

EXECUTIVE SUMMARY

**Independent Auditors Report on the
Financial Statements for Fiscal Years 2000 and 1999 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-411
June 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 2000 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 a new material internal control weakness concerning the Office of Trust Fund Management's reliance on the Bureau of Indian Affairs land ownership files. The report also identified three new nonmaterial internal control weaknesses: one on the implementation of management controls over data input for receipts and disbursements, one on the process to change account numbers, and one on interest that was not transferred with the principal on one transaction. The report made four recommendations to correct these weaknesses.

AUDITEE COMMENTS AND OFFICE OF INSPECTOR GENERAL EVALUATION

Based on the response from the Office of Trust Fund Management and the Bureau of Indian Affairs three of the reports four recommendations are considered resolved but not implemented. Concerning the recommendation to ensure the accuracy of land ownership records, the response from the Bureau clarified that the responsibility for maintaining the integrity of the land records rests with the realty staff of the Bureau's Office of Trust Responsibilities. Griffin and Associated modified the recommendation, and the Bureau should provide a response which specifies the controls to be implemented.

[CONTACT THE OFFICE OF THE SPECIAL TRUSTEE FOR AMERICAN INDIANS, FOR INFORMATION ON THE FINANCIAL STATEMENTS FOR FISCAL YEARS 2000 AND 1999, 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.]



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
Washington, D.C. 20240

June 29, 2001

Memorandum

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

Subject: Independent Auditors Report on the Financial Statements for Fiscal Years
2000 and 1999 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
(No. 01-I-411)

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 2000 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. Comparative data for the prior year have also been presented.

Opinion

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 (OTFM) and had filed or were expected to file claims against the OTFM. 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 Control

Griffin and Associates' report on the internal control structure contained four new recommendations to address the following internal control weaknesses:

- Reliance on Bureau of Indian Affairs Ownership Files. The OTFM has raised concerns over the reliability of financial data provided by the Bureau of Indian Affairs (BIA) and the continuity of service provided to the OTFM's systems department. Griffin and Associates recommended (Recommendation 45) that the Office of Inspector General work with the BIA and its Operations Service Center to ensure that the ownership data are being verified and maintained appropriately. The BIA did not concur with the recommendation as it was written in the draft report. The BIA stated that it was up to the system owner, its realty staff, to ensure the integrity of the data, not the Operations Service Center.

The BIA further stated that the OTFM should meet with the realty staff to ensure that data integrity standards are being met. The Office of Inspector General will continue to work with the OTFM and the BIA through the audit process to help verify the accuracy of the data. Because the response did not identify the steps which will be taken to ensure the integrity of the data, we consider the recommendation unresolved. The BIA should specify the controls in an additional response to the Assistant Secretary for Policy, Management and Budget.

- Effectiveness of Existing Controls. Numerous work tickets that were prepared to support the receipts and programmed disbursements were missing one or more required signatures. Griffin and Associates recommended (Recommendation 46) that the OTFM accounting staff either sign the work tickets indicating various controls were accomplished or revise its procedures to require signatures at the batch level. The OTFM concurred with the recommendation and indicated that corrective action would be taken.
- Account Number Changes. The OTFM did not have adequate policies and procedures for changing account numbers. Griffin and Associates recommended (Recommendation 47) that the OTFM formally document its procedures used when account numbers are changed. The OTFM concurred with the recommendation and indicated that corrective action would be taken.
- Lost Interest – BIA. The BIA delayed for 6 months the transfer of a \$6.3 million receipt. When the funds were transferred, however, the interest was not. Griffin and Associates recommended (Recommendation No. 48) that the OTFM pursue the matter with BIA and or the Treasury Department. The BIA concurred with the recommendation and indicated that it would transfer the funds upon determination by the OTFM of the amount of unearned interest.

The report also contained a summary of all internal control issues. The report identified 21 open internal control issues, of which 4 were for the current year and 17 were from prior years' audit reports. Of the 21 open issues, 15 were addressed to the OTFM, 5 were addressed to the BIA, and 1 was addressed to both the OTFM and the BIA.

Compliance

Griffin and Associates' report on compliance with laws and regulations 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 OTFM'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 OTFM accepted voluntary deposits to Individual Indian Money accounts.

The other noncompliance issues related to the OTFM'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 it had not followed proper delegation of authority procedures for making disbursements from accounts. Specifically, the OTFM 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.

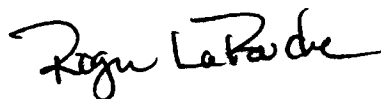
The report contained no recommendations for the compliance issues because it is implied that the agency should comply with the law or the regulation.

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.

Based on the responses from the OTFM and the BIA (which were incorporated into Griffin and Associates' report), we consider three recommendations (Nos. 46, 47, and 48) resolved but not implemented and one recommendation (No. 45) unresolved. Accordingly, the recommendations will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation and resolution, respectively. Since the report's recommendations will be referred to the Assistant Secretary for Policy, Management and Budget for appropriate action, no further response to the Office of Inspector General is required (see the Appendix).

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 BIA, 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 Rouché
Assistant Inspector General
for Audits

STATUS OF CURRENT AUDIT REPORT RECOMMENDATIONS

Finding/Recommendation Reference	Status	Action Required
45	Unresolved.	No response to the Office of Inspector General is required. The recommendation will be referred to the Assistant Secretary for Policy, Management and Budget for resolution.
46, 47, and 48	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.

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