



Office of the Special Trustee
for American Indians

Fiscal Year 2013
Annual Report to Congress



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

March 10, 2014

Dear Member of Congress:

I am pleased to provide the Office of the Special Trustee for American Indians (OST) fiscal year (FY) 2013 annual report to Congress pursuant to the requirements stated in 25 U.S.C. § 4043 (f). The report presents OST's ongoing actions to improve services to tribal and individual Indian trust beneficiaries.

OST provided significant support to the Secretarial Commission on Indian Trust Administration and Reform and the Land Buy-Back Program for Tribal Nations, as well as supplied beneficiary data for the *Cobell* Settlement payments. Both the Commission and the Buy-Back Program were created as part of the terms of the *Cobell* Settlement, Title I of the Claims Resolution Act of 2010. Partnering with the Bureau of Indian Affairs (BIA) and other bureaus and offices within Interior, other federal and state agencies, and tribal leaders and organizations improved the quality of our services.

During FY2013, OST prepared its FY2014-2018 Strategic Plan. The plan was a key recommendation of the OST Efficiency Study conducted in FY2012. The plan represents the collaborative efforts of OST management and team members from across the organization. It charts a path of continuous improvement through effective planning, implementation, and follow-through over the next five years. The plan updated OST's mission statement, created a new vision statement, established a written set of organizational values, and identified broad strategic areas of focus. Looking forward, OST is well prepared to fulfill its vision to be the premier public service organization dedicated to the Indian Fiduciary Trust and its mission to honor our trust responsibilities by incorporating a beneficiary focus and participation while providing superior stewardship of trust assets.

I welcome your feedback on the content in this report. Please contact my office at 202-208-4866 for additional information about OST and the Indian Trust Administration System.

Sincerely,

Michele F. Singer
Principal Deputy Special Trustee

Office of the Special Trustee for American Indians Fiscal Year 2013 Annual Report to Congress

The Office of the Special Trustee for American Indians (OST) was established by the American Indian Trust Fund Management Reform Act of 1994, Public Law 103-412 (Reform Act). The office was created to improve the accountability and management of Indian funds held in trust by the federal government. As trustee, the Department of the Interior (Interior) has the primary fiduciary responsibility to manage tribal trust funds and Individual Indian Money (IIM) accounts, as well as resources that generate income for those accounts.

The Indian trust includes 55 million surface acres and 57 million acres of subsurface minerals estates held in trust by the United States for American Indians and Indian tribes. Over 11 million acres belong to individual Indians and nearly 44 million acres are held in trust for Indian tribes. On these lands, Interior manages over 119,000 leases for such things as mineral development, oil and gas extraction, and grazing. It also manages approximately \$4.6 billion in trust funds. For fiscal year (FY) 2013, income from financial assets and from leases, settlements and judgments, use permits, and land sales, totaling approximately \$791 million, was collected for about 393,000 open IIM accounts. Approximately \$642 million was collected in FY2013 for about 3,000 tribal accounts (for over 250 tribes).

OST and other bureaus and offices within Interior follow the trust principles first issued in April 2000 with Secretarial Order 3215, and incorporated into the Departmental Manual (303 DM 2). These trust principles provide for the proper discharge of the Secretary's trust responsibilities for administering Interior's Trust Administration System (TAS).

IIM Trust Fund Independent Audit Outcome is "Clean"

OST's independent annual audit, completed November 18, 2013, by KPMG LLP, resulted in an unqualified opinion for the Individual Indian Money (IIM) Trust Fund financial statements for fiscal year 2013. This is the first time the audit has resulted in an unqualified opinion, informally referred to as a "clean" audit, since the initial audit was prepared in 1995.

OST took over the trust funds management in 1996. Since that first audit in FY1995, OST has corrected more than 47 deficiencies and seven material weaknesses. Current and past annual audits are available on the OST website at www.doi.gov/ost/audit.





Supporting the Terms of the *Cobell* Settlement *Secretarial Commission on Indian Trust Administration and Reform*

The Secretarial Commission on Indian Trust Administration and Reform (Commission) was tasked with conducting a comprehensive evaluation of the Department of the Interior's management of more than \$4 billion in American Indian trust assets and offering recommendations for improvement. The Secretary named five prominent American Indians to the Commission in November 2011. The Commission presented its final report to the Secretary of the Interior in December 2013. (The report is available at www.doi.gov/cobell/commission/upload/Report-of-the-Commission-on-Indian-Trust-Administration-and-Reform_FINAL_Approved-12-10-2013.pdf.)

