

T-1657

SECTION C  
RFP BIA K51-91-200

**BUREAU OF INDIAN AFFAIRS  
OFFICE OF TRUST FUND MANAGEMENT  
WORK PLAN DESCRIPTION FOR THE  
RECONCILIATION OF TRIBAL & INDIVIDUAL INDIAN MONIES TRUST FUNDS**

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## TECHNICAL PROVISIONS FOR RECONCILIATION SERVICES

### I. Nature Of Services Required.

#### RECONCILIATION OBJECTIVES:

The Bureau of Indian Affairs wishes to assure that the accounting records and the account balances in the Tribal and Individual Indian Monies (IIM) accounts are reconciled as accurately as possible back to the earliest date practicable, using available accounting records and transaction data. The records provided for the reconciliation work will be as complete as the Bureau can provide for the time periods covered. The following criteria shall apply to this engagement:

1. "Reconciled as Accurately as Possible"- Means that (a) payment distributions based upon formulas will be tested for appropriateness of the formula, and accuracy of the transactions posted using approved sampling techniques, and (b) direct deposit (single or transactions with small numbers of accounts involved) or disbursement documents shall be traced from each source document to the relevant Tribal and IIM subsidiary accounts, and (c) a full reconstruction of the financial transaction activity be conducted to assure that those transactions have been properly accounted for by the Bureau.

2. Materiality- To control costs, for this engagement, economies of scale will be considered to ensure that the cost of reconciling any one account or group of accounts does not grow disproportionately when considering the conditions existing at the point in time which the work is being performed. Costs include all Partners, Senior, Manager or staff related expenses (personnel, travel, supplies, etc.) related to the engagement prorated for the account involved. To assist in this review of costs, the contractor will be required to meet with the COR within two to four weeks of the initiation of field work at each site (for IIM), or the initiation of work on any one Tribe's group of accounts, and the firm will be required to provide an assessment of (1) the level of effort involved with the reconciliation of the relevant accounts, and (2) a projection of the expected costs for that site (for IIM) or group of accounts for the Tribe(s). The COR will provide a written acceptance of the projections before further work can begin related to the accounts covered in the projections. This is intended to be an opportunity for the Bureau of Indian Affairs to rectify any conditions in order to create a more efficient work environment, or to take action to divert

the Contractor to some other level of effort at the location which is being considered a problem due to inordinate costs or time constraints.

In addition, a weekly status of costs per IIM location and each Tribe's group of accounts will be required to be presented to the COR. This weekly status must include, at a minimum, the costs incurred for the previous week and total costs to date involved with each IIM site and each Tribe's group of accounts. These weekly reports must be submitted by the end of the week following the "report week". They should also include updates to the projected costs associated with the reconciliation of the accounts currently being addressed. It should also include comments related to any problem areas being encountered during the course of the engagement (i.e.- records availability, Bureau staff cooperation, space availability, etc.).

3. Entrance/Exit Conferences- To ensure the integrity of the reconciliation process, the Contractor shall be required to conduct Entrance Conferences with each Tribe prior to initiating field work related to that Tribe's accounts. The Conference shall address any outstanding accountability issues or concerns related to the Tribe's accounts. The Exit Conferences are required to review any proposed adjusting entries related to the Tribe's accounts. Supporting documentation related to the adjustments will be made available to the Tribes at that time. These conferences will be in addition to the required Entrance/Exit Conferences with the Bureau managers (i.e.-IIM accounts-Agency Superintendents, Area Trust Accountants and Assistant Area Directors for Administration; Tribal accounts-Area Trust Accountants, Assistant Area Directors for Administration, etc.) designated by the Contracting Officer's Representative at a site and time to be selected in coordination with the relevant Tribal and Area Office representatives.

4. Records- Upon completion of the reconciliation work, (a) the accounting records and account balances must be presented to the Bureau in an auditable condition (i.e.-the records must be left in a condition that will allow an audit team to have ready access to the reconciled account statements for each account owner, and the supporting workpapers related to them), and (b) each account owner (Tribal and IIM) must be presented with a copy of the reconciled statements, a summary of any required adjusting entries related to their account(s), and access to any supporting documentation related to those adjustments. Each account owner must be given the opportunity to respond to the findings of the Contractor, and any disputes concerning the proper accounting treatment of the adjusting entries will be decided by the COR. In the case of individual Indian account owners, they may obtain, at their option, the

advice of a Tribal (or any other) representative to assist in monitoring or responding to the reconciliation results related to their account.

