to a pre-defined protocol, called the "rules of engagement." Although the Special Master did not formally adopt the rules of engagement, Interior permitted limited penetration testing consistent with those rules for a period of months. However, a recent incident, involving an Office of Surface Mining (OSM) server, raised unresolved issues that led Interior to withdraw its consent until the issues could be resolved.

During the reporting period, Interior, through DOJ, informed the Special Master of a variety of IT related matters. For example, Interior:

- identified a situation where unapproved Internet connectivity may have occurred (Boise, Office of the Solicitor (SOL));
- provided information regarding the status of Intranet vs. Internet connectivity in two Bureau of Indian Affairs (BIA) offices (Wewoka & Chickasaw);
- noted that a Fish and Wildlife Service (FWS) laptop computer, containing individual Indian trust data, appeared to have been stolen; and,
- responded to inquiries about the status of specific computer servers (OSM).

Ongoing dialogue occurred both to inform the Special Master and to respond to his questions.

Another Interior initiative being taken in response to the Special Master's requirements is e-mail archiving. Interior engaged a contractor to implement the real-time capture of all e-mail for designated offices for inclusion in a searchable e-mail archive. The designated offices are SOL, BIA, Office of the Assistant Secretary - Indian Affairs ("AS-IA"), Bureau of Land Management (BLM), Offices of the Assistant Secretary for Policy, Management and Budget, Office of Hearings and Appeals (OHA), Office of Historical Trust Accounting (OHTA), Office of the Secretary, the Office of the Special Trustee for American Indians (OST) and the Minerals Management Service (MMS). Interior does not believe that real-time capture of e-mail for the Bureau of Reclamation (BOR), National Business Center (NBC) or OSM will prove to be productive (i.e. it will not result in capturing e-mail containing IITD). Nevertheless those agencies have been added in response to the Special Master's concerns. Interior has been providing the Special Master with biweekly status reports regarding Interior's progress towards full implementation of the real-time capture and archival of Interior's e-mail traffic.

This initiative and the results of the Internet reconnection process have highlighted another fundamental issue regarding the range of activities pertaining to Interior's IT systems upon which the Special Master has focused. After approximately 18 months of reviewing Interior's IT systems to identify where IITD is housed, it has become apparent that a relatively small part of Interior's combined IT systems house IITD. With minor exceptions, all of which have been isolated from the agencies' communications networks, it appears that FWS, National Park Service, U.S. Geological Survey, BIA – Education network, BOR, Office of Inspector General, OSM and NBC do not house or provide access to IITD. Thus, Interior plans to work with the Special Master to focus upon the IT systems that actually house or provide access to IITD.

Tasks like reporting, scanning, penetration testing, compliance, reconnection considerations, etc., need to be more productively targeted towards relevant IITD-related systems. Interior plans to discuss these matters further during the next reporting period.

Accomplishments and Completions

Computer and Business Systems Enterprise Architecture Plan:

- Interior briefed OMB on the comprehensive plan for integrating bureau enterprise architectures into the Interior Enterprise Architecture (IEA). The high-level business architecture component (version 1.0), which models the financial management area, was also briefed to OMB. Interior technical subject matter experts began to meet in June to produce the Technical Reference Model (TRM) (version 2.0) to incorporate updated standards and products. Interior agencies are expected to act consistent with the TRM.

Trust Architecture:

- During this reporting period, the Trust Enterprise Architecture (TEA) Integrated Project Team (IPT) held a meeting to develop the Trust Target Architecture Vision and Transition Strategy. The trust target architecture vision includes:

  > The establishment of a secure, integrated systems environment that increases the efficiency, quality and integrity of the trust business processes and the trust data that instills beneficiary satisfaction and confidence by providing customer focused and consistent business services, and accurate trust management information.

- During this reporting period, the TEA IPT held a meeting to discuss the trust data dictionary to establish the structure and format for defining trust data element metadata. Establishing the metadata requirements for trust data elements is required to support upcoming trust data standardization activities.

- During this reporting period, TEA chaired a joint meeting with OHA, BIA, OST, and OHTA. Participants provided status reviews of their respective past and current probate tracking and case management systems. TEA collected system requirements for the existing probate systems and led discussions resulting in the recommendation for a consolidated set of system requirements for probate tracking and case management. These consolidated requirements should support ongoing "To-Be" business process analysis and be used to develop a near and long-term transition/implementation strategy toward a single probate tracking and case management system.

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Current Status – General

IEA continues to be integrated into the capital planning and investment control process to support OMB's requirements for IT funding. Work on mid and detail-level enterprise architecture plans, as well as migration and implementation plans, is ongoing. Alignment with the newly issued OMB Federal Enterprise Architecture reference models is underway.

Trust Asset and Accounting Management System (TAAMS) – Title Module:

In May 2003, the Associate Deputy Secretary transferred program responsibility for TAAMS Title module from OST to BIA. BIA and OST have recommended implementing the TAAMS version 1.49 to replace TAAMS version 1.17H (a decision is pending). The new version contains recommended security enhancements, is expected to provide real-time data entry and retrieval and should facilitate the eventual retirement of the Land Records Information System (LRIS).

Also in May 2003, BIA conducted a critical design review of TAAMS Title. During the review, the project management, configuration management, code, and design of the application, database, and data center facility were examined.

BIA reviewed and approved a TAAMS Title User Acceptance Test Plan (UAT). The UAT provides BIA land title record officers an opportunity to test the functionality of version 1.49 of the Title module. Additional follow-up work on the UAT plan is anticipated in the next reporting period.

TAAMS – Realty Module:

As previously reported to the Court, further development work on the TAAMS – Realty Module has been deferred following an assessment by Interior's contractor. Interior is currently re-engineering its business systems architecture to more clearly delineate IT systems requirements. Those systems requirements are expected to be used to evaluate the TAAMS – Realty module more closely.

However, BIA is concerned about the continued viability of the Integrated Resource Management System (IRMS) and related systems. Therefore, BIA is undertaking an analysis of options which may provide a more immediate alternative to continued reliance on IRMS. In one effort, BIA completed (in June 2003) the Trust Lease Management and Lease Income Allocation Requirements System Gap/Fit Analysis. BIA compiled a set of lease management and lease income allocation trust program requirements and matched those requirements with the capability of various BIA, other Interior bureaus, and trust industry systems. The BIA analysis concluded that the TAAMS Realty module has the potential to meet the trust lease management and lease income allocation requirements. This would allow BIA to retire IRMS and several other localized realty applications. The analysis also identified future opportunities to team with BLM systems initiatives. Further work and analysis is needed prior to deciding any specific course of action regarding a realty module.

Data Warehouse:

TEA and TEA-IPT members, with support from two contractors, are developing a web-enabled integrated information management and access architecture that is designed to allow employees, management and beneficiaries to query information and produce reports by fusing structured and unstructured data from our trust systems database. The trust systems environment consists of dissimilar technologies and geographically dispersed systems that are developed and operated by both government and commercial outsourced application service providers. Contrary to Interior's initial intent, the TEA-IPT members recommended that the extraction and transformation of data from the current trust systems environment into a single data warehouse was not required in order to create an integrated systems information management and access architecture.

To accomplish the objective of an integrated trust systems environment, Interior may use Web portal, data warehouse and XML technologies, to integrate these dissimilar technologies and geographically dispersed trust systems into a secure "virtual" data warehouse. The "virtual" data warehouse, in contrast to a traditional single data warehouse, does not require migrating data from operational databases into a single database system to provide unified trust information access and management. To establish the virtual data warehouse environment, analysis of the trust systems profile, data models, and data dictionaries is underway to develop a consolidated data model. An XML interface exchange specification and a data element security plan are under development. In order to facilitate both data security and data quality within the trust environment, the data dictionaries of the trust systems are being collected into a consolidated trust data dictionary and a data standardization meeting is scheduled for the next reporting period.

Capital Planning:

Interior is integrating IT security into the system development lifecycle of Interior IT systems through the capital planning and investment control (CPIC) process. Under the CPIC process, Interior bureaus and offices prepare an OMB Circular A-11 Exhibit 300 Capital Asset Plan and Business Case (Exhibit 300) or OMB Circular A-11 Exhibit 300-1 Project Profile (Exhibit 300-1) on each Interior IT system including a description of the funding needed for IT security. Interior's Office of the Chief Information Officer (OCIO) IT security team supports this effort by: giving a briefing to the appropriate program analysts and bureau IT security managers; developing a security tips document; developing security review criteria for the Exhibit 300s and 300-1s and reviewing Exhibit 300s as part of Interior's approval process.

Consent Order A-130 Program Management:

- The A-130 Program Management Office (PMO) is pursuing the steps needed to comply with OMB Circular A-130, Appendix III, "Security of Federal Automated Information Resources."

