

HISTORICAL ACCOUNTING FOR INDIVIDUAL INDIAN MONIES

A Progress Report



DEPARTMENT OF THE INTERIOR
INDIAN SERVICE

AMOUNT	PD	NO	DATE	BANK	BALANCE	AMOUNT	DEPOSITS	PARTICULARS
								MAY 31 1924
100 00	JUN 30	20000	1924					
25 00	JUN 30	1	1924					
44 31	JUN 30	2	1924					
160 00	JUL 31	3	1924					
100 00	MAY 31	4	1924		236800 71			BALANCE MAY 31 1924
50 00	JUN 30	5	1924		260083 21	22832 50		DEPOSITED JUNE 2 1924
70 50	JUL 31	6	1924			500 00		DRAFT 1ST NATL BK DUSTIN G 2-24
200 00	JUN 30	7	1924			1575 00		DEPOSITED JUNE 2 1924
314 01	JUN 30	8	1924			16892 48		DEPOSITED JUNE 4 1924
2 50	JUN 30	9	1924			6094 21		DEPOSITED JUNE 4 1924
						10657 31		DEPOSITED JUNE 6 1924
								JUN 6 1924
								PURPOSE
								NO 250 T
								MAY 9 JUNE 21 PAY
								NO 218 12 17 25
								NO 250 T
								MAY 8 JUNE 1921 PA
								NO 250 T
								NO 250 T
								WEST NATL BNK
								NO 308 T
								EDGEE KING
								WARRFAX HIGH SCHOOL
								NO 624 T
								MAY SPEARS GROCERY
								NO 624 T
								MINOR FUNDS HERBERT
								MASTER DECISION
								NO 255 T
								MINOR FUNDS FRED
								MASTER DECISION
								NO 255 T



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United States Department of the Interior
OFFICE OF HEARINGS AND APPEALS
FEDERAL BUILDING, ROOM 3633-3427
230 NORTH FIRST AVENUE
PHOENIX, ARIZONA 85025

IN REPLY REFER TO:
INDIAN PROBATE NO.

Form NO. 4-4213
DEPARTMENT OF THE INTERIOR
BUREAU OF INDIAN AFFAIRS
Form approved by Comptroller General, U.S.
May 14, 1941

ORDER

FIELD RECEIPT

Received of _____ Name _____
Address _____ P.O. Box 1815
Bethel, Alaska 99559

Dollars & ⁵⁴/₁₀₀ Dollars (\$ 283.62)

and other negotiable papers, give description, including
date, numbers, etc.)

DATE	QUANTITY	UNIT PRICE	AMOUNT
			\$ 283.6
TOTAL,			\$283.62

Order #70866102
2-16-84.
CD 160856 2/22/84
14X
EOO-01/X/ /00/

February 17, 1984
(Date)
Bethel Agency
(Unit)
Collector's Copy

(Signature of collecting employee)
Collection Agent
(Position)
AGENCY COPY
COLLECTOR'S COPY
AREA OFFICE COPY

ORIGINAL

Form 4-1964 - July 1968
Form Approved by
Comptroller General, U.S.
April 6, 1958

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF INDIAN AFFAIRS

INDIVIDUAL INDIAN ACCOUNT LEDGER

Priscilla ()

PREVIOUS BALANCE	DATE	DOCUMENT NO.	DESCRIPTION	CHARGES (DEBITS ETC.)	CREDITS (CREDITS ETC.)	BALANCE
	7-1-69		Bal. Fwd.			6.314
6.31	7 108	JVM 35	IRVIN A			
8.31	8 108	JVM 135	SOUTH MTH			
230.91	12 110	DOCL 351338	SELF 1 4.3			
302.05	12 110	DOCL 351338	SELF 1 4.3			
	12 110	DOCL 351668	SALT RIVER PIMA- HSING AUTH.	230.91	2.00	4.31*
		12 110	SELF 1 4.3	180.00	222.60	230.91*
				214.05	392.05	3 4.05*
						.00*

1. That Ch was born February

2. That at property, real a listed on the inv

3. That c inherited intere No. , meet t Act, as amende

Section 2 481 U.S. the United Ste to Section 207.

FINDINGS

This is a pro Unallott Indian Reservation

Upon receipt April 22, 1988

Unallotted Pima, Salt River Id. No. Deceased.

In the Matter of the Estate of

Examples of documents used in reconciling account transactions.

Message from the Secretary

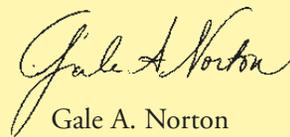
For several years, the Department of the Interior has been involved in an accounting project of unprecedented proportions. Among other things, Interior has been ordered by the district court in *Cobell v. Norton* to document every dollar it has received and disbursed on behalf of individual Indians since 1887—a task that encompasses billions of dollars, hundreds of thousands of accounts, and tens of millions of account transactions. Under the district court's order, Interior must verify the accuracy of every transaction in its individual Indian account ledgers by reference to the supporting documents. No other federal financial system—not the tax collection system, the Social Security system, or the Medicare system—has ever been tasked with an undertaking of this type and scope.

The resources necessary to accomplish this task are staggering—estimated at more than \$12 billion. Although the district court's order has been stayed pending appeal, Interior has nonetheless continued its accounting work, consistent with its own 2003 accounting plan and the funding provided by Congress, and has made substantial progress.

Interior's experience in conducting its accounting has revealed that a very high percentage of financial records are available—a quarter of a billion pages of Indian records have been collected and electronically indexed. Interior's accounting experts have uncovered no evidence of fraud or widespread systemic error in the U.S. government's handling of the individual Indian monies accounts, and the few errors that have been found are generally small in monetary value. This picture is significantly different from that offered by Interior's critics.

This brochure reports on the progress Interior has made in its historical accounting effort. I am very proud of the historical accounting work Interior has accomplished thus far, through its dedicated employees and an impressive group of outside contractors. The reported results provide some needed perspective on the allegations that have been made against the Department about its handling of individual Indian monies, and will, I hope, inform Congressional deliberations as well.

Sincerely,



Gale A. Norton



Gale A. Norton
Secretary of the Interior



Judgment accounts are often established for Indian minors.

