

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

_____ ELOUISE PEPION COBELL, et al.,)	
)	
Plaintiffs,)	
)	
v.)	Case No. 1:96CV01285
)	(Judge Lamberth)
GALE A. NORTON, Secretary of the)	
Interior, et al.,)	
)	
Defendants.)	
_____)	

**NOTICE OF FILING OF INTERIOR DEFENDANTS'
TWENTY-SECOND STATUS REPORT**

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

A copy of the report is attached hereto.

Dated: August 1, 2005

Respectfully submitted,
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/s/ John J. Siemietkowski

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CERTIFICATE OF SERVICE

I hereby certify that, on August 1, 2005, the foregoing *Notice of Filing of Interior Defendants' Twenty-Second Status Report* was served by Electronic Case Filing, and by facsimile on the following who is not registered for Electronic Case Filing.

Earl OldPerson (pro se)
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/s/Jay St. John



THE SECRETARY OF THE INTERIOR
WASHINGTON

AUG - 1 2005

Christopher Kohn
U.S. Department of Justice
Civil Division
Commercial Litigation Branch
P.O. Box 875
Ben Franklin Station
Washington, D.C. 20044-0875

Re: Cobell v. Norton - Status Report to the Court Number Twenty-Two

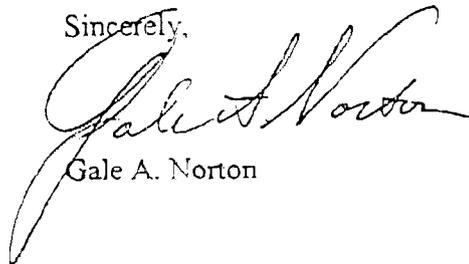
Dear Mr. Kohn:

Enclosed is the Department of the Interior's *Status Report to the Court Number Twenty-Two (For the Period April 1, 2005 through June 30, 2005)*. Please forward a copy to the Court.

This is the 15th 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 Twenty-Two

**For the Period
April 1, 2005 through June 30, 2005**



August 1, 2005

August 1, 2005

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I. INTRODUCTION

This *Status Report to the Court Number Twenty-Two* (Report) represents the period from April 1, 2005, through June 30, 2005. The Report is presented for the purpose of informing the Court on the progress of trust reform activities occurring during this reporting period, and progress of the historical accounting of individual Indian beneficiary funds managed by Interior.¹

This Report is prepared in a manner consistent with previous reports to the Court. Each manager in charge of an area of trust administration and the director of the historical accounting project are submitting reports on the progress of their respective activities.

A glossary of acronyms and abbreviations is included in this Report. The glossary is located at the end of the Report.

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.

II. SECRETARY GALE NORTON'S OBSERVATIONS

I continue to be deeply impressed with the dedicated efforts of the many Interior employees, most of whom are American Indians, who are working to ensure that Interior's fiduciary trust responsibilities are met. Our management team, headed by Jim Cason and Ross Swimmer, has worked hard to improve the organization and professionalism of our trust activities, as well as our other Indian responsibilities. They are making methodical progress on issues that have been ignored for decades. My own experience with Interior's employees and the work they do simply cannot be reconciled with the disparaging remarks made by the Court in its July 12 opinion.

Of course, I am also constantly reminded of the difficulties we face in transforming a century-old system into a modern, beneficiary-centered financial services organization. At the cutting edge of this transition is the implementation of the Fiduciary Trust Model at the pilot agencies of Concho and Anadarko. Their work includes the conversion of data from key legacy computer systems to new systems that eventually will be installed at all BIA agencies. As a result of interfacing software components of TAAMS leasing and title with TFAS, we will be able to provide comprehensive asset statements to beneficiaries served by these two agencies. The Office of Special Trustee expects these statements to be sent to beneficiaries during the next reporting period.

Lessons learned from implementing the FTM at these locations will help significantly as we move forward to other BIA agencies. Although considerable work will be necessary to implement changes at each agency in the future, this progress at the pilot agencies is a major accomplishment toward reform of the Indian trust.

Another important step in trust reform is implementation of the American Indian Probate Reform Act. The Act's notice requirement was satisfied during this reporting period. On June 20, 2005, I certified that the notice provisions had been met through mailings and publication. As a result, certain provisions in the Act will become effective in one year. During this year, training will continue for Interior staff, and beneficiaries will have an opportunity to become familiar with the various probate changes that might affect them.

As part of the implementation of trust improvements, we began an Interior Regulatory Initiative during this reporting period. To the best of my knowledge, this is the most comprehensive updating of trust-related regulations in decades. The Regulatory Initiative brings together multi-agency working groups consisting of employees from BIA, OST, BLM, NBC, SOL, OHA and OHTA. Instead of the traditional slow process of writing individual regulations and then circulating them through the Department for incremental editing, the groups have been brainstorming about necessary changes, using their varied expertise to identify improvements, and working together to create drafts. The working groups are developing regulations that further the FTM, comply with requirements of the new probate act, and streamline other business processes. Some of the draft regulations are expected to be presented for consultation by the end of the calendar year.

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Secretary Gale Norton's Observations

With the recent introduction by Senators McCain and Dorgan of a bill, S.1439, to settle the accounting claims in the *Cobell* litigation, I think it is appropriate to summarize the substantial progress the Department has made since 2001 in performing the historical accounting. This progress has been made in spite of the fact that Congress continues to appropriate significantly less for accounting work than the Administration requests. For FY2006, for example, the Senate and House passed versions of the Interior appropriations bill that each propose to give the Department only \$58 million of the \$135 million it requested.

I have been informed that, as of June 30, 2005, the Office of Historical Trust Accounting had fully reconciled 52,165 of the 99,572 judgment and per capita accounts (including some with no current balance). Statements detailing the results of the accounting have been mailed to 12,122 account holders, and OHTA is awaiting permission from the court to send the results to an additional 28,107 account holders.

From OHTA's description of the accounting results to date, there do not appear to be any systemic accounting issues or bias in the accounting results. Differences between accounting ledgers and supporting documentation sometimes favor account holders and sometimes disadvantage them. In other words, the dollar differences go both ways. The differences found do not seem to indicate fraud, theft, or misapplication of accounting rules. Rather, the differences appear to be random computational, posting, or distribution errors.

The accounting and trust reform efforts continue in the midst of significant litigation-related demands on the Department's time and resources. As I write this, the Court's hearing on IT security at the Department is drawing to a close. I understand that, since April 26, Interior has produced over 4.5 million pages of documents for the hearing and nearly 20 employees have provided testimony. While the hearing is meant to assess vulnerabilities in the security measures that the Department has taken to protect the Indian trust data that it stores electronically, I am concerned that the litigation itself, in which detailed information on those security measures is being made available to the public, may present the greatest vulnerability that the Department faces in the area of IT security.

In the past few days, Interior has also devoted considerable high-level attention to this Court's recent order that Interior put a notice in every written communication that Interior sends to present and former IIM account holders. We are concerned this will be a huge task that will impose ongoing requirements on potentially thousands of employees for an indefinite period and that will negatively impact Interior's relationship with Indian beneficiaries.

As mentioned earlier, legislation has been introduced in Congress to address individual Indian trust claims. I look forward to the opportunity to work with Congress on this issue. I hope that this legislation will finally address longstanding issues that have been unresolved for decades, and allow both Interior and Indian Country to focus on the future.

A. INFORMATION TECHNOLOGY

Introduction

This section describes the status of Interior IT systems, particularly the systems that house or provide access to IITD or provide various computing capabilities, including functions critical to the proper administration of the individual Indian trust responsibilities within Interior. In addition, this section describes various efforts being made to improve IITD security within Interior, pursuant to OMB Circular A-130 Appendix III, and the status of Internet connectivity.

Accomplishments and Completions

Computer Security:

Interior continues to make progress in ensuring IT security and, in particular, addressing the potential risks associated with unauthorized access to IITD from the Internet. A primary focus for this reporting period has been providing documentation responsive to the April 25, 2005, Court Order. Over 4.5 million pages of documentation have been collected and produced pursuant to this Order. Additional efforts were focused on responding to penetration test results from our contracted monitoring program through the Inspector General, preparing for the annual FISMA evaluation, completing site and facility compliance reviews, conducting annual IT security awareness training, and continuing to validate and improve the C&A packages completed previously. The most noteworthy accomplishments and completions during the reporting period are described below.

Prevention and Monitoring

- Interior continued testing Internet-accessible systems against an operational security profile based on the SANS Top 20 vulnerability list. For the fifth consecutive reporting period, no hosts were found to have vulnerabilities listed in the SANS Top 20. The SANS Top 20 lists the ten most commonly exploited vulnerabilities in Windows, and the ten most commonly exploited vulnerabilities in Unix. Although there are thousands of security incidents each year affecting these operating systems, the overwhelming majority of successful attacks target one or more of these twenty services. These monthly scans assist bureaus and offices in prioritizing their IT security efforts so they can address the most dangerous network vulnerabilities first.
- Interior initiated more robust automated vulnerability scan testing of Internet-accessible systems to include more than the SANS Top 20 vulnerability listing. Potential vulnerabilities were detected and are being analyzed or have been mitigated. Results from these heightened scanning activities are expected to be reflected in future reports as Interior further refines the process.

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- Potential incidents that were reported to DOI-CIRC during this reporting period, are as follows:

Type of Incident	Number Unsuccessful	Number Successful
Intrusion	0	0
DoS/DDoS	1	0
Virus/Malicious Code	835,251	10
System Misuse	61,547	4
Social Engineering	161	0
Web Defacement	0	0
Root Compromise	7	0
User Compromise	0	0
Hoax	0	0
Scanning/Probes	307,515,988	10
Trojan/Backdoor	10	0
Other (Incidents N/A to above categories)	45,455,606	9
Total	353,868,575	33

- The types of incidents reported in the “Other” category include any type of potential incident not included in the other areas. Examples of those incidents include: laptop theft, e-mail address spoofing and spam/fraudulent e-mail received. Of the 33 reported successful incidents occurring during this reporting period, none appear to have resulted in any known compromise of sensitive data. Successful incidents are those that could not be prevented or blocked by Interior at the time of their occurrence.
- In the previous reporting period, BLM received initial results from the contracted penetration testing. The IG’s contractors reported successful penetration of BLM’s external perimeter and Intranet servers. The contractor also noted the presence of up-to-date patches on servers, and external DNS servers were identified as being compliant with best security practices. Two IITD servers responded to a ping test. However, the contractors did not report exploit of servers containing IITD. Attempts to exploit IITD would have met additional layers of security controls. These include password protection on the underlying databases, application-level security implemented via internally defined access control lists and implementation of strong passwords on BLM’s Indian trust software application user accounts.

After the contractor penetration testing, BLM took immediate action to further increase its IT security. BLM implemented the recommendations made in the IG penetration report and, as

a result, has significantly strengthened BLM's overall IT security architecture. BLM first responded to the initial results by taking immediate steps to further protect IITD by disconnecting trust servers and workstations from the BLM network. There has been a long-standing issue in BLM concerning the need to segregate these servers into a virtual private network. These servers are not expected to be reconnected until the segmentation is completed. BLM implemented corrective actions for the technical vulnerabilities identified by the IG. These actions have improved the level of BLM's network security. BLM has also joined the Departmental WAN (ESN), which provides another layer of network security. BLM has slowly been restoring Internet services after thorough testing and verification of security improvements, and expects to continue to implement longer-term solutions that prevent and detect vulnerabilities.

- NBC received initial results from the contracted penetration testing initiated in the last reporting period. The IG's contractor that performed the NBC penetration testing was able to access some of the components of the NBC systems. During the testing, the IG contractor did not access any NBC-hosted IITD applications. These applications are isolated and protected; penetration into that portion did not occur.

