

INDIAN AFFAIRS MANUAL

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4.1 Purpose. This chapter describes the procedures and assigns responsibilities for preparation of Annual Assurance Statements for Indian Affairs.

4.2 Authority. Title 31 U.S.C. §3512, Federal Managers' Financial Integrity Act (FMFIA), P.L. 97-255.

4.3 Guidance.

A Office of Management and Budget (OMB) Circular A-123, Management Accountability and Control, June 21, 1995;

B. Departmental Manual Part 340, Management Control Systems; and

C. Indian Affairs Manual, Part 5, Chapter 3, Management Controls

4.4 Requirements. FMFIA requires the head of each executive agency to prepare an annual statement on the adequacy of the systems of internal accounting and administrative controls. The Secretary of the Department of the Interior (Secretary) provides a "Statement of Assurance" to the President and to the Congress on the effectiveness of management controls within the Department. The Secretary's statement is based upon assurance statements provided by bureau and office directors, through the cognizant assistant secretary.

4.5 Responsibilities. The following officials are responsible for the submission of annual assurance statements:

A Commissioner of Indian Affairs will provide assurance for Bureau of Indian Affairs programs and operations other than Education based on personal knowledge and on the information provided by the following:

(1) Regional Directors and Central Office Directors (other than Education) will provide to the Deputy Commissioner an assessment of the effectiveness of management controls within their area of responsibility. Directors will also provide a brief explanation of the basis for this judgment, including the results of any management control reviews conducted during the year, and a paragraph which describes the staff, funding (other than that obligated for Indian Self-Determination contracts and grants), and service population.

(2) Director, Office of Audit and Evaluation will provide the Deputy Commissioner with relevant information on audits conducted by the Office of Inspector General and the General Accounting Office and summary information about single audits conducted for tribes and tribal organizations which receive Federal financial assistance from Indian Affairs.

B. Director, Office of Indian Education Programs, will provide assurance for the Office of Indian Education Programs. The Director may require input from Education Line Officers or other OIEP officials.

C. Director, Office of Self-Governance, will provide assurance for programs and functions administered by the Office of Self-Governance.

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D. Director, Office of American Indian Trust, will provide assurance for the Office of American Indian Trust.

E. Director, Office of Audit and Evaluation, will provide assurance for the Office of Audit and Evaluation.

4.6 Basis for Assurance. Managers may supplement their own judgment gained from daily operation of programs and systems with information derived from any of the sources discussed in Chapter 3 of this Manual Part.

4.7 Reasonable Assurance means that there is a satisfactory level of confidence that controls are in place and working efficiently and effectively to achieve program objectives and Government resources are safeguarded given considerations of cost, benefit, and risk.

4.8 Format. Suggested formats are provided for the following:

- A. Statements from Regional Directors and Central Office Directors: Illustration 1;
- B. Statement from the Commissioner: Illustration 2;
- C. Statement from Director, Office of Indian Education Programs: Illustration 3;
- D. Statement from Director, Office of Self-Governance: Illustration 4;
- E. Statement from Director, Office of American Indian Trust: Illustration 5; and
- F. Statement from the Director, Office of Audit and Evaluation: Illustration 6.

4.9 Due Dates.

A. October 15: Bureau and office statements due to the Assistant Secretary - Policy, Management and Budget, with concurrence of the Assistant Secretary.

B. October 8: Commissioner's Statement and Statements from the Directors of Indian Education Programs, American Indian Trust, Audit and Evaluation, and Self-Governance due to the Office of Audit and Evaluation.

C. September 30: Statements from Regional Directors and Central Office Directors due to the Commissioner, and statements from OIEP officials, if required, due to the Director, Office of Indian Education Programs.

4.10 Technical Assistance and Coordination of Statements.

A. Technical Assistance in preparing statements for any of the responsible officials is available from the Office of Audit and Evaluation.

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B. Coordination of the statements for submission to the Commissioner, Assistant Secretary and Secretary is necessary. Therefore, all Directors' statements should be mailed to the attention of the Director, Office of Audit and Evaluation, 1849 "C" Street, NW, MS 2559-MIB, Washington, DC 20240.

Memorandum

To: Commissioner of Indian Affairs

From: Director, _____

Subject: Management Accountability and Control

The *Federal Managers Financial Integrity Act* requires an annual report on the effectiveness of the management control systems which are to provide reasonable assurance that: (1) programs achieve their intended result; (2) resources are used in a manner consistent with the Bureau's [or Office's] mission; (3) resources are protected from waste, fraud, and mismanagement; (4) laws and regulations are followed; and (5) reliable and timely information is maintained, reported, and used for decision-making.