Executive Summary

The historical accounting work on individual Indian monies (IIM) accounts completed to date by the Department of the Interior supports several significant conclusions:

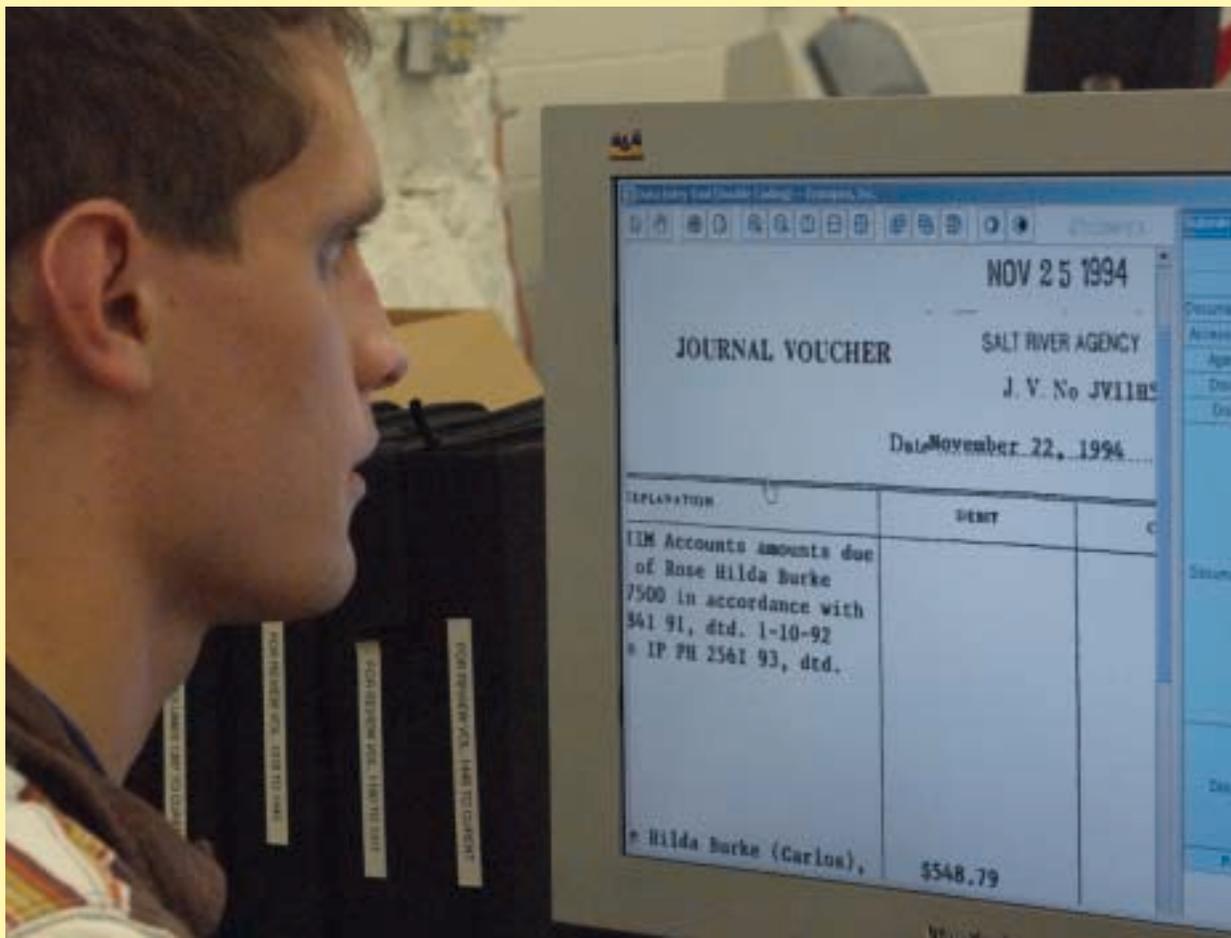
- Supporting contemporaneous records *do* exist and *can* be located for a very high percentage of accounts and transactions.
- Differences between supporting records and recorded transactions *are few in number, small in size, and not widespread or systemic.*
- There is *no evidence* that historical records have been altered or that hackers have tampered with electronic records.
- There is ample evidence that monies collected for individual Indians were distributed to the correct recipients—contrary to the claims of Interior’s critics.

Interior has completed a great deal of work to reach these conclusions:

- About a quarter of a billion pages of Indian records have been collected—with over 8 million relevant pages, some dating to the 1910s, digitally imaged and coded for search and retrieval.
- Interior’s accounting consultants, using these documents to reconcile (or compare) the *actual* IIM account transactions with the *expected* postings based on an examination of the original financial documents and ownership records:
 - have fully reconciled more than 25,800 out of a total of 42,218 Judgment and Per Capita IIM accounts (accounts based on payments to tribal members) with balances as of December 31, 2000, representing 56 percent of more than \$150 million in account balances; and
 - have reconciled nearly 17,000 transactions in Land-Based accounts (accounts that derive their income from the sale or use of land assets and resources), which in aggregate constitute 10 percent of all the dollars in such accounts.

- Some small differences have been uncovered that affect IIM accounts. While important to each affected account holder, in each portion of the accounting work to date, only about one percent of all the transactions reconciled has been found to be different from what was expected, some in favor of the account holder (overpayments), and some in favor of the U.S. government (underpayments).
- The aggregate value of the dollars posted that are different from the expected postings constitutes less than one percent of all the dollars reconciled.

Through the use of statistical samples, Interior is in a position to draw conclusions with a high degree of confidence about the overall accuracy of the transactions in the Land-Based IIM accounts covering the 1985–2000 period. Based on the sample findings, Interior's experts are highly confident that the difference rates for all disbursement and deposit transactions are very small, and that the vast majority of these differences are less than \$10.



About a quarter of a billion pages of Indian records have been collected—with over 8 million relevant pages, some dating to the 1910s, digitally imaged and coded for search and retrieval.



Historical Accounting: The Basics

of the Sisseton-Wahpeton Sioux Tribes Indians, part 1es... of the first part of... \$0

WITNESSETH, That said parties One Dollar, and other valuable in hand paid, the receipt of which is her unto said parties... of the second part on the

Government Lot 1 of Section Principal Meridian, EXCEPTING 1.75 Acres, described as: Block Lot 1, which point is 1320 feet of Pickeral Lake, a distance of the shore of Pickeral Lake. Section ; thence North a distance of 585 feet, more 32.85 acres, more or less. (88 Stat. §1468) amended by Subject to all valid existing

together with all the improvements part ies... of the first part, for do hereby covenant their heirs and assigns, the claim of all persons, claiming To have and to hold said heirs, executors, administrators IN WITNESS WHERE and seals.. the day and year WITNESSES:



Individual Indian Monies Trust Accounts

The General Allotment Act of 1887 directed that tribal lands be divided into parcels and given or allotted to individual members of Indian tribes. The initial individual Indian held the sole *ownership interest* in the allotment. As Indians died, often without wills, their heirs each received an *undivided interest* (or share) in the allotment.

Although much of the allotted lands has transferred from Indian ownership since 1887, individual Indians today own approximately 3.2 million undivided interests in approximately 10 million acres of trust lands. Because an individual Indian may inherit interests from several different ancestors, the total number of individuals who own interests is considerably smaller than the number of interests—only about 225,000. The U.S. government is the trustee for the lands and natural resources of individual Indians and for the monetary assets they generate. The Secretaries of the Interior and the Treasury manage those monetary assets through the individual Indian monies (IIM) accounts.

Requirements for Accounting

In passing the American Indian Trust Fund Management Reform Act of 1994 (the 1994 Reform Act), Congress imposed the following duty on the Secretary of the Interior:

The Secretary shall account for the daily and annual balance of all funds held in trust by the United States for the benefit of an Indian tribe or an individual Indian that are deposited or invested pursuant to the Act of June 24, 1938 (25 U.S.C. 162a).

In accordance with this duty, monies received today on behalf of individual Indians are reconciled on a daily basis, transactions are regularly reported to account holders (at least quarterly), and an annual audit of the IIM trust accounts is conducted by an independent auditing firm and reported to the account holders. Interior's current electronic accounting system (the Trust Fund Accounting System) is the same electronic system used by one-third of all U.S. banks.