The IG's contractor did successfully penetrate a reporting database allowing viewing of confidential personnel information pertaining to Interior employees and employees in other agencies using Interior financial services. NBC has initiated an extensive remediation plan to address vulnerabilities identified in the penetration testing against NBC systems. Immediate action was taken to resolve or mitigate critical vulnerabilities. During this reporting period, 21 of 37 identified remediation tasks have been completed, and NBC continues to track progress of remaining tasks.

As part of the remediation effort, NBC purchased additional tools to identify web application and database vulnerabilities. Using one of those tools, approximately 50 critical web applications have gone through an initial vulnerability scan and remediation effort, and are being rescanned. NBC has also begun initial database vulnerability scans and analysis.

- During this reporting period, the IG's contractor conducted extensive penetration testing against MMS systems, but was unable to access its systems or data.
- OST upgraded its intrusion detection sensors, which enhanced its network monitoring capability by allowing more of its network to be monitored.
- OHA completed the migration of its network operating systems to Interior's Active Directory, providing a single operating directory for control of user access to network resources.

Policies and Guidance

- The Interior CIO issued OCIO Directive 2005-007, “FY 2005 Plans of Action and Milestones (POA&M) Process Verification,” to the heads of bureaus and offices on May 3, 2005. This directive establishes criteria for maintaining, improving and certifying the POA&M process.
- The Interior CIO issued a memorandum, “Enterprise Services Network (ESN) Connection Approval Process,” to the bureau and office chief information officers on May 24, 2005. This memorandum establishes a connection approval process for creating a single WAN by joining bureau WANs. BLM was the first bureau to complete the process and join the Department’s WAN (ESN).

Training and Awareness

- Interior completed annual IT security awareness training for over 92% of Interior staff as of the end of this reporting period.
- Interior entered into an agreement with OPM to provide online training as a means to deliver role-based IT security training for bureaus and offices subscribing to this service.
- The quarterly MMS Information Security Awareness Newsletter, Spring 2005, was distributed to employees and contractors to keep users abreast of IT security issues.

Plans of Action and Milestones:

Interior tracked 1,659 POA&M recorded weaknesses, of which 521 weaknesses were identified this quarter and 1,138 weaknesses were carried over from the second quarter. Interior remediated and closed out 453 weaknesses this quarter. Interior is currently tracking 1,206 open weaknesses.

A-130 Certification and Accreditation:

During this reporting period, 42 non-trust and 2 trust C&A packages were independently reviewed by a contractor. In addition, C&A packages that had not met minimum compliance review scores on initial reviews continue to be improved.

IT Systems Architecture:

Interior’s enterprise architecture program was rated the highest among 25 federal agencies assessed by OMB. DOI’s EA program received a 4.06 rating, with the average rating among federal agencies being a 3.19. This rating signifies the architecture is being operationalized across Interior and is providing performance impact to business operations. This is consistent with Interior’s previously-reported self-assessment. Interior’s top-rated IT architecture program greatly adds to Interior’s position that we are adequately securing our IT systems and data.

The “Department of the Interior Transition Plan” was developed, reviewed and submitted to OMB for assessment. This document provides a structured approach for closing the gap between Interior’s current or “as-is” architecture and its conceptual target architecture. This approach is supported by a structured methodology and supporting tools (e.g., DEAR), which are used to improve Interior’s mission performance.

Approximately 63% of Interior’s systems inventory contained in DEAR has been mapped to the BRM. During this reporting period, Interior launched a Department-wide effort for mapping its systems inventory contained in DEAR to the DRM. The DRM contains high-level categories of data managed by DOI (e.g., recreation, financial, etc.). This information is useful in determining potential authoritative data sources in Interior’s system portfolio. At the time of this report, approximately 68% of the systems contained in DEAR have been mapped to the DRM. As noted in the last Status Report to the Court, Interior continues to validate Phase 3B populated data and make appropriate updates and corrections as needed.

DOI Land and Resource Management System (DLRM)

As previously reported, the DLRM system is expected to provide a long-term solution for the legacy functionality of the CGI leasing software module, formerly a part of the TAAMS project.

The FRD for DLRM was approved, which is expected to enable the DLRM to replace certain legacy systems and interface with other systems as required. The acquisition phase of the project began with the assignment of a contracting officer and the solicitation is expected to be published in August 2005.

The UAT for Version 2.0 of the realty (leasing) portion of TAAMS was conducted through April 1, 2005. The tests covered range, forestry, surface, minerals, rights-of-way, and leasing reports. The tests were successful for all of the areas, and it was determined that the reports are suitable for use but may need more modification. Use of TAAMS as an interim solution for leasing was approved by the TESC. The TAAMS pilot went “live” at the Anadarko and Concho agencies on June 30, 2005.

ESN

- The ESN was certified and accredited on April 15, 2005.
- Five ESN Internet gateways were installed. These gateways are expected to provide consolidated Internet service to the Department with additional layers of perimeter security.
- On June 28, 2005, BLM became the first bureau to be connected to the ESN.

ZANTAZ

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- As noted in the previous reporting period, OSM had discovered an additional transmission problem in March. This was determined to be a problem involving a Dynamic Linking Library file installed on 53 workstations. The problem lasted from March 7 through March 23. Affected messages were retransmitted to ZANTAZ on April 5 and 6. From April 5 through April 10, there was a disruption in OSM's VPN to ZANTAZ, which delayed transmission of messages to ZANTAZ. OSM experienced similar problems for the periods of May 14 through May 19 and from May 30 through June 2, again delaying the transmission of messages to ZANTAZ. During this reporting period, OSM migrated from GroupWise to Outlook in order to resolve these transmission problems.
- As noted in the previous reporting period, NBC's e-mail messages likely did not travel to the ZANTAZ Digital Safe on February 15-17, 2005. NBC sent three back-up tapes containing e-mail messages captured during that time period to ZANTAZ. The NBC tapes have been processed and messages successfully restored.
- As reported in open court on June 30, 2005, NBC discovered on June 21, 2005, that some of its e-mail servers were not transmitting all e-mail messages to the ZANTAZ Digital Safe. NBC expects to correct the issue during the next reporting period. Other bureaus and offices that transmit e-mail messages to the Digital Safe are being tested for similar issues. As reported in open court on July 17, 2005, so far, only SOL and BIA report similar problems.
- Though these systems do not house or access IITD, NBC wishes the Court to be aware of two matters involving its Boise and Reston offices: (1) Prior to March 1, 2005, Boise did not retain backup tapes indefinitely; (2) Prior to October 30, 2004, Reston did not retain backup tapes indefinitely.
- On May 13 and 17, 2005, due to a BLM server outage, BLM was unable to send e-mail messages to the ZANTAZ Digital Safe. In both cases, after BLM resolved the issue, messages queued during these incidents went to ZANTAZ.

A-130 Certification and Accreditation:

- Ninety-seven percent of Interior systems have full authority to operate (ATO) status. C&A reviews conducted by a qualified third party have been completed for 67% of the C&A packages as of the end of this reporting period. 67% of these packages received passing scores.
- 43 systems were identified as responsive to the current evidentiary hearing. Of these, 34 have received passing scores and nine are pending initial or second review.

Reports:

These reports may be of interest to the Court.

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- GAO issued “Internet Protocol Version 6: Federal Agencies Need to Plan for Transition and Manage Security Risks” (GAO 05-471) and “Internet Protocol Version 6: Federal Agencies Need to Plan for Transition and Manage Security Risks” (GAO-05-845T). These reports cover issues regarding emerging technology issues government-wide.
- GAO issued “Information Security: Federal Agencies Need to Improve Controls over Wireless Networks” (GAO-05-383). This report assesses the status of wireless networks generally.
- GAO issued “Information Security: Emerging Cybersecurity Issues Threaten Federal Information Systems” (GAO-05-231). This report assesses the challenges from new IT security threats government-wide.
- GAO issued “Information Security: Improving Oversight of Access to Federal Systems and Data by Contractors Can Reduce Risk” (GAO-05-362). This report assesses risks and responses to contractor access to IT systems and data government-wide.
- GAO issued “Information Security: Continued Efforts Needed to Sustain Progress in Implementing Statutory Requirements” (GAO-05-483T). This report addresses implementation of FISMA government-wide.
- The President’s Information Technology Advisory Committee issued a Report to the President, February 2005, “Cyber-Security: A Crisis of Prioritization.” This report concludes a year-long study of the security of IT infrastructure of the U.S., with particular attention to intentional attacks, considering the potential impacts to national and homeland security, as well as everyday life of all American citizens. This report provides suggestions to improve the Nation’s cyber-security.

Delays and Obstacles

As can be seen from the many GAO reports noted above, there are many challenges that must be addressed regarding the integration, performance, funding, security, and data integrity of IT systems generally. Like other federal agencies, Interior must address these challenges for its IT systems. Interior initiated or completed steps to address some of the challenges reported in this and previous reporting periods. However, delays and obstacles listed here impede progress in achieving Interior’s IT management goals:

Litigation

- Collection and production of documents and court appearances have placed significant strain on available staff and contractor resources throughout most of this reporting period, resulting in substantial delays in accomplishing planned and required work. The extent of the effort required for this document production resulted in significant backlogs and rescheduling that

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Information Technology

will hamper Interior's efforts for months to come. Production of documents has exceeded 4.5 million pages. Examples of impacted actions include:

- FISMA compliance actions
 - Interior's financial audit
 - OMB and Congressional reporting requirements
 - Migration to a single e-mail messaging system
 - Migration to a single Active Directory system
 - Complying with HSPD-12 for implementing E-Authentication in Interior
 - Delay in moving Interior bureaus and offices to a single WAN
- Employee fears about becoming personally implicated in the *Cobell* litigation have been heightened as individuals from varying levels in Interior have been required to testify at the evidentiary hearing. These fears continue to undermine communication and decision-making, and along with burn-out from demands for volumes of document production, are contributing factors to low employee morale.

Funding

- Considerable expense was incurred as a result of collecting and producing over 4.5 million pages of material for the litigation. This expense diminished the funding available for security improvement and program evaluation.
- Funding availability will continue to dictate the timing of IT-related initiatives. Interior's FY2005 and FY2006 budgets will require managing a variety of IT-related requirements and tradeoffs.

Staffing

Interior is experiencing high staff and management turnover in critical IT positions, particularly IT security. Resulting impacts to communication, efficiency, and oversight are impeding IT security service area functions.

Denied Internet Access

Several Interior bureaus and offices (BIA, OHA, OST and SOL) have not been permitted by the Court to have Internet access since December 5, 2001. Lack of Internet access impedes work processes and the ability to communicate effectively, both internally and externally. Maintaining security on internal systems is more difficult without access to the Internet for research, reporting, and patch management. Similarly, promulgation of policy and training is substantially hampered by the lack of interconnectivity and Internet access.

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Information Technology

Assurance Statement

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

Date: August 1, 2005

Name: *Signature on File*
W. Hord Tipton
Interior Chief Information Officer

B. CADASTRAL SURVEY

Introduction

Cadastral surveys provide assurance that land boundaries for individual Indian and tribal trust lands are identified appropriately. By federal law, surveys of Indian lands are to be performed under BLM's direction and control. Official surveys, whether preexisting or new, identify the location of land boundaries of Indian trust assets and determine official acreage. The official surveys are integral to realty transactions, resource management activities, litigation support and the federal system of patent, allotment and survey records maintained by BLM. Ownership information, distribution of trust assets, and management of trust accounts may be related to or based upon information recorded in official surveys.

Accomplishments and Completions

Inventory of Cadastral Needs

The development of a FY2006, FY2007 and FY2008 nationwide inventory of requests for cadastral survey services in Indian country was a major focus of BLM and BIA during this reporting period.