- The A-130 PMO leads an IPT consisting of A-130 project managers in the chief information offices within Interior bureaus and offices, and is supported by contractors with expertise in the management of IT projects and systems and compliance with IT security requirements. During this reporting period, the IPTs met to coordinate A-130 related activities, such as the PMO vision goals plus objectives, concept of operations, roles and responsibilities, A-130 compliance progress reporting, and information sharing/best practices for completing the Certification and Accreditation (C&A) project plan.

- Initial efforts for the A-130 IPT include development of a single IT system inventory that is expected to be used by security, architecture and capital planning, the identification and development of project managers for IT systems, and development of the C&A schedule for high-risk systems.

Current Status – IT Security

Interior's IT Security Program:

- As of June 27, 2003, Interior had trained 66,678 individual users of Interior IT systems. Interior continues to train new and existing employees on security awareness requirements. The IT Security Office standardized the training program on the "Federal Information Systems Security Awareness, Version 2," that was developed by the Defense Information Systems Agency (DISA) for use throughout Interior.

- Thirty Interior employees attended Certified Information System Security Professional (CISSP) certification training in Denver, CO during the reporting period. The CISSP certification is designed to recognize mastery of an international standard for information security.

A-130 Certification and Accreditation:

- During this reporting period, Interior's Chief Information Officer (CIO) security office completed the final version of Interior's C&A guide, which outlines Interior's C&A process, based on National Institute of Standards and Technology's (NIST) draft Special Publication (SP) 800-37. There are five phases in the Interior C&A process: initial assessment, pre-certification, certification, accreditation and post-accreditation. An Interior OCIO bulletin on C&A roles and responsibilities was also developed and released on April 11, 2003. A major goal of Interior's IT security program is to achieve C&A of its IT systems in full compliance with OMB Circular A-130, Appendix III. Interior's Indian trust IT systems, i.e., those systems identified as supporting trust business processes, are scheduled to achieve C&A compliance by December 31, 2005.

- A draft Security Test and Evaluation (ST&E) Guide was completed and delivered on June 20, 2003. Interior's ST&E process is designed to gain objective evidence of proper implementation and functionality of an IT system's security features. The activities identified in this ST&E guide are applicable to new IT systems, major and minor IT system upgrades and legacy IT systems. This guide may be updated once the initial draft (currently scheduled for release in January 2004) of NIST SP 800-53A, *Techniques and Procedures for Verifying the Effectiveness of Security Controls in Federal Information Systems,* is released.

- An introductory C&A workshop for Trust bureaus and offices was held on April 2-3, 2003, in Washington, DC. The workshop provided information about Interior's C&A program to system owners and Bureau Information Technology Security Managers (BITSM).

- A C&A workshop was held during the reporting period in Arlington, VA. The target audience was staff involved in the C&A process, including CIOs/Deputy CIOs, system owners, program managers and IT security managers. Topics included current IT security issues, as well as instructions in developing the documentation required by the C&A process. This C&A workshop may be held again in Denver, CO during the next reporting period and may become a recurring training event to ensure Interior systems are consistent with a NIST-based C&A program.

- During the reporting period, Interior's CIO security office completed the first draft of Interior's System Development Life-Cycle (SDLC) Security Integration Guide. The SDLC Security Integration Guide is intended to provide Interior's IT system owners with a framework for implementing security throughout all stages of an IT System's life-cycle and describes how this process maps back into the C&A process.

Interior Computer Incident Response Center:

In June, a centralized computer security incident handling capability was implemented within Interior. This contracted support is available twenty-four hours, seven days per week and provides incident coordination and reporting. Computer security incidents are reported to the Homeland Security Department's Federal Computer Incident Response Center as required by the Federal Information Security Management Act of 2002 (FISMA). The Incident Handling Handbook, which provides program implementation guidelines and procedures, was completed as well.

Network Scanning Initiative:

Interior continued testing the wide area networks (WAN) against an operational security profile based on the SysAdmin, Audit, Network and Security (SANS)/Federal Bureau of Investigation Top 20 vulnerability list. The number of hosts with potential high risk vulnerabilities was reduced by about fifty percent from the previous quarter and remained relatively constant

throughout this quarter. The results were distributed to the CIO of each bureau to take appropriate remedial actions.

Virtual Private Exchange:

A contractor conducted a review of the security at Virtual Private Exchange point in Denver, CO in May 2003. VPX provides a common connection point for bureau WANs, which allows bureaus to exchange data over a private network connection. The contractor provided a draft report to Interior and a final report is expected in the next reporting period.

Mid-Year IT Security Program Review:

As required by FISMA, a mid-year review of IT security programs for Interior bureaus and major offices was conducted in April 2003. The review is based on the NIST Special Publication 800-26 *Self-Assessment Guide for Information Technology Systems*. Interior improved its score over the IT security program review conducted in the Fall of 2002. The results of the program review are incorporated as a major component of the broader Interior IT security scorecard.

Interior IT Security Scorecard:

Interior has started using an IT Security Scorecard to track bureau and office achievements in IT security programs. The Scorecard contains nine major performance elements that are derived from reportable elements of FISMA in addition to activities deemed a priority by Interior. Each of the nine areas is assigned a percentage score that when summarized adds up to a maximum 100 points.

Bureau of Indian Affairs – Security Efforts

- Asset Management – The automated network discovery solution was implemented and automated desktop discovery has begun. The automated discovery tools are designed to provide a centralized inventory of the assets connected to the network. This automated inventory will be associated with its respective users so that the Help Desk can better assist users.

- Configuration Management – A structured process for managing changes to Indian Affairs IT systems has been established. Changes are managed through the use of an automated tracking tool and an instituted process managed through change control boards (CCBs). Currently, CCBs have been established for network, desktop, and Office of Trust Responsibilities applications. The configuration management group is centrally organized under the OCIO CIO, under the AS–IA.

- CPIC – BIA prepared OMB Circular A-11 Exhibit 300s and Exhibit 300-1s for the BIA identified trust and non-trust systems. BIA also conducted a review of each Exhibit 300 or Exhibit 300-1 and trained associated business-owner staff on the CPIC process.

- Data Management - To better understand the trust systems being used by the various agencies, BIA:

  1. Researched and updated a master trust system list to include BIA trust systems and identified the system administration point of contact, business categorization, application information, and systems architecture information.
  2. Compiled several trust system entity relation diagrams or comparable records layouts.
  3. Compiled several trust system data dictionaries.
  4. Began an effort to review relationships between the individual trust systems and data mapping.

- NIST 800-26 Self-Assessments – BIA completed self assessments for all regional offices and one Land, Title, and Records Office (LTRO). The BIA NIST 800-26 Self-Assessment effort is on hold waiting for Interior to determine the status of funding and contract support for its contractor.

- Certification and Accreditation – Through two independent contractors, BIA conducted an initial assessment and issued an Interim Approval to Operate (IATO) for 14 systems.

  o IT Asset Management System
  o BIANet
  o Document Management Program (DMP)
  o Education Network (ENAN2)
  o Facilities Management Information System (FMIS)
  o Great Lakes Accounting Database (GLAD)
  o Information Management Paperwork Reduction System (IMPRESS)
  o Integrated Information Resources Management System (IRMS)
  o Loan Management Accounting System (LOMAS)
  o Land Records Information System (LRIS)
  o Management Accounting and Distribution System (MAD)
  o National Irrigation Information Management System (NIIMS)
  o Portfolio Management Capital Asset Tracking System (PMCAT)
  o Royalty Distribution Records System (RDRS)

  The IATO is an internal IT systems management approach that signifies IT sub-systems meet a set of minimum expectations; it is not associated with Consent Order decisions related to reconnecting to the Internet. As work-off plans for vulnerabilities are resolved, full Approval to Operate (ATO) packages will be prepared by contractor support staff.

- Secure Network Communications – The contractor has started to install the equipment needed to support a secure communication network. The contractor has installed five of the six major nodes – Reston, Albuquerque, Portland, Minneapolis, and Phoenix – into the Private Internet Protocol (PIP) environment. Once the major nodes are completed, individual sites will be connected into the PIP network. The sixth node is under engineering review due to price and technology changes that affect connectivity between Alaska and Denver. This initiative will require continued funding in future fiscal years and may be affected further by the contractor's financial status.

- Secure E-mail and Web Proxies – The contractors tested the Internet Point of Presence (POP) solution, which is designed to provide additional security measures when BIA is allowed to reconnect to the Internet. A proposal to connect the POP to the Internet is pending.

- Reconnection – BIA has not been permitted to have Internet connectivity since the December 5, 2001, TRO was imposed by the Court.

Office of the Special Trustee – Security Efforts

Reconnection – OST's network has not been permitted to have Internet connectivity since the December 5, 2001, TRO was imposed by the Court. A proposal has been pending and OST continues to wait for concurrence from the Special Master to reconnect the Albuquerque, NM, office to the Internet.

Initial Assessment – An Interior contractor conducted a site review of the OST Albuquerque network in April 2003.

Pre-Certification – The Interior contractor review provided baseline information upon which an IATO decision was made. Documentation included risk assessments, initial technical vulnerability assessments of LANs, and work-off action plans to correct identified deficiencies. Additional network intrusion detection and prevention measures were installed and activated in April 2003. Actions to complete full C&A are currently on schedule.