Purpose and Scope of the Historical Accounting

The purpose of the historical accounting for individual Indian monies is to determine and verify the correctness of the opening balance in today's accounts. Ever since Interior began collecting funds for and disbursing these funds to Indians, it has maintained systems—first manual and now electronic—to record those transactions.

What Are Undivided Interests?

Undivided interests are expressed as a fraction of ownership of allotted lands—one-quarter, five-sixteenths, etc. Today approximately 225,000 owners have about 3.2 million interests in over 10 million acres of allotted lands.


Initial ownership of one Indian allotment =
One *ownership interest*



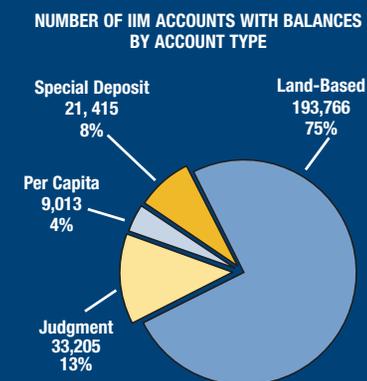
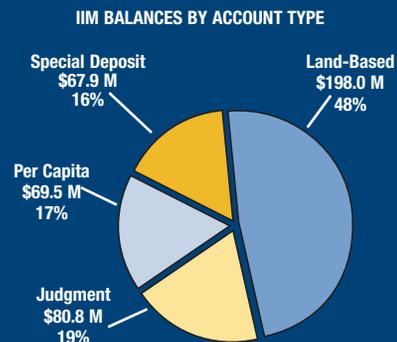
 = 1/4 Interests
As ownership passes to heirs, *ownership interests*
increase with each generation



 = 1/12 Interests
Each heir has an *undivided interest*
in the entire allotment

IIM Accounts as of December 31, 2000

Interior is examining four kinds of accounts that make up the trust funds held for individual Indians. Three-quarters of all IIM accounts are Land-Based accounts, and nearly one-half of the money in the IIM account balances are in Land-Based accounts.



Consequently, Interior has divided the historical accounting into two time periods: the electronic accounting era of 1985–2000 and the prior paper accounting era. Interior’s Historical Accounting Plan, issued January 6, 2003, includes all IIM accounts open on or after October 25, 1994 (the date of the 1994 Reform Act’s passage), through December 31, 2000 (the date by which all IIM account holders were receiving regular quarterly account statements). The Plan calls for Interior to provide each individual Indian a Historical Statement of Account—a history that includes the opening balance, every transaction that ever occurred in that account, and the ending balance, as recorded manually or electronically. Interior also plans to provide each Indian a statement of assurance regarding the accuracy of the Historical Statement of Account.

Types of Individual Indian Money Accounts

Interior has separated its historical accounting activities into four distinct types of IIM accounts: Judgment, Per Capita, Land-Based, and Special Deposit accounts. Each account type had dollar balances in them as of December 31, 2000.

JUDGMENT AND PER CAPITA ACCOUNTS

Individual tribal members received monetary distributions from their tribe from two general sources:

- funds paid to the tribe as a settlement or *judgment* award, and/or
- revenue the tribe earned on its activities (e.g., timber cutting, mineral extraction) and divided among tribal members as a *per capita* payment, similar to a dividend payment.

Most judgment and per capita payments were made directly to the tribal member, but minors and other individuals not eligible for direct payment were paid through IIM accounts. Interior has observed opening balance payments to individual accounts ranging from \$43 to \$15,370.

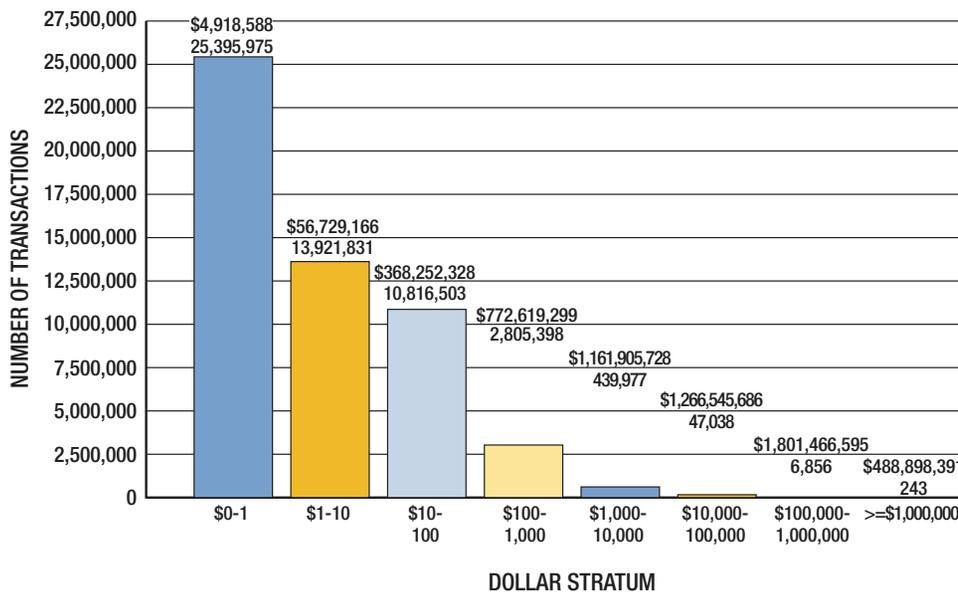
LAND-BASED ACCOUNTS

Some individual Indians received payments based on surface or subsurface leases or other permitted uses of their allotted land and resources. These uses include farming, grazing, rights-of-way, mining, timber, and oil and gas production.

Land-Based account balances and transactions ranged in value from less than \$1 to more than \$1 million. As land-based assets were inherited over time, the number of small payments continued to grow, along with the increasing number of undivided owner interests. This pattern continues today.

DEPOSIT TRANSACTIONS FOR THE ELECTRONIC ERA: 1985–2000

The overwhelming majority of deposit transactions during the electronic records era are small in value and cumulatively represent a small percentage of total deposits. For example, during this period, 93.8 percent of the individual deposits were for less than \$100 and represented 7.3 percent of total dollars received, while 0.1 percent of the individual deposits were for more than \$10,000 and represented 60.1 percent of total dollars received.

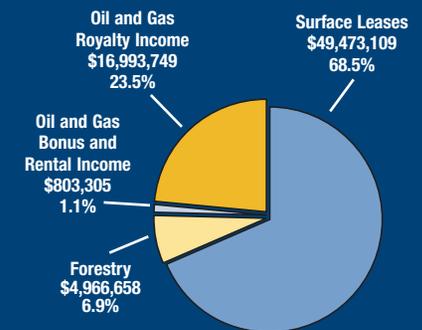


SPECIAL DEPOSIT ACCOUNTS

Interior designed Special Deposit Accounts (SDAs) to be temporary holding accounts for the deposit of funds that could not immediately be credited to their rightful owners. SDAs have been used for a variety of reasons, including instances where ownership could not be readily determined, where time constraints prevented distribution, or where an unresolved issue affected the handling of the funds. Research and analysis of all SDAs must be completed to determine their original source of funds and to properly distribute the funds.

LAND-BASED ACCOUNT RECEIPTS FOR CY 2000

Some individual Indians receive payments based on surface or subsurface leases or other permitted uses of their allotted land and resources. These uses include farming, grazing, rights-of-way, mining, timber, and oil and gas production.



Note:

Surface leases—Includes receipts from all types of real estate agreements, including farm and pasture leases, range leases, sand and gravel leases, land sales, rights of way, and business leases.

Forestry—Includes receipts resulting from timber contracts or related timber operations.

Oil and gas bonus and rental income—Includes receipts from lease agreements.

Oil and gas royalty income—Includes receipts from income generated from producing wells.

at 2 Members (Cash 4th gr 1879)

11 Paid J. Goldwater 2/13/80 for 12
 fawns @ \$500 @ \$6.00, 5 gal. Oil land @
 \$6.207 / Bueliskin @ \$1.50. (Cash 4th gr)

12 Paid J. Goldwater 7/13/80 for 40th dl
 @ 16¢ @ \$7.20 (Cash 4th gr 1879)

15th Issued to 220 Heads of Families 728
 5076 nations (see Issue Book) (Prof. A)

22nd Issued to 205 Heads of Families 744
 5586 nations (see Issue Book) (Prof. A)

24th Issued to 166 Heads of Families 627
 4876 nations (see Issue Book) (Prof. A)

Deceased.

United States Department of the Interior
 OFFICE OF HEARINGS AND APPEALS
 FEDERAL BUILDING, ROOM 3823K-3427
 230 NORTH FIRST AVENUE
 PHOENIX, ARIZONA 85025

IN REPLY REFER TO:
 INDIAN PROCEEDING NO. _____

Matter of the Estate of _____
 Pima

Historical Accounting: Protecting the Past

This is a proceeding
 Indian Reservation,
 Unallotted Pinon
 Upon receipt of the
 on April 22, 1988 and May 3, 1988

FINDINGS AND CONCLUSIONS

1. That CRAIG
 was born February 2, 1961 and died
 2. That at the time of death,
 property, real and personal, located
 listed on the inventories attached and
 3. That certain interests owned by
 inherited interests in Gila River Allotment
 No. _____, meet the criteria for application
 Act, as amended October 30, 1984.

Section 207, as originally promulgated,
 481 U.S. _____, 95 L. Ed. 2d 668, 107 St. Ct. 20
 the United States Federal District Court of Ne
 to Section 207. See Curley v. Hodel, CIV 88-0886



Preserving and Consolidating Indian Records

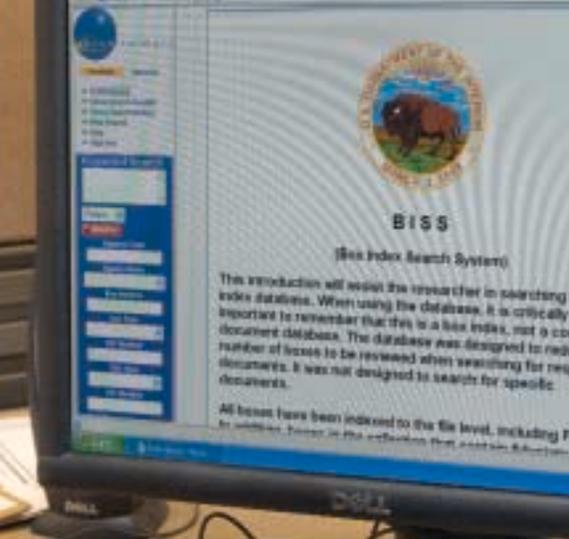
Some have alleged that conducting a historical accounting is impossible because the needed records no longer exist. As a consequence of the work of the Indian Claims Commission of the 1950s, the National Archives and Records Administration (NARA) imposed a “do not destroy” order on all Indian records held at Federal Records Centers—an order that is still in effect today. As a result, the U.S. government has in its possession hundreds of millions of Indian-related documents.

For years, inactive individual Indian and tribal trust records were stored under a variety of conditions at various Federal Records Centers and Bureau of Indian Affairs field offices throughout the country. Following passage of the 1994 Reform Act, the need to protect and have ready access to these records prompted an effort to collect and store them in several warehouses in Albuquerque, New Mexico.

After learning over time that many of these warehouses were not optimal storage spaces, Interior initiated discussions with NARA to build a state-of-the-art document storage facility to consolidate in one location all inactive federal Indian records. As a result, in 2003, Interior and NARA entered into an agreement to



Original leather-bound accounting ledgers from the late 19th century are preserved in the American Indian Records Repository's underground storage center.



The boxes of records in AIRR are electronically indexed to the file level, with the resulting data entered into the Box Index Search System. This system facilitates the search for individual documents among more than 120,000 boxes that contain about 250 million pages of records currently stored in AIRR. Additional Bureau of Indian Affairs records are being collected from field offices, and are being indexed and stored in AIRR.

establish the American Indian Records Repository (AIRR) in an underground storage center in NARA's Federal Records Center in Lenexa, Kansas. AIRR was completed in 2004, and all records were transferred from Albuquerque by June 2005.

AIRR has been constructed in accordance with higher standards for the preservation of archival records than any other U.S. records storage facility. In addition to lower temperature and humidity controls, AIRR has controls for particulate matter and ultraviolet light. These controls make AIRR the perfect location for the storage of historical records.

AIRR also has sufficient future capacity to hold all of Interior's American Indian records. Documents will continue to be shipped to AIRR as Bureau of Indian Affairs and Office of the Special Trustee for American Indians headquarters and regional field offices retire records.

Access to Indian Records

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. The boxes of records in AIRR are electronically indexed to the file level, with the resulting data entered into the Box Index Search System. This system facilitates the search for individual paper documents among more than 120,000 boxes that contain about 250 million pages of records currently stored in AIRR. Additional Bureau of Indian Affairs records are being collected from field offices, and are being indexed and stored in AIRR.

Further, Interior estimates that about 70 percent of the accounts that are within the scope of Interior's historical accounting were opened in or after 1985. This period also relates to the time when accounting transaction records were maintained in an electronic system. Interior's initial historical accounting work has primarily covered these accounts, and has demonstrated that supporting records can be (and are being) located. In addition, for some of the accounts that have transactions that pre-date 1985, older paper accounting ledgers and supporting paper records have been located. As part of their reconciliation work, Interior's accounting consultants have reported that they have not observed any evidence that paper records have been altered or that hackers have tampered with electronic records.



AIRR provides secure access to records for research by individual Indians, tribes, and historians and for Interior staff conducting the historical accounting. The facility is ideal for the long-term storage of records.



United States Department of the Interior
 OFFICE OF HEARINGS AND APPEALS
 FEDERAL BUILDING, ROOM 3623X-3427
 230 NORTH FIRST AVENUE
 PHOENIX, ARIZONA 85025

Historical Accounting: Results

Form No. 4-4212
 UNITED STATES
 DEPARTMENT OF THE INTERIOR
 BUREAU OF INDIAN AFFAIRS
 Form approved by Comptroller General, U.S.
 May 14, 1941

FIELD RECEIPT

Received of Name P.O. Box 1
Bethel, A.I.
 Address Bethel, A.I.

