

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

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

Case No. 1:96CV01285
(Judge Lamberth)

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

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

A copy of the report is attached hereto.

Dated: August 2, 2004

Respectfully submitted,
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/s/ John T. Stemplewicz
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CERTIFICATE OF SERVICE

I hereby certify that, on August 2, 2004 the foregoing *Notice of Filing of Interior Defendants' Eighteenth Status Report* was served by Electronic Case Filing, and on the following who is not registered for Electronic Case Filing, by facsimile:

Earl Old Person (*Pro se*)
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/s/ Kevin P. Kingston
Kevin P. Kingston



THE SECRETARY OF THE INTERIOR
WASHINGTON

AUG - 1 2004

Sandra P. Spooner
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 Eighteen

Dear Ms. Spooner:

Enclosed is the Department of the Interior's *Status Report to the Court Number Eighteen (For the Period April 1, 2004 through June 30, 2004)*. Please forward a copy to the Court.

This is the eleventh 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

August 2, 2004

Status Report to the Court
Number Eighteen

For the Period
April 1, 2004 through June 30, 2004



August 2, 2004

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I. INTRODUCTION

This *Status Report to the Court Number Eighteen* (Report) represents the period from April 1, 2004, through June 30, 2004. 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.

As previously reported, the certification for the IT section of this and future reports will be done by Interior's Chief Information Officer rather than the Associate Deputy Secretary.

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

This reporting period has been focused on completing the draft "To-Be" Model for reengineering Interior's trust business processes. Final comments were received from Tribes and other stakeholders and have been incorporated into the draft final Model, which is currently under review within Interior. I am also advised that a draft implementation plan is being developed and that implementation of the final "To-Be" Model should begin during the next reporting period. Full implementation is expected to occur over several years.

Information Technology

In order to achieve even minimum efficiency in implementing the "To-Be" Model, it is important that Interior be fully reconnected to the Internet as soon as possible. The Internet today is the equivalent of the telephone system of yesterday. Giving beneficiaries access to their account information, helping to locate account holders whose whereabouts are unknown, obtaining information necessary to the appraisal process, notifying prospective lessees of land availability, locating owners of fractionated land interests and doing research are just a few examples of the enhanced level of fiduciary services that Interior could provide through Internet access. While continuing to minimize risks to data security, we also continue to experience losses in productivity and beneficiary services resulting from being denied access to the Internet.

Training

With the help of the Cannon Financial Institute, a premier trust training organization, several hundred Interior managers have attended high-level Cannon trust training. In addition, Cannon now is developing asset-specific trust training for employees performing financial management, land and natural resource management and other trust services. Also, a trust orientation course now is provided to all new Interior employees who are involved in delivering fiduciary trust services. When completed, Cannon's suite of courses will provide an opportunity for Interior and tribal employees to receive certification similar to that offered in the private sector.

Congressional Activity

The House Appropriations Committee acted on our budget request for FY2005. Although we asked for \$109 million for historical accounting, the Committee supported funding at \$58 million. In addition, the House Committee reduced our \$70 million request to \$42 million for acquisition of fractionated land interests. Fractionation continues to be a root cause of problems for the administration of the fiduciary trust, and we expect to have continued dialogue with Congress on long-term solutions.

The full House passed the Interior appropriations bill without changing the Committee's numbers. The Senate Appropriations Committee has not yet acted on the Interior bill.

The Special Trustee testified before the House Committee on Resources in support of the enactment of S. 1721. This bill substantially improves the probate process and contains

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Secretary Gale Norton's Observations

important initiatives supporting consolidation of fractionated interests in land. We believe there is a reasonable possibility of this legislation being enacted this year.

If Congress approves adequate funding, the Bureau of Indian Affairs and the Office of the Special Trustee expect to add staff to pursue the goals and objectives of the Comprehensive Trust Management Plan adopted last year. In addition, the reengineered business processes that should begin implementation in the next reporting period are expected to provide staff with the tools to increase productivity. We remain committed to implementing our trust reform initiatives with continued focus on the trust beneficiaries, both tribal and individual.

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, from the Internet, to IITD. The most noteworthy accomplishments and completions during the reporting period are described below.

Training and Awareness

- The total number of Certified Information System Security Professionals working at Interior is now 55, which places Interior near the top of all federal agencies for CISSP certifications. One employee attained the Certified Information Security Manager certification. The Interior CIO attained the Information System Security Engineering Professional certification as an expansion of his CISSP certification.
- Through the end of this reporting period, 97.48% of Interior employees had successfully completed the annual IT security training mandated by FISMA.
- Designated Approving Authority training (covering responsibilities involved in accrediting IT systems) was provided to 24 senior Interior personnel including the Secretary, Deputy Secretary, Chief of Staff, Solicitor, Associate Deputy Secretary and assistant secretaries. Also, during this reporting period, 38 employees attended specialized training courses on certification and accreditation processes, 41 attended courses on CISSP, and 161 attended courses on Computer Security Incident Response Capability.

Incident Reporting

- Weekly briefings facilitated by the Interior CSIRT were conducted during this reporting period. Bureaus and offices were briefed on current threats, updates in procedures, and activities associated with hackers.

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Information Technology

- All trust bureaus have established a Computer Incident Reporting Team. Team members have completed training.

Prevention and Monitoring

- During this reporting period, Interior was successful in blocking over 86,000,000 attempts against its IT systems. The number of attempts is consistent with other federal agencies of Interior's size. The attempts spanned the gamut from attempted website defacements to probes or scans, and viruses that were automatically cleaned prior to infection. However, not all attacks were stopped by Interior IT security defenses. BIA was infected by the "Blaster" worm through the introduction of an infected removable disk. This incident did not involve IITD, and because the Blaster worm merely caused computers to shut down, without data destruction, the infection was stopped before it could cause great harm. BIA has not completed its assessment of the cause for this incident, but its occurrence highlights, among other things, the importance of keeping security patches and anti-virus signature files up-to-date for off-line bureaus and offices, which is normally accomplished through the Internet. Off-line bureaus and offices must resort to less efficient means to update their security patches and anti-virus signature files, and this loss of efficiency increases the likelihood that malicious software, such as a virus or a worm, could infect off-line bureaus and offices.
- Interior continued testing Internet-accessible systems against the SysAdmin, Audit, Network, Security/FBI Top 20 vulnerability list. During this period, no hosts were found to have vulnerabilities listed in the SANS Top 20.

Policies and Guidance

- Interior bureaus and offices completed annual Management Control Reviews of IT GSS and major applications, including contracted systems.
- Memorandum, "IT Technology Security Priorities," June 16, 2004, from Interior's CIO to the assistant secretaries and heads of bureaus and offices, outlined six IT security areas to be considered a high-priority and requested continued support from senior management in this area.
- Memorandum, "Guidance for Bureau Internal Scanning Programs," June 15, 2004, from Interior's CIO to the bureau and office CIOs, provided guidance to bureaus and offices to help prioritize internal scanning efforts.
- Memorandum, "Patching Information Technology Systems," June 8, 2004, from Interior's CIO to the assistant secretaries and heads of bureaus and offices, outlined the minimum requirements to be covered by a bureau and office patch management program.

- Secretarial Order No. 3255, “Delegation of Authority for C&A of IT Systems,” June 30, 2004, outlined DAA responsibilities and delegated duties to the appropriate assistant secretary.

A-130 Certification and Accreditation:

Interior has worked to identify and catalogue its IT systems and applications in preparation for subsequent C&A activities. A subset of Interior’s systems and applications involve IITD. Approximately two-thirds of those systems involving IITD are operated by bureaus or offices that have been without Internet connectivity since December 5, 2001. The bureaus and offices housing the remaining one-third of the systems with IITD were evaluated by the former Special Master and permitted to reconnect to the Internet.

IT Systems Architecture:

Interior completed a self-assessment using the OMB Enterprise Architecture framework tool which gauges program maturity. Interior scored 3.3 on a 5.0 scale, which indicates the architecture is being integrated across Interior and is beginning to improve business operation performance. This is an improvement from a 2.0 rating for 2003.

The trust enterprise architect and subject matter experts continue to develop system requirement specifications for land and natural resource use management. These specifications are expected to be used in the upcoming Interior solicitation for a new, integrated land and natural resource use management system.

Phase 1 DEAR data validation and population was completed, which serves as Interior’s inventory of IT systems. The database includes the 156 GSS and major applications subject to C&A.

Phase 2 DEAR data validation and population focused on cross-referencing the DEAR system inventory to the technology standards and specifications (e.g., Oracle, Windows SQL Server, etc.) and service components (e.g., digital signature, geospatial) in the Federal Enterprise Architecture models. With this effort, Interior has an automated repository containing detailed information regarding its systems and the underlying technology architecture, allowing it to improve IT capital asset and infrastructure management, which results in improved security.

Other Accomplishments:

ProTrac, Interior’s new probate case management system, was successfully installed. When fully operational, ProTrac should enable Interior to track cases throughout their entire life cycle.

During this reporting period, TrustNet, an internal secured network, was expanded as follows:

- OHTA sites were installed into TrustNet on a managed-service program (firewalls, intrusion detection and monitoring), with the exception of three sites in Washington, DC.
- OHA had a TrustNet node installed at its Arlington, VA, network hub location.

