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BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRD CONGRESS

SECOND SESSION

SUBCOMMITTEE ON THE DEPARTMENT OF THE INTERIOR AND  
RELATED AGENCIES

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WASHINGTON : 1994

TUESDAY, APRIL 12, 1994.

**BUREAU OF INDIAN AFFAIRS**

**WITNESSES**

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**INTRODUCTION OF BIA WITNESSES**

Mr. YATES. The subcommittee will come to order.

This morning we have the Bureau of Indian Affairs, Ada Deer, Assistant Secretary for Indian Affairs. Good morning, Ms. Deer. And we have Mary Ann Lawler, Director of the Office of Budget. And Mr. Oscar Mueller, Acting Director, Office of Construction Management.

All right, now, these witnesses need not come forward for the moment. Ms. Deer's presentation is supported by John Tippeconnic, who is Director of the Office of Indian Education Programs. Patrick Hayes, Director, Office of Trust Responsibility. You've got a job on your hands, haven't you?

Mr. HAYES. Yes, sir.

Where are you going, Mr. Parris? What do you want to do? How do we get this thing to a point where we can say to the Indian tribes, your assets are these. We have reconciled all the accounts. These belong to you, these belong to you, these belong to you. Are we anywhere near that day?

Mr. PARRIS. I believe that the reconciliation of the trust accounts is, our prediction of success to be able to reconcile these accounts successfully for all the tribes is very limited. We don't have much of a chance, I don't believe, to reconcile totally for the 1,800 accounts that are held for these various tribes.

We can have limited success, as I mentioned earlier, on reconciling the accounts. But we'll never get them, I don't believe, to the point where everybody will say positively, absolutely, we've covered every problem.

Mr. YATES. GAO says they can go back 20 years.

Mr. PARRIS. For the 20 years we've had, as Gayle mentioned, successful pulling together of records, related to that project that allowed us to gather over 89 percent of the documents related to that particular period for non-investment activity. They are just now getting into reconciling the investment activity, which is where the lion's share of the transactions occurred during that 20-year period. The investment transactions are where we also expect the most errors to be detected.

Mr. DICKS. What kind of investments are you talking about? Explain what you're talking about.

Mr. PARRIS. Well, investments for this 20-year period varied over—

Mr. DICKS. Investments by the Bureau?

Mr. PARRIS. By the Bureau of Indian Affairs, yes.

Mr. DICKS. You were supposed to invest the tribes' money into stocks, bonds—

Mr. PARRIS. Yes.

Mr. DICKS [continuing]. Equities, whatever?

Mr. PARRIS. No stocks, but in bonds, in Government securities, treasuries, the certificates of deposit and the Treasury overnight vehicle that we were allowed to use.

#### ADEQUACY OF INVESTMENT RECORDS

Mr. DICKS. You have no records on the investments that were made?

Mr. PARRIS. Yes, we do. We have, I mean, of course we have records on investment activity. We are just now beginning to reconcile those records. Because of the number of transactions, keep in mind that we turned, during our heyday, we were turning \$95 billion worth of transactions a year in tribal activity alone for the investments. We were really turning over a lot of money. What was happening was we were investing in CDs—

Mr. YATES. When was this, please?

Mr. PARRIS. In the late seventies up to the early to mid eighties. We were really turning investments for tribes into certificates of deposit, because of the rates that were available in those days. They turned them over on average I'd say anywhere between 30 and 90 days, we were turning over that investment.

Mr. YATES. Do you have those records?

Mr. PARRIS. We have. The majority of them are readily available. We don't know if we have 100 percent of all the investment records yet because we're just getting into testing those records, the transactions but we—

Mr. YATES. Do you have enough people helping you work on this?

Mr. PARRIS. We've got more people working on this, through Arthur Andersen and Coopers & Lybrand checking Arthur Andersen and our Bureau people, we have roughly close to 20 people dedicated to nothing but this, in gathering records and cataloging them, preparing them for the contractors to use.

I'd say we've got enough people in Albuquerque. It's where records are, like the other 10 or 11 percent that we were unable to find of the deposit and disbursement activity for the non-investment transactions that we had trouble really in the field.

Mr. DICKS. Have you lost investments?

Mr. PARRIS. Have we lost investments?

Mr. DICKS. Yes. In other words, have you made an investment somewhere where you didn't keep the record, and now you can't find where the money is?

Mr. PARRIS. I don't know of any records that we've lost on investments, honestly. There just is a sense—

Mr. DICKS. You have no indication of any money being lost?

Mr. PARRIS. No. Not that I'm aware of. There's money that was not insured that needed to be recouped, and we've gone for appropriations to make the accounts whole. But that's the only loss we know of, in the mid-eighties.

Mr. YATES. Is it possible the money may have been lost because you don't have records, don't show it?

Mr. PARRIS. Well, from the audits that were done by Arthur Andersen in 1988, 1989 and 1990, when they did the 1988 audit, it was the first comprehensive financial audit that had ever been done, or, had been done on all of the trust funds in the Bureau in history that I know of. We asked for 100 percent verification of all investment securities that were stated by the Bureau as being held, and we asked them to reconcile back to early 1980. And Arthur Andersen detected no problems with—

Mr. YATES. No losses?

Mr. PARRIS. No losses. They had, there might have been a misposting but there were no losses.

#### INVESTMENTS IN FAILED BANKING INSTITUTIONS

Mr. DICKS. What you're saying is that there were some investments made over \$100,000, over insured levels, and that we lost the money? When the savings and loans went bankrupt, the tribes got paid back up to \$100,000 of the amount in the account? So the amount above that, the taxpayers then had to restore?

