
Office of Inspector General

Mission—The mission of the Office of Inspector General is to promote excellence, accountability, and integrity in the programs, operations, and management of the Department of the Interior.

Program Overview—The OIG assists the Secretary and the Congress by targeting resources toward oversight of the Department's most serious management and program challenges, and toward high risk areas vulnerable to fraud, waste, abuse, and mismanagement. The OIG is responsible for independently and objectively identifying risks and vulnerabilities that directly impact or could impact Interior's ability to accomplish its mission. The OIG is required to keep the Secretary and the Congress fully and currently informed about problems and deficiencies relating to the administration of Departmental programs and operations. Effective implementation of this mandate addresses the public's demand for greater accountability and integrity in the administration of government programs and operations and the demand for programs that work better, cost less, and get the results about which Americans care most. The OIG headquarters is located in Washington, D.C. with field offices and staff in locations across the continental United States, the U.S. Virgin Islands, and Hawaii.

Budget Overview—The 2008 budget request for the OIG is \$42.3 million, which is \$3.8 million above the 2007 continuing resolution and \$1.6 million above the 2007 President's budget. In addition to the changes described below, the request includes a \$2.2 million increase to restore the priorities of the 2007 President's budget that are not included at the 2007 continuing resolution level, including funding fixed costs and implementing other program enhancements and reduction proposals included in the 2007 President's budget.

Fixed Costs—Fixed costs for the Office of Inspector General are fully funded at \$1.6 million.

Office of the Special Trustee for American Indians

Mission—The Office of the Special Trustee for American Indians provides fiduciary guidance, management, and leadership for both tribal trust accounts and Individual Indian Money accounts. The OST oversees and coordinates the Department's efforts to establish consistent policies, procedures, systems, and practices throughout Interior for the Indian fiduciary trust. The OST has operational responsibility for financial trust fund management, including investment, receipt, disbursement of Indian trust funds, and for real estate appraisals on Indian trust lands. The Bureau of Land Management, the Minerals Management Service, the Bureau of Indian Affairs, as

well as the Secretary's Office of Hearings and Appeals and the Office of Historical Trust Accounting carry out additional trust functions of the Department.

Program Overview—The OST manages over \$3.3 billion of funds held in over 1,450 trust accounts for more than 250 Indian Tribes, and over 300,000 open Individual Indian Money accounts. The balances that have accumulated in the trust funds have resulted generally from judgment awards, settlement of claims, land-use agreements, royalties on natural resource use, other proceeds derived directly from trust resources, and financial investment income.

The Interior Department has developed a comprehensive and systematic plan to reform the management of its trust responsibilities, the Fiduciary Trust Model. The status of the implementation of the FTM has been described in the reports provided to the U.S. District Court in *Cobell v. Kempthorne*. The FTM includes a reorganization of Interior's fiduciary trust offices to improve delivery of services, effectiveness, and accountability of trust operations; and the re-engineering of Interior's fiduciary trust business processes and systems to ensure that the Department meets its fiduciary trust goals and objectives.

The primary concept of the FTM, working in partnership with the beneficiaries, is to improve the business processes for the delivery of services to tribal and individual Indian beneficiaries by standardizing, streamlining, and automating these processes and services. Progress to date on the FTM includes hiring Indian land surveyors and initiating the certified Federal surveyor program; establishing the Division of Indian Probate Hearings within OHA; hiring staff to serve as the primary point of contact for beneficiaries; opening the toll-free Trust Beneficiary Call Center; implementing a nationwide lockbox system for the collection of trust payments; developing interagency handbooks and desk operating procedures for the standardized and streamlined business processes; enhancing appraisal functions and developing an appraisal tracking system; identifying and implementing trust related skills models for hiring and training fiduciary trust professionals; updating Federal regulations in support of the FTM; and redesigning the minerals valuation process. In addition, new technology that includes enhanced title and realty modules of Trust Asset Accounting Management have been implemented at nearly 50 percent of BIA offices, which accounts for approximately 80 percent of all recurring dollars that flow through the trust and more than 70 percent of the trust accounts.

On January 6, 2003, the Department submitted the *Historical Accounting Plan for Individual Indian Money Accounts* to the U. S. District Court. The plan addresses the process

to conduct a historical accounting for about 260,000 IIM accounts as directed by the court. The cost to complete the plan was estimated to be \$335 million.

On November 15, 2005, the Court of Appeals for the D.C. Circuit vacated a February 23, 2005 structural injunction imposed by the District Court in the *Cobell* litigation that called for a transaction-by-transaction accounting for all transactions back to 1887 at an expected cost of \$10 to \$12 billion. The Court of Appeals ruling specifically allows the use of statistical sampling as part of the IIM historical accounting. Interior is considering revising its January 6, 2003 accounting plan, based on the information now available from the work of the past three years, and the appellate court decision vacating the District court's structural injunction. The process will consider lessons learned from work already completed, removal of the structural injunction, statistical sampling parameters, and accounting costs.

Budget Overview — The 2008 OST budget requests \$196.2 million in current appropriations, \$186.2 million for Federal Trust programs and \$10.0 million for Indian Land Consolidation, which is \$15.4 million above the 2007 continuing resolution, and \$48.4 million below the 2007 President's budget. In addition to the changes described below, the request includes a \$63.7 million increase to restore the priorities of the 2007 President's budget that are not included at the 2007 continuing resolution level, including funding fixed costs, and implementing other program enhancements and reduction proposals included in the 2007 President's budget.

