



United States
General Accounting Office
Washington, D.C. 20548

Accounting and Information
Management Division

B-275283

February 27, 1997

The Honorable Don Young
Chairman, Committee on Resources
House of Representatives

Dear Mr. Chairman:

On August 10, 1996, your committee conducted a field hearing in Anchorage, Alaska, on the management of Indian Trust Fund accounts relating to Alaska Natives. At the hearing, witnesses informed the committee that Alaska tribal accounts had not been reconciled, some tribes were not receiving account statements, and Individual Indian Moneys (IIM) account holders were not receiving account statements.

On September 12, 1996, as a result of information presented at the Alaska field hearing, you requested that we provide information on seven issues related to Alaska Native trust funds, including whether all Alaska tribal accounts had been reconciled and reports on reconciliation results had been sent to the tribes; whether tribes and individual account holders were receiving account statements; and the number, size, and revenue sources for the IIM accounts. The information that we obtained is provided in the enclosure to this letter.

To respond to your request, we

- reviewed the testimony provided by witnesses at the August 1996 field hearing to gain insight into the issues in your letter;
- discussed the issues with the Special Trustee for American Indians and the Deputy Commissioner of Indian Affairs;¹

¹A February 1996 Secretarial Order transferred both the Tribal Trust Funds Reconciliation Project and the Office of Trust Funds Management (OTFM) from the Bureau of Indian Affairs (BIA) to Interior's newly created Office of the Special Trustee for American Indians. The Order gave OTFM line authority over

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- obtained from OTFM officials information on tribal and IIM accounts, account balances, and OTFM employees;
- obtained information on the handling of tribal and IIM account statements from OTFM officials and the trust accountant located at BIA's Juneau Area Office;
- obtained information on accounts that were included in the reconciliation from the Office of the Special Trustee for American Indians' (OST) Reconciliation Project Manager;
- discussed Alaska tribal concerns with the Chairman of the InterTribal Monitoring Association, which has monitored Interior's trust fund reconciliation efforts; and
- contacted Alaska Native villages and tribes to verify information about account statements and reconciliation reports.

We obtained comments on a draft of this letter from officials in the Department of the Interior's Office of Special Trustee for American Indians and BIA's Deputy Commissioner of Indian Affairs. They generally concurred with our responses to the issues, and we have incorporated their comments where appropriate. Our work was performed from October 1996 to February 1997 in accordance with generally accepted government auditing standards, except that, as agreed with your staff, we did not independently verify the financial and accounting information we obtained from OTFM.

We are sending copies of this letter to the Ranking Minority Member of the House Resources Committee, the Chairman and Ranking Minority Member of the Senate Committee on Indian Affairs, the other members of the Alaska congressional delegation, and other interested parties.

trust accountants and IIM accounting clerks located in BIA Area and Agency Offices, respectively.

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I hope that this information is helpful. If you have further questions, or would like to discuss any of the issues in more detail, please contact me at (202) 512-8341 or Gayle Fischer, Assistant Director, at (202) 512-9577.

Sincerely yours,

A handwritten signature in cursive script that reads "Linda M. Calbom".

Linda M. Calbom
Director, Civil Audits

ALASKA NATIVE TRUST FUND INFORMATION

The following are our responses to requests for information on Alaska Native Trust Funds from the Chairman of the House Committee on Resources.

Issue 1: Provide the number of Alaska Native tribal trust fund accounts which were excluded from the reconciliation process completed earlier this year [1996] by Arthur Andersen & Company.

GAO Response: OST officials told us that no Alaska Native tribal trust accounts¹ that had balances at any time during fiscal years 1973 through 1992 were excluded from the reconciliation work² performed by Arthur Andersen, LLP, BIA's contractor. Information provided by the Reconciliation Project Manager indicates that the contractor's 20-year reconciliation effort included 17 Alaska Native account holders—2 tribes, 1 village, 1 trust corporation, and the 13 Alaska Regional Corporations created under the Alaska Native Claims Settlement Act.

In addition to the contractor's work, OST officials told us that OTFM performed tribal account reconciliations for fiscal years 1993 through 1995 that included the 12 Alaska account holders that had open tribal accounts during that time frame. According to an OTFM official, the number of tribal trust fund account holders covered by the two reconciliation periods differed because (1) the Alaska Native Claims Settlement Act accounts, from which funds were distributed to the 13 Alaska Regional Corporations, were closed prior to fiscal year 1993 and, thus, were not covered by OTFM's 3-year reconciliations, and (2) in 1995, funds previously maintained in a single account for multiple tribes were separated into accounts for eight different account holders after BIA and the tribes reached agreement on distribution ratios.

