

**REPORT ON REVIEW  
OF  
ADMINISTRATION OF PROPERTY MANAGEMENT  
AND ACCOUNTING ACTIVITIES  
BY  
BUREAU OF INDIAN AFFAIRS  
DEPARTMENT OF THE INTERIOR**

**DECEMBER 1956**

**UNITED STATES GENERAL ACCOUNTING OFFICE**

***TO THE READER:***

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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON 25, D. C.

AUG 1 1957

CIVIL ACCOUNTING AND  
AUDITING DIVISION

B-118601

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

Dear Mr. Emmons:

Herewith is our report on the review of the Bureau's property management and accounting activities. We reviewed certain phases of these activities at Washington, D.C., at 6 of the 10 area offices, and at selected field locations under the jurisdiction of the area offices as part of our audit of the Bureau of Indian Affairs for fiscal year 1956. The field work was completed in December 1956. The scope of our review is described on page 26 of the report.

Our review disclosed a number of weaknesses and deficiencies in the administration of property management and accounting activities, many of which appear to be due to the noncompliance by Bureau employees with stated policies and procedures of the Bureau included in the Indian Affairs Manual. For example, disposition had not been made of excess equipment and real property, equipment records were inaccurate, procedures and controls over cash were inadequate, and deficiencies existed in the administration of amounts due to the Bureau. Our review disclosed also two deficiencies which are due to weaknesses in Bureau policies and procedures, namely, amounts withheld from contractors had not been recorded and incomplete construction work had been transferred to fixed property accounts.

Deficiencies and weaknesses in the administration of property management and accounting activities similar to those included in this report were included also in our reports for fiscal year 1955 on the Aberdeen, Anadarko, Billings, Gallup, Phoenix, and Portland Areas and for fiscal year 1954 on the Anadarko, Billings, Gallup, Juneau, and Phoenix Areas. We do not know what action has been taken to correct all the deficiencies included in these reports because (1) we did not review property management

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and accounting activities for fiscal year 1956 at all the locations visited during our audits for fiscal years 1954 and 1955 and (2) at the time of the preparation of this report, the Bureau's replies to these area reports for fiscal years 1954 and 1955 had not been received except for the 1955 report on the Anadarko Area and the 1954 report on the Gallup Area. The replies state that some action has been taken to correct the deficiencies reported. Also, we noted at the locations visited during the review for fiscal year 1956 that some corrective action has been taken. A considerable number of deficiencies, however, still exist in varying degrees at the locations visited.

We made recommendations to the respective Area Directors for appropriate corrective action on all the deficiencies on property management and accounting reported on for fiscal years 1954 and 1955, except for one finding included in the fiscal year 1955 Billings report on which we recommended that the Bureau take corrective action because a manual revision was required. Some of these deficiencies had been included also in our area reports for fiscal year 1953. Accordingly, the recommendations included in this report are addressed to the Commissioner.

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

Your comments and advice as to action taken on matters presented in this report will be appreciated.

Sincerely yours,

*A. T. Samuelson*  
A. T. Samuelson  
Director, Civil Accounting  
and Auditing Division

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GENERAL COMMENTS

Our review of the administration of property management and accounting activities by the Bureau of Indian Affairs disclosed certain deficiencies and weaknesses which resulted from noncompliance by Bureau employees with stated policies and procedures of the Bureau. Our review disclosed also certain deficiencies resulting from weaknesses in Bureau policies and procedures. Deficiencies and weaknesses in the administration of property management and accounting activities similar to those included in this report were included also in our reports to the Commissioner of Indian Affairs for fiscal years 1953, 1954, and 1955 on various Bureau area offices. Following are specific comments on the deficiencies and weaknesses noted.

DEFICIENCIES IN ADMINISTRATION  
OF PROPERTY MANAGEMENT ACTIVITIES

1. DISPOSITION NOT MADE OF EXCESS EQUIPMENT  
AND REAL PROPERTY

Our review for fiscal year 1956 of the property management activities of the Bureau disclosed certain excess equipment and real property. At the Aberdeen Area Office and at certain agency offices in the Aberdeen Area our review disclosed many items of excess road construction equipment. The area roads engineer agreed that the following equipment is excess.

