

# 2006

## Office of the Special Trustee for American Indians Report to Congress



## Accomplishments in Brief

Today, American Indian beneficiaries have new services available specifically for their trust needs. Congressional appropriations have made it possible for Interior to accomplish many aspects of Indian trust reform for beneficiaries.

- Account holders can call a nationwide toll-free information center to get answers to their questions. Before the Trust Beneficiary Call Center opened, beneficiaries often had to contact a number of Interior offices to get their questions answered.
- More than \$79 million has been distributed to individual Indian trust account holders who were previously on the “Whereabouts Unknown” list through collaborative efforts between the Office of the Special Trustee for American Indians (OST), Bureau of Indian Affairs (BIA), and tribal governments.
- More than 400 million pages of Indian trust documents have been collected, safeguarded and protected for future use at the state-of-the-art American Indian Records Repository, in Lenexa, Kansas.
- The equivalent of more than 350,000 acres of land has been restored to Indian tribes through the Indian Land Consolidation Office (ILCO) purchase program to reduce fractionated ownership of land.
- Tribal and individual trust beneficiaries now have Regional Trust Administrators and Fiduciary Trust Officers, experienced in fiduciary trust matters, directly available to them for all their trust needs.
- Land survey issues in Indian Country are being managed by new Bureau of Land Management (BLM) Indian Lands Surveyors, hired specifically to support Indian Country needs, located at the 12 BIA Regional Offices.
- Updated and upgraded technology for trust management has been installed at Bureau of Indian Affairs (BIA) and OST offices across the country. This includes new accounting, title, leasing, and funds receivable systems, including a centralized commercial “lockbox” process for the collection of trust payments.
- Account holders with trust assets in agency locations that have been converted to new technology and trust systems are receiving improved, comprehensive statements listing assets they own and encumbrances associated with their land.
- Over 3,000 Interior and tribal employees working in trust matters have received fiduciary trust training. In FY2006, over 100 formal trust training courses were offered for employees across Indian Country. In calendar year 2006, the Cannon Financial Institute Certified Indian Fiduciary Trust Specialist designation was awarded to 32 OST employees. Interior also provided records management training to more than 500 BIA and OST records contacts and 381 tribal employees.
- In spring 2006, through a partnership with the BIA and OST, Interior opened the new National Indian Programs Training Center in Albuquerque, New Mexico. The new facility, a central education center for Interior’s Indian Affairs programs, includes training in areas such as trust programs, social services, law enforcement, and education.
- Individual Indian Monies (IIM) account holders who receive disbursements from their trust accounts are able to use their funds more quickly through the use of Direct Deposit.
- And, today, the Indian trust undergoes a financial audit on a yearly basis. A recent Government Accountability Office report studied these audits, and showed that Interior has made great strides in the financial management of the trust. This study showed that there are only a few historical remaining issues; Interior is currently addressing these as we move forward.

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## 2006 Report to Congress

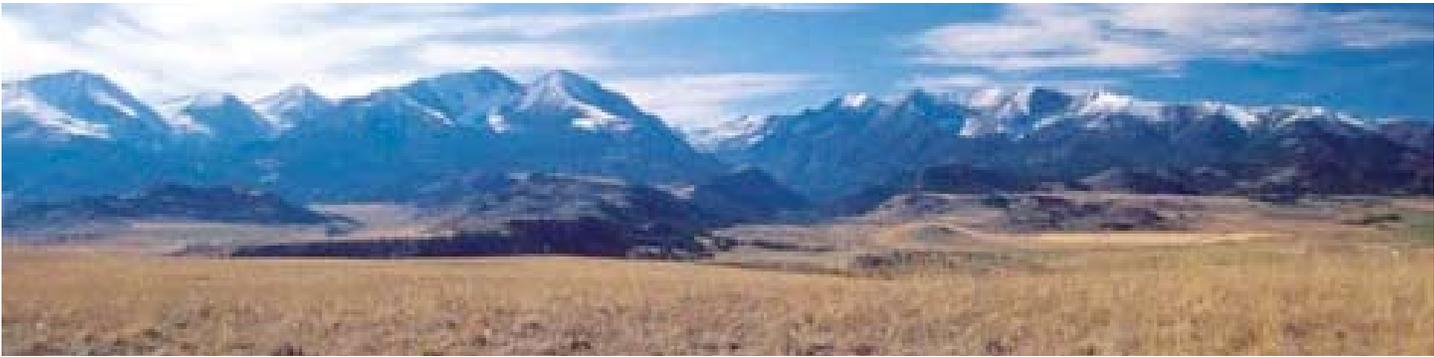
The Department of the Interior is responsible for the management of the Indian fiduciary trust, a land and financial asset-based trust that was originally established as a result of the General Allotment Act, passed by Congress in 1887.

In the many years since, the history, development, and management of the trust have been major sources of controversy in Indian Country; it is intertwined in issues such as Indian sovereignty and self-governance. Over the years the trust has been managed through numerous statutes, regulations and policies, and regional offices did what they could to run trust programs along with many other Indian Affairs responsibilities.

A number of reports were produced by Congress and other agencies through the years indicating that the trust was in need of improved management systems with better checks and balances. It also needed to be reformed in order to be managed in accordance with fiduciary trust standards.

