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Interior's Management of
the Indian Trust Funds

Statement of Linda M. Calbom
Director, Civil Audits
Accounting and Information Management Division



Mr. Chairman and Members of the Task Force:

We appreciate the opportunity to be here today to discuss our work on the Department of the Interior's management of the Indian trust funds. My statement

- summarizes our assessment of the results of Interior's efforts to reconcile Indian trust fund accounts;
- discusses the Secretary's May 31, 1996, report on trust fund reconciliation results; and
- provides information on the status of Interior's trust fund management improvement initiatives which are needed to ensure that the trust fund accounts will be accurate in the future.

In summary, as discussed in our May 1996 report,¹ while Interior has brought its reconciliation project to a close, tribal accounts were not fully reconciled due to missing records and the lack of an audit trail in Interior's automated accounting systems. In addition, the January 1996 report package that Interior provided to each tribe on the reconciliation results did not explain or describe the numerous changes in reconciliation scope and methodologies or the procedures that had been planned but were not performed. Therefore, the limitations of the reconciliation were not evident. Also, due to cost considerations and the potential for missing records, individual Indian trust fund accounts were not included in the reconciliation project.

Tribes have expressed concerns about the scope and results of the reconciliation process. As stated in the Secretary's May 31, 1996, report to the House Committee on Resources on Indian trust fund reconciliation results, by April 30, 1996, only 2 tribes had accepted their account reconciliation results, 3 tribes² had disputed their results, and the remaining 275 tribes had not decided whether to accept or dispute their account balances. If Interior is unable to resolve tribes' concerns, a legislated settlement process could be used to resolve disputes about tribal account balances. Our September 1995 report³ contained draft legislation outlining a settlement process, which we prepared in response

¹Financial Management: BIA's Tribal Trust Fund Account Reconciliation Results (GAO/AIMD-96-63, May 3, 1996).

²The Secretary's report did not include in the number of tribes that disputed their account balances two tribes whose attorneys submitted letters on behalf of tribes that they represent indicating that these tribes disputed their reconciled account balances.

³Indian Trust Fund Settlement Legislation (GAO/AIMD/OGC-95-237R, September 29, 1995).

to a request from the House Committee on Resources and the Senate Committee on Indian Affairs to initiate discussions on options for resolving disputed balances.

While Interior has initiated several management improvement actions over the past 3 years to correct the long-standing problems that gave rise to the concerns over the accuracy of tribal trust fund accounts, the improvements will take several years to complete. Additionally, the current trust fund management and accounting systems and controls remain inadequate to ensure accurate trust fund accounting and asset management. Unless Interior corrects its long-standing trust fund management, accounting, and control weaknesses, it may be faced with additional costly reconciliations and settlements in the future.

The appointment of the Special Trustee for American Indians was an important step in establishing high-level leadership at Interior for Indian trust fund management. The Office of the Special Trustee was implemented in February 1996. The Special Trustee has recently developed a concept paper which outlines needed trust fund management improvements. This concept paper will need to be expanded to include various options and alternatives and their associated costs and benefits and ultimately developed into a comprehensive strategic plan.

Ultimately, solving Interior's trust fund management problems will require comprehensive planning, management commitment across all Indian trust program offices, and additional resources.

Background

Several Interior agencies are responsible for carrying out the Secretary's Indian trust responsibilities. These agencies include the Bureau of Indian Affairs (BIA) and its Office of Trust Responsibilities (OTR), which is responsible for resource management and land and lease ownership information; BIA's 12 Area Offices and 85 Agency Offices; the Bureau of Land Management (BLM) and its lease inspection and enforcement functions; and the Minerals Management Service's (MMS) Royalty Management Program, which collects and accounts for oil and gas royalties on Indian leases.

In addition, an Office of the Special Trustee for American Indians was established by the American Indian Trust Fund Management Reform Act of 1994. This office, implemented by Secretarial Order in February 1996, has oversight responsibility over Indian trust fund and asset management

programs in BIA, BLM, and MMS. The Order transferred BIA's Office of Trust Funds Management (OTFM) to the Office of the Special Trustee for American Indians and gave the Special Trustee responsibility for the financial trust services performed at BIA's Area and Agency Offices.