The 2008 OST budget includes a net reduction of \$3.6 million for Trust Reform programs. The reduction is the result of efficiencies realized from trust reform initiatives, completion of certain tasks done under contract and spreading the costs of some tasks over a longer period of time. There is also a reduction in appraisals of \$1.2 million for mineral valuations associated with Indian Land Consolidation that will be charged to ILCA on a reimbursable basis. The budget also includes a reduction of \$345,000 for positions that will now be funded by BIA. The OST budget includes a \$143,000 increase for an FBMS program change.

Historical Accounting — Within the OST request is \$60.0 million for the Office of Historical Trust Accounting, an increase of \$3.6 million over 2007. This amount will provide approximately \$40.0 million for IIM accounting, and \$20.0 million for tribal accounting. This amount may be revised depending on the outcome of any further court rulings in *Cobell v. Kempthorne* or congressional action.

Within the \$40.0 million proposed for individual accounts, a total of \$3.5 million would be used to complete

the reconciliation of the remaining 5,000 judgment and per capita accounts and mail historical statements of account. To address land-based transactions, Interior will use \$28.5 million to reconcile 1,000 land-based IIM transactions; continue imaging and coding 500 boxes of jacket folders and digitize 100,000 paper ledgers, resulting in the imaging and coding of three million pages of trust documents; and continue data completeness validation for a total of eight BIA regions. An additional \$4.0 million will be used to resolve the proper ownership of residual balances in special deposit accounts and distribute \$2.5 million in account balances to Tribes, individual Indians, and non-trust entities. In addition, \$4.0 million will be used for on-going litigation support costs associated with both individual and tribal cases for work provided by the Solicitor and the Department of Justice.

The \$20.0 million for tribal cases will support analysis and resolution of tribal claims and potential settlement negotiations with Tribes. It will also fund four tribal claims analyses. The December 31, 2006, expiration of a legislative stay of the statute of limitations resulted in Tribes filing about 70 more lawsuits, one of which is a class action suit on behalf of about 250 Tribes.

Indian Land Consolidation — One of the greatest challenges facing the Federal government regarding fiduciary trust management is the fractionation of 3.2 million individual Indian interests in the land that the Federal government holds in trust. The Indian Land Consolidation program, which acquires small ownership shares in allotted lands from willing sellers, is a key component in trust reform and management.

With each successive generation, the individual interests in the land have become further divided and subdivided among heirs, each of whom get a smaller and smaller interest in the land. The cost of Federal resources necessary to undertake accounting and management responsibilities grows accordingly and the feasibility of using these lands for purposes that will generate income for individual Indians and Tribes declines. The ownership of many disparate, uneconomic, and small interests benefits no one in Indian Country and creates an administrative burden that drains resources away from other Indian programs.

Through September 30, 2006, the program has acquired a cumulative total of 261,569 interests. Over 85 percent of the interests purchased were interests of less than two percent ownership in the respective tracts of land. The nationwide program utilizes contractual arrangements with Tribes or private entities to purchase individual interests on behalf of the Department.

Once interests are purchased, title can be transferred to the Tribe. Purchase of fractional interests reduces record

keeping and large numbers of small dollar financial transactions, and decreases the number of accounts subject to probate. As a result of Indian land consolidation purchases, Tribes now have 100 percent ownership of 227 tracts previously owned by individual Indians.

The 2008 budget proposes funding of \$10.0 million for Indian land consolidation, which is \$20.7 million below the 2007 continuing resolution, and \$49.4 million below the 2007 President's budget. New provisions in the Ameri-

can Indian Probate Reform Act of 2004, which became effective in June 2006, should substantially reduce the rate of fractionation and have a corresponding impact on the future direction of the program. In addition, the program is studying acquisition strategies, such as targeting selected highly fractionated tracts, to see what approach is the most effective.

Fixed Costs — Fixed costs for OST total \$2.4 million and are fully funded.

APPROPRIATION: Office of Special Trustee for American Indians

	2006 Actual	2007 CR	2008 Request	Change from 2007
Federal Trust Programs				
Executive Direction.....	2,199	2,150	2,190	+40
Impact of the CR (non-add)		[-407]		
Program Ops, Support, & Improve.....	186,575	182,886	183,968	+1,082
Impact of the CR (non-add)		[-34,593]		
Net Transfers.....	+3,000	0	0	0
TOTAL APPROPRIATION (without CR)	191,774	185,036	186,158	+1,122
Impact of the Continuing Resolution...		-35,000		+35,000
TOTAL APPROPRIATION (with CR)	191,774	150,036	186,158	+36,122

Highlights of Budget Changes

	Amount
Fixed Costs	[+2,445]
Impact of the Continuing Resolution	+35,000
Program Operations and Support	+1,082

Program increases include increased funding for historical accounting activities (+\$3,647) and an increase for budget, finance, and administration (+\$143). Decreases in funding as a result of program reviews and completion of trust related reforms include a reduction in the OST reengineering program (-\$500); a decrease in probate clean up (-\$1,100); a decrease in special projects (-\$500), and a decrease as a result of completion of certain data quality and integrity projects (-\$1,500). Other program changes include a reduction in appraisal services for activities that will be funded through a reimbursable agreement with ILCO (-\$1,168) and a base transfer from trust records to BIA (-\$345). Fixed costs are fully funded at \$2,405.

APPROPRIATION: Indian Land Consolidation Program

	2006 Actual	2007 CR	2008 Request	Change from 2007
TOTAL APPROPRIATION (without CR)	34,006	59,449	10,000	-49,449
Impact of the Continuing Resolution...		-28,702		+28,702
TOTAL APPROPRIATION (with CR)	34,006	30,747	10,000	-20,747

Highlights of Budget Changes

	Amount
Impact of the Continuing Resolution	+28,702
Indian Land Consolidation	-49,449

Funding is decreased for land consolidation efforts to acquire highly fractionated individual Indian land interests (-\$49,449).