In 1994, Congress passed the American Indian Trust Fund Management Reform Act (Reform Act) and established the position of Special Trustee for American Indians to ensure reforms of policies, practices, procedures and systems were done in a unified manner at the Department of the Interior. The Reform Act also required Interior to account for Indian trust funds, and directed that procedures be developed so that tribes could withdraw their trust funds for self-management.

Today, the Indian trust encompasses approximately 56 million acres of land. On these lands, the Department manages tens of thousands of leases for uses such as farming, grazing, timber and oil and gas production on behalf



of individual Indians and tribes. Through both activities on these lands and the earning of interest on deposited funds, OST manages income for more than 300,000 open individual Indian money accounts and more than 1,400 tribal accounts owned by about 250 tribes.

To guide its approach to the management of the Indian trust, Interior developed the Comprehensive Trust Management Plan (CTM) in 2003. This document contains the vision, goals, and objectives of fiduciary trust management and operation of the trust for all bureaus and offices within Interior. The CTM has already resulted in enhanced beneficiary services, reliable ownership information, and quality administrative services; improved the management of all trust fund assets; and increased support for Indian self-governance and self-determination. From the CTM, Interior produced the Fiduciary Trust Model (FTM) that guides our day-to-day reform work.

***While dedicating substantial time and money to the reform of the trust, OST has the day-to-day responsibility to manage the financial side of the trust. For instance, in 2006 OST:***

- Issued more than \$375 million in IIM funds. Of those about \$172 million were disbursed via 513,000 checks to Indian trust beneficiaries. The rest of the funds were distributed via direct deposits.
- Processed approximately 32,400 trust transactions per day (675,000 per month; 8.1 million per year).
- Managed approximately \$373 million in annual receipts from leases, use permits, land sales, and interest earned on deposited funds for over 300,000 open Individual Indian Money accounts.
- Managed approximately \$460 million in annual receipts from sources including judgment awards, settlements and use of tribal resources and interest earned in more than 1,400 tribal accounts for over 250 tribes.
- Managed approximately \$2.9 billion in tribal funds and more than \$400 million in individual Indian funds.

## **The Government Accountability Office: Two Recent Reports on OST's Reform Work**

Two recent Government Accountability Office (GAO) reports affirmed that OST has made great strides in its work to reform the management of the Indian trust. The first report, titled "Indian Issues: The Office of the Special Trustee Has Implemented Several Key Trust Reforms Required by the 1994 Act, but Important Decisions about Its Future Remain," reflects the hard work that employees have done to improve the management of the Indian trust for beneficiaries.

The GAO report recognized that virtually all major re-engineering trust reform requirements now have been addressed and that implementation of major reforms is estimated to be complete by the end of calendar year 2009. In the development of the report, GAO examined, and itemized, both OST's progress in implementing reforms that were required by the American Indian Trust Fund Management Reform Act of 1994, and the extent to which OST has used contractors in implementing these reforms. As well, GAO reviewed OST's strategic plans, contracting documents, and human resources policies and practices. In summary, GAO recommended that Interior (1) provide Congress with a timetable for completing all Fiduciary Trust Model (FTM) reforms and a plan for future trust fund operations and ongoing re-engineering once reforms are completed, and (2) develop a workforce plan that proposes staffing levels and funding needs once the FTM trust reforms are completed. Both of these recommendations should be addressed by the end of 2007.

GAO issued a second report about OST's financial management of the Indian trust. Much like the first report, this report, titled "Office of the Special Trustee for American Indians Financial Statement Audit Recommendations and the Audit Follow-up Process" affirmed that Interior had made great strides in reforming the financial management of the trust. After the Reform Act was passed in 1994, an independent auditor identified approximately 60 weaknesses where corrective actions were recommended. GAO found that, at the end of 2005, there were only two remaining material weaknesses (these

included 12 subparts: seven from the BIA audit, and five from the OST audit). In just over a decade, Indian Affairs staff members have made remarkable strides in improving the financial management of the Indian trust for the benefit of Indian tribal and individual trust account holders. In the report, GAO stated “The majority of the recommendations on financial statement reporting deficiencies issued from FY 1996 through 2005 related to the independent audit of the Indian trust funds financial statements are closed.”

What’s more, the FY 2006 audit shows that three of the remaining twelve deficiencies were resolved in 2006, and an additional one was resolved in early FY 2007. In the 2005 audit, deficiencies included a problematic segregation of duties in trust payment processing at BIA offices, and untimely trust deposits. Because of the implementation of the lockbox payment processing systems, both of these items have been corrected. As well, the continued conversion of BIA agency offices to the new trust systems and processes will resolve many of the other remaining weaknesses (these include accounts receivable and consistent validated trust system data).

OST and BIA have plans in place to address the remaining issues, including historic accounting matters that likely will require further discussions with Congress. This new GAO report confirms that indeed, OST has corrective action plans and a tracking system in place for each remaining issue.

