

**REPORT ON AUDIT
OF
MINNEAPOLIS AREA OFFICE
BUREAU OF INDIAN AFFAIRS
DEPARTMENT OF THE INTERIOR
FOR THE FISCAL YEAR ENDED JUNE 30, 1954**

**UNITED STATES GENERAL ACCOUNTING OFFICE
DIVISION OF AUDITS**

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WASHINGTON 25, D. C.**

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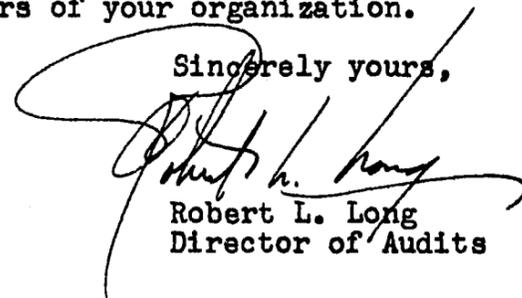
Mr. Glenn L. Emmons, Commissioner
Bureau of Indian Affairs
Department of the Interior

Dear Mr. Emmons:

Herewith is a copy of our report on the audit of the Minneapolis Area Office, Bureau of Indian Affairs, for fiscal year 1954. During our audit we reviewed the organization, procedures, and operations at the locations visited and gave particular attention to the deficiencies reported as a result of our audit for fiscal year 1953. We have given consideration to the Bureau's reply, dated August 16, 1954, to our 1953 report. Our observations on deficiencies and weaknesses in procedures and internal control and on certain other matters follow.

We wish to acknowledge the cooperation given our representatives at each of the locations in the area visited by us. Our findings were reviewed with responsible area officials during the audit. We will be happy to discuss these comments in greater detail with you or members of your organization.

Sincerely yours,


Robert L. Long
Director of Audits

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1. Need for area office at Minneapolis

The operation of the Minneapolis Area Office as a separate area is uneconomical, because the workload has decreased substantially. Moreover, good administrative supervision by the Minneapolis Area Director is exceedingly difficult, because the accounting and property control records are maintained by the Aberdeen Area Office.

The assimilation of the Indians in the Minneapolis Area has progressed to the extent that several of the branches have only limited activities. The number of agency or field offices in the Minneapolis Area is decreasing. If the supervision over the Cherokee Indian Agency were transferred to the Washington Central Office, as suggested in the recommendation contained in point 2 of this report, and the Consolidated Chippewa Field Office were combined with the Red Lake Agency, as is presently contemplated by the Bureau, the Minneapolis Area Office would have only three agency offices remaining under its jurisdiction. This number would be further reduced by withdrawal of Federal Trusteeship over the Menominee Reservation Indians which is scheduled to be effective December 31, 1958, as provided in the act of June 17, 1954 (68 Stat. 251).

The installations presently supervised by the two area offices are located as follows:

Aberdeen Area Office

Cheyenne River Agency,
Cheyenne River, S. Dak.
Crow Creek Agency,
Fort Thompson, S. Dak.
Flandreau School,
Flandreau, S. Dak.
Fort Berthold Agency,
Elbowoods, N. Dak.
Pierre School,
Pierre, S. Dak.
Pine Ridge Agency,
Pine Ridge, S. Dak.
Rosebud Agency,
Rosebud, S. Dak.
Sioux Sanatorium,
Rapid City, S. Dak.
Sisseton Area Field Office,
Sisseton, S. Dak.
Standing Rock Agency,
Ft. Yates, N. Dak.
Turtle Mountain Consolidated
Agency, Fort Totten, N. Dak.
Wahpeton School, Wahpeton,
N. Dak.
Winnebago Agency, Winnebago,
Nebr.

Minneapolis Area Office

Cherokee Agency, Cherokee, N. C.
Consolidated Chippewa Agency,
Cass Lake, Minn.
Great Lakes Area Field Office,
Ashland, Wis.
Menominee Agency, Neopit, Wis.
Red Lake Agency, Red Lake, Minn.