5. Sampling- Shall be used only as a means to verify the proper accounting for transactions from source documents to the Tribal and/or IIM accounts related to Per Capita disbursements (document type-VT), distributions of income (document type JV) to a large number (over 50) of individuals through either a manual or automated distribution process (this may include oil/gas, timber, range, or other types of income received by the Bureau in a lump sum that must be subsequently distributed to a large number of individual accounts). The sampling can only be applied with the express written approval of the COR. Prior to the application of sampling procedures for tracing any accounting transactions, the COR will be required to obtain input from the Tribe concerning the use of sampling related to their accounts. The COR will make the final determination after obtaining the Tribal input related to sampling.

6. Reports- The Contractor must furnish reconciled account statements for each IIM and Tribal account owner based upon the field work performed (See Section E, Page 15).

7. Missing records- The Contractor shall examine and reconcile all financial transaction documents related to each account (with the exception of those who have been intentionally exempted from examination as a result of sampling as approved by the COR). When missing records are not able to be provided by the Bureau, alternative procedures must be employed. Other supporting documentation may be used to substantiate the validity of a transaction if it is considered reliable by the Contractor and the COR. These types of transactions must be indicated in a manner that will readily identify them for the account owner on the reconciled account statement(s) furnished to during the exit conference or mailed to the IIM account owner. In the event that supporting documentation is not available to substantiate any missing documents, the Contractor must identify those transactions, that could not be reconciled due to missing documentation, on the Reconciled Account Statements (RAS). The Contractor must present an attachment to the account statement that presents a total of the "net effect" of all such unreconciled items by fiscal year. If certain periods are able to be reconciled and other periods are not, the Contractor is to reconcile all available transaction data furnished by the Bureau to the fullest extent practicable and treat all unreconciled documents as indicated above.

8. Investment Reconciliations- All investment activity for each Tribe and the IIM fund must be reconciled with source

documentation to assure that the transactions are reflected properly in the Bureau's accounting records. The reconciliation of the investment activity for both the Tribal (which are invested by each Tribal account) and the IIM (by IIM fund, since the IIM funds are pooled for investment purposes) accounts are to be reconstructed in a manner that assures that the funds were (a) invested, and if not, that (b) the uninvested funds are identified to the extent possible for the account owner(s), and that the period of time the funds were not invested is identified. In addition a calculation of estimated, non-accrued interest figure will be made, based upon the interest rate schedule as follows:

Tribal: Compounded monthly using 4% rate through June 30, 1966. From July 1, 1966 forward, interest must be calculated using the annual rate provided by the Branch of Investments for the Tribal Trust Funds must be applied.

IIM: Compounded monthly using the applicable semi-annual interest factor from 1938 through May 31, 1989. From June 1, 1989 forward, the actual interest factor used for those IIM funds that were invested would be used.

The identification of estimated non-accrued interest is for fact finding purposes and shall be recorded, and reported as a footnote in the reconciled statement to the account holder. The account holder should be referred to the Bureau for further detail.

9. Overpayments- Should any overpayments to Tribal Judgment and Proceeds of Labor accounts, or to each site's IIM group of accounts be discovered during the reconciliation, the amounts discovered shall be recorded, and reported in a footnote on the reconciled statement to the account holder. The account holder should be referred to the Bureau for further detail.

10. Accounting Principles- The Bureau is required by generally accepted accounting principles, as prescribed by the General Accounting Office in Title 2 and Title 7 of it's Policy and Procedures Manual, to account for certain activities on an accrual basis. The cash basis of accounting is currently utilized for all Tribal Trust and IIM financial transaction activity on the Bureau's Finance System. The required annual financial statements should, if applicable, also include the necessary accrual adjustments to properly reflect other assets and liabilities of each fund arising after the Bureau's initial cash collection of trust proceeds. Adjustments will be necessary to reflect interest receivable relating to investments not yet matured, interest receivable relating to underinvested cash balances, interest assets and liabilities resulting from erroneous cash transactions activity.

