Statement by Tom Slonaker at Senator Conrad's Field Hearing

Standing Rock Reservation, ND, September 1, 2000

Thank you. I am very pleased to have the opportunity to be with all of you today to discuss ways to improve service to our trust clients, many of whom are here with us.

I was confirmed by the U.S. Senate three months ago as the Special Trustee for American Indians. Since then, I've had the opportunity to meet and spend time with numerous leaders in Indian country, and I am very happy to make my initial visit to the Standing Rock Reservation. I very much appreciate your hospitality.

I also appreciate the presence today of Senator Conrad to moderate and participate in these discussions. As a member of the Indian Affairs Committee in the Senate, he plays a key role in supporting the modernization and improvement of Indian trust fund accounting and record keeping, both tribal and individual. Thank you, Senator, for taking time to learn about the issues that surround our joint venture towards a much improved trust system for the benefit of our Indian clients.

I also want to express my gratitude to the Standing Rock Sioux Tribal Chairman, Mr. Murphy for the support and hospitality which he has extended to me.

I used the word "client" a moment ago because it is time, after all these many decades, for us to recognize that the Indian trust accounts are managed for ***clients,*** namely, all of you, plus the tribes for their accounts. The 1994 American Indian Trust Fund Management Reform Act created, among other things, the role of the Special Trustee who, in short, will be responsible for overseeing the modernization of the trust activities which serve individual Indians and Indian tribes. The 1994 Act also requires that the Special Trustee must have extensive experience in trust administration and investment management, and must be accustomed to managing large trust organizations with very substantial assets.

I was honored to be selected in a nationwide search and to be nominated for this position and approved by the Senate. I am honored, too, to have the privilege of putting all my experience to work for you so that we will have a strong trust organization, which can serve its clients well.

The assets of Indian trust are very substantial in the aggregate. There are over 56 million acres of land and $3 billion-plus in liquid assets, all trust assets of individual Indians and the tribes. Even attaching conservative values to the land acreage would mean that this is one of the largest trust organizations in the U.S., private or public sector.

The objectives of a trust organization must be to protect and preserve the assets of the trust clients, to provide accurate record keeping, and to provide good and timely services for your clients.

There are important ways to achieve those objectives. We must have experienced and well trained personnel. We must have excellent systems for accounting for all of the trusts' transactions and valuations. We must have smooth interfacing between our trust systems and all of our agencies, and we must treat our customers well, giving them timely and accurate information.

The ability to give good and timely service requires the presence of well-designed systems--computer systems--which assure ***accuracy*** and ***speed of delivery*** to clients of their checks which they are due and their regular account statements.

I want you to know that much progress has been made, but we have a long way still to go in improving our trust service in Indian country.

We have already installed a trust accounting system (TFAS) in my Albuquerque operation, which serves all of the country, and it is based on the technology of a system used widely by major trust banks. We have begun to deploy the Trust Asset and Accounting Management System, which will replace two older systems handling land title and management.

We are very busy, everywhere, cleaning up trust data, reconciling old records and trying to resolve any gaps in data so that what goes into our systems are accurate and, thereby, provide accurate information to our clients. We are consolidating trust files for all of our accounts under the direction of an experienced records professional who we managed to find in the State

Department. It is vital to the service we provide to all Indians and tribes that we have our record keeping consolidated and under the control of the Special Trustee.

My Office and the Bureau of Indian Affairs (BIA) have undertaken a mammoth task. What we are essentially doing is building a brand new trust organization at the same time that we continue servicing our clients. This is somewhat analogous to adding a new engine to the front of a moving freight train!

We have had marvelous cooperation from the BIA, the Minerals Management Service, and the Bureau of Land Management. BIA bears a large brunt of the task of overhauling trust. You should know that my friends Kevin Gover, Assistant Secretary of Indian Affairs, and Sharon Blackwell, Deputy Commissioner of Indian Affairs, as well as Secretary Bruce Babbitt himself, have been very supportive of this effort.

One of the difficult aspects of consolidating and streamlining a trust operation such as this is that so many people, working on trust in the regions, are being asked to do things differently than they have over the years, all in the interest of providing better service and making ***their*** jobs more satisfying, too. It takes a lot of selfless cooperation of many people. I recognize the adjustments people must make in their own jobs to make a business operate better.

I've been there. My last employer before I retired, a major bank trust department in the West, asked me to consolidate the investment activities for a $27 billion operation over some 13 states to provide a more effective and easier management of our assets. All of our offices had had semi-independent trust operations, and there was a natural reluctance to move towards more efficient, standardized operations to benefit our customers.

