



# DEPARTMENT of the INTERIOR

## news release

OFFICE OF THE SECRETARY

For Release September 14, 1988

Carl Shaw 202/343 4576

### INTERIOR DEPARTMENT SIGNS HISTORIC CONTRACT TO IMPROVE MANAGEMENT OF \$1.8 BILLION IN INDIAN TRUST FUNDS

The Department of the Interior today signed a contract with Security Pacific National Bank of Los Angeles to strengthen internal management and administration of more than \$1.8 billion in Indian trust funds.

"This contract will provide better management of resources belonging to individual Indians and tribes," Secretary of the Interior Don Hodel said at a contract signing ceremony in his office. "And the federal government will save almost \$3 million over a five-year period in costs of administering trust funds.

"This does not relieve the federal government of any trust responsibilities," Hodel said. "As trustee, what we are doing is assuring that the Indians will get the best possible administration and accounting of the assets involved."

Hodel praised Ross Swimmer, Assistant Secretary of Indian Affairs, for three years of intensive effort to bring about this improvement in the handling of Indian trust funds.

"There were times when a person less committed to improving the administration of federal Indian programs would have given up, but Assistant Secretary Swimmer went the extra mile to see this through," Hodel said. "Time will demonstrate that this is a landmark improvement in U.S. Indian affairs."

Today's action followed extensive consultations with Indian leaders.

The Bureau of Indian Affairs (BIA) opened competitive bidding last February on a proposal to procure collection, accounting, advisory investment services and custodial services for funds held in trust for Indian tribes, individuals and others. The more than 300,000 accounts represent land claims or damage awards, income from trust lands, oil and gas revenues, timber sales and the like. Bidding for the contract was open to all financial institutions for the single contract to run for one year with four one-year renewable options.

(more)

An Interior Department interagency committee and three tribal consultants reported in July that the Security Pacific National Bank proposal would cost \$21.2 million over a five-year period. Added to that cost would be a conversion differential of \$980,000 to change from government management of the funds. The committee estimated that an in-house BIA proposal would cost \$25.2 million, almost \$3 million more than the contract signed today.

Swimmer, designated by Hodel as trustee of Indian trust funds, signed the contract for the government with Michael J. Barrett, vice president of Security Pacific's Government Services Division. Security Pacific, the Nation's sixth largest banking company with over \$70 billion in assets and more than \$147 billion in assets under management, has teamed with Computer Data Systems, Inc., of Rockville, Md., to support the trust fund accounting and data processing services.

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# United States Department of the Interior

OFFICE OF THE SECRETARY  
WASHINGTON, D.C. 20240

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Info

- EVENT:** Contract signing for services to strengthen internal management and administration of more than \$1.8 billion in Indian trust funds
- BETWEEN:** The Bureau of Indian Affairs, Department of the Interior and the Security Pacific National Bank of Los Angeles. Signing the contract for the U.S. Government will be Ross Swimmer, Assistant Secretary - Indian Affairs; with Michael J. Barrett, Vice President of Security Pacific's Government Services Division; and Jerry Gray, First Vice President, Security Pacific National Bank.
- TIME:** Wednesday, September 14, 1988; 1:15 p.m.
- PLACE:** Office of the Secretary of Interior, Room 6151, Main Interior Building, 18th and C Sts., NW, Washington, D.C.
- COMMENTS:** Ross Swimmer: Arrival at this day has been my number one priority since I took over the management of the Bureau of Indian Affairs. All the evidence -- through numerous audits, reports, studies and recommendations -- was on the table that told us we needed private sector expertise and experience to manage the Indian trust funds. I moved with all the possible speed that the Government processes allowed me to move to see that the management, accounting and investment of these trust funds were improved. It has not been an easy process. We have done extensive consultation with Indian tribes and the U.S. Congress to keep them informed and answer their questions and concerns in every step that we have taken in this entire venture. Armed with the proper information, we have received the support of these entities and I am proud that we are today reaching this milestone.
- I consider this one of the most important steps in the recent history of Indian Affairs. This contracting for services does not end the responsibility of the Bureau of Indian Affairs in accounting for these funds we hold in trust; it strengthens the bond of responsibility and accountability we have to the Indian people.
- I commend Mr. Barrett and members of his staff for the many long hours of hard work they have put into this process. This banking and assets management firm is one of the tops in its profession and all it's people have lived up to that image and responsibility during the bidding and negotiating stages. I hope this bringing together of government and private sector interests will have a long life that will be of lasting benefit to the Indian people.

