

November 1997

FINANCIAL MANAGEMENT

Recommendations on Indian Trust Fund Strategic Plan Proposals





United States
General Accounting Office
Washington, D.C. 20548

Accounting and Information
Management Division

B-278410

November 26, 1997

The Honorable Bruce Babbitt
The Secretary of the Interior

Dear Mr. Secretary:

Our July 1997 testimony, Financial Management: Indian Trust Fund Strategic Plan, prepared for the Senate Committee on Indian Affairs, provides an analysis of the Special Trustee for American Indians' Strategic Plan for Indian trust fund accounting and asset management improvement. The testimony ([GAO/T-AIMD-97-138](#), July 30, 1997, a copy of which was provided to your office) (1) describes the trust asset management problems that the Strategic Plan proposes to resolve, (2) provides a high-level summary of the Strategic Plan, (3) explains the basis for the cost estimates included in the Strategic Plan, and (4) identifies implementation issues. The testimony also contains our assessment of needed actions related to the implementation issues that we identified. These needed actions concern the implementation timing of certain initiatives, additional planning for some proposals, and issues relating to establishing two new organizations.

Subsequent to our testimony, on August 22, 1997, you issued to certain high-level Interior officials who have Indian trust responsibilities a memorandum that outlines plans that relate to several of the initiatives for which we had identified implementation issues. In that memorandum, you indicated that you and the Special Trustee for American Indians have reached agreement on some of the initiatives proposed in the Strategic Plan. Your memorandum outlined the Department's approach for improving Indian trust management and engaging affected Interior bureaus and offices in planning and implementing activities for a "trust improvements project."

The objective of this report is to officially transmit recommendations to you based on our assessment of implementation issues contained in our testimony and the related actions contemplated in your August memorandum. Our work was done in accordance with generally accepted government auditing standards from April through October 1997. Our scope and methodology are in appendix I. We requested comments on a draft of this report from the Secretary of the Interior or his designee. On November 24, 1997, Interior officials provided us with oral comments, which are discussed in the "Agency Comments" section.

Results in Brief

Our July 1997 testimony identified implementation issues related to several of the Strategic Plan's proposed initiatives. Your August 1997 memorandum outlined plans that relate to several of the initiatives for which we had identified implementation issues. There remain, however, some implementation issues not addressed by your memorandum, including the timing of record cleanup and conversion in connection with acquiring the proposed automated accounting system module and the need for additional coordination and planning for proposed major information technology investments. Addressing those issues will enhance the opportunity for successful implementation.

Background

As we have reported in the past,¹ Interior's Indian trust fund accounting and asset management problems are long-standing and permeate all facets of the trust fund management business cycle. They include (1) the lack of accurate, up-to-date information on ownerships to ensure that revenue is distributed to the correct account and the increasing workload associated with fractionated ownerships, (2) inadequate management of natural resource assets resulting in a lack of assurance that all earned revenues are collected, (3) weaknesses in trust fund management systems and internal controls and policies and procedures that result in a lack of assurance about the accuracy of trust fund balances, and (4) the failure, in the past, to invest trust funds consistently and prudently and pay interest to accountholders. These overall weaknesses preclude accountholders from having assurance that their account balances are accurate and that their assets are being prudently managed. The purpose of the Special Trustee's Strategic Plan was to address these long-standing problems.

The following sections contain a brief description of the Strategic Plan implementation issues raised in our testimony, the related actions contemplated in your August 1997 memorandum, our observations on those related actions, and our recommendations.

Implementation Timing Issues

As noted in our testimony, the Strategic Plan proposes that the commercial trust fund accounting and investment system—which is currently used for tribal accounts—be expanded to include a module for Individual Indian Money (IIM) accounts. In determining the appropriate timing for acquiring an IIM commercial trust accounting system module, certain questions need to be addressed, including whether to (1) convert

¹Financial Management: Focused Leadership and Comprehensive Planning Can Improve Interior's Management of Indian Trust Funds (GAO/AIMD-94-185, September 22, 1994).

all IIM accounts to the new system module immediately, or convert them as they are cleaned up, (2) identify and archive inactive accounts before conversion, and (3) convert small-balance or pass-through accounts (zero-balance accounts where receipts are immediately withdrawn) to the new system module or maintain them separately. Your August 1997 memorandum states that the Office of the Special Trustee (OST), in coordination with the Department's Chief Information Officer (CIO), is to acquire, pilot, and install a core trust accounting system module suitable for both tribal and IIM accounts. However, the memorandum does not address the above IIM record cleanup and conversion questions.