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Information Technology

- The engineering for integrating SOLNET into TrustNet was completed and circuits were ordered.

Current Status

Audit Findings Database:

The audit findings database contains a consolidated list of audit findings and recommendations for the key Interior bureaus and offices involved in individual Indian trust management. Bureaus and offices report that 96.7% of the findings and recommendations have been addressed and resolved. As previously reported, an initial staff review indicated that none of the remaining open items pertain to the potential for unauthorized access from the Internet to IITD.

Reports:

- The Inspector General issued, on June 24, 2004, interim observations on Interior's Plans of Actions and Milestones process. Based on examination of Interior's instructions for the development and implementation of POA&M processes, the Inspector General concluded the process is effective and satisfies the pertinent federal guidance issued by OMB.
- GAO issued "Information Security, Continued Action Needed to Improve Software Patch Management" (GAO-04-706). As this report covers recommendations for improving software patch management government-wide, the report may or may not be of interest to the Court.

Delays and Obstacles

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

Litigation

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

Insufficient Staff

- Although spending has increased for IT security and staffing improvements have been made, information system technical leadership and support staffs remain insufficient to progress at desired rates.

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Information Technology

Funding

- Funding availability will continue to dictate the timing of IT-related initiatives. Interior's FY2004 and FY2005 budgets will require managing a variety of IT-related requirements and tradeoffs.

Reengineering Effort

- Interior is conducting a business process reengineering effort to standardize and streamline trust business processes. "To-Be" reengineering efforts are underway. IT system specifications, design, and procurement may depend upon the timing and results of the reengineering effort and available funding.

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. For example, not having access to the Internet continues to deny the public electronic access to OHA administrative decisions. Maintaining security on internal systems is cumbersome without access to the Internet for research, reporting, and patch management.

Assurance Statement

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

Date: July 28, 2004

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 are conducted to identify the location of land boundaries of Indian trust assets, and to determine official acreage. The official surveys are integral to 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 FY2005, FY2006 and FY2007 nationwide inventory of requests for cadastral survey services in Indian country was a major focus of BLM and BIA during this reporting period.

Approximately 1,220 survey services with an estimated cost of 64.4 million dollars were requested for FY2005, FY2006 and FY2007. The breakout for survey services requested for each year is as follows: FY2005, 550 requests at an estimated cost of 28.7 million dollars; FY2006, 320 requests at an estimated cost of 21.3 million dollars; and FY2007, 350 requests at an estimated cost of 14.4 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 eight million dollars for survey services to be performed during FY2005. This proposed appropriation for cadastral survey services is expected to facilitate completion of Indian trust projects with an estimated economic return of 56.4 million dollars.

BIA, OST and BLM Coordination

Working as a team, BIA, OST and BLM held a joint meeting in May 2004 to finalize the selection of survey services for FY2005 and to discuss related issues. The team also held joint conference calls during this reporting period, which addressed the survey backlog, currently funded projects, cultural awareness, and the need to continue to improve communication and facilitate coordination.

Training

Advanced Cadastral Survey III Water Boundaries, a course designed primarily for surveyors, was taught during this reporting period. The 35 surveyors attending this class now should have a better knowledge of the process and procedures required for conducting official surveys dealing with water boundaries in Indian country and on federal lands.

The BLM National Training Center also released the first two Internet-based self-paced courses, dealing with survey monumentation and survey records investigation. These courses contain material related to the proper identification of boundary line markers in Indian country and federal lands.

The BLM cadastral program staff provided input on the design of OST training courses related to fiduciary duties and responsibilities.

Assistance in Interior Reengineering Efforts

The BLM Cadastral Indian Program Manager participated in the Trust Initiative for the 21st Century “To-Be” decision maker group implementation team meetings. The team continued to develop a framework to meet Interior’s fiduciary trust responsibilities for American Indian Tribes, individual Indians and Alaska Natives. The draft cadastral elements of the “To-Be” reengineering efforts were presented to Interior managers at a joint BIA and BLM cadastral coordination meeting and at an implementation team meeting during this reporting period.

Current Status

GCDB Data Collection for High Priority Areas

The BIA regional offices submitted 20 GCDB project proposals to BLM and BIA headquarters. Originally two pilot projects were expected to be selected for funding and implementation. A review committee from BIA, OST and BLM evaluated the requests and recommended funding four projects based on the quality of the proposals and the anticipated benefits that should be gained from these GCDB projects. The four pilot projects were selected and tentatively funded during this reporting period.

Interior Indian Trust Lands Boundary Standards (Draft)

BIA, BLM and OST held a joint Indian Trust Lands Boundary Standards working group meeting during this reporting period to examine the draft Land Boundary Standards and provide recommendations for changes and implementation. The boundary standards should save money, improve record systems, standardize existing processes, and provide a link between title and boundaries. The working group held conference calls to review the boundary standard changes, assign tasks and prepare for the upcoming working group meeting to be held during the next reporting period.

BIA, BLM and OST have scheduled their second working group meeting for July 20-22, 2004, in Albuquerque to continue to examine and finalize the land boundary standards, develop an implementation plan/consultation schedule and outline manuals, handbooks and directives development plans.

Training

The BLM Cadastral Indian Program Manager and Cadastral Survey Training Coordinator continued to assist the OST curriculum committee and BIA in the development and implementation of future land tenure and boundary management trust training courses.

The next LTIC class is scheduled during the next reporting period. Fifty individuals are enrolled in the class from BIA, BLM and tribal governments across the country. The enrollees are a mix of cadastral surveyors, realty specialists/officers, range technicians, deputy superintendents, environmental directors, probate specialists, superintendents, and tribal administrators. The class has a waiting list and is expected to be offered twice during FY2005.

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 and OST, including the way CARS is being implemented.

Limited Resources

The cost to perform all requested cadastral services would be approximately 64.4 million dollars. The current budget of eight million dollars per year only addresses the most urgent needs. Furthermore, an estimated four to five million dollars in new cadastral requests are generated each year. Carefully allocating cadastral services for the highest priority surveys, developing CGIS, implementing the Interior Indian Trust Lands Boundary Standards, and implementing the numerous initiatives in the "To-Be" Model should help reduce the backlog of cadastral service needs.

Missing BIA Indian Service Survey Records and Unofficial Survey Records

BLM cadastral surveyors often have been able to gather only portions of the records of unofficial surveys conducted by the BIA Indian Service surveyors from the 19th and 20th centuries, as well as unofficial surveys performed by other federal agencies or their agents. These unofficial surveys are known to exist in at least 12 states and on 42 reservations. Incomplete records can lead to errors in current official surveys and impair the bona fide rights of individual Indians, Tribes and fee land owners. Evidence of unofficial surveys is discovered by BLM surveyors in the course of performing official surveys. Once the existence of on-the-ground unofficial surveys is identified, a search is made for the missing records. BIA has identified a lack of resources and personnel, which has delayed the previously reported development of an inventory of its Indian Service records that relate to land surveys. BLM will continue to search for the records as surveys are performed.

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Cadastral Survey

Assurance Statement

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

Date: July 27, 2004

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

Document Procedures Regarding Royalties Disbursement

As previously reported, MMS is working with BIA and OST to prepare Memoranda of Understanding documenting inter-bureau procedures regarding information exchanges associated with mineral revenue disbursements. During the last reporting period, MMS provided BIA and OST draft MOU containing proposed formats along with MMS-relevant mineral revenue disbursement procedures. MMS also requested that BIA and OST provide a point of contact to help expedite the review and execution of the MOU. OST has responded, and MMS is finalizing the OST MOU. MMS expects to forward the final MOU to OST in July. MMS continues to await BIA's response, which is now expected during the next reporting period. The revised target date for completing the MOU is December 2004.

Indian Oil Rule

As previously reported, the proposed rule for valuing crude oil produced from Indian leases is being considered. Issues associated with the proposed rule remain under review by SOL. A timeline for implementation of the new rule has not been established.

Payment Receipt Date Verification

MRM previously determined that certain infrequent conditions cause its financial system to occasionally display an incorrect payment type, number and/or payment receipt date on the Indian mineral revenue distribution file that it creates and sends to BIA for use in the Indian mineral revenue distribution process. Ten types of scenarios were identified that contributed to missing payment identification in the BIA distribution file or the Financial Distribution Report. The FDR is a report version of the data in the BIA distribution file. Software improvements to seven of the scenarios were completed, tested and migrated into production. Enhancements to the MRM financial system are on hold as MRM is preparing for an upgrade to its PeopleSoft software. The upgrade is scheduled for completion on November 1, 2004. MRM expects to resume enhancement efforts on the remaining three scenarios after the upgrade.

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August 2, 2004

Minerals Management Service

Following the PeopleSoft upgrade, MRM expects to be able to identify the actual occurrences of the incorrect information. Once determined, the information is expected to be provided to BIA and OST in order to make any necessary corrections to beneficiary accounts. Once the software changes are implemented, MMS expects to provide a completion date for this project.

