

T-1139

September 24, 1990

TRUST FUND MANAGEMENT QUARTERLY STATUS REPORT

The Office of Trust Fund Management has developed a strategy of short-term and long-term objectives meant to address the outstanding weaknesses in the Bureau's trust fund management program. A copy of those objectives were forwarded to you in a letter from this office dated June 13, 1990. The following summarizes the current status of those goals. All short-term items are to be completed by July 1, 1991. The target dates for the long-term objectives range from 2-5 years.

SHORT TERM:

1. Investment Systems Interface

The Office of Trust Fund Management has completed the technical review necessary to effect an electronic interface between the MONEymax, INFO, Finance, Investornet and EZTrieve systems currently being used. Separate data entry of similar data will be eliminated, and the enhancements will require enforcement of verification and reconciliation of the transactions entered. The Bureau has acquired the services of a contract systems analyst/programming group, COMSIS, to assist us in accomplishing this and other enhancements to our current systems. The investment interface is to be on-line by October 1, 1990. The system is currently undergoing testing at the COMSIS offices in Denver. The on-site testing in Albuquerque will begin on Monday, September 24. Appears to be in line with target dates established.

2. Separation of Duties-Custodial Services

The custody function will be separated from the investment operations group, and the necessary personnel actions implemented. The funding and FTE required are available due to the recent establishment of the Office of Trust Fund Management. This is currently expected to be completed by December 31, 1990. The positions descriptions have been re-written and are presently being classified. The positions are expected to be advertised in late October and the selections made by late December as projected.

3. Tribal Access to Wismer (MONEymax)

This enhancement would allow a Tribe to access the MONEymax data, prepared by Wismer & Associates in California, via computer to the extent that the Tribe is willing to pay for the communications and access costs, which could run as high

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as \$1500 per month for daily access. Wismer has confirmed that they are prepared to allow the Tribe access to the Tribe's data on Wismer's system. The Warm Springs Tribe has made the arrangements with Wismer & Associates to access the system, and they are currently testing the data at their offices in Oregon.

4. Tribal Trust Inquiry System

This system allows the Tribes access to the financial data on the Bureau's automated finance system in Albuquerque, New Mexico. It has been tested and is in place for the Warm Springs Tribe. A memorandum was forwarded to all Area Directors in June 1990 informing them of this system access and requesting them to contact the Office of Trust Fund Management for more information for their Tribes to obtain access. It is currently being updated on a daily basis. Only the Warm Springs Tribe currently has requested access and is using the system. We have had a request for the authorization forms from the Osage Tribe and we are currently in the process of setting up their passwords for access. We will be aggressively promoting this system during this next quarter through notices to Area, Agency and Tribal offices.

5. Improve Deposit Reporting for Field Office Collections

The Office of Trust Fund Management is currently exploring the possibility of expanding the number of Treasury approved local depositories near Agency offices Bureau-wide. A deposit reporting service is not yet in place. Alternative approaches are still being evaluated. In lieu of a formal deposit reporting service, the Agency and Area Offices will be required, effective October 1, 1990, to telefax copies of the confirmed deposit tickets to the Division of Trust Fund Accounting in Albuquerque on a daily basis for investment purposes. The memorandum has been sent to the field offices for implementation of this procedure.

6. Automation of Daily Interest Computation Method

The daily interest computation method is currently being used for both the Tribal and IIM systems, with the exception of any closing or partial distributions made for the Special Deposit group of accounts in IIM during a month. The programs have been written and the testing is just getting underway. We expect an implementation date of April 1, 1991.

7. Issuance of Monthly IIM Statements

This has been initiated effective in July 1990 for those IIM account owners who have been receiving IIM account statements on a semi-annual basis (approximately 100,000 account owners). The Office of Trust Fund Management is presently attempting to work with Area Offices in issuing the statements for the balance of the accounts. We are in the process of gathering input from the Areas concerning the number of accounts without addresses, supervised individuals, etc. to determine the ability of the Bureau to distribute the statements related to

those accounts.

8. The 1081 Reconciliation Project

The programs for this new system are currently being tested prior to implementation at the Area Offices distributing oil and gas royalties received from Minerals Management Service. It is projected that the system will be implemented at all affected Areas no later than November 1, 1990. The testing of the programs is currently being conducted at Anadarko Area and is expected to be implemented at that location by October 1, 1990. We have been assisted in the development of the test plan documentation by COMSIS. They will continue to work with us on the project into Phase II, which will address additional reporting and the prior year undistributed interest related to royalties since November 1985. In order to succeed with this Project, it is required that the Bureau's Office of Data Systems be prepared to dedicate the resources necessary to complete the programming and the testing phases in a timely manner.