## Accomplishments in 2006

Last year was a watershed year for trust reforms led by the Office of the Special Trustee for American Indians. For a number of years, OST and BIA employees have been doing crucial behind-the-scenes work to implement the reforms included in the 2003 Comprehensive Trust Management plan. They have developed and installed new technology, changed major business processes, established contracts to acquire more assistance from the private sector where appropriate, hired additional government staff to perform vital roles, pored through data, and cross-checked names and addresses, account numbers and trust data. This year much of the behind-the-scenes work came to fruition as major reforms were executed. In addition, the Office of Historical Trust Accounting has completed

reconciliations for more than 80,000 historic judgment and per capita accounts.

### **On the Front Lines: Improving Beneficiary Services:**

#### ***Staff in the field, working directly with beneficiaries***

In 2006, OST completed the hiring of its Fiduciary Trust Officers workforce. For the first time in the history of the Indian trust, tribal and individual trust beneficiaries have staff members available to them who are specifically trained and focused on providing trust asset assistance. A cadre of six Regional Trust Administrators and 52 Fiduciary Trust Officers—all with either previous professional experience in trust management, or extensive training in fiduciary trust matters—are working at BIA and other offices throughout the country. In the past, staff would have a wide range of responsibilities that included trust issues, and were not specifically designated to be a primary point of contact for beneficiaries. Beneficiaries would have to make a number of phone calls or visits to a variety of offices to get specific information.

#### ***Expanded hours for the Trust Beneficiary Call Center***

For the first time, account holders can call a nationwide toll-free information center to get answers to their questions. Employees at the Trust Beneficiary Call Center have answered more than 130,000 calls since the center was established. This resource allows other Interior employees to redirect thousands of hours to Indian program work. Because the Call Center proved to be so effective, in March of 2006, OST was able to direct funding to expand Call Center hours to include Saturday mornings. Since it opened, almost 90 percent of the beneficiaries who called the toll-free number have received answers to their questions within just a few minutes. Before the Call Center opened, beneficiaries often had to contact a number of Interior offices to get questions answered.

#### ***New systems help get funds to beneficiaries faster***

As mentioned, so much of the work OST and BIA have done to improve the management of the trust has been behind the scenes. This includes installing new computer systems, re-engineering established companion policies and procedures, and training staff on new practices and technology. In 2006, beneficiaries saw the benefits of these new systems in a variety of ways:

- Today IIM account holders can have their funds provided to them in check form through the U.S. Postal Service or electronically through automatic Direct Deposit transfers to their financial institution. In the past the only option was to receive a paper check by mail. In 2006, many trust beneficiaries signed up for Direct Deposit and staff continues to enroll beneficiaries in the Direct Deposit payment system.
- In 2005 OST began implementation of a new centralized commercial “lockbox” process for the collection of trust payments. Today the service is greatly improving the efficiency of trust payment collections. In fiscal year 2006, the lockbox implementation was completed and approximately 41,000 checks—amounting to more than \$230 million—were processed through the lockbox, and deposited within Treasury the day of the receipt.
- Staff at OST and BIA have been focused on processing the backlog of pending probates. In 2006, OST was able to reach its goal of distributing funds to beneficiaries within 10 days of receiving the final, completed probate paperwork. This means heirs are receiving their inherited funds faster, and more efficiently than in the past.

**In fiscal year 2006, OST distributed funds for 7,399 probates for Indian trust beneficiaries.**

***Improved account statements for trust account holders***

Many tribal and individual Indian trust beneficiaries are now receiving improved account statements. In 2006, individual beneficiaries who own assets in the regions converted to the improved leasing system (approximately 70 percent of all accounts) began to receive greatly enhanced quarterly account performance statements. In the past, quarterly account statements sent to trust beneficiaries contained information on receipts and disbursements, but no information on land and other trust assets. The new statements provide information to beneficiaries regarding source of funds, encumbrance information (who is leasing their trust property, duration of the lease and payment terms), and a listing of the trust assets in their account. Many beneficiaries have never had ready access to such consolidated information. In the past, beneficiaries had

to make a number of phone calls to many offices for this information. This information supports compliance with the Reform Act. By the end of 2007, it is expected that all regions will be converted.

***Funds are being distributed to Indian Country through focused efforts to find “whereabouts unknown” beneficiaries***

OST has dedicated staff and contractors specifically to help find people who were on the “Whereabouts Unknown” (WAU) list, or those people for whom no current address was supplied when the account was established. In the past, BIA and OST staff had to add this responsibility to an already long list of employee responsibilities. In 2006, OST established a contract with a private investigation firm so they could help focus on finding the trust beneficiaries with the largest balances in their accounts. Through these and other directed efforts, in the past three years \$79 million has been distributed to individual Indian trust account holders who were formerly on the WAU list.

**In 2004, staff found 28,000 account holders with \$28.2 million. In 2005, staff found more than 19,000 WAU account holders with a total of \$26.2 million; in 2006 staff found more than 15,000 WAU account holders with \$24.9 million.**

***New informational materials produced for beneficiaries***

In the past, beneficiaries would need to contact various BIA offices to get information on different aspects of their accounts. In 2005, OST began developing publications so beneficiaries would have information on their accounts and services easily available to them. In 2006, OST produced the following materials:

- *General Information: Office of the Special Trustee for American Indians* offers basic information about OST, and what services the office provides to beneficiaries.
- *Individual Indian Money Account Information* is a guide for IIM account holders on the basics of individual accounts, including how funds are deposited, managed, and distributed.