Michael J. Barrett: Security Pacific National Bank is extremely pleased to be selected as contractor in this important initiative for the BIA. We feel this program can enrich the future of Indian tribes and individuals across the Nation. Our integrated approach to this project backed up by the technical expertise of Computer Data Systems, Inc., (Rockville, Md.) will provide the Native American community with the best service available to strengthen its financial future.

FOLLOWUP: Within the next 60 days, five orientation sessions will be scheduled as required by the contract for all interested tribes in the following locations: Minneapolis, Minnesota; Portland, Oregon; Phoenix, Arizona; Albuquerque, New Mexico; and Tulsa, Oklahoma. Representatives from the BIA and Security Pacific will discuss our specific plans for implementation of the contract and the operational impact under the new contract environment; and respond to any concerns from the tribes about the contract. Tribes will be notified of the scheduled sessions.

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## FACT SHEET, BACKGROUND, INDIAN TRUST FUNDS

The Secretary of the Interior has been designated by Congress as the Government trustee on behalf of the beneficiaries of the trust fund. The Secretary has, in turn, designated the Assistant Secretary - Indian Affairs to manage the Indian trust funds. Collections are deposited through the banking system into Treasury accounts specified for Indian trust funds. Treasury maintains the trust fund cash accounts and disburses the funds upon Bureau of Indian Affairs (BIA) request. BIA manages investment of the funds in securities and maintains accounts to reflect tribal and individual Indian interests in funds invested and funds held by Treasury.

The \$1.8 billion in Indian trust funds includes 1,750 Indian tribal government accounts; 298,000 individual Indian monies accounts; and various special accounts such as irrigation and power project accounts.

Funds in the account include judgment awards, income to trust resources such as timber, oil and gas, and range land, and collections to irrigation and power projects. Collections are made by the Bureau of Indian Affairs or another Federal agency, such as the Minerals Management Service and subsequently delivered to BIA.

Indian trust funds can be invested in certificates of deposit with banks and savings and loans which are insured by the Federal Deposit Insurance Corporation (FDIC) or the Federal Savings and Loan Insurance Corporation (FSLIC), or in banks which have pledged collateral securities guaranteed as to both principal and interest by the U.S. Government. Most of the purchased certificates of deposit have been for periods of less than one year, although two and three-year CD's have been purchased on occasion. Investments can also be made through purchases of public debt obligations of the United States (Treasury issues) or other obligations which are guaranteed as to both principal and interest by the U.S. Government.

Since 1982, numerous Department of Interior Inspector General audits, Comptroller General reports and independent studies (including a commissioned report by the Price Waterhouse accounting firm) have identified operational deficiencies in the current trust fund program and have included recommendations which support procuring services from the private sector which would enable the BIA to strengthen and improve its management of Indian trust funds.

While most of these audits, reports and studies indicated that the BIA was doing a good job of investing the Indian trust funds and receiving a good return on trust fund investments, the reports identified many problem areas experienced when payments or deposits were placed in the mail, thereby delaying deposit into interest bearing accounts. Problems in making a complete accounting to tribes and individuals

of their day-to-day balances were also experienced. Many of these problem areas were caused by the sheer amount of total accounts -- more than 300,000 --- and state-of-the-art computer equipment necessary to accomplish the task was not in place in the BIA. These problems -- along with better and more experienced access to the investment money markets of the day -- were problems that were pointed out could be solved by procuring private sector management experience to assist in providing these services.