Since many of the Minneapolis Area supervisory activities could be integrated economically with similar activities at the Aberdeen Area Office, we recommend that the Commissioner undertake to make a complete consolidation of the Minneapolis and Aberdeen Area Offices at Aberdeen, South Dakota. A consolidation of these offices should permit a more efficient and economical operation by the Bureau.

The current operations by activity are described below. Our recommendations as to their integration in the consolidated office are included.

Administrative

A major part of the administrative services for the Minneapolis Area Office is performed by the Aberdeen Area Office. These services include maintenance of inventory controls and records, payroll and personnel functions, control of purchasing activities, and all accounting functions. The Minneapolis Office prepares its own budget estimate. The Aberdeen Area Office also has the supervisory responsibility in the Minneapolis Area for the construction, alteration, and maintenance of buildings and utilities.

We believe that the administrative activities now performed by the Minneapolis Area Office could be handled by the Aberdeen Area Office without the transfer of personnel from Minneapolis.

Community Services

A major part of the Area Community Service activities has been transferred to the states or tribes. One of the primary functions of the Division of Community Services is the promotion of public relations in the states, counties, and communities where the Indians are located. In addition to the public relations activities, the branches of the division performed other functions during the fiscal year 1954, as enumerated below.

The health branch supervised the operations of 5 agency hospitals and awarded 20 negotiated contracts for in- and out-patient services or public health care. Effective July 1, 1955, the supervision of agency hospitals will be transferred to the Public Health Service in accordance with the act of August 5, 1954 (68 Stat. 674).

Six agency day schools were supervised by the branch of education. This branch also negotiated and approved two contracts that granted financial aid for educational purposes to the States of Minnesota and Wisconsin.

The branch of welfare approved seven negotiated contracts granting financial aid to the states in this area for welfare assistance furnished to Indians.

Law enforcement activities at the Menominee and Red Lake Reservations are handled by the tribes and supervised by the branch of law and order. The states have assumed Indian law enforcement activities at other locations. The law and order branch also investigates complaints alleging discrimination in the handling of Indians.

In view of the small workload in the Division of Community Services, we believe that the Minneapolis Area activities could be supervised by the present staff of the Aberdeen Area Office. It may be necessary to transfer one employee, with contract negotiating experience, to the Aberdeen staff to handle the increased workload in negotiating and approving contracts.

Resources development and management

The Minneapolis Area Office provides administrative supervision over agency credit activities and determines that current Bureau of Indian Affairs policies and procedures are being followed. The Minneapolis Area personnel must rely upon credit reports submitted by the agency offices, because the Aberdeen Area Office maintains the accounting controls over the majority of loans. We

believe that this activity could be handled in its entirety more efficiently by the area office which maintained the accounting records. No transfers of Minneapolis personnel would be required in the consolidation of the credit activities at the Aberdeen Area Office.

The Aberdeen Area Office supervises only a few forestry projects. Therefore, the technical staff of the Minneapolis Office should be retained. In the absence of a definite reason for locating the group in an area office, we suggest that the Area forestry branch staff be located at one of the agency or field offices in the present Minneapolis Area. This location should be in close proximity to the principal forestry activities in order to reduce travel costs and promote a more efficient operation.

During fiscal year 1954 the Minneapolis Area soil conservation activities have been primarily concerned with the study of land utilization. The Eastern Cherokee Indian Reservation was the only agency having a soil conservation program. This program was supervised directly by the central office in Washington. Because of the limited amount of soil conservation work within the present Minneapolis Area, we believe that the activities could be supervised by the existing staff of the Aberdeen Area Office.

The Minneapolis Area road branch approves the road plans submitted by each agency and field office under their supervision. The field installations have the technical personnel necessary to prepare the detailed plans and to supervise actual construction work. Increased funds have been authorized for road construction

during the next three fiscal years. We believe that the one supervisory employee presently in the Aberdeen Area Office could not handle the increased workload that would result from our proposed consolidation. We believe that the employee at Aberdeen and two employees from Minneapolis could handle the entire program. One of the transfer employees should perform as a technical assistant to the employee at Aberdeen and the other should be a stenographer.

