

**REPORT ON AUDIT
OF
GALLUP, NEW MEXICO, AREA OFFICE
BUREAU OF INDIAN AFFAIRS
DEPARTMENT OF THE INTERIOR
FOR THE FISCAL YEAR ENDED JUNE 30, 1955**

**UNITED STATES GENERAL ACCOUNTING OFFICE
CIVIL ACCOUNTING AND AUDITING DIVISION**

UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON 25, D. C.

**Civil Accounting and
Auditing Division**

JUL - 3 1956

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

Dear Mr. Emmons:

Herewith is our report on the audit of the Gallup, New Mexico, Area Office, Bureau of Indian Affairs, for fiscal year 1955. During the audit we reviewed selected phases of the organization, procedures, and operations at the locations visited. Among our audit findings we noted certain deficiencies and weaknesses in procedures and internal control and in other matters. Particular attention is invited to the audit findings regarding unsatisfactory control over assets and over obligation and expenditure of funds. We have given consideration to the Area Office's actions with respect to our report for 1954.

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 appropriate area officials during the audit. We will be happy to discuss these comments in greater detail with you or members of your organization.

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

Sincerely yours,

E. H. Morse, Jr.

**E. H. Morse, Jr.
Director, Civil Accounting
and Auditing Division**

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REPORT ON AUDIT
OF
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FOR THE FISCAL YEAR ENDED JUNE 30, 1955

IRRIGATION

1. Navajo Tribe is not charged for irrigation operation and maintenance costs

In each of the last few years the Bureau of Indian Affairs has expended about \$200,000 from funds appropriated for resources management (fund symbol 14_2201) for the operation and maintenance of Navajo irrigation projects. The lands of the Navajo irrigation projects are tribally owned, except for relatively few acres. The individual Indian does not own the land he uses; the land is assigned to him by the Tribe. Accordingly, the Tribe should be responsible for the operation and maintenance costs.

The Bureau has stated before the Congress that the appropriated resources management funds are primarily used to pay the operation and maintenance charges for Indians who are unable to pay. We believe that the Navajo Tribe has the funds available to pay irrigation operation and maintenance charges. In fiscal year 1955 the Navajo Tribe realized a net increase of almost \$2,400,000 in its Proceeds of Labor fund (fund symbol 14x7341) on deposit with the United States Treasury. At June 30, 1955, this tribal fund totaled over \$17,500,000. At the same date, the Area Office

records show that the amount due to the United States because of reimbursable irrigation operation and maintenance expenditures was \$1,480,692 (balance in Account 213.2, Loans Due United States Government--Operation and Maintenance).

Appropriated funds expended for the operation and maintenance of Indian irrigation projects are required by law (25 U.S.C. 385) to be reimbursed where the Indians have adequate funds to repay the Government. Moreover, under the act of April 4, 1910 (25 U.S.C. 145), any tribal funds held by the United States are required to be applied to reimbursable accounts. If the Bureau were to obtain the Tribe's assumption of the irrigation operation and maintenance costs, it would be a step forward in the eventual withdrawal of Bureau supervision over the Tribe's affairs. It would also reduce the Bureau's requirements for appropriated funds for operation and maintenance of Indian irrigation systems by about \$200,000 a year, or about 25 percent of the fiscal year 1955 resources management appropriation for irrigation operation and maintenance. Accordingly, we recommend that the Commissioner of Indian Affairs take appropriate action to recover the reimbursable amounts due from the Navajo Tribe and from any other Indian tribes having reimbursable accounts due to the United States under similar circumstances. We recommend also that the Commissioner consider eliminating from future requests for appropriated funds for the operation and maintenance of Indian irrigation systems amounts applicable to tribally owned lands in the Navajo irrigation projects.

2. Bureau is not requiring repayment of operation and maintenance costs from Indians on Pine River Irrigation Project

The Bureau has not taken appropriate action to require the repayment of reimbursable irrigation operation and maintenance expenditures from Indians of the Southern Ute Tribe who have adequate funds to repay the Government. The act of August 1, 1914, as amended (25 U.S.C. 385), provides that all moneys expended for irrigation operation and maintenance shall be reimbursable where the Indians have adequate funds to repay the Government.

At June 30, 1955, the balance in account 213.2, Loans Due United States Government--Operation and Maintenance, for Consolidated Ute Indian Agency, totaled \$392,108. This balance represented expenditures by the Government for operation and maintenance of the Pine River Irrigation Project located on the Southern Ute Reservation.

The Southern Ute Tribe consists of 560 Indians who share in the tribal income. The per capital payments for fiscal year 1955 totaled \$2,363,437, or an average of \$4,220 for each member of the tribe. These payments do not include other income which the individual Indians may receive from farming or other nontribal sources. Members of this Tribe also had significant balances in their individual Indian money accounts. At June 30, 1955, the average balance was \$4,370.

The Superintendent of the Consolidated Ute Agency has expressed the opinion that members of the Southern Ute Tribe are financially able to meet their current irrigation operation and maintenance assessments. In view of the above, it appears that

these Indians are also financially capable of repaying deferred reimbursable operation and maintenance expenditures.

To recover deferred reimbursable expenditures as required by law, we recommend that the Commissioner establish the necessary procedures to effect repayment from those members of the Southern Ute Tribe who benefited from such expenditures.

3. Delivery of water to non-Indians before payment

In our report on the Gallup Area for fiscal year 1954 (item 3, p.9), we pointed out that water had been delivered to non-Indian water users on the Pine River Irrigation Project during the 1954 irrigation season before they had paid their annual irrigation operation and maintenance charges. Payment before delivery of water is required by the Code of Federal Regulations (25 C.F.R. 132.56).