<u>Location</u>	<u>Item of equipment</u>	<u>Quantity</u>
Fort Berthold Agency	Truck, dump, 2-ton, 1936	2
	Truck, dump, 3/4 ton, with plow, 1934	1
	Truck, Dodge, 1942	1
	Truck, Ford, fuel tank, 1934	1
	Truck, Reo, 2 ton, 1936	1
	Grader and Ditcher, Austin-Webster	1
	Grader, model 66	1
	Tractor, A.C., 75 H.P.	1
	Grader, Adams	1
	Scraper, Garwood	1
		<u>11</u>
Standing Rock Agency	Truck, Ford, pick-up, 1948	1
	Truck, Ford, dump, 1939	1
	Truck, Oskosh, w/plow, 1936	1
	Truck, I.H.C., dump, 1942	1
	Grader, Caterpillar	1
	Scraper, Southwest	1
	Tractor, Caterpillar	3
Tractor, A.C.	1	
	<u>10</u>	

Some of the equipment was in fair condition but most of it was in poor condition.

At the Fort Apache Agency, Phoenix Area, out of a total of 27 items of heavy movable equipment, 4 items had been idle for more than one year and 5 items were used less than ten man-days during fiscal year 1956. The items of equipment are as follows:

<u>Item</u>	<u>Cost</u>	<u>Man-days used during fiscal year 1956 (note a)</u>
Grader, Caterpillar	\$ 1,513	Not used
Scraper, Carryall	2,506	Not used
Crusher, and screening plant	680	Not used
Tractor, Caterpillar	7,486	Not used
Carryall	2,762	8
Carryall	2,557	5
Mixer, Cement	488	6
Compressor, Air	967	4
Rooter, Ripper	1,043	6
<b>Total</b>	<b>\$20,002</b>	

<sup>a</sup>Records did not show the exact length of time the equipment was used. Use data is, therefore, based on statements by agency personnel.

Bureau records show that two of the above items which were not used at all during the fiscal year are usable without repairs, five of the above items, including one item not used, are usable with minor repairs, and two of the above items, including one item not used, are usable with considerable repairs.

In view of the Bureau's stated policy of performing construction work by contract rather than by force account, we believe that consideration should be given to transferring idle equipment to other locations within the Bureau where it may be more effectively used or to disposing of the equipment in accordance with applicable regulations.

Our review also disclosed certain items of farm equipment which were not used by the Standing Rock Agency, Aberdeen Area, during fiscal year 1956. We believe the following farm equipment is surplus and disposal of such equipment should be accomplished.

<u>Item</u>	<u>Quantity</u>
Two gang plow	1
Three gang plow	1
Corn planter	<u>1</u>
Total	<u>3</u>

We noted also that the Wind River Agency, Billings Area, had large quantities of equipment which were either abandoned or obsolete and not being used. An open storage area, assigned to the Branch of Irrigation, contained plows, cultivators, and other farm and irrigation equipment which are in these categories. This idle equipment has been held by the agency for several years. One large cultivator has remained idle for over 10 years. Some of the equipment on hand is designed for horse drawn operation although the agency does not have any work horses.

Our 1956 review disclosed that 73 acres of Government-owned land at the Sherman Institute, Phoenix Area, are not being used. The agricultural training program operated by the Sherman Institute was discontinued as of September 1, 1955, but the land had not been reported as excess to the needs of the Area at the time of our visit in July 1956.

Area officials concur that these 73 acres are excess farm land. They informed us, however, that they are uncertain as to the method of disposing of this land to the advantage of the Government.

Our fiscal year 1955 audit had also disclosed excess equipment at certain field locations under the jurisdiction of various Area Offices of the Bureau. These findings were included in our audit reports to the Commissioner of Indian Affairs for fiscal year 1955 on the Aberdeen Area (item 3, p. 6), Billings Area (item 15, p.20), Gallup Area (item 15, p. 18), Phoenix Area (item 26, p. 24), and Portland Area (item 34, p. 34). In all but one of these reports, we recommended that the Area Directors take appropriate action to dispose of excess property. In the report on the Billings Area Office, we recommended that the Commissioner take the appropriate corrective action.

