

INTRODUCTION

This is the second High Level Implementation Plan (HLIP) prepared since the Special Trustee for American Indians published, in 1997, the Strategic Plan to Implement the Reforms Required by the American Indian Trust Fund Management Reform Act of 1994. The first HLIP, published in July 1998, featured action plans for thirteen major subprojects that comprised the Trust Management Improvement Project. The amended HLIP for 2000 has preserved original elements of the first HLIP to the extent possible to track progress that has occurred to date. However, two subprojects have been merged with other subprojects leaving a total of eleven in the new HLIP. The decision to merge elements was based on a reevaluation of their interrelationship and interdependence.

A High Level Implementation Plan for Trust Management was necessitated by longstanding concerns over the management of Indian trust funds. These concerns have been laid out in numerous General Accounting Office and Inspector General audits and reports, and Congressional reports and testimony over the years. The HLIP sets out the course for resolving the concerns associated with the Department of the Interior management of some 1,400 accounts for 315 Tribal entities and over 285,000 individual Indian trust fund accounts by implementing a stringent and timely plan

of action covering the major aspects of trust management. The revised and amended HLIP includes actions for the following subprojects:

- C **Administrative Data Cleanup** - Office of the Special Trustee (OST)
- C **Resources Data Cleanup** - Bureau of Indian Affairs (BIA)
- C **Probate Backlog Elimination** - BIA and Office of Hearings & Appeals (OHA)
- C **Appraisal Backlog Elimination** - BIA
- C **Trust Fund Accounting System (TFAS) deployment** - OST
- C **Trust Asset and Accounting Management System (TAAMS) deployment** - BIA
- C **Systems Reengineering** - Minerals Management Service (MMS)
- C **Records Management Improvement** - OST
- C **Policy and Procedures Improvements** - BIA
- C **Training** - OST
- C **Internal Controls** - OST

OVERVIEW

The Department of the Interior (DOI) is pursuing a three-pronged approach to address issues related to its administration and management of Indian Trust funds.

First, DOI is working closely with the staff of the Senate Indian Affairs Committee and Tribal and allottee groups to end the increasing fractionation of Indian allottee lands. This effort builds on legislation

introduced during the first session of the 106th Congress. This fractionation of interests not only undermines the vitality of allottee-owned land, but it also severely complicates the government's management of trust assets and resources.

Second, the Department is preparing new legislation to address claims that Tribes may have with regard to the Department's past management of Tribal trust accounts. The Department is continuing to work with tribal groups on exploring options for Tribal Settlement legislation. While progress is being made on key issues, the Indian Community has advocated a legislative proposal that not only addresses disputed balances, but also examines the management of the underlying trust assets. The Department believes that the legislative approach does not lend itself to addressing these types of claims. The settlement legislation is the culmination of a five-year effort to reconcile Tribal trust accounts as mandated by Congressional directives beginning in 1987, and reconfirmed in the American Indian Trust fund management Reform Act of 1994.

Third, the Department is taking action to improve the underlying trust management and accounting system. Amendments to the plan and target milestones are identified.

Indian Trust Funds Overview.

Currently, the Secretary of the Interior, through the Office of the Special Trustee (OST), maintains approximately 1,400 accounts for 315 Tribal entities with assets in excess of \$2.5 billion. Each

year, more than \$800 million passes through the Tribal trust funds system. The OST also maintains about 285,000 Individual Indian Monies (IIM) trust fund accounts through which over \$300 million pass each year.

Concerns about the management of Indian Trust funds have been a longstanding issue. As early as 1928 the General Accounting Office (GAO)—the investigative research arm of Congress—issued reports documenting weak accounting practices and other problems in Bureau of Indian Affairs (BIA) trust fund management.

Prior to 1951, accounting activities were undertaken at each BIA Agency Office (typically located on Indian reservations), using handwritten ledgers and journals, and the GAO was responsible for annual reconciliation of accounts.