In February, 1988, after months of extensive consultation with Indian tribes to increase their understanding and address their concerns, the BIA announced the opening of competitive bidding to contract for services to strengthen internal management and administration of the Indian trust fund. More than 30 financial institutions sought information and consultation with BIA during the bidding process to provide these services. Cash concentration, accounting and investment services were the primary components sought in the request for proposals.

Security Pacific National Bank won both the private sector competition and an in-house cost comparison. The comparison resulted in a cost savings to the Government of more than \$2.8 million over a five-year period. A Department of Interior interagency evaluation committee included three tribal government representatives in an effort by BIA to keep Indian tribes fully informed of the procurement process being followed.

The contract term with Security Pacific is for one year with four renewable option years. The base contract price is approximately \$1.8 million for the initial year and \$3 million for each of the four option years. Major improved and additional services to BIA's current investment program include: (1) a new state-of-the-art fully automated accounting system; (2) professional investment, economic and market advisory services for new investment portfolio management system which will offer tribes more flexible investment options; (3) a new cash concentration system to accelerate collections for increased earnings potential; (4) an on-line, real time computer information system at all BIA locations for immediate Bureau and tribal planning reference; and (5) additional resource protection and automated audit and internal control services.

According to Security Pacific, the BIA's trust fund program requires unique approaches and solutions. Security Pacific will provide these through the coordinated efforts of its Government Services Division, Corporate Cash Management Department, Pacific Century Advisors and Security Pacific Trust Company. Security Pacific's Government Services Division provides financial services to more than 1,500 clients. Pacific Century Advisors has more than \$12 billion in assets under management and Security Pacific Trust Company has more than \$135 billion in assets under management. Its Corporate Cash Management services are top-ranked in the industry.



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GUEST LIST  
for  
CONTRACT SIGNING CEREMONY  
for  
BIA FINANCIAL TRUST SERVICES

Wednesday, September 14, 1988  
Secretary's Immediate Office, Room

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1. The Honorable Donald P. Hodel, Secretary of the Interior
2. Honorable Earl Gjelde, Under Secretary of the Interior
3. Honorable Ross O. Swimmer, Assistant Secretary - Indian Affairs
4. Honorable Rick Ventura, Assistant Secretary - Policy, Budget and Administration
5. Honorable Ralph Tarr, Solicitor
6. Mr. Dennis Daugherty, Assoc. Solicitor - Indian Affairs  
Ms. Nanette Everson, Assoc. Solicitor - General Law
8. Mr. Michael Smokavich, Director, Working Capital Group, Financial Management Service, Treasury Department
9. Ms. Faith McCray, Financial Management Service, Treasury Department
10. Mr. Richard Glynn, Assistant to the Director, Minerals Management Service
11. Mr. Richard Whitesell, Deputy to the Assistant Secretary Indian Affairs (Trust and Economic Development)
12. Ms. Hazel Elbert, Deputy to the Assistant Secretary - Indian Affairs (Tribal Services)

13. Mr. Ralph Reeser, Director, Congresssional and Legislative Affairs
14. Ms. Arlene Brown, Trust Fund Project Manager
15. Ms. Betty Wilkinson, Chief, Division of Accounting Management
16. Mr. Ron Crammer, Contracting Officer
17. Mr. Donald Asbra, Chief, Division of Contracting and Grants Administration

Contractor Representatives:

1. Mr. Mike Barrett, Vice President, Security Pacific National Bank
2. Mr. Jerry Gray, First Vice President, Security Pacific National Bank
3. Mr. Alec McCauley, Vice President, Pacific Century Advisors
4. Mr. Dave Carson, Vice President, Security Pacific National Bank
5. Mr. John Vanderpool, Vice President, Security Pacific State Trust Company
6. Ms. Judith Czelusniak, Vice President, Security Pacific Corporation
7. Mr. Tom Green, Vice President, Computer Data Systems, Inc
8. Mr. Bob Ward, Vice President, Computer Data Systems, Inc.
9. Ms. Joann Shenandoah, American Indian Business & Technologies Corporation
10. Marty Katz, Photographer