Approximately 1,280 survey services with an estimated cost of \$75.9 million dollars were requested for FY2006, FY2007 and FY2008. The breakout for survey services requested for each year is as follows: FY2006, 565 requests at an estimated cost of \$40.8 million dollars; FY2007, 545 requests at an estimated cost of \$25.8 million dollars; and FY2008, 170 requests at an estimated cost of \$9.3 million dollars. BLM and BIA used CARS to determine the highest priority of the requested surveys, and to aid in the distribution of the proposed appropriation of eight million dollars for survey services to be performed during FY2006. The proposed appropriation for cadastral survey services is expected to facilitate completion of Indian trust projects valued as high as \$90.5 million dollars.

Educational Opportunity and Outreach

BLM and the Oregon Institute of Technology have agreed to a cooperative partnership and have signed an assistance agreement during this reporting period. The objective of this agreement is to emphasize the public land surveying curriculum and to partner with American Indian Tribes and organizations to promote and encourage survey education for individual Indians.

Current Status

Interior Indian Trust Lands Boundary Standards (Draft)

The Draft Boundary Standards were revised based upon comments received. The standards and comments received are currently being reviewed by SOL. Upon completion of SOL review, an updated draft will be provided to agencies and other affected parties.

Funding of the Recommendations Outlined in the FTM

During this reporting period, the FY2006 budget necessary to achieve the FTM goals as they relate to cadastral surveys was agreed to be funded by OST in the amount of \$2,075,000. This funding will assist BLM in the hiring of 12 BLM Indian land surveyors to be located at BIA regional offices.

The BLM Indian land surveyors for the Midwest and Northwest Regions have been hired and have reported to their respective duty locations. The BLM Indian land surveyors for the Southern Plains, Eastern Oklahoma and Navajo Regions are hired and are currently scheduled to report during the next reporting period. The Great Plains BLM Indian land surveyor position was re-advertised at the end of this reporting period and it is anticipated that the individual selected will also report during the next reporting period. The remaining six BIA regions are expected to receive their BLM Indian land surveyors in FY2006.

The Certified Federal Surveyor (CFedS) program is one of the FTM components for BLM. During this reporting period, a CFedS design committee provided a design of the concept and implementation process for CFedS. The CFedS project manager position is expected to be advertised at the BLM National Training Center during the next reporting period. The final implementation plan is expected to be developed in FY2005, with the first CFedS certification expected to be awarded in FY2006.

Missing BIA Indian Service Survey Records and Unofficial Survey Records

BLM has sent two experienced land surveyors to the AIRR to search for any survey-related records or unofficial survey plats or maps that may assist them to properly and legally identify, locate, survey or resurvey Indian lands. As a result of their investigation, BLM believes that there is no significant amount of Indian survey records at this one facility. Further, they believe that there is no one facility housing any significant amount of these records. These records could possibly be located at the various NARA facilities, local agency offices, tribal facilities, other storage facilities and possibly private collections. BLM will continue the search for any records or documents that may assist them in defining Indian lands. Further reporting on this matter will be limited to significant developments.

Delays and Obstacles

Disconnection from the Internet

The Court-ordered disconnection from the Internet continues to adversely impact the way communications are handled between BLM, BIA, OST and SOL, including the way CARS is being implemented. BLM's productivity has decreased, and the cost associated with dual networks has caused the cost of survey services to increase. This issue continues to impact BLM's ability to provide cadastral services in an effective and cost efficient manner to clients.

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Cadastral Survey

Funding of the FTM

Planning and scheduling of out-year FTM work is dependent on future funding.

Assurance Statement

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

Date: July 21, 2005

Name: *Signature on File*
Donald A. Buhler
Chief Cadastral Surveyor
Bureau of Land Management

C. MINERALS MANAGEMENT SERVICE

Introduction

Minerals Revenue Management, an MMS program, 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 maintains reported information and distributes revenues at the lease level. BIA maintains individual Indian ownership records that are used to provide information to OST for disbursement of the lease revenues to individual Indian beneficiaries.

Current Status

Indian Oil Rule

MMS started a new rulemaking process for the valuation of oil produced from tribal and allotted Indian lands. In anticipation of publishing this new proposed rule, MMS held consultations with Indian tribes and individual Indian mineral owners during this reporting period, to gather additional comments on the draft proposal. As previously reported, a proposed rule for valuing crude oil produced from Indian leases is expected to be published by August 31, 2005.

Payment Receipt Date Verification

With the successful completion of the PeopleSoft upgrade, in January 2005, software changes and system enhancements are being user-tested. Once implemented, further errors are expected to be prevented. MMS expects to devote resources to identify prior errors in the Indian mineral revenue distribution file.

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 Twenty-Two*. The information provided in this section is accurate to the best of my knowledge.

Date: July 18, 2005

Name: *Signature on File*

Cathy J. Hamilton
Chief of Staff
Minerals Revenue Management
Minerals Management Service

D. OFFICE OF HISTORICAL TRUST ACCOUNTING

Introduction

OHTA was established by Secretarial Order No. 3231 on July 10, 2001, and is charged with planning, organizing, directing and executing the historical accounting of IIM and tribal trust accounts.

Current Status

Judgment IIM Accounts

OHTA continues to perform historical accounting procedures on Judgment IIM accounts. OHTA received the electronic IIM transaction data files it uses for the Judgment IIM account historical accounting in 2003 from one of its contractors, which had received the data files directly from OST in 1999; the data files were received by OHTA from a system that was not connected to the Internet. Since its 2001 inception, neither OHTA nor its contractors have stored the data on a system that was connected to the Internet. During this reporting period, OHTA completely reconciled an additional 3,718 accounts in Subgroups² as follows: 163 accounts in Subgroup A, 1,777 accounts in Subgroup B, 752 accounts in Subgroup C, and 1,026 accounts in Subgroup D. Of the 43,764 Judgment IIM accounts completely reconciled as of June 30, 2005, quality control review has been completed for 43,032. OHTA expects to complete quality control review of the other 732 completely reconciled accounts during the next reporting period.

As more data—particularly from the “Paper Records Era”—are collected and keyed into the transaction listings, some accounts are reclassified into Subgroups different from their original classification. The following tables present the total number of Judgment IIM accounts in each Subgroup reconciled as of June 30, 2005, including accounts reconciled in previous reporting periods. The tables also report balances and throughput.

² Subgroup A contains Judgment IIM accounts with receipt deposit(s) and monthly interest postings through December 31, 2000, and no disbursement of funds. Subgroup B contains only Judgment IIM accounts with receipt deposit(s) and monthly interest postings with a single disbursement. Subgroup C contains only Judgment IIM accounts with receipt deposit(s) and monthly interest postings with multiple disbursements. Subgroup D contains accounts with both (1) Judgment transactions with receipt deposit(s) and monthly interest postings, and (2) land-based transactions (income from land interests owned by the account holder).

STATUS REPORT TO THE COURT NUMBER TWENTY-TWO

August 1, 2005

Office of Historical Trust Accounting

Status of Work

Judgment IIM Accounts Open as of 12/31/00

Number of Accounts: 33,205

Balances Total: \$80,839,699

Throughput* Total: \$140,694,346

	<u>Subgroup A</u>	<u>Subgroup B</u>	<u>Subgroup C</u>	<u>Subgroup D</u>	<u>Totals</u>
<u>Completely Reconciled</u>					
Number of Accounts	19,175	3	--	2,669	21,847
\$ Balances Reconciled	\$54,074,289	--	--	\$2,213,844	\$56,288,133
\$ Throughput* Reconciled	\$54,123,292	\$6,823	--	\$24,807,946	\$78,938,061
<u>Partially Reconciled</u>					
Number of Accounts	0	1	2	3,644	3,647
\$ Balances	--	--	--	\$7,220,871	\$7,220,871
\$ Throughput* Reconciled	--	\$4,890	\$3,415	\$4,758,732	\$4,767,037
\$ Throughput to be Reconciled**	--	\$6,430	\$17,682	\$19,833,265	\$19,857,377
<u>Paper Records Era Reconstruction</u>					
Number of Accounts***					7,711
\$ Balances to be Reconciled					\$17,330,695
\$ Throughput to be Reconciled**					\$37,131,871

STATUS REPORT TO THE COURT NUMBER TWENTY-TWO

August 1, 2005

Office of Historical Trust Accounting

Status of Work

Judgment IIM Accounts Open as of or after 10/25/94 but Closed Prior to 12/31/00

Number of Accounts: 47,334 Balances Total: \$0 Throughput* Total: \$499,956,704

	<u>Subgroup A</u>	<u>Subgroup B</u>	<u>Subgroup C</u>	<u>Subgroup D</u>	<u>Totals</u>
<u>Completely Reconciled</u>					
Number of Accounts	NA	18,034	2,922	961	21,917
\$ Balances Reconciled	NA	--	--	--	--
\$ Throughput* Reconciled	NA	\$119,721,664	\$42,128,416	\$16,369,365	\$178,219,445
<u>Partially Reconciled</u>					
Number of Accounts	NA	1,705	1,030	9,726	12,461
\$ Balances	NA	--	--	--	--
\$ Throughput* Reconciled	NA	\$1,703,629	\$2,132,236	\$10,005,851	\$13,841,716
\$ Throughput to be Reconciled**	NA	\$7,819,900	\$9,995,614	\$115,609,251	\$133,424,765
<u>Paper Records Era Reconstruction</u>					
Number of Accounts***					12,956
\$ Balances Reconciled					--
\$ Throughput to be Reconciled					\$174,470,778

* Throughput is defined as the sum of the receipts and disbursements in the Electronic Records Era portion of an account.

** Throughput relating to respective accounts to be reconciled.

*** Distribution of reconstructed Paper Records Era accounts unknown.

A majority of the remaining Judgment IIM accounts (as well as some Per Capita IIM accounts) require conversion of transaction data from manual ledgers to electronic format. As of June 30, 2005, OHTA has searched approximately 4,750 boxes of stored records for manual ledgers required to complete the account history for Judgment and Per Capita IIM accounts that originated in the “Paper Records Era.” Approximately 260,000 transactions for 27,000 Judgment and Per Capita IIM accounts have been located and entered into electronic format as a result of this effort.

Per Capita IIM Accounts

OHTA continues to perform historical accounting procedures on Per Capita IIM accounts. OHTA received the electronic IIM transaction data files it uses for the Per Capita IIM historical accounting in 2003 from one of its contractors, which had received the data files directly from OST in 1999; the data files were received by OHTA from a system that was not connected to the Internet. Since its 2001 inception, neither OHTA nor its contractors have stored the data on a system that was connected to the Internet. During this reporting period, OHTA completely reconciled an additional 843 accounts in Subgroups³ as follows: 95 accounts in Subgroup B, 583 accounts in Subgroup C, and 165 accounts in Subgroup D. Of the 8,401 Per Capita IIM accounts completely reconciled as of June 30, 2005, quality control review has been completed for 7,558 accounts. OHTA expects to complete quality control review of the other 843 completely reconciled accounts during the next reporting period.

As more data—particularly from the “Paper Records Era”—are collected and keyed into the transaction listings, some accounts are reclassified into Subgroups different from their original classification. The following tables present the total number of Per Capita IIM accounts in each Subgroup reconciled as of June 30, 2005, including accounts reconciled in previous reporting periods. The tables also report balances and throughput.

³ Subgroup A contains Per Capita IIM accounts with receipt deposit(s) and monthly interest postings through December 31, 2000, and no disbursement of funds. Subgroup B contains only Per Capita IIM accounts with receipt deposit(s) and monthly interest postings with a single disbursement but do not necessarily disburse the entire balance of the account. Subgroup C contains only Per Capita IIM accounts with receipt deposit(s) and monthly interest postings with multiple disbursements but do not necessarily disburse the entire balance of the account. Subgroup D contains accounts with both (1) Per Capita transactions with receipt deposit(s) and monthly interest postings, and (2) land-based transactions (income from land interests owned by the account holder).