- *Welcome to the Indian Trust: A Guide for New Account Holders*, is a 16-page booklet that includes comprehensive information for new account holders that will help them better understand all aspects of their Indian trust account.
- *A Guide to Your Individual Indian Monies Statement of Account* offers beneficiaries a detailed explanation of the new, reformed individual account statements that people are receiving in areas that have been converted to enhanced trust systems.
- *Trust Reform Systems and Services Available for Self-Determination and Self-Governance Tribes* is a pamphlet directed to tribes that manage their own trust programs, and offers information on what new systems and processes are available to self-governance and self-determination tribes through Interior's reform work.
- *Withdrawing Tribal Funds from Trust* provides general information for tribes about the process outlined in the Reform Act that authorizes tribes to withdraw their trust funds from federal management in order to manage their funds directly.

### ***Interior partnership established BLM Indian Land surveyor positions and an Indian land surveyor certification program***

In 2005 and 2006, Interior hired twelve BLM Indian Land Surveyors through OST's reform funds to work in each of the 12 BIA regions in Indian Country. The Indian Land Surveyors' primary responsibilities include being the initial contact person for BIA employees, tribal governments, and individual Indians concerning boundary surveys, land ownership, and other survey matters related to Indian trust, restricted and fee lands. Establishing these positions was the first step in Interior's efforts to improve the land survey program for Indian trust beneficiaries. Step two was the creation of a certified federal surveyors program (CFEDS) to license private surveyors to perform the business-related activities of Indian land surveys. This program increases the pool of qualified surveyors to complete the backlog of cadastral surveys in Indian Country, offers tribal surveyors more resources, and provides increased self-determination opportunities in Indian Country.

**In fiscal year 2006, surveyors completed 164 backlogged cadastral surveys. The majority of the remaining backlogged surveys that are funded were expected to be finished by the end of June 2007. In February of 2007, BLM reported that 69 people passed the very first CFEDS exam.**

### ***Land consolidation program returns fractionated trust land to tribes***

In 1999, BIA proposed to establish an Indian Land Consolidation Program pilot project to acquire fractionated ownership interests from willing sellers, and return the land to the governing tribe so that land could become more productive. Today, the program is a permanent office in the Department of the Interior. By the end of September 2006, the Indian Land Consolidation Office (ILCO) had purchased 261,569 fractionated interests, and the equivalent of 351,653 acres of land had been returned to Indian reservations in the Midwest, Northwest, Western, Eastern Oklahoma, Navajo, Rocky Mountain, and Great Plains regions. Of all the interests purchased, 86 percent were equal to less than two percent of the respective tracts of land.

### ***Expanded self-governance and self-determination agreements***

In 2005, OST's Office of External Affairs took over the responsibility of promoting, establishing, and maintaining self-governance and self-determination agreements with Indian tribes for OST programs. In 2006, this office maintained agreements with 38 tribes for the real estate appraisal and beneficiary processes functions, and began negotiations with three more tribes so they could self-manage OST trust programs.

### ***Implementation of the American Indian Probate Reform Act (AIPRA)***

In June of 2006, AIPRA, a law that creates a uniform probate process for Indian trust beneficiaries, became effective. OST worked with BIA and other agencies to inform trust account holders of the new law, and help train employees on implementation. AIPRA amends the Indian Land Consolidation Act and creates a uniform Federal probate code that determines how Indian trust assets are distributed to heirs (unless the tribe has its own approved probate code). AIPRA also implements a

single-heir rule for people whose interest in a single tract equals less than 5 percent.

## **Behind the Scenes: Management and Process Reforms**

### ***Regional conversions of nationwide trust systems***

In 2005, OST and BIA began the process that would ultimately be the cornerstone of trust reform. A pilot program was completed that successfully converted two BIA offices to reformed accounting, title, realty and data management systems and business procedures. Simultaneously, Interior staff members were trained on the new technology and reformed business practices. The success of these pilot projects allowed Interior to move forward with the regional conversions. In 2006, OST was able to spearhead the conversion of four regions and a number of additional agency offices. The new systems enable employees to track leasing activity, ownership and income distribution electronically to ensure more efficiency and accountability. As of the end of 2006, the conversions accounted for 81% of recurring individual Indian income and 73 percent of individual Indian accounts. By the end of 2006, Interior staffers were able to make adjustments to the conversion schedule—to project a sooner-than-expected completion. Staff members now perform all trust business practices in the same manner across the nation; BIA regional offices have access to correct and comprehensive data through a nationwide system. This means wherever a beneficiary lives, he or she can get access to accurate information about his or her trust assets.

### ***Expanded the capability of the centralized lockbox fund collection and distribution system***

In 2006, OST completed implementation of a centralized commercial lockbox process that was initiated in FY 2005. The lockbox is a central location where all trust payments are sent for automatic, electronic processing. In 2006, OST began implementation of phase two of the lockbox process to create a trust funds module for fund collections, the generation of invoices, and automatic distributions. The centralized commercial “lockbox” process, used by major financial institutions, is operated through a contract with Bank of America and has been implemented at all BIA agencies across the nation. Because of expanded usage, the majority of trust funds now go through the

lockbox system. The service has greatly improved the efficiency of trust payment collections. During fiscal year 2006, approximately 41,000 checks—amounting to more than \$230 million—were processed through the lockbox.

