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Robert W. Wagner, Jr  
July 18, 1991

RECORD OF TELECON

On July 17, 1991, I contacted Mike Peterson (218-751-0250) to discuss the phenomena of "uninvested" and/or "under-invested" Indian trust fund money. The primary purpose of the call was to better understand the Inter-Tribal Monitoring Association's (ITMA) concerns about how BIA has handled Tribal and individual Indian money (IIM) cash.

Mr. Peterson told me that each tribal trust account has three subaccounts - Investments, Unallotted Cash and Allotted Cash. (Auditors note: I am unsure whether it is technically correct to call these subaccounts but until I find out otherwise I will continue to refer to them in this manner.) The focus of the ITMA concerns is not with the funds that have been invested and that are accounted for in the Investments subaccount. Instead, ITMA's concern is with the cash not in the Investment subaccounts. The bottom line is that ITMA wants to have assurance that the Tribes (and individual Indians) have earned a fair rate of return on the cash in the trust fund accounts. They feel that BIA has not done a good job in this area and they hope that the reconciliation project will confirm their suspicions.

Mr. Peterson provided an example of things that BIA has or has not done to illustrate his point. Let's assume that \$10 million has actually been deposited into the U.S. Treasury but BIA's systems only reflect that \$5 million has been deposited. BIA then instructs the Treasury Dept. to take the \$5 million and invest it in an overnighter account. According to Mr. Peterson, if BIA systems were worth anything they should have known that the full \$10 million had been deposited and they could have put the full \$10 million into an "overnighter" account. As a result of the scenario above the money earned about 4% interest on \$5 million and perhaps 7% on the other \$5 million. Mr. Peterson contends that the money should have earned the full 7% on the full \$10 million. Therefore, BIA owes the fund 3% interest on the \$5 million that was not invested in the "overnighter" account. He feels that BIA's position is that all of the funds were invested and that they should not have to pay the additional 3% interest. (BIA refers to this as "under-invested")

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Another example, would be where the full \$10 million was deposited but none of it was deposited in an "overnighter" account. Therefore, all of the funds earned 4% interest. Once again Mr. Peterson feels that it is BIA's position that the funds were invested and that they do not owe any additional interest to the tribes.

(Auditor's Note: We do not know enough about BIA's system for investing funds, the practices they follow, or the degree of precision in implementing these practices. In order to fully understand the issues being talked about we need more information about BIA's investment process.)

The bottom line as far as the Indian's are concerned they should earn interest at the best rates possible and that it's not their fault that BIA's systems and practices are deficient and resulted in BIA not being in a position to ensure that all trust fund cash is earning as much interest as possible. To the extent that the funds were not earning as much as they could have, the Indians feel BIA should be required to pay this interest to the tribes and individual Indians.

*Gayle L. Condon*  
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