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General Accounting Office
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Accounting and Information
Management Division

B-277909

September 2, 1997

The Honorable Ben Nighthorse Campbell
Chairman
Committee on Indian Affairs
United States Senate

Subject: Financial Management: The Indian Trust Fund Strategic Plan

Dear Mr. Chairman:

Enclosed are responses to the questions that you asked subsequent to our testimony during your July 30, 1997, oversight hearing on "the Special Trustee's Strategic Plan to Reform the Management of Indian Trust Funds." (See GAO/T-AIMD-97-138.)

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,

Linda M. Calbom
Director, Civil Audits

Enclosure

RESPONSES TO QUESTIONS FROM JULY 30, 1997, HEARING

Question 1: In your view, does the entire Strategic Plan need to be put on hold?

GAO Response: No, it does not. As our testimony¹ indicates (pages 10-14), some proposals can move forward quickly and others require more detailed planning or added information. For example, the Office of Trust Funds Management's (OTFM) cleanup of Individual Indian Money (IIM) records is already underway and the Bureau of Indian Affairs (BIA) should proceed with the clean up of appraisal, ownership, and lease records. The Special Trustee proposes that this work be outsourced to independent contractors due to inadequate resources. This proposal is consistent with our past recommendations.

The IIM commercial trust accounting system component also should be able to move forward once certain questions are addressed. These include whether to (1) convert all IIM accounts to the new system immediately, or convert them as they are cleaned up, (2) identify and archive inactive accounts before conversion, and (3) convert small-balance or pass-through accounts (zero balance accounts where receipts are immediately withdrawn) to the new system or maintain them separately.

However, as we testified, other systems proposals, such as those for acquiring lease and ownership system components, need more detailed planning to ensure effective implementation. Before proceeding with these information technology investments, the following need to be developed to lessen the risk of acquiring systems that will not meet business needs: (1) criteria for the evaluation of major information system investments, (2) an information architecture which aligns technology with mission goals, and (3) a strategic Information Resources Management plan.

In addition, we testified that more information and analysis need to be provided to the Committee on the proposal for a new organization, its relationship to the Department of the Interior, and its funding and authority. We also testified that more information and analysis are needed before proceeding with the establishment of the American Indian Trust and Development Bank.

Question 2: Does the Strategic Plan address settlement issues or related issues such as land fractionation?

¹Financial Management: Indian Trust Fund Strategic Plan (GAO/T-AIMD-97-138, July 30, 1997).

GAO Response: The Strategic Plan does not address settlement issues. It does, however, address fractionated land ownership. Phase I of the Plan refers to the Department's legislative proposal to consolidate fractionated ownership interests. Under Phase II of the Plan, the American Indian Trust and Development Bank would be allowed to invest up to \$300 million for the purchase, holding, and financing of Indian fractionated realty interests on allotted lands.

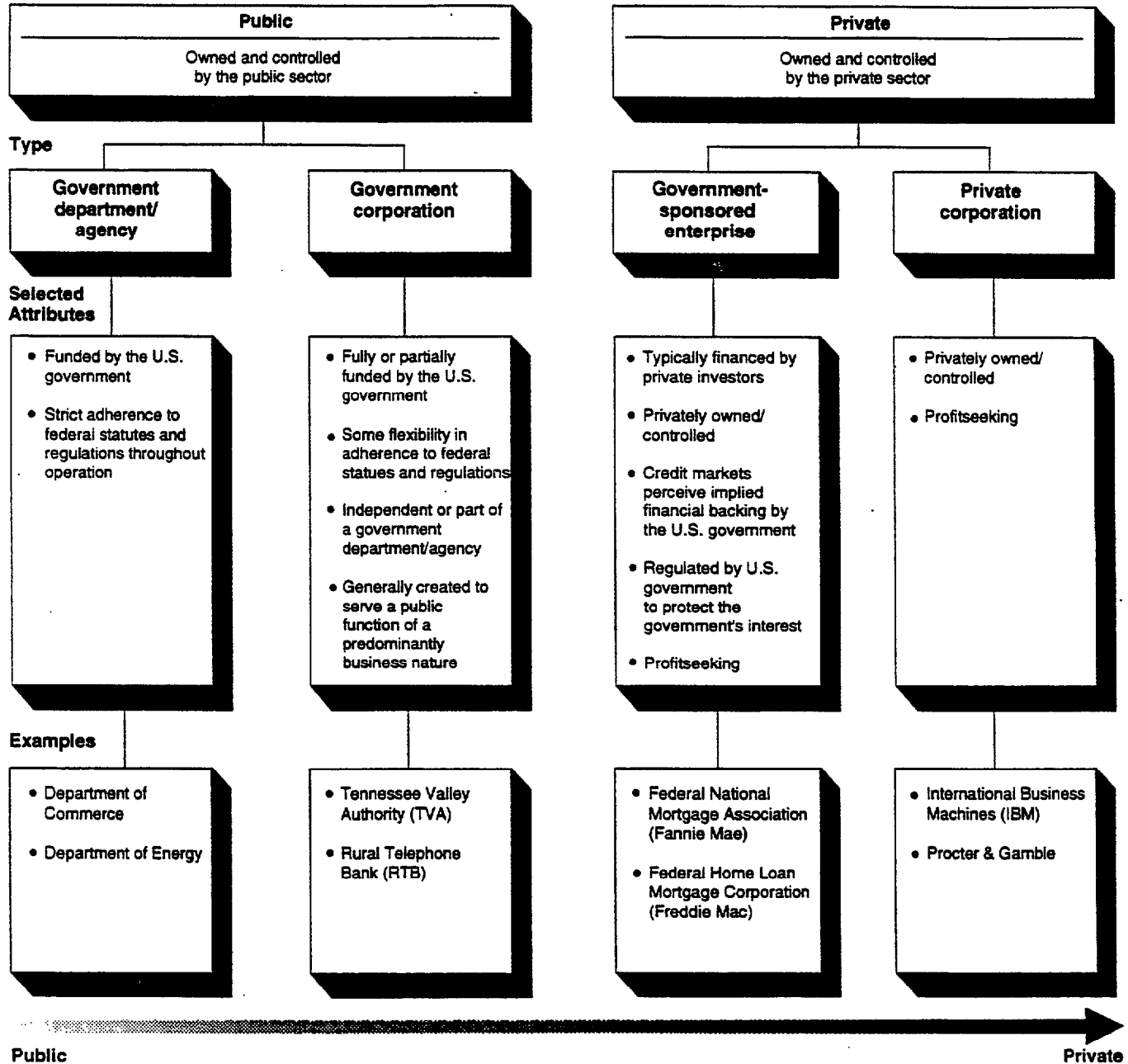
Question 3: Do you think the plan has been thoroughly researched with regard to how the AITDA [American Indian Trust and Development Administration] will assume functions currently performed by the BIA?