### ***Improving appraisal processes, services and information***

In 2006, the OST Office of Appraisal Services (OAS), in partnership with Interior’s Appraisal Services Directorate, developed a department-wide appraisal handbook for standard application of appraisal rules and regulations. OAS also established an Office of Minerals Evaluation to research and assess mineral values on fractionated trust land. In 2006, OAS also completed the development of the Indian Trust Appraisal Request Tracking System to improve the processes appraisers and BIA use to follow appraisal requests from initiation to completion. Similar to the other IT systems, this will be available for use nationwide and accessible by appraisers at any location.

**In 2006, Interior completed 4,392 appraisals of trust assets.**

### ***A state of the art records repository for Indian beneficiaries***

In the past, records were stored in BIA offices, at various records storage locations, and at some National Archive facilities. Today, millions of Indian trust records have been consolidated, safeguarded and protected for future use at the American Indian Records Repository (AIRR), in Lenexa, Kansas. Almost 150,000 boxes containing an estimated 400 million pages or more of Indian records have been electronically indexed and stored at the state-of-the-art storage facility. At the new repository, records are stored in strict compliance with National Archives and Records Administration (NARA) standards in boxes on shelves stacked 14 levels high, the length and width of a football field. AIRR provides secure access to records for research by individual Indians, tribes, and historians, with permission from Interior, and for Interior staff conducting the historical accounting of Indian trust records. Today, a box containing a particular record can usually be found within five minutes when needed.

## *New training programs, and a new training center, enhance employee knowledge*

As recently as five years ago, there were very few Interior employees with official fiduciary training. Today, over 3,000 Interior and tribal employees have completed more than 270 fiduciary trust training courses. In 2006, the Cannon Financial Institute Certified Indian Fiduciary Trust Specialist designation was awarded to 32 Interior and tribal employees. Interior also provided records management training to more than 500 BIA and OST records contacts and 381 tribal employees. In spring of 2006, through a partnership with BIA and OST, Interior opened the new National Indian Programs Training Center in Albuquerque, New Mexico. The new facility, a central education center for Interior's Indian Affairs programs, covers trust programs, social services, law enforcement, and education. The center's mission is to "provide state-of-the-art training to individuals who are committed to fulfilling the government's responsibilities to Indian Country." It offers a broad range of mission critical, leadership, and career development courses, and has information sharing capabilities via digital broadcasting systems. Both Interior staff members and tribal employees may attend courses at the new center.

## *Improved communication with Interior employees*

In early fiscal year 2006, Interior hosted a department-wide "State of Indian Affairs" address to provide employees a status report on their efforts and the goals of Indian Affairs programs. Later in the year, OST began sending all employees monthly emails and quarterly newsletters on a variety of Indian trust programs. OST also redesigned its internal Trust Portal and expanded capabilities for information sharing. OST posts all public materials, directives, policies and procedures on the Trust Portal, so all employees have direct access to information to better help beneficiaries.

**OST's Data Quality and Integrity Project 2006: Encoded 19,203 encumbrance documents and performed a post quality assurance review of 60,250 documents encoded into TAAMS. Established 720 land tracts and validated/corrected the trust data attributed to 2,521 land tracts in TAAMS.**

## **An Update on Interior's Historical Accounting Work**

In 2001, Interior established the Office of Historical Trust Accounting (OHTA) to perform the historical accounting required by the Cobell court. OHTA's accounting efforts include a review of individual Indian accounts open on or after October 25, 1994—the enactment date of the Reform Act—through December 31, 2000. (In compliance with the Act, OST has issued account statements to individual Indian trust beneficiaries on a quarterly basis since the end of 2000). OHTA is continuing the historical accounting and is revising the accounting plan based on what has been learned to date.

Approximately 80,000 judgment and per capita accounts have been reconciled. This is about 81 percent of the judgment accounts and 90 percent of the per capita accounts. Reconciliation of 2,100 high-dollar transactions (identified as equal to or in excess of \$100,000) for the time period between 1985 and 2000 has also been completed. OHTA has resolved the proper ownership and distribution of more than \$50 million in residual balances from historic special deposit accounts.

Interior's accounting experts have uncovered no evidence or history of fraud or systemic error in the handling of historic individual Indian accounts. The few errors that have been found are generally small in monetary value, and fall on both sides of the ledger.

Our work to collect, image and store Indian trust records at the American Indian Records Repository (AIRR) in Lenexa, Kansas over the past few years has demonstrated that far more records exist than anyone anticipated when the accounting exercise began. The contents of the boxes containing these records have been indexed and the information stored in a central database. Imaged records that are trust related are now being used in the reconciliation of historic accounts.