At the end of fiscal year 1995, OTFM reported that Indian trust fund accounts totaled about \$2.6 billion, including approximately \$2.1 billion for about 1,500 tribal accounts and about \$453 million for nearly 390,000 Individual Indian Money (IIM) accounts. The balances in the trust fund accounts have accumulated primarily from payments of claims; oil, gas, and coal royalties; land use agreements; and investment income. Fiscal year 1995 reported receipts to the trust accounts from these sources totaled about \$1.9 billion, and disbursements from the trust accounts to tribes and individual Indians totaled about \$1.7 billion.

OTFM uses two primary systems to account for the Indian trust funds—an interim, core general ledger and investment system and BIA's Integrated Resources Management System (IRMS). OTR's realty office uses the Land Records Information System (LRIS) to record official Indian land and beneficial ownership information. BLM maintains a separate system for recording mineral lease and production information and MMS maintains separate royalty accounting and production information systems.

Our assessment of BIA's trust fund reconciliation and reporting to tribes is detailed in our May 1996 report, which covered our efforts to monitor BIA's reconciliation project over the past 5 and one-half years. As you requested, we also assessed Interior's trust fund management improvement initiatives. In order to do this, we contacted the Special Trustee for American Indians, OTFM officials, and OTR's Land Records Officer for information on the status of their management improvement plans and initiatives. We also contacted tribal representatives for their views. We focused on Interior agency actions to address recommendations in our previous reports and testimonies and obtained information on new initiatives.

Trust Fund Reconciliation Results

BIA recently completed its tribal trust fund reconciliation project which involved a massive effort to locate supporting documentation and reconstruct historical trust fund transactions so that account balances

could be validated. BIA provided a report package⁴ to each tribe on its reconciliation results in January, 1996. Interior's prototype summary reconciliation report to tribes shows that BIA's reconciliation contractor verified 218,531 of tribes' noninvestment receipt and disbursement transactions that were recorded in the trust fund general ledger. However, despite over 5 years of effort and about \$21 million in contracting fees, due to missing records, a total of \$2.4 billion for 32,901 receipt and disbursement transactions recorded in the general ledger could not be traced to supporting documentation and only 10 percent of the leases selected for reconciliation could be verified.

In addition, BIA's reconciliation report package did not disclose known limitations in the scope and methodology used for the reconciliation process. For example, BIA did not disclose or discuss the procedures included in the reconciliation contract which were not performed or could not be completed. Also, BIA did not explain substantial changes in scope or procedures contained in contract modifications and issue papers, such as accounts and time periods that were not covered and alternative source documents used. Further, BIA did not disclose that the universe of leases was unknown or the extent to which substitutions were made to the lease sample originally selected for reconciliation.

In order for the tribes to conclude on whether the reconciliation represents as full and complete an accounting as possible, it was important that BIA explain the limitations in reconciliation scope and methodology and the procedures specified under the original contract that were not performed or were not completed. At a February 1996 meeting in Albuquerque, New Mexico, where BIA and its reconciliation contractor summarized the reconciliation results, tribes raised questions about the adequacy and reliability of the reconciliation results.

Secretary's Report on Reconciliation Results

The American Indian Trust Fund Management Reform Act of 1994 required that the Secretary of the Interior report to the House Committee on Resources and the Senate Committee on Indian Affairs by May 31, 1996, including a description of the methodology used in reconciling trust fund accounts and the tribes' conclusions as to whether the reconciliation represents as full and complete an accounting of their funds as possible.

⁴The report package presented the results of the reconciliation procedures performed by BIA's contractor for fiscal years 1973 through 1992, and BIA's reconciliations for fiscal years 1993 through 1995. It included unreconciled account statements and a schedule of proposed adjustments for each of the years covered by the reconciliation, and a transmittal letter which described the information provided and BIA's plans to meet with tribes to discuss the reconciliation results.