Management of Indian trust properties

There is, at the present time, an estimated four man-years' backlog of land dispositions in the Minneapolis land management branch. Because of this backlog of work, no reduction in Minneapolis personnel is considered appropriate. Consideration should be given, however, to transferring the personnel of this branch to the Aberdeen Area Office or locating them at one of the field offices having a major part of the work.

We gave consideration to the possible consolidation of the area offices at Minneapolis because the St. Paul-Minneapolis Area is the largest labor, supply, and transportation center in the Northwest area. We concluded that it was not appropriate to move an established office (Aberdeen) that had a complete staff of employees to another location merely to place it in a more favorable position within an area. The Aberdeen Area Office apparently has had little trouble in maintaining a regular staff, and a major part of the procurement activities has been decentralized to the field installation level.

We recognize that some additional travel costs would be involved if the consolidation were made. This additional cost, however, would be offset by the savings that would be achieved by releasing over 4,000 square feet of Government-owned office space in Minneapolis.

We estimate that savings in personal services in excess of \$139,000 could result from the consolidation, if made in accordance with our suggestions. This estimated savings is based on the difference between the staff authorizations as of June 30, 1954, and the proposed staff that would be needed if a consolidation were made as shown below.

Staffing Authorizations at June 30, 1954

Activity	Number of employees		Estimated annual salaries	
	Aberdeen	Minneapolis	Aberdeen	Minneapolis
Administration	79	8	\$337,565	\$ 48,470
Community Services	26	13	149,290	79,910
Resources Development and Management	13	8	78,005	44,030
Indian Trust Property Management	<u>5</u>	<u>2</u>	<u>24,430</u>	<u>11,425</u>
Total	<u>123</u>	<u>31</u>	<u>\$589,290</u>	<u>\$183,835</u>

Note: Above totals do not include those branches transferred or abolished at June 30, 1954, or employees attached to the Area Director's Office for administration.

Estimated Staffing Authorization
If Consolidation Were Effected

<u>Activity</u>	<u>Number of employees</u>	<u>Estimated annual salaries</u>
Administration	79	\$337,565
Community Services	27	154,745 ^a
Resources Development and Management	18	105,770 ^b
Indian Trust Property Management	<u>7</u>	<u>35,855^c</u>
Total	<u>131</u>	<u>\$633,935</u>

^aProvides for the addition of one employee, GS-9.

^bProvides for the addition of one GS-9 employee and one GS-4 employee under the roads branch and retention of the Minneapolis forestry branch.

^cProvides for the retention of present Minneapolis Area personnel.

To achieve these savings and to promote greater efficiency in carrying out the Bureau's programs, we urge that the Commissioner give serious consideration and study to our recommendation for the integration of the Minneapolis Area Office with the Aberdeen Area Office at Aberdeen, South Dakota.

2. Cost of supervising Cherokee Agency

The Minneapolis Area Office has been responsible for supervising activities at the Cherokee Agency, Cherokee, North Carolina, a distance of about 1,100 miles from Minneapolis. We were informed by Bureau officials in Washington that, when the area office concept was adopted in the Bureau a few years ago, supervision of the Cherokee Agency was assigned to Minneapolis because that area office was best suited to handle the problems at Cherokee. The Muskogee Area Office is closer to Cherokee than is Minneapolis, but Muskogee does not have an area office staff for the supervision of forestry and law and order activities carried on at Cherokee.

Effective December 1, 1954, supervision over most of the activities at Cherokee was transferred to the Bureau's Washington office. Supervision of law and order and health activities remained at Minneapolis. The Aberdeen Area Office continued to handle the accounting and other housekeeping functions for the Minneapolis Area, including Cherokee Agency.