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August 1, 2005

Office of Historical Trust Accounting

Status of Work

Per Capita IIM Accounts Open as of 12/31/00

Number of Accounts: 9,013 Balances Total: \$69,486,684 Throughput* Total: \$98,208,350

	<u>Subgroup A</u>	<u>Subgroup B</u>	<u>Subgroup C</u>	<u>Subgroup D</u>	<u>Totals</u>
<u>Completely Reconciled</u>					
Number of Accounts	2,137	661	993	204	3,995
\$ Balances Reconciled	\$11,415,807	\$5,979,031	\$9,263,079	\$1,397,660	\$28,055,577
\$ Throughput* Reconciled	\$12,833,464	\$7,615,300	\$13,055,610	\$2,354,592	\$35,858,966
<u>Partially Reconciled</u>					
Number of Accounts	--	184	519	4,114	4,817
\$ Balances	--	\$2,092,914	\$6,068,783	\$33,078,749	\$41,240,446
\$ Throughput* Reconciled	--	\$2,146,115	\$6,906,068	\$28,001,842	\$37,054,025
\$ Throughput to be Reconciled**	--	\$673,878	\$2,857,000	\$21,634,550	\$25,165,428
<u>Paper Records Era Reconstruction</u>					
Number of Accounts***					201
\$ Balances to be Reconciled					\$190,661
\$ Throughput to be Reconciled					\$129,931

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August 1, 2005

Office of Historical Trust Accounting

Status of Work

Per Capita IIM Accounts Open as of or after 10/25/94 but Closed Prior to 12/31/00

	Number of Accounts: 10,020	Balances Total: \$0	Throughput* Total: \$93,733,222		
	<u>Subgroup A</u>	<u>Subgroup B</u>	<u>Subgroup C</u>	<u>Subgroup D</u>	<u>Totals</u>
<u>Completely Reconciled</u>					
Number of Accounts	NA	3,599	744	63	4,406
\$ Balances Reconciled	NA	--	--	--	--
\$ Throughput* Reconciled	NA	\$38,394,289	\$11,118,986	\$1,220,587	\$50,733,862
<u>Partially Reconciled</u>					
Number of Accounts	NA	498	541	2,630	3,669
\$ Balances	NA	--	--	--	--
\$ Throughput* Reconciled	NA	\$2,034,067	\$3,675,659	\$10,350,849	\$16,060,575
\$ Throughput to be Reconciled**	NA	\$4,593,194	\$6,450,528	\$15,215,881	\$26,259,603
<u>Paper Records Era Reconstruction</u>					
Number of Accounts***					1,945
\$ Balances to be Reconciled					--
\$ Throughput to be Reconciled					\$679,182

* Throughput is defined as the sum of the receipts and disbursements in the Electronic Records Era portion of an account.

** Throughput relating to respective accounts to be reconciled.

*** Distribution of reconstructed Paper Records Era accounts unknown.

Mailings to Judgment and Per Capita IIM Account Holders

During this reporting period, OHTA mailed an additional 250 Historical Statements of Account with an accompanying transmittal letter explaining the Statement, bringing the total number of Statements mailed to Judgment IIM account holders to 12,122. A toll-free telephone number is available to account holders and/or their parents or guardians in the event they have questions about the mailings. Since OHTA began mailing Statements, approximately 2 % of the Statement recipients have inquired regarding their Statements, the substantial majority of which related to the reason the Statement was provided to the account holder. The remaining 4,974 Statements could not be mailed to Judgment IIM account holders because no known addresses were available. With this latest mailing, OHTA completed the mailing of all deliverable Statements in the group of 17,096 Statements that the Court permitted OHTA to transmit to account holders in its October 22, 2004, Order.

Of the 12,122 Statements mailed, 11% were returned as undeliverable for various reasons. OHTA has re-mailed Statements using forwarding addresses provided by the U.S. Postal Service, and by TFAS/Trans Union and Bank of America search services. Returned Statements will continue to be re-mailed as forwarding addresses become available.

Land-Based IIM Accounts

OHTA continues to conduct reconciliation work on High-Dollar Transactions identified as equal to or in excess of \$100,000, and on National Sample Transactions under \$100,000 in Land-Based IIM accounts. A final report on this work is expected later in FY2005 when reconciliation is completed. OHTA received the electronic IIM transaction data files it uses for the Land-Based IIM reconciliations in 2003 from one of its contractors, which had received the data files directly from OST in 1999; the data files were received by OHTA from a system that was not connected to the Internet. Since its 2001 inception, neither OHTA nor its contractors have stored the data on a system that was connected to the Internet.

Note: This section continues on the next page.

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August 1, 2005

Office of Historical Trust Accounting

OHTA SDA Distribution Project

The results of the OHTA SDA Distribution Project, as of June 30, 2005, are provided in the following table.

SDA Distribution Progress

	<u>Number of Accounts</u>	<u>Dollars</u>
SDA that remained to be resolved as of March 31, 2005 - Reported in the <i>Status Report to the Court Number Twenty-One</i>	12,598	\$32,336,679
Interest posted on undistributed SDA and additional collections credited to SDA during this reporting period - net of disbursements exceeded additional collections resulting in a net negative figure	--	(1,253,018)
SDA resolved during this reporting period	<u>(377)</u>	<u>(3,624,301)</u>
SDA remaining to be resolved as of June 30, 2005	<u>12,221</u>	<u>\$27,459,360</u>

The following table reflects the SDA dollars resolved by type of recipient during this reporting period. Recipients in the “other” category include transfers to the Miscellaneous Receipts Account at Treasury, account reclassifications and transfers to the Federal Finance System.

	<u>Transfers to IIM Accounts</u>	<u>Transfers to Tribal Accounts</u>	<u>Paid to Non- Indian Third Party</u>	<u>Other</u>	<u>Total</u>
Dollars resolved during this reporting period	<u>\$892,914</u>	<u>\$1,408,950</u>	<u>\$166,278</u>	<u>\$1,156,159</u>	<u>\$3,624,301</u>

Interest Recalculation

In the January 6, 2003, *Historical Accounting Plan for Individual Indian Money Accounts*, Interior planned to recalculate expected interest payments in each IIM account. Historical accountings for Judgment and Per Capita IIM include an interest recalculation. Also, OST performs an interest recalculation on all SDA distributions for each recipient of previously undisbursed SDA funds in the OHTA population.

During this reporting period, OHTA directed its contractor to begin this process for Land-Based IIM accounts. Completion of the interest recalculation effort will account for approximately 40% of the total number of transactions in land-based accounts and will help facilitate the identification and resolution of data gaps in the electronic records.

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Office of Historical Trust Accounting

Imaging/Coding – Individual Indian Trust Documents

OHTA’s IIM imaging and coding efforts continued during this reporting period. Updates to the *Coding and Imaging Manual* were released on May 24, 2005. Updates included a new section detailing the requirements for imaging documents to be loaded into OHTA’s Accounting Reconciliation Tool.

As of June 30, 2005, OHTA had completed the following imaging and coding work.

Imaging and Coding Progress

	<u>Pages Scanned</u>	<u>Documents Coded</u>	<u>Documents Loaded into Accounting Reconciliation Tool</u>
Work results from July 9, 2003 (commencement of imaging and coding), through March 31, 2005 – Reported in the <i>Status Report to the Court Number Twenty-One</i>	7,067,045	238,866	237,006
Work results during this reporting period	<u>693,145</u>	<u>18,100</u>	<u>14,947</u>
Cumulative results through the end of this reporting period	<u>7,760,190</u>	<u>256,966</u>	<u>251,953</u>

Observations on Quality of Data and Supporting Documents

As OHTA’s five professional accounting firms have performed reconciliations of the various types of IIM accounts and transactions, they have reported no evidence of fraudulently altered documents or unauthorized access to computer systems.

Delays and Obstacles

OHTA’s ability to search for trust records necessary to its ongoing historical accounting projects was impacted during portions of this reporting period by limited access to certain records, including: (1) records being prepared for shipment, in transit to the AIRR, or being processed by NARA; and (2) records held in Albuquerque because of Court orders in *Pueblo of Laguna v. United States*, *Jicarilla Apache v. United States*, and *Osage Nation and/or Tribe of Indians of Oklahoma v. United States*.

The enacted appropriations for FY2003 through FY2005 have been below the President’s requests. This has prevented OHTA from making the progress it projected in the January 6, 2003 Plan, filed with the Court.

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Office of Historical Trust Accounting

OHTA has now completed the mailing of all deliverable Statements in the group of 17,096 Statements that the Court has permitted OHTA to transmit to account holders. An additional 28,107 Statements have been awaiting Court approval for mailing since March 24, 2005.

Assurance Statement

I concur with the contents of the information contained in the Office of Historical Trust Accounting section of the *Status Report to the Court Number Twenty-Two*. The information provided in this section is accurate to the best of my knowledge.

Date: July 28, 2005

Name: *Signature on File*
Bert T. Edwards, Executive Director
Office of Historical Trust Accounting

III. OFFICE OF THE SPECIAL TRUSTEE FOR AMERICAN INDIANS

Introduction

The Office of the Special Trustee for American Indians was created by the American Indian Trust Fund Management Reform Act of 1994. The 1994 Act provides direction to the Department of the Interior on accounting for Indian trust funds and reforming the operation of the Indian fiduciary trust. The Special Trustee's responsibilities under the Act include creating a comprehensive strategic plan for the operation of the trust and providing oversight of the accounting for Indian trust funds and the reform of the trust. In addition to other trust reform-related duties assigned by the Secretary, the Special Trustee accepted the transfer of the Office of Appraisal Services from BIA to OST.

Special Trustee's Observations

Trust Initiatives for the 21st Century

During this reporting period, a major FTM implementation milestone was reached at the two BIA pilot agencies, Concho and Anadarko. As of June 30, 2005, these two agencies completed the process of converting their systems to the new TAAMS title system and TAAMS leasing system, both of which are now working as an integrated system with TFAS. During the next reporting period, statements of account that contain trust asset ownership information as well as the status of deposits and balances of funds are expected to be sent to beneficiaries of these two agencies. A schedule for systems conversion at the other agencies is expected to be completed during the next reporting period.

Final approval of the functional requirements for the next generation of land management software, DLRM, was given by the affected bureaus and offices during this reporting period. It is expected that an RFP can be released by the end of CY2005.

As part of FTM implementation, BLM began hiring surveyors to be stationed at BIA regional offices. Their presence is expected to help expedite survey requests, prioritize requests and determine when surveys are actually needed, to avoid unnecessary surveys. The remaining regional surveyors are expected to be hired during FY2006.

During this reporting period, an Interior Regulatory Initiative was begun to develop regulations that further the implementation of the FTM, comply with requirements of AIPRA, and streamline other business processes. The Regulatory Initiative working groups consist of employees from BIA, OST, BLM, NBC, SOL, OHA and OHTA. Some of the draft regulations are expected to be published by the end of CY2005.

STATUS REPORT TO THE COURT NUMBER TWENTY-TWO

August 1, 2005

Office of the Special Trustee for American Indians

OTR was organized within OST to improve the records management within Indian affairs-related bureaus and offices. Since September 2002, OTR has been managed directly by the Assistant Deputy Secretary. During this reporting period, management of OTR began moving from the Assistant Deputy Secretary to OST. In the future, OTR will be under the direct management of the CIO for OST. The records assessment function has been transferred to OTRA so that records assessments can be done in coordination with regular reviews and audits of other trust functions. OTRA will continue to report to the Court as a separate administrative function.

American Indian Probate Reform Act

The required notice to Indian landowners was completed during this reporting period. Certification of the notice was made by the Secretary so that the required one year period for implementation of many sections of the Act has begun to run. Consideration is being given to enlist non-profit organizations to assist with drafting wills and doing estate planning for individuals affected by the Act.

Appraisals

During this reporting period, the deputy to the Chief Appraiser of the Appraisal Services Directorate reported for duty. However, after two weeks on the job, this person decided to return to his previous employment. The Chief Appraiser is now in the process of advertising this position and expects to have a selection by the end of this calendar year.