9. Complete Reconciliation and Audit of Initial Tribal & IIM Accounts

The Tribes with the highest dollars on deposit held in Trust by the Bureau (37 Tribes, 87% of Tribal Trust dollars), and all IIM accounts (approximately 17,600 accounts representing \$67 million, which is 15% coverage of the dollars held in the IIM Trust accounts) at three Agencies, Fort Peck, Uintah & Ouray, and Olympic Peninsula, will be reconciled and audited to the earliest date possible by September 30, 1991. The records are currently being accumulated for this effort. There was a meeting held in Albuquerque on September 20, 1990 with representatives from 37 Tribes and Tribes associated with the 3 Agencies to be included in Phase I of this project. We are scheduling a meeting with the appropriations committees to go over the reaction to the draft RFP's by the Tribes. We are planning to advertise the RFP's in the Commerce Business Daily no later than October 15, 1990. This would allow field work to begin by late January 1991.

10. Initiate an Indian/Tribal Advisory Committee

The Advisory Committee charter Federal Register notice and other supporting documentation as required under the Federal Advisory Committee Act has been submitted to the Department for final review and approval. Once the package has been approved by the Department of the Interior, it will be transmitted to GSA for approval by the Executive Branch of the Government. The package will then be transmitted to Congress for review and approval. The total process could take up to six months to complete. The projected target date is March 31, 1991.

11. Contract for Investment Advisory Service

The Office of Trust Fund Management is currently evaluating

the options available for investment advisory services for the Division of Trust Fund Investments. This is expected to be implemented in early FY-1991, but no later than December 31, 1990. At this time, it appears that we will obtain Bloomberg Investment Service to meet our needs in the short term.

12. Reconciliation of the \$17 million Variance Identified by the Office of the Inspector General

The Office of Trust Fund Management, with the help of auditors from Arthur Andersen & Company, reconciled the MONEymax and Finance System variance of \$17 million recorded by the OIG last September to a balance of \$1239. That variance has been traced to various accounting entries that were unrecorded in the Finance System. The auditors found no evidence of fraud or embezzlement. We will have Arthur Andersen's auditors address the \$1239 amount during the course of their scope of work in the FY-1990 audit.

13. Establish Office of Trust Fund Management

On July 23, 1990, Congressman Yates' House Subcommittee on Interior appropriations gave approval to the Bureau's request for the reorganization of the Office of Trust Fund Management and the reconciliation and audit strategy for trust funds. This approval was based on progress that has been made to date addressing the concern of the subcommittee on appropriations and the Subcommittee on Government Operations chaired by Congressman Synar. Since the approval has been given, the Office of Trust Fund Management is in the process of finalizing all position descriptions, getting them classified and advertised. It is expected that the organization will be fully staffed by sometime in February 1991.

14. Contract with Federal Home Loan Bank-Dallas

The Bureau has developed a memorandum of agreement with the Federal Home Loan Bank (FHLB)-Dallas to provide disbursement and explanation of payment (EOP) services for oil and gas payments to IIM account owners as required by FOGDMA legislation.

The agreement has been sent to the Office of the Solicitor-Division of General Law for review. A question has been raised as to the eligibility of a quasi-governmental entity (FHLB) to enter into an interagency agreement under the Economy Act in the expenditure of appropriated funds. Consultation is currently underway with GAO on this question. The Bureau is prepared to procure explanation of payment services on the open market matched with internal disbursement services should the agreement with FHLB not be validated.

15. Reconciliation Training for Field Offices

We have initiated a training program to show the Area Offices Bureau-wide how to utilize an automated Dbase IV program to reconcile the source documentation entered by the Area/Agency Offices with the Finance and IRMS-IIM documents on a monthly

basis. This training is being coordinated by the Office of Trust Fund Management, and is expected to be completed by the end of November 1990. This will be an invaluable tool to identify timing differences and encoding errors between the two systems.

**16. The IIM Interface Project**

COMSIS has been working on a set of programs required to allow the documents entered into the IRMS-IIM system to be entered into the Bureau's automated Finance System automatically instead of the Area Office staff having to re-enter the data into the Finance System. This will save literally thousands of man-hours in keying and will eliminate the need to reconcile the data entry twice, since there will be an automated interface into the Finance System. This is expected to be in place by October 1, 1990. Testing is currently being conducted in Albuquerque.