Office of Hearings and Appeals – Security Efforts

Reconnection – OHA has not been permitted to have Internet connectivity since the December 5, 2001, TRO was imposed by the Court. A proposal has been pending and OHA continues to wait for concurrence from the Special Master to operate its web server and connect to the Internet.

IT Program Management – Pursuant to Interior guidance on enclaves, OHA has rolled up the management and technical control of the nine regional LANs and other IT into one General Support System at the headquarters level.

Office of the Solicitor – Security Efforts

Reconnection – SOL has not been permitted to have Internet connectivity since the December 5, 2001, TRO was imposed by the Court. SOL is building a communication network (SOLNET) as a temporary solution until the BIA secured communication network (formerly Trust Net) is operational. During the reporting period, SOL connected the Albuquerque regional SOL to SOLNET. SOLNET remains disconnected from the Internet. SOL received its firewall and intrusion detection system, which is expected to be configured during the next reporting period. Interior submitted interim reconnection requests for the headquarters, SOL, and the Alaska Regional SOL to DOJ for review.

Initial Assessment – All outstanding system and program weaknesses were reviewed and 95% of them were prioritized for connection during the next reporting period.

Minerals Management Service – Security Efforts

Reconnection – MMS had been evaluated by the Special Master, after which MMS resumed its Internet connectivity. However, with the most recent June 27, 2003, TRO, MMS has been forced to disconnect from the Internet, again. This disconnection includes State and Tribal Audit Committee (STRAC) sites, with the exception of a contractor site that has remained connected to the Internet with the concurrence of the Special Master. By maintaining Internet connectivity for this site, Interior may be able to continue to process mineral leasing payments to individual Indians, Tribes, States and the Federal Treasury, albeit not as quickly.

Initial Assessment – The quantity of systems was reduced to five on the C&A inventory list. OCS Connect (previously known as E-Gov) was removed from the list because the system is still in its development phase. Initial assessment for all five systems identified on the C&A inventory list was completed. The WAN/LAN general support system was granted an IATO.

Bureau of Land Management – Security Efforts

Reconnection – BLM IT systems had been evaluated by the Special Master and subsequently BLM was permitted Internet connectivity. However, with the most recent June 27, 2003, TRO, BLM has been forced to disconnect servers, desktops, and laptops from its communications network. Other IT systems have been permitted to remain connected to the Internet because they do not house or provide access to IITD or the IT systems are subject to exemptions provided in the TRO (e.g., threats related to fire, life, property, etc.).

Pre-Certification – Both of the two identified BLM Trust systems, Automated Third Mineral Support System (AFMSS) and Alaska Land Information system (ALIS), are progressing towards full C&A. AFMSS has an IATO as of April 2003 and full C&A is scheduled to be completed by December 2004. ALIS is scheduled to complete requirements for an IATO by September 2003 and full C&A is scheduled to be completed by September 2004.

August 1, 2003

Office of Historical Trust Accounting – Security Efforts

Reconnection – OHTA shares a portion of the Office of the Secretary network. The network had been reviewed by the Special Master and was permitted to have Internet connectivity. However, with the most recent June 27, 2003, TRO, OHTA has been forced to disconnect from the Internet, again.

Security Plan – OHTA is aggressively pursuing an IT Security Program that implements physical and IT security over all of its IT systems, processing locations and resource management activities. The OHTA IT Security Plan was developed to ensure the effective establishment and implementation of Interior-wide requirements for IT security, IITD security and Privacy Act requirements. OHTA's IT Security Plan is based on Interior's Security Plan Best Practice Control Areas, Interior guidelines, and current best security practices.

Security Staffing – On March 19, 2003, OHTA appointed a BITSM to oversee the implementation and management of OHTA's IT Security Program. BITSM is also supported by a security contractor to OHTA that assists the BITSM with the development and implementation of the OHTA IT Security Program. OHTA's IT Security Program is fully supported and funded by OHTA management.

IT Program Management – Assessments of OHTA and contractors' computer systems that process and house IITD were begun. Physical security assessments of remote facilities processing IITD have been conducted. OHTA is currently collecting statements from contracting firms certifying compliance with OHTA security policies and requirements for the protection of IITD data.

Bureau of Reclamation – Security Efforts

Reconnection – BOR has only two servers containing any IITD. The servers host two application systems, the Land Acquisition Management System (LAMS) and Foundation Information for Real-Property Management (FIRM). LAMS has been retired and the system and data are in storage. FIRM remains disconnected from the BOR network and the Internet, pending reconnection approval.

Initial Assessment – Initial assessments have been completed for FIRM. The final asset valuation, privacy impact assessment, and risk assessment are ready for signature.

Pre-Certification – The FIRM initial Security Plan and System Contingency Plan have been developed.

Certification – The FIRM security test and evaluation process is underway. Final accreditation is expected to be completed in August 2003.

National Business Center – Security Efforts

Reconnection – NBC manages the Office of the Secretary network. The network had been reviewed by the Special Master and was permitted to have Internet connectivity. However, with the most recent June 27, 2003, TRO, the portion of the network servicing the Office of the Secretary has been forced to disconnect from the Internet again.

Network Hardening – All but one vulnerability identified by the Special Master's security team visits have been corrected. The remaining item, the installation of an Intrusion Detection System (IDS), is being completed in conjunction with an NBC-wide effort to install standard IDS throughout NBC. An interim intrusion detection solution is in place at this time.

Pre-Certification – A risk assessment was completed in October 2002, and work has progressed on corrective actions to address the recommendations provided. A modified system security plan is in draft form and undergoing review. Configuration management and computer security incident response procedures are in place, and monthly vulnerability scanning is being conducted.

Delays and Obstacles

There are many challenges that must be addressed regarding the integration, performance, funding, security, and data integrity of Interior IT systems. Interior initiated or completed steps to address some of the challenges reported in previous reporting periods, however, delays and obstacles listed here still impede progress to achieving Interior's IT management goals.

- Employee fears about becoming personally implicated in the litigation are undermining creativity and decision-making. This continues to be an impediment within Interior as contempt or other disciplinary actions against individuals working on this issue exacerbate this concern.

- Information system technical leadership and support staffs are insufficient. Bureau and office IT staffs are insufficient and through normal attrition, OCIO also has several leadership and staff vacancies. Also, this obstacle is impacted further by employee fears to work on Indian Trust issues.

- The government needs to evaluate current funding requirements. Interior's FY 2004 budgets are currently before Congress for approval and its FY 2005 budgets are in preparation. Funding availability will continue to dictate the timing of IT related initiatives.

- Interior is conducting a business process reengineering effort to standardize and streamline trust business processes. The "As-Is" portion of that process has been

completed and "To-Be" reengineering efforts are underway. IT systems specifications may depend upon the timing and results of the reengineering effort.

- Interior receives extensive telecommunication services support from MCI WorldCom. Much of the planning for BIA's secure telecommunications service (previously referred to as TrustNet) depends upon services provided by its contractor. The federal government is considering the nature of its relationship with its contractor considering its recent financial difficulties and status with the bankruptcy court.

Assurance Statement

I concur with the content of the information contained in of the Information Technology 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*
       James E. Cason
       Associate Deputy Secretary

B. CADASTRAL SURVEY

Introduction

A cadastral survey is a land survey of sufficient scale to show the extent and measurement of property boundaries. A cadastral survey as performed by the Bureau of Land Management (BLM) is used to identify the location of land boundaries, to determine official acreage of tracts, and to maintain the related survey records for all public and Indian lands. Cadastral surveys and records are critical to the success of the trust. Ownership information, distribution of trust assets, and management of trust accounts are related to or based upon information recorded in a cadastral survey. The BLM Cadastral Indian Program Manager is continuing to develop and oversee these functions in accordance with 25 U.S.C. § 176: "whenever it becomes necessary to survey any Indian or other reservations, or any lands, the same shall be surveyed under the direction and control of BLM, and as nearly as may be in conformity to the rules and regulations under which other public lands are surveyed." Cadastral surveys assure that ongoing and future high-priority cadastral needs for individual Indian trust and Tribal lands are achieved.

Accomplishments and Completions

Inventory of Cadastral Needs/Cadastral Automated Request System (CARS)

CARS is used to compile the nationwide inventory of cadastral service requests from the regions and to prioritize the requests based on high economic value. CARS software version 2.0 was developed and distributed in this reporting period using input from key BLM, Office of the Special Trustee for American Indians (OST), and Bureau of Indian Affairs (BIA) personnel. CARS was implemented in FY2003 and continues to be evaluated and improved. The result is an improved and more efficient processing and prioritization of cadastral needs in Indian Country. The fully automated system has been distributed to each BIA regional office and BLM state office.

To assure regional priorities are addressed timely and to allow for workforce planning for all regions, OST, BIA and BLM agreed that 30% of the cadastral services budget will be allocated and used for regional priorities, as determined by CARS. This will be implemented in FY2004. To assist in meeting the highest priorities at both the national and regional level, an increase in the cadastral services budget is being considered.