A week of appraisal training and review of policies and procedures is scheduled for the first week of August 2005. This training will be for all OAS appraisers and staff. The training is expected to focus on the appraiser's "Yellow Book" standards and USPAP.

The reappraisal of the Navajo rights-of-way reported on in the last report was completed during this reporting period. The appraisals are under review and results of the appraisals are expected to be available during the next reporting period. A policy for appraising renewal of rights-of-way was released by the Chief Appraiser during this reporting period and has been made available to the field appraisers for their use.

Several review appraisers were hired during this reporting period as reported in the Appraisal section of this report. The Director continues to report problems in hiring sufficient staff to meet the appraisal needs.

Conclusion

Reform of the fiduciary trust is proceeding. The conversion at the Concho and Anadarko pilot agencies demonstrates that the FTM can be implemented, and provides the business process tools to BIA to manage its part of the fiduciary trust. While obstacles remain, I believe that the foundation for fiduciary trust reform has been laid and that building on this foundation will allow Interior to execute more efficiently its legal obligations to trust beneficiaries.

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August 1, 2005

Office of the Special Trustee for American Indians

Assurance Statement

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

Date: July 26, 2005

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

A. TRUST REVIEW AND AUDIT

Introduction

OTRA reports directly to the Special Trustee for American Indians. OTRA was created by OST as a response to trust initiatives developed during the tribal consultation process of 2002. OTRA conducts performance audits, examinations and reviews of Interior entities as well as Tribes that manage fiduciary trust activities. Examinations are routinely conducted at locations that perform trust operations, and are planned to result in a performance rating.

Current Status

Indian Trust Examinations

During this reporting period, OTRA performed 11 trust reviews. Three draft reports were issued for comment and 16 final reports were issued.

On May 1, 2005, OTR transferred three employees to OTRA to perform trust records management assessments for Interior. This transfer facilitates a separation of duties between records training and management and the assessment function. Future reporting on trust records assessments will be provided by OTRA. Since the transfer, OTRA has completed seven trust record assessments and expects to issue either draft or final reports during the next reporting period.

Annual Interior Indian Trust Funds Financial Statement Audit

The Indian trust funds financial statement audit, required by the American Indian Trust Fund Management Reform Act of 1994, is conducted by an independent auditor under OIG management. The independent auditor continued work on the FY2005 audit during this reporting period and is expected to complete work during the first quarter of FY2006.

Annual Audit Corrective Actions

During this reporting period, in response to the FY2004 audit, OST managers reported continued progress on implementing corrective action plans addressing material weaknesses, non-compliance issues and management letter comments.

Compliance Reviews

Compliance reviews are generated by information received from beneficiaries, employees and the public. During this reporting period, 10 cases were in inventory. Two cases were closed and final reports issued. Field work or report drafting continued on the remaining eight.

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August 1, 2005

Trust Review and Audit

Delays and Obstacles

Lack of Internet access impedes OTRA's work processes and its ability to communicate effectively, both internally and externally.

Assurance Statement

I concur with the content of the information contained in the Trust Review and Audit section of the *Status Report to the Court Number Twenty-Two*. The information provided in this section is accurate to the best of my knowledge.

Date: July 20, 2005

Name: *Signature on File*

D. Jeff Lords

Acting Director, Office of Trust Review and Audit
Office of the Special Trustee for American Indians

B. OST-OFFICE OF THE CHIEF INFORMATION OFFICER

1. RECORDS MANAGEMENT

Introduction

The Office of Trust Records was established in 1999 to develop and implement a program for the economical and efficient management of trust records, consistent with the 1994 Act, the Federal Records Act and other statutes and implementing regulations. The OTR records management program has been developed and implemented, and continues to evolve, to ensure that necessary Indian records are maintained, records retention schedules are consistent with retention needs, and records are safeguarded throughout their life-cycles.

Accomplishments and Completions

American Indian Records Repository

During this reporting period, approximately 560 boxes of inactive Indian records were moved to the Annex in Lenexa, KS, from OTR's facilities in Albuquerque, NM. Boxes that are collected and need to be indexed are sent to the Annex for indexing prior to being placed in AIRR. Approximately 119,570 indexed boxes are located in the AIRR as of the end of this reporting period. OTR has historically reported the number of boxes transferred to AIRR for storage. However, NARA uses cubic feet as the measure for records stored. Thus far, NARA reports that they are currently storing 126,437 cubic feet of indexed records at AIRR. OTR will begin including NARA's measure as well in future reports.

Records Indexing Project

Indexing of approximately 120,110 boxes has been completed as of the end of this reporting period. The number of completed boxes (indexed and quality reviewed) differs from the number of boxes stored at AIRR because not all completed boxes are sent to AIRR from the Annex before the end of the reporting period. Priority for the indexing of boxes of Indian records continued to be given to those boxes of records potentially responsive to tribal trust litigation, and included boxes required by OHTA for litigation discovery requests.

Approximately 4,550 boxes of inactive records were moved from BIA/OST field locations to the Lenexa Annex for indexing during this reporting period. Once indexed, these boxes will be stored in the AIRR.

During the past reporting period, the electronic data base containing the index of records was identified by Interior as a separate system of records. As a result, an assessment of the system was required to determine if the system met the conditions of the Privacy Act. During the indexing of records, some information is entered into the electronic data base that may contain personal identifiers (such as a name and account number). Therefore, the electronic Box Index Search System has been classified as a Privacy Act system of records by Interior. The Privacy

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August 1, 2005

Records Management

Act notice has been prepared and is being circulated within Interior for surname and signature. It is anticipated that a Federal Register notice soliciting public comments will be published during the next reporting period.

Training

OTR provided records management training for 199 BIA and 17 OST identified records contacts during this reporting period.

Equipment Purchases

The existing contract, to supply fireproof filing equipment, was modified during the reporting period to increase the contract amount. It is anticipated that pending requests for equipment will be filled during the next reporting period.

Current Status

Safeguarding Records

The 283 boxes of inactive records that were or may have been damaged or contaminated by mold, mildew, mouse droppings or other adverse elements were shipped to NARA for remediation on June 30, 2005. Two additional boxes were identified during final shipments of the collection as requiring remediation. The two boxes were assessed in June by Carino Conservation and were also sent to NARA for remediation bringing the total number of such boxes to 285. The actual box count for purposes of shipment was 284 as two map groups were consolidated as one box in order to ship.

Record Keeping Requirements

During the reporting period, written comments on the proposed language for management of fiduciary trust records were received and considered from approximately 60 tribal leaders, staff and consultants. The proposed language was modified in light of comments received. The final language will be used in negotiations for FY2006 annual funding agreements with compacted and contracted Tribes. The final negotiation guidance is anticipated to be published in the Federal Register during the next reporting period.

Site Assessments

OTR conducted three records management site assessments of BIA and OST programs located at the Southwest Regional Office and Concho Agency and at the Navajo Regional OST field office during the reporting period.

During this reporting period, OTR completed and distributed site assessment reports to BIA programs located at: Southern Pueblos Agency, Jicarilla Agency, Concho Agency, Mescalero Agency, Eastern Oklahoma Regional Office, Southwest Regional Office and Ute Mountain Ute

STATUS REPORT TO THE COURT NUMBER TWENTY-TWO

August 1, 2005

Records Management

Agency. Site assessments reports were also completed and sent to the Principal Deputy Special Trustee for OST programs located at: Southwest Regional Office, Navajo Regional Office, and Concho Agency.

In May 2005, the responsibility for conducting site assessments of trust records management for BIA and OST was transferred to OTRA. This office is now responsible for conducting trust site assessments and issuing site assessment reports. Appropriate OTR personnel were transferred along with the transfer of function. Beginning with this report, OTRA will include a report on the status of site assessments in its section of the *Status Report to the Court*.

Records Retention Schedules

Following receipt of BIA approval, OTR sent the following electronic systems records schedules to the Archivist of the United States for approval: Anadarko Real Estate Module (REM); Indian Forestry Database (InfoDat); Continuous Forest Inventory (CFI); and Geographic Information System (GIS). OTR is awaiting approval of the schedules; however, NARA has pending to OTR a request for additional technical analysis related to the GIS schedule.

Records Evaluation

As previously reported, 31 boxes set aside for evaluation remain at OTR in Albuquerque pursuant to a litigation hold. Once the boxes are released, OST expects to verify whether any potential records in these boxes are also filed at the OST SWRO. OST expects to conduct this verification when SOL informs OST that the boxes can be returned to OST.

Delays and Obstacles

Lack of Internet access continues to hinder OTR's ability to provide remote access to the record index database for authorized users of the records. If Internet access were available, authorized researchers could conduct their searches from their respective work sites and only visit AIRR when necessary to inspect specific boxes.

Assurance Statement

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

Date: July 19, 2005

Name: *Signature on File*

Ethel J. Abeita

Director, Office of Trust Records

Office of the Special Trustee for American Indians

C. TRUST ACCOUNTABILITY

1. TRUST BUSINESS PROCESS MODELING

Introduction

Interior is working to build a highly effective fiduciary trust services organization by implementing the business objectives contained in the CTM. Those business objectives are being used to guide implementation of the FTM. Implementation of the FTM is a collaborative effort of BIA, OST, BLM, MMS and OHA, and is integrated with Interior's other trust reform initiatives. The FTM is being implemented to transform the current trust business processes into more efficient, consistent, integrated and fiscally responsible business processes that meet the needs and priorities of the beneficiaries.

Accomplishments and Completions

The General Guidance and References handbook (containing commonly used acronyms, general authorities, etc.) was completed, approved by BIA, and put into use by the handbook teams.

Current Status

FTM - General

A FTM communication plan has been developed to provide strategy and tactics for communicating FTM initiatives to all affected audiences. Reengineering staff began incorporating the plan into FTM implementation schedules to ensure both internal and external parties receive appropriate information.

A site visit was performed at one BIA agency to discuss FTM-related training curriculum development. Comments were solicited from employees relative to personal training preferences to assist in the completion of the FTM training task deliverable.

Reengineering staff participated in two Interior Regulatory Initiative meetings. Staff and team members identified regulations impacted by the FTM, and began drafting new and amended regulations to support the FTM.

Comments from senior management regarding direct pay and fee interests in trust parcels have been forwarded to the Regulatory Initiative group for their consideration and drafting of regulations.

During this reporting period, several draft BIA handbooks were sent to a contractor for editing and formatting, with handbook drafting and review expected to continue through CY2005.

Trust Beneficiary Call Center

Since beginning operations in December 2004 through the end of this reporting period, the TBCC received 32,129 calls and provided a first-line resolution for 92.7% (29,782) of these calls. Currently, toll-free calls have been re-directed to the TBCC from the Southern Plains, Eastern Oklahoma, Pacific and Western Regions. During this reporting period, the TBCC provided a first line resolution for 7,779 calls from beneficiaries serviced by these regions. Based on an average call time of 03:15, the TBCC provided 421 hours of time available to staff at the agencies for other purposes. Re-directing all toll-free calls to TBCC is scheduled to be completed by the end of CY2005.

During this reporting period, access to the TBCC tracking system was provided to the FTOs and staff to allow recording and documenting of all types of beneficiary contact. Use of the same tracking system database by the TBCC and field locations should result in beneficiaries receiving consistent and timely responses.

Universal Support Function

Reengineering staff completed draft skills models for BIA Real Estate Services, Natural Resources, Forestry, Probate, Title, OST Trust Services and a General Skills model. It is expected that during the next reporting period, skills models for OST Field Operations and Appraisals and BIA Energy & Minerals will be drafted. All are expected to be completed by the end of FY2005.

Reengineering staff is currently developing a proof-of-concept model to fully automate the CSS work ticket process. The process, which is heavily dependent upon paper faxes, can be automated, with little or no cost, to reduce significantly the amount of paper records generated. A concept of operations has been drafted and will be presented to senior management during the next reporting period.