During BIA's February 1996 meeting with tribes to discuss the reconciliation reports and results, several tribes stated that they would need significant time to review their reconciliation reports and the supporting documents. OTFM planned five regional meetings⁵ between March 1996 and July 1996 to serve as workshops to assist individual tribes in reviewing their reconciliation results. Because BIA has not yet held all of the scheduled meetings to discuss account holder issues and comments and many account holders have not communicated their acceptance or dispute of their reconciled account balances, the Secretary has provided an interim report on account holders' communications through April 30, 1996. The Secretary plans to submit a final report on account holder attestations of their acceptance or dispute of their reconciled account balances by November 15, 1996.

According to the Secretary's May 31, 1996, report

- 3 tribes, including 2 tribes for which additional pilot reconciliation procedures were performed, have disputed their reconciled account balances;
- 2 tribes with nominal balances have accepted their reconciled account balances; and
- 275 tribes, including 3 tribes that had additional pilot reconciliation procedures performed, have not yet decided whether to accept or dispute their account balances.

Tribal representatives have told us that they are still reviewing their reconciliation report packages and that they have a number of questions and concerns about the results. If Interior is not able to reach agreement with tribes on the reconciliation results, a legislated settlement process would prove useful in resolving disputes about account balances. Our March 1995 testimony⁶ suggested that the Congress consider establishing a legislated settlement process. Our September 1995 report provided draft settlement legislation for discussion purposes.

The draft legislation would provide for a mediation process and, if mediation does not resolve disputes, a binding arbitration process. The proposed process draws on advice provided us by the Federal Mediation

⁵OTFM has held three of the five planned meetings—on March 19-22 in Sacramento, California; on April 9-12 in Portland, Oregon; and on June 4-7 in Tulsa, Oklahoma. The fourth workshop is scheduled for June 18-21 in Billings, Montana.

⁶Financial Management: Indian Trust Fund Accounts Cannot Be Fully Reconciled (GAO/T-AIMD-95-94, March 8, 1995).

and Conciliation Service and the rules of the American Arbitration Association. Both of these organizations have extensive experience in the use of third party facilitators to provide alternative dispute resolution. The proposed process offers a number of benefits, including flexibility in presentation of evidence and, because the decision of the arbitrators would be binding and could not be appealed, a final resolution of the dispute. In addition, arbitration has generally been found to be less costly than litigation.

Trust Fund Management Improvement Initiatives

BIA's reconciliation project attempted to discover any discrepancies between its accounting information and historical transactions that occurred prior to fiscal year 1993. While it is important for the Congress to consider legislating a settlement process to resolve discrepancies in account balances, unless the deficiencies in Interior's trust fund management that allowed those discrepancies to occur are corrected, such discrepancies could continue to occur, possibly leading to a need for future reconciliation and settlement efforts. Since 1991, our testimonies and reports on BIA's efforts to reconcile trust fund accounts have recommended a number of corrective actions to help ensure that trust fund accounts are accurately maintained in the future. While OTFM and OTR have undertaken a number of corrective actions, progress has been slow, results have been limited, and further actions are needed.

OTFM, Interior, and OTR have initiated several trust fund management improvements during the past 3 years. These include

- acquiring a cadre of experienced trust fund financial management staff;
- issuing trust fund IIM accounting procedures to BIA field offices, developing records management procedures manuals, and issuing a trust fund loss policy;
- implementing an interim, core general ledger and investment accounting system and performing daily cash reconciliations;
- studying IIM and subsidiary system issues;
- reinstating annual trust fund financial statement audits; and
- initiating improvements to the Land Records Information System.

Qualified Staff

Our 1991 testimonies⁷ and June 1992 report⁸ identified a lack of trained and experienced trust fund financial management staff. Previous studies and audits by Interior's Inspector General and public accounting firms also identified this problem. Our June 1992 report recommended that BIA prepare an organization and staffing analysis to determine appropriate roles, responsibilities, authorities, and training and supervisory needs as a basis for sound trust fund management. In response to our recommendation, in 1992, OTFM contracted for a staffing and workload analysis and developed an organization plan to address critical trust fund management functions.

