

- Highlighted BIA's organizational levels for processing cash transactions (receipt and disbursement): agency (lowest), area (mid), and BIA Albuquerque (highest). The primary control point for Tribal Trust Funds and the primary receiving point and disbursing point for IIM monies was at the agency level. [B-18/5-1 p. 2 & 6]
- Noted that cash receipt reconciliations varied among the locations PW visited and because standardized, documented procedure did not exist. [B-18/5-1 p.1]
- Pointed out that BIA's annual average rate of return on its investment portfolio of 9.94% was excellent relative to other managed portfolio's operating under similar investment authorizations. [B-18/5-2 p.6 & 7]
- Provided three alternative portfolio investment strategies: passive diversification, immunization strategies, and active management. PW recommended that BIA invest short-term portfolio in U.S. Treasury Bills and its medium-term portfolio using passive diversification (investing in securities representing a variety of market sectors and maturities and hold the investments until maturity). [B-18/5-2 p. 7]
- PW also advised BIA to pool investments of Tribal Trust Funds and to use the services of outside investment services. [B-18/5-2 p. 8]
- PW noted that, BIA had more than \$1.5 billion in assets under management. (at the time of the PW review) However, BIA did not provide the staff support, oversight, and reporting relationships that were available to institutions in the private sector with comparable assets under management. [B-18/5-2 p. 10]
- PW noted a number of area's where BIA could improve cash management and its accounting system controls. [B-18/5-3]

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- PW provided a number of recommendations to improve BIA's portfolio management, cash management and accounting controls, policies and procedures, and its automated systems. [B-18/5-4]
- 1985 BIA issued a Request for Information (RFI) to financial, brokerage, and accounting institutions in 1985 to determine if the private sector was interested in assisting BIA with it's trust fund work. [B-7/4 p.5]
- 1986 The U.S. Treasury Department conducted a solicitation on behalf of BIA which was limited to six lock box banks. Mellon bank was selected to assist BIA. [B-7/4 p.5]
- Due to opposition from some Indian tribes and because competition on the solicitation was limited BIA felt there might be court action so they decided not go ahead with the Mellon Bank contract. [B-7/4 p.5]
- BIA consulted with the Indian tribes, conducted an A-76 study, and readvertised the contract for full competition. [B-7/4 p.5]
- 1987 Note: We need to find out what transpired during 1987.
- August 1988 A contract for financial trust services was awarded to Security Pacific National Bank. [B-7/4 p.5]
- March 23, 1989 To comply with language contained in its 1989 appropriations language BIA awarded a contract to Arthur Anderson & Co. to audit BIA's Trust Funds [B-7/4 p.5, B-18/3]
- This audit was the first known attempt to audit the trust fund.
- Cash and balances held in trust for Indian tribes, organizations, and individuals could not be readily confirmed.
- A significant number of Indian tribes, organizations, and individual account holders did not agree with the balances recorded in the Bureau's records.
- AA noted a variety of internal control weaknesses. [see report for details]

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June 19, 1989 Chairman Synars sent a letter to GAO regarding review and testing of the trust account balances as well as, legal and procurement questions. [We need to obtain this letter.]

August 22, 1989 AFMD letter to Chairman Synar in response to the review and testing questions raised in the Chairman's June 19, 1989 letter to GAO. [B-12/1]

September 11, 1989 Letter from Chairman Synar to Arthur Anderson & Co. [] We need to obtain a copy of this letter if possible.

September 1989 DOI/OIG issues another report on the trust fund noted an out of balance condition as of September 30, 1988, of \$17 million between BIA's investments system and its finance (accounting) system. The cause of the imbalance was identified as due to cumulative errors that occurred over a period of years. [B-7/4 p.5]

September 28, 1989 OGC letter to Chairman Synar in response to legal and procurement issues raised in the Chairman's June 19, 1989 letter to GAO. [B-12/2]

October 2, 1989 Arthur Anderson response to Chairman Synar's September 11, 1989 letter. [B-18/4]

-- The audit was of the trust fund as a whole and not of each individual account within the fund and it did not result in the verification of each individual transaction in each of the 300,000 (plus) accounts.

-- AA clarified the extent to which they believe each individual trust fund account could be audited and reconciled.

-- To audit and reconcile each account (absent third party verification) it would be necessary to review all or a substantial majority of the transactions affecting each account from the time the account was created.

-- For many accounts this would not be possible due to lack of available records or the volume of transactions involved in certain accounts.

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- AA felt that records would likely be available for the judgement award accounts. AA also provided evidence that a significant portion of the money held in these accounts could be covered by auditing the accounts. (29% of the trust fund accounts - 62% of the funds assets)
 - Pointed out that for the majority of the accounts a complete audit and reconciliation of all activity from inception of the accounts was not possible or practicable due to records availability.
 - Defined "audit" and "reconcile" as follows:
 - Auditing typically involves examination and review of selected account balances, transactions, etc. to determine if account balances are reasonably and accurately presented. (sampling)
 - Reconciled could mean to have all activity accounted for (i.e., receipts and disbursements properly distributed to account holders) and all related financial reports brought into agreement.
 - If audited and reconciled means that all activity from the inception of the accounts are verified then this task would probably not be realistic for a significant portion of the non-judgement award accounts, particularly those that have been in existence for a long time. The letter went on to enumerate various factors supporting this view.
- October 26, 1989 OGC Testimony - Contract for Management and Operations of Indian Trust Funds (Security Pacific Bank) [B-12/3]
- Fall/Winter 89/90 Arthur Anderson & Co. audit of BIA Trust Funds [B-18/2, B-18/1]
- Unable to confirm account balances because the records kept by many tribes are inadequate to confirm balances or tribes refuse to confirm balances because of disputes with BIA.