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

Date: July 28, 2004

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

Third-Party Document Collection

During this reporting period, OHTA received from OST and BIA lists of entities that may hold Indian trust-related records. OHTA will combine these lists with those received from BLM and MMS during previous reporting periods. During historical accounting work, OHTA intends to contact these entities to collect any relevant documents should the appropriate supporting documents for IIM transactions not be available in Interior records.

Judgment IIM Accounts

OHTA continues to perform historical accounting procedures on Judgment IIM accounts. Since completing the reconciliation of Subgroup A accounts, OHTA has focused on reconciling accounts identified in Subgroups B, C, and D.² During this reporting period, OHTA completely reconciled an additional 3,535 accounts in Subgroup B, 154 accounts in Subgroup C, and the judgment portions of 95 accounts in Subgroup D. OHTA has completed quality control review of the 2,697 accounts completely reconciled during the previous reporting period and 3,305 of the accounts in Subgroup B that were reconciled during this reporting period. OHTA expects to complete quality control review of the other 479 completely reconciled accounts in Subgroups B, C, and D during the next reporting period.

The following table presents the total number of Judgment IIM accounts in each subgroup reconciled as of June 30, 2004, including accounts reconciled in previous reporting periods. The table also reports 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 EIGHTEEN**August 2, 2004****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	17,685	--	--	95	17,780
\$ Balances Reconciled	\$50,488,975	--	--	\$370	\$50,489,345
\$ Throughput Reconciled	\$50,749,367	--	--	\$1,689,415	\$52,438,782
<u>Partially Reconciled</u>					
Number of Accounts	0	4	2	4,237	4,243
\$ Balances	--	--	--	\$7,954,020	\$7,954,020
\$ Throughput Reconciled*	--	\$6,796	\$3,415	\$4,442,892	\$4,453,103
\$ Throughput to be Reconciled**		\$11,347	\$17,682	\$27,495,898	\$27,524,927
<u>Paper Era Reconstruction</u>					
Number of Accounts***					11,182
\$ Balances to be Reconciled*					\$22,396,334
\$ Throughput to be Reconciled**					\$56,277,534

STATUS REPORT TO THE COURT NUMBER EIGHTEEN**August 2, 2004****Office of Historical Trust Accounting****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	6,232	154	--	6,386
\$ Balances Reconciled	NA	--	--	--	--
\$ Throughput Reconciled	NA	\$34,528,348	\$1,836,987	--	\$36,365,335
<u>Partially Reconciled</u>					
Number of Accounts	NA	6,401	984	9,422	16,807
\$ Balances	NA	--	--	--	--
\$ Throughput Reconciled*	NA	\$7,518,402	\$2,444,711	\$11,239,682	\$21,202,795
\$ Throughput to be Reconciled**	NA	\$25,244,389	\$6,745,906	\$107,523,588	\$139,513,883
<u>Paper Era Reconstruction</u>					
Number of Accounts***					24,141
\$ Balances Reconciled					--
\$ Throughput to be Reconciled					\$302,874,691

*Reconciled throughput, where throughput is defined as the sum of the receipts and disbursements in the Electronic Era portion of an account.

** Throughput relating to respective accounts to be reconciled.

*** Distribution of reconstructed Paper Era accounts unknown.

The majority of the remaining Judgment IIM accounts (as well as some Per Capita IIM accounts) require conversion of transaction data recorded in manual ledgers into electronic format. As of June 30, 2004, OHTA has searched approximately 1,800 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 Era." Approximately 136,500 transactions for 16,500 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. Since completing the reconciliation of Subgroup A accounts, OHTA has focused on reconciling accounts identified in Subgroups B, C and D.³ During this reporting period, OHTA completely reconciled 1,523 accounts in Subgroup B and 119 accounts in Subgroup C. OHTA has completed quality control review of 791 accounts in Subgroup A that were completely reconciled in previous reporting periods. OHTA expects to complete quality control review of the completely reconciled accounts in Subgroups B and C during the next reporting period.

Note: This section continues on the next page.

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. Subgroup C contains only Per Capita IIM accounts with receipt deposit(s) and monthly interest postings with multiple disbursements. 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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The following table presents the total number of Per Capita IIM accounts in each subgroup reconciled as of June 30, 2004, including accounts reconciled in previous reporting periods. The table also reports balances and throughput.

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	1,146	2	8	--	1,156
\$ Balances Reconciled	\$9,288,374	\$7,385	\$474	--	\$9,296,233
\$ Throughput Reconciled	\$10,686,311	\$16,450	\$132,126	--	\$10,834,887
<u>Partially Reconciled</u>					
Number of Accounts	--	491	736	5,199	6,426
\$ Balances	--	\$5,894,885	\$8,881,269	\$42,037,401	\$56,813,555
\$ Throughput Reconciled*	--	\$5,722,719	\$9,871,235	\$26,875,178	\$42,469,132
\$ Throughput to be Reconciled**	--	\$1,879,799	\$4,110,505	\$34,564,873	\$40,555,177
<u>Paper Era Reconstruction</u>					
Number of Accounts***					1,431
\$ Balances to be Reconciled					\$3,376,896
\$ Throughput to be Reconciled					\$4,349,154

STATUS REPORT TO THE COURT NUMBER EIGHTEEN**August 2, 2004****Office of Historical Trust Accounting****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	1,704	192	0	1,896
\$ Balances Reconciled	NA	--	--	--	--
\$ Throughput Reconciled	NA	\$16,060,002	\$2,869,532	--	\$18,929,534
<u>Partially Reconciled</u>					
Number of Accounts	NA	1,401	637	3,924	5,962
\$ Balances	NA	--	--	--	--
\$ Throughput Reconciled*	NA	\$4,853,336	\$3,953,707	\$16,015,929	\$24,822,972
\$ Throughput to be Reconciled**	NA	\$10,789,739	\$5,872,837	\$31,957,325	\$48,619,901
<u>Paper Era Reconstruction</u>					
Number of Accounts***					2,162
\$ Balances to be Reconciled					--
\$ Throughput to be Reconciled					\$1,360,815

* Reconciled throughput, where throughput is defined as the sum of the receipts and disbursements in the Electronic Era portion of an account.

** Throughput relating to respective accounts to be reconciled.

*** Distribution of reconstructed Paper Era accounts unknown.

Land-Based IIM Accounts

OHTA continued to collect necessary documentation for reconciling transactions in the "Electronic Era" that exceed \$100,000. OHTA is in the process of reconciling those transactions for which the documentation has been located. In addition, OHTA continued to collect needed documents for reconciling randomly drawn transactions from a random sample of land-based IIM accounts, as previously reported.

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In the *Status Report to the Court Number Seventeen*, OHTA reported that it had finalized a report on the historical accounting project for 289 transactions, totaling \$126,362, in the Eastern Region. Six transactions could not be completely reconciled. Of the 283 reconciled transactions, in 12 transactions Indian beneficiaries were underpaid and in one transaction the Indian beneficiary was overpaid, for a net negative variance of \$0.12. During this reporting period, OHTA finalized the quality control review of the final report on the Eastern Region project.

During this reporting period, OHTA completely reconciled 661 sampled transactions, totaling \$44,783,497, from Alaska Region land-based IIM accounts. Of the reconciled transactions, in four transactions Indian beneficiaries were underpaid and in eight transactions Indian beneficiaries were overpaid, for a net positive variance of \$1,923. Overpayments ranged from \$0.17 to \$3,199.00. Underpayments ranged from \$5.00 to \$882.00. The quality control review of this work was also completed during this reporting period.

Special Deposit Accounts Clean-Up Project

The SDA Clean-Up Project continues to identify the proper ownership of residual funds in SDA. The objective is to identify and transfer or distribute funds held in SDA to proper IIM accounts, tribal accounts, or non-trust owners.

Note: This section continues on the next page.

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The results of the SDA Clean-Up Project as of June 30, 2004, are provided in the following table.

SDA Resolution Progress

	<u>Number of Accounts</u>	<u>Dollars</u>
SDA as of December 31, 2000	21,415	\$67,900,000
Net SDA resolved from January 1, 2001, through December 31, 2002 (eight quarters)	<u>(3,687)</u>	<u>(12,407,265)</u>
SDA as of January 1, 2003	17,728	55,492,735
Interest posted on undistributed SDA and additional collections (net of disbursements thereof) credited to SDA from January 1, 2003, through March 31, 2004	--	5,978,009
SDA resolved from January 1, 2003, through March 31, 2004 (five quarters)	<u>(3,760)</u>	<u>(21,133,478)</u>
SDA that remain to be resolved as of March 31, 2004 - Reported in the <i>Status Report to the Court Number Seventeen</i>	13,968	40,337,266
Interest posted on undistributed SDA and additional collections (net of disbursements thereof) credited to SDA during the reporting period ending June 30, 2004	--	315,596
SDA resolved from April 1, 2004, through June 30, 2004	<u>(456)</u>	<u>(2,191,993)</u>
SDA remaining to be resolved as of June 30, 2004	<u>13,512</u>	<u>\$38,460,869</u>

OHTA continues to coordinate its SDA work with BIA. During this reporting period, OHTA prepared SDA materials to clean up SDA at 43 agency, regional and tribal offices.

