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Washington, D.C. - OMB Director Richard Darman and Secretary of the Interior Manuel Lujan announced today that, effective immediately, all adjustments associated with the Interior Department's Bureau of Indian Affairs (BIA) accounting and financial management system must be reviewed by a special management team established by the Department of the Interior (DOI). Further, Darman and Lujan announced the establishment of a plan to improve management at the BIA.

Responding to reports of $95 million in accounting discrepancies as a result of the preliminary resolution of FY 1990 accounts, DOI and 0MB teams conducted preliminary inquiries at the BIA accounting facility in Albuquerque, New Mexico. The preliminary 0MB report found severe and wide-ranging problems with the accountability of funds and the management of financial systems in a number of BIA programs, including numerous uncontrolled adjustments in accounting entries.

DOI and OMB investigators in Albuquerque discovered that the financial management system was potentially accessible to over 12,000 individuals. In FY 1990 alone, over 500,000 adjustments were made to the BIA financial management system.

As a result of these discoveries, Secretary Lujan has directed that, effective immediately, all future adjustments in the BIA financial system must be approved by a special team established by DOI. At the same time, a team of accounting and management experts will assist in the complete overhaul and revamping of BIA's financial tracking system. Darman and Lujan have stated that a new system is expected to be in place by the beginning of October.

In the meantime, OOI's Inspector General is conducting inquiries regarding the possibility of overspending of appropriations, in violation of the Anti-Deficiency Act. The joint DOI/OMB review, although preliminary, confirmed longstanding, fundamental problems in the BIA accounting and financial system, including:

Uncontrolled access by BIA employees to the accounting system.

The ability of individuals with access to the system to make after-the-fact changes, and in some cases to shift funds in order to make the books balance.

Poor controls over accounting for procurement and grant contracts totaling over $500 million per year.

Failure to use standard double entry accounting methods that provide for needed checks and balances. one-sided entries were commonplace, leading to ledger accounts that cannot be balanced.

As a result of the initial report of the OMB team, Dannan and Lujan announced that OMB and Department management experts will undertake the following steps with DOI by September 30, 1991:

Assist in the implementation of new accounting and financial controls to exercise effective, permanent control and accountability over BIA's finances;

Establish a special review and technical assistance team under the Deputy Assistant Secretary for Indian Affairs, which must approve all spending adjustment transactions. This team will report to Lujan and to a newly established BIA Management Review Board that will include OMB and other expert Federal agencies:

Implement the steps necessary for the conversion of BIA's accounting system to a department-wide Federal Financial system;

Determine and address the training needs of BIA's accounting personnel;

(5) Develop and introduce specialized controls to provide adequate accountability over procurement and grant transactions;

(6) Immediately provide a team of professional accountants to review and correct existing accounting records: and

(7) Provide a mechanism for on-going independent reviews of accounting results to ensure that new operational problems are promptly addressed.