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United States General Accounting Office

Report to the Secretary of the Interior

November 1997

# FINANCIAL MANAGEMENT

## Recommendations on Indian Trust Fund Strategic Plan Proposals



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Accounting and Information  
Management Division

B-278410

November 26, 1997

The Honorable Bruce Babbitt  
The Secretary of the Interior

Dear Mr. Secretary:

Our July 1997 testimony, Financial Management: Indian Trust Fund Strategic Plan, prepared for the Senate Committee on Indian Affairs, provides an analysis of the Special Trustee for American Indians' Strategic Plan for Indian trust fund accounting and asset management improvement. The testimony (GAO/T-AIMD-97-138, July 30, 1997, a copy of which was provided to your office) (1) describes the trust asset management problems that the Strategic Plan proposes to resolve, (2) provides a high-level summary of the Strategic Plan, (3) explains the basis for the cost estimates included in the Strategic Plan, and (4) identifies implementation issues. The testimony also contains our assessment of needed actions related to the implementation issues that we identified. These needed actions concern the implementation timing of certain initiatives, additional planning for some proposals, and issues relating to establishing two new organizations.

Subsequent to our testimony, on August 22, 1997, you issued to certain high-level Interior officials who have Indian trust responsibilities a memorandum that outlines plans that relate to several of the initiatives for which we had identified implementation issues. In that memorandum, you indicated that you and the Special Trustee for American Indians have reached agreement on some of the initiatives proposed in the Strategic Plan. Your memorandum outlined the Department's approach for improving Indian trust management and engaging affected Interior bureaus and offices in planning and implementing activities for a "trust improvements project."

The objective of this report is to officially transmit recommendations to you based on our assessment of implementation issues contained in our testimony and the related actions contemplated in your August memorandum. Our work was done in accordance with generally accepted government auditing standards from April through October 1997. Our scope and methodology are in appendix I. We requested comments on a draft of this report from the Secretary of the Interior or his designee. On November 24, 1997, Interior officials provided us with oral comments, which are discussed in the "Agency Comments" section.

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## Results in Brief

Our July 1997 testimony identified implementation issues related to several of the Strategic Plan's proposed initiatives. Your August 1997 memorandum outlined plans that relate to several of the initiatives for which we had identified implementation issues. There remain, however, some implementation issues not addressed by your memorandum, including the timing of record cleanup and conversion in connection with acquiring the proposed automated accounting system module and the need for additional coordination and planning for proposed major information technology investments. Addressing those issues will enhance the opportunity for successful implementation.

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## Background

As we have reported in the past,<sup>1</sup> Interior's Indian trust fund accounting and asset management problems are long-standing and permeate all facets of the trust fund management business cycle. They include (1) the lack of accurate, up-to-date information on ownerships to ensure that revenue is distributed to the correct account and the increasing workload associated with fractionated ownerships, (2) inadequate management of natural resource assets resulting in a lack of assurance that all earned revenues are collected, (3) weaknesses in trust fund management systems and internal controls and policies and procedures that result in a lack of assurance about the accuracy of trust fund balances, and (4) the failure, in the past, to invest trust funds consistently and prudently and pay interest to accountholders. These overall weaknesses preclude accountholders from having assurance that their account balances are accurate and that their assets are being prudently managed. The purpose of the Special Trustee's Strategic Plan was to address these long-standing problems.

The following sections contain a brief description of the Strategic Plan implementation issues raised in our testimony, the related actions contemplated in your August 1997 memorandum, our observations on those related actions, and our recommendations.

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## Implementation Timing Issues

As noted in our testimony, the Strategic Plan proposes that the commercial trust fund accounting and investment system—which is currently used for tribal accounts—be expanded to include a module for Individual Indian Money (IIM) accounts. In determining the appropriate timing for acquiring an IIM commercial trust accounting system module, certain questions need to be addressed, including whether to (1) convert

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<sup>1</sup>Financial Management: Focused Leadership and Comprehensive Planning Can Improve Interior's Management of Indian Trust Funds (GAO/AIMD-94-186, September 22, 1994).