

**REPORT ON AUDIT
OF
SACRAMENTO, CALIFORNIA, 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**

TO THE READER:

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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON 25, D. C.

DIVISION OF AUDITS

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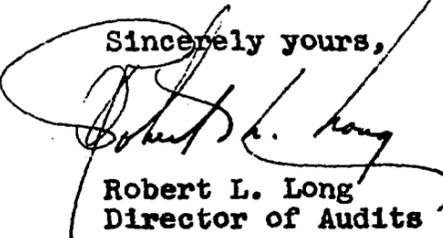
Mr. Glenn L. Emmons, Commissioner
Bureau of Indian Affairs
Department of the Interior

Dear Mr. Emmons:

Herewith is a copy of our report on the audit of the Sacramento Area Office, Bureau of Indian Affairs, for fiscal year 1954. During the 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. Comments on certain deficiencies included in that report for forest and range management, billing for medical services to Indians, and loans receivable have not been repeated in our fiscal year 1954 audit report because of the proposed action indicated by the Bureau in its reply, dated October 25, 1954, to our fiscal year 1953 audit report. Our observations on deficiencies and weaknesses in procedures and internal control and on certain other matters are included in this report.

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, and we will be happy to discuss these comments in greater detail with you or members of your organization. We will appreciate being advised of any action taken in connection with our recommendations.

Sincerely yours,


Robert L. Long
Director of Audits

Enclosure

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Exhibit

A

REPORT ON AUDIT

OF

SACRAMENTO, CALIFORNIA, AREA OFFICE

BUREAU OF INDIAN AFFAIRS

DEPARTMENT OF THE INTERIOR

FOR THE FISCAL YEAR ENDED JUNE 30, 1954

1. Need for area office at Sacramento

The operation of the Sacramento, California, area as a separate area office is uneconomical because the workload has decreased substantially. Moreover, good administrative supervision by the Sacramento Area Director is exceedingly difficult because certain housekeeping functions are performed by the Phoenix, Arizona, Area Office.

The Sacramento Area Office has jurisdiction over Indians in California. The assimilation of California Indians into the economy has progressed to a considerable extent and Sacramento is the smallest of 10 area offices in the Bureau. Of 14,275 employees reported by the Bureau to the Civil Service Commission at June 30, 1954, there were 224 under jurisdiction of the Sacramento Area Office, of which about 60 were employed at Sacramento. The largest area office, Gallup, New Mexico, had 4,379 employees at June 30, 1954, and at the same date the Phoenix Area Office had 1,986 employees.

By the act of August 5, 1954 (68 Stat. 674), the maintenance and operation of hospitals and health facilities for Indians was transferred from the Bureau of Indian Affairs to the Department of Health, Education, and Welfare. The Sacramento area health

employees (37 at June 30, 1954) will be transferred on July 1, 1955, the effective date of the act. This transfer will further reduce the size, activities, and responsibilities of the Sacramento Area Office.

The installations presently supervised by the Phoenix and Sacramento Area Offices are shown on Bureau records to be located as follows:

Phoenix Area Office

Sacramento Area Office

Pima Area Field Office,
Sacaton, Arizona
Colorado River Agency, Parker,
Arizona
Truxton Canon Subagency,
Valentine, Arizona
Fort Apache Agency, Whiteriver,
Arizona
Nevada Agency, Stewart, Nevada
Western Shoshone Subagency,
Western Shoshone, Nevada
Papago Agency, Sells, Arizona
Phoenix Indian School, Phoenix,
Arizona
Phoenix Medical Center,
Phoenix, Arizona
San Carlos Agency, San Carlos,
Arizona
San Carlos Irrigation Project,
Coolidge, Arizona
Sherman Institute, Riverside,
California
Uintah and Ouray Agency, Fort
Duchesne, Utah
Hopi Agency, Keams Canyon,
Arizona

Hoopa Subagency, Hoopa,
California
Fort Yuma Subagency, Yuma,
Arizona
Palm Springs Subagency, Palm
Springs, California
Riverside Field Office,
Riverside, California
Bishop Field Office, Bishop,
California

Many of the Sacramento area supervisory activities could be integrated effectively with similar activities at the Phoenix Area Office. Accordingly, we recommend that the Commissioner consolidate the Sacramento and Phoenix Area Offices at Phoenix, Arizona. A consolidation of these offices will permit a more efficient and

economical operation by the Bureau. In our opinion such a consolidation would permit a net reduction of more than 15 positions with annual salary savings of more than \$80,000. Savings effected through such a reorganization could be profitably applied to reducing backlogs in land applications and the correction of accounting and recording deficiencies, particularly in irrigation and individual Indian moneys, commented on in our Bureau-wide and area audit reports.