The appropriations committees approved OTFM's 1994 reorganization plan. As of October 1995, OTFM had made significant progress in hiring qualified financial management and systems staff. However, during fiscal year 1996, 27 BIA personnel displaced by BIA's reduction-in-force were reassigned to OTFM. This represents about one-third of OTFM's on board staff. Some of these reassigned staff displaced OTFM staff, while others filled vacant positions that would otherwise have been filled through specialized hiring. As a result, OTFM will face the challenge of providing additional supervision and training for these reassigned staff while continuing to work with BIA's Area and Agency Office trust accountants to monitor corrective actions and plan for additional improvements.

Policies and Procedures

Our April 1991 testimony identified a lack of consistent, written policies and procedures for trust fund management. We recommended that BIA develop policies and procedures to ensure that trust fund balances remain accurate once the accounts are reconciled. Our April 1994 testimony⁹ reiterated this recommendation and further recommended that BIA initiate efforts to develop complete and consistent written trust fund management policies and procedures and place a priority on their issuance. BIA has not yet developed a comprehensive set of policies and procedures for trust fund management. However, OTFM developed two volumes of trust fund IIM accounting procedures for use by BIA's Area and Agency Office trust

⁷Bureau of Indian Affairs' Efforts to Reconcile and Audit the Indian Trust Funds (GAO/T-AFMD-91-2, April 11, 1991) and Bureau of Indian Affairs' Efforts to Reconcile, Audit, and Manage the Indian Trust Funds (GAO/T-AFMD-91-6, May 20, 1991).

⁸Financial Management: BIA Has Made Limited Progress in Reconciling Trust Accounts and Developing a Strategic Plan (GAO/AFMD-92-38, June 18, 1992).

⁹Financial Management: Status of BIA's Efforts to Reconcile Indian Trust Fund Accounts and Implement Management Improvements (GAO/T-AIMD-94-99, April 12, 1994).

fund accountants and provided them to BIA's Area and Agency Offices during 1995.

Also, during 1995, OTFM developed two records management manuals, which address file improvements and records disposition. Missing records were the primary reason that many trust fund accounts could not be reconciled during BIA's recent reconciliation effort. In addition, OTFM is developing a records management implementation plan, including an automated records inventory system. In January 1992¹⁰ and again in January 1994,¹¹ we reported that BIA's trust fund loss policy¹² did not address the need for systems and procedures to prevent and detect losses, nor did it instruct BIA staff on how to resolve losses if they occurred. The policy did not address what constitutes sufficient documentation to establish the existence of a loss, and its definition of loss did not include interest that was earned but not credited to the appropriate account. Our January 1994 report suggested a number of improvements, such as articulating steps to detect, prevent, and resolve losses. OTFM addressed our suggestions and issued a revised trust fund loss policy in 1995.

However, while OTFM has made progress in developing policies and procedures, OTFM officials told us that BIA's Area and Agency Office trust accountants have not consistently implemented these policies and procedures.

In addition to developing selected policies and procedures, OTFM officials told us that they began performing monthly reconciliations of the trust fund general ledger to Treasury records in fiscal year 1993 and that they work with BIA Area and Agency Offices to ensure that unreconciled amounts are properly resolved. OTFM officials also told us that they have had limited resources to monitor Agency Office reconciliation performance and assist BIA Agency Office personnel in resolving reconciliation discrepancies. While we have not reviewed this reconciliation process, it is expected that it would be reviewed in connection with recently reinstated trust fund financial statement audits.

In addition, an OTFM official told us that a lack of resources has impeded OTFM's performance of its quality assurance function, which was

¹⁰BIA Reconciliation Monitoring (GAO/AFMD-92-36R, January 13, 1992).

¹¹BIA's Trust Fund Loss Policy (GAO/AIMD-94-59R, January 14, 1994).

¹²The loss policy addresses Indian trust fund account losses that are due to BIA errors, such as mathematical errors or other losses that resulted from poor accounting practices or controls.

established to perform internal reviews to help ensure the quality of trust fund management across BIA offices. For example, according to the OTFM official, until recently, funds were not available to travel to Area and Agency Offices to determine whether the accounting desk procedures and trust fund loss policy have been properly implemented.