Over the two-year term of the Commission, OST personnel supported the Commission as it conducted an extensive outreach campaign to give American Indians and Alaska Natives an opportunity to provide input. OST-assigned staff supported the Commission as it held seven public meetings across the country and conducted five webinars. Events geared specifically to youth were conducted at three meeting locations. Summaries and transcripts from public and webinar sessions, as well as biographies of the five Commissioners, are available at www.doi.gov/cobell/commission.

OST provided direct administrative and technical support to the Commission, hired the Grant Thornton LLC consulting firm to support the Commission in completing its tasks, and coordinated extensive Interior-wide data gathering required by Grant Thornton under some very tight deadlines. To ensure that Commission members were well briefed, OST compiled documents containing background material about Interior's Trust Administration System as well as information regarding OST's history and the current operations of its programs. OST and Interior staff participated in detailed interviews with the Commission's consultant, Grant Thornton.

Land Buy-Back Program for Tribal Nations

The Secretary of the Interior established the Land Buy-Back Program for Tribal Nations (Buy-Back Program) to implement the land consolidation provisions of the *Cobell* Settlement. The settlement provides a \$1.9 billion Trust Land Consolidation Fund to consolidate fractional land interests across Indian Country. The Dawes Act (1887) divided reservations by allotting a number of acres on the reservation to each Indian head of a family, single person, or orphan child. Often, when an original owner of an allotment passed away, ownership of the tract was split among family members. Each person inherited an undivided interest in the original tract. The increasing number of owners per tract, or fractionation, has continued for many generations. Today, many

tracts have hundreds of owners. There is a negative economic impact of fractionation because 51 percent of a tract's owners need to agree before the tract can be developed or used for such things as grazing, mineral extraction, oil drilling, or other economic development. A tract with hundreds of owners is at a significant disadvantage to reach consensus for use of the land. Reaching consensus is further complicated because thousands of owners do not keep updated contact information on file with OST and, therefore, their whereabouts are unknown.

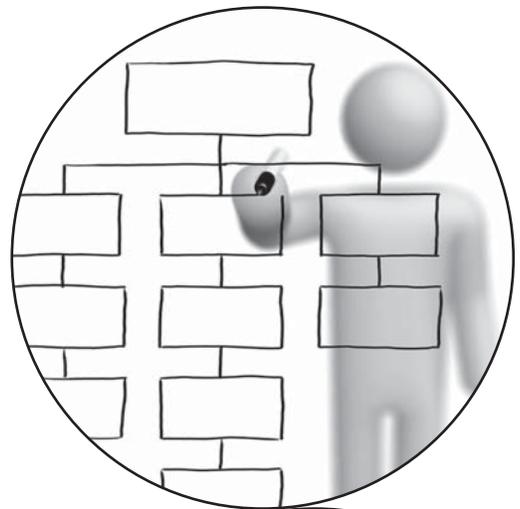
The Land Buy-Back Program is managed out of the Office of the Secretary within Interior. Operational aspects of the Buy-Back Program are housed within OST and BIA. Please reference www.doi.gov/buybackprogram/index.cfm for more information about the Buy-Back Program.

The Land Buy-Back Program Valuations (LBBPV) Division, within OST's Office of Appraisal Services, was created to complete land valuations for the Buy-Back Program. The LBBPV Deputy Director coordinates schedules and workload with the Program Manager of the Buy-Back Program. OAS and Interior's Buy-Back Program entered into a Memorandum of Understanding on May 24, 2013, to fund the cost of completing the land appraisals.

Land valuation, a technical process that provides a baseline or benchmark, enables decisions to be made about fair market values. The land valuation process ensures that impartial opinions of value are consistent with requirements identified in national appraisal standards.

In FY2013, OAS developed a valuation plan outlining methodologies to be used to determine fair market values for the Buy-Back Program. The Appraisal Foundation independently evaluated and approved OAS's real estate appraisal methodologies as complying with professional appraisal standards. OAS also developed and implemented a mass appraisal model, identified as the Mass Appraisal Valuation System (MAVS). It was successfully used to perform about 3,000 appraisals on two Indian reservations in South Dakota.

Many other OST personnel are supporting the Buy-Back Program in the areas of outreach, coordination, and informing field offices and tribes about LBBP initiatives. OST budget staff planned, tracked, and provided data on expenditures for appraisal work conducted for the Buy-Back Program. OST's Trust Beneficiary Call Center serves as a key source to answer questions and provide information about the Land Buy-Back Program. OST's Fiduciary Trust Officers also address many Buy-Back Program issues when they interact daily with beneficiaries. Trust Services collaborated with the Buy-Back Program to enable





- timely automated distribution of funds to IIM beneficiary accounts when a fractionated interest in land is purchased.

● **Cobell Settlement Payments**

- OST is working with offices within Interior, the Department of Justice, and Special Master Richard A. Levie, along with the claims administrator and the plaintiffs' counsel, to provide up-to-date beneficiary data for payments. The Trust Beneficiary Call Center and OST Field Offices responded to an extraordinary volume of beneficiary calls regarding the payments in FY2013. The *Cobell* Settlement Agreement assigned a Court-appointed claims administrator, Garden City Group, with the responsibility of identifying all Trust Administration Class members and calculating each member's pro rata share of the settlement funds.

- OST's technical assistance resulted in the successful distribution of the majority of payments for Historical Accounting Class (HAC) members during December 2012. Of the 288,049 HAC payments made, 94 percent were cashed. The total amount paid and cashed was \$279,163,000 (223,508 checks cashed and 55,655 EFT transfers). OST continues to work with the claims administrator to locate additional members of the HAC. As of mid FY2013, a total of 496,965 Trust Administration Class (TAC) members had been identified.

● **Managing Financial Assets of the Indian Trust**

- Despite operating under a continuing resolution and hiring freeze, OST accomplished a significant amount of work in FY2013 on behalf of individual Indian and tribal beneficiaries. Many efforts resulted in cost savings, in addition to improved services. OST continues to be a premiere public service organization. Significant accomplishments include the following.

● **Beneficiary Services**

- – Received \$1.4 billion and disbursed \$1.2 billion from tribal and individual Indian beneficiaries' accounts (73% disbursed electronically)
- – Managed 393,000 IIM accounts and 3,000 tribal accounts
- – Processed and reconciled more than 37,000 transactions daily (9.3 million annually)
- – Processed approximately 789,000 disbursements, about 233,000 issued electronically (30%) and about 556,000 issued by paper check (70%)
- – Provided 880,000 periodic performance statements to beneficiaries
- – Prepared more than 15,000 tax forms
- – Processed approximately 8,835 probate packages
- – Updated mailing addresses for 32,885 IIM accounts that were whereabouts unknown (account without current address information on file with OST) and disbursed \$37.9 million to those account holders



- Received 230,479 calls at the Trust Beneficiary Call Center and achieved an overall first-line resolution rate of 95% (industry average 49%)
- Performed 147,449 Routine File Maintenance (RFM) account updates, of which 29,972 were requests for one time disbursements that totaled \$97,296,706 (funds were received by beneficiaries within three days)
- Achieved on-time mailing of more than 1.2 million documents, including 290,902 checks; 824,749 IIM statements and 6,361 tribal statements; 496,108 oil and gas statements and/or checks; 48,104 advice notifications; and 11,729 special mailings

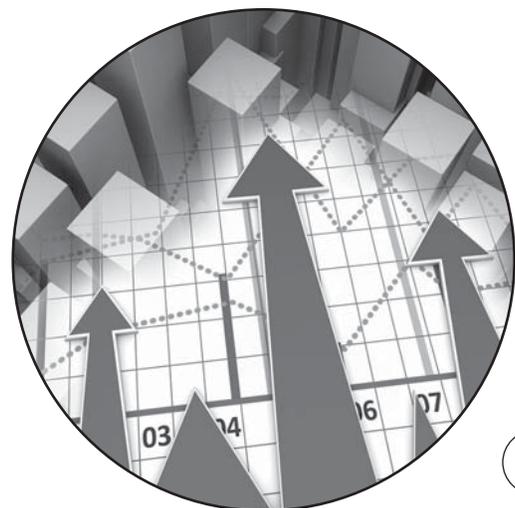
Self-Determination/Empowerment

- Invested \$4.6 billion of trust fund assets to help meet the needs and objectives of tribal and individual Indian beneficiaries
- Presented 364 financial empowerment courses to trust beneficiaries
- Contracted with a Native American storyteller and an illustrator to write and illustrate a series of six stories to educate Indian youth about financial skills as part of OST’s financial empowerment effort
- Developed a social media presence by creating and launching 50 Facebook pages, associated with 100 new website pages that highlight local staff, events, and Whereabouts Unknown lists
- Operated 35 agreements with contracting and compacting tribes under Public Law 93-638 Indian Self Determination and Education Assistance Act
- Communicated with tribal leaders and organizations, beneficiaries, and other stakeholders by producing the quarterly Trust Matters newsletter, news releases, the FY2012 annual report to Congress, posters, updates to brochures and other existing publications, and producing new publications
- Revamped the OST policy structure to emulate Indian Affairs, converted OST directives to a new format, and created a policy and directives section on the OST website



Workplace Improvements

- Completed negotiations for consolidation of OST office space in Albuquerque for a 50 percent space reduction, resulting in future annual lease savings of \$1.5 million dollars
- Conducted safety and security inspections of 28 facilities to ensure safe working environments and completed reviews of transactions on 83 charge cards to deter inappropriate use of OST funds
- Negotiated lower costs for use of a Continuity of Operations alternate work site
- Developed or arranged for the delivery of a wide range of employee training and expanded computer based training offerings, resulting in minimized travel expenses





Appraisals

- Established a new Valuations Division within the Office of Appraisal Services to support the Land Buy-Back Program for Tribal Nations
- Completed a total of 3,431 appraisals

Records/Litigation Support

- Received 16,766 boxes of inactive Indian trust records at the American Indian Records Repository (AIRR) from Interior offices
- Accommodated approximately 384 visiting litigation researchers at AIRR
- Delivered 731,743 documents (1,890,667 pages/images) to Interior's Office of the Solicitor and to DOJ for privilege and confidentiality reviews as part of the government's effort to respond to formal discovery requests of the Navajo Nation's tribal trust litigation
- Updated Trust Fund Expedited Settlement Evaluation Method (ESEM) calculations for 26 tribes or tribal entities
- Compiled a database of over 39,000 per capita beneficiary names in support of Pembina Judgment Fund litigation settlement efforts
- Disbursed \$343,240 Special Deposit Account (SDA) funds
- Combined the work processes for the Youpee and SDA projects, resulting in reduced contractor costs (The Youpee project began in April 2009 to distribute a total of \$7.8 million, with interest, from 453 accounts involving over 300,000 transactions; \$3.8 million remains to be distributed. There are 10,254 SDAs, involving \$10,523,824, plus interest from December 31, 2002, remaining to be resolved and distributed.)
- Eliminated the backlog of Records Move Requests and improved the processing of requests with 87 percent being completed within five days
- Reorganized divisions within OST's Office of Records Management to reduce payroll costs, add flexibility to assign resources, and provide promotional opportunities for entry level temporary staff
- Processed numerous Freedom of Information Act requests from beneficiaries to support potential claims under the *Cobell* Settlement

Process Efficiencies

- Developed a system that reduced daily processing of Interior's Office of Natural Resources Revenue cash receipts from approximately two hours to five minutes and eliminated errors related to manual encoding
- Developed an application that automatically uploads Intra-governmental Payment and Collection system and electronic funds transfer data into the Trust Asset and Accounting Management System (TAAMS), reducing processing time and eliminating errors due to manual encoding



- Developed an automated process to provide oil and gas distribution information from TAAMS to OST, replacing a manual download process that often took days to complete
- Enhanced the Office of Appraisal Services Information System (OASIS) to extract pertinent property data from TAAMS in order to generate more accurate and efficient appraisal requests
- Enhanced market studies used to determine a high volume of agricultural rents to expedite agricultural lease renegotiations
- Reduced the appraisal request backlog within seven of the twelve OAS regions — ending FY2013 with no appraisal requests in backlogged or past due status within these seven regions
- Tested the design and operating effectiveness of internal controls within 33 OST programs through internal control reviews
- Implemented an audit software solution, gaining efficiencies in audit planning, audit tracking, monitoring risks, tracking and monitoring corrective actions, and the use of electronic work papers
- Developed a new comprehensive Risk Management Handbook that incorporated requirements in OMB Circular A-123
- Launched a series of monthly email interviews with OST Fiduciary Trust Officers (FTOs) to enhance tribal leaders’ knowledge of the responsibilities and authorities of FTOs
- Developed an ethics charter and ethics policy

Information Technology

- Migrated 99 percent of production servers (both physical and virtual) to the BIA Albuquerque Data Center
- Completed migration of all OST users to the new Interior email and collaboration system, BisonConnect, the first major IT Transformation initiative
- Conducted a pilot project to provide online access by IIM account holders to their accounts via StrataWeb, a web-based application currently being used only by tribes for access to their accounts
- Partnered with BIA to provide greater operational security for the IT trust environment

Planning for the Future

Producing a comprehensive strategic plan was a key recommendation of the *Examination, Evaluation, and Recommendation Analysis of the Department of the Interior’s Office of the Special Trustee for American Indians Study (Efficiency Study)* conducted by Booz Allen Hamilton, Inc. in FY2012. Significant effort was expended in FY2013 to produce OST’s strategic plan for FY2014-FY2018. Under management’s guidance, all offices within OST participated in creating the plan.