At your committee's Alaska field hearing, one witness expressed concern that the Alaska Native Escrow Fund (ANEF) may not have been covered by BIA's tribal account reconciliation. The Reconciliation Project Manager told us that the Alaska Native Escrow Fund is a name that has been used to refer to two different accounts, and that one account, which was designated as a Treasury tribal trust fund account, was included in

¹According to Interior's Reconciliation Project Manager, the accounts reconciled by BIA's contractor were Alaska Native trust fund accounts maintained in OTFM's trust funds general ledger as subsidiary accounts to Treasury's "Indian Tribal Trust Funds" account.

²In May 1996, we reported that while Interior completed its reconciliation effort, tribal accounts could not be fully reconciled due to missing records and the lack of an audit trail in Interior's automated Indian trust accounting systems (Financial Management: BIA's Tribal Trust Fund Account Reconciliation Results (GAO/AID-96-63, May 3, 1996).

the contractor's reconciliation, but the other account, which was considered by BIA and OTFM to be a deposit fund account, was not included.

According to the Reconciliation Project Manager, the ANEF account that was included in the BIA contractor's reconciliation existed from 1981 through 1984 and contained funds that were set aside under the Alaska Native Claims Settlement Act for pending appeals. The ANEF account that was not included in the BIA contractor's reconciliation was established by Treasury in 1976 as a deposit fund account for proceeds derived from contracts, leases, permits, rights-of-way, and easements after January 1, 1976, pertaining to resources on lands that were withdrawn under the Alaska Native Claims Settlement Act for selection by Alaska Native Corporations. While the second ANEF account was not covered by the contractor's 20-year reconciliation effort, OTFM officials told us that this account was covered by OTFM's reconciliations for fiscal years 1993 through 1995. However, OTFM has not issued reconciliation results on this ANEF account because OTFM has not yet identified the beneficial owners of the account proceeds.

At the time of your Committee's Alaska field hearing, some Alaska Native tribes may not have been aware that their accounts had been included in the BIA contractor's reconciliation work or in OTFM's reconciliation work because OST had not yet provided reports on the results of those reconciliation efforts to all tribal account holders. The Reconciliation Project Manager told us that OST sent reports on the BIA contractor's 20-year reconciliation results to account holders, including Alaska Regional Corporations,³ between January and October 1996 and sent account statements based on OTFM's reconciliation work for fiscal years 1993 through 1995 to account holders between mid-January 1996 and late January 1997.

However, we determined that, as of February 11, 1997, OST had not provided either a report on the BIA contractor's 20-year reconciliation results or statements from OTFM's 3-year reconciliation work to one Alaska village with a tribal account because OTFM's system showed an incorrect account holder name for that tribal account. In commenting on a draft of this report, the Reconciliation Project Manager told us that he has confirmed that the reconciliation report and account statements had been sent to the incorrect account holder and that action has been taken to send the reconciliation report and statements to the correct account holder. The Reconciliation Project Manager also told us that a review of the one and only disbursement made from this account during the

³Reports on the 20-year reconciliation results for the Alaska Native Claims Settlement Act accounts from which funds were distributed to the 13 Alaska Regional Corporations, including the ANEF account, were sent to the 13 Alaska Regional Corporations in September 1996.

20-year reconciliation period showed that the funds were disbursed to the correct account holder.

We also determined, in December 1996, that OST had not provided copies of account statements covered by OTFM's 3-year reconciliations to 8 of the 12 Alaska Native tribes and villages. Of these 8, OST did not send statements to 6 Alaska Native tribes and villages until early January 1997 because OST lacked the name of a designated report recipient for the statements and, therefore, this information had to be researched. In addition, OST had not sent statements to the remaining two villages because their research indicated that these villages no longer had tribal councils. We contacted the two villages and confirmed that they did, in fact, have tribal councils. We provided this information to the Reconciliation Project Manager's staff who told us that they confirmed our information and sent reconciliation results to those villages on January 28, 1997. Additional detail about the distribution of account statements is included in our response to issue 3.