The _____ Office [and its subordinate organizations, *(for OIEP and Regional Offices)*] has a staff of _____. In FY 1997, exclusive of the amounts provided under Indian Self-Determination contracts and grants or as direct payments to tribes for land or water claims settlements, the total budget was \$_____. [*For Regional Offices only*] The Office provides services to ___ tribe(s), having approximately _____ members.

(1) With the exception of those previously identified material weaknesses in the BIA, I conclude that the _____ Office systems of management, administrative, and financial controls provide reasonable assurance that the objectives of the *FMFIA* have been achieved.

or

(2) With the exception of those previously identified material weaknesses in the BIA and [description of Office's area of nonconformance], I conclude that the _____ Office systems of management, administrative, and financial controls provide reasonable assurance that the objectives of the *FMFIA* have been achieved. A corrective action plan is attached which addresses the identified weakness.

or

(3) As a result of weaknesses identified in the _____ Region, and considering the previously identified material weakness in the BIA, I conclude that the _____ Office systems of management, administrative, and financial controls do not provide reasonable assurance that the objectives of the *FMFIA* have been achieved. A number of corrective action plans are attached which address the identified weaknesses.

This statement is based upon management's knowledge of day-to-day operations and

(Include results of reviews, property inventories, personnel appraisal systems, customer satisfaction surveys, or other relevant information.)

Memorandum

To: Assistant Secretary - Policy, Management, and Budget
(Attention: Office of Financial Management)

Through: Assistant Secretary - Indian Affairs

From: Commissioner of Indian Affairs

Subject: FY 1996 Annual Assurance Statement on Management Controls

The Bureau of Indian Affairs has completed an assessment of its systems of management, administrative and financial controls in accordance with the standards and guidelines established by the *Federal Managers' Financial Integrity Act (FMFIA)* and the Office of Management and Budget. The objectives of this assessment were to ensure that:

- programs achieved their intended results;
- resources were used consistent with agency mission;
- resources are protected from waste, fraud, and mismanagement;
- laws and regulations are followed;
- reliable and timely information is maintained, reported, and used for decision-making.

In performing the assessment, the Bureau relied on the knowledge and experience management has gained from daily operation of its programs and systems of management, administrative and financial controls, and information obtained from management control reviews, OIG and GAO audits, program reviews, evaluations and studies, audits of financial statements, performance plans and reports, and other information. The scope of the assessment was broad enough to support the following conclusions.

Statements of Assurance by BIA Directors:

The Bureau provides a wide-range of services directly, or through self-determination contract, grant, and self-governance compact agreements with tribal governments and organizations, to over 1.2 million Indian, Eskimo, and Aleut residents in 31 states. In addition, the Bureau administers more than 54 million acres of land owned by tribes, individual Indians, and the Federal Government. The program services and trust responsibilities are managed through 12 regional offices, 83 agency offices, and nine other field locations.

In FY 1995, the Bureau obligated over \$1.2 billion for its program operations and awarded \$1 billion to tribal organizations under self-determination and self-governance agreements. These amounts included \$421 million in program funds allocated from other federal agencies. During FY 1996, the Bureau is administering nearly \$2.5 billion in total resources, of which an estimated \$1.3 billion is for direct operations and support services to tribes that do not receive contracts, grants, or compacts. The Bureau is expected to have about 10,600 employees at the end of the fiscal year.

Assurance statements have been received from nine Senior Executives in the BIA who together manage 4,616 employees and annual budgets of \$650 million. When combined with the Offices of Indian Education Programs, Self-Governance, American Indian Trust, and Audit and Evaluation, the assurance statements for FY 1996 cover \$936 million, or 70 percent of the funds available for Bureau operations, and 9,846 employees, or 93 percent of total Indian Affairs' staffing. These assurance statements do not identify any problems of material concern in the systems of management, administrative, and financial controls, with the exception of the material weaknesses in BIA operations which have been previously disclosed.

OIG and GAO Audits and Reports on BIA Operations:

During FY 1996, the General Accounting Office issued four reports based in part on information provided by BIA: Profile of Indian Gaming; Survey of Telecommunications Costs; Support for International Organizations; and Land Ownership, Acreage, Management, and Use of Federal Lands. In each instance, BIA had the information requested and provided it in a timely manner.

Four final audits and two draft audits of BIA operations were issued by the Office of Inspector General in FY 1996. Two of the final audits contained no recommendations for BIA management: Firefighter Payroll in the Southwestern Regional Office and the Principal Financial Statements for FY 1995. The audits of the Road Construction Program and of Indian Irrigation Projects had a total of 20 recommendations. All of these recommendations were resolved with the OIG. Implementation of the seven corrective actions in the Road Construction program is scheduled for FY 1997. While implementation of the 13 irrigation project recommendations will require several years, in FY 1996 the BIA began the first-ever organized, systematic review and reconciliation of the financial data on irrigation projects. None of the draft or final audits identified any material weaknesses in BIA operations that had not been previously disclosed.