Because we did not review property management activities for fiscal year 1956 at the locations cited in the above reports and because, at the time of the preparation of this report, replies to the fiscal year 1955 area office audit reports containing these findings had not been received, we do not know what action the Bureau has taken to dispose of excess equipment at these locations.

#### Recommendation

To provide a sound program for use of real property and equipment throughout the Bureau, we recommend that the Commissioner require the Area Directors to dispose of all surplus equipment and real property in accordance with applicable regulations.

## 2. REQUIRED INSURANCE COVERAGE NOT MAINTAINED

Our review for fiscal year 1956 disclosed that some Government-owned buildings, which were turned over to public school authorities under a permit, are not adequately covered by insurance in accordance with regulations.

The Code of Federal Regulations (25 C.F.R. 46.20) provides that, when nonexpendable Government property is turned over to public school authorities under a permit, the permittee shall insure such property against damage by fire, windstorm, and tornado in amounts and with companies satisfactory to the superintendent of the Indian agency charged with responsibility for the property. The permits, form 5-261, also provide that the permittee shall obtain this insurance coverage.

During our examination at the Juneau Area Office of insurance policies covering Government-owned buildings under permit to the Angoon School District, Alaska, we noted that the policies covered only fire protection and did not provide for windstorm coverage.

Area officials agreed that the coverage is inadequate and have instructed the school district to obtain the proper coverage.

Review of available records at the Gallup Area Office disclosed that only 2 of the 10 buildings transferred to school districts under permits were covered by insurance for the entire fiscal year. Policies for 7 of the buildings had expired and 1 building had not been insured. The location and costs of these 8 facilities are as follows:

<u>Location</u>	<u>Number of facilities transferred</u>	<u>Cost of facilities</u>	<u>Date policy expired</u>
Mexican Springs, New Mexico	3	\$ 81,977	9- 1-55
Church Rock, New Mexico	1	26,310	No policy
Crownpoint, New Mexico	2	2,418	9-22-53
Fort Wingate, New Mexico	1	4,417	12- 4-54
Klagetoh, New Mexico	1	4,184	1- 2-56
	<u>8</u>	<u>\$119,306</u>	

Area officials agreed that the proper insurance coverage should be obtained.

Our review for fiscal year 1956 disclosed also that the Shannon County School District of South Dakota, Aberdeen Area, had not obtained insurance coverage on two school facilities transferred to it by the Bureau under revocable permits. These facilities, Day School Number 12 and the Wakpamni School, were transferred to the school district by the Pine Ridge Agency on July 1, 1952. The other facilities transferred to school districts in South Dakota under revocable permits were covered by insurance.

### Recommendation

To provide for adequate insurance of all Government property transferred to school districts under revocable permits as provided by the Code of Federal Regulations (25 C.F.R. 46.20), we recommend that the Commissioner require the Area Directors to enforce compliance with the terms of the revocable permits and the Code of Federal Regulations.

## 3. INACCURATE EQUIPMENT RECORDS

Our review of property management activities disclosed inaccurate equipment records at the Washington Office and at field

locations in the Phoenix, Billings, and Juneau Areas. Review of equipment records at the Sherman Institute, Phoenix Area, on a selective basis in July 1956 disclosed accountability cards for certain items of equipment valued at about \$2,700 that were no longer in the school's possession. One item was disposed of in January 1954, and other items had been transferred to the Stewart School, Phoenix Area, in February 1956. Area officials advised us that corrective action will be taken.

Examination of the equipment subsidiary records at the Billings Area Office during our 1956 audit disclosed that these records were generally incomplete and not kept up to date. Many items of equipment listed by the Wind River Agency on a Report of Survey, dated August 8, 1955, as having been sold or destroyed were still being accounted for by the area office in the equipment subsidiary cards and the general ledger balance at June 30, 1956. Examples of this equipment are as follows:

<u>Item of equipment</u>	<u>Quantity</u>
Range, Magic Chef, gas	2
Heater, Brilliant fire	1
Heater, Oakland #5B	1
Gun, grease (air)	1
Drill, Sioux 3/4-in., electric	1
Motor, electric, 3 H.P.	1
Compressor, air (Brunner)	1
Mixer, cement, model 7-S, Leroy	1
Hoist, cap. 1-1/2-ton	1

Our review disclosed also several items of equipment charged to employees who have been transferred or separated. Area officials stated that their disposal program is inadequate and that they need an inventory team to accomplish an inventory in order to correct their records.