We believe that the supervision of all activities at the Cherokee Agency could be carried on more economically and with greater efficiency by the Washington office. Accordingly, we recommend that the Commissioner transfer all supervisory jurisdiction over the Cherokee Agency to the Bureau's central office in Washington. This transfer should provide the agency personnel an opportunity to work out their problems with a staff that is more familiar with the situation and should help the central office to gain a better understanding of operations at an agency level.

This responsibility could be handled by the present central office staff. In addition, there would be a savings in travel costs of about \$75 for each supervisory visit. Other savings should accrue through reduced communication costs.

3. Insufficient workload to warrant separate education and welfare branches

Our review of the present workload of the education and welfare branches shows that the area has an insufficient workload remaining in either branch to warrant its continuance as a separate unit.

A major part of the responsibility for educational assistance and welfare aid has been assumed by the states and tribes. The education branch supervises the activities of six day schools and, in addition, during fiscal year 1954, approved two negotiated state contracts covering financial assistance for schools.

During fiscal year 1954 the welfare branch workload included the negotiation of seven assistance contracts and the supervision of agency welfare activities. In addition to the workload described above, both branches must perform some public relation functions with the state and local governments.

We recommend that the Commissioner consolidate the duties of the welfare and education branches. This type of consolidation could also be undertaken in other areas where direct Federal supervision of Indians is being withdrawn. In this area the services of a GS-10 could be eliminated, resulting in an estimated savings of \$5,875 a year.

This recommendation would not be applicable at Minneapolis-Aberdeen if the first recommendation in this report is adopted.

4. Staffing in the Area Director's Office

The Minneapolis Area Office executive staff includes an administrative assistant position that, in our opinion, is excess to the needs of the office.

The Office of the Area Director consists of the Area Director, assistant area director, and an administrative assistant. A division of administration headed by an administrative officer has also been established.

The employment of an administrative assistant in addition to an administrative officer is unusual in small administrative offices. We were informed that the present incumbent of the administrative assistant position had been employed by the Bureau for a number of years before the position of administrative officer was established. Her knowledge of Minneapolis Area operations was considered very valuable and the position of administrative assistant was created specifically for her. The duties assigned to this position include some that are normally assigned to the administrative officer and some that are normally assigned to a stenographer.

Since the Area Office has an administrative division, we recommend that the Area Director abolish the position of administrative assistant and assign the duties pertaining to administration to the administrative division. If required, a stenographer's position could be established to handle the stenographic duties for the Area Director and assistant area director.

This recommendation would not be applicable if the first recommendation in this report is adopted.

5. Administration of individual Indian money accounts

At the Red Lake Agency and the Minneapolis Area Office, we observed improper administration of the individual Indian money accounts. Improper administration has resulted in: (1) dormant accounts being intermingled with the active accounts, (2) voluntary deposits being made without proper authorization, and (3) statements of accounts not being distributed to the depositors semiannually.

At June 30, 1954, the individual Indian money accounts at the Red Lake Agency included 28 dormant individual account balances, each totaling less than \$100. These accounts should have been closed out in accordance with Bureau Circular No. 3659, dated June 15, 1947. There were also many dormant balances in the "suspense" account No. 2224.3. These balances included amounts received and deposited in 1951 and 1952 for rental of Government-owned quarters, for hospital services rendered, and for scrap sales. Good practice would require that the balances in the suspense account be reviewed periodically and transferred to the proper fund account. Similar conditions existed also at the Great Lakes Area Field Office.

The Red Lake Agency accepted voluntary deposits from Indians and placed them in the individual Indian money accounts. These deposits were to pay for services to be performed by the agency at a later date. The services included snowplowing and housemoving. After these services were performed the funds were transferred from the individual Indian money accounts to the proper income

accounts and funds. Voluntary deposits are not to be permitted unless approved by the Area Director (25 C.F.R. 221.6).

The Indian Affairs Manual (vol. IV, part II, sec. 603.03E(19)) provides that a semiannual statement be furnished to each depositor. The Red Lake Agency and the Minneapolis Area Office have been lax in complying with this provision of the manual.