Material Weaknesses:

Since 1993, the Bureau has taken effective actions to eliminate 12 of the 17 long-standing weaknesses that had been previously identified by the Department. During FY 1996, the BIA completed actions to correct problems in Personal Property Management that had been noted in 1992. Significant progress has been made on Irrigation Operations and Maintenance, which was first identified as a material problem twelve years ago, so that final corrective actions will be completed by December 1996. Final corrective actions will occur in October 1997 on the Acquisition Management Program, which was listed as a material weakness in 1989. Several additional years will be required to resolve material weaknesses in Debt Collection (1987), Records Management (1991), and Real Property Management and Accounting (1995).

The corrective action reports for pending material weaknesses are attached. The existence of these material weaknesses does not prevent the Bureau from providing reasonable assurance on the effectiveness of its management controls as a whole.

Based on the results of the assessment and except for the material weaknesses noted, I conclude that the Bureau's systems of management, administrative and financial controls provide reasonable assurance that the objectives of the *FMFIA* have been achieved and that the Bureau's financial systems generally conform to government wide principles, standards and related requirements.

Attachment

Memorandum

To: Assistant Secretary - Policy, Management and Budget

Through: Assistant Secretary - Indian Affairs

From: Director, Office of Indian Education Programs

Subject: Management Accountability and Control

The Federal Managers Financial Integrity Act (FMFIA) requires an annual report on the effectiveness of the management control systems which are to provide reasonable assurance that: (1) programs achieve their intended result; (2) resources are used in a manner consistent with the Bureau's mission; (3) resources are protected from waste, fraud, and mismanagement; (4) laws and regulations are followed; and (5) reliable and timely information is maintained, reported, and used for decision-making.

During the 1995-96 academic year, the Office of Indian Education Programs (OIEP) operated 83 elementary and secondary schools, six dormitories, the Haskell Indian Nations University, and the Southwestern Indian Polytechnic Institute and funded an additional 98 schools and dormitories operated by tribes under grant or contract. OIEP also provided funding for technical assistance and endowments to 24 Tribally Controlled Community Colleges. In Fiscal Year 1996, the OIEP administered \$502 million in appropriations made to the Bureau of Indian Affairs and \$78 million that was allocated from the U.S. Department of Education. Staffing for OIEP and Bureau-operated schools was 5,200 Federal employees.

I conclude that the Office of Indian Education Programs systems of management, administrative, and financial controls provide reasonable assurance that the objectives of the FMFIA have been achieved. This statement is based upon management's knowledge of day-to-day operations, monthly reviews of summary fund status reports, periodic reviews with school superintendents and Education Line Officers, review of position descriptions, and adherence to performance appraisal requirements as well as two internal audits. One of those two audits was an Office of Inspector General report which is closed and contained no findings. The other was a General Accounting Office information report. Furthermore, all Bureau-operated schools received annual accreditation by state and/or regional education organizations.

Memorandum

To: Assistant Secretary - Policy, Management and Budget
(Attention: Office of Financial Management)

Through: Assistant Secretary - Indian Affairs

From: Director, Office of Self-Governance

Subject: Management Accountability and Control

The *Federal Managers' Financial Integrity Act* requires an annual report on the effectiveness of the management control systems which are to provide reasonable assurance that: (1) programs achieve their intended result; (2) resources are used in a manner consistent with the Office's mission; (3) resources are protected from waste, fraud, and mismanagement; (4) laws and regulations are followed; and (5) reliable and timely information is maintained, reported, and used for decision-making.

The Office of Self-Governance administered over \$150 million in financial assistance to 180 federally-recognized tribes under 53 compact agreements during FY 1996. The Office also provided policy guidance and oversight for negotiations between the BIA and self-governance tribes on 62 annual funding agreements to be implemented in FY 1997. In FY 1996, the Office had a staff of eight professional and administrative personnel and a total budget of \$1,211,000, exclusive of amounts provided under self-governance annual funding agreements.

The Office reviewed 44 single audits which were submitted by 36 of the Self-Governance compactors. Of these audits, 43 percent contained no findings or questioned costs. The remainder of the audits identified 93 compliance or internal control findings and questioned costs of \$23,245. All findings and questioned costs have been satisfactorily resolved. We have contacted those tribes which are delinquent in submitting the required audits and have been assured that the reports will be provided within six months.