Interim Trust Accounting System

Our June 1992 report recommended that BIA review its current systems as a basis for determining whether systems modifications will most efficiently bring about needed improvements or whether alternatives should be considered, including cross-servicing arrangements, contracting for automated data processing services, or new systems design and development. In response to our recommendation, OTFM explored commercially available off-the-shelf trust accounting systems and contracted for an interim, core general ledger and investment accounting system.

OTFM made a number of other improvements related to implementing the interim, core trust accounting system. For example, OTFM

- obtained Office of the Comptroller of the Currency assistance to develop core general ledger and investment accounting system operating procedures;
- initiated direct deposit of collections to BIA Treasury accounts through the Automated Clearing House;
- initiated automated payment processing, including electronic certification, to facilitate direct deposit of receipts to tribal accounts;
- conducted a user survey and developed a systems user guide;
- established a help desk to assist system users by providing information on the new system, including a remote communication package for tribal dial-in capability; and
- provided system access to Area and Agency Offices and tribal personnel.

While the new system has eliminated the need for manual reconciliations between the general ledger and investment system and facilitates reporting and account statement preparation, tribes and Indian groups have told us that the new account statements do not provide sufficient detail for them to understand their account activity. For example, they said that because principal and interest are combined in the account statements, it is difficult to determine interest earnings. They told us that the account statements also lack information on investment yields,

duration to maturity, and adequate benchmarking.¹³ For tribes that have authority to spend interest earnings, but not principal amounts, this lack of detail presents accountability problems. Representatives of some tribes told us that they either have or plan to acquire systems to fill this information gap. OTFM is planning system enhancements to separately identify principal and interest earnings. However, additional enhancements would be needed to address investment management information needs.

IIM and Subsidiary Accounting System

In January 1996, the Special Trustee formed a working group consisting of tribal representatives and members of allottee associations, which represent individual Indians; BIA and Office of the Special Trustee field office staff; and OTFM staff to address IIM and subsidiary accounting issues. In addition, OTFM has scheduled four consultation meetings with tribes and individual Indians between June and August 1996 to determine how best to provide customer services to IIM account holders. These groups will also consider ways to reduce the number of small, inactive IIM accounts. According to the Special Trustee, about 225,000 IIM accounts have balances of less than \$10.

Trust Fund Financial Statement Audits

In 1995, OTFM initiated a contract to resume audits of the trust fund financial statements. OTFM had not had a trust fund financial statement audit since 1990, pending completion of the trust fund account reconciliation project. The fiscal year 1995 audit is covering the trust fund Statement of Assets and Trust Fund Balances, and the fiscal year 1996 audit will cover the same statement and a Statement of Changes in Trust Fund Balances.

Land Records and Ownership System Improvements

In 1993, BIA's Office of Trust Responsibility (OTR) initiated improvements to its Land Records Information System (LRIS). These improvements were to automate the chain-of-title function and result in more timely land ownership determinations. In September 1994, we reported¹⁴ that OTR had 2-year backlogs in ownership determinations and recordkeeping which could have a significant impact on the accuracy of trust fund accounting data. We recommended that BIA provide additional resources to reduce

¹³OTFM provides benchmarks that are the average annual yield of all tribal trust funds rather than comparable private sector yield benchmarks.

¹⁴Financial Management: Focused Leadership and Comprehensive Planning Can Improve Interior's Management of Indian Trust Funds (GAO/AIMD-94-185, September 22, 1994).

these backlogs, through temporary hiring or contracting, until the LRIS improvements could be completed.

However, according to OTR's Land Records Officer, the additional resources were not made available as a result of fiscal year 1995 and 1996 budget cuts. Instead, BIA eliminated 6 Land Title and Records Office positions in fiscal year 1995 and an additional 30 positions in BIA's fiscal year 1996 reduction-in-force. As a result, OTR's five Land Title and Records Offices and its four Title Service Offices now have a combined staff of 90 full-time equivalent (FTE) positions—compared with 126 staff on September 30, 1994—to work on the backlog in title ownership determinations and recordkeeping while also handling current ownership determination requests. While current OTR backlogs are somewhat less than in 1994, BIA's Land Records Officer estimates that over 104 staff years of effort would be needed to eliminate the current backlog. However, because LRIS improvements are on hold, these backlogs are likely to grow.