Our review of records for property valued by the Bureau at about \$170,000 and charged to the education activity at the Mt. Edgecumbe School disclosed that the equipment records maintained by the Juneau Area Office do not accurately or reasonably show the cost or present value of equipment in use by the activity. For example, at April 30, 1956, these records included kitchen equipment installed in messing facilities at a cost of about \$11,000, although the equipment was transferred to the Public Health Service in July 1955. Two diesel marine motors, carried on the records at a cost of \$30,000 each, had been sold in March 1955 as an integral part of the motor vessel "Mt. Edgecumbe." The Juneau Area Office continued to carry the above items of equipment on property cards and in the general ledger account balances in July 1956. Similar deficiencies at other locations in the Juneau Area were reported also in the Bureau's Juneau Area internal audit report for the audit completed July 26, 1956. Area officials stated that all property cards will be examined and corrected.

At the Washington Central Office, the individual equipment record cards were not being maintained by the Property and Supply Branch in accordance with the Indian Affairs Manual (43 IAM 207.01). Consequently, as of June 30, 1956, the balance of \$111,732, in General Ledger Account 1003, Equipment, was not supported adequately. At the time of our review in August 1956, the last entry on equipment record cards was made in July 1955 to record the equipment inventory completed on June 7, 1955. Our audit disclosed, however, equipment acquisitions of about \$18,000 during fiscal year 1956 which were not recorded on equipment record cards.

We noted similar deficiencies during our audit of several area offices of the Bureau for fiscal years 1954 and 1955. These findings were reported in our audit reports for fiscal year 1954 on the Phoenix Area (item 22, p. 14), Billings Area (item 7, p. 7), and Juneau Area (item 10, p. 12) and in our fiscal year 1955 reports on the Gallup Area (item 18, p. 21) and Billings Area (item 18, p. 24). In these reports we recommended that the Area Directors take appropriate action to correct equipment records.

Because we did not review property management activities in the Gallup Area for fiscal year 1956 and because, at the time of preparation of this report, a reply to the fiscal year 1955 report for this area had not been received, we do not know what action the Bureau has taken to correct equipment records at this location.

#### Recommendation

To strengthen the control over Bureau property and to assist in preventing possible losses of property due to theft, misplacement, or destruction, we recommend that the Commissioner take appropriate action to have accurate equipment records established and maintained.

#### 4. PHYSICAL INVENTORIES OF EQUIPMENT AND STORES NOT TAKEN

Physical inventories of equipment and stores have not been accomplished at some locations in the Billings Area and at the Washington Central Office during fiscal year 1956 as required by regulations. Similar comments and a recommendation thereon were included in our report on audit of the Billings Area Office for fiscal year 1955 (item 18, p. 24). The Indian Affairs Manual (43 IAM 204) provides that "physical inventories as a basic

requirement of property management shall be so scheduled to be completed at least once each fiscal year."

Our review at the Billings Area Office disclosed that a physical inventory of equipment was not taken at six of the seven agencies under its jurisdiction during fiscal year 1956. Moreover, a complete physical inventory of stores was not taken at any of the seven agencies during fiscal year 1956.

In our previous audits of the Billings Area, we noted that physical inventories of stores were taken at only three of the seven Indian agencies in the area during fiscal year 1954 and at only two agencies during fiscal year 1955.

At the time of our review at the Washington Office in August 1956, we noted that the last physical inventory of equipment in Washington, D.C., was completed in June 1955.

#### Recommendation

To strengthen the control over Government property and to assist in preventing possible losses of property, we repeat our recommendation that the Commissioner take appropriate action to provide that annual inventories be taken at all appropriate locations and that accounting records be adjusted to these inventories.

#### 5. ADVANCE APPROVAL ON EQUIPMENT ACQUISITIONS NOT OBTAINED

During our review of the Billings and Phoenix Areas we noted that some equipment had been acquired from surplus or purchased during fiscal year 1956 without advance approval from the Bureau's central office. The Indian Affairs Manual (43 IAM 422.03) provides that approval of the central office shall be obtained in all cases prior to purchasing or acquiring items of motor vehicular

equipment from surplus, including but not limited to cars, buses, trucks, tractors, land planes, and other mobile heavy equipment.