I conclude that the Office's systems of management, administrative, and financial controls provide reasonable assurance that the objectives of the *FMFIA* have been achieved, except for the timely submission of reports required under section 405 of the *Indian Self-Determination and Education Assistance Act*. Section 405 requires a report to Congress on the costs and benefits of self-governance by January 1 of each year. The FY 1995 annual report has been delayed by the additional time needed to negotiate the methodology with the Self-Governance Rulemaking Committee in conjunction with the regulations being developed for the Tribal Self-Governance Program. Section 403 also requires that each annual funding agreement with a self-governance tribe be submitted for review by the Congress no later than 90 days before the effective date of the agreement. In several instances, FY 1996 agreements were not finalized within this time frame because of protracted negotiations.

This assurance statement is based upon my knowledge of day-to-day operations, monthly reviews of summary fund status reports, review of position descriptions, adherence to performance appraisal requirements, an annual inventory of personal property, and a review of tribal audits.

Memorandum

To: Assistant Secretary - Policy, Management and Budget
(Attention: Office of Financial Management)

Through: Assistant Secretary - Indian Affairs

From: Director, Office of American Indian Trust

Subject: Management Accountability and Control

The *Federal Managers' Financial Integrity Act* requires an annual report on the effectiveness of the management control systems which are to provide reasonable assurance that: (1) programs achieve their intended result; (2) resources are used in a manner consistent with the Office's mission; (3) resources are protected from waste, fraud, and mismanagement; (4) laws and regulations are followed; and (5) reliable and timely information is maintained, reported, and used for decision-making.

The Office of American Indian Trust conducts on-site reviews of trust functions assumed by tribes and tribal organizations under self-governance agreements to ensure that the Secretary's federal trust responsibilities are performed in accordance with the appropriate laws and regulations. During FY 1996, the Office provided technical training on Indian trust responsibilities to tribes and federal agencies, and completed 29 evaluations of tribal programs. The evaluations showed that none of the resources being managed by the tribes under self-governance compacts were in imminent jeopardy. In FY 1996, the Office had a staff of seven professional and administrative personnel and a total budget of \$795,000.

I conclude that the Office's systems of management, administrative, and financial controls provide reasonable assurance that the objectives of the *FMFIA* have been achieved. This statement is based upon my knowledge of day-to-day operations, availability of appropriate manuals and regulations, review of position descriptions, adherence to performance appraisal requirements, monthly reviews of budget and accounting reports, approval of staff travel plans, certification of travel vouchers and credit card purchases, and an annual inventory of personal property.

Memorandum

To: Assistant Secretary - Policy, Management and Budget
(Attention: Office of Financial Management)

Through: Assistant Secretary - Indian Affairs

From: Director, Office of Audit and Evaluation

Subject: Management Accountability and Control

The *Federal Managers' Financial Integrity Act* requires an annual report on the effectiveness of the management control systems which are to provide reasonable assurance that: (1) programs achieve their intended result; (2) resources are used in a manner consistent with the Office's mission; (3) resources are protected from waste, fraud, and mismanagement; (4) laws and regulations are followed; and (5) reliable and timely information is maintained, reported, and used for decision-making.

The Office of Audit and Evaluation provides technical advice and assistance to the Bureau of Indian Affairs and the Office of Self-Governance in the resolution of audit findings related to their programs, including annual audit reports submitted by tribal governments, schools, and organizations that receive federal financial assistance. In FY 1996, the Office had a staff of 13 professional and administrative personnel and a total budget of \$1,398,000.

I conclude that the Office's systems of management, administrative, and financial controls provide reasonable assurance that the objectives of the *FMFIA* have been achieved. This statement is based upon my knowledge of day-to-day operations, availability of appropriate manuals and regulations, review of position descriptions, adherence to performance appraisal requirements, monthly reviews of budget and accounting reports, and an annual inventory of personal property.

In FY 1995, the Bureau and the Office of Self-Governance awarded over \$1 billion under self-determination contract, grant, and self-governance compact agreements. Federal funds were provided to 449 tribes and 97 schools are operated by tribes or tribal organizations. Through August 1996, 388 audit reports were received from grantees and tribal contractors, as required under the *Single Audit Act of 1984*, covering FY 1995 and prior fiscal years. Of the 388 audits, 160 reports (41 percent) contained no adverse findings. Another 156 reports with a combined 804 audit findings were successfully resolved, although collection action is pending on ten of these. The BIA made the required management decisions on all audits with findings or questioned costs within the 180 day period prescribed by Departmental policy. Of the remaining audits, the OIG is presently reviewing BIA's management decisions on 17, and BIA management decisions are pending on 57.

During 1996, BIA awarding officials have disallowed \$121,000 of grant and contract expenditures charged to Federal funds in prior fiscal years. This represents only one-tenth of one percent (.01 percent) of annual BIA awards to tribes and tribal organizations.

Based upon these audit results, the Department has reasonable assurance that the federal financial assistance provided by the BIA to tribes and tribal organizations is protected from waste, fraud, and abuse.