Issue 2: Provide the number of Alaska Native trust fund accounts which are Individual Indian Money (IIM) accounts being administered by OTFM as of September 30, 1996.

GAO Response: As of September 30, 1996, OTFM reported that it was administering 1,276 Alaska Native IIM accounts with an aggregate value of \$11,163,110.35. One of those accounts was a tribal IIM account with a balance of \$110,129, another 933 were individual IIM accounts with an aggregate balance of \$9,705,612, and 342 were other⁴ IIM accounts with an aggregate balance of \$1,347,369. Additional detail is provided in our response to issue 6.

Issue 3: Identify Alaska Native trust fund accounts, both IIM accounts and tribal accounts, which are being administered without any individual or corporate entity receiving reports on account activity.

GAO Response: According to OTFM officials, of the 1,276 Alaska Native IIM accounts that OTFM was administering on September 30, 1996, OTFM lacked address information for 13 account holders and sent the monthly account statements for an additional 303 individual IIM accounts to the trust accountant in the Juneau Area Office. The 13 "whereabouts unknown" IIM accounts are discussed further in our response to issue 4.

⁴"Other" IIM accounts include (1) special deposit accounts intended to be used as temporary repositories for such purposes as escrow and holding funds until account owners can be identified and (2) undistributed interest accounts used to aggregate adjustments to manual interest calculations that proved to be incorrect.

The 303 IIM account statements sent to the Juneau Area Office were addressed to BIA Agency Office Superintendents and were sent to the Juneau Area Office to be kept in a centralized file. According to OTFM officials, 198 of the statements were for accounts that had zero balances and codes indicating that the accounts had been closed, 32 of the statements were for deceased account holders whose estates are pending probate, 18 of the statements were for account holders who are minors, and the remaining 55 statements were for accounts that are being "controlled for various reasons⁵ as determined by the [BIA Agency Office] superintendent." The trust accountant told us that the IIM statements received at the Juneau Area Office were not forwarded to IIM account holders.

We discussed this handling of IIM account statements with OTFM officials and they told us that they had initiated a project in January 1997 to determine which of these 303 statements should be sent to IIM account holders. The OTFM project includes reviews of (1) all closed IIM accounts to determine if that status is appropriate, (2) all IIM accounts for estates pending probate to determine whether estate administrators have been designated, (3) all IIM accounts that are coded "controlled, minors," to determine whether the accounts are properly coded for minor status and whether statements are being sent to legal guardians for the accounts with legal guardianship documents on file, and (4) all IIM accounts coded "controlled for various reasons as determined by the superintendent" to determine the reasons for this status and whether the status should continue.

In addition to the IIM accounts, OTFM officials provided information that indicates that OTFM was administering tribal accounts for 10 Alaska Native tribes and villages on September 30, 1996. (Two of the 12 Alaska tribes and villages, whose tribal accounts had been covered by OTFM's reconciliations for fiscal years 1993 through 1995, had closed their accounts by September 30, 1996.) OTFM officials told us that OTFM was sending monthly account statements to the 10 tribes that had open tribal accounts as of September 30, 1996, either directly or through the Juneau Area Office. However, when we contacted the 10 tribes, we could not confirm that all had received monthly account statements. Officials of three tribes told us that they received monthly statements, officials at two other tribes told us that they received account statements less frequently than monthly, and officials at five tribes told us that they had not received any statements for at least a year. We provided this information to OTFM's customer service representative, and OTFM officials later told us that they had checked OTFM's address information for the tribes and that they would provide account statements to those tribes that had not yet received their statements.

⁵As of February 6, 1997, OTFM had not yet determined why these accounts are being controlled by the Superintendent.

In addition, an official at one tribe we contacted, who confirmed that the tribe received monthly account statements, told us that the tribe also received monthly statements for an account that does not belong to the tribe. We determined that these statements belong to an Alaska tribe that was not shown as a tribal account holder in the information OTFM provided us. We contacted that tribe and confirmed that it was not receiving any account statements from OTFM. We then informed the OTFM customer service representative about this situation, and he told us that he would follow up on the information that we provided. Subsequently, OTFM officials told us that the account had been associated with an incorrect account holder name for more than 20 years in the trust accounting systems. They said they would correct the tribal account holder name and address information in the system and send account statements to the correct account holder.

Issue 4: Provide the number of Alaska Native trust fund accounts which are IIM accounts which do not have a current related beneficiary address.

GAO Response: According to information provided by OTFM, 13 of the 1,276 Alaska Native Trust Fund IIM accounts being administered by OTFM on September 30, 1996, were designated in OTFM's system as "whereabouts unknown." The September 30, 1996, balances of the 13 IIM accounts coded "whereabouts unknown," were as follows:

- 6 accounts had a zero balance;
- 3 accounts had a balance of less than \$100;
- 3 accounts had a balance of over \$100, but less than \$1,000; and
- 1 account had a balance of over \$1,000, but less than \$10,000.

Issue 5: Provide a listing of sources of revenue for Alaska Native trust fund IIM accounts.

GAO Response: OTFM's analysis of the Juneau Area data base showed that sources of revenue for Alaska Native IIM trust fund accounts for fiscal year 1996 were as follows.

Sources of Alaska Native IIM Trust Fund Account Revenues
(Unaudited data, as of September 30, 1996)

<u>Source</u>	<u>Revenue</u>
Range and lease rental income	\$ 1,580
Interest income	1,676,161
Land sales by individuals	9,278,344
Other payments	<u>4,559,696</u>
Total	\$15,515,781

OTFM officials told us that the "Other payments" line item contains several types of revenue, including the proceeds from timber sales. They said that they would not be able to determine the amount of revenue from timber sales for fiscal year 1996 or to determine the other revenue sources contained in this line item unless they performed a time-consuming analysis of source documents. Therefore, we were not able to list all sources of revenue. OTFM officials told us that they are reviewing field office postings of revenue source codes to determine if the codes are being used appropriately. OTFM officials told us that after completing their review they plan to issue a guidance letter to field offices.

Issue 6: Provide an estimate of the percentage of Alaska Native Trust Fund IIM accounts which contain (a) less than \$100, (b) between \$100 and \$1,000, (c) between \$1,000 and \$10,000, (d) between \$10,000 and \$100,000, and (e) in excess of \$100,000.

GAO Response: According to information provided by OTFM, on September 30, 1996, OTFM was administering Alaska Native IIM accounts with the ranges of balances shown in the following table.

ENCLOSURE

ENCLOSURE

Alaska Native IIM Accounts and Balances
(unaudited data, as of September 30, 1996)

<u>Account balance</u>	<u>Number of accounts</u>	<u>Percent of total IIM accounts^a</u>	<u>Aggregate dollar value</u>
Tribal IIM			
\$100,000 and over	<u>1</u>	<u>0.1</u>	\$ <u>110,129</u>
Subtotal	1	0.1	\$ 110,129
Individual IIM			
Less than \$0.00	2	0.2	\$ (2,056)
Zero balance	357	28.0	0
Between \$0 and \$100	299	23.4	5,517
Between \$100 and \$1,000	105	8.2	34,878
Between \$1,000 and \$10,000	53	4.2	185,543
Between \$10,000 and \$100,000	102	8.0	2,911,871
\$100,000 and over	<u>15</u>	<u>1.2</u>	<u>6,569,861</u>
Subtotal	933	73.1	\$9,705,614
Other IIM			
Less than \$0.00	2	0.2	\$ (48,929)
Zero balance	222	17.4	0
Between \$0 and \$100	30	2.4	357
Between \$100 and \$1,000	21	1.6	11,132
Between \$1,000 and \$10,000	47	3.7	177,599
Between \$10,000 and \$100,000	18	1.4	556,870
\$100,000 and over	<u>2</u>	<u>0.2</u>	<u>650,338</u>
Subtotal	342	26.8	\$1,347,367
Total	1,276	100.0	\$11,163,110

^a Due to rounding, some subtotals are not equal to the column total.

The two individual IIM accounts that have a combined negative balance of \$2,056 are overdrawn due to an overpayment that was made and a duplicate check that was issued. The two other IIM accounts with a combined negative balance of \$48,929 were established by OTFM to aggregate interest adjustments that need to be made because interest distributions based on manual calculations proved to be inaccurate.

