Media Contact: SHAW 202/343-4576
For Immediate Release: August 3, 1983
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Ken Smith, Interior Assistant Secretary for Indian Affairs, today announced a "major initiative to bring a high level of fiscal accountability to both Indian tribes and the Bureau of Indian Affairs."

In a letter to tribal leaders across the nation Smith noted that he has received more than 150 audit reports from the Interior Inspector General in the past two years which have identified weaknesses or abuses in tribal or local BIA financial management procedures.

"Too often in the past," Smith said, "problems in either the Bureau or tribal administrations have been identified and then, apparently, ignored. I have advised BIA officials that I will not tolerate such non-responses."

Smith said waste or wrongful use of federal funds in any "Bureau or tribally-operated program has an impact on all Indian programs. Pressure is created to cut back or halt funding across the board for all Indian programs."

In his letter to tribal leaders, Smith identified the kinds of assistance provided by the BIA to help tribal governments develop effective administrative systems and avoid the kinds of problems identified in the past by the Inspector General. Included were self-evaluation process for the tribes; a project to help small tribes develop basic management capabilities; and a program to give tribes on-site technical assistance for their accounting systems, payrolls and other administrative functions.

Smith emphasized the need for a good annual audit for every tribe. "I know of no management tool that is more useful or beneficial. "He said the audits would help tribes to identify problems and develop solutions for them He added that they would be useful also in dealing with Congress and the Office of Management and Budget. The Inspector General's office, Smith said, planned to expend 15 staff years in FY 1984 to audit tribes with indicated problems.

Dear Tribal Leader:

In the past two years, approximately 150 audit reports from the Inspector General's Office on Indian programs have come to my office for our attention and response. Some of these audits dealt with BIA operations and programs; others were about tribal administration of federal funds. Some of the audits we've done as part of a regular cycle of review; some were requested by BIA or tribal officials and others were initiated because of obvious problems in the program operations. The same kind of scrutiny is given to the programs of other Bureaus and Agencies within Interior and throughout the government.

A few of the audits reported that Indian programs were going well; most of them, however, identified weaknesses or abuses and called for corrective actions.

The Inspector General's Office provides a valuable service to the Bureau and to Indian tribes in making these audits. Clearly, however, the value of the audits is lost if no corrective action or response occurs.

Too often in the past, problems in either Bureau or tribal administrations have been identified and then, apparently, ignored. I have advised BIA officials that I will not tolerate such non-responses.

My principal concern in this letter to you today is to make you aware of the work of the Inspector General in helping us to eliminate abuses and misuses of Federal funds in Indian programs and the need for all of us to actively cooperate in that work.

You must be aware that publicity about the waste or wrongful use of Indian funds in any Bureau or tribally-operated program has an impact on all Indian programs. Pressure is created to cut back or halt funding across the board for all Indian programs.

Just this week, I received a newspaper clipping of an editorial in a midwest newspaper complaining about the lack of accountability • for federal Indian funds. The editorial said:

"The U.S. government, in typical fashion, throws chunks of money their way, but does a lousy job of keeping track of that money and whether it is truly helping the Indians". The editorial cited a General Accounting Office report that charged BIA with allowing tribes to use federal funds irresponsibly. The editorial concluded: ''It is perhaps admirable for our national leaders to have nice sentiments about the Indians. But, to truly help the Indian people, we should insist that our government untangle its administration of Indian funding''.

However right or wrong an editorial or news report about the abuse of federal funds for Indian programs may be, such publicity hurts Indian people.

The Inspector General's reports are designed to help us, but they can hurt us if we do not act on their recommendations.

We know there are improvements that need to be made in programs directly operated by BIA. We are working on these.

For example, the Inspector General has committed five staff years of effort to review the Individual Indian Money (IIM) Account System at three area offices and t the central office. That effort has assisted us as we proceed with improvements underway in IIM management.

Another identified area of concentration for FY 1984 is BIA's procurement function. We want to insure that the dollars available for Indian programs are more effectively utilized. The Inspector General has completed audits at two area offices and questionable practices were identified. Two more audits are now in process and nine staff years of resources are committed to review nine additional locations.

To assist tribal governments to develop effective administrative systems, and thus avoid the kinds of problems identified in the past by the Inspector General, we have initiated several actions.

1) The BIA has helped 220 tribes to complete self-evaluations which identified tribal administrative needs. Those areas in which tribes indicated the most need for assistance were: planning and control; monitoring and evaluation; and property management.

2) Through our Tribal Administrative and Accounting Services (TAAS) division, the BIA has been providing on-site technical assistance to tribes in selected situations. This has included analyzing accounting systems, redesigning payroll systems, reviewing school imprest funds, and automated

accounting systems.

3) We established the Small Tribe Core Management Program to assist the smaller tribes develop fundamental management capabilities, including needed accountability functions. These programs will continue in 1984, with a planned expansion of the range of expertise available through TAAS. We will also be: a) developing models of various administrative systems; b) exploring the feasibility of using private sector service organizations to provide technical assistance; and c) exploring with groups of small tribes the feasibility of receiving their accounting service from a single accounting firm.

Another matter of concern has been the spiraling administrative costs incurred by tribes in their operation of programs under contracts. According to an analysis completed just recently by the Inspector General, administrative costs for 81 tribes included in the study increased by 47 percent over the past five years while direct program costs increased by only 2.4 percent. We realize there are many reasons for the disparity in these figures -- and that many of the factors are uncontrollable. We believe that some steps can be taken to keep this trend more under control.

We also realize that almost all federal regulations are written for relatively large communities of people -- states, counties, cities. Large tribes can usually cope with these regulations, but they create problems for small tribes. The BIA will review its regulations and seek ways to provide relief for smaller tribes.

Let me emphasize the importance and value of a good, solid annual audit. I know of no management tool that is more useful or beneficial. You realize, I know, that you cannot intelligently manage tribal assets and programs if you do not have accurate, informative records showing how you use your money. You must also be aware that the availability of federal funds in the future will be substantially affected by the ability of tribes to demonstrate that funds were properly used. Every tribe should have an annual audit on its total operation -- both tribal and federal -- by a certified public accountant. Many of you do. These audits help you to identify problems and to develop solutions for them. They will also help to improve the atmosphere in dealing with the Congress, Office of Management and Budget and other Federal agencies. It is also the first thing that any financial institution will ask you for when you talk about financing for your tribal enterprises.

The Inspector General has committed 15 staff years in FY 1984 to audit tribes with indicated problems. The tribes involved in these audits should be committed to do what is necessary to correct problems or deficiencies identified. The Bureau will give you all assistance possible to help you do this. All tribes should similarly use the audits and the contract monitoring activities of the Bureau as means for improving management to more effectively use both tribal and federal funds.

We are continuing our efforts to improve the management and administration of BIA programs -- and we realize there is still much to be accomplished. We are determined that needed changes will be made and we will welcome any assistance offered by the tribes and the Inspector General. What all of this adds up to is that BIA and the tribes have weaknesses.

We are all in this together; let's address them together. All programs -- federal and tribal -- suffer when there is a lack of accountability. The trend throughout the Federal Government in all programs is to assure that all funds are properly accounted for, that funds are spent for the purposes appropriated, and that waste and abuse are avoided. The requirements of this administration for accountability are going to be more stringent for all Federal programs, and we must be prepared to meet these standards.

I look forward to working with you in the task we have ahead of us. I know together we can do it.

Sincerely,

Kenneth L. Smith
Assistant Secretary - Indian Affairs