



THE DEPUTY SECRETARY OF THE INTERIOR  
WASHINGTON

SEP 06 2012

Ms. Fawn Sharp  
P.O. Box 9  
Amanda Park, Washington 98526

Dear Chairwoman Sharp:

As you know, the management and administration of Individual Indian Money and Tribal trust assets are among the most important responsibilities for the Department of the Interior. As a member of the Secretarial Commission on Indian Trust Administration and Reform, Secretary Ken Salazar is looking forward to receiving your recommendations regarding how we might continue to reform the trust management and administration process and ensure that the United States never again encounters the type of failures raised in Cobell and related litigation.

I want to thank you for your hard work and dedication to these important issues and commend you on the significant accomplishments achieved thus far. It has only been five months since your inaugural meeting in Washington, DC, and you already have initiated an extensive outreach campaign to provide American Indians and Alaska Natives with an opportunity to provide input on the activities and recommendations of the Commission. You also have developed draft documents that address several complex, longstanding issues such as "The Federal Trust Responsibility" and "Conflict of Interest Protocols" and have issued draft memoranda concerning trust models and a compilation of reform recommendations.

During our teleconference on July 23, 2012, we discussed the Commission's need for additional resources and I am pleased to inform you that, in accordance with Secretarial Order 3292 establishing the Commission, the Department is in the process of hiring a management consultant, consistent with all relevant procurement rules.

In addition to providing more resources, I offered to outline for you the issues that the Secretary and I are most interested in getting your input on over the next few months. We are in the midst of evaluating a potential realignment within the Office of the Assistant Secretary – Indian Affairs and the Bureau of Indian Affairs (BIA) that will focus on allocating certain administrative functions back to the regional offices to improve how BIA provides services to Indian Country. Utilizing a similar analytical exercise, we would like to focus on how best to deliver trust-related services to tribes and to individual account holders. The role of the Office of the Special Trustee comes into play in this regard, given its Indian trust accounting functions and Indian trust oversight responsibilities, and also its role in responding to questions about assets that are held in trust on behalf of tribes and individual Indians.

In light of our ongoing review of how we deliver services within BIA and the Assistant Secretary's office, and our need to address the future of the Office of Special Trustee and the key functions that it is serving, we would appreciate the Commission's early attention on, and potential recommendations regarding, the following issues:

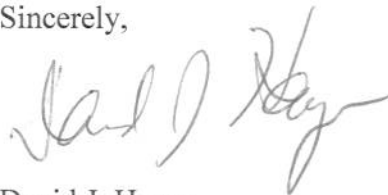
**Management and Oversight:** One of the duties outlined in the American Indian Trust Fund Management Reform Act of 1994, 25 U.S.C. §§4043 (b) (1) tasks the Special Trustee with oversight for all reform efforts within the BIA, the Bureau of Land Management (BLM), and the Office of Natural Resources Revenue (ONRR) “relating to the trust responsibilities of the Secretary to ensure the establishment of policies, procedures, systems and practices to allow the Secretary to discharge his trust responsibilities...” In the Commission’s view, have these responsibilities been adequately addressed by the Office of the Special Trustee (OST) or is there more work for OST to do? Is the current system for ensuring the integrity of trust funds and trust payments that are managed by the Department adequate? If not, do you have any recommendations regarding what practices OST might consider giving attention to? As a related question, if the appropriate systems are now in place, should they still be implemented by OST or should some other entity that is under the control of the U.S. (e.g., the U.S. Treasury Department, BIA, or the newly formed Office of Natural Resources Revenue) be considered?

**Improving Coordination and Services:** How can the Department improve coordination amongst the bureaus that are involved with the management and administration of the trust administration system, including BIA, ONRR, the Office of Policy, Management and Budget (PMB), BLM, and OST? Separating the functions of these offices has provided increased specialization to our operations, but does the Commission have recommendations regarding how we can further strengthen the coordination, regulation and compliance of these functions? Are there functions in the offices that would be improved by realigning them with a different agency or bureau or with tribes? For instance, is ONRR, with its newly broadened responsibilities to track the billions of dollars in royalties that are generated from oil and gas leases, potentially a good place in the Department to manage the accounting associated with Indian trust assets? Alternatively, is that a function best dealt with through BIA or OST or another entity that could be formed to address Indian trust asset accounting?

**Fiduciary Management of Trust Assets:** Who should manage the money that the Department is trusted to invest and manage for tribes and individual allottees? Are there functions better handled by OST, the U.S. Department of Treasury, ONRR, or an independent third-party? Could tribes take on this function, or is this activity such a core obligation of the U.S. as trustee, that a tribal entity would not be appropriate? Should this function be independent of other functions regarding the administration and management of trust assets?

There are no easy answers to these questions, and we realize that you may not be in a position to give us recommendations on all of them, but these are questions that we will be grappling with in the coming months, and we would appreciate whatever input you can provide. Thank you for your service to the Department and to Indian Country.

Sincerely,

A handwritten signature in black ink, appearing to read "David J. Hayes". The signature is fluid and cursive, with the first name "David" and last name "Hayes" clearly distinguishable.

David J. Hayes