GAO Response: As discussed in our written testimony (pages 11 and 12), the Strategic Plan does not adequately address how proposals for establishing a centralized organization responsible for trust fund accounting and asset management would be implemented. The Plan was developed without sufficient input from affected Interior agencies such as BIA, the Bureau of Land Management, the Minerals Management Service, and the Office of American Indian Trust. Changes in trust systems outlined in the Plan could have major effects on the business processes and practices in these agencies. The Plan needs to be more fully developed to (1) provide adequate evidence of a framework for sharing related business and functional information and program requirements among the cognizant organizations and functions and (2) support the design and development of management and information systems.

Question 4: As you indicated in your testimony, the Strategic Plan would create a separate independent entity, referred to as the **American Indian Trust and Development Administration**. This entity would be established as a government sponsored enterprise (GSE). Does the proposed AITDA fit the mold of other government chartered enterprises?

GAO Response: As outlined in our written testimony (page 13), AITDA, as proposed in the Strategic Plan, does not fit the mold of other GSEs. GSEs are typically private corporations. The Strategic Plan proposes that AITDA receive appropriations. In addition, the Plan proposes that AITDA oversee the functions of various Interior agencies. Typically, nonfederal entities are privately financed, and they do not have oversight responsibilities for federal agencies. Figure 1 presents a comparison of the key attributes of various types of public and private entities.

Figure 1: Comparison of Public and Private Entities



Source: Government Corporations: Profiles of Existing Government Corporations (GAO/GGD-96-14, December 13, 1995)

Question 5: Regarding the costs associated with the plan, you indicated it would cost \$168 million for fiscal years 1997 - 1999 for a broad range of systems improvements, such as backlog cleanup, land title and records systems, and information technology infrastructure. Is it reasonable to assume that if adequate funding were available, that all of these components could be put in place as proposed? And what would be some factors that may alter this proposal, namely existing statutory requirements?

GAO Response: The Strategic Plan includes budget estimates indicating that about \$168 million would be needed for fiscal years 1997 through 1999 and approximately \$61 million and \$56 million in fiscal years 2000 and 2001, respectively, for implementing Phase I initiatives. We did not attempt to validate the estimates presented in the Plan or their underlying assumptions, nor did we assess whether the estimates included all necessary costs of full implementation of the Plan. However, our written testimony (pages 11 through 14) identifies a number of areas where more information or analysis is needed before certain organization and systems proposals in the Plan can move forward.

Although our work identifies key issues that the Congress needs to consider in deciding whether to approve the initiatives described in the Plan, it is by no means all inclusive. Also, there are other issues yet to be identified which could affect this estimate. For example, as stated in our written testimony (page 12), before proceeding with the major information technology investments proposed by the Plan, the processes and structures required by the Paperwork Reduction Act of 1995, the Clinger-Cohen Act of 1996, and Office of Management and Budget guidance for funding information systems investments need to be put into place.

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