Two hundred
 Eighty-Three Dollars & 54/100

Description of payment received:
 (For money orders, drafts, checks, and other negotiable papers, state numbers, etc.)
Feb 64 payment on
Lot Phase 1 -
Blueberry Field
Subdivision.
Money Order #70866
dtd 02-16-84.
CD 169830 2/22/84
14X
800-017X/

February 17, 1984
 (Date)
 Bethel Agency
 (Unit)

Remittances, if not in cash, are accepted subject to the receipt of the remitter.

ORIGINAL AGENCY COPY

DEPARTMENT OF THE INTERIOR
 BUREAU OF INDIAN AFFAIRS
 PHOENIX, ARIZONA

EMPLOYMENT BY THE DEPARTMENT OF THE INTERIOR

NAME	MONTH	AMOUNT	DATE	REMARKS
JOHN LINDA	APR 79	1400	04/30/79	
JOHN LINDA	MAY 79	1400	05/31/79	
JOHN LINDA	JUN 79	1400	06/30/79	
JOHN LINDA	JUL 79	1400	07/31/79	
JOHN LINDA	AUG 79	1400	08/31/79	
JOHN LINDA	SEP 79	1400	09/30/79	
JOHN LINDA	OCT 79	1400	10/31/79	
JOHN LINDA	NOV 79	1400	11/30/79	
JOHN LINDA	DEC 79	1400	12/31/79	
JOHN LINDA	JAN 80	1400	01/31/80	
JOHN LINDA	FEB 80	1400	02/29/80	
JOHN LINDA	MAR 80	1400	03/31/80	
JOHN LINDA	APR 80	1400	04/30/80	
JOHN LINDA	MAY 80	1400	05/31/80	
JOHN LINDA	JUN 80	1400	06/30/80	
JOHN LINDA	JUL 80	1400	07/31/80	
JOHN LINDA	AUG 80	1400	08/31/80	
JOHN LINDA	SEP 80	1400	09/30/80	
JOHN LINDA	OCT 80	1400	10/31/80	
JOHN LINDA	NOV 80	1400	11/30/80	
JOHN LINDA	DEC 80	1400	12/31/80	
JOHN LINDA	JAN 81	1400	01/31/81	
JOHN LINDA	FEB 81	1400	02/28/81	
JOHN LINDA	MAR 81	1400	03/31/81	
JOHN LINDA	APR 81	1400	04/30/81	
JOHN LINDA	MAY 81	1400	05/31/81	
JOHN LINDA	JUN 81	1400	06/30/81	
JOHN LINDA	JUL 81	1400	07/31/81	
JOHN LINDA	AUG 81	1400	08/31/81	
JOHN LINDA	SEP 81	1400	09/30/81	
JOHN LINDA	OCT 81	1400	10/31/81	
JOHN LINDA	NOV 81	1400	11/30/81	
JOHN LINDA	DEC 81	1400	12/31/81	
JOHN LINDA	JAN 82	1400	01/31/82	
JOHN LINDA	FEB 82	1400	02/29/82	
JOHN LINDA	MAR 82	1400	03/31/82	
JOHN LINDA	APR 82	1400	04/30/82	
JOHN LINDA	MAY 82	1400	05/31/82	
JOHN LINDA	JUN 82	1400	06/30/82	
JOHN LINDA	JUL 82	1400	07/31/82	
JOHN LINDA	AUG 82	1400	08/31/82	
JOHN LINDA	SEP 82	1400	09/30/82	
JOHN LINDA	OCT 82	1400	10/31/82	
JOHN LINDA	NOV 82	1400	11/30/82	
JOHN LINDA	DEC 82	1400	12/31/82	
JOHN LINDA	JAN 83	1400	01/31/83	
JOHN LINDA	FEB 83	1400	02/28/83	
JOHN LINDA	MAR 83	1400	03/31/83	
JOHN LINDA	APR 83	1400	04/30/83	
JOHN LINDA	MAY 83	1400	05/31/83	
JOHN LINDA	JUN 83	1400	06/30/83	
JOHN LINDA	JUL 83	1400	07/31/83	
JOHN LINDA	AUG 83	1400	08/31/83	
JOHN LINDA	SEP 83	1400	09/30/83	
JOHN LINDA	OCT 83	1400	10/31/83	
JOHN LINDA	NOV 83	1400	11/30/83	
JOHN LINDA	DEC 83	1400	12/31/83	
JOHN LINDA	JAN 84	1400	01/31/84	
JOHN LINDA	FEB 84	1400	02/29/84	
JOHN LINDA	MAR 84	1400	03/31/84	
JOHN LINDA	APR 84	1400	04/30/84	
JOHN LINDA	MAY 84	1400	05/31/84	
JOHN LINDA	JUN 84	1400	06/30/84	
JOHN LINDA	JUL 84	1400	07/31/84	
JOHN LINDA	AUG 84	1400	08/31/84	
JOHN LINDA	SEP 84	1400	09/30/84	
JOHN LINDA	OCT 84	1400	10/31/84	
JOHN LINDA	NOV 84	1400	11/30/84	
JOHN LINDA	DEC 84	1400	12/31/84	
JOHN LINDA	JAN 85	1400	01/31/85	
JOHN LINDA	FEB 85	1400	02/28/85	
JOHN LINDA	MAR 85	1400	03/31/85	
JOHN LINDA	APR 85	1400	04/30/85	
JOHN LINDA	MAY 85	1400	05/31/85	
JOHN LINDA	JUN 85	1400	06/30/85	
JOHN LINDA	JUL 85	1400	07/31/85	
JOHN LINDA	AUG 85	1400	08/31/85	
JOHN LINDA	SEP 85	1400	09/30/85	
JOHN LINDA	OCT 85	1400	10/31/85	
JOHN LINDA	NOV 85	1400	11/30/85	
JOHN LINDA	DEC 85	1400	12/31/85	
JOHN LINDA	JAN 86	1400	01/31/86	
JOHN LINDA	FEB 86	1400	02/29/86	
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Judgment and Per Capita IIM Accounts

To provide a statement of assurance to accompany Historical Statements of Account, Interior has decided to reconcile all transactions in each Judgment and Per Capita account. For the most part, these accounts consist of a single opening deposit posting and periodic interest postings. Because numerous accounts are usually associated with each Judgment or Per Capita distribution, by reconciling a payment in one account, Interior can also reconcile all the related accounts. Reconciliation of these types of accounts is straightforward:

- Judgment accounts are reconciled by comparing a posted deposit to (1) the judgment or Act of Congress award, (2) the Tribal Council resolution to distribute the funds in accordance with a use and distribution plan, and (3) the authorized tribal membership roll.
- Per Capita accounts are reconciled by comparing a posted deposit to (1) a Tribal Council resolution, and (2) the authorized tribal membership roll.
- For Judgment and Per Capita IIM accounts, disbursements are reconciled by comparing the posted disbursement to (1) the amount shown on a payment authorization or request for payment document, and (2) proof of clearance or receipt of the disbursement, such as a check register, negotiated check, or electronic fund transfer confirmation.