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- Numerous internal control weaknesses were noted by Arthur Anderson & Co.
- March 2, 1990 Letter from Congressmen Yates and Regula to Secretary of Interior containing questions about how BIA intends to reconcile the Trust Fund Accounts. (8 specific questions) [B-14/2 p.7]
- March ??, 1990 BIA response to March 2, 1990 letter from Congressmen Yates and Regula [B-14/3]
- BIA intends to implement a phased plan for (1) reconciliation, (2) audit, and (3) certification of the Tribal and IIM accounts.
- BIA's initial strategy was to issue one contract for the work but in addressing the Congressmen's questions BIA proposed to separate the reconciliation of accounts from the audit and certification of the reconciliation.
- After each phase of the reconciliation, and independent audit and certification of the reconciliation work would be performed.
- Account holders would receive information on the results of this work.
- March 20, 1990 OGC letter to Mr. Synar, regarding, Mr. Synar's March 8, 1990 letter to GAO regarding the BIA contract for auditing and reconciliation of Indian Trust Fund accounts. [B-12/5]
- one contract for audit and reconciliation and a certification by an independent party will not satisfy the statutory provision that an independent party certify the reconciliation.
- Note: Our discussion with GAO/OGC indicates that OGC did not mean to imply that audit and reconciliation were two separate events. OGC had only one event in mind when it used the terms "audit and reconciliation".
- May 10, 1990 GAO memo, regarding a meeting with BIA (Walt Mills, Sam Adams and George Gover) concerning plans to reconcile the Trust Fund accounts. [B-13/1]

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- Treasury performed accounting services for the trust funds until 1972. There was no reconciliation of account balances prior to BIA taking over this function from Treasury.
- BIA advised that at that time they did not have a plan for conducting the reconciliation and certification.
- BIA indicated that they wanted to reconcile the detail records to the control accounts. But there was no indication that they would obtain agreement of account holder as to the correct balance.

June 13, 1990

Meeting with Sam Adams, BIA to obtain overview of operations and accounting systems. [B-13/2]

- Through the reconciliation project BIA will reconstruct the Trust Fund and IIM accounts as accurately as possible. Although Mr. Adams did note that the accounts could not be reconstructed 100% because records have been misplaced and/or inadvertently destroyed.
- BIA desires a set of audited financial statements for the Trust Fund and IIM accounts every fiscal year.
- Reconciliation and audit procedures will begin with 3 agencies. A contractor will be hired to perform the work and BIA will monitor the job. After the first phase the contractor will be asked to make recommendations for improving the reconciliation and audit process.
- After this, a multi-year contract will be awarded but not until the after BIA reviews the results of the work done under Phase I.
- Note: GAO suggested that BIA reconcile the accounts of one Tribe. This would enable BIA to some idea what it will take to reconcile the accounts. BIA does not have enough staff.

August/Sept 1990

BIA letter to the Tribal leaders, r.e., September 20th meeting and other matters.

September 20, 1990

BIA meeting with Tribal leaders regarding two proposed RFP's. One for a reconciliation of

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accounts the other for an audit of the reconciliation.

October 9, 1990 BIA letter (George Gover) to Tribes asking for suggestions and comments on the proposed RFP's.

October 17, 1990 GAO meeting with BIA (Gover and Parris) and DOI/OIG regarding the two proposed RFP's.

-- GAO questioned the need for a separate RFP for reconciliation and one for audit. Felt this would be redundant.

-- BIA indicated that they agreed with us but they were simply responding to the wishes of Congress.

-- Agreed that if Congress also agreed with GAO then only the reconciliation RFP would be issued.

October 23, 1990 Tribal response referred to an October 23 meeting between BIA and the Tribes. The tribes primary concern involved the calculation of "lost interest" but attached to the letter was a list of recommendations and concerns.

November 5, 1990 GAO telecon with D. Michael Peterson, Chairman of the Ad Hoc Indian/Tribal Advisory Committee.

-- Indians believe two RFP's are needed because the Indians are not comfortable with IG doing the certification of the reconciliation.

-- Reconciliation will first require bookkeeping and restructuring of accounts. This should not be done by the same firm that audits and certifies the accuracy of the restructuring.

-- Indians feel this approach is yet another cut of the reconciliation, audit, and certification process.

November 7, 1990 Meeting with BIA, Ad Hoc Indian Committee, Congressional staff, etc. to coordinate the reconciliation RFP.

November 20, 1990 Meeting with BIA, Ad Hoc Indian Committee, Congressional staff, etc. to coordinate the reconciliation RFP.

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- December 12, 1990 Meeting with BIA, Ad Hoc Indian Committee, Congressional staff, etc. to coordinate the reconciliation RFP.
- December 18, 1990 Received "draft" of revised RFP from BIA, noted some concerns, coordinated these concerns with the Ad Hoc Committee and BIA.
- December 20, 1990 Received final "draft" of reconciliation RFP, reviewed to ensure our proposals were incorporated into this version of the RFP, called George Gover to inform him that from GAO's standpoint the RFP was OK but we had to check with our requestors prior to giving the final go ahead.