In 1951, an accounting system designed and approved by GAO was installed in BIA Area (regional) Offices. All fund types--IIM as well as Tribal--were integrated in this system. GAO released reports in 1952 and 1955 describing management concerns with the systems. Beginning in 1965, BIA began centralizing its accounting functions on a mainframe computer in Albuquerque, New Mexico. The conversion to the computer system was completed in 1967. A new automated accounting system was developed and implemented in 1968 and modified in 1974.

Beginning July 1, 1972, all Tribal Treasury appropriation accounts were to be consolidated into a single Treasury account (about 1,100 accounts were

combined). Prior to this date, Treasury maintained separate accounts for each Tribal trust fund, typically with separate accounts for principal and interest. These dual sets of accounts would generally make it easier to detect differences; for example, if Treasury received a cash receipt that was not posted by BIA, a variance would show up between the specific account on BIA's books and the specific account on Treasury's books. Such differences were not evident when the accounts were collapsed into one account. Nevertheless, consolidation occurred to alleviate the administrative burden on Treasury to maintain a dual system of Tribal trust accounts.

Additionally, effective in Fiscal Year 1973, Treasury no longer posted semi-annual interest income to trust fund account balances - something that had been done from 1928 to 1972. BIA Offices deposited and posted interest earned from investment activity outside of Treasury. Beginning July 1, 1972, BIA was also responsible for computing and distributing the Treasury interest on uninvested funds.

In 1982, GAO once again issued reports critical of the management systems. Congressional appropriators were concerned as well. In 1987, after a series of oversight reports by the GAO, a supplemental appropriations bill stated "The Bureau of Indian Affairs shall not transfer funds under a contract with any third party for the management of tribal or individual Indian trust funds until the funds held in trust for such tribe or individual have been audited and reconciled and the tribe or individual has

been provided with an accounting of such funds, and the appropriate Committees of the Congress and the tribes have been consulted with as to the terms of the proposed contract or agreement." The FY 1990 appropriations language further required that "the results of such reconciliation [be] certified by an independent party as the most complete reconciliation of such funds as possible."

The Environment, Energy and Natural Resource Subcommittee of the House Committee on Government Operations initiated a three-year investigation into the issue, leading to a report issued on April 22, 1992, entitled, "*Misplaced Trust: The Bureau of Indian Affairs' Mismanagement of the Indian Trust Fund.*"

American Indian Trust Fund

Management Reform Act of 1994. In 1994, Congress passed the American Indian Trust Fund Management Reform Act of 1994, 25 United States Code (U.S.C.) §§4001-4061, which established the Office of the Special Trustee for American Indians. Under this legislation, the Special Trustee, who reports directly to the Secretary of the Interior, is responsible for oversight, reform, and coordination of the policies, procedures, systems and practices used by various Departmental agencies in managing Indian trust assets. Specifically, the Special Trustee was charged with preparing and submitting a comprehensive strategic plan for all phases of the trust management business cycle that would ensure the proper and efficient discharge of the Secretary's trust responsibilities to Indian Tribes and individual Indians in compliance with the Act. The Act also

defined the following as prospective actions required of the Secretary necessary to properly discharge the trust responsibilities of the United States:

- C Providing adequate systems for accounting for and reporting trust fund balances;
- C Providing adequate controls over receipts and disbursements;
- C Providing periodic, timely reconciliations to assure the accuracy of accounts;
- C Determining accurate cash balances;
- C Preparing and supplying account holders with periodic statements of their account performance and with balances of their account which shall be available on a daily basis;
- C Establishing consistent, written policies and procedures for trust fund management and accounting;
- C Providing adequate staffing, supervision, and training for trust fund management and accounting;
- C Appropriately managing the natural resources located within the boundaries of Indian reservations and trust lands;
- C Properly accounting for and investing, as well as maximizing, in a manner consistent with the statutory restrictions imposed on the Secretary's investment options, the return on the investment of all trust fund monies;
- C Preparing accurate and timely reports to account holders (and others, as required) on a periodic basis regarding all collections, disbursements, investments, and return on investments related to their

trust accounts;

- C Maintaining complete, accurate and timely data regarding the ownership and lease of Indian lands.