PRINCIPAL POSTING

Differences identified during the reconciliation process sometimes favor the Indian beneficiary (overpayments) and sometimes favor the U.S. government (underpayments). The work to date reveals:

- More than 51,300 Judgment and Per Capita accounts were reconciled in which no differences were identified in their principal postings.
- Two Judgment accounts received overpayments totaling \$2,205.
- One individual identified on a tribal roll did not receive a Per Capita payment of \$100.
- Interior also found two instances where tribes did not distribute the correct amounts to their members:
 - Interest earned—\$52—on a refund of legal fees to a tribe was never distributed to 21 tribal members; only the refund itself was distributed.
 - Interest earned—approximately \$25,000—by a tribe on Judgment funds was never distributed to 786 accounts; only the principal amounts were distributed.

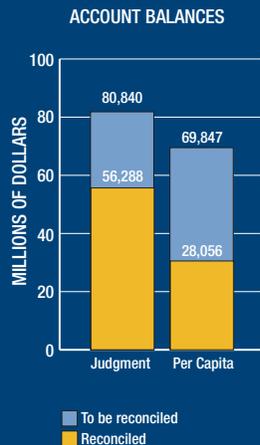
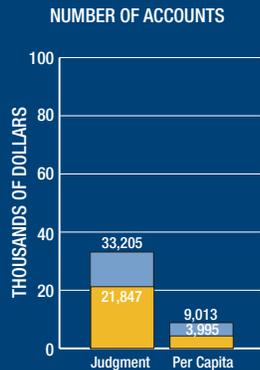
WHAT ARE DOLLAR AND INTEREST DIFFERENCES?

The accounting reconciliation is a comparison of an *actual* deposit, disbursement, or interest posting to an account with the *expected* posting based on an examination of the contemporaneous documents that were the basis for the posting. A difference represents an instance where the actual posted transaction amount is not the same as the expected—or, in the case of interest, the recalculated—amount.

As part of Interior's historical accounting procedures, when a difference greater than \$1 is found, Interior reports the dollar difference between the actual posting in an account and what should have been posted. Dollar differences may be positive (the actual posting is greater than expected, to the benefit of the account holder) or negative (the actual posting is less than expected, to the detriment of the account holder).

PROGRESS MADE IN RECONCILING JUDGMENT AND PER CAPITA ACCOUNTS

As of June 30, 2005, Interior has fully reconciled 25,842 (61 percent) of the 42,218 Judgment and Per Capita IIM accounts with balances on December 31, 2000.



An additional 57,354 Judgment and Per Capita accounts were open on or after October 25, 1994, and were distributed prior to December 31, 2000. As of June 30, 2005, Interior has also reconciled 26,323 of these zero-balance accounts.

INTEREST POSTING

Because most Judgment and Per Capita IIM accounts have one deposit posting and many interest postings, Interior recalculated the interest posted to each account as part of the reconciliation process. This recalculation has revealed interest differences (defined as greater than 0.5 percent of the posted interest values), due in large part to calculation errors, for:

- 12,533 Judgment IIM accounts—Potential underpayments of less than \$225,000 and more than \$600,000 in potential overpayments have been identified (out of more than \$78 million in posted interest) for a net overpayment to Indian beneficiaries of \$375,000. The underpayments represent 0.3 percent of the aggregate interest posted.
- 1,236 Per Capita IIM accounts—Potential underpayments of less than \$19,000 and potential overpayments of less than \$9,000 were made to IIM accounts (out of more than \$14 million in posted interest) for a net underpayment to Indian beneficiaries of \$10,000. The underpayments represent 0.14 percent of the aggregate interest posted.

Land-Based IIM Accounts

To assess the accuracy of the Land-Based Historical Statements of Account, Interior has decided to reconcile (1) *all* transactions of \$100,000 or more and (2) a statistical sample of transactions less than \$100,000. *No statistical sampling is involved in compiling each individual Indian's Historical Statement of Account.* Sampling is only used to *test the accuracy* of the recorded transactions in the account to determine the confidence one should have in the account histories and to provide a statement of assurance. Although Interior considered conducting transaction-by-transaction reconciliation for all transactions in the Land-Based accounts, due to the very large number of transactions (over 23 million deposit and 5 million disbursement transactions), of which the substantial majority have a value of less than \$100, Interior determined this course was too time consuming and costly.

Reconciling Land-Based accounts is more complicated than reconciling Judgment or Per Capita accounts because many more supporting documents are required to support Land-Based transactions, and locating those documents involves searching through many boxes of trust records at AIRR and in the field. Also, the ownership interest in allotted lands at the time of the receipt of money must be determined to verify that a posted deposit is the correct amount paid to the right individual interest owner.



Land-Based accounts derive their income from the sale or use of land assets and resources, such as timber, farming, grazing, and oil and gas production.

WHAT ARE THE BENEFITS OF SAMPLING?

Sampling is a well-accepted means for making inferences about an entire population. Sampling employs a review of selected members of a population based upon the informed belief that the selected members are representative of the entire population. This “representativeness” allows sound statistical inferences or valid conclusions to be drawn from the sample and applied to the entire population. For example, when a diabetic tests for blood sugar, the result for the single blood drop—the sample—is assumed to represent the sugar level in all the blood—the population.

The proper design, use, and application of statistical sampling:

- *Saves time*—Voter polling keeps candidates quickly informed of changing views of the electorate by sampling public opinion. Asking every voter his or her opinion would take far too long.
- *Saves money*—The Nielsen Ratings of television programs are produced by sampling what viewers are watching. Producing the Ratings by examining what every viewer in America is watching would be far too costly.
- *Preserves accuracy*—Sampling can provide a high degree of precision and a high degree of confidence in the accuracy of the results. Examining even 100 percent of a population can produce results that have work errors, especially for larger populations. Auditors use sampling to give their assurances regarding the results of major financial reports or the regulation of institutions, such as banks.

**ILLUSTRATIVE SAMPLE
OFFICE OF HISTORICAL TRUST ACCOUNTING
INDIVIDUAL INDIAN MONIES TRUST FUNDS
HISTORICAL STATEMENT OF ACCOUNT**

**TO THE PARENTS(S) OR GUARDIAN OF
MINOR CHILD**

**ACCOUNT OF
ACCOUNT NUMBER**

As explained in the attached Historical Statement of Account transmittal letter, the account balance at December 31, 2000 was \$1,990.82

This balance was composed of the following:

Judgment award from Dockets 189A and 189B	\$1,717.09
Cumulative interest	<u>273.73</u>
Ending balance as of December 31, 2000	\$1,990.82

This account activity is detailed below. Interest was calculated based on average daily balance using the interest factor determined for each period by Department of the Interior's Office of the Special Trustee for American Indians. This factor, which may vary by period, is based upon the IIM Trust Funds' investments. Please note, the account balance shown is for December 31, 2000 (the date through which the historical accounting was performed). For account activity and balances after December 31, 2000, please refer to the quarterly Statements of Account.