We believe that the Sacramento office could be designated and staffed as an agency office pending complete withdrawal of the Bureau's functions over the California Indians. The Commissioner could delegate to the superintendent of the proposed Sacramento Agency sufficient authority to continue present negotiations with the State of California leading to the withdrawal of Federal supervision over Indians in California.

2. Insufficient use of Bureau-owned hospital beds

In our report for fiscal year 1953 (item 3, p. 3) we stated that the average use by Indians of 49 Bureau-owned beds at the Wish-i-ah Tuberculosis Sanatorium was low. We have been informed that the sanatorium is always filled to capacity because these beds are occupied by non-Indians when not needed by the Bureau. The low usage by the Bureau is reported to be due to the fact that facilities can be obtained for non-California Indian patients at hospitals closer to their homes and, in effect, the Wish-i-ah Bureau-owned beds are excess to the needs of the Sacramento Area Office.

To obtain relief from operation and maintenance costs at these facilities, we recommend that the Commissioner consider transferring the Bureau's investment in the facilities at Wish-i-ah to other Federal agencies or local authorities that have greater need for them.

3. Failure to recover costs of facilities

We noted during our examination at the Hoopa Indian Reservation that water developed for irrigation purposes was being used for domestic purposes and that at least one large sawmill (white ownership) in the valley used the water for a log pond and for other manufacturing uses. No charge is made for the water used.

The water in question was piped from a stream on the Hoopa Reservation. Agency officials advised us that a check dam at the point where the water was piped from the stream was rebuilt by the Bureau within the past few years.

We believe that the cost to the Bureau of the check dam and piping should be recovered from the water users. Accordingly, we recommend that the Area Director take action to recover from the beneficiaries of the dam the costs of these facilities and other similar facilities built by the Bureau.

4. Property and equipment records incomplete

In our report for fiscal year 1953 (item 5, p. 5) we stated that property and equipment records had not been maintained or were poorly maintained. In addition, we stated that property disposals and acquisitions were not being recorded. The deficiencies in accountability for property were not corrected during the fiscal year 1954. In effect, no accounting control exists over assets

owned by the Government. Physical inventories had been taken at the Hoopa and Yuma Subagency locations, but no amounts have been assigned to property shown on the property record cards nor has an attempt been made to establish a financial accounting control. Accordingly, we again recommend that the Area Director require that proper records be established and general ledger accounts be adjusted to the inventory.

The Bureau's reply to our 1953 report pointed out that the lack of accounting records at the Sacramento Area Office made it very difficult to pick up accountable property items on their records. If the housekeeping function of property management and control is transferred to the Phoenix Area Office and Sacramento designated as an agency, this difficulty will be reduced.

5. Accounts receivable (probate fees) are delinquent; total does not agree with balance in general ledger account

At June 30, 1954, the aggregate of the individual probate fee accounts receivable totaling \$11,563.58 was \$490.13 greater than the balance shown by the general ledger control account. This difference compares with the difference of about \$2,300 at June 30, 1953, as reported in our 1953 audit report (item 8, p. 8). Some effort has been made to reconcile the differences. At June 30, 1954, over 50 percent of the accounts were from 10 to 40 years old. The number of individual accounts involved totaled 662, varying in amount from as little as \$0.15 to \$75. The average account is about \$17.50. We were informed by Bureau officials that procedures have now been instituted to check probate files for possible offset when per capita payments are made.

We recommend that the Bureau take action to collect these balances. Where considered uncollectible, the receivables should be transferred to the central office in accordance with procedures in the Indian Affairs Manual.

6. Deficiencies noted in individual Indian money accounts

a. As noted in the prior year's audit report (item 12, p. 11), practically all of the accounting functions relating to individual Indian money accounts are concentrated in the same person. Re-stated below are the functions performed by the bookkeeping machine operator.

- (1) Receives cash receipts.¹
- (2) Prepares official receipts and schedules of collection.¹
- (3) Enters receipts in the cash receipts book.
- (4) Makes deposits.
- (5) Totals cash receipts book.
- (6) Makes postings to individual Indian and suspense accounts.
- (7) Mails semiannual statements to individual Indians.
- (8) Prepares disbursement checks.
- (9) Receives unopened returned letters containing individual Indian statements.

To maintain the proper administrative checks over individual Indian money accounts, we again recommend that the Area Director require that some of the functions listed above be performed by other employees of the Budget and Finance Branch.

b. We noted during our examination of individual Indian money accounts that several thumbprint endorsements on paid checks had been witnessed by the signer (Assistant Special Disbursing Agent) and the bookkeeping machine operator above who prepared the check.

¹Partially corrected at June 30, 1954, since person receiving the mail maintains a separate schedule of collections.

Although the Code of Federal Regulations does not cover this point, good banking practice would preclude persons who are directly connected with the disbursement from acting as witnesses to thumbprint signatures.

To provide better internal control and checks over the administration of individual Indian moneys, we recommend that the Area Director take the necessary action to insure that witnesses to thumbprint signatures on withdrawal applications and thumbprint endorsements on paid checks have no participation in the preparation of the disbursement document.

c. Three individual Indian money accounts were overdrawn at June 30, 1954, and are listed below.

<u>Account No.</u>	<u>Name</u>	<u>Amount overdrawn</u>	<u>Date overdrawn</u>
C-378	Emily Cooper	\$ 4.41 ^a	Feb. 13, 1953
P-127	Tom Pasqual	264.44 ^b	Feb. 21, 1952
Y-5	Rhoda Silverthorn Young	122.00 ^c	Feb. 11, 1952
	Total	<u>\$390.85</u>	

^aOriginal overdraft \$17.41, error on payment of reimbursable agreement. Additional lease rentals accruing to this account will offset balance.

^bOverdraft due to similarity of names. Original overdraft amounted to \$466.66; difference has been collected.

^cOverdraft due to similarity of names.

On account No. P-127 collection efforts have not been successful. Very little collection effort and follow-up had been made on account Y-5, but the Special Disbursing Agent took action as a result of our disclosure and had collected \$100 on account by December 1, 1954.

To assure that as much is collected as is possible on these receivables, we recommend that the Area Director require collection effort on all overdrafts in the IIM accounts.

d. Analysis of the account Deposits, Others (No. 2224.3) showed inadequate follow-up action had been taken by the area office to clear old accounts. An aged analysis follows.

<u>Year in which deposited</u>	<u>Number of accounts</u>	<u>Amount</u>
1946	2	\$ 636.14
1947	8	1,376.72
1948	5	434.44
1949	5	339.64
1950	13	2,201.23
1951	33	3,924.87
1952	28	15,945.50
1953	40	42,595.83
1954	93	64,388.24
Continuing timber deposits	8	125,314.70
	<u>235</u>	<u>\$257,157.31</u>

To provide for the proper disposition of balances in this account, we recommend that the area office analyze the account quarterly and provide for transfers to revenue or refunds to remitters of deposits which are no longer required to be held in this account. In the event the depositor cannot be located, the deposits should be cleared in accordance with existing regulations.

7. Procurement deficiencies

Our examination of vendors' invoices in connection with disbursement of tribal funds disclosed that the dates on vendors' invoices for certain purchases by the Palm Springs Subagency had been altered.

Area office procedures had been established to limit the sub-agencies' local purchases of an "emergency" nature. The alteration of dates on vendors' invoices was apparently meant to cover up the fact that the subagency was circumventing this procedure. Eight examples were noted, all from Palm Springs, where dates had been altered. The area property and supply officer was not aware that these alterations had occurred, although he had approved the invoices for payment.

We discussed the matter with the Acting Area Director, the Special Disbursing Agent, and the property and supply officer who immediately took steps to eliminate future occurrences through a letter to all subagencies which stated alterations to documents would not be tolerated.

8. Heirship pattern is becoming extremely complicated and unwieldy

As may be noted in exhibit A of this report, the number of heirs to reservation land allotments are increasing materially. For example, 53,000 acres of lands allotted to 2,874 Indians are now owned individually or jointly by at least 9,000 persons. The increase has become such as to make probate proceedings and accounting complicated and unwieldy. The increase in the number of heirs has caused an increase in area office workload which eventually may require more employees to cope with the situation.

An example of the extremely wide distribution of the proceeds from a grazing lease is represented by journal voucher No. 264, dated February 4, 1954. The transaction may be summarized as follows:

Amount credited	Total	Distribution					Over \$2
		None	2 to 15 cents	16 to 50 cents	51 to 75 cents	76 cents to \$2	
Number of recipients	<u>387</u>	<u>132</u>	<u>44</u>	<u>42</u>	<u>19</u>	<u>35</u>	<u>115</u>
Percent	<u>100.00</u>	<u>34.11</u>	<u>11.37</u>	<u>10.85</u>	<u>4.91</u>	<u>9.04</u>	<u>29.72</u>

The total amount of annual grazing rentals distributed among the 387 heirs amounted to only \$730.73. It should be noted also that 272 persons or 70 percent of the heirs received \$2 or less. Ratios of distribution among heirs were as small as 9/1512ths, 9/3024ths, and 10/4200ths. Many of the heirs received nothing, since the Bureau fees for executing grazing permits and leases were more than the proceeds. In addition to the effort expended by the Bureau's land activity in distributing the above proceeds among the heirs, the Special Disbursing Agent must also set up an individual Indian money account for each heir receiving \$.01 or more and then post the account. In the above example 255 accounts were posted. The cost of accounting for individual Indian moneys and the resultant cost of disbursement often greatly exceeds the amount of money distributed.