In the *Status Report to the Court Number Seventeen*, OHTA reported that 188 Recommended Action Forms were still pending as of March 31, 2004. The current disposition of these RAF follows:

- 181 RAF were processed from April 1 through June 30, 2004, and resulted in distributions of \$922 to IIM account holders, tribal accounts and non-trust owners, and transfers of \$73,706 to the appropriate IIM account(s).
- 7 RAF are still pending and either require SOL guidance or await BIA or OST approval prior to final resolution.

RAF prepared since the first quarter of CY2004 have been processed routinely within fifteen working days.

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Imaging/Coding – Indian Trust Documents

OHTA's imaging and coding efforts continued during this reporting period. As of June 30, 2004, 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, to March 31, 2004	3,613,447	146,443	127,029
Work results from April 1, 2004, to June 30, 2004	<u>1,625,489</u>	<u>54,494</u>	<u>64,525</u>
Cumulative results from July 9, 2003, to June 30, 2004	<u>5,238,936</u>	<u>200,937</u>	<u>191,554</u>

Delays and Obstacles

Three factors interfered with OHTA's ability to search for trust records necessary to its ongoing historical accounting projects.

- OTR is in the process of relocating records from Albuquerque, NM, to the American Indian Records Repository in Lenexa, KS. Records being prepared for shipment, in transit, and undergoing processing by NARA at AIRR were unavailable to OHTA.
- On March 19, 2004, the U.S. Court of Federal Claims issued orders in *Pueblo of Laguna v. United States* and *Jicarilla Apache v. United States*, requiring that those Tribes be given access within a specified period to documents at OTR potentially relevant to those lawsuits, before those documents may be moved to the AIRR. These records (comprising thousands of boxes) had to be centralized by OTR and privilege-reviewed by SOL before they could be made available to the Tribes. Thus, because logistical considerations required that they be unavailable to other entities during this process, OHTA did not have full access to the following OTR-managed documents while they were being prepared for review by the Tribes: BIA realty records, BIA Central office records, and BIA records from the Southwest, Rocky Mountain, Eastern Oklahoma, Southern Plains, Navajo, Northwest, Western and Great Plains Regions. Once the reviews and subsequent document productions are complete, OHTA again should be able to access these documents.
- Similarly, on March 26, 2004, the U.S. Court of Federal Claims issued a discovery order in *Osage Nation and/or Tribe of Indians of Oklahoma v. United States*, governing access

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by the Tribe and its counsel to records potentially relevant to that litigation. This order affects OHTA's access to OTR-managed BIA records from the Osage Agency, the Eastern Oklahoma Region and the BIA Central Office in that, once again, boxes containing these records had to be centrally prepared for inspection by OTR and SOL. Thus, OHTA did not have full access to these documents while they were being prepared. The inspection of these records at OTR began during this reporting period, and is expected to be completed during the next reporting period. Once the review and subsequent document production is complete, OHTA again should be able to access these documents.

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

Date: August 2, 2004

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 the role of the Special Trustee set forth in the Act, the Secretary assigned other duties to the Special Trustee, including accounting and investing of collected funds, developing a risk management program, managing a reengineering effort of the trust business processes and creating an audit and review function to grade the performance of various Interior bureaus and offices and Tribes that perform fiduciary trust functions.

Special Trustee's Observations

The following lists the status of various projects that are underway or completed in the Office of the Special Trustee for American Indians.

Trust Initiatives for the 21st Century

The final draft "To-Be" Model was completed and distributed to TESC for its review on June 18, 2004. Two items were referred to SOL for further review, and, subject to SOL review, the Model is expected to be considered by the Secretary during the next reporting period.

The draft implementation plan was completed during this reporting period, and execution of the plan is expected to begin during the next reporting period after the plan is approved by TESC.

The sixth trust administrator position was filled during this reporting period. In addition, 22 trust officers were hired as a result of continued, aggressive recruitment activity. The trust administrators and trust officers have extensive private and public sector banking and trust backgrounds.

Trust Review and Audit

A draft examination procedures handbook was completed during this reporting period and is being reviewed by senior managers within OST. It is expected that a final draft handbook will be completed during the next reporting period.

Section 139 tribal reports were completed during this reporting period for all Tribes impacted by Section 139 of the FY2004 appropriations act. All but one of the Tribes was assessed by OTRA as meeting the Secretary's required level of responsibility for managing trust assets under their

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Office of the Special Trustee for American Indians

control. The Special Trustee expects to forward his recommendation regarding OTRA's assessments to the Secretary during the next reporting period.

OTRA expects to continue evaluating BIA agency and regional locations as trust officers and deputy superintendents are placed, in order to determine the current performance level of trust operations. Such assessments include review of backlog work relating to special deposit accounts, probate, appraisals, and leasing, and a review of compliance with statutes and regulations related to fiduciary trust management.

Appraisals

Contract negotiations between Interior's Appraisal Services Directorate and OST continued during this reporting period. An agreement in principle was reached to contract the OST appraisal function management responsibility to ASD. A contract is expected to be in place by the end of the next reporting period.

Investment Contract for IIM Pooled Funds

As a result of a competitive contract solicitation issued earlier this calendar year, an investment advisory firm has been selected to manage the pool of IIM funds. A contract is expected to be consummated during the next reporting period for this service. The contract should provide OST with highly talented professionals and greater access to the financial markets to ensure continued good fund-investment performance.

Delays and Obstacles

Continued lack of Internet access is a major burden on OST and BIA, which affects not only the quality and timeliness for delivery of services to individual Indians and Tribes but also those bureaus' ability to interact with other federal agencies and the private sector for research, information and data exchange as may be necessary to conduct trust business. It is essential that Internet connectivity be permitted in order for the revised business processes to be effective.

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 28, 2004

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 of Interior entities as well as Tribes that manage fiduciary trust activities. These reviews are planned to result in a performance rating. OTRA also conducts audits and reviews that may be requested by individual account holders, Tribes, the Special Trustee and Interior staff. Priorities for review are determined by the locations with the greatest volume of trust activities.

Accomplishments and Completions

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 third party under OIG management. The FY2003 audit report was issued by OIG. OST has substantially completed the mailing of notices to the account holders, advising them that the annual audit has been completed and is available for review.

Current Status

Compliance Reviews

Compliance reviews result from inquiries by beneficiaries or other interested groups and usually question the adequacy or status of trust and fiduciary activities of Interior. During this reporting period, sixteen cases were in inventory. Of the sixteen, field work is in process for seven and draft reports are being prepared and reviewed on five. Four cases were completed and closed.

Examinations of Self-Governance Demonstration Tribes

The FY2004 Interior appropriations act provided for conditional exemption for ten self-governance Tribes (three individual Tribes and a consortium of seven Tribes) from the impacts of trust reform and reorganization. However, their exemptions are conditioned upon their operating trust programs in accordance with the same fiduciary standards to which the Secretary is held and satisfying the Secretary that they have the capability to do so. Accordingly, OTRA conducted on-site reviews and issued ten final reports. The final reports now are available for review by the Special Trustee and the Secretary.

Annual Audit Corrective Actions

During this reporting period, recommendations from two prior OIG audits (OIG 97-I-1167 and OIG 97-I-1169) were implemented. Additionally, corrective actions satisfying the final two

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Trust Review and Audit

OIG recommendations concerning the improvement of controls over information technology systems were implemented.

Indian Trust Rating System

Development of the rating system continues, following a business exam model used by the Office of the Comptroller of the Currency, with the assistance of a former senior examiner from that office. The purpose of the rating system will be to measure performance of fiduciary trust activities accomplished in whole or part by the respective Interior offices or the Tribes that have compacted or contracted various activities.

At the May 2004 "Self-Governance Conference," the OTRA Director reported to tribal leadership and conference participants on the plans to revise the evaluation process and incorporate annual evaluations into the new rating system to measure the performance of trust administration of programs. A status report on the Indian trust rating system is due for presentation to the TESC during the next reporting period. Pilot tests of the new examination process were conducted during this reporting period with the Cherokee Nation -- a large self-governance Tribe -- and at the BIA Concho Agency. The examination process and procedures will stay in draft development while field testing, discussion with Interior entities and consultation with Indian Tribes continues. Field testing of the exam process is planned at local BIA agencies and for tribally administered programs in selected locations during the next reporting period.

The planning and development of a trust examination handbook is ongoing as OTRA tests the processes for examining trust fiduciary operations. During this reporting period, a draft handbook was released for Interior review.

Delays and Obstacles

Lack of Internet access impedes work processes and the 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 Eighteen*. The information provided in this section is accurate to the best of my knowledge.

Date: July 27, 2004

Name: *Signature on File*

William P. Ragsdale

Director, Office of Trust Review and Audit

Office of the Special Trustee for American Indians

B. 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

A dedication ceremony took place on May 14, 2004, to officially open the American Indian Records Repository at Lenexa, KS. Approximately 40,900 boxes of indexed Indian records have been relocated to the AIRR through the end of this reporting period.

Records Retention Schedules

OTR provided to BIA and OST the NARA-approved 4000 records series of 16 BIAM and the electronic records retention schedules. The OTR records training manuals were revised to incorporate the updated schedules.

