

EXECUTIVE SUMMARY

**Independent Auditors Report on the
Financial Statements for Fiscal Years 1999 and 1998
for the Office of the Special Trustee for American Indians Tribal
and Other Special Trust Funds and Individual Indian Monies Trust Funds
Managed by the Office of Trust Funds Management
Report No. 01-I-205
January 2001**

The Office of Trust Funds Management contracted with the independent public accounting firm of Griffin and Associates, P.C., to audit the financial statements of the Office of the Special Trustee for American Indians. For the fiscal year 1999 annual financial report, two sets of financial statements with accompanying notes were issued: one set for the Tribal and Other Special Trust Funds and one set for the Individual Indian Monies Trust Funds.

Griffin and Associates issued qualified opinions because cash balances were materially greater than those reported by the U.S. Treasury, major deficiencies in the accounting systems=controls and records caused the systems to be unreliable, and certain Trust Funds=beneficiaries disagreed with balances recorded by the Office of Trust Funds Management and had filed or were expected to file claims against the Office of Trust Funds Management. These conditions prevented the cash and Trust Funds balances and the receipts and disbursements from being audited. In addition, a potential liability to the Federal Government existed because of the lawsuits filed over the Government's fiduciary responsibilities.

Griffin and Associates=report on the internal control structure contained two new nonmaterial internal control weaknesses: one on interfund and intrafund transfers and one on fund level reporting. The report made two recommendations to correct these weaknesses.

AUDITEE COMMENTS AND OFFICE OF INSPECTOR GENERAL EVALUATION

Based on the response from the Office of Trust Funds Management, both recommendations were considered resolved but not implemented.



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL

Washington, D.C. 20240

January 31, 2001

Memorandum

To: Special Trustee for American Indians,
Assistant Secretary for Indian Affairs

Subject: Independent Auditors Report on the Financial Statements for Fiscal Years 1999 and 1998 for the Office of the Special Trustee for American Indians Tribal and Other Special Trust Funds and Individual Indian Monies Trust Funds Managed by the Office of Trust Funds Management

The Office of Trust Funds Management contracted with the independent public accounting firm of Griffin and Associates, P.C., to audit the financial statements of the Office of the Special Trustee for American Indians. For the fiscal year 1999 financial report, two sets of financial statements with accompanying notes were issued: one set for the Tribal and Other Special Trust Funds (pages 7-23) and one set for the Individual Indian Monies Trust Funds (pages 24-40). Comparative data for the prior year have also been presented.

Opinion

Griffin and Associates issued qualified opinions (pages 4-6) because cash balances were materially greater than those reported by the U.S. Treasury, major deficiencies in the accounting systems' controls and records caused the systems to be unreliable, and certain Trust Funds' beneficiaries disagreed with balances recorded by the Office of Trust Funds Management and had filed or were expected to file claims against the Office of Trust Funds Management. These conditions prevented the cash and Trust Funds balances and the receipts and disbursements from being audited. In addition, a potential liability to the Federal Government existed because of the lawsuits filed over the Government's fiduciary responsibilities.

Internal Controls

Griffin and Associates' report on the internal control structure (pages 41-60) contained two new recommendations (page 49) to address the following nonmaterial internal control weaknesses:

- Interfund and intrafund transfers. Currently, interfund and intrafund transfers are not always recorded using the SEI system's transfer process. This results in

substantial manual efforts to identify and reclassify these transfers for financial reporting purposes.

- Fund level reporting. The current system is designed to generate individual trust account statements but does not currently generate a fund level statement of trust fund balances or statement of changes in trust fund balances. Such statements are currently generated through off-line manipulation of the system data.

The report also contained a summary of all internal control issues (pages 42-44). Of the 44 issues reported, 2 were for the current year and 42 were from prior years' audit reports. Of the 42 issues, 17 recommendations remained unimplemented as of September 30, 1999 (pages 49-60). However, 10 of these unimplemented recommendations are addressed to or are to be implemented by the Office of Trust Funds Management, 4 are addressed to or are to be implemented by the Bureau of Indian Affairs, and 3 are addressed to or are to be jointly implemented by the Office of Trust Funds Management and the Bureau.