Two land planes, costing over \$3,000 each, were purchased by the Billings Area Office for the Soil and Moisture Conservation activities at the Blackfeet and Wind River Agencies without advance approval from the central office. We noted, however, that advance approval was obtained for the purchase of a land plane for this activity at the Fort Belknap Agency of the Billings Area. Area officials informed us that a central office teletype approving the purchase of the land plane for Fort Belknap was interpreted to include approval for all such purchases.

We noted also that heavy road-building equipment was acquired from surplus of other Government agencies at no cost by the Phoenix Area Office for the Fort Apache Agency without advance approval, as follows:

<u>Item</u>	<u>Source</u>	<u>Value assigned by BIA</u>
Tractor, crawler	General Services Administration	\$1,200
Trailer, semi-low-bed	Bureau of Land Management	8,377

Area officials agreed that approval should have been obtained and that apparently the individual responsible for procuring this equipment was not aware that advance approval by the central office is required even though the equipment is acquired at no cost.

Recommendation

To provide adequate control over procurement activities, we recommend that the Commissioner take the action necessary to have the Area Directors comply with existing regulations.

6. PURCHASE ORDERS NOT CONSOLIDATED

During our selective review of procurement transactions at certain field locations in the Billings and Phoenix Areas, we noted that in some cases separate purchase orders for the same or similar items were issued to one vendor on the same day. Examples of such purchases follow.

<u>Location</u>	<u>Vendor</u>	<u>Order number</u>	<u>Purchase date</u>	<u>Description</u>	<u>Amount</u>
Wind River Agency, Billings Area	Chambers and Freeze	258-702	5-10-55	Repair Bldg. #6	\$440
	Chambers and Freeze	258-703	5-10-55	Repair Bldg. #6	120
Total					<u>\$560</u>
Ft. Apache Agency, Phoenix Area	White Mountain Tribal Butcher Project	452-701	3-26-56	Fresh meat	\$ 30
		452-702	3-26-56	Fresh meat	130
		452-703	3-26-56	Fresh meat	475
Total					<u>\$635</u>
	Apache Mercantile Co.	452-658	3-16-56	Lumber and masonite	\$239
		452-659	3-16-56	Lumber and materials	215
		452-662	3-16-56	Cement	53
		452-665	3-16-56	Lumber	51
Total					<u>\$558</u>

It will be noted that, if the daily purchases from the same vendor had been consolidated, these purchases would have exceeded the \$500 open-market limitation in each case and the field offices

would have been required to advertise for bids as provided by the Indian Affairs Manual (43 IAM 411.02H) and section 3709 of the Revised Statutes.

A similar deficiency was included also in our report on audit of the Phoenix Area Office for fiscal year 1955 (item 40, p. 40).

Recommendation

To provide compliance with procurement limitations and to obtain the benefits of quantity buying, we recommend that the Commissioner require the Area Directors to comply with existing law and regulations.

DEFICIENCIES IN ADMINISTRATION  
OF ACCOUNTING ACTIVITIES

7. INADEQUATE PROCEDURES AND CONTROLS OVER CASH

Our review for fiscal year 1956 disclosed certain weaknesses in procedures and controls over cash. Examples of these deficiencies are as follows:

a. Bureau employees other than authorized collectors are handling cash collections at the central office. On several occasions during fiscal year 1956, remittances received by mail in Washington, D.C., were transferred from the mail clerk to employees other than the two authorized collectors. Also, these non-authorized collectors had access to the cashbox containing cash collections and were carrying cash receipts to the Treasury Disbursing Officer for deposit.