11. Reporting Requirements- Until such time as the account holder has an opportunity to comment on the reconciliation results, the results are subjected to independent audit and certification, and any legal and policy issues are resolved, unaccrued interest, overpayments, etc. identified during the reconciliation process are for fact-finding purposes only and should not be considered an actual obligation for payment on the part of the Federal government, or repayment on the part of the account holders. A summary and detail report for all accounts listing account name, account number and this estimated interest shall be submitted for each Agency's Judgment and Proceeds of Labor group of accounts, and for each Agency's IIM group of accounts, with a copy to each account holder. These amounts shall be submitted to the congressional Appropriations Committees in a summary report at the completion of the reconciliations for each Tribe's Judgment and Proceeds of Labor group of accounts, and for each IIM site's group of accounts.

**Phase I- Reconciliation of 37 top tribal accounts/IIM accounts at three agency sites.**

**A. Description of Funds to be Reconciled**

1. The Tribal Trust Fund accounts belonging to the Tribes whose total cash and investments rank in the top thirty seven of the 254 Tribes maintained by the Bureau of Indian Affairs (See Exhibit A). All of the Tribal Trust Fund Accounts belonging to each of the thirty seven Tribes selected will be addressed in the Scope of Work. This means that both Judgment Award (9000 series accounts) and Proceeds of Labor (7000 series accounts) will be included.
  
2. The Individual Indian Monies (IIM) accounts at the Uintah & Ouray Agency (Fort Duchesne, Utah), Olympic Peninsula Agency (Hoquiam, Washington), and Fort Peck Agency (Poplar, Montana) will be reconciled in Phase I of this effort. The accounts at these three Agencies are summarized below:

<u>Agency</u>	<u>No. of Accounts</u>	<u>Dollars (millions)</u>
Uintah & Ouray	4432	25.3
Fort Peck	9182	9.4
Olympic Peninsula	3958	32.2

The accounts at these three Agencies have been reconciled by Bureau staff through the following dates (per hard copies provided by the Agencies): U&O Agency-January 1989, Ft. Peck Agency-February 1990, and Olympic Peninsula Agency-July 1988. These reconciliations should not be relied upon for any period until they have been reviewed adequately to assure that they were prepared accurately. Phase I time frames will require that the Contractor have staff on site simultaneously at all three Agency locations for the IIM reconciliations, and at the Office of Trust Fund Management offices located in Albuquerque, New Mexico for both the bulk of the Tribal reconciliation work and the investment reconciliations.

After the completion of PHASE I, the firm selected must prepare two (one for IIM and a separate report for Tribal reconciliations) Reports summarizing the following:

1. Recommendations for changes in procedures used.
2. A projection of what time and resources (i.e., funds, staff and equipment, etc.) that would be needed to complete the reconciliation of all remaining accounts.

The Bureau would need to respond to the projection and give approval for proceeding within 60 days of receiving the estimates. The Scope of the work to be performed in Phase II will be negotiated with the firm selected.

The Bureau reserves the right to proceed with either or both of the reconciliation efforts into Phase II.

**Phase II- Reconciliation of balance of tribal and IIM accounts.**

This phase of the Scope of Work will address the Tribal and IIM reconciliations for all accounts maintained by the Bureau not addressed in Phase I.

This Phase will require the accounting firm to prepare a work plan that will indicate the time, sequence and projected costs associated with reconciling the rest of the Bureau's IIM and Tribal accounts in Phase II. This work plan will be required to be submitted to the Contracting Officer in Albuquerque, New Mexico no later than February 28, 1992. The plan will be reviewed by the Contracting Officer, Contracting Officer's

Representative and the Director, Office of Trust Fund Management and a decision will be made by those parties as to the reasonableness of the plan and the availability of funds to pay for the work projected. If the determination is made that the Bureau does not wish to proceed with the Scope of Work, a formal written notice will be provided to the accounting firm by March 31, 1992.

**B. Type of Reconciliation Work Required**

The accounting firm selected will be required to complete the Scope of Work described below:

1. Reconciliation of accounts as indicated:

**TRIBAL**

- a. Judgment Award accounts-All Judgment Award accounts will need to be reconciled to source documentation at the Central Office (Albuquerque) level, Area Office and, in some instances, may need to visit an Agency. In some situations, Tribal Offices may need to be visited. These accounts will need to be reconciled from the date of inception (to the extent it is practicable) of the Tribal Trust Fund account through the last month of the most current month-end at the time the reconciliations are being performed.
- b. Tribal Income accounts-These accounts will need to be reconciled from the date of inception (to the extent practicable) through the most current month-end at the time the reconciliation work is being performed. The source documentation will be available at one of the following sites: (1) the Agency, (2) the Area, or the (3) Central Office (Albuquerque) location.

