

August 28, 2006

## **ITMA MONITORING REPORT Of OST ACTIVITIES**

On July 12, 2006, ITMA representatives Majel Russell and Mary Zuni-Chalan accompanied Donna Erwin, Principal Deputy Special Trustee and two other OST staff persons on a visit to the commercial "lock box" site in Prescott, Arizona.

### **Purpose and Intent of "Lock Box" System**

A commercial lock box system is a process offered to commercial businesses to collect and expeditiously process account payments. Lock box systems are widely utilized by mortgage companies, credit card companies, financing entities, public utilities and any other businesses that receive a large volume of payments. A lock box system relieves the business of the time-consuming clerical functions of receiving payments, recording to the proper account, copying and then depositing.

The Department of Interior Office of Special Trustee began contemplating a lock box system approximately eighteen months to address the documented delays between the receipt of trust lease and asset payments by field BIA agencies and eventual deposit into Individual Indian Money accounts. The OST "As Is" review of existing BIA processes revealed that trust lease and asset payments were not timely deposited due to the numerous necessary clerical functions performed by several departments for each payment. In an effort to streamline the collection and deposit of trust lease and asset payments, consistent with the goals of the Fiduciary Trust Model, a commercial lock box system was implemented in August, 2005 to receive and process all trust lease and asset payments on behalf of IIM account holders.

### **Description of the Lock Box Center**

OST finalized a contract with the Bank of America to provide a commercial lock box system for all trust lease and asset payments made to the Bureau of Indian Affairs on behalf of individual Indians. Bank of America subcontracts the lock box process to CDS, a national lock box payment processing service. Thus, OST itself does not directly handle or process the payments. CDS has numerous locations throughout the United States and the Prescott center is a new site with a

separate, secure area for the processing of trust payments. CDS has trained and obtained heightened security clearance for fifteen staff persons to process the trust payments. All activity in the space to process trust payments is videoed at all times and the center has back-up generators to operate equipment upon a power failure. These measures exceed usual security standards for lock box systems. In total, CDS handles sixteen million transactions per year for numerous commercial clients at the Prescott center.

### **Steps in the Lock Box Process**

Upon implementation of the lock box system, OST requires all lease rental and trust asset payments to be made directly to the Prescott, Arizona lock box location for receipt and immediate processing of the payments. Each BIA field agency has its own post office box in Prescott, Arizona for receipt of lease and asset payments. BIA field agencies are not to accept any payments but instruct the lessees to send payments directly to the lock box. Field office staff will provide an envelope with the correct box number in Prescott for the lessees until lessees receive payment coupons. The steps in the processing of payments include:

- (1) The major sorting of mail by post office box for each individual field BIA agency occurs in Phoenix, Arizona and arrives in Prescott at the CDS center by 7:30 a.m.
- (2) The CDS staff receives all mail in the central mailroom and conducts a second sorting of the mail to insure that no mail for other clients is included in the OST/BIA mail.
- (3) The OST/BIA mail is then transferred into the secure and separate room designated to process the payments.
- (4) All mail is opened by staff and imaged with a highly sophisticated machine equipped with seven types of software that reads the check and determines what account it should be credited to. All paper sent to the lock box, including the envelope, is imaged in "batches".
- (5) After imaging, the checks are "keyed in" to a computer system by batches and the software totals each batch for deposit.
- (6) Deposit totals (including the actual checks) are transported by a courier to the Bank of America in Prescott, Arizona where they are immediately deposited by the close of each business day.
- (7) All imaged batches of material, including envelopes, coupons, notes, etc. are sent to OST offices in Albuquerque, New Mexico for storage.

The CDS Center is capable of processing 150,000 trust lease and asset payments per year. This past year, the center has processed approximately 60,000 trust payments but the number will rise upon the issuance of payment coupons directly to lessees. The imaging and "keying-in" processes replace the manual BIA systems of logging, copying, recording and forwarding to Albuquerque for deposit. Any correspondence received with the payment or sent to the BIA agency lock box with a question is forwarded to the OST Call Center in Albuquerque, New Mexico.

## **Direct Pay and Minerals Management Payments**

Many trust landowners who receive payments directly from their lessees for trust land leases rather than receipt of payments via their IIM accounts have expressed concerns about the lock box process. Many landowners have developed a relationship with their lessees that allows them to draw advances on their upcoming rental payments or negotiate their own rental rates. OST is considering the direct pay concerns and is finalizing a form for lessees to submit verifying that payment has been made directly to the landowner. The form would then be sent to the lock box and processed to insure proper recording.

Mineral royalty payments to landowners by the Minerals Management Services (MMS) are not currently paid into the lock box. OST is proposing that MMS also utilize the lock box system and these discussions are underway.