

**BUREAU OF INDIAN AFFAIRS
STATUS REPORT - PHASE II
JANUARY 1, 1994 THROUGH JANUARY 15, 1994**

Document Sorting -

As of November 30, 1993, the Bureau has halted their search for additional documents. All available sorted documents were delivered to Arthur Andersen on November 30, 1993. No additional documents are expected from the Bureau.

Contract Certification -

In July of 1993 the Bureau sent out a Request for Proposal for performance of a certification contract. The objective of this contract was to obtain independent verification that the work performed under Arthur Andersen & Co.'s original contract, and subsequent modifications, was performed in accordance with the contract. Coopers & Lybrand was selected as the certification contractor in the fall of 1993. Subsequent to their selection, we have been requested to attend weekly meetings, interact with field staff and supply additional supporting documentation of work performed. Consequently, we have begun to summarize requests and timelines which we believe should be incorporated into our semi-monthly status reports (see Attachments I and II).

Reconciliation -

Schedules I and III summarize work accomplished during this reporting period. Following is a brief summary of the reconciliation statistics reported in the attached schedules. Transactions exclude investments.

	<u>Transactions</u>		<u>Amount</u> (000's)	
Total transactions reconciled	217,438	88.14%	\$ 14,434,439	82.03%
Total unreconciled	29,246	11.86%	3,161,209	17.97%
Total	246,684	100.00%	17,595,648	100.00%
Reconciled since previous report	496		\$ 23,095	

Arthur Andersen has continued to provide weekly statistical summaries of documents provided for reconciliation, and documents reconciled. We have also continued to provide special statistical reports at the request of the Bureau. Schedule VI summarizes special data requests by the Bureau filled during this period.

On September 28, 1993, Arthur Andersen personnel began to update all disbursement transactions reconciled prior to May 1993, to incorporate the updated coding procedures. As of January 15, 1994, all of these redwelds have been completed. During this period we began to perform final clean-up procedures on all non-investment redwelds. This work is planned on being completed by January 31, 1994.

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SUPERVISED ACCOUNTS

Technology Center -

As of November 15, 1993, the Technology Center had completed 100% of the lease database input for the Five Tribes. The lease database information has been forwarded to Albuquerque and has been used in conjunction with work being performed at Yakima and Hopi. Approximately 750 redwelds that were coded as part of the lease database remain in Phoenix to be imaged.

Work regarding completion of a lease database on a global basis was begun on December 13, 1993. As of January 15, 1994 a total of 782 receipt document redwelds have been coded and input of the total 2,246 receipt redwelds required to complete the lease database on a global basis. On January 6, 1994, 45 redwelds were shipped. On January 7, 1994 an additional 89 redwelds were shipped to Phoenix to begin initial coding. Redwelds will continue to be shipped on a regular basis in order to complete this task in a timely manner. All receipt documents are expected to be coded and input by the end of February, 1994.

We have tested the conversion process of images created in Phoenix to our system in Albuquerque. The new Seaview version was installed the week of November 8 and we have completed the conversion of the database to version 2.0. The scanning project began on November 8, 1993. As of January 15, 1994, 728 redwelds or 180,493 pages had been scanned. If the two scanners purchased by the Bureau are in operation by February 22, 1994, it is anticipated that the scanning project could be completed by April 1, 1994.

Systems Reconciliation - MoneyMax vs. Finance System -

We obtained a summary of Tribal variances from the Bureau that were loaded into automated spreadsheets in order to identify specific Tribal account variances. A variance of approximately \$11 million affecting 72 tribes has been analyzed and specific transactions resulting in the variance have been identified. Schedule V tracks our requests for supporting documents.

Following is a summary of the status of follow-up reconciliation procedures:

Cleared through Bureau internal reconciliation efforts proposed adjustments to Finance	\$ 1,100,000
Arthur Andersen's proposed reconciliation adjustments to MoneyMax	45,000
Arthur Andersen's proposed reconciliation adjustments to Finance	9,842,000
Remaining open items	13,000
Total variance	<u>\$ 11,000,000</u>

As was noted in our prior status report, several document requests were outstanding for more than one month. Due to this delay it became evident that the original estimated completion date of September 30, 1993, would not be met. Formal notification of this change and time extension was requested and approved by the Contracting Officer. Subsequent to this, an additional delay was requested by the Bureau due to the urgency of completing the back-log of basic reconciliation work.

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Three staff returned to this area of work on December 6, 1993. Focus was on pinpointing the cause of the variances remaining open utilizing the documents provided to us by the Bureau. Fieldwork was halted midday December 14, 1993 at the request of the Bureau to concentrate

efforts on completing the back-log of basic reconciliation work. Two staff resumed this effort on December 27, 1993.

In a letter dated December 30, 1993 to Doug Lords we had requested a detail support of the Bureau's adjustments for the reconciliation of Three Affiliated's variance, additional support required for remaining open variances and to set up a meeting to review and sign-off on all proposed adjustments to date. It is hoped that these requests can be met in early January.

For Special Funds we located the variance amounts for the three (3) special funds (Contributed, Papago and Alaska Native). The fourth special fund (Navajo Rehabilitation) did not have a variance and thus does not require further reconciliation work. The total variance approximates \$92,000 for the three funds in the population.

As can be noted on Schedule V, we had made additional requests for supporting documents for Confederated Yakima and Hoopa Tribes. Additionally, requests for supporting documents for Southern Ute Tribe, Pueblo of Laguna and Alaska Native Special Fund were also made. All requests have been received and documentation is being reviewed to determine if it clears the variances.