Training

OTR provided records management training for 615 BIA/OST-identified records contacts during this reporting period.

Current Status

Record Keeping Requirements

NBC continued its work with 36 offices under the Office of the Secretary to assess and identify records series containing Indian fiduciary trust records during this reporting period. Completion of this project is anticipated in the next reporting period.

The Tribal/Federal Trust Records Management Work Group met on May 13, 2004, in Lenexa, KS. The Work Group discussed tribal responsibility for creation and maintenance of trust records for contracted/compacted trust programs. Another meeting is expected to occur in the next reporting period to continue the discussions.

Records Retention Schedules

During this reporting period, OTR continued to submit proposed trust-related records schedules to NARA for review and comment.

Records Retrieval/Indexing Project

OTR's contractor continued indexing boxes of Indian records. The total number of boxes indexed through June 30, 2004, is 70,582. Priority for the indexing of boxes of Indian records continues to be given to those boxes of records potentially responsive to tribal trust litigation, and includes boxes required by OHTA to meet the requirements of OHTA litigation support projects.

Records Management Liaison

During this reporting period, OTR advertised a records management specialist position to support BIA Central Office records management.

Delays and Obstacles

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

Use of the limited space in OTR facilities continued to intensify and affect OTR's daily work activities as OTR staff attempted to respond to requests for boxes of records from federal attorneys, plaintiffs' tribal trust litigation attorneys and their contractors, and federal agencies and their contractors.

Assurance Statement

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

Date: July 26, 2004

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 development of the “To-Be” Model during the redesign referred to as the “To-Be” reengineering effort. The “To-Be” Model is structured around the following major trust business processes:

- **Financial Operations** – To assure the timely identification, collection, deposit, investment and distribution of income due or held on behalf of tribal and individual beneficiary account holders.
- **Beneficiary Relationship Development and Management** – To provide beneficiaries with accurate and timely trust asset information and counseling on asset management and use options. This is accomplished by incorporating the Secretary’s Trust Principles and the concepts outlined in the CTM into the process.
- **Ownership** – To ensure the inventory of trust or restricted ownership interests is current, accurate and accessible. This process ensures the identification of all beneficiary ownership interests for accurate and timely distribution of income, as well as distribution of trust assets to current and future beneficiaries.
- **Land and Natural Resources Planning** – To provide beneficiaries with the support necessary to develop wide-area plans that enhance, and expedite the management and utilization of trust land and natural resources.
- **Land and Natural Resources Use and Management** – To ensure lands are productive and managed in accordance with accepted conservation and preservation practices. Land use is monitored for compliance with and enforcement of established agreements to protect trust assets.

When implemented, the “To-Be” Model should 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 “To-Be” Model has been completed. The new business processes were modified, as appropriate, with input that included stakeholder comments and the Gap Analysis. On June 18, 2004, the draft final “To-Be” Model was delivered to TESC. The “To-Be” Model is awaiting

final SOL review and Secretarial approval, both of which are expected during the next reporting period.

TPMC has completed the general framework for the implementation plan of the “To-Be” Model, which will be developed further by the “To-Be” implementation team. It is anticipated that implementation of “To-Be” initiatives will occur in phases over the next several years.

Current Status

Implementation of the “To-Be” Model is a collaborative effort and is integrated with other trust initiatives. TPMC has responsibility to coordinate implementation and identify potential pilot project sites. Tasks include developing operating procedures, identifying organizational dependencies, coordinating systems requirements, developing training, and creating interim solutions until full implementation can be achieved.

The implementation team was created to ensure that implementation of the “To-Be” Model is consistent with the CTM and coordinated with other initiatives. The team is responsible for addressing the technical and organizational issues that may arise as Interior transitions from design to implementation. The team is comprised of representatives from BIA, OST, BLM, MMS, OHA, SOL and Tribes.

TPMC expects to continue coordinating the universal support functions that provide the records management requirements, policies and procedures, internal controls, risk management, training, workforce planning, and IT systems required to implement the “To-Be” Model.

TPMC continues to participate in the Interior-wide effort to identify functional requirements for the IT systems that support implementation and operation of the “To-Be” Model. The requirements for the Department Land Resource Management System, Trust Beneficiary Relationship Management System, Probate Case Management and Tracking System, and Departmental Acquisition and Disposal Management System have been provided to Interior’s Trust Enterprise Architect.

TPMC has completed the system requirements and specifications for a call center prototype. The call center is expected to be located in the OST office space in Albuquerque and should provide beneficiaries with an additional means of obtaining trust asset information, checking the status of requests and updating beneficiary information. Implementation is anticipated 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.
- sheer complexity of reengineering the existing trust business processes to achieve integrated and consistent business processes.

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August 2, 2004

Trust Business Process Modeling

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

Date: July 26, 2004

Name: *Signature on File*

D. Jeff Lords

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 tasks of the trust data quality and integrity project are to validate/correct a set of standardized trust data elements, implement quality controls that will ensure trust data is accurate, current and secure, and provide trust transaction and real property asset statements to beneficiaries.

The DQ&I pilot agency project focuses on accomplishing two initiatives: (1) implementing Post-QA processes at the BIA Anadarko Agency, Concho Agency and their servicing SPRO-LTRO, and (2) validating/correcting current CDE to their respective source documents. CDE are defined as those trust data elements that are needed to provide: (1) timely and accurate payments to beneficiaries, (2) timely and accurate transaction listings and asset inventories to beneficiaries, and (3) effective management of the assets. Examples of CDE are beneficiary name, account number, tract identification number, and land ownership interests. The implementation of the Post-QA processes has been accomplished. The current CDE are in the process of being validated/corrected, on a tract-by-tract basis, to their source input documents. Once CDE validation/correction is completed for these locations, the Post-QA process is expected to remain to help ensure that CDE updates are accurate.

Accomplishments and Completions

During this reporting period, TPMC:

- Compiled and provided weekly Post-QA review information to the Pima Agency. This information showed the number of documents that went through Post-QA review and either (1) were encoded accurately into the realty system, or (2) were returned to the originating office due to discrepancies between the document encoding and source document.
- Developed and implemented production standards and daily performance goals for CDE validation/correction.
- Completed CDE validation on all 1,499 Concho Agency land tracts.
- Completed CDE validation on 59% of the 5,882 Anadarko Agency land tracts.
- Conducted DQ&I agency operations assessments at the Pawnee Agency, Horton Agency, and Shawnee Field Office. The purpose of these assessments was to (1) collect information pertaining to the trust systems used, (2) quantify the volume of transactions processed, (3) identify predominant sources of trust income, and (4) identify backlogs in the processing of

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August 2, 2004

Trust Data Quality and Integrity

trust related documents. This information will be used for planning the implementation of the DQ&I project at these locations.

In addition, as reported by OST's contractors, during this reporting period the following assigned tasks, which eliminated backlogs, were completed:

- Encoded remaining balance of 244 Pima Agency probate orders into IRMS. This resulted in the Pima Agency having the ability to utilize IRMS to distribute trust funds held in special deposit accounts.
- Verified land owner ID numbers for all heirs listed in 225 Concho Agency probate orders, prior to the probate orders being encoded into the land title system.

Current Status

During this reporting period, besides the contractor's DQ&I project tasks, the contractor also continued to support:

- Preparation of Concho Agency oil and gas lease assignment abstracts for producing leases. At the end of the reporting period, a total of 160 out of 657 abstracts had been prepared.
- Encoding Alaska Region land title documents (e.g., trust patents, conveyances, encumbrance documents) into the land title system. At the end of the reporting period, a total of 4,886 out of 5,063 documents had been encoded.
- Encoding Pine Ridge Agency probate orders that reverse escheated interests into the land title system. At the end of the reporting period, a total of 475 out of 1,095 probate orders had been encoded.
- Encoding Palm Springs Field Office land title documents into the land title system. At the end of the reporting period, a total of 71 out of 392 documents had been encoded.

As previously reported, the DQ&I project was expanded to the Pima Agency and the Palm Springs Field Office. The scanning of trust documents, necessary to perform CDE validation/correction, was completed for both locations.

The Post-QA review process at ENA is expected to be implemented upon the availability of new office space at that location. CDE validation/correction for ENA is expected to be implemented after SWRO-LTRO (the servicing LTRO) has converted from LRIS to TAAMS (scheduled for February 2005).

Delays and Obstacles

During this reporting period, the following delays and obstacles impeded the progress of the DQ&I project:

- Securing timely TAAMS security profiles, which authorize user privileges, from the PRO-LTRO.
- Unanticipated volume of document encoding and land title certification backlogs at the PRO-LTRO. Also, the PRO-LTRO is scheduled for TAAMS conversion during the next fiscal year. To facilitate a successful outcome to both projects (i.e. TAAMS conversion and DQ&I), the PRO-LTRO was augmented with eight contractor employees to assist with backlogged land title document encoding.
- 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 Eighteen*. The information provided in this section is accurate to the best of my knowledge.