Mr. PARRIS. Primarily, it was the Individual Indian Money pool that got hit on that. But there were some instances of a difference of opinion by the National Credit Union Association Insurance Oversight Group, and then the FSLIC Insurance interpretation of what was insured on Individual monies for that, those securities that were lost.

Mr. DICKS. What was the total?

Mr. PARRIS. If I remember right, around \$7 million in total.

Mr. DICKS. That's it?

Ms. ERWIN. The total lost by 1988. There have been controls put in place, that was before the Office of Trust Funds management existed, also.

Mr. DICKS. Well, what's the problem? Why can't you get this thing done? Just a big job?

Mr. PARRIS. Well, yes, it's a big job, and I don't think the Bureau of Indian Affairs, for one thing was ever set up to do business like this in a real comprehensive manner. They never thought of any revisions back in the mid-sixties when they put these systems in place for tracking these tribal and Individual Indian Money transactions.

I don't think they ever thought that it would grow to the level that it has. In 1972, we only had 111,000 individual accounts. Today, as Ms. Condon mentioned, we have over 330,000 accounts. We have grown in tribal accounts.

The systems technology that we were using in those days was based on budgetary and appropriations accounting systems that they adapted to take care of our trust accounting needs. That has long since gone by the wayside. We continue to grow, the kinds of securities we invest in are more sophisticated, we don't have adequate systems, obviously.

#### INDIAN BANK FOR MANAGING INVESTMENTS

Mr. YATES. Could it be a bank? Should there be an Indian bank? Should there be an Indian bank created to handle this kind of thing?

Mr. PARRIS. I'm not sure that's the answer. I just know that while the Secretary has the responsibility—

Mr. YATES. Should there be a separate Indian instrumentality, other than BIA, created to handle these investment questions?

Mr. PARRIS. I'm not—I don't know.

Mr. YATES. I thought I understood you to say a few minutes ago that BIA isn't set up to handle this kind of thing.

Mr. PARRIS. I said what happened was that we were doing what the Bureau had always done in taking care of these accounts. But the services that tribes have come to expect—

Mr. YATES. That's why we're in all this trouble.

Mr. PARRIS. That's right.

Mr. YATES. So if you have a separate instrumentality with only one job, and this is a very complicated job, handling it for all the tribes that want to participate in this, I would think it would be a relief for BIA and I think it would be a relief for the Indian tribes.

Mr. PARRIS. I'm not sure. I know there are a number of options that are being considered by the tribes and by the General Accounting Office that they're looking at. But I think whatever the solution is, it has to be designed in concert with the tribes and, of course, with the Congressional committees. They have to have input from the customer.

#### FRACTIONATED IIM ACCOUNTS

Mr. YATES. Mr. Packard?

Mr. PACKARD. I'm sorry I was late, I was testifying before another subcommittee on appropriations.

But has the problem grown bigger in the last few years because of a proliferation of Indian accounts, and the size of the accounts?

Mr. PARRIS. The problem has been made worse, as GAO mentioned, because of the fractionation of interests per Individual Indian Monies (IIM) accounts. That continues to plague us, because of the continuing number of decimals we need to go out in distributing income. It's more difficult to handle. I think that that's made our job a lot harder, but it's not insurmountable. It's just something that somebody, we've got to draw a line somewhere and say we're going to resolve that.

Mr. PACKARD. Is it going to continue to get more and more complicated and more and more accounts?

Mr. PARRIS. If nothing's done about fractionalization of interests, yes. It's going to continue to overwhelm us.

Mr. DICKS. Let me ask, if you're Nordstroms or you're IBM or Boeing, you've got a lot of stockholders, and you have the same exact problem where you have distributions to the stockholders. And sometimes it's 25 cents; my kid has a couple of shares of Nordstroms and he gets 25 cents. It's ridiculous to even send it out, as far as I'm concerned, they ought to wait until they get enough.

Why can't you get this problem corrected in terms of putting it all in the computer, like a major corporation does, and use the balance, whichever balance you've got at this juncture? And then you go back, after you've done that, and do the reconciliation as a separate issue? At least you've got it right in the first instance, and you've got at least a semblance of being accurate as you go forward.

Mr. YATES. But do you know that you've got it right?

Mr. DICKS. Well, you're not sure you've got it right, but at least you'd know where you are, you've got it all in one system and under control.

Mr. PARRIS. We can't agree more. As a matter of fact, that is the plan of the Bureau, to get onto a system—

#### REASONS FOR DELAYS IN CORRECTIVE ACTIONS

Mr. DICKS. Why does it take so long to do it? It doesn't take a rocket scientist to figure that out. I mean, if I can figure it out in five minutes here, why does it take so long to do it?

Mr. PARRIS. Have you ever worked for the Government? [Laughter.]

I came in nine years ago, into the Bureau of Indian Affairs, with a lot of ideas. And I just read a report that was issued in 1984 by Price Waterhouse and Company that made recommendations that are right down the line of what you're recommending today and what we were trying to do in 1985, 1986, 1987, and every year.

We were approaching it from a different standpoint, the Secretary at the time selected to try to advertise to put everything in a bank. It was awarded first to Mellon then eventually to Security Pacific National Bank, but in a comprehensive approach that really ignored the wishes of the tribes. It was not designed and coordinated with them, and they naturally resisted these efforts that were initiated without their input, and they wanted some participation in it.