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IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

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ELOUISE PEPION COBELL, et al.,)
)
Plaintiffs,)
)
v.)
)
GALE A. NORTON, Secretary of the)
Interior, et al.,)
)
Defendants.)

Case No. 1:96CV01285
(Judge Lamberth)

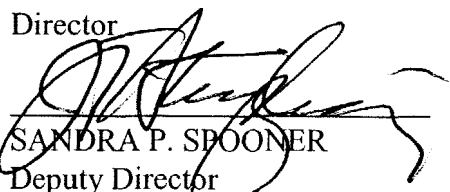
**NOTICE OF FILING OF INTERIOR DEFENDANTS'
FOURTEENTH STATUS REPORT**

Interior Defendants hereby give notice of the filing of their fourteenth report due in accordance with the Order of December 21, 1999.

A copy of the report is attached hereto.

Dated: August 1, 2003

Respectfully submitted,
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PETER D. KEISLER
Assistant Attorney General
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CERTIFICATE OF SERVICE

I declare under penalty of perjury that, on August 1, 2003 I served the foregoing *Notice of Filing of Interior Defendants' Fourteenth Status Report* by facsimile in accordance with their written request of October 31, 2001 upon:

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Per the Court's Order of April 17, 2003,
by facsimile and by U.S. Mail upon:

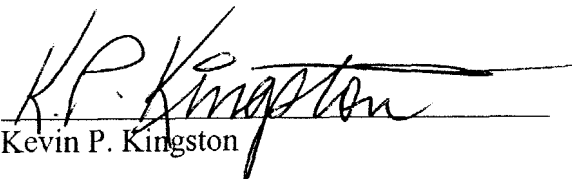
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Kevin P. Kingston



United States Department of the Interior
Office of the Special Trustee for American Indians
Washington, D.C. 20240



AUG 1 2003

Sandra P. Spooner
U.S. Department of Justice
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Re: Cobell v. Norton – Status Report to the Court Number Fourteen

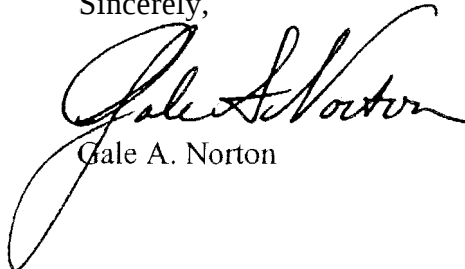
Dear Ms. Spooner:

Enclosed is the Department of the Interior's *Status Report to the Court Number Fourteen (For the Period April 1, 2003 through June 30, 2003)*, dated August 1, 2003. Please forward a copy to the Court.

This is the seventh report in the revised Report format. My signature on this Report reflects my belief that my personal observations are true and correct, and that the information provided to me by others for inclusion in my observations, as well as accompanying sections of the Report are correct to the best of my knowledge.

Thank you for your assistance.

Sincerely,



Gale A. Norton

Enclosure

Status Report to the Court Number Fourteen

**For the Period
April 1,2003 through June 30,2003**



August 1,2003

STATUS REPORT TO THE COURTNUMBER FOURTEEN

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

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* litigation.

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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 BLA 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.

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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."

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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 Jatnes 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.

Senate Action

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.

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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.

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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.

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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.

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A. INFORMATION TECHNOLOGY

Introduction

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 unauthorized access to information housed on Government computer systems. In an

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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.

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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 RLM systems initiatives. Further work and analysis is needed prior to deciding any specific course of action regarding a realty module.

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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."

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- 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.

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- 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 (BITSMS).
- 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 (FTSMA). 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

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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 CEO, under the AS-IA.

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- CPIC – BIA prepared OMB Circular A-11 Exhibit 300s and Exhibit 300-Is 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.

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- **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.

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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.

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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.

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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

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

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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

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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.

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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.

Current Status

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

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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

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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

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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

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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.

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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

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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.

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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.

Current Status

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.

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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

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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 superseded 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.

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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,

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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.

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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