The Special Trustee submitted a Strategic Plan for Trust Improvement in April 1997.

Notwithstanding the Secretary's reservations about certain aspects of the Strategic Plan, the Secretary agreed that the trust system improvements and data cleanup efforts in the plan could and should proceed as soon as possible within the organizational structure of the Department.

The Secretary's decisions on system improvements and data cleanup were organized into separate but complementary subprojects, which comprise the Trust Management Improvement Project (TMIP), and the original HLIP which was approved in July 1998.

In order to increase the frequency of Departmental oversight and to surface and resolve problems among and between the operational entities, the Secretary, on April 10, 1998, requested the Assistant Secretary for Policy, Management and Budget to meet with bureaus and offices on a regular basis. More than a dozen meetings have occurred. Representatives of primary DOI offices involved (Bureau of Indian Affairs, Office of Special Trustee, Office of Hearings and Appeals, and Minerals Management Service) have interacted on a daily basis to resolve issues and accomplish milestones. Early in the Trust Asset and Accounting Management

System (TAAMS) acquisition process, BIA management decided that the components of the Land Records Information System (LRIS), the official title system, should not be modernized as a separate system but rather should be integrated into the TAAMS effort. Integration took place and this document reflects folding LRIS into the TAAMS subproject. In a similar fashion, in 1999 it was determined that the BIA probate effort and the Office of Hearings and Appeals (OHA) probate effort should not be kept separate since the two programs were so closely intertwined. Those subprojects have been combined into a single effort. Therefore, this report covers the following 11 subprojects which now comprise the revised HLIP:

OST Trust Administrative Records Cleanup. In this subproject, OST is standardizing and verifying IIM system data for trust financial records, and correcting and establishing an inventory of hard copy records for each trust fund account.

BIA Trust Resource Records Cleanup. BIA trust records will be cleaned up to ensure accurate land title and resource management information. This will be coordinated with the eventual deployment of TAAMS at each implementation site.

“Data Cleanup” Defined. The Data Cleanup subprojects within OST and BIA are aimed at ensuring that data housed in existing or new systems are accurate and complete, and aimed at eliminating transaction processing backlogs to ensure records are up-to-date--particularly land ownership information and records. Therefore, references to “data cleanup” in this report should be viewed broadly, as including both data purification (correction), and data updates (data and information transaction

Probate Backlog. Under this subproject, BIA and OHA will inventory, identify and develop action plans and procedures to eliminate the probate backlog. BIA and OHA will also implement reinvention lab recommendations to streamline and improve the entire probate process.

BIA Appraisal Program. This subproject includes an assessment of the present BIA appraisal program, policies and procedures, reviews of staff qualifications, determination of the adherence to uniform Standards of Professional Appraisal Practices, and development of corrective action plans, as appropriate.

Trust Funds Accounting System (TFAS). Using a service bureau approach, the Office of Trust Funds Management acquired, installed and site-tested a proven commercial off-the-shelf trust accounting system to replace the present BIA IIM accounting module.

Trust Asset and Accounting Management System (TAAMS). The BIA has evaluated, acquired, and is piloting proven commercial off-the-shelf land management system technology. The BIA is modifying this system to reflect the

unique aspects of Indian trust requirements for the system including master lease, billings and accounts receivable, and collection subsystems. Following successful testing and piloting, the TAAMS system will proceed to full implementation across BIA, replacing the present BIA Integrated Records Management System (IRMS). In addition, the Land Record Information System (LRIS) function has been incorporated into TAAMS.

MMS System Reengineering. The purpose of this subproject is to design, develop and implement new core business processes for the MMS's Royalty Management functions and supporting systems. Improvements will address the HLIP objectives of accurate accounting, timely reporting and transactions, and appropriate management of resources on Trust lands.