These collection procedures are not in accordance with the provision of the Indian Affairs Manual (42 IAM 603.02) which requires that "collections shall be accepted by authorized collectors only, who shall be responsible for receipting and accounting for the collection of all money received by the Bureau \*\*\*."

b. Schedule of Collection forms (S.F. 1044) or facsimiles thereof were not being used in the Aberdeen Area in connection with cash received by mail as required by the following provisions of the Indian Affairs Manual (42 IAM 6.3.2D(1):

"When remittances are received by mail from other than collector-agents, the employee opening same shall immediately record such remittances on a Schedule of Collections, Standard Form No. 1044, or facsimile thereof. The schedule shall be prepared in duplicate and together with the remittances delivered in person

to the Agency or Area authorized collector who will, after verification, receipt the copy and return it to the employee for his file. \*\*\*\*"

At the Standing Rock Agency, Aberdeen Area, the mail clerk did not prepare a Schedule of Collections or similar document for remittances received by mail. Remittances received were turned over to the authorized collection officer without obtaining a receipt for the mail clerk's files. At the Aberdeen Area Office, the property and supply branch received bid deposits that accompanied bids for the purchase of Government property offered for sale. These bid deposits were forwarded to the authorized collection officer with a signed memorandum, but no receipt was obtained for the files of the property and supply branch. Without a receipt it would be difficult to establish responsibility if remittances or bid deposits were lost.

c. The internal checks on handling and recording cash collections are inadequate at the Juneau Area Office. In fiscal year 1954, and again during the fiscal year 1956 audit, we noted that one employee was assigned the duties of receiving collections, recording the entries in the cash receipts register, and maintaining the accounts receivable register. There are five clerks in the office among whom such duties could be divided. A similar finding was reported in our fiscal year 1955 audit report on the Phoenix Area Office (item 45, p. 45).

d. Accountability records for prenumbered field receipts are not being adequately maintained. In the Phoenix Area, field collectors are not required to issue receipts for cash collections in numerical sequence or account for any missing receipt numbers. In

the Billings Area Office, records disclosed that Fort Peck, Blackfeet, and Fort Belknap Agencies were not reporting to the area office all field receipt forms used.

e. At the Wahpeton School, Aberdeen Area, the imprest fund cashier receipts for the materials or services, authorizes purchases, and makes payments to the vendor. The School Superintendent stated that these functions could be separated and that the necessary corrective action would be taken.

f. During fiscal year 1956 there were no internal audits made of imprest funds maintained by the Phoenix Area Office, Truxton-Canyon Sub-Agency and Phoenix Indian School. Part 18 of the Department of the Interior Imprest Fund Regulation provides that unannounced audits shall be made of each imprest fund at least annually. In our opinion, these audits should be made by area office employees at locations not visited during the year by internal auditors.

The Assistant Commissioner (Administration), in a memorandum dated November 17, 1955, to Area Directors and Accounting Offices stated that: "In staffing the Finance organization it was contemplated that the Finance Officer or his assistant would visit the agencies and field installations periodically for instruction of personnel in proper finance procedures and to ascertain that all requirements are being followed."

#### Recommendation

To provide for adequate procedures and controls over cash, we recommend that the Commissioner require that:

- a. All cash collections be receipted for, accounted for, and handled by authorized collectors only.

- b. Schedule of Collection forms or facsimiles thereof be used for the recording of all mail cash receipts.
- c. The responsibilities of receiving cash, recording cash received in the Cash Receipts Register, and recording the collection of accounts receivable be separated.
- d. Accurate accountability records for prenumbered field receipts and the periodic accounting for all such receipts be maintained.
- e. The authority of Imprest Fund Cashiers be limited to paying and receiving.
- f. The imprest funds be audited annually as required by Department regulations by internal auditors or area office employees.

8. DEFICIENCIES IN THE ADMINISTRATION OF AMOUNTS DUE TO THE BUREAU

Our review disclosed the following deficiencies in the administration of accounts receivable and amounts due from Bureau employees:

a. At the Phoenix Area Office, amounts due the Government for medical and utility services were not collected from employees prior to their termination. Examination of accounts receivable and personnel records in August 1956 disclosed that 14 employees owing \$1,369 were cleared as free of indebtedness at the time of their termination during fiscal year 1956 and prior years.

Our review at the Phoenix Area Office disclosed also that in some cases travel advances had not been repaid promptly by employees and that four employees had transferred from the area without repaying travel advances totaling \$706. The Indian Affairs Manual (42 IAM 2.3.12H) provides that: "Outstanding advances which have not been fully recovered by deductions from reimbursement vouchers or voluntary refunds by the traveler shall be recovered

promptly by set-off of salary due, retirement credit, or otherwise, from the person to whom advanced, or his estate, by deduction from any amount due from the United States, or by such other legal method of recovery as may be necessary."

