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The Mellon Bank of Pittsburgh has been awarded a contract for financial trust services to strengthen interna1 management and administration of more than $1.7 billion of Indian trust funds.

A tri-party agreement will be executed by the Interior Department's Bureau of Indian Affairs (BIA), trustee of the Indian monies; the Treasury Department's Financial Management Service (FKS); and Mellon Bank.

"This contract is a giant step toward returning confidence in our accountability and services to Indian tribes and individual Indians and Alaska Natives in the management of their trust funds," said Ross Swimmer, Assistant Secretary for Indian Affairs and head of the BIA. "It is also a serious attempt to correct the operational deficiencies and provide the quality of service expected of a prudent trustee.''

FMS, which handled the contract award, was "pleased to provide contract management support to improve the financial management of BIA trust funds," Commissioner W. E. Douglas said.

Swimmer said awarding of the contract sets in motion a course of action which will directly address the material weaknesses in the trust accounting system, the inefficiencies of redundant multiple systems, and the lack of earning capacity due to inefficient cash management of funds. Among the services to be provided by Mellon are: collecting and depositing cash receipts; investment advising; executing buy and sell orders from BIA; maintaining custody of held securities; maintaining detailed accounts for both tribes and individuals, accounting for all transactions, and reporting all financial activities to the BIA or Treasury. The benefits to be derived include: enhanced investment performance, improved accounting and timely reporting of account information to tribes and individuals.

All activities and decisions required by law of the Government as trustee will continue to be performed by the Government, including control of investment decisions. As a result of improved access to financial information, tribes and individuals will be able to better plan for the use of their funds held in trust by BIA.

The need to improve the management of BIA's trust fund operation came to light through numerous audits and reports concerning the funds as far back as 1982. Two years ago BIA obtained an independent evaluation of its operation by a nationally known accounting firm. In response to a request for information published by the Bureau last year, a wide range of materials was received on private sector capabilities to assist in the management of Indian trust funds.

Mellon will be providing financial trust services to assist the BIA in managing the $1.7 billion fund that includes Indian tribal trust funds, individual Indian monies, contributed funds, Alaska Native escrow funds, irrigation and power project funds and the Papago Cooperative fund. Currently there are more than 251,000 participating tribal and individual Indian accounts. The funds represent awards to Indians as compensation for land claims or other legal settlements. The funds also include income from trust lands - oil, gas and other mineral revenues, timber sales, grazing and agricultural leases. The implementation into the contractor's system will be phased-in over a 12-to 18-month period.

“In addition to the benefits which will be experienced by the tribes, FMS estimates that decreasing the 'float' on these funds will result in interest savings of over $1 million annually to the treasury." Commissioner Douglas said.

Other banks submitting bids were Citizens and Southern National Bank, Atlanta; First National Bank of Chicago; Republic Bank of Dallas; and two California institutions, Bank of America and First Interstate Bank of California.