Records Management. Under this subproject, a joint Records Management solution for Interior trust records involving OST, BIA, MMS, BLM, OHA and other relevant DOI offices has been developed and is being implemented. The scope includes Indian trust records management, storage, access, control and disposition, and contemplates electronic record keeping, including imaging technology.

Policies and Procedures. DOI trust policies and procedures will be inventoried, reviewed and, where appropriate, revised or established for the purpose of improving the management, accounting, investment, auditing and reporting of Indian trust assets.

Training. The Training subproject will plan and deliver both trust management and employee skills training relevant to delivery of Interior's trust fiduciary responsibilities to American Indians. Training will be provided across the Interior trust workforce and will include Tribes and participating contractors.

Internal Controls. This subproject will systematically address documented internal control deficiencies in Indian trust management, item by item, that have been identified through internal and external audit, Congressional oversight and outside reviews. Corrective actions will be validated and/or designed to assure resolution of all internal control weaknesses. Further, a permanent trust risk management office is being established to conduct continuing revisions of trust operations across DOI to ensure performance of Indian trust management responsibilities.

While the Secretary's decision on Trust Management Improvement was to occur within a three-year period, the task has proven to be formidable. Consequently, the plan includes milestones that extend beyond 2001.

A number of issues and recommendations in the Special Trustee's Strategic Plan were deferred, including:

- C New management and organization structures outside of the DOI;
- C Introducing new trust products or services based on the prudent investor rule;

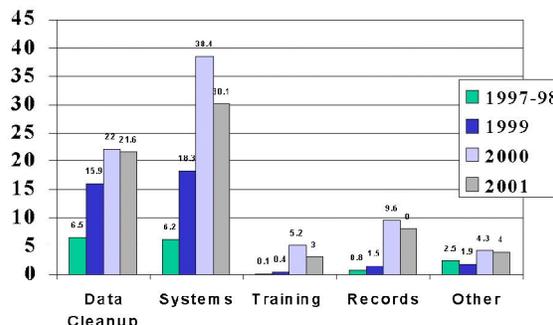
C An Indian Development Bank.

In other areas, the Secretary decided that the Office of Special Trustee would initiate the trust system and records cleanup efforts outlined above with funds appropriated to the Special Trustee in FY 1997 and FY 1998. Similarly, the BIA trust systems, records management, and data/probate cleanup initiatives were funded with FY 1997 and FY 1998 funds appropriated for those purposes. In addition, a consolidated budget was developed and coordinated under the oversight of the Special Trustee, who reviews and certifies plans and bureau budgets in accordance with the American Indian Trust Funds Management Reform Act of 1994. Budgetary requirements relating to this effort in the FY 2000 and 2001 time frames have been coordinated with and addressed to the Congress by the Department, the OST and the BIA.

Oversight monitoring and accountability is provided internally through the Secretary's Trust Management Improvements Steering Committee, the Special Trustee for American Indians, and the Assistant Secretary - Policy, Management and Budget, and externally from the OMB and cognizant Congressional committees. In addition, the District Court has retained jurisdiction for 5 years to oversee the implementation of the Department's trust reforms.

This revised and amended *High Level Implementation Plan* for the TMIP provides information on and describes each of the 11 subprojects, responsible Bureaus, Offices and officials, and

Budget (Dollars in millions)



describes supporting tasks, critical milestones, work plans, and resource estimates. This version represents a significantly improved plan, incorporating changes predicated on the lessons of the past two years of trust reform. This plan is also richer in detail and specificity.

Each of the 11 subprojects may be modified during implementation to reflect changed and/or unanticipated circumstances, including, for example, the availability of funding and personnel provided by the Congress.

A summary of the TMIP budget, which totals \$200.4 million for this period, is depicted below.

Appropriations through Fiscal Year 2000 total \$133.8 million.