**17. Automated Clearing House Project**

Effective in October 1990, the Bureau expects to have a new ACH procedure in place to be used to transfer funds to Tribes. The ACH procedure is going to allow the Bureau to transfer funds to Tribes using methods similar to wire transfer procedures, but at a greatly reduced cost to the Bureau. The Tribes will need to submit their Bank's ID number (ABA #), address, account number, etc. to the Bureau, who will retain the information for future reference any time that the Tribe wants to draw down funds for their use. The transfer occurs overnight instead of within hours when using the EFT method. This will also be helpful in preventing the transfer data from being distorted, since present procedures require the data to be re-entered each time to the Treasury, which increases the probability for an error to occur. The ACH procedure, however, will be more efficient. The EFT procedure will still be in place for emergency transfers, but the ACH will be the method used for all scheduled payments once the programs are set in place in October. The Bureau is exploring the use of this type of transfer procedure for individual Indian transfers from their IIM accounts or to individuals from Tribal accounts for per capita type distributions.

**LONG TERM:**

**1. Development of System Requirements and Organizational Analysis**

The Bureau is negotiating with MITRE Corporation for program management support services in the development of: TASK 1- A management plan (long term strategy) for the development of a fully integrated trust fund management system. The plan shall identify the major initiatives which must be undertaken to effect a long-range solution to the problems of trust fund management systems. For each major system initiative, MITRE shall describe the program, approach, products, related projects, and milestones. TASK 2-Systems Engineering and Inte-

gration- MITRE shall take a total systems approach in the development of a systems architecture for trust funds management which shall take into account the requirements (human, technical, and organizational) needed to manage the income from the trust assets of Tribes and Alaska Natives. Based on the systems architecture, MITRE shall build a detailed plan for the development and implementation of the system. The actual development of the SDP (systems design and programming) shall be accomplished through a third party. (See Attachment C-MITRE work statement). The advertisement of the proposed arrangement with MITRE appeared in the Commerce Business Daily on August 21, 1990. At the end of the 30-day mandatory waiting period, the Bureau will be authorized to formalize a negotiated contract with MITRE.

2. Reconciliation, Audit and Certification Projects

As the short term reconciliation and audit projects are completed prior to September 30, 1991, the long term plans to address the balance of the trust accounts will be developed by the contractors performing the reconciliation and audit efforts and submitted to the Bureau for approval. Those projects are expected to continue through FY 1996. As accounts are reconciled and audited, the Office of the Inspector General will be requested to certify that the work complies with the intent of the Appropriations Bill language included by the Congressional Committees for FY 1991 and beyond, as applicable.

4. Update Regulations and Policy & Procedural Manuals

The Bureau will be required, as a benefit of the requirements definition prepared by MITRE, to update the regulations and trust fund related policy and procedural manuals. This will be addressed as a part of the action plans developed upon completion of the MITRE requirements definition. The on-going maintenance of these manuals and regulations will be assigned to the Office of Trust Fund Management.

5. Establish On-Going Training Program for Trust Fund Management

The Bureau will also prepare a training program that will be an on-going effort for the Bureau to maintain a current set of training requirements for trust fund management related topics, such as collections, disbursements, investments, reconciliation, general ledger and subsidiary accounting, etc. Specific action plans to address this requirement will be developed after the completion of the MITRE report summarizing the system requirements.

6. Establish Internal Audit Capability for Trust Funds

Effective October 1, 1990, funding will be available to establish an internal audit office. The specific configuration of this office has not yet been finalized. The Deputy to the Assistant Secretary - Indian Affairs (Operations) will be coordinating the establishment of this office. The formulation of this office will not be acted upon until after the passage

of the FY-1991 Interior Appropriations Bill.

The Bureau, as you can see, has initiated action that will result in significant improvements over the next few months, and even more productivity in the long term. The plan is meant to fine tune the systems in the short term while developing the long term capabilities that we know need to be established. The hard work of the staff in the Office of Trust Fund Management is going to be more evident in the successful implementation of the system and Bureau-wide organizational enhancements and to accomplish the objectives listed above.

Your July 23, 1990 letter requested specific items be included in our quarterly reports. The narrative describing our short-and-long range objectives address these items, but we have attached tables for certain items to provide more concise information.

Any questions concerning the above items should be directed to Mr. George Gover at P.O. Box 1067, Albuquerque, New Mexico 87103 or by phone at FTS 474-3496 or (505) 766-3496.

**Attachments:**

- #1 Status of Contracts
- #2 Total Obligations for Previous Quarter
- #3 List of Attendees and Minutes of Tribal/IIM Meeting in Albuquerque on September 20, 1990
- #4 Draft of RFP on Reconciliation of Tribal/IIM Funds (as revised after Tribal/IIM meeting on September 20, 1990)