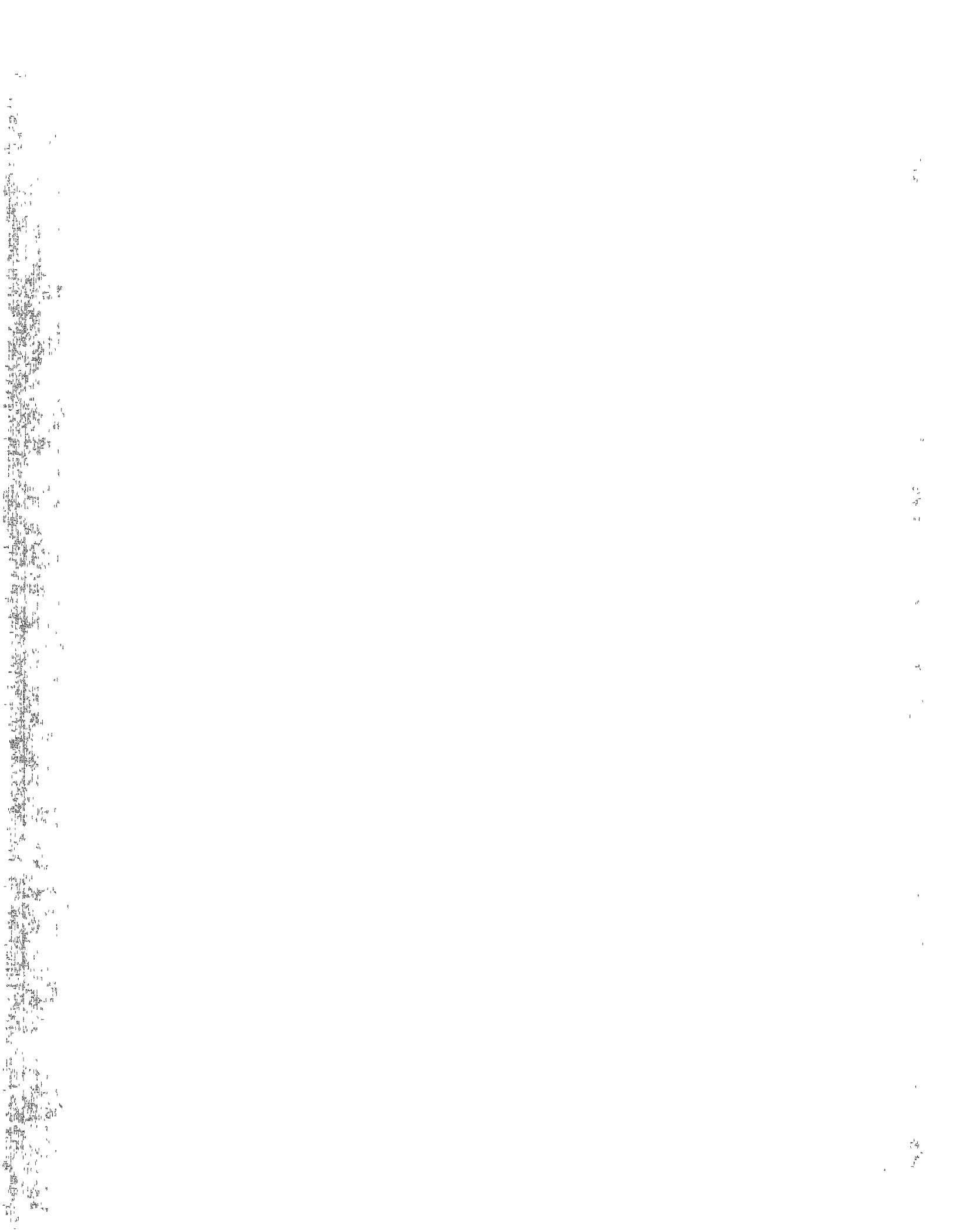
ENCLOSURE

ENCLOSURE

Issue 7: Identify the number of individuals employed at OTFM who have ever held positions of employment within the Department of the Interior outside of OTFM and its predecessor organizational units (for example, having been previously employed in the Anchorage Area Office of BIA), and whose previous position included duties relating to Alaska Native trust fund IIM or tribal accounts.

GAO Response: According to information provided by OTFM, one OTFM employee meets the above-stated criteria. That employee has been with OTFM for a little over 2-1/2 years and the employee's current title is accountant. Previously, that employee had served for between 1 and 1-1/2 years in the position of operating accountant in the Branch of Financial Management's IIM Trust Section at the Juneau Area Office.

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