Delays and Obstacles

Major obstacles affecting the ability of Interior to build a trust services delivery model include:

- lack of Internet access, and
- sheer complexity of reengineering the existing trust business processes to achieve integrated and consistent business processes.

Assurance Statement

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

Date: July 21, 2005

Name: *Signature on File*

John Bennett

Acting Deputy Special Trustee, Trust Accountability

Office of the Special Trustee for American Indians

2. TRUST DATA QUALITY AND INTEGRITY

Introduction

The success of trust reform depends, in part, on the accuracy of data generated from the maintenance of trust assets, ownership of trust assets, distribution of trust income, and management of trust accounts. The DQ&I project focuses on three primary initiatives: (1) assisting BIA with document encoding into the trust systems, (2) validating/correcting CDE to their respective source documents and (3) implementing Post-QA processes.

Accomplishments and Completions

During this reporting period, TPMC's contractors:

- Encoded 1,563 leases and 796 ROW documents into the TAAMS Realty Module for the Anadarko Agency.
- Encoded 564 leases and 332 ROW documents into the TAAMS Realty Module for the Concho Agency.
- Encoded remaining Concho Agency encumbrance effective/expiration dates into the land title system, and OST was notified that the remaining Anadarko Agency encumbrances' effective/expiration dates were entered into the land title system.
- Created an inventory of 3,177 performance bonds, of various types, for the Concho and Anadarko Agencies.
- Assisted PRO-LTRO with determining the correct landowner ID number in the land title system. Verified remaining 366 of 535 BIA-certified IDs in the land title system.
- Scanned trust conveyance documents necessary to perform CDE validation/correction for the Cheyenne River Agency.
- Implemented Post-QA processes at the GPRO-LTRO for all GPRO agencies.

STATUS REPORT TO THE COURT NUMBER TWENTY-TWO

August 1, 2005

Trust Data Quality and Integrity

Current Status

The DQ&I project continued for: (1) SPRO-LTRO, (2) GPRO-LTRO, (3) Pima Agency and (4) PRO-LTRO for the Palm Springs Field Office, Northern California Agency and Southern California Agency.

During this reporting period, TPMC:

- Supported the Concho Agency with research and correction of instances where a beneficiary had been assigned more than one unique landowner ID number in the various trust systems. Landowners with multiple ID numbers were identified during the CDE validation/correction task. Sixty-eight out of 390 landowner IDs were researched during the reporting period for a total of 277 researched and identified to date. The remaining 113 landowner ID numbers were identified as belonging to landowners outside the Southern Plains Region and will require additional research by the responsible BIA agencies.
- Assisted the Concho Agency to reduce RDRS encoding backlogs by encoding five probate orders, nine oil and gas leases, and 25 landowner ID changes.
- Supported Fort Belknap Agency's SDA distribution efforts, by encoding 87 out of 247 probate orders into IRMS, for a total of 133 probate orders encoded to date. Of the 803 Fort Belknap Agency probate orders inventoried, 247 were identified to be encoded by the contractor.
- Assisted PRO-LTRO with conversion cleanup by encoding 100 trust patent documents into the land title system.
- Determined that six of the previously reported 252 Concho Agency CDE title variances in the land title system were not in error. In the previous reporting period, 231 CDE were corrected and encoded. During this reporting period, three CDE were encoded for a total of 234 to date. Twelve remaining CDE variances require further research.
- Encoded an additional 2,418, for a total of 12,600 Anadarko Agency CDE title and encumbrance variances recorded in the land title system. Research on the remaining tracts is ongoing but is significantly more time-intensive than was previously experienced. This research was expected to be completed during the last reporting period but was deferred in order to assist Anadarko Agency with its conversion to a new realty system.
- Encoded into the land title system an additional 486 Concho Agency CDE and 17,303 Anadarko Agency CDE, which did not exist in the former BIA legacy land title system, for a total of 9,973 encoded at Concho and 32,184 at Anadarko.

STATUS REPORT TO THE COURT NUMBER TWENTY-TWO

August 1, 2005

Trust Data Quality and Integrity

Delays and Obstacles

Lack of access to the Internet has resulted in: (1) communication delays; (2) adverse project coordination issues; (3) increased administrative program costs; and (4) the overall DQ&I project being unable to take full advantage of available information technology.

Assurance Statement

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

Date: July 26, 2005

Name: *Signature on File*

John E. White

Trust Reform Officer

Office of the Special Trustee for American Indians

3. INDIAN FIDUCIARY TRUST TRAINING PROGRAM

Introduction

Interior has a continuing responsibility to provide adequate staffing, supervision and training for trust fund management and accounting activities. Fiduciary trust training is essential to the success of Interior's trust reform efforts and forms an integral part of all training for Interior employees who are involved in the management of Indian trust assets.

Accomplishments and Completions

Cannon Financial Institute personnel presented the *Accounting, Guardianship, Fiduciary Behavior* and *Asset Management* specialty courses to 125 OST, BIA, and tribal personnel. These four courses are part of the previously reported certification program. Additional sessions of these courses are expected to be presented during the next reporting period.

During this reporting period, OST training staff conducted 10 sessions to provide training in TFAS, CSS, StrataVision and the historical query database to 240 OST, BIA and contractor staff.

Additional training for TFAS, CSS, StrataVision, Historical Query, TAAMS, ProTrac and Lockbox training was provided to the Concho and Anadarko agencies' staff.

OST and BIA staff presented the three-day course, *Trust Fundamentals*, to 34 OST, BIA and tribal staff. This course includes such topics as the history and policy of Indian trust, current trust reform activities, job roles and responsibilities, and organization and working relationships. This course is expected to be presented again during the next reporting period.

Current Status

Construction continues on the NIPTC in Albuquerque and is expected to be completed by the end of CY2005.

Delays and Obstacles

The lack of Internet access inhibits electronic communication with other governmental agencies and contractors, hinders the research of training tools and potential contractors, and restricts OST's ability to access online training programs.

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August 1, 2005

Indian Fiduciary Trust Training Program

Assurance Statement

I concur with the content of the information contained in the Indian Fiduciary Trust Training Program section of the *Status Report to the Court Number Twenty-Two*. The information provided in this section is accurate to the best of my knowledge.

Date: July 19, 2005

Name: *Signature on File*

Dianne M. Moran

Director, Trust Training

Office of the Special Trustee for American Indians

4. RISK MANAGEMENT

Introduction

The objectives of the risk management initiative are to design, deliver, and implement a comprehensive risk management program that includes extensive management controls for monitoring and evaluating Interior's Indian trust asset management program. The risk management program continues to be implemented by TPMC. OTRA monitors and evaluates management corrective action plans to mitigate control deficiencies.

Accomplishments and Completions

During this reporting period:

- BIA provided a point of contact to help coordinate the implementation of the risk management program and the RM-PLUS tool throughout BIA for the trust programs.
- The security and risk review was completed for the RM-PLUS tool.

Current Status

The risk management program using the RM-PLUS tool was proposed to the Cherokee Nation as a pilot Tribe in FY2006.

MMS continued and OSM initiated their identification of business processes needed to assess and mitigate program risks through the use of the RM-PLUS tool. BLM and OST continued validation of their previously-identified business processes and program risk factors.

During the next reporting period, new BIA business processes are expected to be incorporated into the RM-PLUS tool at the Concho and Anadarko pilot agencies. Training for OST, BIA, BLM, MMS and OSM is expected to be provided for the RM-PLUS tool. All assessments utilizing RM-PLUS should be completed by September 1, 2005.

Delays and Obstacles

The lack of Internet access complicates the implementation and use of RM-PLUS, since it was designed as a web-based application.

STATUS REPORT TO THE COURT NUMBER TWENTY-TWO

August 1, 2005

Risk Management

Assurance Statement

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

Date: July 21, 2005

Name: *Signature on File*

John Bennett

Acting Deputy Special Trustee, Trust Accountability

Office of the Special Trustee for American Indians

5. REGULATIONS, POLICIES AND PROCEDURES

Introduction

OTP in OST was established on April 21, 2003, to assist Interior in establishing “consistent, written policies and procedures for trust fund management and accounting” as stated in the 1994 Act. OTP oversees and facilitates the development, promulgation and coordination of trust-related regulations, policies, procedures and other materials to guide the proper discharge of Interior’s fiduciary responsibilities. OTP is separate from BIA’s PPA, which is responsible for policies, procedures and regulations affecting all BIA activities. PPA activities thus are reported in the BIA section of the reports to the Court.

Accomplishments and Completions

Changes to four chapters of the Account Maintenance Desk Operating Procedure were completed and issued.

Changes to the policy for handling telephone requests for changes to an unsupervised IIM account were completed and issued.

Two IT policies were completed and issued: “Email Usage” and “IT Support Requirements Document.”

Current Status

OTP continues to work on amendments to the draft OST Directives System Handbook. Publication of the handbook is expected by the end of CY2005.

Work continues on the Reporting and Reconciliation and the Disbursing DOPs. Completion and issuance is expected during the next reporting period. In addition, work began on an Osage DOP for account maintenance and disbursement because of statutes and regulations unique to the Osage Tribe. Completion is expected by the end of CY2005.

25 CFR 124 – Deposits of Proceeds of Lands Withdrawn for Native Selection under the Alaska Native Claims Settlement Act. During the reporting period, this final rule was approved and presented to the Office of the Federal Register for publication. Due to a technical problem the rule was returned by the Office of the Federal Register and is now scheduled to be published during the next reporting period.

25 CFR 1200 – American Indian Trust Fund Management Reform Act. Work continues on this rule and publication is expected by the end of CY2005.

STATUS REPORT TO THE COURT NUMBER TWENTY-TWO

August 1, 2005

Regulations, Policies and Procedures

Delays and Obstacles

Lack of access to the Internet and its repository of online statutes, the Federal Register and other resources continues to present challenges to this office.

Assurance Statement

I concur with the content of the information contained in the Office of Trust Regulations, Policies and Procedures section of the *Status Report to the Court Number Twenty-Two*. The information provided in this section is accurate to the best of my knowledge.

Date: July 29, 2005

Name: *Signature on File*

Philip Viles, Director

Office of Trust Regulations, Policies and Procedures

Office of the Special Trustee for American Indians

D. FIELD OPERATIONS

1. APPRAISAL

Introduction

The Office of Appraisal Services, under a management contract with NBC-ASD, is responsible for Indian land valuations. The contract was established to provide impartial estimates of market value for a variety of real property interests on land owned in trust or restricted status by individual Indians, Alaska Natives and Indian Tribes. Various regulations governing Indian trust lands require valuations. To meet this requirement, an appraisal or other valuation method is used to determine fair market value of Indian lands.

Accomplishments and Completions

The Deputy Chief Appraiser position was filled during this reporting period. However, the newly appointed Deputy resigned on June 10, 2005. Actions are underway to advertise and fill the position as quickly as possible.

Current Status

An Indian Minerals Valuation Unit is being established as a part of ASD to support the sale and acquisition of minerals on federal and Indian lands. This is expected to incorporate the FTM's proposed Indian minerals sale and acquisition initiative. ASD expects to complete the establishment of the unit during the next reporting period.

ASD, in coordination with OST, continues to conduct a comprehensive analysis of OAS staffing and training requirements. The position of Eastern Regional Appraiser has been advertised, and candidates are currently being interviewed. A selection is expected during the next reporting period.

The reappraisal of the Navajo rights-of-way reported on in the last report was completed during this reporting period. The appraisals are under review and results of the appraisals are expected to be available during the next reporting period.

Work continued on directives to address the proper appraisal methods and techniques to be used by OAS appraisers. Directives addressing the proper appraisal methodology for rights-of-way, and the administrative shelf-life of appraisals, were issued to regional supervisory appraisers during this reporting period.

Work continued to revise and update the OAS appraisal handbook, in conjunction with an updated department-wide appraisal handbook. This project is expected to be completed during FY2005.