Date: July 29, 2004

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

OST offered three sessions of the course, *Fiduciary Overview Program*, presented by Cannon Financial Institute, with 73 BIA, OST, MMS and tribal personnel attending during this reporting period. A total of 446 people have attended this course since March 2003. This course compares and contrasts the federal Indian trust administered through Interior with private sector trusts administered through banks and other financial institutions. One session is scheduled to be held during the next reporting period.

During this reporting period, OST training staff conducted six sessions to provide training in TFAS, StrataVision and Historical Query to 67 OST, BIA and contractor staff.

Current Status

As previously reported, OST has contracted for the development of a CD version of the *Fiduciary Trust Foundations: An Introduction to Trust Reform and Change* course. The CD version is expected to provide trust personnel with a basic understanding of the federal government's fiduciary responsibilities. The contractor is currently working on changes requested by SOL. OST training staff expect to have the completed product during the next reporting period.

Due to continued scheduling conflicts, the OST training staff again was unable to present to senior management the findings from the training deficiencies and existing courses inventory but expects to present them during the next reporting period.

The draft Manager's Handbook for New Hires was circulated for comment to BIA and OST management, who suggested several modifications. Due to the need for a second draft, the final version was delayed, but is expected to be completed during the next reporting period. This handbook is intended to be a guide for managers to introduce new employees to the office and help managers cover issues such as internal controls and expectations of the employee. It also will include the *Fiduciary Trust Foundations* CD.

OST and BIA training staff developed a comprehensive orientation program tailored to meet the needs of employees in trust-related positions. The three-day course, entitled *Trust Fundamentals*, includes such topics as the history and policy of Indian trust, trust reform, current reform activities, job roles and responsibilities, and organization and working relationships.

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Indian Fiduciary Trust Training Program

OST training staff presented the pilot class to senior management this reporting period. The class was also presented to BIA and OST employees in Portland and Anchorage, and is expected to be presented in Billings during the next reporting period. This course is expected to be taught three to four times a year by regional BIA/OST employees.

Work on the “To-Be” training strategy is tied to the implementation plan, and is expected to be developed upon completion of the plan.

Delays and Obstacles

The lack of Internet access inhibits electronic communication with other governmental agencies and contractors, and hinders the research of training tools and potential contractors.

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

Date: July 25, 2004

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. Once the risk management program has been implemented by TPMC, OTRA will monitor and evaluate it, and recommend resolutions of any management control deficiencies.

Accomplishments and Completions

During this reporting period, a new contract for implementation of risk management and modification of RM-PLUS was awarded. The contractor completed a project plan that was approved by Interior. Implementation of the project plan is expected to begin within OST and at BIA agency pilot sites during the next reporting period.

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.

Assurance Statement

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

Date: July 29, 2004

Name: *Signature on File*

D. Jeff Lords

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

Additions to the virtual DOI Fiduciary Library include:

- The Departmental Manual.
- An explanatory listing of BOR policies and procedures that pertain to Indian trust assets.

Policy and procedure information provided by the OTP liaison group (as identified in previous reports to the Court) is expected to be combined with information from the “As-Is” and “To-Be” projects. The goal is to use the virtual library to make this information available throughout Interior and to the public.

An amended policy concerning address changes for unsupervised IIM accounts was signed by the appropriate officials during this reporting period.

Current Status

OTP continues to work with OST’s OCIO to establish SiteScape as a viable information management and dissemination tool. During this reporting period, OTP extended SiteScape access to the Albuquerque reengineering staff and to OST appraisal staff in all but one region. Training classes on SiteScape were held in Albuquerque in June. Promoting the use and functionality of SiteScape will be a priority during the next reporting period.

25 CFR 124 – Deposits of Proceeds of Lands Withdrawn for Native Selection Under the Alaska Native Claims Settlement Act. On the advice of SOL, it was decided that this regulation was not needed. The appropriate steps are being taken to rescind the current regulation.

During this reporting period, OTP continued to monitor the development of the Appraisal Handbook.

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.

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Regulations, Policies and Procedures

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

Date: July 26, 2004

Name: *Signature on File*

Philip Viles, Acting 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 is responsible for the Indian land valuation program, which 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 land actions require valuations. To meet this requirement, an appraisal or other valuation method is used to ensure that fair and just compensation is received on Indian land transactions. The types of land actions are varied. Major types include commercial, industrial, recreational, agricultural and other types of leases; rights-of-way; land sales and land exchanges; grazing and range permits and assessment of trespass damages.

Accomplishments and Completions

The vacant Supervisory Appraiser positions at the Great Plains and Midwest regions were advertised and filled during this reporting period. The vacant position located at the Eastern Region was not advertised during this period pending a workload assessment. This position is expected to be advertised during the next reporting period.

As previously reported, second-level reviews were conducted on right-of-way appraisals that were completed from September 2, 2003, through December 31, 2003. A report, prepared by an internal OAS team, was finalized during this reporting period. The report, which has been provided to the ASD Acting Associate Director, indicated that right-of-way appraisals were being completed in accordance with industry right-of-way valuation practices.

As previously reported, BIA and OST have continued to work with SOL on appraisal requirements pertaining to the Eastern Cherokee Agency. During the previous reporting period, BIA and OST agreed upon a draft policy for the Eastern Band of Cherokee Indians that provides guidance and clarification on certain subleases of tribal land that would not require an appraisal. The draft policy was issued during this reporting period.

Current Status

During this reporting period, the draft Appraisal Handbook was provided to the ASD Acting Associate Director for further review. He has recommended that all Interior appraisal processes be incorporated into one appraisal handbook.

A proposal for additional analysis of the former Special Master's right-of-way report was advertised during this reporting period. The bids for this proposal were non-responsive and required re-advertisement. The contract is expected to be awarded during the next reporting period.

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Appraisal

As previously reported, OAS drafted a MOU with ILCO regarding ILCP. ILCO submitted the draft MOU to the BIA Director for review and comment during this reporting period. The draft MOU is expected to be finalized during the next reporting period.

As previously reported, OST sought an independent contractor to review a selection of certain right-of-way appraisals that were completed prior to September 2, 2003. The contract was awarded March 11, 2004 and OST expects the report to be completed during the next reporting period.

As previously reported, OAS and NBC are working cooperatively to establish regional contracts with independent contractors to perform appraisals and alleviate backlogs. OAS completed the Indefinite Delivery Indefinite Quantity Statements of Work and expects to forward them to NBC for processing during the next reporting period.

OAS continues to work on the appraisal backlog. As of this reporting period, the appraisal backlogs are as follows:

Appraisal Backlog

	Appraisal Backlog <u>As of 03/31/04</u>	Appraisal Backlog <u>As of 06/30/04</u>
Northwest	40	238
Rocky Mountain	517	555
Midwest	2	6
Western	6	0
Southwest	3	9
E. Oklahoma	19	73
Navajo	47	4
Pacific	0	7
Alaska	0	298
Eastern	0	0
Southern Plains	0	47
Great Plains	0	9
Total	<u>634</u>	<u>1,246</u>

*This table does not include appraisal backlog information from the compacted and contracted Tribes.

Due to extreme weather conditions, Alaska appraisers inspect properties during the summer months and complete the reports during the winter months.

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Appraisal

The OAS Rocky Mountain region contracted for 504 appraisals of the 555 backlogged appraisals reported. The 504 contracted appraisals are expected to be completed during the next reporting period.

The OAS Northwest Region has contracted for 188 appraisals of the 238 backlogged appraisal requests. The 188 contracted appraisals are expected to be completed during the next reporting period.

During this reporting period, OAS worked with BIA regarding the compilation of an inventory of Tribes that compact and contract to perform appraisal functions. In addition, OST requested backlog information from 50 Tribes that compact and contract appraisal functions. As of June 30, 2004, only one Tribe had responded, and reported a zero backlog. OAS expects to follow up with the other Tribes.

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.

Assurance Statement

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

Date: July 29, 2004

Name: *Signature on File*

Gabriel Sneezy
Acting Director, Office of Appraisal Services
Office of the Special Trustee for American Indians

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. All IIM accounts have been converted to this system.

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 Handbook Procedures, this type of account is to be used only as an exception to the rule that trust funds immediately be deposited and then distributed as soon as practicable to 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.

a. Whereabouts Unknown Accounts

Accomplishments and Completions

During this reporting period, OST mailed letters to the tribal leaders of federally recognized Tribes requesting them to compare the WAU list for their respective Tribes to the tribal

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Current Accounting Activities

enrollment records. OST also requested that they post the WAU list at their tribal headquarters and community halls and/or publish it in their tribal newspapers.

TPMC staff made several beneficiary outreach trips during this reporting period. By working directly with Pine Ridge, Pima, Yakama, Minnesota and Eastern Navajo agencies, TPMC secured over 5,300 addresses.

As described in previous reports, TransUnion notifies OST of possible address changes from its credit database. During this reporting period, all open IIM accounts except minor and estate accounts, totaling 146,352 individual accounts, were renewed on TransUnion's WATCH program.

Current Status

Priority continues to be placed on locating the current top 100 highest dollar balance WAU account holders. During this reporting period, five out of the top 100 WAU account holders were located, with combined account balances in excess of \$831,900.

During this period, 4,758 accounts were added to the WAU list and 3,175 accounts were removed. As of June 30, 2004, there were 55,914 WAU accounts with a balance of \$81,998,233.37. The following table illustrates the number of accounts stratified by account balance and WAU category:

Account balance	Correspondence/ Check Returned	Account Set Up No Address	Awaiting Address Confirmation	Refused/ Unclaimed Mail	Total
Equal to or over \$100,000	23	10	2	0	35
Under \$100,000 and equal to or over \$50,000	40	7	7	0	54
Under \$50,000 and equal to or over \$5,000	2,586	657	467	2	3,712
Under \$5,000 and equal to or over \$1,000	6,680	1,852	980	5	9,517
Under \$1,000 and equal to or over \$100	9,657	3,724	1,078	16	14,475
Under \$100 and equal to or over \$1	13,015	6,860	1,740	15	21,630
Under \$1	3,902	2,124	456	9	6,491
Total	35,903	15,234	4,730	47	55,914

Delays and Obstacles

The continuing influx of WAU accounts categorized as "account set up no address" causes the total number of WAU accounts to remain relatively constant. These accounts result primarily from probates lacking addresses for individual heirs.

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Current Accounting Activities

There are 21,990 supervised IIM account holders (minors, emancipated minors, adults in need of assistance, and non compos mentis) coded as WAU that present an obstacle in clearing up the total number of WAU.

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

b. Trust Funds Accounting System

Current Status

OST submitted to Interior's CIO its completed C&A documentation for TFAS in accordance with Interior guidelines.

OST continued working with the contractor on an enhancement to TFAS to produce account holder statements that identify the source of income and a listing of all assets owned. The enhancement is scheduled to be tested during the third quarter of CY2004 for the assets held by Concho and Anadarko Agency IIM account holders.

OST also continued working with the TFAS contractor and BIA to finalize the technical design within TFAS to distribute income generated from real property assets to the owners of those assets. Testing is expected to begin during the fourth quarter of CY2004.

c. Special Deposit Account Activity

Accomplishments and Completions

During this reporting period, aged funds were held in 99 fewer SDA than in the previous reporting period, which represents a decrease of 85 undistributed aged receipts and a decrease of a combined dollar amount of \$388,670.30. As of June 30, 2004, funds were held in 732 SDA with a combined dollar amount of \$3,135,702.95, which represented 4,679 undistributed receipts aged over 30 days from January 1, 2003, through June 30, 2004.

TPMC staff members returned to Rosebud Agency and began work at Uintah and Ouray, Wind River, Fort Peck, Fort Berthold and Eastern Navajo Agencies to assist agency staff in performing work necessary to distribute SDA funds.

In addition to assisting with research, OST staff provided guidance to agency staff in accessing reports on StrataVision by providing training to agency staff on the use of aging reports and navigating through TFAS. OST staff members will continue to schedule work at the agencies.

TPMC management participated in a SDA meeting in June 2004 in Billings, MT. Issues related to delays in distribution of funds over 30 days of receipt were the main topic of discussion. Reports listing undistributed receipts that were a year or more old were distributed for review.

Current Status

BIA has the responsibility for distribution of SDA funds received since January 1, 2003. It is the policy of BIA to distribute funds within 30 days of receipt into SDA. During this reporting period, TPMC has tracked over 7,474 receipts, offsetting them with distributions, and has aged and reported on 2,465 undistributed receipts. TPMC has researched or contacted the field to obtain lease and allotment numbers for over 17,500 transactions that were not encoded per BIA policy. As of June 30, 2004, there were 358 receipts in 174 SDA for \$606,035.28 aged over one year.

Delays and Obstacles

Some agencies still are not using StrataVision to obtain current aging reports. TPMC continues to send a courtesy copy of monthly reports directly to regional directors for distribution to the agencies. Agency staff turnover, training and obtaining access to IRMS contribute to delays.

d. Small Balance Accounts

As of June 30, 2004, there were 20,242 accounts that have a \$.01 - \$1.00 balance with no activity for the previous 18 months. The total sum included in those accounts is \$5,865.79. Statements are sent to account holders for these accounts on an annual basis pursuant to direction from Congress.

e. Accounting Discrepancies

Current Status

Interior's proposal to resolve the \$5.8 million difference between the subsidiary account ledger (liabilities) and the IIM investment pool (assets) remains with Congress.

The draft procedure to transfer non-trust WAU funds to the Unclaimed Moneys Account at Treasury is being circulated for comments. The transfer is a Treasury requirement (1 TFM 6-3000) for non-trust funds held by departments and agencies of the government. More information regarding the transfer can be found in the previous report to the Court.

A proposal and discussion for the distribution of unposted interest from pre-1994 due to account holders was presented to TESC this reporting period. TESC requested SOL guidance and sought recommendations from private sector trust institutions. It is anticipated that their responses, along with a memo to OHTA, will be submitted to TESC during the next reporting period.

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Current Accounting Activities

Assurance Statement

I concur with the content of the information contained in the Current Accounting Activities section of the *Status Report to the Count Number Eighteen*. The information provided in this section is accurate to the best of my knowledge.

Date: July 29, 2004

Name: *Signature on File*

D. Jeff Lords

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 in the Office of the Assistant Secretary – Indian Affairs was established on April 21, 2003. PPA is responsible for ensuring BIA’s knowledge of, access to, and compliance with applicable regulations, policies, and procedures. 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.

PPA:

- coordinates development of strategic plans and annual performance reports in support of the Government Performance and Results Act;
- determines the reliability of performance measures and evaluates the AS-IA and related bureau programs for effectiveness;
- provides guidance and technical assistance to all programs under the purview of the Principal Deputy AS-IA to ensure compliance with Administration initiatives;
- provides assistance for the development of manuals that set forth Indian Affairs program and administrative policies and handbooks documenting operating procedures;
- publishes and maintains the Indian Affairs Manual, which contains the policies and general procedures that are essential to the efficient administration of Indian Affairs;
- reviews applicable notices and rules that are prepared for publication in the Federal Register.

Accomplishments and Completions

53 IAM 3-H - Contract Sales of Forest Products Handbook – The handbook was issued during this reporting period.

Current Status

25 CFR 161 - Navajo Partitioned Lands Grazing Permits – BIA met with the Tribe during the first week of May 2004. BIA has made changes to the draft regulations based upon BIA, public and tribal comments. BIA expects to meet with the Tribe again during the next reporting period to discuss concurrence on the draft regulations. The Tribe has not determined which tribal entity has the authority to formally concur. The schedule will slip to an undetermined date until the Tribe and BIA determine who has authority to concur.

25 CFR 162 Subparts C & D – Residential Leases and Business Leases – Tribal consultation occurred as scheduled with comments now being reviewed for possible incorporation into the rule. The project continues on schedule, with the final rule expected to be published by the end of the second quarter of FY2005.

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Trust Regulations, Policies and Procedures

25 CFR 216 - Surface Exploration, Mining, and Reclamation of Lands – Due to the complexity of the project, BLM, OSM, BIA and SOL extended the deadline for completion of the draft proposed rule, which now is expected by the end of FY2004.

25 CFR 243 - Reindeer in Alaska – The project continues on schedule, with the final rule expected to be published by October 2004.

Directives Library – The project continues on schedule, with the electronic library expected to be functional in the first quarter of FY2005.

Directives Handbook – The project continues on schedule, with final publication on schedule for the second quarter of FY2005.

Surface Leasing (25 CFR 162) Handbook – The project continues on schedule, with internal review of the handbook expected by the third quarter of FY2005.

Fee-to-Trust Handbook – The project continues on schedule, with internal review of the handbook expected by the second quarter of FY2005.

Trust-to-Trust Handbook – The project continues on schedule, with internal review of the handbook expected by the second quarter of FY2005.

Rights-of-Way Handbook – The project continues on schedule, with internal review of the handbook expected by the second quarter of FY2005.

Grazing Permits (25 CFR 166) Handbook – The draft handbook was published for internal review as scheduled. The project continues on schedule, with final publication expected by the end of the second quarter of FY2005.

National Environmental Policy Act Compliance Handbook – Due to staffing shortages, lack of Internet access for tribal review of the handbook and difficulties copying the handbook onto 600 CDs for Tribes, the project timeframes are expected to be delayed one quarter. The final handbook is now scheduled for publication by the end of the first quarter of FY2005.

IAM Parts 1, 2, 3 and 7 containing delegations of authority – The project has been delayed and is now scheduled for publication in the first quarter of FY2005.

IAM Part 13 - Indian Self-Determination – The project continues on schedule for publication in the fourth quarter of FY2004.

IAM Part 25 – Safety and Occupational Health – The project continues on schedule for publication in the fourth quarter of FY2004.