This comprehensive strategic plan is aligned with the Department’s strategic plan and will generate costs savings and efficiency improvements over its five year timeframe. Progress on individual





action items in the plan will be tracked and the overall plan will be updated as tasks are completed.

OST Vision Statement

To be the premier public service organization dedicated to the Indian Fiduciary Trust

OST Mission Statement

To honor our trust responsibilities by incorporating a beneficiary focus and participation while providing superior stewardship of trust assets

OST Values

To consistently and effectively provide quality service to our beneficiaries while displaying integrity in our actions, excellence in our work, and mutual respect and teamwork in our interactions

Service - OST employees recognize and appreciate that public service is a public trust. We consistently put service above self and honorably administer, and are responsive to, the needs of our beneficiaries – American Indian tribes, individual American Indians, and Alaska Natives.

Integrity - OST employees behave ethically and honestly and inspire trust by saying what we mean, aligning our behaviors to our words, and taking responsibility for our actions.

Excellence - OST employees see excellence as a process of continuous improvement and learning, never settling for mediocrity. We consistently strive to produce the highest quality work product in all of our assignments and activities, while being committed to innovation and creativity.

Respect - OST employees value diversity and unique contributions, foster a trusting, open, and inclusive environment, and treat stakeholders and each other with kindness, dignity, equality, professionalism, and trust.

Emotional Intelligence - OST employees use, understand, and manage our emotions in a positive, constructive way. We develop and maintain good working relationships, communicate clearly and foster collaboration across the organization, inspire and influence others, work well in a team and manage conflict, all while striking an appropriate work-life balance.

Looking Forward: FY2014

In FY2014 and beyond, Interior will maintain its emphasis on improving services to beneficiaries of the Indian trust. The following projects commenced in FY2013 and are expected to come to fruition in FY2014.

Routine File Maintenance (RFM) Paperless System

OST is developing a paperless system to process almost 150,000 RFM requests it receives each year. RFM requests include one-time disbursements, address changes, name changes, social security number updates, telephone number updates, minor account updates, and account restrictions.

In FY2013, work began on an application that will be web-based and available to all OST Field Operations staff who initiate account updates. Under the old process, the length of time for a transaction to be completed was five to ten days. The new application will result in requests that could be initiated and processed on the same day.

Control Desk Software

A major software revision is in the works to timely and accurately process trust transactions. Currently, OST's Trust Services uses a paper-based system to track work. The new "control desk" software will track a work request from the time it comes in until it is completed. The new software will not only track the work but it will create a paperless system, which will cut costs and reduce processing time. Moving to a system that is paperless means that employees will be able to work from different locations, creating the opportunity for employees to telework. The benefits of teleworking include improved work/life balance, reduced office space costs, and less traffic and reduced emissions into the environment.

Royalty Account Reconciliation Engine Software

OST will enhance the functionality of the Royalty Account Reconciliation Engine (RARE), a software tool used to reconcile oil and gas royalty collections received from the Office of Natural Resources Revenue, processed through Indian Affairs and then disbursed by OST. Enhancements include more efficient transaction matching algorithms, more detailed reports, and greater flexibility for the reviewer to ensure that all transactions are properly reconciled.

Interagency Check Printing

OST continues discussions with the U.S. Department of the Treasury to transition to Treasury the printing and mailing of trust fund statements and checks. OST's lockbox operations may also be assumed by Treasury. This move would reduce costs and improve efficiencies.

Data Storage Consolidation

Discussions have already been initiated with BIA and Interior's Office of the Chief Information Officer regarding the consolidation of data storage services at co-located field locations. Due to aging file servers at such OST/BIA field sites, OST will leverage and use BIA's newer and more robust data storage infrastructure in FY2014. The partnership will enable both organizations to save money, reduce their physical footprint, and improve service to OST users.

Conclusion

OST will continue its critical role in the oversight and operations of the fiduciary trust in accordance with all applicable Congressional actions and regulatory requirements. OST's activities will ensure the proper discharge of the fiduciary trust responsibilities of Interior's Trust Administration System.





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