**INDIVIDUAL INDIAN MONIES**

- a. All the IIM accounts at the three Agencies indicated will need to be reconciled from inception to the most current month-end at the time the reconciliations are being performed. This includes all 206.11 (IIM), and 206.70 (Special Deposits) groups of accounts. Copies of the Balance Sheets from the three Agencies are attached (see Exhibit B). Copies of the latest reconciliations received from each of the 3 Agencies are also attached (see Exhibit C).

### **Investments**

The Tribal unallotted cash balances (ie-those balances that are not invested in CD's or Government securities) that are to be invested in the Treasury "overnighter" investments should be identified by dollar amount and period invested in the "overnighter", or for what period the funds (for any reason) were uninvested in any investment. The same type of analysis must be reconciled for the IIM investment pool.

## **2. Basis of Accounting**

- a. The cash basis of accounting is utilized for all Tribal Trust and IIM financial transaction activity on the Bureau's Finance System. The MONEymax system however, which is used for portfolio reporting purposes, has an accrual option to compute accrued interest earnings to date.

## **3. Description of Records Maintenance & Volume Statistics**

### **a. Records Maintenance**

#### **TRIBAL RECORDS**

A recent survey of records availability at the Area Office level is summarized in Exhibit D. If the necessary records are not available, then it will be the responsibility of the Bureau of Indian Affairs to locate and present the selected firm with the necessary records. In all instances, the BIA will provide the firm selected with any available records. In the event that the BIA is unable to locate the necessary records, or other appropriate documentation, the selected firm will indicate which accounts could not be reconciled.

#### **INDIVIDUAL INDIAN MONIES RECORDS**

For Phase I, the IIM records availability at the 3 Agencies is summarized on Exhibit E. The Bureau is currently in the process of gathering the data for the records availability at the rest of the sites.

### **b. Volume Statistics**

## **TRIBAL**

A full listing by Area/Agency location of all Tribal accounts, dollar value at September 30, 1989 and a total dollar value of receipt and disbursement transactions for FY-1989 and FY-1988 is included. See Exhibit F. There are a total of 529 accounts, of which there are 57 dockets, 10 Area Offices and 37 Tribes involved. All Areas except Juneau and Anadarko are included. The coverage is approximately 87% of the total Tribal Trust Fund balance of \$1.3 billion as of September 30, 1989.

## **INDIVIDUAL INDIAN MONIES**

The volume at the 3 Agency sites is summarized in Exhibit G.

### **C. DESCRIPTION OF SYSTEMS, RECORDS AND PROCEDURES**

#### **a. Systems: The BIA maintains all Tribal and IIM data on one of the following systems:**

i. **Finance System**: This is the official general ledger accounting system that is an automated system for which all processing is centralized at the National Technical Service Center (NTSC) in Albuquerque, New Mexico. The data affecting all the accounts is entered into the system from each Area Office (Journal Vouchers, deposited checks, etc.), Division of Trust Fund Investments (investment maturities, purchases, etc.), and the Division of Trust Fund Accounting (wire transfer deposits, fund transfers between accounts/funds, all disbursements, transfers from other Government agencies, such as Minerals Management Service (MMS), and certain journal voucher transactions). The Division of Trust Fund Investments and Division of Trust Fund Accounting are located in Albuquerque.

ii. **MONEYMAX System**: This system is used to accomplish the portfolio accounting for investment activity related to each individual Tribal account, and the IIM

pool. It is not integrated with the Finance System data. This system is provided through a contract arrangement with Wismer & Assoc., a contractor located in California, where the actual processing of the data occurs.

Easytrieve "System": This is actually a data base "reporting" set of software (something like dBase III) that is used by the BIA to access data from the Finance System or build a report from data entered. This "system" is used to calculate and distribute interest on the Treasury "overnighter" investments.