To provide better administration in the handling of individual Indian money accounts, we recommend that the Area Director require each office to comply with the provisions of 25 C.F.R. 221. We further recommend that such administration be reviewed at the field offices periodically by the Indian Service Special Disbursing Agent.

6. Numerous purchase orders issued for small amounts

The Minneapolis Area Office and Great Lakes Area Field Office have not used the authorized imprest fund procedure for local purchases.

The Bureau's Washington office had authorized the use of Standard Form No. 44, "Purchase Order Invoice--Voucher," but the Acting Executive Officer, Washington, in a memorandum dated June 26, 1953, withdrew this authority. Instead, an imprest cash fund procedure was authorized for local purchases.

Our review of the purchasing practices at the Minneapolis Area Office and the Great Lakes Area Field Office disclosed that neither office had availed itself of the imprest fund procedure. During fiscal year 1954 the Minneapolis Area Office had a total of 242 purchase actions and the Great Lakes Area Field Office had 591 purchase actions. A major part of these purchases were made locally for small amounts. For each purchase action a formal purchase order (Form 5-678) was issued. In following this procedure, a separate vendor invoice was required and payment was made by check. In all cases the purchasing was handled in accordance with formal purchase procedures and the regular purchase order form was used.

To provide for a more expeditious handling of purchases with a resultant savings in administrative costs, we recommend that the Area Director require the Minneapolis Area Office and the Great Lakes Area Field Office to use an imprest cash fund in accordance with current instructions.

7. Property records

Equipment inventories and property records were incomplete, and accounting control over nonexpendable equipment was practically nonexistent in the Minneapolis Area.

At the Great Lakes Area Field Office, the Menominee Agency, and the Red Lake Agency, an inventory of nonexpendable equipment has not been taken for several years. Property record cards (DI-100) have not been prepared for equipment that was purchased before April 1, 1952.

The control account for nonexpendable property in the Minneapolis Area is maintained by the Aberdeen Area Office but is incomplete. On May 31, 1953, the balance was \$1,435,913, but this amount represented the unverified amount for fixed assets in the Minneapolis Area. The balance was reduced to \$223,568 on June 30, 1953, so that the control account would show only the items that were purchased after April 1, 1952, and properly recorded on property record cards. The control account balance at June 30, 1954, was \$533,500. We were informed by area officials that when the physical inventories have been completed at the three field installations mentioned above the correct inventory should exceed the unverified amount for equipment that was recorded in the records as of May 31, 1953 (\$1,435,913). The fact that only two field installations have completed their inventories of equipment during the past fiscal year indicates that inadequate progress has been made in establishing accounting control over nonexpendable property.

To establish and maintain proper accountability for all equipment, we recommend that the Area Director require that:

- a. Physical inventory be taken of all equipment.
- b. Property record cards (DI-100) be prepared for major equipment located in the area in accordance with the provisions of the Indian Affairs Manual (vol. IV, part III, sec. 204).
- c. Inventory amounts be established in the accounting control records of the Aberdeen Area Office.
- d. An annual physical inventory be taken and necessary adjustments recorded in the accounting control records. Appropriate follow-up should be made of significant adjustments that are required.

8. Use of automotive equipment

Automotive equipment in this area has not been properly inventoried, recorded on property records (DI-100), marked for identification, or adequately used during the fiscal year.

Our review at the Red Lake Agency and the Great Lakes Area Field Office disclosed that a complete inventory of motor vehicles had not been taken for several years and property records (DI-100) had been prepared only for the equipment purchased after April 1, 1952. Some of the vehicles at the Red Lake Agency were not tagged or otherwise marked for identification purposes. Many of the vehicles at both locations were idle during the entire fiscal year.

The schedule below illustrates the inadequate use of vehicles at both locations during fiscal year 1954.