That's why I chose to come here myself today. You need to know that I want this trust service to our client--you--to work well and for all of those working with us to know that we need their help in creating a better trust service.

Over the last two years, we have sent several of my most senior people here to Standing Rock at different times to assist you with issues surrounding the implementation of new systems and procedures. Tom Thompson, my

Principal Deputy; Bob McKenna, our Information Resources Manager in our Office of Trust Funds Management; and Margaret Williams, who heads our Division of Trust Funds Accounting have all been here at different times. Whatever issues remain, I look forward to working with you to resolve them.

I have two areas for which I need your help, and specifically the help of you folks with the agency. First, I need to be able to speed the delivery of checks and appropriate interest payments to our individual Indian clients. To do so, we need to speed the input of deposit data into our accounting systems from leases and other land revenue sources. Second, I need your help in consolidating Indian trust records so that we can have a better trust service. I want to discuss those items with you.

There are other issues, often referred to as "business practices", for which we need the help of BIA folks everywhere in solving. Sharon Blackwell's assistant, Jim James, is really helping our Office of Trust Funds Management people to resolve some of these operating issues quickly.

Please understand that the only way to help get checks out promptly, provide proper interest, invest assets properly, and keep records accurately is for us all to pull together in a common system. Anything less is a disservice to American Indians.

As the Special Trustee, I need to be certain that the records of my clients are correct at all times and updated appropriately. As the Special Trustee, I consider records to be trust assets and must be carefully managed. There are 4,800 open accounts (totaling $735 thousand) managed for the Standing Rock Sioux Tribe members plus 1,200 special deposit accounts (totaling $2.1 million). These are individual accounts; I'm not speaking of tribal accounts. The files are often referred to as "jacket folders", and they contain account administration information such as social security numbers, address changes, distribution authorizations, and any court ordered actions (such as in guardian accounts). The files are covered under The Privacy Act, and they constitute federal property.

We keep the files at the Agency and would need to make copies of everything in the files in order to centralize them, but that imposes additional duties of file maintenance and controlled storage at the local level. The transfer to our central files provides secure storage and retrieval ***plus*** eventual automated access through a technique known as imaging. In other words,

folks, to ensure the best service for our clients, we need a central records unit managed full time by professional archivists and available to our accounting systems and the BIA.

We also need to clean up and standardize the files, a very difficult task to do outside our central records. We've tried that elsewhere, and it didn't succeed. Individual clients can be disadvantaged because their files have not been properly reviewed. Decisions affecting the account might be made incorrectly. Local agency personnel will have access to the information in the centralized records as needed, just as any office of a trust department could access necessary information on behalf of beneficiaries.

On another front, there are several BIA proposed regulation drafts out for comment through the Federal Register process as we speak. These affect such areas as probate, grazing, IIM accounts, and surface leasing. Kevin and his managers are looking forward to your input on these proposals, and if you haven't commented, I hope you will soon. The comment period is open until October 12. I don't pretend to be an expert on all of these BIA proposed regulations, but there are some issues, such as tribal credit, which are addressed in the proposed regulation through which our accounting system in OST would be impacted. So I am interested in what you have to say about the tribal credit issue.

Tribal credit programs also impact the trust accounts at times because the trust accounts have often been put in the role historically of being the "collectors" of repayments from individual Indians, a role about which I have serious reservations as the Special Trustee. How some tribes have administered these loans relevant to the trust accounts is something we need to discuss, since the trust accounts are for the benefit of the Indian client and require the protection of the Trustee. Tribal credit "holds", that is, blocking of a certain sum within an account, is a responsibility of the BIA superintendent as well as any court ordered payments. OST, in its trust capacity, becomes the "gatekeeper" to ensure that all of the required documentation is presented when a restriction or hold is requested on an account. We need the documentation to verify that the client has been afforded due process and is aware of the restriction and has a right to a hearing.

I want to take this opportunity to mention one other matter. Right now we can only hold U.S. Government securities in client accounts. In fact, the 1994 Act directs us to examine alternatives for client investment. We will

want to consult with the account holders before undertaking changes, too. If after such consultation, the Administration believes alternative investments are appropriate, we will work with Congress to modify the existing legislation. I have made this issue a priority.

Finally, let me say that I appreciate the opportunity to listen and exchange ideas on trust related matters. Thank you all, and thank you, Senator and you, too, Mr. Chairman, for bringing us all together.