- iv. IRMS System: This system is comprised of four primary subsystems, (1) the Ownership system in which the ownership of all land resources is recorded, (2) the Lease Master file system, which is used to record the ownership of all leases and the lease income ownership, (3) the People system, which is used to record the information related to the individual Indians that own trust property or receive Trust income from any source, or are registered members of a Tribe, and (4) the Individual Indian Monies (IIM) system which is used to record the subsidiary accounting to an individual Indian account level for the transactions recorded in the Finance System to a General Ledger account level. There are numerous subsystems within the IRMS system, such as Lease Distribute, which is used to accomplish automated distributions of most lease income dollars, the Royalty Distribution & Reporting System, which is used to distribute the oil and gas royalties received from Minerals Management Service (MMS), and there is a type of billing system developed that is used to pre-bill Range Lease income for individuals and Tribes. None of the IRMS systems or subsystems are currently interfaced with the Finance System.
- v. The INFO System: This system is used by the Bureau to track the collateral reporting for CD type investments.

b. Records: There are several types of records stored by the BIA relative to the Tribal/IIM accounting transactions. The following summarizes the kinds of records stored:

1. **Hardcopy documents:**

a. Accounting documents such as BF-349 (transfer documents), SF-1166 documents (disbursement authorization), Deposit Tickets (SF-215), and Journal Vouchers (used for adjusting entries), Electronic Fund Transfer documents for receipts and investment accounting related documents such as Negotiation Sheets and Accounts Distribution Sheets are all available at the Central Office-Office of Trust Fund Management in Albuquerque from 1979 to the present.

In the event that certain key documents cannot be located, the Area Offices and/or Agency Offices will need to produce the necessary documents that are at their locations or had been stored in National Archives Records Centers by their offices.

b. Reports are available as follows:

\* Summary of Trust Funds Report-This report presents a summarization of the total cash receipts, cash disbursements, beginning and month end cash balances, and also includes a summary of what assets the cash is in (i.e., invested or "unallotted". Note: The unallotted category refers to the amounts invested on any given day in the Treasury "overnighter" investments that are not otherwise invested in CD's, T-Bills, and/or other Government securities. The Summary of Trust Funds Reports were not used prior to 1968. The only statements available prior to that point were Manual Control Cards

(MCC) used to account for each Tribal account.

\* Detail of Trust Funds Report-This report presents a summary of all individual financial transactions effecting each Tribal Trust account by appropriation & activity. (Note: These reports were not available prior to 1968).

\* Monthly Journal of Transactions-This lists all accounting transactions by Area/Agency and transaction code sequence by date and amount.

\* General Ledger Detail Report-This report is run at each month-end and lists each general ledger account by beginning balance, transactions, and month-end balance by location.

\* MONEYMAX Report-This report lists all the investment securities by type of security, amount, bank (if applicable), and maturity\ date for each Tribal account as of the end of the report month. (Note: These reports were not available prior to 1980, before which there were only manual controls from the time that the investment program was initiated in the late 1960's.

\* INFO Report-This report is used to track the collateral coverage and security for each Tribe by Bank to assure that the investments are adequately collateralized.

Note: The Summary & Detail of Trust Funds, and MONEYMAX Reports are sent to each Tribe at the end of each month. The amount shown as invested at month-end on the MONEYMAX report may not agree with the Summary & Detail (which are generated from the Finance System data), and difference is not always reconciled at each month-end. These reports plus the Monthly Journal of Transactions are

all sent to each Tribe.

\* Individual Indian Monies (IIM) Statement-This is a semi-annual statement sent to IIM account owners up through June 1990, at which time we changed the statements to be generated on a monthly basis. These statements are generated from the IRMS-IIM system.

\*Various IRMS Reports-The IRMS system generates a multitude of reports used for accounting purposes, such as daily transaction summaries, check registers, daily collection reports, and distribution reports that will be available back to the point that the various offices were brought up on the IIM automated system. There are account ledger cards which were used prior to the use of the IRMS-IIM system. A listing of when each Area initiated use of the IRMS-IIM system is presented in Exhibit H.

**c. Procedures**

The following manuals, regulations and laws are relevant to IIM and Tribal Trust Fund accounts:

**1. Manuals-**

\* 42 Bureau of Indian Affairs Manual, Supplement #3 Accounting Policy & Procedures Handbook;

\* 42 Bureau of Indian Affairs Manual, Supplement #2 Financial Management, Accounts Handbook;

\* Treasury Fiscal Requirements Manual; \*Office of Management and Budget Circulars A-11, A-34, A-123 and A-127;

\* General Accounting Office Policy & Procedures Manual for Guidance of Federal Agencies-Title 2-Accounting, and Title 7, Fiscal Procedures.