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Trust Regulations, Policies and Procedures

Bureau of Indian Affairs Manual Conversion to IAM – The projects continue on schedule for the finish dates set forth in the following table:

BIAM Part	Title	Planned Finish
19	ACQUISITION AND GRANT AGREEMENT	9/30/2004
25	SAFETY MANAGEMENT*	9/30/2004
35	INFORMATION RESOURCES MANAGEMENT	12/31/2004
42	FINANCIAL MANAGEMENT	12/31/2004
43	PROPERTY AND SUPPLY MANAGEMENT	12/31/2004
46	FACILITIES MANAGEMENT	12/31/2004
51	INDIAN RIGHTS PROTECTION	12/31/2004
54	RESOURCES/LAND	12/31/2004
54	REAL PROPERTY MANAGEMENT	12/31/2004
57	ROAD CONSTRUCTION	12/31/2004
58	ROAD MAINTENANCE	12/31/2004
62	EDUCATION	12/31/2004
66	SOCIAL SERVICES	12/31/2004

* Safety Management was scheduled for a finish date of July 1, 2004. The document has been drafted, is undergoing review in PPA, and now is expected to be issued as a final document by September 30, 2004.

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

Date: July 28, 2004

Name: *Signature on File*

Jerold Gidner

Director, Office of Planning and Policy Analysis

Bureau of Indian Affairs

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 2000. ILCO is operating pilot projects and, from there, a nationwide plan is being designed to promote consolidation of the ownership of Indian land.

Accomplishments and Completions

- Acquired 14,863 fractional interests during this reporting period, for a cumulative total of 93,184 interests for the ILCP pilot projects in the Midwest, Northwest and Great Plains Regions. Of the total interests acquired, 91% were interests of less than 2% ownership in the respective tracts of land.
- Acquired a cumulative total equivalent of 67,780 acres for the pilot project reservations.
- Hired a contractor to assist with processing acquisition packages at the field level.
- Initiated acquisition programs at four additional reservation sites: Gila River (Western Region); Standing Rock, Pine Ridge and Winnebago (Great Plains Region).

Current Status

ILCP is operating within four BIA regions on 11 reservations. Current ILCP activities include:

- Drafting a national expansion plan that is expected to be completed by the end of FY2004;
- Consideration of a draft acquisition plan to acquire *Youpee* interests based on voluntary sales, which was presented to senior management the week of May 10, 2004;
- Continuing to process applications and purchase interests;
- Developing a case management system in FY2004 to automate application processing and tracking of acquired land interests;
- Planning the expansion of ILCP to two additional reservation sites, Navajo (Navajo Region) and Crow (Rocky Mountain Region), which are scheduled to begin acquisition programs on October 1, 2004.

Delays and Obstacles

- The need to reconcile ownership records causes delays in expansion of ILCP. Reconciliation is expected to improve as a result of the ongoing implementation of the CGI title system.
- Recruiting qualified staff at remote locations is a challenge.
- 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 Eighteen*. The information provided in this section is accurate to the best of my knowledge.

Date: July 26, 2004

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 during 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 this reporting period, 15,810 probate cases were in the case preparation stage.

Case Adjudication

In the case adjudication stage, deciding officials are OHA Administrative Law Judges, OHA Indian Probate Judges and BIA Attorney Decision Makers. ADM have authority to probate and determine the heirs in estates containing trust cash assets less than \$5,000. In addition, ADM have the authority to probate estates containing land and/or cash assets that do not present questions of law or fact. In the latter instance, where there is an issue of law or fact, the estate must be sent to ALJ or IPJ for adjudication.

In this reporting period, BIA deciding officials received 305 cases and issued decisions in 418 cases; OHA deciding officials received 915 cases and issued decisions in 999 cases.

Case Closure

Case closure is the posting and recording of ownership and distribution of assets after the case has been adjudicated. Case closure is divided into three categories:

- Posting and recording of ownership records at the agency.
- Posting and recording to LTRO of the records that result from probate decisions.
- Posting, recording and distribution of financial information in TFAS.

In this reporting period, OST distributed and closed 942 accounts representing 914 estates. TFAS, as of the end of June 2004, contains 27,640 open estate accounts, up from 27,363 open estate accounts at the end of the last reporting period.

BIA Probate and Estate Services Branch

Twenty-one new probate-dedicated positions have been established in the BIA Probate and Estate Services Branch, bringing the total number of positions to 165.

Current Status

Probate Case Management and Tracking System

The new probate tracking system (ProTrac) was developed to provide probate case tracking information and to assist in the management of probate cases within BIA, OHA and OST. Twenty-seven training sessions were conducted for 360 BIA, OHA and OST employees during the reporting period. ProTrac was placed into production during this reporting period. There were 21,517 probate cases loaded into ProTrac, and data cleanup and reconciliation of records are expected to occur during the next several months.

Probate Handbook

Interior's draft Handbook of Indian Probate Procedures, dated September 30, 2003, was circulated in final draft form and reviewed by field probate users. A handbook review team was established and commenced work during this reporting period. The handbook still is expected to be published in CY2004.

Delays and Obstacles

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

- Lack of consistency in program management, which is being addressed by the establishment of the BIA Probate and Estate Services Branch;
- Lack of adequate staffing for probate processing in the field, which is being addressed by designating dedicated personnel and by expanding contractor support;
- Lack of a comprehensive case management and tracking system, which is being addressed by the implementation of ProTrac;
- 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* revestitures, *Cobell* requirements, CGI title conversion, realty system development);
- Cultural diversities regarding the subject of death.

STATUS REPORT TO THE COURT NUMBER EIGHTEEN

August 2, 2004

Probate

Assurance Statement

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

Date: July 26, 2004

Name: *Signature on File*
Sharlene M. Round Face
Realty Specialist
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
AIRR	American Indian Records Repository
ALJ	Administrative Law Judges
ARO	Alaska Regional Office
ART	Accounting Reconciliation Tool
AS-IA	Assistant Secretary-Indian Affairs
ASD	Appraisal Services Directorate
BIA	Bureau of Indian Affairs
BIAM	Bureau of Indian Affairs Manual
BLM	Bureau of Land Management
BOR	Bureau of Reclamation
BPA	Blanket Purchase Agreement
C&A	Certification and Accreditation
CARS	Cadastral Automated Request System
CDE	Critical Data Elements
CGI	Software vendor successor to TAAMS vendor
CGIS	Cadastral Geographic Information Systems
CIO	Chief Information Officer
CISSP	Certified Information System Security Professional
COTS	Commercial off-the-shelf
CSIRC	Computer Security Incident Response Capability
CSIRT	Computer Security Incident Response Team
CTM	Comprehensive Trust Management Plan
DAA	Designated Approving Authority
DEAR	DOI Enterprise Architecture Repository
DM	Departmental Manual
DOI	Department of the Interior
DQ&I	Data Quality and Integrity
ENA	Eastern Navajo Agency
EORO	Eastern Oklahoma Regional Office
ERO	Eastern Regional Office
FAR	Federal Acquisition Regulation
FIMO	Farmington Indian Minerals Office
FISMA	Federal Information Security Management Act
GCDB	Geographic Coordinate Data Base
GIS	Geographic Information System
GPRO	Great Plains Regional Office
GPS	Global Positioning System
GSS	General Support Systems
IAM	Indian Affairs Manual

STATUS REPORT TO THE COURT NUMBER EIGHTEEN

August 2, 2004

Acronyms and Abbreviations

IATO	Interim Approval to Operate
IIM	Individual Indian Money
IITD	Individual Indian Trust Data
ILCA	Indian Land Consolidation Act
ILCO	Indian Land Consolidation Office
ILCP	Indian Land Consolidation Project
Interior	Department of the Interior
IPJ	Indian Probate Judges
IRM	Information Resources Management
IRMS	Integrated Records Management System
IRS	Internal Revenue Service
ISA	Information Security Assessment
IT	Information Technology
LAN	Local area network
LRIS	Land Records Information System
LTIC	Land Tenure in Indian Country
LTRO	Land Titles and Records Office
MA	Major Applications
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 Regional Office
NAPHSIS	National Association for Public Health Statistics and Information System
NARA	National Archives and Records Administration
NBC	National Business Center
NIST	National Institute of Standards and Technology
NPS	National Park Service
NRO	Navajo Regional Office
NWRO	Northwest Regional 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
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

STATUS REPORT TO THE COURT NUMBER EIGHTEEN

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Acronyms and Abbreviations

POA&M	Plans of Actions and Milestones
Post-QA	Post Quality Assurance
PPA	Office of Planning and Policy Analysis
PRO	Pacific Regional Office
ProTrac	Probate Case Management and Tracking System
QA	Quality Assurance
QC	Quality Control
RAF	Recommended Action Forms
REM	Real Estate Module
RFP	Request for Proposal
RM-PLUS	Risk Management Assessment/Evaluation tool
RMRO	Rocky Mountain Regional Office
SANS	SysAdmin, Audit, Network, Security
SDA	Special Deposit Accounts
SDLC	System Development Life Cycle
SMS	System Management Servers
SOL	Office of the Solicitor
SPRO	Southern Plains Regional Office
SSA	Social Security Administration
SSM	System Security Manager
SSP	System Security Plan
ST&E	Security Test and Evaluation
SUS	System Update Servers
SWRO	Southwest Regional Office
TAAMS	Trust Asset and Accounting Management System
TAP	Technical Architecture Profile
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
USGS	United States Geological Survey
WAN	Wide area network
WAU	Whereabouts Unknown
WRO	Western Regional Office