Additional Improvements Are Needed

While BIA and OTFM have begun actions to address many of our past recommendations for management improvements, progress has been limited and additional improvements are needed to ensure that trust funds are accurately maintained in the future and the needs of the beneficiaries are well-served. For example, BIA's IRMS subsidiary and IIM system may contain unverified and potentially incorrect information on land and lease ownership that some BIA offices may be using to distribute trust fund receipts to account holders. According to a BIA official, some of BIA's Agency Office staff update IRMS ownership files based on unverified information they have developed because LRIS information is significantly out-of-date. Our September 1994 report stated that without administrative review and final determination and certification of ownerships, there is no assurance that the ownership information in BIA's accounting system is accurate. Our report also stated that eliminating redundant systems would help to ensure that only official, certified data are used to distribute trust fund revenue to account holders.

Although Interior formed a study team to develop an IIM subsidiary system plan, the team's August 1995 report did not include a detailed systems plan. Further, BIA and OTFM have not yet performed an adequate user needs assessment; explored the costs and benefits of systems options and alternatives; or developed a systems architecture as a framework for

integrating trust fund accounting, land and lease ownership, and other trust fund and asset management systems.

However, even if OTR resolves its ownership determination and recordkeeping backlogs and OTFM acquires reliable IIM and subsidiary accounting systems, IIM accounting will continue to be problematic due to fractionated ownerships. Under current practices, fractionated ownerships, which result from inheritances, will continue to complicate ownership determinations, accounting, and reconciliation efforts because of the increasing number of ownership determinations and trust fund accounts that will be needed.

Our April 1994 testimony¹⁵ stated that BIA lacked an accounts receivable system. Interior officials told us that developing an accounts receivable system would be problematic because BIA does not have a master lease file as a basis for determining its accounts receivable. As a result, BIA does not know the total number of leases that it is responsible for managing or whether it is collecting revenues from all active leases. BIA has not yet begun to plan for or develop a master lease file.

In addition, BIA and OTFM have not developed a comprehensive set of trust fund management policies and procedures. Comprehensive written policies and procedures, if consistently implemented, would help to ensure proper trust fund accounting practices. Also, to encourage consistent implementation of policies and procedures, quality assurance reviews and audits are an important tool.

In 1994, OTFM developed a plan to contract for investment custodian and advisor services. These initiatives were planned for implementation in fiscal year 1995. However, OTFM has delayed its contract solicitation for investment custodian services until the end of June 1996 and has only recently begun to develop a contract solicitation for investment advisors. OTFM officials told us that a lack of resources has caused them to delay contracting for these services.

Strategic Plan for Trust Fund Management

Since 1991, our testimonies and reports have called for Interior to develop a comprehensive strategic plan to guide trust fund management improvements across Interior agencies. We have criticized Interior's past planning efforts as piecemeal corrective action plans which fell short of

¹⁵Financial Management: Status of BIA's Efforts to Reconcile Indian Trust Fund Accounts and Implement Management Improvements (GAO/T-AIMD-94-99, April 12, 1994).

identifying the departmentwide improvements needed to ensure sound trust fund management. Our June 1992 and September 1994 reports and our April 1994 testimony recommended that Interior's strategic plan address needed improvements across Interior agencies, including BIA, BLM, and MMS. We endorsed the American Indian Trust Fund Management Reform Act of 1994, which established a Special Trustee for American Indians reporting directly to the Secretary of the Interior. The act made the Special Trustee responsible for overseeing Indian trust fund management across these Interior agencies and required the Special Trustee to develop a comprehensive strategic plan for trust fund management.

The Senate confirmed the appointment of the Special Trustee for American Indians in September 1995. In February 1996, the Special Trustee reported that the \$447,000 provided for his office for fiscal year 1996 is insufficient to finance the development of a comprehensive strategic plan for trust fund financial management. Despite the funding limitations, using contractor assistance, the Special Trustee has prepared an initial assessment and strategic planning concept paper. However, the concept paper focuses on one potential system solution for addressing critical OTFM and BIA financial management information requirements and does not address other alternatives. It also does not address programs across Interior agencies or all needed improvements. In addition, the concept paper does not explain the rationale for many of the assumptions that support the detail for the \$147 million estimate to implement the specified improvements.