OST Training Course, "Trust Foundations: An Introduction to Trust Reform and Change"

Interior's preliminary request to determine who had trust responsibilities identified 223 BLM employees involved in cadastral surveys. The surveyors who still need to complete this course have been notified that they need to register for the course.

Individual Development Plans (IDP)

BLM surveyors who are in trust positions, defined as "those who spend more than 25 percent of their time on trust activities," have revised their IDPs to identify short-term and long-term developmental plans relating to their trust responsibilities.

Office of Historical Trust Accounting (OHTA) Pilot

In June 2003, OHTA completed a pilot to evaluate, in part, cadastral survey data and assess how potential acreage and boundary errors, if any, affect the distribution of income from tracts on Indian trust lands. This small scale exploratory effort made three significant findings: (1) a careful verification of BLM cadastral data is recommended if a trust asset produces large amounts of income when a certain set of conditions exist; (2) the linkage of cadastral data with ownership and realty documents has provided field managers with the most up-to-date and accurate information available on which to base management decisions; and (3) it is worth exploring whether the benefits of the Yakama Cadastral Geographic Information System (CGIS) models should be expanded to a national level.

The Western Governors' Association (WGA) Forum, "Putting Land Records to Work"

The WGA, with BLM support, sponsored a two day forum on land records on May 6-7, 2003. This is the second WGA forum on standardization of land information. Tribal officials and BIA agencies participated in the forum.

The Yakama Nation gave a presentation on its CGIS, which is based on parcel location and parcel information. The Yakama model emphasizes the need for a standardized survey and land data system. BLM is proposing to increase expenditures to gather Geographic Coordinate Data Base (GCDB) information in high priority trust areas. GCDB is a fundamental layer of the CGIS. This will give more field managers accessible and integrated survey and land data for making better trust asset decisions.

The WGA forum identified the following: (1) the nation would benefit from developing a national land parcel record system; (2) efficiency in time and resources is gained when accurate data is developed once and integrated into a national system; and (3) institutional, organizational and political issues appear to be the biggest hurdles in creating a national land parcel records system.

<u>Current Status</u>

Assistance in the Department of the Interior's (Interior) Reengineering Efforts

With the completion of the "As-Is" Trust business process models, OST is in the "To-Be" reengineering phase. Since cadastral survey was one of the original eight core trust business processes, BLM is assisting in the "To-Be" reengineering efforts along with other agencies and

constituents. The Cadastral Indian Program Manager and other BLM personnel participated in three weeks of "To-Be" reengineering workshops held this reporting period. This participation ensures that the reengineered trust business process for cadastral survey services is in the best interest of the beneficiaries, in accordance with Interior's fiduciary responsibilities, and with laws and regulations governing cadastral surveys and land information.

Interior Indian Trust Lands Boundary Standards

These standards will increase efficiencies in land transactions and boundary issues by establishing processes, procedures, and requirements for cadastral services. The standards have been referred to the Office of the Solicitor for review. These standards have also been distributed throughout BIA for comments. The comments are expected to be forwarded to BLM in the next reporting period.

Pilot Study of Risk Assessment for Cadastral Services

The BLM Cadastral Survey Program continues to work with the Trust Program Management Center (TPMC), formerly the Office of Trust Risk Management (OTRM), in developing and testing the application for conducting risk assessments and management control reviews. However, the application is not yet fully developed and has not been released for use to BLM. Therefore, during this reporting period, BLM conducted management control reviews in its New Mexico and Montana State Offices. These reviews were conducted to assess BLM overall effectiveness in managing and safeguarding Indian trust assets. Based on the results of these assessments, it was determined that BLM systems of controls provide reasonable assurance that the management control objectives have been achieved. There were no significant or material weaknesses found. BLM plans to continue to conduct annual reviews of its management, administrative, and financial controls.

BLM, BIA, Tribal, and OST Training Course, "Land Tenure in Indian Country" (LTIC)

The initial LTIC course is scheduled for August 11-14, 2003, at a Tribal facility in Temecula, CA. This course was piloted in September 2002, in Pendleton, OR. This training course is designed to provide communication tools to realty specialists, cadastral surveyors, appraisers, attorneys, other land tenure specialists and managers about land issues facing BIA, BLM, OST and Tribal governments, and provide solutions for resolving these issues by working together. The expected outcome is to have BIA, OST and Tribal officials become more knowledgeable about cadastral survey needs to enhance their ability to fulfill trust duties related to realty and cadastral survey issues governing Indian land title and ownership.

The BLM Cadastral Indian Program Manager and the Cadastral Survey Training Coordinator have been working with the OST Training Coordinator on the number and types of future LTIC classes. In order to be able to present this course at four locations in FY2004 and to construct a virtual classroom course for FY2005, other sources of funding must be identified for these classes. It was determined that the funding approach would be similar to OST's initial "*Trust Foundations: An Introduction to Trust Reform and Change*" course, where all student and

instructor travel was funded by OST. OST expects to assist BLM in obtaining qualified instructors for these courses, since the present instructor pool is not large enough to present the course at a rate of four times each fiscal year. The BLM Cadastral Indian Program Manager will also be assisting the OST curriculum committee in the development and implementation of future trust training.

Delays and Obstacles

Missing BIA Indian Service Survey Records

BLM cadastral surveyors have often been able to gather only portions of the records of surveys conducted by the BIA Indian Service Surveyors. The BIA surveys seem to have been most common from the mid-1890s through 1916 (although earlier surveys are known to exist), and in the mid-1950s. These surveys are located in at least 12 states and 42 reservations. With incomplete historical records, current cadastral surveys are exposed to error and impairing the bona fide rights of allottees, tribes, and fee land owners. These records should be found and indexed, to assure that the individual allottees and tribes are provided with stable boundaries. Search efforts for these surveys will continue as needed until all potential sources of records have been searched.

Assurance Statement

I concur with the content of the information contained in the Cadastral Survey 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*
        Donald A. Buhler

C.   MINERALS MANAGEMENT SERVICE

Introduction

Minerals Revenue Management (MRM), a program of the Minerals Management Service (MMS), is responsible for collecting, accounting for, and distributing mineral revenues from both Federal and Indian mineral leases and for evaluating industry compliance with laws, regulations, and lease terms. MRM conducts its business processes, maintains reported information, and distributes revenues at the lease level. The Bureau of Indian Affairs (BIA) maintains individual Indian ownership records and distributes the lease revenues to individual Indian beneficiaries.

Accomplishments and Completions

As previously reported in the *Status Report to the Court Number Thirteen*, MMS's reengineering project is complete. However, MMS continues to track and report on two recommendations that were added to this activity as a result of the Electronic Data Systems (EDS) report on trust reform. Implementing these recommendations will help provide appropriate documentation of procedures and agreements, but neither represent problems that are adversely affecting the fulfillment of the Department of the Interior's (Interior) Indian Trust responsibilities. Timely completion of the two recommendations will depend not only on MMS but also on the amount of time and attention that MMS's business partners—BIA, Bureau of Land Management (BLM), and Office of the Special Trustee for American Indians (OST)—are able to devote to this collaborative effort.

Coordinate Information Exchanges Between MMS and All Systems. EDS made this general recommendation to help address future information exchange issues that may arise. In coordination with other Interior bureaus, MMS will help establish a policy and process for documenting information exchanges with its business partners. A key aspect of those policies and procedures will be the execution of memoranda of understanding and Interconnection Security Agreements, as recommended by the National Institute of Standards and Technology security guidelines. MMS is working with its business partners to execute agreements as appropriate. These agreements are expected to be complete by December 31, 2003.

Document Procedures Regarding Royalties Disbursement. This will document royalty disbursement procedures and will contain agreed-upon performance expectations between MMS and BIA. These procedures are expected to be complete by December 31, 2003.

Current Status

Indian Oil Rule

On February 12, 2003, MMS reopened the comment period on the proposed rule for valuing crude oil produced from Indian leases. MMS held four workshops soliciting comments on

specific topics regarding potential changes to the Federal Oil Rule and the proposed Indian Oil Rule. The workshops were held in March 2003 in Denver, CO, in Houston, TX, in Washington, DC, and in Albuquerque, NM. The comment period closed on April 14, 2003. MMS received comments from the Jicarilla Apache Tribe, the Navajo Nation and Marathon Oil Company. MMS has reviewed the comments and is conferring with the Solicitor's Office in determining how to proceed in the best interests of Indian lessors.

Audit Working Paper Incident

An OIG audit identified problems in quality control and audit quality that affected the integrity of MMS's audit offices – the Offshore and Onshore Compliance and Asset Management Offices. The OIG audit of these offices revealed that MMS failed to perform audits in accordance with all required professional standards and had control deficiencies that could, if not corrected, seriously affect MMS's ability to comply with required auditing standards. For example, the OIG identified one audit in which MMS recreated a set of working papers that it had lost and improperly presented the documents as the originals. Additionally, MMS auditors could not provide working paper files for five audits. MMS agreed with all of the OIG recommendations and has already begun to take corrective action, which included disciplinary action for certain employees. MMS has also arranged for an external peer review during 2003.