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August 1, 2005

Appraisal

Work continued on the cooperative effort between OAS and NBC to establish regional contracts with independent contractors to perform appraisals and alleviate backlogs. Efforts are underway to streamline the requisition and outsourcing process. This approach will be duplicated in those regions where this approach may prove to be successful. The scope of work for a blanket purchase order in the Northwest Region is still under revision, and is now expected to be completed during the next reporting period.

OAS filled five review appraiser positions to meet critical needs in the Great Plains, Rocky Mountain, Midwest and Navajo Regions. Efforts continue to fill the vacant regional appraiser position in the Northwest Region. No selection was made during this reporting period. Solicitation of additional candidates and selection is expected during the next reporting period.

Appraisal Backlog

The appraisal backlogs are as follows:

	Appraisal Backlog <u>As of 3/31/05</u>	Appraisal Backlog <u>As of 6/30/05</u>
Northwest	166	402
Rocky Mountain	139	592
Midwest	21	38
Western	9	42
Southwest	6	27
E. Oklahoma	33	51
Navajo	203	21
Pacific	13	2
Alaska	318	293
Eastern	0	0
Southern Plains	1	11
Great Plains	80	10
Total	<u>989</u>	<u>1,489</u>

This table does not include appraisal backlog information from the compacted and contracted Tribes. The MOUs that are currently being negotiated with Tribes require quarterly reporting of backlog information. This information is expected to be incorporated into future reports to the Court.

Delays and Obstacles

The inability to utilize the Internet as a tool to communicate with outside contacts to research comparable sales and other information is a continuing hardship.

Difficulties continue in recruiting and hiring qualified appraisers. ASD is exploring methods to overcome problems experienced with hiring appraisers.

Assurance Statement

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

Date: July 26, 2005

Name: *Signature on File*
Brian M. Holly, MAI
Appraisal Services Directorate
National Business Center

E. TRUST SERVICES

1. CURRENT ACCOUNTING ACTIVITIES

Introduction

Current accounting activities focus on: a) whereabouts unknown accounts; b) trust funds accounting system; c) special deposit accounts; d) small balance accounts; and e) accounting discrepancies.

WAU are classified as such for various reasons, including (a) new accounts established without an address, (b) mail returned for invalid address and (c) account holder refused or did not claim mail. A variety of methods and means are used to locate WAU account holders.

TFAS is a generic term for a COTS trust fund accounting system that provides the basic receipt, accounting, investment, disbursing and reporting functions common to commercial trust funds management operations.

SDA are temporary accounts for the deposit of trust funds that cannot immediately be credited to the proper account holders. As explained in the BIA/OST Interagency Procedures Handbook, this type of account is to be used only as an exception to the rule that trust funds immediately be deposited to the credit of, and then distributed as soon as practicable to, the individual and tribal beneficiaries. The SDA project has two sub-projects: the retrospective (pre-January 1, 2003 receipts) and the prospective (post-December 31, 2002 receipts) phases. OHTA has responsibility for "resolution" (i.e., research and distribution of funds) of the retrospective phase, while BIA has comparable responsibility for the prospective phase. This section of the report to the Court thus addresses only the prospective phase.

Small balance accounts are defined as those with balances of \$.01 - \$1.00 and no activity in the preceding eighteen months. Management expenses for these accounts are considerable, in part because (as directed by Congress) annual statements must be sent to these account holders.

Various accounting discrepancies that existed prior to the conversion to TFAS still need research and resolution. Some may impact individual accounts. At present, OST has a daily and monthly reconciliation process in place to ensure that transactional reporting to Treasury is accurate and that any discrepancies are researched and reconciled during the next accounting period. While this process ensures resolution of current discrepancies in timely fashion, separate research and reconciliation efforts are needed to address the pre-TFAS discrepancies.

STATUS REPORT TO THE COURT NUMBER TWENTY-TWO

August 1, 2005

Current Accounting Activities

a. Whereabouts Unknown Accounts

Accomplishments and Completions

During this reporting period, TPMC staff conducted one WAU beneficiary outreach at the Gathering of Nations Pow Wow in Albuquerque, NM. As a result of this outreach effort, TPMC received current addresses for 36 WAU account holders.

Current Status

Priority continues to be placed on securing current addresses for account holders of the rolling top 100 highest dollar balance WAU accounts. During this reporting period, 4 of the top 100 WAU accounts, with combined account balances in excess of \$473,000, were updated with current addresses. OST now expects to hire a contractor during the next reporting period to focus on securing current addresses for, or determining the status of, the top 100 WAU accounts.

During this reporting period, 5,060 accounts with a combined balance of \$1.8 million were added to the WAU list, and 4,456 account holders with a combined balance of \$8.7 million were located. As of June 30, 2005, there were 49,191 WAU accounts with a combined balance of \$68,679,335. The following table illustrates the number of accounts stratified by account balance and WAU category:

Account balance	Correspondence/ Check Returned	Account Setup No Address	Awaiting Address Confirmation	Refused/ Unclaimed Mail	Total
Equal to or over \$100,000	21	9	0	0	30
Under \$100,000 and equal to or over \$50,000	38	13	0	0	51
Under \$50,000 and equal to or over \$5,000	2,149	834	0	2	2,985
Under \$5,000 and equal to or over \$1,000	6,446	1,661	2	5	8,114
Under \$1,000 and equal to or over \$100	9,103	3,498	3	6	12,610
Under \$100 and equal to or over \$1	12,388	5,187	3	8	17,586
Under \$1	3,562	4,235	11	7	7,815
Total	33,707	15,437	19	28	49,191

Delays and Obstacles

The influx of WAU accounts categorized as “Account Setup No Address” causes the total number of WAU accounts to remain relatively constant. These accounts primarily result from a lack of address for individual heirs named in probate orders or recipients of per capita distributions. However, as asset statements are created for non-financial asset owners without current addresses in the TAAMS title system, WAUs are expected to increase significantly.

There presently are 18,576 supervised IIM account holders (minors, emancipated minors, adults in need of assistance, and non-compos mentis) coded as WAU. Updating supervised account addresses coded as WAU presents a challenge, since BIA Social Services must verify the address changes to these accounts.

The lack of Internet access limits communication effectiveness. OST and its contractor must rely primarily on mail and telephone communication with IIM account holders.

b. Trust Funds Accounting System

Current Status

Enhancements to TFAS and the implementation of an interface between TFAS and TAAMS for use at the pilot agencies were completed during this reporting period. As a result, account holder statements identifying sources of income and listing all assets owned at the pilot agencies are expected to be sent during the next reporting period.

c. Special Deposit Account Activity

Current Status

BIA has the responsibility for distribution of SDA funds received since January 1, 2003 (prospective receipts). It is the policy of BIA to distribute funds within 30 days of receipt into SDA. During this reporting period, there were 5,912 receipt transactions posted to SDA. Of these, 1,043 were undistributed and aged more than 30 days as of June 30, 2005.

During this reporting period, aged funds were held in 32 fewer SDA than in the previous reporting period. Undistributed aged receipts decreased by 853 and the combined dollar amount decreased by \$2,553,368.94. As of June 30, 2005, funds were held in SDA with a combined dollar amount of \$3,132,093.14, which represented 4,409 undistributed receipts aged over 30 days from January 1, 2003, through June 30, 2005. As of June 30, 2005, there were 1,314 receipts in 301 SDA aged more than one year for a combined dollar amount of \$863,330.39.

During this reporting period, OST concentrated on assisting BIA staff in performing work necessary to distribute aged receipts at the Pima and Eastern Navajo agencies. OST staff and contractors spent a combined four weeks at these agencies. Through these efforts, in coordination with the efforts of BIA, aged receipts totaling \$2.5 million were distributed from SDA during the reporting period.

During this reporting period, OST contractors also continued to assist Pima and Fort Belknap agencies to reduce their backlogs by encoding probate orders into BIA's legacy realty system. Reducing their backlogs assists these agencies with their SDA distribution efforts.

Delays and Obstacles

Some BIA agencies still are not utilizing StrataVision to obtain current aging reports to assist in the monitoring and management of their SDA receipt activity. OST continues to make training available to encourage the use of StrataVision.

d. Small Balance Accounts

As of June 30, 2005, there were 14,289 accounts that have a \$.01 - \$1.00 balance with no activity for the previous 18 months. The total sum included in those accounts is \$2,043.58. Statements are sent to account holders for these accounts on an annual basis pursuant to direction from Congress.

e. Accounting Discrepancies

Interior's proposal to resolve the difference between the subsidiary account ledger (liabilities) and the IIM investment pool (assets), of approximately \$6 million, has been approved by OMB. A legislative proposal has been submitted to congressional staff with a request that it be introduced.

Note: This section continues on the next page.

STATUS REPORT TO THE COURT NUMBER TWENTY-TWO

August 1, 2005

Current Accounting Activities

Assurance Statements

I concur with the content of the information contained in the Accounting Discrepancies subsection of the Current Accounting Activities section of the *Status Report to the Court Number Twenty-Two*. The information provided in this subsection is accurate to the best of my knowledge.

Date: July 25, 2005

Name: *Signature on File*
Margaret Williams
Deputy Special Trustee, Trust Services
Office of the Special Trustee for American Indians

I express no opinion on the content of the Accounting Discrepancies subsection, above. I concur with the content of the information contained in the balance of the Current Accounting Activities section of the *Status Report to the Court Number Twenty-Two*, and this information is accurate to the best of my knowledge.

Date: July 21, 2005

Name: *Signature on File*
John Bennett
Acting Deputy Special Trustee, Trust Accountability
Office of the Special Trustee for American Indians

IV. BUREAU OF INDIAN AFFAIRS

A. TRUST REGULATIONS, POLICIES AND PROCEDURES

Introduction

The Office of Planning and Policy Analysis (PPA) in the Office of the Assistant Secretary – Indian Affairs was established on April 21, 2003. PPA is responsible for developing and promulgating Indian Affairs directives. PPA is separate from OST's Office of Trust Regulations, Policies and Procedures, whose activities are reported in the OST section of the status reports to the Court.

Accomplishments and Completions

National Environmental Policy Act Compliance Handbook – The handbook supporting 59 IAM was published during the reporting period.

Current Status

A Regulatory Initiative is underway within Interior to develop and update trust-related regulations. The following previously-reported regulations are included in this Initiative:

- **25 CFR 151 – Land Acquisitions**
- **25 CFR 162 – Leases and Permits**
- **25 CFR 166 – Grazing Permits**
- **25 CFR 216 – Surface Exploration, Mining, and Reclamation of Lands**

Development of handbooks associated with these regulations is expected to be deferred until such time as the Regulatory Initiative is complete.

25 CFR 161 – Navajo Partitioned Lands Grazing Permits – The Navajo Nation's Intergovernmental Relations Committee met and approved the final rule. The rule is expected to be published in the Federal Register during the fourth quarter of FY2005.

25 CFR 169 – Rights-of-Way Over Indian Lands – The Rights-of-Way Handbook is in final editing.

25 CFR 243 – Reindeer in Alaska – Publication was delayed and is now expected by the end of CY2005.

STATUS REPORT TO THE COURT NUMBER TWENTY-TWO

August 1, 2005

Trust Regulations, Policies and Procedures

BIAM Conversion to IAM⁴

35 BIAM Information Resources Management – Revisions have been incorporated into a new 60 IAM. Publication is expected in the fourth quarter of FY2005. The handbook is expected to be published by the end of the fourth quarter FY2005.

Delays and Obstacles

Lack of access to the Internet has hindered PPA's ability to research statutes and departmental manuals and makes distribution of documents for review by Tribes more difficult and costly.

Assurance Statement

I concur with the content of the information contained in the Trust Regulations, Policies and Procedures – BIA section of the *Status Report to the Court Number Twenty-Two*. The information provided in this section is accurate to the best of my knowledge.