Similar deficiencies were included in our audit reports on the Phoenix Area Office for fiscal year 1955 (item 48, P. 47) and for fiscal year 1954 (item 2, p.1).

b. Bills for the collection of probate fees are not prepared by the Pierre Agency, Aberdeen Area, at the time the fees are established. The agency bills for probate fees at the time collections are made. The accounting records at the Aberdeen Area Office showed no outstanding probate fees receivable at the Pierre Agency, at April 30, 1956, but an examination of the estate record cards maintained at the agency showed a number of fees outstanding for fiscal year 1956 and prior years. The Indian Affairs Manual (42 IAM 608.02A) requires that bills be issued promptly for all amounts due the Bureau of Indian Affairs, except for a few items such as small lease rentals which are collected by other Government agencies on behalf of the agencies and projects of the Bureau.

c. Accounts receivable were not aged at June 30, 1956, in the Billings or Anadarko Area Offices as required by the Indian Affairs Manual (42 IAM 701.02H). In the Billings Area Office about \$7,500, or 50 percent, of the chart "A" accounts receivable at June 30, 1956, were over 6 months old. Charges to four of these accounts date back to 1944. In the Anadarko Area Office about \$37,000, or 98 percent, of all accounts receivable reported at

June 30, 1956, were over 6 months old. Continued accountability is required for uncollectible accounts which are not written off.

Comments on similar deficiencies were included in our audit reports on the Billings Area Office (item 23, p. 29) for fiscal year 1955 and Anadarko Area Office (item 21, p. 24) for fiscal year 1954.

d. At the Billings Area Office, the balance in the general ledger control account and the aggregate of balances in the loan subsidiary records maintained by the Branch of Credit were not reconciled or in agreement by \$2,016 at June 30, 1956. At the Anadarko Area Office the unpaid accounts receivable file maintained in support of General Ledger Account 1036.2, Accounts Receivable--Other, was not in agreement or reconciled with the control account at June 30, 1956. As of June 30, 1956, the general ledger balance exceeded the subsidiary ledger balance by \$1,985.

We commented on similar deficiencies in our audit reports for fiscal year 1955 on the Billings Area Office (item 20, p. 26) and Anadarko Area Office (item 16 p. 29).

Except for the deficiencies stated in item (a) above, similar deficiencies had been included also in our audit reports for fiscal years 1954 and 1955 on other Bureau area offices. We made recommendations to the respective Area Directors for appropriate corrective action on all the reported deficiencies.

#### Recommendation

To provide for more adequate administrative control over accounts receivable and amounts due from employees, we recommend that the Commissioner require that:

- a. Area officials comply with existing regulations (42 IAM 604.05A(2) and 42 IAM 2.3.12H) providing for a review of accounts receivable files by finance personnel prior to approving any final salary payments and prompt recovery of travel advances.
- b. Bills be prepared and issued for all amounts due the Bureau in accordance with the Indian Affairs Manual (42 IAM 608.02A) and entered as accounts receivable on the applicable area accounting records.
- c. Manual provisions be followed when analyzing outstanding accounts receivable at the close of each fiscal year.
- d. Monthly reconciliations be made between all control accounts and the related subsidiary records.

9. AMOUNTS WITHHELD FROM CONTRACTORS NOT RECORDED

Our review disclosed that the Bureau does not record contract holdbacks on the books of account. The Indian Affairs Manual does not provide for recording the liability to contractors for payments withheld pursuant to contract holdback clauses or for recording such amounts in the appropriate asset account and cost records. The total amount due to the contractor is stated on periodic progress reports submitted by the contractor, but only the amount paid to the contractor is entered in the books of account. For example, at the Billings Area Office we noted that amounts reported in the financial statements for construction work in progress and accounts payable were understated because holdbacks totaling about \$12,200 on five contracts were not recorded on the books as of June 30, 1956.

Recommendation

To provide proper accountability and to provide records from which accurate financial statements may be prepared, amounts withheld from contractors should be recorded in the appropriate accounts. Accordingly, we recommend that the Commissioner require that the Indian Affairs Manual be revised so that contract holdbacks will be appropriately recorded in the accounting records.