Proposals That Need Detailed Planning

Our testimony also noted that the Strategic Plan proposes upgrading or acquiring trust-related systems for land ownership and lease and minerals asset management. However, the Strategic Plan does not adequately address all interrelated business functions and systems within Interior. Further, the Strategic Plan does not provide evidence that sufficient input was obtained from affected Interior agencies. In order to appropriately assess the accounting and asset management systems initiatives proposed in the Strategic Plan, more information and analysis are needed to ensure that all related business functions and information requirements are identified. Also, before proceeding with the major information technology investments proposed by the Strategic Plan, the processes and structures required by the Paperwork Reduction Act of 1995, the Clinger-Cohen Act of 1996, and Office of Management and Budget guidance for funding information systems investments, including an Information Resources Management Plan, need to be put in place.²

Your August 1997 memorandum directs the Office of the Special Trustee, in coordination with the Department's CIO, and the heads of the Bureau of Indian Affairs, the Bureau of Land Management, and the Minerals Management Service, to evaluate, acquire, and pilot standardized, commercial off-the-shelf general trust management system technology. It also directs that supporting land title and records and minerals royalty systems be evaluated and upgraded as appropriate. The memorandum directs that all trust systems acquisitions be accomplished in compliance with the Clinger-Cohen Act and Office of Management and Budget guidance. We believe it is imperative that Interior follow through with these actions and implement the required processes, structures, and Information Resources Management Plan mentioned previously before

²These requirements and other information systems investment guidance are discussed in attachment IV of the testimony.

proceeding with the major information technology investments contemplated in the Strategic Plan.

Issues Concerning Establishing Two New Organizations

Our testimony discusses the Strategic Plan's proposals to establish two new organizations outside the Department of the Interior—the American Indian Trust and Development Administration, which would be a government-sponsored enterprise, and the American Indian Trust and Development Bank. Our testimony stated that the Strategic Plan needs to provide more information on each of these proposals in order to support full consideration by the Congress. However, because your August 1997 memorandum deferred these proposals, we are not making a recommendation at this time regarding the specific organizational, funding, and legal information that would be needed for congressional decision-making on this issue.

Other Issues

Your August 1997 memorandum also stated that the Department will prepare a high-level implementation plan for its trust improvements project. Department officials told us that the plan is now being developed. At the request of the Senate Committee on Indian Affairs, we plan to monitor Interior's implementation of the improvement initiatives.

Conclusion

Your August 1997 memorandum outlined plans that relate to several of the initiatives for which we had identified implementation issues in our July testimony. There remain, however, some implementation issues not addressed by your memorandum, particularly in the areas of timing of record cleanup and conversion in connection with acquiring the proposed automated IIM accounting system module and the need for additional coordination and planning for proposed major information technology investments. Addressing these concerns is important to the successful implementation of the improvement initiatives outlined in the Strategic Plan.

Recommendations

We recommend that you direct the Special Trustee to work with the Department's Chief Information Officer to

- take immediate action to resolve IIM record cleanup and conversion timing questions so that the IIM accounting system module acquisition can move forward;
- identify all related business functions and obtain input on information requirements from all stakeholders to (1) provide adequate evidence of a framework for sharing related business and functional information and program requirements among the cognizant organizations and functions and (2) support the design and development of management and information systems; and
- comply with legal and regulatory requirements for major information technology investments by developing a strategic Information Resources Management Plan, criteria for the evaluation of major information system investments, and an information architecture that aligns technology with mission goals.

Agency Comments

Interior officials told us that they generally agree with the conclusions and recommendations in this report.

This letter contains recommendations to you. The head of a federal agency is required by 31 U.S.C. 720 to submit a written statement of actions taken on these recommendations to the Senate Committee on Governmental Affairs and the House Committee on Government Reform and Oversight within 60 days of the date of this letter. A written statement must also be sent to the House and Senate Committees on Appropriations with the agency's first request for appropriations made over 60 days after the date of this letter.

We are sending copies of this letter to the Chairman and the Vice Chairman of the Senate Committee on Indian Affairs and the Chairmen and Ranking Minority Members of the House Committee on Resources, the Senate Committee on Governmental Affairs, and the House Committee on Government Reform and Oversight. We are also sending copies of this letter to the Director of the Office of Management and Budget and to interested congressional committees and Members of Congress. Copies will be made available to others upon request.

Major contributors to this letter were Gayle Fischer, Michael Koury, and Meg Mills. Please call me at (202) 512-8341 if you or your staff have any questions regarding this report.

Sincerely yours,

A handwritten signature in black ink that reads "Linda M. Calbom". The script is cursive and fluid.

Linda M. Calbom
Director, Civil Audits

Scope and Methodology

To describe the trust asset management problems that the Strategic Plan proposes to resolve, we reviewed the problems identified in the Strategic Plan and relied on our past work and the work of independent public accountants Interior contracted with to perform financial statement audits and reviews.

To identify implementation issues, we analyzed the Plan in detail and relied on our past work on Indian trust fund accounting and asset management issues. We also met with Department of the Interior officials; the Special Trustee for American Indians; and officials in the Bureau of Indian Affairs, the Bureau of Land Management, and the Minerals Management Service, and contacted the Director of Interior's Office of American Indian Trust to obtain their views on the Plan. In addition, we reviewed tribal comments on the Plan, which were provided to the Special Trustee as a result of his consultation meetings with the tribes.

We reviewed the contemplated actions outlined in your August 1997 memorandum to determine whether they responded to implementation issues identified in our testimony and discussed them with Department officials.

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