## Continuing Challenges:

### *The ongoing Cobell litigation*

For a decade, Interior has been engaged in a class-action lawsuit over the Reform Act requirement to perform an accounting of trust funds. Interior has been gathering Indian trust records from around the nation and preserving them at the American Indian Records Repository. Despite the ongoing attention given to the litigation, and the work that OHTA is required to perform, Interior has been able to make sweeping changes to the management of the Indian trust to address previous deficiencies and weaknesses and ensure that the problems of the past are never repeated. However, because of Cobell, the Department is spending in excess of \$56 million per year for accounting work, litigation and discovery costs that is not available for other Indian programs. We are operating in an environment where the requirements of the Court—such as our lack of Internet access and restricted communications with beneficiaries—cause undue, expensive delays and deficiencies in providing trust services. Leaders throughout Interior agree that it is time to find an appropriate solution for this protracted litigation. There are many problems that need attention in Indian Country—crime, drug addiction, health, and inadequate education. We have a fiduciary responsibility to American Indian trust beneficiaries. We want to focus on the business of carrying it out.

### *Working without Internet access:*

Another challenge imposed on Interior by the Cobell litigation is the Court-imposed disconnection from the Internet. Four Interior bureaus and offices (BIA, Office of Hearing and Appeals, OST and the Solicitors) 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:

- Maintaining security on internal systems is more difficult without access to the Internet for research, reporting, and patch management.
- Because of the inability to communicate with the U.S. Treasury Department, OST is unable to perform electronic reconciliations and/or reporting.
- Communicating with banks and other financial

institutions is more complicated, and OST is unable to utilize state-of-the-art technical communications for services.

- Policy discussion is hampered due to additional time required in coordinating group discussions via teleconferencing when e-mail collaboration would be more appropriate and timely.

OMB's e-Government initiative requires agencies to web-enable as many of their applications as possible. Without Internet access, Interior cannot comply with this and other OMB initiatives, such as consolidation of agencies' network infrastructures.

Without connectivity between the disconnected and online bureaus and offices, implementation of true enterprise-wide applications is difficult. Plans and funding call for only a single instance of an application to service all bureaus and offices. Many of these applications rely upon the Internet to service external as well as internal customers. Providing access to the disconnected bureaus and offices would eliminate duplicate systems, networks, and data. Duplicate systems require a significant increase in resources to transfer data manually between the two systems. The possibility of future disruptions also raises concern over Interior's ability to provide services to its beneficiaries.

### *Indian trust funds audits still include historic audit exceptions*

The trust has been audited each year, for many years, by private sector accounting firms, under the direction of the Office of the Inspector General. After the Reform Act was passed, an independent auditor identified approximately 60 weaknesses where corrective actions were recommended. A recent GAO report studied these audits and showed that, at the end of 2005, there were only two remaining material weaknesses (These included 12 subparts: seven from the BIA audit, and five from the OST audit. The FY 2006 audit shows that three of the remaining twelve subparts were resolved in 2006, and an additional one was resolved in early FY 2007.) Included in the remaining weaknesses are two historic issues: a discrepancy between assets and liabilities in the individual Indian trust fund pool, and the inability to certify a beginning balance. The \$6 million difference between assets and liabilities in the individual Indian trust fund pool primarily

resulted from the overpayment of interest to beneficiaries prior to 1995. Interior is examining ways to restore those funds to the individual Indian trust system. As part of its historic accounting efforts OHTA is working to confirm opening balances.

## *The “fractionation” of Indian trust land*

Indian Country is peppered with small tracts of Indian-owned land that produce minuscule amounts or no income for trust beneficiaries. These tracts are a result of what Interior calls “fractionation.” Fractionation occurs when the ownership of Indian trust land is divided, generation after generation, among all eligible heirs. The math tells the story: If you had one owner of a parcel of land 100 years ago, and he had four children, the land could be inherited by all four. In five generations, there could be 1,024 owners for that original parcel of land. To establish some leases, Interior must adhere to a process of either getting approval of enough people to represent 50 percent ownership, or sending written notice to the landowners who then have 90 days to negotiate terms. (Interior can establish a lease if terms are not agreed upon.) This can mean contacting upwards of 300 or 400 people every time a lease is proposed.

Today, the Department of the Interior manages more than 330,000 Indian trust accounts. Of these, an astounding 49%, or about 155,000 receive \$10 or less in income each year. At the end of September 2006, there were 24,540 accounts with less than \$1 in them that have had no activity for the past 18 months. In one 15-year period, between 1985 and 2000, there were more than 26 million (out of approximately 30 million) transactions in Indian trust accounts that were for less than \$1. Each time a gen-

eration passes away, it is likely that more and more people will become owners of an interest in fractionated land. As this happens, Interior must establish more and more trust fund accounts to track income for interest owners.

## *Probates*

It is common that an Indian trust owner has multiple heirs. Interior must probate Indian trust assets, and establish and manage a new account for each eligible heir. The BIA and the Office of Hearings and Appeals are facing an immense workload of pending Indian trust

probates. In fact, today there are cases open from decades past. To find each eligible heir and transfer land ownership, title, and other proper documentation can take a number of years. In the last few years, the Department has focused efforts to address these backlogs by adding staff, changing responsibilities, and hiring contract help. It can cost Interior more than \$3,000 to probate one estate, no matter if the estate is worth 10 cents or \$100,000. Land fractionation exponentially increases the number of probates that must be processed.

## **What Does Each OST Office Do?**

OST is headquartered in Washington, D.C., with financial

management and other functions administered in Albuquerque, NM, and staff located throughout Indian Country.

### *Office of the Special Trustee for American Indians: Executive leadership*

The politically appointed Special Trustee for American Indians is based in an office in Washington, D.C. Executive leadership and guidance provided by the office affects all levels of OST. The Special Trustee guides the delivery of beneficiary services, promotion of tribal self-governance



and self-determination, management of financial trust assets and monitoring efforts to improve the way the Department carries out its fiduciary trust responsibilities. The Special Trustee also works with Congress, other government agencies such as the Office of Management and Budget and the Department of Justice, as well as other Interior offices, such as the Bureau of Land Management, and the Bureau of Indian Affairs, to coordinate Indian trust reforms. The Principal Deputy Special Trustee is based in Albuquerque, NM, and is responsible for overseeing all day-to-day operations, and management of all OST offices except the Office of Appraisal Services and the Office of Trust Review and Audit.

***Office of Trust Review and Audit: Making sure Indian Affairs meets the highest standards***

This office was established to oversee Indian Affairs' delivery of trust products and services to beneficiaries, and to support senior management in their duties to carry out Interior's fiduciary responsibilities. This office reviews the performance of trust programs and operations to ensure that the functions are performed to the highest standards, and reports directly to the Special Trustee. Work supports the trust reform goals to improve beneficiary services by ensuring that all organizations involved in trust management are working together in the most effective and cost-efficient way. Review and Audit staff works with both tribes and Interior trust staff throughout the nation on reform work, and to prepare corrective action plans and ensure completion of these plans.

***Office of the Chief Information Officer (OCIO): Managing OST's technology and records' needs***

This office, based in Albuquerque, is responsible for OST's Information Technology Services, and the Office of Trust Records. Much of OST's fiduciary responsibility involves using the most efficient accounting, title and ownership computer systems so that offices across the nation are all working with the same data. OCIO work is integral to the trust reforms that are currently being implemented. The Information Technology Services staff develops, maintains, and operates all of OST's major accounting and land title computer systems for the management of trust data. OCIO is responsible for managing all contract computer systems and personnel. OCIO is also in charge of all the Office of Trust Records management. Staff that work

in the records program provide guidance and support on records management to all BIA and OST program offices. They are responsible for working with the Archivist of the United States, and for gathering, protecting and moving BIA and OST Indian trust and non trust records. The office also provides technical records assistance at field office locations. In partnership with the National Archives, the Office of Trust Records manages the safeguarding of inactive records at one the most high-quality records storage facilities in the United States, the American Indian Records Repository, in Lenexa, Kansas.

***Budget, Finance, and Administration: Providing OST-wide budget and administrative support***

The Office of Budget, Finance, and Administration (BFA), based in Washington, D.C., provides budget, planning and analysis support, and oversees the administration of personnel, acquisition, finance, and contracts. BFA also provides administrative support for procurement, property, safety, planning and mail services. BFA is responsible for distributing checks and statements to beneficiaries.

***External Affairs: Managing OST's public and congressional affairs***

The Office of External Affairs, based in Washington, D.C., is responsible for communicating with Indian trust beneficiaries through newsletters, media, and the development of materials to describe the status of trust activities for account holders. As well, External Affairs is responsible for communication with Congress on trust matters. External Affairs also works with tribes across the nation to implement OST's self-governance and self-determination programs, and when tribes apply to withdraw their funds from trust for self-management.

***Trust Accountability: Ensuring the highest level of fiduciary responsibility to beneficiaries***

The Office of Trust Accountability, in Albuquerque, includes the Office of Trust Training, the Trust Program Management Center, and the Office of Trust Regulations, Policies and Procedures. The Office of Trust Training develops and coordinates training for the Department and tribal staff on fiduciary standards and practices. This office also helps manage and facilitate courses at the National Indian Programs Training Center in Albuquerque. The Trust Program Management Center (TPMC) pro-

vides the project development and coordination to carry out reform activities, including the implementation of the new lockbox payment collection system, the distribution of new quarterly account performance statements, and implementation of reformed practices. The TPMC also reports on progress made and resources expended toward overall trust program objectives. The Office of Trust Regulations, Policies and Procedures coordinates the implementation of written policies and procedures governing the performance of the Department's fiduciary trust responsibilities.

### ***Field Operations: Working with beneficiaries across the nation***

Field Operations employees work directly with individual and tribal trust beneficiaries across the country. With the establishment of Regional Fiduciary Trust Administrators (RTA) and the placement of Fiduciary Trust Officers (FTO) throughout Indian Country, Field Operations provides beneficiary services in cooperation with the BIA. RTAs provide technical assistance on trust matters to their staff and BIA, and supervise FTOs. FTOs and support staff provide beneficiaries with accurate and quick access to account information and trust products and services. FTOs also coordinate the management of trust assets with BIA in their geographic areas, and provide guidance to support staff in the management of accounts. The Trust Beneficiary Call Center (TBCC) is an additional resource within Field Operations for Indian trust beneficiaries. The nationwide call center provides "one-stop" service for beneficiaries including providing information regarding account statements, account balances, receipts, disbursements, leases, probate status, Whereabouts Unknowns, and other trust activities. Since inception, the Center received over 130,000 calls and was able to answer the beneficiary on the first call for approximately 90 percent of the requests. This allows BIA and OST field staff to focus on operational duties without interruption. For the Call Center, dial toll-free 1-888-678-6836.