TRANSACTION ACTIVITY FOR ACCOUNTING PERIOD: 8/27/1998 THROUGH 12/31/2000

<u>DATE</u>	<u>AMOUNT</u>	<u>TRANSACTION DESCRIPTION</u>	<u>DOCUMENT REFERENCE (If calling, this information may be needed.)</u>
	\$0.00	BEGINNING BALANCE	
8/27/1998	1,717.09	Receipt of judgment award – Dockets 189A and 189B	Collection JUDGMENT PER CAPITA BB08T0142FREDLAKEPER
9/30/1998	85.23	Monthly Interest	Journal Voucher MONTHLY - AUTO JV08F20623.INT/AUG00
10/29/1998	76.41	Monthly Interest	Journal Voucher MONTHLY - AUTO JV109F20623.INT/SEP00
11/19/1998	50.26	Monthly Interest	Journal Voucher MONTHLY - AUTO JV10F20623.INT/OCT00
<hr/>			
12/05/2000	61.83	Monthly Interest	Cash Receipt INTEREST EARNINGS DOCUMENT # JV11F20623.INT/NOV00
12/31/2000	\$1,990.82	BALANCE AT DECEMBER 31, 2000	

Please note the ending balance is NOT THE CURRENT BALANCE of your IIM account. The account balance shown is for December 31, 2000 (the date through which the historical accounting was performed). If you have questions about this Historical Statement of Account, please call the Office of Historical Trust Accounting toll free (877) 722-8196. For account activity and balances after December 31, 2000, please refer to the quarterly Statements of Account or your current IIM account balance, please call the Office of the Special Trustee for American Indians toll free (888) 678-6836.

The January 6, 2003, Accounting Plan calls for Interior to provide each individual Indian with a Historical Statement of Account that includes the opening balance, every transaction as recorded in manual and electronic systems, and a statement of the accuracy of the statement. To date, more than 12,000 Historical Statements of Account have been mailed to Judgment account holders.

Historical Analysis of the “Named Plaintiffs and Their Predecessors in Interest”

In 1996, five plaintiffs filed a class action lawsuit (*Cobell v. Babbitt*, now *Cobell v. Norton*), demanding, among other forms of relief, an accounting of IIM funds. The U.S. District Court for the District of Columbia certified “present and former” IIM account holders as a class, and required the Secretary of the Interior to “provide plaintiffs an accurate accounting of all money in the IIM trust held in trust for the benefit of plaintiffs, without regard to when the funds were deposited.”

As part of the *Cobell* litigation, Interior collected more than 165,000 documents for the historical analysis of the IIM accounts for the “Named Plaintiffs and Their Predecessors in Interest.” These documents went back as far as 1914, with seven of the 37 IIM accounts examined opened prior to 1920. Even in instances where there were gaps in an account’s transaction records, it was possible to reconstruct the missing transactions from the original documents that created the transaction. This historical analysis tested the accuracy of the more than 12,500 recorded account transactions by reconciling the source documents to the transactions and the ownership through time. Upon completing this \$20 million effort, Interior (and a partner in Ernst & Young LLP) reached the following conclusions:

- The historical IIM ledgers were sufficient to allow Interior to analyze monies collected and disbursed for the 37 accounts, an amount totaling \$1.12 million.
- The documents gathered by Interior allowed 86 percent of the transactions to be reconciled and supported more than 93 percent of the dollar values of the transactions analyzed.
- The documents gathered did not reveal any collection transactions that were not included in the selected IIM accounts, with a single exception in the amount of \$60.94, which was paid to another account holder due to a transposed account number entered in the recording process.
- There was no indication that IIM accounts are not substantially accurate, that monies were not disbursed, or that the transactions are not substantially supported by contemporaneous documentation.



As part of the Cobell litigation, Interior collected more than 165,000 documents for the historical analysis of the “Named Plaintiffs and Their Predecessors in Interest” IIM accounts.

Differences greater than \$1 were noted in some of the amounts posted. These differences—totaling nearly \$3,500 in overpayments and nearly \$250 in underpayments—constitute a combined difference rate of 0.4 percent, and an underpayment dollar difference of less than 0.02 percent of the dollars reconciled.

Interim Results of the Litigation Support Accounting Project

Congress has authorized expenditures for accounting work in support of the ongoing litigation. The Litigation Support Accounting (LSA) project tests the accuracy of Land-Based IIM accounts, and reconciles all high-dollar (\$100,000 or greater) transactions, and a statistical sample of smaller-value (less than \$100,000) transactions drawn from Land-Based IIM accounts nationwide.

The LSA project is now sufficiently complete to report interim results. Interior has located documents to support over 99 percent of the transactions to be reconciled in this project, further refuting the notion that the records needed for the historical accounting do not exist, are misfiled, or cannot be located. As a consequence:

- Statistical conclusions can be made. These are based on a sample of more than 6,000 transactions out of the approximately 28 million transactions in the 1985–2000 period. It is estimated that more than 40 percent of the monies that have ever flowed through IIM accounts occurred during this time period.

Interior has located documents to support over 99 percent of the transactions to be reconciled in the Litigation Support Accounting project.



- Interior's reconciliation of 1,784 high-dollar transactions to supporting documentation represents more than 10 percent of the aggregate dollars in the 1985–2000 period.

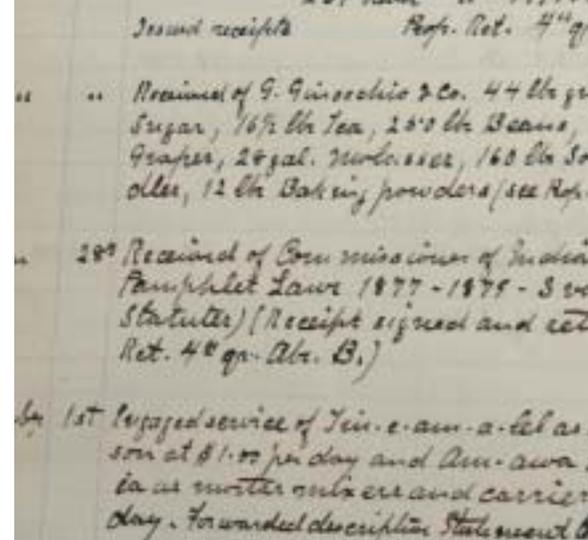
Disbursement Transactions. A key finding of the LSA project is the accuracy of disbursement transactions—payments made to IIM account holders.

- There is no evidence that monies were not disbursed to account holders.
- Only ten differences were found among the 956 high-dollar disbursement transactions reconciled. Three were underpayments totaling more than \$1,800, and seven were overpayments totaling more than \$19,700 (out of more than \$224.8 million reconciled). These underpayment differences represent 0.0008 percent of all the dollars reconciled.
- No differences were found in the sampled disbursement transactions (those that were less than \$100,000). The statistical conclusion can be made that, with 95 percent confidence, the underpayment difference rate for disbursements in the entire population in the 1985–2000 period is no more than 0.6 percent.

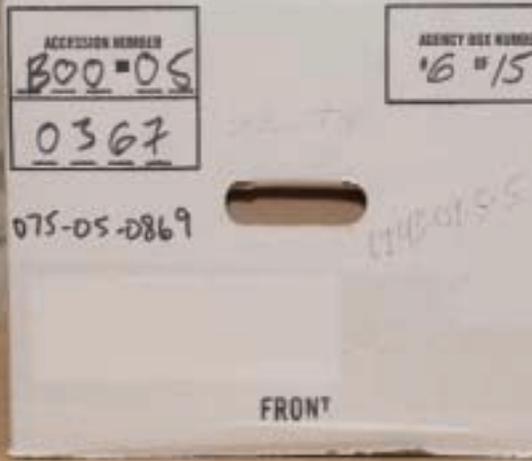
Deposit Transactions. The 828 high-dollar deposit transactions reconciled resulted in 65 differences: 34 were underpayments totaling just over \$60,000, and 31 were overpayments totaling just over \$33,000. For the 2,117 smaller-value deposit transactions reconciled, 36 differences were identified: 11 were underpayments totaling \$341 and 25 were overpayments totaling \$853. For all deposit transactions reconciled, this is a difference rate of 3.4 percent. The statistical conclusion can be made that, at 95 percent confidence, the underpayment difference rate for deposit transactions for the full population in the 1985–2000 period is no more than 3.0 percent.