Date: July 26, 2005

Name: *Signature on File*

Bruce Blanchard

Director, Office of Planning and Policy Analysis

Bureau of Indian Affairs

⁴ Certain BIAM conversion items previously reported are not considered relevant to trust reform and have been omitted from this report.

B. FRACTIONATION

Introduction

Fractionation of Indian trust and restricted land stems from the federal Indian policy of the 19th Century. Fractionation occurs as land passes from one generation to the next and more and more heirs or devisees acquire an undivided interest in the land. This is a complex and potentially emotionally-charged issue, due primarily to cultural differences, historical legacy and family associations of the present owners with the original Indian owners of those lands. Efforts to address this complex issue are coordinated primarily through the BIA Indian Land Consolidation Office, which seeks to help Tribes make use of the opportunities offered by the Indian Land Consolidation Act, as amended in 2004. ILCO is operating several acquisition projects and, from there, a nationwide plan is being implemented to promote consolidation of the ownership of Indian land.

Accomplishments and Completions

- Acquired 24,693 fractional interests during this reporting period, for a cumulative total of 162,589 interests for ILCP in the Midwest, Northwest, Western, Eastern Oklahoma, Navajo, Rocky Mountain and Great Plains Regions.⁵
- Of the total interests acquired, 88% were interests of less than 2% ownership in the respective tracts of land.
- Acquired a cumulative total equivalent of 153,965.95 acres for the project reservations.

Current Status

ILCO continues to manage active acquisition programs for 18 reservations within seven BIA regions. ILCO had expended all funding available to acquire fractionated interests by June 1, 2005. ILCO received \$7.6 million from OST to continue acquisition activities. Presently, all acquisition sites are utilizing these funds to process land sale applications.

Due to the volume of beneficiary requests to sell their land interests, the annual appropriations for purchases and additional funding from OST are expected to be exhausted before the end of FY2005. During this period, ILCO expects to use its program staff to prepare for acquisitions during the next fiscal year, subject to available funding.

Current ILCP activities include:

- Implementing ILCO's national expansion strategy.
- Targeting and acquiring *Youpee* interests.

⁵ Reconciliation of the 1999 monthly program reports for one acquisition site resulted in an increase of 2,314 acquired fractionated interests that were less than 2% of the total tract. The reconciliation increases the cumulative total to 162,589 (through May).

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Fractionation

- The Land Consolidation Tracking System development, which has been delayed and is now expected to be operational and available to all ILCP acquisition sites by the end of the next reporting period.
- Testing of the MAD/LCP, which continues on one of twelve agencies in the Great Plains Region. Testing has been completed on the other eleven agencies.

Delays and Obstacles

- Providing support to the Great Plains and Southwest Regional LTROs to assist with recording ILCP deeds, re-vesting *Youpee* interests, researching ownership files and recording to ownership records reduces the availability of ILCP funds for acquisitions of land interests.
- Probate backlog and *Youpee* issues continue to impede the land-purchase transaction process.
- Lack of Internet access results in slower processing of applications from potential sellers and hinders searches for WAU account holders.

Assurance Statement

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

Date: July 19, 2005

Name: *Signature on File*

Robert R. Jaeger
Director, Indian Land Consolidation Office
Bureau of Indian Affairs

C. PROBATE

Introduction

Federal law permits Indian owners to pass title to their trust assets by testamentary devise or by intestate succession, and imposes upon Interior the duty of determining the legal heirs. In order to perform this duty, BIA, OHA and OST must coordinate their work to accomplish the probate process.

Accomplishments and Completions

Case Preparation

Case preparation is the initial stage of the probate process. During this stage of the process, information is researched and gathered regarding the identity and whereabouts of presumptive heirs, and an inventory of the trust assets of an estate is prepared. As of the end of this reporting period, 9,264 probate cases were in the case preparation stage.

Case Adjudication

In this reporting period, deciding officials received 1,166 cases and issued decisions in 843 cases.

Financial Case Closure

In this reporting period, OST distributed funds and closed 1,469 accounts in TFAS representing 1,439 estates. TFAS, as of the end of June 2005, contained 30,143 open estate accounts, which is an increase of 2,011 from the 28,132 estate accounts at the end of the last reporting period.

Current Status

Probate Case Management and Tracking System

Each BIA regional office and corresponding agency continued the process of encoding new cases, examining “initial load” cases and making corrections. Data-cleanup continued for this period, with ProTrac now the source of probate data.

Probate Handbook

During this reporting period, the Interior probate handbook was provided to a contractor for editing and formatting. Publication is expected during the next reporting period. An addendum to the handbook incorporating AIPRA is expected to be accomplished after publication of regulations.

Delays and Obstacles

The following obstacles have been identified as having an impact on the progress of the probate program:

- Lack of access to the Internet, which includes the inability to use electronic mail communication between OHA and BIA/OST;
- Fractionation of ownership of Indian lands;
- Numerous initiatives competing for resources (e.g., *Youpee* reconstitutions, *Cobell* requirements);
- Cultural diversities regarding the subject of death;
- Completion of implementation of the probate reorganization.

Assurance Statement

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

Date: July 26, 2005

Name: *Signature on File*
William Titchywy
Acting Special Projects Director
Western Region
Bureau of Indian Affairs

ACRONYMS AND ABBREVIATIONS

1994 Act (or Act)	American Indian Trust Fund Management Reform Act of 1994
A-130	Office of Management and Budget Circular A-130 Appendix III
ADM	Attorney Decision Makers
AFMSS	Automated Fluid Mineral Support System
AIPRA	American Indian Probate Reform Act
AIRR	American Indian Records Repository
ALJ	Administrative Law Judges
ARO	Alaska Region office
ART	Accounting Reconciliation Tool
AS-IA	Assistant Secretary-Indian Affairs
ASD	Appraisal Services Directorate
ATO	authority to operate
BIA	Bureau of Indian Affairs
BIAM	Bureau of Indian Affairs Manual
BLM	Bureau of Land Management
BOR	Bureau of Reclamation
BPA	Blanket Purchase Agreement
BRM	Business Reference Model
C&A	Certification and Accreditation
CARS	Cadastral Automated Request System
CDE	Critical Data Elements
CFedS	Certified Federal Surveyor
CFI	Continuous Forest Inventory
CGI	Software vendor successor to TAAMS vendor
CGIS	Cadastral Geographic Information Systems
CIFTA	Certified Indian Fiduciary Trust Analyst
CIFTS	Certified Indian Fiduciary Trust Specialist
CIO	Chief Information Officer
CIRC	Computer Incidents Response Center
CISSP	Certified Information System Security Professional
COTS	Commercial off-the-shelf
CSIRC	Computer Security Incident Response Capability
CSIRT	Computer Security Incident Response Team
CSS	Customer StrataStation
CTM	Comprehensive Trust Management Plan
DAA	Designated Approving Authority
DEAR	DOI Enterprise Architecture Repository
DDoS	Distributed Denial of Service
DLRM	DOI Land and Resource Management
DM	Departmental Manual
DNS	Domain Name Server
DOI	Department of the Interior

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Acronyms and Abbreviations

DOP	Desk Operating Procedure
DoS	Denial of Service
DQ&I	Data Quality and Integrity
DRM	Data Reference Model
ENA	Eastern Navajo Agency
EORO	Eastern Oklahoma Region office
ERO	Eastern Region office
ESN	Enterprise Services Network
FAR	Federal Acquisition Regulation
FIMO	Farmington Indian Minerals Office
FISMA	Federal Information Security Management Act
FRC	Federal Records Center
FRD	Functional Requirements Document
FTM	Fiduciary Trust Model
FTO	Fiduciary Trust Officer
GAO	Government Accountability Office
GCDB	Geographic Coordinate Data Base
GIS	Geographic Information System
GLAD	Great Lakes Agency Database System
GPRO	Great Plains Region office
GPS	Global Positioning System
GSA	General Services Administration
GSS	General Support Systems
HSPD-12	Homeland Security Presidential Directive 12
IAM	Indian Affairs Manual
IATO	Interim Approval to Operate
IEA	Interior Enterprise Architecture
IFTR	Indian Fiduciary Trust Records
IG	Inspector General
IIM	Individual Indian Money
IITD	Individual Indian Trust Data
ILCA	Indian Land Consolidation Act
ILCO	Indian Land Consolidation Office
ILCP	Indian Land Consolidation Project
InfoDat	Indian Forestry Database
Interior	Department of the Interior
IP	Internet Protocol
IPJ	Indian Probate Judges
IPv6	Internet Protocol Version 6
IRM	Information Resources Management
IRMS	Integrated Records Management System
IRS	Internal Revenue Service
ISA	Information Security Assessment
IT	Information Technology

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Acronyms and Abbreviations

IV&V	independent verification and validation
LAN	Local area network
LCTS	Land Consolidation Tracking System
LRIS	Land Records Information System
LTIC	Land Tenure in Indian Country
LTRO	Land Titles and Records Office
MA	Major Applications
MAD/LCP	Management Accounting Distribution/Land Consolidation Program
MADS	Management Accounting Distribution System
MMD	Missing Mandatory Documents for Unrestricted Accounts
MMS	Minerals Management Service
MOU	Memorandum or Memoranda of Understanding
MRM	Minerals Revenue Management
MWRO	Midwest Region office
NARA	National Archives and Records Administration
NBC	National Business Center
NIPTC	National Indian Programs Training Center
NIST	National Institute of Standards and Technology
NPS	National Park Service
NRO	Navajo Region office
NWRO	Northwest Region office
O&G	Oil and Gas
OAS	Office of Appraisal Services
OCIO	Office of the Chief Information Officer
OHA	Office of Hearings and Appeals
OHTA	Office of Historical Trust Accounting
OIG	Office of the Inspector General
OMB	Office of Management and Budget
OSM	Office of Surface Mining
OST	Office of the Special Trustee for American Indians
OTFM	Office of Trust Funds Management
OTP	Office of Trust Regulations, Policies and Procedures
OTR	Office of Trust Records
OTRA	Office of Trust Review and Audit
PLSS	Public Land Survey System
PMSO	Project Management Support Office
POA&M	Plans of Actions and Milestones
Post-QA	Post Quality Assurance
PPA	Office of Planning and Policy Analysis
PRO	Pacific Region office
ProTrac	Probate Case Management and Tracking System
QA	Quality Assurance
QC	Quality Control
RAF	Recommended Action Forms

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Acronyms and Abbreviations

RDRS	Royalty Distribution and Reporting System
REM	Real Estate Module
RFP	Request for Proposal
RM-PLUS	Risk Management Assessment/Evaluation tool
RMRO	Rocky Mountain Region office
ROW	Rights-of-Way
SANS	SysAdmin, Audit, Network, Security
SDA	Special Deposit Accounts
SDLC	System Development Life Cycle
SMEs	Subject Matter Experts
SMS	System Management Servers
SOL	Office of the Solicitor
SPRO	Southern Plains Region office
SSA	Social Security Administration
SSM	System Security Manager
SSP	System Security Plan
ST&E	Security Test and Evaluation
STIGs	Security Technical Implementation Guides
SUS	System Update Servers
SWRO	Southwest Region office
TAAMS	Trust Asset and Accounting Management System
TAP	Technical Architecture Profile
TBCC	Trust Beneficiary Call Center
TESC	Trust Executive Steering Committee
TFAS	Trust Fund Accounting System
TPMC	Trust Program Management Center
TRAC	Trust Tracking and Coordination
Treasury	Department of the Treasury
TRM	Technical Reference Model
TRO	Temporary Restraining Order
UAT	User Acceptance Testing
USGS	United States Geological Survey
USPAP	Uniform Standards of Professional Appraisal Practice
VBNS	Very High Performance Backbone Network Service
VPN	Virtual Private Network
WAN	Wide area network
WAU	Whereabouts Unknown
WRO	Western Region office