We recommend that the Commissioner take the necessary action to have the lessors or purchasers of lands distribute the proceeds from lands directly to the Indians. We believe also that the Bureau should establish and charge fees for services relating to all land activities that will adequately cover the Bureau's administrative costs in connection therewith. Implementation of either procedure would reduce the net cost to the Federal Government of handling Indian land activities.

9. Delinquent accounts receivable
for medical services to non-Indians
at Hoopa Reservation Hospital

Available records at the Hoopa Hospital showed a total of \$8,640 in uncollected charges to non-Indians for medical services rendered. An analysis by year of billing is presented below.

<u>Year of billing</u>	<u>Amount</u>
1947	\$ 153.00
1948	1,473.00
1949	587.75
1950	524.75
1951	1,146.55
1952	2,278.35
1953	1,550.89
1954	<u>925.25</u>
Total	<u>\$8,639.54</u>

Hoopa Hospital records show no delinquent receivables from Indians, because it has been the area office policy to not bill Indian beneficiaries for services rendered.

We recommend that the area office make concerted efforts to collect or dispose of these accounts receivable in accordance with provisions of the Indian Affairs Manual.

To insure that the future use of Indian hospitals by non-Indians does not result in a similar situation, we recommend also that the Commissioner of Indian Affairs issue regulations requiring non-Indian patients to deposit amounts sufficient to cover a major portion of the services to be rendered. In emergencies the requirement for a deposit could be waived, but before the patient is released a major portion of the bill should be paid or satisfactory arrangements for subsequent payment should be made. This

practice is adhered to by many private hospitals and, in our opinion, is a sound administrative policy, because it greatly reduces the possibility of the Bureau's sustaining delinquent accounts receivable.

EXHIBIT

13

**BUREAU OF INDIAN AFFAIRS
SACRAMENTO AREA OFFICE**

**OWNERSHIP OF ORIGINAL ALLOTMENTS OF INDIAN RESERVATION LANDS
AT FEBRUARY 6, 1954**

Reservation location	Total original allotments		Original allotments now owned by							
			Original allottee		Other than original allottee					
	Number of allotments	Acreage	Number of allotments	Acreage	Single owner Number of allotments	Acreage	2 to 5 heirs Number of allotments	Acreage	6 heirs or more Number of allotments	Acreage
Augustine	4	153.89	2	73.89	-	-	1	40.00	1	40.00
Cabason	8	260.97	2	60.00	2	59.94	1	40.00	3	101.03
Mission Creek	11	108.21	6	58.80	2	19.41	2	20.00	1	10.00
La Jolla	75	733.71	58	547.44	6	82.16	5	52.20	6	51.91
Morongo	266	1,421.13	145	773.06	31	166.80	51	274.99	39	206.28
Old Pala	14	106.12	2	15.00	5	24.23	6	61.89	1	5.00
Pala	161	1,236.12	55	417.93	20	153.00	53	403.89	33	261.30
Pechanga	53	1,268.59	13	189.49	16	230.21	41	641.68	13	207.21
Rincon	78	412.21	54	282.78	4	23.03	14	75.08	6	31.32
Sycuan	17	269.45	3	60.24	2	28.98	10	155.25	2	24.98
Torres Martinez	183	7,136.77	94	3,662.72	16	612.59	57	2,234.53	16	626.93
Palm Springs	90	3,874.16	89	3,828.16	-	-	1	46.00	-	-
Ft. Yuma	818	8,180.00	255	2,550.00	135	1,350.00	268	2,680.00	160	1,600.00
Ft. Independence	38	101.49	10	26.34	15	36.38	12	36.27	1	2.50
Hoopa	554	14,176.11	140	1,435.60	98	3,696.50	156	4,724.43	160	4,319.58
Round Valley	474	13,787.47	54	2,784.85	165	3,820.23	95	3,067.54	160	4,114.85
Total	2,874	53,226.40	982	16,766.30	517	10,303.46	773	14,553.75	602	11,602.89

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EXHIBIT A