**2. Regulations-**

\* 25 Code of Federal Regulations, Chapter 1, Subchapter G-Financial Activities.

3. Laws-

\* All laws applicable to the Tribal Trust Funds are codified in the 25 United States Code.

It should be emphasized that all records related to this Project are subject to the Privacy Act. The Contractor should maintain the privacy of the information contained in the account statements and all supporting documentation. No specific transactions or balances related to any account owner, Tribal or individual Indian, should be discussed with any other account owner. This must be strictly adhered to by the Contractor.

Note: Copies of the above manuals, laws, procedural guidelines and regulations will be made available for review at the Office of Trust Fund Management, 500 Gold Avenue, 7th Floor, Albuquerque, New Mexico 87103 (Phone: (505) 766-3496. It should be noted that there are several other sources of direction that impact the Trust Accounting operations. Decisions of the Comptroller General of the United States, Solicitor's Opinions, ISSDA Memorandums of instruction to the field, and letters from the Assistant Secretary - Indian Affairs are all examples of other types of accounting procedures sent out to BIA Field Offices.

D. Assistance Available to Proposer

1. Questions: All questions on the RFP are to be submitted in writing to the Contracting Officer.
  
  
  
  
  
  
  
  
  
  
2. After the contract has been awarded, the winning bidder may utilize, to the extent necessary, the data available on the BIA's Finance System, Wismer & Assoc. data related to the MONEymax system, and any IRMS system data related to the Trust Funds. The BIA will provide any hardware and technical support necessary for the firm conducting the reconciliation and audit work described above to develop their own audit software. Prior to any use of the BIA's data processing system, the firm selected must submit a written action plan which

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must be approved in advance of any actual use of the systems by the Contracting Officer. The data on the systems described above will be made available to the extent required to allow the completion of the Scope of Work. Legal counsel will be made available to clarify any relevant issues. Questions requiring legal clarification may be required to be submitted in writing to the COR as well as questions of a technical nature from a reconciliation procedural standpoint.

3. Representation letters-Any representation letters required should be forwarded through the Contracting Officer, or the Contracting Officer's Representative, for handling. He will then be responsible for obtaining the response to the letters.
4. Prior Audits & Reconciliations-Copies of any available reconciliations, audit reports and adjusting entries and related workpapers will be made available to the Contractor. These reconciliations must be verified to assure that they can be relied upon by the reconciliation teams.
5. Availability of Work Space-Office space will be made available in Albuquerque by the Contracting Officers Representative. Any office space necessary at the Area and Agency Office level will be arranged by the COR, Mr. Jim Parris. Any calculators, supplies, etc. will be the responsibility of the firm awarded the Contract. Any Tribal office space required during the course of this engagement will also be coordinated by Mr. Parris.
6. Pre-Proposal Conference

A Pre-Proposal Conference will be held in Albuquerque, New Mexico on February 21, 1991, from 10:00 am to 12:00 noon in the PICURIS Room of the Albuquerque Convention Center located at 401 Second Street, NW. Questions regarding the Pre-Proposal meeting should be directed to the Contracting Officer.

#### E. Report Requirements

1. All summary reports should be addressed to the Director, Office of Trust Fund Management, P.O.

Box 1067, Albuquerque, New Mexico 87103. The summary reports should be prepared separately for each Tribe's accounts, and should include a summary of the results of the reconciliations performed by Agency for both the relevant IIM accounts and Tribal accounts.

The reconciliation format will be required to follow the guidelines established by the Bureau for the levels of the reconciliations being performed. The following describes the methodology to be used in preparing the required formats.

LEVEL I-IIM (General Ledger Level)

The format for LEVEL I should be for reconciling the source documents (ie-deposits, disbursements, etc.) with the general ledger control accounts on both the Bureau's Finance System and the IRMS-IIM system. The format for this level is outlined in Exhibit I. A diskette with the necessary dBase IV programs to produce the required formats will be furnished to the firm selected. The firm must provide their own portable hardware that must have a 40 meg hard disk and 640K of RAM to use the required dBase IV diskette programs.

LEVEL II-IIM (Subsidiary Account Level)

The source documents must then be traced to selected IIM accounts for proper posting. The method used for this step will depend on the level of automation used to distribute the postings to the individual accounts. Any discrepancies noted must be summarized in a format to be agreed upon by the Bureau and the firm selected. Any individual Indian accounts in IIM that have been misstated, must be reconstructed for presentation to the individuals and the Bureau. The reconciliation of the IIM accounts will need to be done in a manner consistent with GAAS incorporating statistical sampling techniques with at least a 95% Confidence Factor, +/-3% Error Rate. If sampling indicates an error rate that is material, then the "sample" must be expanded to include whatever level of coverage needed to assure that the errors are identified.

Sampling is intended to be used only to the extent that it is considered necessary to complete the "reconstruction" of these accounts in a timely manner and is to be applied only after consultation with and the express approval in writing by the

COR. It is not an acceptable procedure as a matter of course, but is to be used sparingly in order to complete the work required in a reasonable time frame and manner. To the extent possible, sampling is to be avoided. The Bureau desires the reconciliation to be a complete reconstruction of the account activity for each IIM account owner back to the earliest date practicable, and sampling is not to be relied upon as a shortcut method in accomplishing the scope of work, but should be considered only in instances where the distributions of income or payments made are large in number, as in the case of oil and gas distributions from the Royalty Distribution & Reporting System (RDRS), Per Capita payments from Tribal accounts, and Lease Distributions from the IRMS system, which have thousands of lines of data summarized and posted to IIM accounts. In those cases, sampling can be utilized to test the population being reconciled to detect the probability of material errors involved. However, if a sample indicates material errors have occurred within a distribution of income, then the "sample" must be expanded to the extent required to detect all material errors.

#### LEVEL I-Tribal (General Ledger)

The Bureau will provide a dBase IV program with the diskettes with the required format (see Exhibit J). This will require the firm to reconcile the source documents with what was posted to the Bureau Tribal Trust accounts for each Tribe. The variances will need to be summarized and accounts reconstructed for presentation of corrected balances to the Bureau and the Tribes. The goal is to accomplish 100% reconstruction of the Tribal account activity. We anticipate that this will be achievable in the case of the Judgment Award accounts (9000 series), but the Tribal Income accounts (7000 series) will require procedures similar to those described above for the Level II-IIM coverage which anticipates the use of statistical sampling techniques allowed in GAAS. This is due to the sheer volume of transaction activity in "income" type accounts for some Tribes. It is our desire to hold this type of procedure to a minimum. It is not to be relied upon for those accounts that do not have a significant number of transactions (other than investment related).

#### INVESTMENT ANALYSIS-Tribal & IIM

The investment transactions must be reconciled for both the Tribal accounts and the IIM pool. The unallotted balances (ie-amounts in the Treasury "overnighter", or funds that are not otherwise invested in CD's or Government securities) must be summarized in detail by the reconciliation team. The team will also be required to summarize the fund balances (by Tribal appropriation and activity, and by IIM pool) by the period the funds are in the overnighiter or uninvested. This must be prepared in the format presented in Exhibit K.

Required Presentation to Management:

At the completion of the Project, the firm selected will be required to make an oral presentation to the Contracting Officer and/or the COR and other selected officials in Washington, D.C. at a time and place to be determined by the Contracting Officer. The presentation will be required to review the results of the reconciliation reports for each Agency location for the relevant IIM accounts and Tribal accounts. A question and answer session will follow the oral presentation.

Required Presentation to Tribes/IIM account owners:

At the completion of the reconciliation of each Tribes' group of accounts, the firm selected is required to schedule an exit conference with each Tribe.

There must be an exit conference conducted with each Agency Superintendent at the completion of the reconciliations at each IIM location. Copies of restated IIM accounts and explanations of any recommended adjustments must be forwarded to the affected IIM account owner, and, if requested, the firm must be available for a conference with the account owner and the Agency Superintendent or his/her representative, and, if requested by the account owner, a Tribal representative to assist them in protecting their best interests, to discuss the adjustments.

The adjustments will be analyzed by the Bureau and, after consultation with the relevant account owners or their Tribal repretatives, the Bureau will make the final determination as to the appropriate action to be taken. Protests by Tribes and/or individual Indians (concerning their IIM account adjustments) will be presented to the Office of Trust Fund

Management, who will make the final determination as to the disposition of any contested adjustments.