### ***Trust Services: Managing trust funds***

Trust Services, based in Albuquerque, includes the offices of Trust Funds Management and Reporting and Reconciliation. The Trust Funds Management office manages the investment and reporting for approximately \$3.3 billion held in trust for Indian tribes and individual Indian

beneficiaries, including the Alaska Native Escrow Fund. The programs' objectives are to manage and invest funds to provide prudent rates of return and to quickly and accurately collect, disburse, and account for funds associated with trust assets. Trust Services works directly with field offices to ensure appropriate cash management processes are used, and directs and controls the buying, selling and trading of investment instruments. The Trust Services' investment group has a direct link to the Bloomberg Service in order to execute security trades on a timely basis and at a prudent price. The Reporting and Reconciliation office is responsible for reconciling accounts and monitoring trust funds activities. This office prepares internal and external financial accounting reports for trust funds and prepares appropriate external reports and required tax forms. This office also ensures that beneficiary statements of performance are issued.

### ***Office of Appraisal Services: Determining fair market value for trust assets***

Appraisals are a critical element to the management of trust land. They are used to determine the fair market value of the use of an Indian trust asset. To establish a lease, negotiate a grazing permit or build a communications tower on Indian trust land, an appraisal is required to provide the beneficiary and BIA with information on the fair market value of the land to support that activity. As part of Interior's trust reform efforts, staff members at the Office of Appraisal Services (based in Washington, D.C., with staff throughout Indian Country) are addressing a backlog of appraisal requests to support trust transactions. OAS staff works with area contractors and tribes to reduce and prioritize backlogged requests. The Director of the Office of Appraisal Services currently reports directly to the Special Trustee in Washington, D.C.

## Plans for the Future

In keeping with the Comprehensive Trust Model, OST will pursue the following work during fiscal year 2007:

- Continue to work with BIA to convert the remaining BIA agencies from multiple legacy software systems to the Trust Asset and Accounting System (TAAMS) leasing module interfacing to the Trust Funds Accounting System (TFAS) by the end of 2007.
- Complete the final phase of the lockbox/funds receivable system to allow for the generation of automatic invoices to lessees and expedite payment to beneficiaries.
- Continue to address the backlog of probates, as well as ongoing regulatory initiatives to improve and streamline probate processes.
- Continue to address the backlog of appraisal requests on trust land, and improve the tracking of appraisal status.
- Incorporate a new Royalty Distribution and Reporting System (RDRS) module to facilitate the provision of improved oil and gas payment information to beneficiaries.
- Extend access to reformed DOI information systems, and training opportunities, to tribes to build their capacity for operating trust programs under PL 98-638 agreements.
- Expand training opportunities for Indian Affairs employees and tribes to provide effective program management.
- Support Interior's efforts to improve land management for tribes and individuals including the use of advanced technologies.
- Continue to produce new informational brochures and other materials.
- Pursue moving from paper checks to electronic funds transfers including the use of prepaid cards similar to those used by the military, state unemployment agencies, child support systems, and soon to be used by the Social Security Administration.
- OST plans to have all remaining trust reforms, including technology conversions and data quality checks, implemented in the next few years. At that point Interior will focus on the continuous improvement and upgrading of systems with new technology.



## What OST Does: The Details

At OST, our day-to-day work is guided by law and our Indian trust management mission statement: to perform our fiduciary trust responsibilities to American Indian tribes, individual Indians, and Alaska Natives by incorporating a beneficiary focus and beneficiary participation while providing effective, competent stewardship and management of trust assets.

Over the years, through various congressional and departmental directives, and organizational reforms of the management of the Indian trust, OST has evolved to be responsible for:

1. Financial activities for the fiduciary trust including the collection of trust funds and accounting, investing and disbursing trust funds to individual and tribal beneficiaries;
2. Providing impartial estimates of value for a variety of specific real property interests on land owned in trust or restricted status;
3. Providing personalized fiduciary trust services to beneficiaries and coordinating reform efforts to improve overall trust asset management and beneficiary services throughout Interior.

Today, the Department of the Interior has a fiduciary responsibility for the full life-cycle of each trust account.

### ***In other words:***

1. Interior is responsible for appraising Indian trust assets, establishing leases for a beneficiary (if the beneficiary chooses), knowing the terms of all leases, negotiating lease renewals and monitoring trust land for damages and trespasses. Interior also must record land title documents, leases, rights-of-way documents, and other necessary materials reflecting changes to Indian land titles.
2. Staff must collect and invest trust funds received from the use of trust assets, post interest earned to each account and produce and distribute funds to beneficiaries when authorized. Staff must also produce and distribute nearly a million monthly, quarterly or annual account reports to beneficiaries.
3. When an Indian trust account holder dies, Interior is required to probate the estate—no matter if the assets are worth ten cents or \$10,000, and begin the entire process anew to manage trust lands and funds on behalf of all eligible heirs.



Office of the Special Trustee for American Indians

[www.ost.doi.gov](http://www.ost.doi.gov)

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