<u>Extent of use</u>	<u>Number of vehicles</u>	
	<u>Red Lake</u>	<u>Great Lakes</u>
Not used	10	17
Less than 2,000 miles	11	11
2,001-5,000 miles	6	10
Over 5,000 miles	<u>15</u>	<u>20</u>
Total	<u>42</u>	<u>58</u>

Inadequate truck usage was further emphasized at the Red Lake Agency where the road branch, with 6 employees, was assigned 19 trucks.

To establish proper control over the number and use of vehicles in the area and to reduce the Government investment in motor vehicles to actual needs, we recommend that the Area Director require that:

- a. All field installations take an immediate physical inventory of all automotive equipment.
- b. Property records be prepared and financial accountability be established at the Aberdeen Area Office.
- c. The vehicles be properly tagged or marked for identification purposes.
- d. Automotive equipment excess to the needs of the agency be disposed of in accordance with Bureau regulations.

9. Follow-up on delinquent loans and accounts receivable

At the Great Lakes Area Field Office and the Red Lake Agency, we observed a lack of aggressive collection action and a failure to bill promptly for services rendered.

There are 160 delinquent loans at the Great Lakes Office totaling \$17,327 that were made during the period 1929 through 1946. At June 30, 1954, the office had 683 outstanding accounts receivable totaling \$12,175. The majority (650) of these accounts are for probate fees and have been outstanding for more than 4 years. In the past probate fees have been collected only by deduction from the individual Indian money accounts or from proceeds of land sales, and aggressive action has not been taken to collect probate fees.

The records at the Red Lake Agency show that 67 accounts receivable are delinquent. The majority of these receivables are for hospital services. During our audit we noticed that the preparation of billings at Red Lake was delayed as much as 5 months from the date services were rendered.

Little action has been taken to secure payment of the outstanding receivables. No action has been taken to clear the accounting records of those accounts that are uncollectible.

We recommend that the Area Director take effective action to require field installations to bill promptly for services rendered, to take more aggressive collection action, and to remove from the accounting records those accounts that have been determined to be

uncollectible. If this recommendation is adopted, we believe that control can be established and maintained over loans and accounts receivable.

10. Criteria for charging medical fees

The area has no standard procedure for verifying an Indian's ability to pay for medical or hospital services received.

In our audit report for 1953 (item 1, p. 1) we commented on the fact that a formal policy or procedure for determining an Indian's ability to pay for medical or hospital services has not been established by the Minneapolis Area Office. Under current procedures the agency superintendent or medical officer determines whether Indians are indigent or able to pay. The area office does not review this action. This situation existed also in fiscal year 1954.

The Code of Federal Regulations (25 C.F.R. 84.8) provides that Indians, who are economically able, should pay for medical or hospital services received. Collections and outstanding receivables for all medical or hospital services furnished to Indians at the Consolidated Chippewa, Cherokee, and the Red Lake Agency hospitals totaled \$3,424 for fiscal year 1954. Collections amounted to less than 1 percent of the total hospital operational cost of \$400,000.

In the Bureau's reply to our 1953 audit report, we were advised that the determination of an Indian's indigency lies wholly within the jurisdiction of the agency superintendent. In view of our 1954 audit findings and to reduce the cost of operating area

hospitals, we again recommend that the Commissioner establish criteria to be used in determining whether or not an Indian is able to pay for medical or hospital services.

11. Bills for out-patient services

The Minneapolis Area Office has not taken effective action to implement the provisions of 25 C.F.R. 84.7 and 84.9. This regulation requires that fees be collected for medical out-patient services.

Our audit at the Red Lake Agency disclosed that out-patient medical fee schedules were not established and no fees were collected during fiscal year 1954. In July 1954 the agency superintendent held a meeting with his medical staff to plan how they would obtain the local medical rates for out-patient service. These rates would become the basis for establishing similar fees for the agency out-patient service. At November 1, 1954, the Minneapolis Area Office was unaware of any further action in this matter.