**F. TIME CONSIDERATIONS & REQUIREMENTS**

The following dates will apply unless waived in writing by the Contracting Officer within 24 hours prior to the date indicated:

Pre-Proposal Conference.....February 21, 1991  
Proposal Due Date..... March 13, 1991  
Contract Award..... May, 1991  
Initiation of Reconciliations.....May, 1991  
Reconciliations Completed-Phase I ) .....May, 1992  
Projection of Plan for Phase II . NLT February 28, 1992  
Exit Conference in Washington, D.C. To Be arranged by C.O.

**G. Availability of Funds**

FY 1991 funds are available to begin work on Phase I. which is planned as a twelve month effort to be incrementally funded with FY 1992 funding. The Government may exercise options for contract performance up to five years.

**H. Report Review, Timing & Number of Copies**

The firm will be required to submit to the relevant Agency (for IIM) and Area (for Tribal) Office copies of the reconstructed account statements for any individual IIM account or Tribal summary statements that are the result of adjustments prepared during the reconciliation process. Any accounts, regardless of whether they are restated due to errors in prior years, must be furnished to the relevant Agency/Area Office to be forwarded to the account owner. The account statements and corresponding Agency summary statements for IIM accounts should be finalized and furnished to the designated Agency/Area Office, who will forward the statements with any attachments to the account owners.

Prior to submission of the completed reconciliation reports, the firm will be required to present a draft of the proposed summary reports to the Contracting Officer's Representative, Mr. Jim Parris. Twenty copies of the final reports should be submitted to the Contracting Officer's Representative no later than 60 days after the reconciliations have been completed: (1) at each Agency for IIM accounts, or (2) for each Tribe's complete group of Tribal Trust Fund accounts. The Contractor will be expected to provide the following:

- a. Tribal reconciliations
  1. Balance Sheets for each fiscal year based upon the reconstructed Tribal financial activity, and
  2. Summary schedules of any recommended adjusting entries by Tribal account with brief explanations of the reason for the adjustment.
  
- b. IIM reconciliations
  1. Restated IIM account statements, and
  2. Summary schedules for each IIM statement listing all proposed adjusting entries and the net effect of them by year.
  
- c. Investment reconciliations
  1. Tribal funds  
Will require each Tribal account to have the investment transactions reconciled with the source documents and a report issued for each Tribe summarizing their account's investment activity and uninvested funds by fiscal year as a separate report.
  
  2. IIM Pool  
The Contractor will be required to reconcile the source documentation with the account activity recorded by the Bureau, and to issue a report summarizing the investment data for accurate accounting, and to issue a schedule that will itemize all investment activity and indicate all uninvested funds by period and amount.

In addition, all reconciled account data must be stored by the firm selected on a laser disk. The laser disk equipment will be provided to the firm by the Office of Trust Fund Management.

#### **I. Working Papers**

The working papers prepared by the firm related to this engagement will be required to be retained by the firm for no less than three years after the audit report date.

The working papers must be made available for examination by authorized representatives of the Office of the Inspector General, the General Accounting Office, designated Tribal representatives, and the Bureau of Indian Affairs.

RECONCILIATION PROJECT

\*The following Tribes will be included in Phase I of the Audit & Reconciliation Project:

Seminole (Fla & Okla)	Hopi
Pembina Chippewa	Pima
Sioux	Te Moak Band-
Pembina Descendants	W. Shoshone
Passamaquaddy	Uintam & Ouray
Penobscot	Mescalero
Confederated Tribes of Colville	Pueblo of Laguna
Yakima Nation	Southern Ute
Warm Springs	Navajo
Crow of Montana	Creek Nation
Flathead	Osage Nation
Fort Peck	White Earth I.R.
3 Affiliated Tribes	Lac Courte Orielles
Sisseton & Wahpeton	Choctaw
Ottawa-Chippewa	Papago of Sells Agency
Hoopa	Salt River
Pueblo of Acoma	Ute Mountain
Jicarilla Apache	Seneca Nation
Red Lake Band of Chippewas	

The Tribes listed above had a total fund balance in the Tribal Trust Fund group of accounts of \$1.1 billion. This is approximately 87% of the total fund balance of \$1.3 billion as of September 30, 1989.