In contrast to the concept paper, a comprehensive strategic plan would reflect the requirements of the Department, BIA, BLM, MMS, OTFM, and other Interior agency Indian trust programs. It would also address the relationships of the strategic plans for each of these entities, including information resource management, policies and procedures, and automated systems.

In addition, a comprehensive strategic plan would address various trust fund related systems options and alternatives and their associated costs and benefits. For example, the concept paper proposes acquiring new trust fund general ledger and subsidiary accounting systems but, unlike a strategic plan, it does not analyze the costs, benefits, advantages, and disadvantages of enhancing OTFM's current core general ledger and investment system or contracting for services instead of acquiring new systems.

Further, since 1993, OTR has been planning for LRIS upgrades, including automated chain-of-title, which would facilitate ownership determinations and recordkeeping. Because it is planned that LRIS will provide a BIA link to Interior's core Automated Land Records Management System (ALMRS), a comprehensive strategic plan would need to consider the merits of LRIS in determining how trust ownership and accounting information needs can best be addressed. ALMRS is being developed by BLM at an estimated cost of \$450 million. Because ALMRS and LRIS were costly to develop and they contain interrelated data, a comprehensive strategic plan would also need to consider the advantages and disadvantages of linking LRIS to the trust fund accounting system, as compared with acquiring a new land records and ownership system, in determining the best way to manage Indian trust funds and assets.

The Special Trustee and OTFM Director told us that they currently lack the resources to adequately plan for and acquire needed trust fund system improvements. However, without accurate, up-to-date ownership and subsidiary accounting information, trust fund account statements will continue to be unreliable.

The Special Trustee told us that due to limited resources and the need for timely solutions, he is considering ways to use changes in policies and procedures to deal with some trust fund management problems. Many of the problems identified in his concept paper are not strictly systems problems, and they do not necessarily require systems solutions.

We agree that certain changes should be considered that would not require systems solutions. For example, centralizing management functions could help resolve the problems of inconsistent ownership determinations and inconsistent accounting practices. The centralization of some functions, such as handling trust fund collections through lock box payments to banks, could also result in management efficiencies. Similarly, ownership determination and recordkeeping backlogs might be better addressed by centralizing the five Land Title and Records Offices and using contractor assistance or temporary employees until system improvements are in place. Even with centralization of some functions, customer information and services could continue to be provided locally for customer convenience.

GAO Observations

Although OTFM made a massive attempt to reconcile tribal accounts, missing records and systems limitations made a full reconciliation

impossible. Also, cost considerations and the potential for missing records made individual Indian account reconciliations impractical. A legislated settlement process could be used to resolve questions about tribal account balances.

Three major factors—lack of comprehensive planning, lack of management commitment across the organization, and limited resources—have impeded Interior’s progress in correcting long-standing trust fund management problems. When the trust fund reconciliation project was initiated, it was envisioned that by the time it was completed, adequate organizational structures, staffing, systems, and policies and procedures would be in place to ensure that trust fund accounts were accurately maintained in the future. However, piecemeal planning and corrective actions continue, and Interior still lacks a departmentwide strategic plan to correct trust fund management problems.

In addition, while it is critical that all parts of the organization are committed to supporting and implementing trust fund management improvement initiatives, some BIA field offices are continuing to follow improper and inconsistent accounting practices. Given the continuing difficulty in managing a trust program across approximately 60 BIA offices, it is important to consider streamlining options such as centralization of collections, accounting, and land title and recordkeeping functions.

Finally, Interior and BIA officials told us that they lack the resources to implement many needed corrective actions. However, the development of a comprehensive strategic plan that addresses interrelated functions and systems, identifies costs and benefits of options and alternatives, and establishes realistic milestones is a necessary first step. A departmentwide plan would provide the basis for management and congressional decisions on requests for resources.

Mr. Chairman, this concludes my statement. I would be glad to answer any questions that you or the Members of the Task Force might have.

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