Systems Reconciliation - U.S. Treasury vs. Finance System --

As of December 15, 1993, we had finalized our workplan outline and were ready to commence the U.S. Treasury to Finance System Reconciliation work. On December 13, 1993 we presented our workplan outline to the Bureau and Coopers and Lybrand (see Attachment II). As discussed in the workplan outline, we will require Bureau assistance in locating additional U.S. Treasury reports and Bureau performed reconciliations. On January 10, 1994 we received portions of the requested U.S. Treasury reports and Bureau performed reconciliations but various items as discussed in the December 13, 1993 planning meeting and the December 30, 1993 letter to Doug Lords have not been received, nor have Trust Funds Management System downloads been received. On January 12, 1994 we began keying all available ALC 0650 and 0651 U.S. Treasury reports. On January 13, 1994 ALC 0651 keying was completed. ALC 0650 is expected to be completed by January 21, 1994. We have begun to review Bureau performed reconciliations which were received on January 10, 1994 (see Attachment III). We will need Trust Funds Management System downloads to begin the automated reconciliation work as soon as possible to avoid scheduling delays as this work was scheduled to be completed by January 15, 1994.

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Five Tribal Agreed Upon Procedures --

On October 29, we presented our draft operational review reports to the Bureau for both Yakima and Hopi and discussed the status of the Hopi Agency work recently started. The Bureau is particularly concerned about "compliance with CFR regulations" which will require some focused effort over the next few weeks.

Due to the lack of a listing of leases (lease database) for the Yakima site we have been forced to review all collection vouchers at the Yakima site and identify tribal leases. The work has been documented through review checklists that will later be matched against the lease database being created by the Technology Center. Leases reviewed are also being documented on checklists and compared to collection voucher checklists. We also have noted that surface lease records prior to 1986 were destroyed by the Federal Record Center which will affect the extent of testing that can be performed. Following is a summary of surface lease testing:

	Number	Net Dollar Effect
Leases reviewed	351	\$ 14,582,001
Errors identified:		
Incorrect interest charged	115	\$ 46,587
Incorrect fee charged	23	47,099
Other miscellaneous errors	27	2,391
	165	\$ 96,077

- Based on the number of years the contract is active we agreed the amounts on the collection voucher (CV) to the billings statement for each lease number. The billings statement is prepared by the Realty Department and shows how the money is to be allocated to the different accounts (tribal, tribal land enterprise, or individual Indian money). The billing statement is then agreed to the appropriate lease contract based on contract and allotment numbers.

- These are the common exceptions noted by the team:

- Interest on delinquent payments is not collected.
- Interest collected on delinquent payments does not match what should to be collected.
- The execution fee was posted to the Tribal Land Enterprises or BIA miscellaneous account as opposed to the tribal account.

Relative to the lease amount, these exceptions are not significant.

- In addition, AA & Co. reviewed 100 leases below the \$5,000 scope.

All findings/proposed adjustments will be discussed with Bureau agency personnel for Bureau follow up prior to completion of fieldwork.

Yakima Tribe fieldwork ended on December 10, 1993. The remaining follow-up work will be performed in Albuquerque. This work will include testing of timber volume, tying of amounts to PC Focus report, review of workpapers and completion of final draft. Exit conference with the Tribe is scheduled for January 25, 1994.

Hopi Tribe preliminary field work began October 11, 1993. As discussed previously, operational/procedural reviews have been performed at Hopi and draft reports have been prepared. Additionally, some lease documents have been reviewed along with completion of initial interviews of Tribal and Agency personnel. Staff from this site had been called back to Albuquerque, at the Bureau's request, to assist in the basic reconciliation effort and to allow the Agency office to accumulate requested documents.

From November 14, 1993 through November 24, 1993 the staff reviewed all lease files to determine if they were in compliance with the Code of Federal Regulations. A schedule was created that lists all lease files with their terms and other information. The staff also obtained Peabody Cole Production Reports available from the Realty Office and the Hopi Agency. Several individuals were also interviewed at the Tribal Offices to determine how a lease flows through the system. The week of November 29, 1993 was spent wrapping up our findings,

requesting additional information necessary to complete our work and getting our files in order. During the week of December 6, 1993 the staff worked on locating missing information and finding the remaining Peabody Coal Production Reports. The staff went to Phoenix during the week to locate additional supporting documentation at the Technology Center and to visit the Bureau of Land Management (BLM) to copy any missing Peabody Coal Production Reports. During the week of December 13, 1993 a meeting was held to discuss the roles of the BIA, BLM and MMS. On December 16, 1993 another meeting was held to discuss the work we had performed and our preliminary findings. From this meeting it was determined that some additional work needs to be performed on grazing fees and village leases. During the week of December 20, 1993, the staff are waiting for additional information to be provided so work can be completed in the various areas requested by the Bureau. The staff are also in process of drafting a preliminary report.

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Entrance conference with the Flathead Tribe is scheduled for January 27, 1994. Initial dates for entrance conferences with the other two tribes were discussed with the Bureau but have not been finalized due to the need for completing the lease database.

Volume Statistics -

Attached to this status report are six schedules which track the reconciliation progress of available redwelds (Schedule I), the status of documented Issues/Exceptions (Schedule II), the status of items input by fiscal year (Schedule III), the status of issues memos written to date since Phase II began (Schedule IV), the status of requests for supporting documents for the reconciliation of MoneyMax to Finance (Schedule V), and a summary of special report requests fulfilled during the period (Schedule VI).