To comply with requirements of 25 C.F.R. 84.7 and 84.9, we recommend that the Commissioner establish fees for out-patient service at all field installations. See point 9 of this report for our recommendation on collecting fees.

12. Central filing system not used

The Minneapolis Area Office is not using a uniform central filing system as required by the Indian Affairs Manual (vol. IV, part III, sec. 302.02).

The Area Director issued instructions on October 26, 1953, that a central filing system should be established as provided in the Indian Affairs Manual. The administrative branch established a system to be utilized in the Minneapolis Area Office, but the other branches have not seen fit to use it.

The Indian Affairs Manual provides also that the area records will be reviewed periodically to determine which records are proper for transfer to the Federal Records Center. Our examination of the various branch files indicated that such a review has not been made.

To provide greater efficiency and economy, we recommend that the central filing system be utilized without further delay. We recommend also that a review of the area office records be made to determine which records are proper for disposal or transfer to the Federal Records Center.

This recommendation would not be applicable if the first recommendation in this report is adopted.

13. Supervision over tribal operations

The area office has exercised insufficient supervision over certain phases of Indian tribal affairs. Those programs that require further supervision include:

- a. Filing of informational income tax returns by tribal enterprises.
- b. Promoting independent audits of tribal enterprises.
- c. Determining that states enforce the children's attendance at schools.
- d. Establishing an allowance for doubtful and uncollectible loans.

The area office has not established a procedure to determine whether the Indian tribal enterprises are filing informational income tax returns. The Indian Affairs Manual (vol. IV, part VII, sec. 509.09) requires that copies of the completed returns be forwarded to the Commissioner through the Area Director. The Great Lakes Field Office records indicated that only 2 of the 13 tribes had currently filed income tax returns. The Cherokee Agency records do not show that any income tax returns had been filed.

A lack of action has been evident on the part of the area office in encouraging the tribal enterprises to obtain independent audit of their accounts. Indian tribal organization charters normally require that annual audits be made by public accountants. During the fiscal year 1954 only one audit was performed. The area office recently communicated with the other tribal enterprises to ascertain if they were financially able to have independent audits performed. It was determined that six tribal enterprises were financially able to have audits performed. Only three of these enterprises were willing to have an audit made.

No attempt is being made by the area office to determine whether the states are enforcing the current regulations relating to compulsory education of Indian children. Title 25 C.F.R. 41.17 provides that, "No tuition shall be paid to any district in which Indian children are enrolled if the state compulsory school law is not enforced alike as to Indians and whites ***." In fiscal year 1954 there were 10,057 Indian children of school age under area

jurisdiction. Of these, 489 were not attending school for various legitimate reasons. An additional 798 were not attending school but the agencies had not established the reasons for nonattendance. The area office has not determined whether the states were enforcing school attendance of Indians and whites alike.

The Great Lakes Field Office did not require the Lac Courte Oreilles band of Chippewa Indians to establish an account, "Allowance For Doubtful and Uncollectible Loans." Indian Affairs Manual (vol. IV, part VII, sec. 505.11A) requires that 50 percent of the net earnings of the corporation or the tribe be set aside as an allowance for doubtful and uncollectible loans until such allowance equals 25 percent of the corporation or tribe's outstanding loans receivable. At June 30, 1954, the tribe's loan receivable accounts totaled \$107,688. The allowance account should have been \$26,922, based upon 25 percent of the June 30, 1954, loans receivable balance.

The Cherokee Agency is maintaining accounting records for an Indian tribe instead of requiring the tribe to perform its own accounting functions. The Bureau of Indian Affairs made a \$30,000 loan to the Eastern Cherokee Tribe. Under the terms of the loan the Cherokee Agency was required to maintain accounting records for tribal loans made to associations, cooperatives, and members. It is normal business practice that the party making the loans will maintain the related accounting records. We believe the loan agreement should be amended accordingly.

We recommend that the Area Director promote greater tribal participation in management in order that the tribes may gain business experience. Assumption of management responsibility by the Indians will hasten the withdrawal program.