MMS was gravely concerned about this occurrence. Further review found that although the auditors determined the correct amount of royalty due on the subject leases which was subsequently collected, they were careless and exercised bad judgment. MMS took appropriate disciplinary actions.

The MMS is committed to conducting royalty audits of the highest quality and integrity. MMS audit program has been in existence for more than 20 years. In that time MMS auditors have performed thousands of audits of royalty payors and have effectively detected and collected over $2.5 billion in additional royalty revenues for the benefit of state governments, Indian beneficiaries, and the American public.

Records Destruction Incident - Farmington Indian Minerals Office

During the course of a routine MMS internal management control review, allegations surfaced about destruction of Indian trust records in the Farmington Indian Minerals Office (FIMO).

MMS immediately notified Interior officials including OIG. MMS also immediately initiated its own administrative investigation which included representatives from BLM, BIA, OST, and the Office of Trust Records. The report of the investigative team was sent to the Associate Director-Minerals Revenue Management (MRM) for appropriate action.

As a result of this incident, MRM has developed a short-term high-level action plan summarizing the initial actions to be taken at FIMO in the areas of personnel and records management. A more detailed implementation plan for FIMO records is scheduled to be completed in August. In the interim, the Director of FIMO has been placed on administrative leave.

August 1, 2003

Delays and Obstacles

None.

Assurance Statement

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

Date: August 1, 2003

Name: *Signature on File*
        Phil Sykora
        Chief, Financial Management
        Minerals Revenue Management
        Minerals Management Service

D.   WORKFORCE PLANNING

Introduction

Workforce planning is a comprehensive process that provides managers with a framework for making staffing decisions based on an organization's mission, strategic plan, budgetary resources, and the associated skills needed to accomplish mission tasks now and in the future. Indian trust management workforce planning is underway in the Department of the Interior (Interior) and involves a comprehensive process of assessing: current workload, current program efficiencies and gaps, future work and skill gaps together with options for addressing future workforce needs. This planning process is a large undertaking that requires both significant top-down leadership and the involvement of field-level personnel. The trust planning team is combining budget, program performance, and workforce priorities into a cohesive strategy that is useful for human resources planning as well as for budget justifications.

Accomplishments and Completions

Eight workforce planning training workshops were completed in seven regions during April, May, and June. This completes these workshops for Indian trust organizations.

The management team from seven Bureau of Indian Affairs (BIA) Regions, including Great Plains (56 attendees in two workshops), Southern Plains (28 attendees), Midwest (18 attendees), Navajo (29 attendees), Western (26 attendees), Northwest (28 attendees), and Pacific (23 attendees), attended Interior's three-day Workforce Planning Workshops. During these workshops, participants accomplished their stated purpose of determining how most effectively to allocate resources, and they left the workshop with the basic components of a first workforce plan.

During these workshops, participants were given information needed to understand and apply a five-step model for developing workforce plans. They applied a set of tools to guide the workload analysis process; learned to identify core capabilities and skills in their organizations; were provided an approach for documenting the plan; and used a set of tools for ensuring accountability and periodic updates.

Evaluations of the workshops have been developed and information from participants is being collected.

Individual Development Plan (IDP) for BIA Employees

BIA collected and assessed representative IDPs from a ten percent sample of Indian trust management employees to confirm that BIA trust employees have an IDP. During the next reporting period, BIA will further define trust training requirements based upon the review of IDPs and on the assessment of critical skills that is a part of development of the BIA workforce plan.

Interior provided additional direction for bureau-level workforce plans.

Effective workforce planning represents the foundation for all other workforce management efforts at Interior. By memorandum dated June 22, 2003, the Interior Human Capital Officer directed that each bureau integrate workforce planning efforts into respective budget submissions for the FY 2005 budget.

This directive is designed to enhance Interior's ability to assess bureaus' and offices' workforce plans and to focus on critical strategic workforce needs during budget formulation and execution. Similarly, the initiative serves to enhance assessment of fiduciary trust workforce plans developed by Interior offices and bureaus. The Interior Management Initiatives Team is expected to review and comment on the bureau workforce plans during the next reporting period.

The Indian Trust Human Resources Advisor briefed the Navajo Region managers.

During April 2003, the Navajo Region requested a formal presentation on workforce planning in advance of their Interior three-day Workforce Planning Workshop at the Navajo Region Management Conference. This presentation was delivered on May 1, 2003, by the Indian Trust Human Resources Advisor. Other related presentations at the management conference focused on succession planning, recruitment and retention, and change management.

<u>**Current Status**</u>

By memorandum dated April 7, 2003, the Acting Assistant Secretary-Indian Affairs provided additional staffing plan guidance and required BIA directors to submit a staffing plan for each office and region. These staffing plans are a part of the overall workforce plans. Comprehensive review of the staffing plans throughout BIA will assist in forecasting funding requirements. Given the challenges of filling critical positions, managing with limited resources, and the need to anticipate and plan for skill loss due to retirements over the next few years, the need for a "road map" for staffing critical skills is apparent. The federal appropriations process requires that agencies base funding requests on a projection of requirements and expected mission results. Interior's commitment to engage in workforce planning and successfully link mission goals to workforce needs is essential for gaining appropriations for legal and regulated requirements.

During this reporting period, the Office of the Special Trustee for American Indians (OST) has recommended that additional positions be used to support OST's service to Indian Country. The office plans to hire six regional fiduciary Trust Administrators, and Trust Officers who are expected to work at the regional and agency level.

Trust organizations are engaged in workload analysis and skill assessment. The Indian Trust Human Resources Advisor has continued to search for an affordable methodology for workload analysis that can be more easily maintained and operated by the workforce planners in each trust organization.

August 1, 2003

Interior bureaus are expected to develop Workforce Plans by September 30, 2003, for FY 2004-2008 and update annually.

Each trust organization (every BIA region and OST) has now established a designated unit that is engaged in workforce planning. Workforce planning continues to be complicated by the ongoing reengineering; however, it should enable managers to be more successful in designing and funding the necessary strategies that should result in effective staffing of organizations and in meeting employee development needs.

Delays and Obstacles

The restriction on the use of the Internet resulting from the Court imposed Temporary Restraining Order of December 5, 2001, has continued. Due to the lack of Internet access, valuable resources must be expended on every communication in order to continue operations. There is a critical unmet need to provide easy access to real-time information to every trust management employee during the necessary change process.

The reengineering of business processes is expected to be complete at the end of March 2004, and implementation of new processes will follow. The individual responsibilities of the employees and managers may change. The completion of workforce plans during CY 2003, will, in many cases, focus on work as it is known today. As the work is reorganized, workforce plans will be updated.

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*
Kathryn A. Bown
Indian Trust Human Resource Advisor

E.   OFFICE OF HISTORICAL TRUST ACCOUNTING

Introduction

On July 10, 2001, the Office of Historical Trust Accounting (OHTA) was established by Secretarial Order No. 3231. The purpose of OHTA is to plan, organize, direct and execute the historical accounting of Individual Indian Money (IIM) and Tribal Trust accounts (Secretarial Order No. 3231 and Amendment Numbers 1 and 2).

Accomplishments and Completions

Accounting Standards Manual

On June 10, 2003, OHTA issued a revised version of the *Accounting Standards Manual.* This revision updated and superceded the initial July 2, 2002, version. OHTA staff and several contractors contributed to the revised version of the *Manual,* which was distributed to all holders of the initial version and received as defendants' exhibit D-059 in Trial 1.5.

Collection of Missing Information from Outside Sources

During this reporting period, two actions were taken to develop the Department of the Interior's (Interior) policy for the collection of third-party records. On April 30, 2003, the "Collection of Missing Indian Trust-Related Records" was published in Part 303, Chapter 5 of the Departmental Manual. On May 5, 2003, the "Policy and Procedures for Collection of Missing Indian Trust-Related Records from Third Parties" was published as a notice in the *Federal Register*, 68 F.R. 23756-23759. In summary, the policy states that Interior intends to collect records from third parties if a data gap is discovered that cannot be addressed with existing Federal records.

Cadastral Pilot

In June 2003, OHTA completed a pilot project begun in October 2001 to evaluate, in part, cadastral survey data to assess how potential acreage and location errors, if any, affect the distribution of income from tracts of Indian trust lands. Cadastral surveys link realty documents to the actual land.

The pilot project involved 37 tracts located in six different states and involved four Land Title Records Offices. Project results indicated that a large majority of tracts are likely unaffected by the risk factors identified. OHTA does not at this time contemplate a comprehensive cadastral resurvey of Indian lands as part of its historical accounting project. Instead, a more targeted evaluation of survey data may occur if a particular tract produces a significant amount of income and involves many increased risk factors.