Compliance

Griffin and Associates' report on compliance with laws and regulations (pages 61-64) contained one material noncompliance issue, two immaterial noncompliance issues, and two other noncompliance issues.

The material issue was that tribal organizations and classes of individual Indians have filed various claims against the Federal Government for its failure to fulfill its fiduciary responsibilities and have made other related charges. The immaterial noncompliance issues (Nos. C.1 and C.3) related to the Office of Trust Funds Management's accepting voluntary deposits, which are generally prohibited by the Code of Federal Regulations (25 CFR 115.8), and agency offices' accumulating funds in excess of \$5,000 before deposits to the Treasury were made, which was in violation of the Treasury Fiscal Requirement. The report noted several instances where the Office of Trust Funds Management accepted voluntary deposits to Individual Indian Money accounts.

The other noncompliance issues related to the Office of Trust Funds Management's disclosure in its management representation letter that, since September 30, 1995, it had not complied with the Federal Managers' Financial Integrity Act of 1982 and that the Office of Trust Funds Management had not followed proper delegation of authority procedures for making disbursements from accounts. Specifically, the Office of Trust Funds Management did not assess (1) the effectiveness of its internal control structure over safeguarding the assets against unauthorized acquisition, use, or disposition; (2) compliance with laws and regulations; and (3) financial reporting based upon control criteria established under the Act.

The report contained no recommendations for the compliance issues because it is implied that the agency should comply with the law or the regulation.

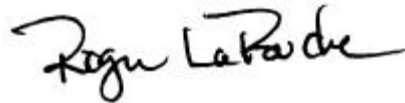
Based on the response from the Office of Trust Funds Management (which was incorporated into Griffin and Associates' report), we consider the recommendations resolved but not implemented. Accordingly, the recommendations will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation.

In conjunction with the audit, we reviewed Griffin and Associates' report and related working papers. Our review, as differentiated from an audit performed in accordance with generally accepted government auditing standards, was not intended to enable us to express, and we do not express, opinions on the financial statements of the Office of the Special Trustee for American Indians, on management's assertions about the effectiveness of its internal controls, or on its compliance with applicable laws and regulations. Griffin and Associates is responsible for the auditors' report dated April 2000 and the conclusions expressed in the report. However, our review disclosed no instances in which the independent public accountant did not comply in all material respects with generally accepted auditing standards.

Since the report's recommendations are considered resolved, no further response to the Office of Inspector General is required (see Appendix 1).

Section 5(a) of the Inspector General Act (5 U.S.C. app. 3) requires the Office of Inspector General to list this report in its semiannual report to the Congress. In addition, the Office of Inspector General provides audit reports to the Congress.

This report is intended for the information of management of the Office of the Special Trustee for American Indians, the Bureau of Indian Affairs, the Office of Management and Budget, and the Congress. However, this report is a matter of public record, and its distribution is not limited.



Roger La Rouche
Assistant Inspector General
for Audits

[CONTACT THE OFFICE OF THE SPECIAL TRUSTEE FOR AMERICAN INDIANS, FOR INFORMATION ON THE FINANCIAL STATEMENTS FOR FISCAL YEARS 1999 AND 1998, FOR THE OFFICE OF THE SPECIAL TRUSTEE FOR AMERICAN INDIANS TRIBAL AND OTHER SPECIAL TRUST FUNDS AND INDIVIDUAL INDIAN MONIES TRUST FUNDS MANAGED BY THE OFFICE OF TRUST FUNDS MANAGEMENT, WHICH ARE NOT INCLUDED.]

STATUS OF CURRENT AUDIT REPORT RECOMMENDATIONS

Internal Control Issues

Responsibility of the Office of Trust Funds Management:

Finding/Recommendation Reference	Status	Action Required
43 and 44	Resolved; not implemented.	No response to the Office of Inspector General is required. The recommendations will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation.

Compliance Issue

Responsibility of the Office of Trust Funds Management:

Finding/Recommendation Reference	Status	Action Required
Unnumbered issue regarding claims against the Government	Resolved; not implemented.	No response to the Office of Inspector General is required. The compliance issue will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation.