

**STATEMENT OF
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SECRETARY OF THE INTERIOR
FOR THE SENATE COMMITTEE ON INDIAN AFFAIRS**

SEPTEMBER 22, 1999

Mr. Chairman, thank you for the opportunity to testify today on S.1587, a bill to amend the American Indian Trust Fund Management Reform Act of 1994 to establish within the Department of the Interior an Office of Special Trustee for Data Cleanup and Internal Control, and S.1589, a bill to amend the American Indian Trust Fund Management Reform Act of 1994.

Status of Trust Reform

As I have previously testified before this committee, I have serious reservations about further fragmenting trust obligations which have historically been handled by the Department of the Interior. Before turning to the Department's reaction to the two bills that are the subject of today's hearing, I am pleased to be able to give you and the members of the Committee a positive report on the status of trust reform within the Department of the Interior as implemented pursuant to the 1994 Trust Reform Act that you passed. The Act is working.

This morning, I want to address four areas: the Trust Asset and Accounting Management System (TAAMS); the Trust Funds Accounting System (TFAS); the Department's High Level Implementation Plan (HLIP); and the search for a new Special Trustee.

TAAMS

Since January of this year, an extensive team of BIA and tribal users have been working with our vendor, Applied Terravision Systems, to design and develop a trust asset management and accounting system which will enable the BIA to manage properly Indian lands in the 21st century. TAAMS will manage the BIA's land title records, all leasing activities, probate tracking, and a number of specialized activities, such as managing timber sales and range units.

On June 25th, I unveiled TAAMS at our pilot site in Billings, MT. Since that time, we have worked extensively with our vendor to run the system through an exhaustive series of tests in order to ensure that TAAMS meets our users' needs and performs as effectively and efficiently as possible. Also during this time, we developed data conversion programs to transfer the electronic information from the existing BIA systems to TAAMS. This was a very challenging task given the characteristics of the 25-year old systems, including widely divergent formats that had been developed by the field offices over the years.

On September 7th we initiated a second round of training for the BIA staff in the Billings Office, focusing on title functions. During the week of September 13th, we began two additional training sessions for realty staff from the Billings Area Office, as well as all of the seven agency offices in the Billings Area. I am pleased to announce that all of these Billings offices are now operating

TAAMS in a parallel environment with the existing systems. We will continue to test the system during this pilot period. We anticipate minor system adjustments as a result of this testing process.

Our current plan is to conduct a final system test in late September. A recognized Independent Verification and Validation contractor, Systems Research and Applications Corp. International, (SRA), along with the employees of the General Accounting Office, will observe this system test. The SRA final TAAMS validation and verification report will be issued on November 12th. While this date is a few weeks later than we originally anticipated, we believe the additional time will improve our development process. Concurrently, a user acceptance evaluation will be conducted in Billings that will determine the initial level of user satisfaction with TAAMS and the need for additional training or modifications.

In addition to TAAMS, we have engaged in an extensive set of related system activities, including developing configuration and data management plans, identifying future user requirements and developing detailed deployment, operation, and maintenance plans. We are also building an extensive set of data integrity tools which will form the foundation of our data administration activities.

My Trust Management Improvement Steering Committee, comprised of appropriate Assistant Secretaries, the Special Trustee, the Chief Information Officer and the Solicitor will make final deployment recommendations to me. Assuming no major problems, I anticipate making the final deployment decision by late November.

TFAS

Following a successful pilot in BIA's Phoenix, Sacramento, and Juneau Area Offices during the period from August through December, 1998, the Office of the Special Trustee (OST) is continuing implementation of a new commercial off-the-shelf Trust Funds Accounting System (TFAS) to administer all 300,000 Tribal and Individual Indian Money (IIM) accounts and investments. OST converted BIA's Albuquerque and Navajo Area Offices in January, 1999, and all Tribal accounts in February, 1999. The Eastern Area Office was converted in April, 1999; Billings in May, 1999; and Minneapolis in July, 1999. The four remaining Area Offices (Aberdeen, Anadarko, Muskogee, and Portland) are on schedule to be completed by March, 2000. The new system is an off-the-shelf, contractor-operated system provided by SEI Investments Company of Oaks, Pennsylvania. SEI is a leading provider of trust accounting services to commercial banks and trust operations nationwide.

AMENDING THE HLIP

When I approved the original HLIP last year, it was recognized that the plan would evolve as circumstances changed and as we learned from the efforts that had been undertaken. Earlier this year, the Department began the effort to revise the HLIP. For example, we have consolidated

related projects in the plan by combining the Land Records Information System and TAAMS projects. In addition, we have combined probate projects in the Bureau of Indian Affairs and Office of Hearings and Appeals into a single effort. These changes have strengthened our approach to interrelated tasks. More importantly, I have asked the involved organizations to carefully review their efforts over the last year, to reflect the progress being made, and to develop greater specificity and detail to guide our efforts in the years ahead. We anticipate publishing the amended HLIP in the near future. The HLIP may require further revision once the Court issues its opinion in the Cobell litigation.

SPECIAL TRUSTEE SEARCH

We have been working since February to find a highly qualified candidate for Special Trustee who has the qualifications and skills required to be successful in that role. Mr. Chairman, the Special Trustee position requires a unique set of management skills, experience and demeanor to tackle the challenges we are facing. In June, the Department contracted with an Executive Search firm that specializes in identifying and placing highly qualified financial management executives.

To date they have contacted more than 500 individuals, companies, and organizations to identify candidates who have the superior qualifications required for the job. Later this week, senior management at the Department will be conducting interviews with referred candidates who we believe have the qualifications we need.

COMMENTS ON PROPOSED LEGISLATION

Based upon our preliminary review of S.1587 and S.1589, I must strongly object to both bills. S.1587 proposes to establish within the Department the position of Special Trustee for Data Cleanup and Internal Control. While we agree with the objectives of timely and comprehensive data cleanup and internal control, we also feel very strongly that these objectives are being met by current, ongoing efforts in these very areas. That is why I have taken this opportunity to update the Committee as to the status of our ongoing trust reform efforts. The process is working. To pass this legislation at this time would only serve to duplicate processes that are currently underway at the Department. Furthermore, S. 1587 creates numerous problems by blurring responsibilities between the proposed Special Trustee, the existing Special Trustee for American Indians, and Bureau Directors by duplicating and even triplicating responsibilities such as TFAS, OST data cleanup, training, and internal controls. In addition, the Department of Justice advises that vesting the appointment of the Special Trustee in the Inspector General may violate the Appointments Clause of the Constitution. Moreover, vesting oversight authority in another Special Trustee for reforms that are underway and must of necessity be carried out by the line organizations which are now tackling these problems will only impede our progress and could result in conflicting positions. In summary, S.1587 would create administrative and managerial confusion, fails to improve accountability, and would delay the improvements that we are beginning to realize.

S.1589 would create a five member commission charged with preparing another reinvention strategy for all phases of the trust management business cycle and recommending a strategy to be implemented. The creation of a commission at this time would only serve to delay and impede the implementation of the reforms currently underway. The approach of reinventing trust funds and moving trust funds out of the Department of the Interior, as suggested by the American Indian Trust Fund Management Reform Act Amendments, is one I considered and actually advocated in 1993, at the beginning of this Administration as I searched for another organization to specialize in this task. I have come to realize over the last six and half years that my initial inclination was seriously mistaken. The management of the trust responsibility is intrinsically bound to the land held in trust by the Federal Government and managed by the Bureau of Indian Affairs.

Mr. Chairman, notwithstanding what we invest in new trust systems, staffing and internal controls, it will all be for naught if we do not address the perplexing problem of fractionation of ownership of allotted lands. Fractionation is the legacy of misguided policies of decades past. Our failure to address those policies today will overwhelm our ability to manage Indian trust lands. More importantly, it will severely undermine the economic viability of Indian land because potential lessees will not want or be able to do business with the hundreds of owners that may own each parcel of land. I commend the Chairman for taking the lead on fractionation reform and would urge expeditious consideration of S.1586, the Indian Land Consolidation Act Amendments.

Let me conclude by stating that we share your goals. However, we also feel strongly that our current efforts are yielding positive results as we have made considerable progress in achieving trust management reforms, the first real progress on trust reform in decades. We look forward to continuing to work together to achieve our mutual goal of providing American Indians and Tribal governments with accurate, comprehensive, and up-to-date financial information in accordance with our trust responsibilities.

I will be happy to answer any questions from the Committee at this time.