Current Activities

Judgment and Per Capita IIM Accounts

An OHTA Certified Public Accounting (CPA) contractor has been tasked to reconcile Judgment and Per Capita IIM account groups. As reported in previous *Status Reports to the Court*, this contractor continues to perform historical accounting procedures on these IIM accounts. The contractor delivered two reports to OHTA, dated April 18, 2003, and May 28, 2003, which detailed the results of the contractor's Judgment IIM historical accounting work. The contractor reported reconciliation of 1,013 Judgment IIM accounts, with an associated total value of $953,761 as of December 31, 2000. To date, the cumulative number of Judgment IIM accounts reconciled is 16,821 with a value of $48,496,799 as of December 31, 2000.

As reported previously, a different CPA contractor has been engaged to perform a quality control check of the contractor's work. On June 25, 2003, a quality control report was issued on 700 Judgment IIM accounts transmitted by the CPA contractor to OHTA on February 3, 2003. The quality control contractor's report indicated its concurrence with the historical accounting done by the CPA contractor.

The CPA contractor also transmitted to OHTA two monthly reports on its work on Per Capita IIM transactions for the reporting period, reconciling 6,212 Per Capita IIM transactions with an associated value of $72,515,642. The CPA contractor transmitted the foregoing in reports dated April 18, 2003, for 2,838 transactions and May 28, 2003, for 3,374 transactions. To date, the cumulative total of Per Capita IIM transactions reconciled is 117,425 with a value of $162,180,239.

Eastern Region IIM Accounts

An OHTA CPA contractor continued to obtain transactional documentation related to the Office of the Special Trustee for American Indians' (OST) Trust Funds Accounting System (TFAS) to reconcile transaction balances associated with IIM accounts in the Eastern Region. To date, 260 transactions have been reconciled from the 48 land-based IIM accounts in the Eastern Region, and the CPA contractor is obtaining additional documents to reconcile the remaining 61 transactions. The contractor expects to complete this project by August 31, 2003.

New IIM Accounts Opened 1998 and Later

As reported in the *Status Report to the Court Number Thirteen*, a CPA contractor prepared a work plan, approved by OHTA's quality control contractor, to perform the accounting for new TFAS accounts in the Southwest Region. The contractor performing this work has begun to reconcile supporting documents to the transaction histories. As reconciliation work progressed, the contractor identified additional documents that will be required to support the transactions and complete the accounting for these accounts. The identified documents have been requested,

and the collection process has begun. OHTA expects this project to be completed by December 31, 2003.

Historical Accounting Software

As stated in previous status reports to the Court, the Accounting Reconciliation Tool (ART) system is intended to standardize the historical accounting reconciliation completed by OHTA's CPA contractor firms. OHTA completed a draft business case analysis and capital plan for the ART at the beginning of April 2003, and using data from the draft business case completed the Office of Management and Budget's Circular A-11 Exhibit 300 - Asset Capital Plan and Business Case - (Exhibit 300) in May 2003. Also, in May 2003, a Chief Information Officer Scorecard and Checklist was issued regarding the ART Exhibit 300, and OHTA received the final pieces of hardware for the ART system.

During this reporting period, OHTA began a Change Control Board process to address proposed modifications to the ART that result from increased demands placed on the ART system. OHTA will be conducting a User Acceptance Testing of the tool in July 2003, to allow users to determine whether the ART system meets their requirements. OHTA also expects additional subsequent testing to occur.

Prototype for Alaska Sample

OHTA first reported this project in the *Status Report to the Court Number Thirteen.* OHTA selected over 150 Alaska transactions from the electronic data containing different kinds of receipts and disbursements. While only a small random sample, this project will test and refine record collection procedures, develop and test training materials, and provide information on work tasks for the accounting project.

OHTA selected 33 Alaska receipt transactions from 1987 to 2000 and 33 land-based contracts. To support the transactions, OHTA searched associated financial and realty documents in the National Archives and Records Administration's (NARA) facility, in Lee's Summit, MO, and OST's Albuquerque, NM, records facility.

For disbursement sample testing, OHTA selected two types of disbursements - checks and Electronic Fund Transfers (EFT) - from 1987 to 2000. The random sample tested 45 check payments, using Department of the Treasury (Treasury) documents to ascertain whether these checks were negotiated. Treasury found copies of 33 of the 45 check disbursements, and the Check Payment and Reconciliation (CP&R) listing was available for eight additional checks. Treasury found no records for the remaining four checks as of June 30, 2003.

OHTA will summarize and evaluate the results for work on the 33 Alaska receipt transactions. The sampling of 33 land documents has been completed. Treasury will continue searching its records for the four remaining checks. When the data for the EFT payments are obtained from Treasury and evaluated, OHTA will issue a report on the results.

Retrospective (pre-2001) Special Deposit Account (R-SDA) Cleanup Project

This project was referred to in the *Status Report to the Court Number Thirteen* as "Special Deposit Account (SDA) Cleanup Project." R-SDAs are administrative accounts, opened before January 1, 2001, that temporarily hold funds (suspense accounts) until they can be allocated to appropriate recipients. The cleanup project will identify trust and non-trust account balances contained in R-SDAs, distribute monies to proper IIM accounts, tribes or private entities, and identify or reclassify funds that were improperly held in SDAs. As indicated in *The Historical Accounting Plan for Individual Indian Money Accounts*, dated January 6, 2003, OHTA's work on R-SDAs is different from other aspects of its IIM historical accounting, such as the work associated with IIM Judgment and land-based accounts, because it involves distribution of funds.

The cleanup of the Alaska Region R-SDAs was substantially completed by the targeted date of June 30, 2003. A total of sixty-five R-SDAs were closed. OHTA expects to close the three remaining R-SDAs during the next reporting period. The total value of the sixty-eight accounts is approximately $800,000.

During April and May 2003, OHTA and its contractors presented Interior's orientation package that includes a Memorandum of Understanding (MOU), Memorandum of Agreement (MOA) and Supplement 1-Agency Tactical Plan (ATP), to four Bureau of Indian Affairs (BIA) Regions and their respective agencies. OHTA held orientation meetings with BIA representatives of the Great Plains (Aberdeen, SD), Southwest (Albuquerque, NM), Navajo (Gallup, NM) and Pacific (Sacramento, CA) Regions. The MOU between OHTA and BIA concerning the R-SDA Project was signed on June 20, 2003. OHTA received three signed MOAs and two signed ATPs from agencies within the Pacific Region, clarifying each agency's partnership preference for the level of OHTA support. OHTA anticipates receiving a signed MOA from the Palm Springs Area Field Office during the next reporting period. This will complete the MOAs and ATPs for the Pacific Region.

The agencies within the Southwest and Navajo Regions agreed to OHTA assuming responsibility to resolve and close their R-SDAs, and BIA staff is cooperating to provide the required documents.

The agencies within the Great Plains Region have indicated that they wish to self-perform the resolution and the closeout of their R-SDAs, with OHTA providing oversight, and in some cases providing for overtime and related costs.

The Yankton Agency within the Great Plains Region resolved and closed 208 of its 412 R-SDAs. The closed R-SDAs had a total balance of $92,930, and the remaining 204 R-SDAs have a total balance of $52,486. These include life estate, non-Indian, *Youpee* escheat and duplicate accounts.

During this reporting period, OHTA conducted 14 agency visits and located pertinent documents required for R-SDA cleanup. For 19 additional field offices, an OHTA contractor continued

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

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

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

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 (IIM) 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.

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

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.

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

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

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

▪ 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

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.

August 1, 2003

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

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

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.

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-IPT, 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.

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.

- 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.

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 BIA 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 (LRIS), administrative probate modifications for ENA.
- Encoding encumbrances, into LRIS, for ENA.
- Encoding, into LRIS, Certificate of Indian Blood administrative modifications for ENA.

- 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

D.   **CURRENT ACCOUNTING ACTIVITIES**

<u>Overview</u>

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**

<u>Introduction</u>

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.

<u>Accomplishments and Completions</u>

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

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.

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, 3,314 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.

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
Under $5000 and 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 BIA, with oversight

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 BIA 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 BIA 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

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.

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*   Name: *Signature on File*
    Dianne M. Moran   Helen Riggs
    Trust Operations Officer   Project Manager

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

E. RECORDS MANAGEMENT

<u>Introduction</u>

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.

<u>Accomplishment and Completions</u>

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

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.

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 BIA 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

August 1, 2003

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

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

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

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.

August 1, 2003

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

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.

August 1, 2003

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

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 proprieties 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.

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 BIA 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

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

I. TRUST REGULATIONS, POLICIES AND PROCEDURES

Introduction – Office of Trust Regulations, Policies and Procedures

The Office of Trust Regulations, Policies and Procedures (OTP) in the Office of Special Trustee for American Indians (OST) was established in the Departmental Manual changes signed by the Secretary on April 21, 2003. OTP is responsible for ensuring organizational knowledge, access, and compliance with applicable trust-related regulations, policies, and procedures. The Office:

- coordinates policies and procedures for implementing regulatory requirements
- participates in program audits
- promulgates and integrates trust policy into all business processes
- coordinates trust procedures with internal and external organizations involved with trust activities
- ensures development and implementation of OST's own policies and procedures
- reviews and provides edits of all fiduciary trust policies, regulations, handbooks, desk manuals, processes and procedures of all Interior bureaus and offices performing trust related activities.

An Acting Director for OTP was named during the initial reorganization of OST. He and his staff are developing a plan to establish the office so that it carries out its functions effectively and efficiently.

OTP will assist the Secretary in establishing "consistent, written policies and procedures for trust management and accountability" as required by the American Indian Trust Fund Management Reform Act (25 USC 162 a(d)(6)). OTP will facilitate and be a clearinghouse for the Interior-wide activities that are necessary to achieve the statutory mandate. That mandate must be achieved in an efficient and timely manner. OTP will monitor that process.

Current Status

Since the creation of OTP in April, the office has undertaken several initiatives in the discharge of its duties. Some are housekeeping in nature, such as identifying computer software to aid in performing its work, while some missions are more substantive and involve establishing OTP staff, tools and methods of operation.

OTP is assembling an Interior Fiduciary Library. Assessing Interior's Electronic Library of Interior Policies (ELIPS) is the first step in the creation of this hard-copy library and its virtual counterpart.

As a universal support function, OTP will be involved with many aspects of the "To-Be" Project, so it is essential that OTP build a close and successful working relationship with the core group working on that Project. To that end, OTP staff members attended the "To-Be" Project's Tier 1

Workshop in Portland, OR, and presented a short summary to the group about the responsibilities of OTP. Staff members also plan to attend the July workshop in Minneapolis.

OTP has begun a review of OST internal policies and has identified drafts of several which need to be examined. OTP is overseeing the effort to draft criteria against which issues can be identified, priorities set, and clearing standards established for the review or creation of internal fiduciary and administrative policies. With these criteria established, OTP will work with other Interior bureaus on review of their fiduciary trust-related policies, procedures and regulations. A liaison group has been established with members from those Interior bureaus with fiduciary trust responsibilities so that the review and rewriting of fiduciary trust-related policies, procedures and regulations can be co-ordinated through this group.

OTP is designing a clearing and tracking system to catalog those regulations and policies and procedures that are to be reviewed so that the Special Trustee can ensure compliance with 25 U.S.C. 4043(c)(1)(B). The system mission of the OTP Tracking System is to accurately identify and maintain all developmental phases of fiduciary trust-related laws, regulations, and directives (policies, procedures, manuals, handbooks) for all trust offices. Its purpose is to coordinate and facilitate policy and procedure development relating to Indian fiduciary trust reform activities to ensure fiduciary and legal requirements are fulfilled.

Bureau of Indian Affairs

It has been reported to OTP that the following initiatives have been taken by the Bureau of Indian Affairs (BIA). OTP will follow the development of these tasks.

25 CFR 161 - Navajo Partitioned Lands Grazing Permits - The drafting and review process was completed during this reporting period. The Navajo Hopi Land Commission and the Navajo Nation Natural Resource Commission met and gave their verbal approval for the regulation to be published in the Federal Register with a 90 day comment period. The regulation was submitted to the Office of the Solicitor (SOL) and is still being reviewed. It is anticipated that the regulation can be published as a draft in the last quarter of CY2003.

25 CFR 124 – Deposits of Proceeds of Lands Withdrawn for Native Selection under the Alaska Native Claims Settlement Act – Office of Trust Funds Management and SOL completed their review and comment on the draft revision of this regulation. The draft rule is still under consideration.

25 CFR 162 Subparts C & D – Residential Leases and Business Leases – BIA's Office of Trust Responsibilities (BIA-OTR) completed drafting proposed regulations. Interior's Office of Policy, Management and Budget is currently reviewing the draft for compliance with the Paperwork Reduction Act. The target date for publication of the proposed regulations in the Federal Register is August 2003. The comment period is planned to run for 90 days, during which time tribal consultation will be conducted on the proposed rule. The publication of the final rule is scheduled for May 2004.

25 CFR 216 – Surface Exploration, Mining, and Reclamation of Lands – Other mission-critical activities have delayed revision of this regulation by BIA-OTR staff. It is not expected that the rule will be revised and published before the latter part of CY2003.

Internal Program Guidance

Grazing Permits (25 CFR 166) Handbook - BIA-OTR staff and Tribal representatives met in December 2002, and January/February of 2003 to continue writing the handbook. An initial draft was completed in March of 2003. Once the editing and technical review of the draft is completed, appropriate comments will be incorporated, which is expected to occur during the last quarter of CY2003. The final draft will be furnished to SOL for legal review and appropriate changes will be incorporated in the final document. The proposed printing and distribution of the handbook is expected during the first quarter of CY2004.

National Environmental Policy Act (NEPA) Compliance Handbook –The target date for distribution of the BIA NEPA handbook for review and comment by Indian tribes and Alaska Natives is targeted for the next reporting period. At least sixty days is expected for review and comment.

Indian Affairs Manual (IAM) Forestry Program Chapter – The draft chapter has been reviewed by tribes, agencies, regions and by OST. The current draft is dated May 21, 2003. In the reorganization, the new BIA Office of Planning and Policy Analysis assumed responsibility for coordinating the completion of the draft chapter for review, distribution for comment, approval and distribution for incorporation into BIA's IAM. An estimated completion date will be established as the Office of Planning and Policy Analysis surveys its responsibilities.

IAM, Part 101, Individual Indian Money Accounts – This project has been assigned to the Office of Tribal Services (OTS), Human Services Division. Comments have been received from field offices. OTS is working with SOL on revisions to the IAM to ensure this manual complies with the regulations governing trust funds for tribes and individual Indians (25 CFR 115). This part is expected to be issued by December 31, 2003.

Surface Leasing (25 CFR 162) Handbook – The final draft remains under legal review. Upon finalization of the regulations for Subparts C and D of 25 CFR 162, the handbook will be amended to reflect the changes pertaining to residential and business leases. The expected distribution of this handbook has been extended to the spring of CY2004.

August 1, 2003

Assurance Statement

I believe that the information contained in the OST Trust Regulations, Policies and Procedures section of the *Status Report to the Court Number Fourteen* is an objective analysis as of June 30, 2003. The information provided in this section is accurate to the best of my knowledge.

Date: July 31, 2003

Name: *Signature on File*
      Richard V. Fitzgerald
      Acting Director, Office of Trust Regulations,
       Policies and Procedures

V.   BUREAU OF INDIAN AFFAIRS

A.   FRACTIONATION

Introduction

Fractionation of Indian land occurs when land passes from one generation to the next, and more and more heirs or devisees acquire an undivided interest in the land.

Fractionation of Indian trust and restricted lands has a long history stemming from the federal Indian policy of the 19th Century. Fractionation is a complex and potentially emotionally charged issue due primarily to cultural, historical and family association of the present Indian owners with the original owners of those lands held in trust by the United States or subject to a restriction against alienation by the Secretary of the Interior. Both Congress and the Department of the Interior (Interior) are attempting to address this complex issue. The opportunities offered by the Indian Land Consolidation Act and the Amendments of 2000 (ILCA) are important to the solution of fractionated ownership of Indian land. Additional ways of streamlining the ILCA process are being considered.

The continued goal during this reporting period of the Indian Land Consolidation Program (ILCP) is to acquire small fractional interests in trust and restricted lands owned by individual Indians and consolidate the interests among individual Indians or the Indian tribes on whose reservation the interests are situated in order to lessen the number of owners. ILCP pilot programs are ongoing in the Midwest and Great Plains Region.

ILCP is presently operated in two Bureau of Indian Affairs (BIA) Regions. There are five reservations under the Great Lakes Agency, Midwest Region, and one reservation under the Rosebud Agency, Great Plains Region, participating in ILCP. The Land Titles and Records Office at the Great Plains Region, provides title and recording services for the Rosebud and Great Lakes Agencies. The implementing official for ILCP is now the Director of the Indian Land Consolidation Office (Director).

Accomplishments and Completions

- Acquired 5,094 fractional interests during this reporting period, for a total of 58,297 interests through June 2003, representing a combined total for the pilots in the Midwest and Great Plains Regions.
- Maintained a consistent stream of applications to sell interests and continued to seek ways to increase the number of applications.
- Completed 120 certified Title Status Reports (TSR) for tracts containing multiple interests identified for purchase on the Rosebud Reservation during this reporting period.
- Received 216 requests for TSR's for tracts containing interests targeted for purchase on the Rosebud Reservation this reporting period.
- Completed revestiture of all *Youpee* interests at Great Lakes Agency. Subsequent

probates have also been posted for the Great Lakes Agency. Rosebud Agency has revested interests to heirs of the original *Youpee* interest holders.
- Completed reconciliation of ownership data on the Fond du Lac reservation in MN.

Current Status

A draft national ILCP plan has been developed and takes into consideration the following:

- Federal and tribal government benefits and costs of the program.
- Alternative approaches for targeting tracts and owners to maximize benefits.
- Legislative and administrative changes to enhance program effectiveness and efficiency.
- Methods for an aggressive marketing and acquisition program.

Further direction from Interior leadership has been given to the Director to identify alternative methods for program financing including federal, tribal and private sources based on economic tradeoffs and long term public benefits. Among the methods that are expected to be examined during the next reporting period:

- Grants from private foundations and individuals.
- Federal loan program to individual interest owners in order to consolidate ownership in a tract.
- Tribal acquisition programs.
- Identifying pilot program impacts on federal trust management.

Actions being taken to facilitate and strengthen the ILCP pilot sites:

- Completion of the first phase in the Midwest Region, Great Lakes Agency, is expected by December 2003, signifying that majority ownership has been achieved on the first three reservations.
- Continuing reconciliation of ownership data on the Minnesota Chippewa Bands' reservations and the Rosebud Reservation.
- Continuing to coordinate with the Rosebud Sioux Tribe's land acquisition program to leverage federal funds with tribal funds and to prioritize purchases of land interests with the tribe.
- Continuing to purchase all available interests including *Youpee* interests from willing sellers.

Delays and Obstacles

- Expanding the program requires reconciliation of ownership records. Reconciliation efforts are expected to be improved with the implementation of Trust Asset and Accounting Management System.
- Qualified staff is scarce at remote locations.

STATUS REPORT TO THE COURT NUMBER FOURTEEN

August 1, 2003

- The Great Plains Regional Land Titles Records Office needs to record subsequent deceased heirs resulting from *Youpee* re-distributions for the Rosebud Agency in addition to existing workload.
- Need for the Great Plains Regional Land Titles Records Office to record the pre-*Youpee* probates for the five reservations under Midwest Region in addition to current workload.

<u>Assurance Statement</u>

The content of the information supplied and contained in the Fractionation section of the *Status Report to the Court Number Fourteen* is accurate to the best of my knowledge.

Date: July 31, 2003

Name: *Signature on File*
          Robert R. Jaeger
          Director, Indian Land Consolidation Office

B.   PROBATE

Introduction

Conducting and completing the probate of individual Indian trust assets requires the cooperative efforts of the Bureau of Indian Affairs (BIA), the Office of Hearings and Appeals (OHA) and the Office of the Special Trustee for American Indians (OST). Bringing the probate caseload current is important to the overall management of trust assets which relies on up-to-date ownership information.

All probate project responsibilities are now being consolidated and will be under the direct supervision of BIA.

Accomplishments and Completions

Number of Cases Processed and Decided

For this reporting period, BIA reports that BIA deciding officials received 327 cases and issued decisions in 216 cases; OHA reports that OHA deciding officials received 701 cases and issued decisions in 641 cases. OST distributed and closed 1,074 accounts representing 1,042 estates. The Trust Funds Accounting System (TFAS), as of the end of June 2003, contains 25,282 open estate accounts. Of these, 12,991 are classified as official deaths, as evidenced by a certified death certificate. Another 8,181 of these accounts are classified as unofficial deaths, where OST has received some indication of death that has not yet been confirmed by receipt of a death certificate. The rest of these accounts are classified as in the probate process or as pending final distribution of the assets. Lists of TFAS estate accounts classified as "unofficial death" were sent to all BIA Regional Directors during the reporting period so that their agencies can reconcile discrepancies and change the account status to "official death" where the deaths can be confirmed. This reconciliation is expected to occur by the end of calendar year 2003.

Case Preparation by Contractors

Case preparation is the gathering of information and documents to enable the submission of a probate package to a deciding official. During this reporting period, the contractor continued to expand its efforts to prepare probate cases in the Midwest, Great Plains, Southern Plains, Rocky Mountain, Northwest, Pacific, Western and Navajo Regions. The contractor also developed a Central Research Team to provide research support in gathering information necessary to prepare a case for probate. During this reporting period, the contractor completed the preparation of 382 probate cases (double the 190 cases prepared by the contractor during the previous reporting period). An additional 23 summary and 84 non-summary cases previously prepared by the contractor were pending review by BIA at the beginning of this reporting period. Summary cases are those estates containing only trust cash assets with a value less than $5000, not including any interest that may have accrued after the date of death. Non-summary cases are all other cases, including any estates containing land assets. During this period, BIA reviewed and accepted 312 cases from the contractor to be sent to a deciding official. At the end of the

reporting period, 177 probate cases prepared by the contractor were pending BIA review for acceptance. When a probate case management and tracking system is developed (see "current status" below), it will track case preparation by both the contractor and BIA. The Department of the Interior (Interior) then will be able to report case preparation statistics for BIA as well as for the contractor.

Case Preparation – Priorities

A new lead person has been identified in BIA to direct BIA probate activities and to ensure contractors are available to support BIA in processing these cases. Emphasis continues to be given to closing the largest 501 open estate accounts identified in May 2002. These accounts represented only 3.4% of the estate accounts, but totaled $31 million or 65% of the estate funds. By the end of this reporting period 157 of these cases had been closed (thirty in this reporting period), totaling more than $9 million in assets distributed.

Posting and Recording

The contractor's *Youpee* posting and recording efforts during this reporting period continued to be devoted primarily to bringing records current at the Aberdeen Land Title and Records Office in support of the pilot Indian Land Consolidation Program (ILCP) project to purchase small fractionated interests at the Rosebud Agency and in the Midwest Region. Phase II of the ILCP task for the Rosebud Agency was completed during this reporting period. Phase I of the contractor's ILCP task for the Great Lakes Agency was completed during this reporting period with 820 tracts reversed and approved by BIA. Phase II of the ILCP task for the Great Lakes Agency was nearly completed with 935 probate distributions completed, 364 of which had been accepted by BIA.

Current Status

National Association for Public Health Statistics and Information Systems (NAPHSIS)

NAPHSIS is a professional organization consisting of representatives from all of the vital records offices in the United States. Among its current initiatives is a project to enable electronic reporting of deaths. A meeting with the Executive Director of NAPHSIS was scheduled for July 1, 2003, to begin discussions on a proposal for Interior to be notified by the states when Indian deaths are reported in their jurisdictions and for Interior to obtain death certificates from the states in a more timely and direct way.

Probate Case Management and Tracking System

In response to the decision to discontinue efforts for a Case Location and Status database and the need for some way to manage and track the probate caseload, Interior's Trust Architect assumed the lead in developing a probate case management and tracking system during this reporting period. A meeting was held on June 30, 2003, in Washington, D.C., to begin collecting system requirements.

Probate Handbook

A contractor delivered a second draft of the revised Probate Handbook for the current probate process on May 2, 2003. The draft handbook incorporates procedures that previously were fragmented among several separate manuals and covers the probate process from death to distribution. The revised draft was circulated to BIA, OHA, and OST for review and comment during this reporting period. The handbook is to be further refined during the next reporting period based on comments received.

Streamlining the Smallest Estates

As of December 31, 2002, there were 1,522 open estate accounts where the funds derive only from per capita or judgment payments (and not income from land interests) with a total value for all 1,522 cases of $7,193.86. The Office of Trust Review and Audit conducted a risk analysis and concluded that a more streamlined approach for probating these estates would pose little risk of erroneous distribution, while providing a benefit both to Interior and to the trust beneficiaries. A determination of procedures is expected to be made during the next reporting period.

Delays and Obstacles

The lack of access to the Internet, and the lack of electronic mail communications between OHA and BIA continue to impede the ability to process and complete probate backlogs. Consequently, critical processes that used to be automated, such as the preparation of OHA-7 forms, the assignment of probate docket numbers and case counting and reporting, must be done manually. Interior's regulations requiring certified copies of death certificates and other documents (instituted two years ago in order to facilitate the Attorney Decision Makers' probate process) has had the unintended consequence of making case preparation more difficult, more costly, and more time consuming. BIA has brought this to the attention of Interior's senior management and is seeking relief from this requirement.

The lack of a comprehensive case management and tracking system prevents discerning the true extent of the probate caseload. Consequently, cases may be overlooked and resources may not be provided at the right time or in the right amounts to address the caseloads adequately. For example, a manual comparison of TFAS estate accounts to the cases reported by BIA to the Southwest Region Probate Specialist disclosed 44 open estate accounts in TFAS for estates that BIA had marked "closed." The discrepancies occurred largely because the lead agency for the estate was unaware that another agency had made deposits to the estate account in the legacy Individual Indian Money system.

The increasing productivity of contractors is beginning to put a strain on BIA resources to review and accept their work. Options for addressing this problem are expected to be explored during the next reporting period.

August 1, 2003

Assurance Statement

I concur with the content of the information contained in this Probate 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*
        Marinus Heymering Jr.
        Supervisory Trust Reform Specialist

ATTACHMENTS

- **Jim Cason's prepared statement**

- **Section 137 of HR 2691**