SPECIAL DEPOSIT ACCOUNTS

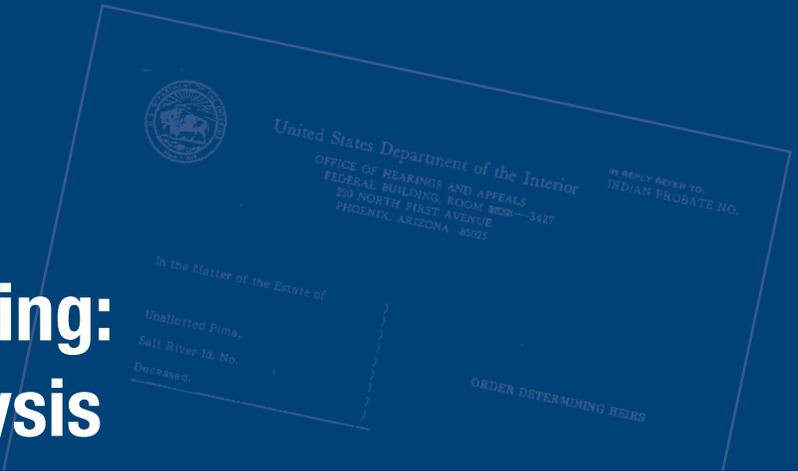
The SDA project is an investigation of balances in active and inactive SDAs to determine the nature of the balance and the proper ownership of the account balance. This project is not a reconciliation process in that its primary goal is to determine rightful owners—IIM account holders, tribes, and other parties, such as natural resource companies—of the funds and to distribute their funds to them. Thus far, \$36.1 million has been distributed.



Contemporaneous records are used to verify financial transactions.



Historical Accounting: Comparative Analysis



Comparison with Other Historical Accountings and Audits

Historical audit and reconciliation studies addressing the soundness of the Indian Trust systems have been conducted by the General Services Administration's Indian Trust Accounting Division, Arthur Andersen LLP (which conducted tribal trust fund reconciliations covering 1972-1992), the Government Accountability Office, and Interior's Office of the Inspector General, among others. The National Opinion Research Center (NORC) at the University of Chicago has reviewed more than 300 of these studies and is conducting a meta-analysis of the studies, reports, and reconciliations of the Trust systems. By integrating and synthesizing these various studies, NORC's meta-analysis will provide valuable evidence on the integrity of the IIM Trust Fund and the systems used in its administration over time.

Thus far, NORC has found no evidence of fraud or major systemic error in the U.S. government's handling of the IIM accounts. Although NORC's meta-analysis is ongoing, Interior's findings, in terms of the number and the size of dollar differences, are consistent with the findings of the previous studies NORC has examined to date. That is, while differences have been noted in transaction records:

- the difference rates are small;
- the dollar differences are a small percentage of the dollars managed in the Trust; and
- the differences appear to be randomly distributed, indicating no systemic issues.

WHAT IS META-ANALYSIS?

Meta-analysis is a recognized statistical technique that allows conclusions to be drawn from a number of similar studies. The statistician combines findings of similar studies to gain precision and certainty, making it possible to assert a more generally applicable conclusion. Meta-analysis is frequently used to compare epidemiological studies and medical clinical trials to integrate the results of different studies in a particular area. For example, it allows conclusions to be drawn from the many different studies of smoking and cancer rates.



The National Opinion Research Center (NORC) at the University of Chicago has reviewed more than 300 known historical audit and reconciliation studies addressing the soundness of the Indian Trust systems.

Lessons Learned

Including Fiscal Year 2005, Interior has spent more than \$100 million conducting historical accounting. From this effort, Interior has learned the following:

- To a very significant degree, the documents and financial records needed to conduct the historical accounting are available. Locating the necessary records is a lengthy and expensive process due to the sheer volume of records, but the documents are accessible and most can be found.
- Reconciliations completed for Named Plaintiffs, Judgment and Per Capita accounts, Land-Based transactions of \$100,000 or more, and a random, nationwide sample of Land-Based transactions less than \$100,000 show very low rates of differences. Further, most of the differences tend to be small in value.
- There does not appear to be any bias in the accounting results with respect to differences that favor or disfavor IIM account holders.
- There is no evidence of fraud or major systemic error in the U.S. government's handling of the IIM accounts. Differences found appear to be random computational, posting, or ownership errors.

To date, Interior's accounting work has principally covered the 70 percent of accounts opened in or after 1985 and existing through the 1985–2000 electronic accounting system era. Records prior to 1985 have been examined in the Judgment and Per Capita reconciliations and in the “Named Plaintiffs and Their Predecessors in Interest” reconciliations, which went back as far as 1914. Based on this pre-1985 work and NORC's meta-analysis, there is reason to believe the basic results achieved thus far will extend to the earlier paper accounting era.



To a very significant degree, the documents and financial records needed to conduct a historical accounting are available.



Many firms are involved in conducting the historical accounting.

Major Members of the Historical Trust Accounting Consulting Team

Professional Accounting Firms—Five accounting firms are under contract to Interior's Office of Historical Trust Accounting (OHTA): Chavarria, Dunne & Lamey LLC; Deloitte & Touche LLP; Grant Thornton LLP; FTI Consulting, Inc.; and Reznick Group P.C. Formerly KPMG LLP, Arthur Andersen LLP, and Ernst & Young LLP participated in the effort.

Commercial Trust Operations—The Bank of America, which has the largest commercial trust operation in the United States, provides commercial trust expertise.

Statistical Consultant—NORC, the National Opinion Research Center at the University of Chicago, provides statistical analysis.

Historians—Morgan, Angel & Associates LLC, and Historical Research Associates, Inc., provide expertise on leasing, the allotment process, and reservation histories.

Trust Legal Advisor—The Washington-based trust specialist law firm, Hughes & Bentzen, PLLC, provides expert trust law advice.

Accounting Reconciliation Tool—Booz/Allen/Hamilton developed the system OHTA's accountants use to compare IIM transactions to trust records that support the transactions and record the findings.

Information Technology Security Advisor—Government & Business Solutions, Inc., provides consulting on the security of trust data and information technology.

Document Imaging and Coding—Ecompex, Inc., has imaged and coded over eight million pages of documents, which are stored in OHTA's Accounting Reconciliation Tool.

Minerals Records Consultant—Gustavson Associates assists in identifying records relating to oil and gas leases on lands allotted to individual members of Indian tribes.

Records Storage and Indexing—For the Office of Trust Records, Labat-Anderson, Inc., developed the Box Index Search System, and then implemented it, including indexing the boxes of records. Labat-Anderson advises OHTA on records storage and indexing.



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