10. INCOMPLETE CONSTRUCTION WORK  
TRANSFERRED TO FIXED PROPERTY ACCOUNTS

During our review for fiscal year 1956, we noted that it was still the Bureau's policy to transfer balances in construction work-in-progress accounts to fixed property accounts on a fiscal year basis rather than on a completion basis. This policy was instituted by instructions issued through the Commissioner by the

Branch of Budget and Finance in Washington, D.C., on July 8, 1954, to supplement manual provisions for handling construction work-in-progress costs. In our Billings and Phoenix Area audit reports for fiscal year 1955 and our Gallup Area audit report for fiscal year 1954, we commented on this deficiency. We recommended that the Commissioner provide for a revision of instructions so that all construction work-in-progress accounts would be transferred to the appropriate asset accounts on the basis of completion reports. The Bureau's manual defines the completion report as the final detail cost report of all work completed under a work order.

Our review for fiscal year 1956 of construction work-in-progress for roads and irrigation systems disclosed that the Bureau transfers amounts accumulated in construction work-in-progress accounts on the basis of completion reports. These reports, however, do not necessarily represent completed units of work but rather construction work-in-progress costs accumulated for the fiscal year. For example, in the Billings Area, the Director in a letter dated November 10, 1955, issued instructions for capitalizing construction work in progress. In part, these instructions state: "At the end of a fiscal year, whether a project has been physically completed or not, a Completion Report will be issued and routed. \*\*\* A new work order will be executed for the uncompleted project in the next fiscal year."

Preparing completion reports does not make it proper to classify in the Bureau's financial statements as fixed property those units of construction which are only partially complete.

### Recommendation

To provide for disclosure of the true financial status of construction work in progress and completed work, we again recommend that the Commissioner provide for a revision of the instructions dated July 8, 1954, so that all construction work-in-progress accounts will be transferred to the appropriate asset accounts on the basis of completed units of work instead of a fiscal year basis. Because some of the construction work, especially on irrigation projects, is of a continuing nature, separate work orders should be issued on specific features or units of construction which will be completed within a reasonable length of time.

### 11. OTHER ACCOUNTING DEFICIENCIES

During the review for fiscal year 1956 we noted certain other irregularities and deficiencies, some of which are set forth briefly below. Where the audit finding consisted of other than deviation from provisions of the Indian Affairs Manual, our recommendation is stated after the audit finding.

a. At the Juneau Area Office, journal vouchers are not being approved as required by the Indian Affairs Manual (42 IAM 601.03B). We noted 126 journal vouchers out of 132 examined that were unsigned by either the preparing or approving authority as required by the manual. Area officials stated that corrective action would be taken.

b. At the Billings Area Office the annual financial statements required by the Indian Affairs Manual (42 IAM 701.01) were not prepared for fiscal year 1956.

c. At the Seattle Liaison Office and Juneau Area Office, the same accounting data are being recorded in books of original entry and in general ledger accounts for the activities of the Alaska Native Service. We included this item in our Juneau Area Office report for fiscal year 1954 with recommendation for appropriate corrective action. We again recommend that the Area Director require a review of accounting records maintained at Juneau and Seattle and eliminate any duplicate records.

d. At the Anadarko and Juneau Area Offices, employees' Forms T.D. W-4, Tax Exemption Certificates, were not always in the payroll section files to support the computation of Federal Withholding Tax to be withheld from the employees. The Indian Affairs Manual (42 IAM 604.04C(1)) requires that "Each new employee shall furnish Treasury Department, Form W-4, Employee's Withholding Exemption Certificate, \*\*\*." Area officials stated that corrective action would be taken.

SCOPE OF REVIEW

Our review of the administration of property management and accounting activities by the Bureau of Indian Affairs at Washington, D.C., at 6 of the 10 area offices, and at 14 selected field locations under the jurisdiction of the area offices was conducted in the following manner:

1. We ascertained the policies adopted by the Bureau and reviewed those policies for conformance with basic legislation and regulations.

2. We reviewed the procedures followed by Bureau employees to determine the effectiveness of the procedures.

3. We did not make a detailed examination of every transaction, but we reviewed in detail selected transactions to the extent we deemed appropriate under the existing circumstances.