Our audit for fiscal year 1955 disclosed that during the 1955 irrigation season project employees continued the delivery of water to non-Indian water users before operation and maintenance assessments were paid.

To provide for prompt payment of irrigation operation and maintenance assessments, we again recommend that the Area Director take the necessary action to comply with the regulations. Bureau officials stated that corrective action will be taken before the 1956 irrigation season.

4. Construction costs are not being paid pursuant to contract

As of June 30, 1955, the Bureau had not collected any of the annual installments due on an irrigation construction repayment contract entered into on September 29, 1933, with the Board of

National Missions of the Presbyterian Church for repayment of the Mission's pro rata share of the construction costs of the Ganado Irrigation Project. Also the contract had not been recorded in the books of account as of June 30, 1955. In September 1955 the contract was recorded in the accounting records. This matter had been noted also in our fiscal year 1954 report on the Gallup Area Office (item 5, p. 11). At June 30, 1955, a total of \$2,749 was past due. Action to collect the amount due has not been taken because the Mission Board has requested Congress to cancel the debt.

To assure the recovery of amounts due to the Government, we recommend that the Area Director take prompt action to collect the amounts due under this contract.

INDIVIDUAL INDIAN MONEYS

5. Administration of individual Indian moneys

Deficiencies noted during the audit of individual Indian moneys included the following:

a. Signature cards or some comparable record which positively identify the depositor are not maintained at the Navajo Agency for individual Indian money accounts. The Indian Affairs Manual does not require the maintenance of a signature file of account owners. As pointed out, however, in our report on the Gallup Area for fiscal year 1954 (item 18d, p. 32), generally accepted banking practices require the maintenance of such records. Our examination for fiscal year 1955 of the withdrawal requests, Form 5-139b, Individual Indian Accounts Application, filed in the Indian money account jackets, disclosed also that many thumbmark signatures were illegible and in some cases the thumbmarks were not witnessed by two disinterested persons.

To avoid payments of individual Indian money to unauthorized persons and to account properly for moneys held in trust by the Bureau, we recommend that the Indian Affairs Manual be amended to require the maintenance of a file of properly authenticated signatures of all persons authorized to withdraw from IIM accounts. We recommend also that initial identification of thumbmark signatures be established by two disinterested, reputable witnesses. Thumbmark signatures on applications for withdrawal should not be accepted unless they are clear enough for comparison with the signature cards.

b. At the Gallup Area Office overdrafts totaling \$1,158 existed in five IIM accounts at the time of our audit on September 15, 1955. The overdrafts resulted from an error made by the Land Branch of the Navajo Agency in February 1954 by erroneously distributing \$2,200 among six accounts. The entire amount should have been credited to another account owner. Before the error was discovered in April 1954, five of the individuals had withdrawn amounts improperly credited to their accounts. The amount deposited erroneously to the sixth account was transferred to the rightful owner. Income accruing to the other five individuals since April 1954 has been deposited also to the correct account. Based on the rate of repayment at the time of our audit, however, the entire amount owed will not be recovered for several years.

We recommend that the Area Director take the action necessary to recover the overdrafts as soon as possible. We have taken formal exceptions against the overdrawn amounts.

c. The accounts of some Indians who have been dead for more than 10 years were still carried in the active IIM accounts in September 1955, as follows:

Account No.	Date of death	Balance in account on September 15, 1955
A-159	1935	\$ 36
B-933	Before 1938	30
B-1467	1943	1
B-1740	1945	2
C-336	1940	38
C-477	1940	2
C-521	1942	1
C-641	1945	257
E-119	1945	81
J-379	Before 1940	39
L-238	1939	31
M-339	1941	1
M-379	1942	15
N-98	1942	25
T-587	1940	5
W-445	1936	113
Y-418	1933	36

To eliminate inactive accounts from the IIM activity, we recommend that the Area Director take the necessary action to have amounts properly distributed. If the heirs are not determined or cannot be located after a reasonable period of time, the balances in these accounts should be deposited into the Treasury as unclaimed amounts in accordance with applicable regulations.

6. Items improperly retained in Account 2224.3, Deposits-Other

Our audit disclosed that Account 2224.3, Deposits-Other, a suspense account for the Navajo Agency, included old balances and balances which have been retained improperly. Following are examples of items over \$100 in account 2224.3 at June 30, 1955, which appear to be proper for transfer to other receipt accounts or to the Treasury as unclaimed amounts.

<u>Account No.</u>	<u>Amount</u>	<u>Date of deposit</u>	<u>Nature of deposit</u>
1586	\$ 168	Before 1952	Sale of Government property
1587	150	do	do
1588	251	do	do
1624	225	do	Deposit on scrap metal
1639	541	do	do
1682	1,568	do	Payment for machinery
1868	144	2- 5-54	Unidentified money
2041	558	8-31-54	Sale of Navajo horses

Also, numerous amounts under \$100 were noted which have been retained improperly in account 2224.3. These items include amounts from such sources as quarters rentals; school tuition; medical, dental, and telephone services; rent on resettlement land; overpayments of bills; and unidentified remittances.

To provide for prompt and proper distribution of receipts, we recommend that the Area Director require responsible officials to analyze the special deposit accounts quarterly for the purpose of classifying and transferring or otherwise properly disposing of those balances on which action should be taken.

INDIAN MONEYS, PROCEEDS OF LABOR (IMPL)

7. Cost records do not show true results from operations of IMPL activities

The audit of IMPL operations for fiscal year 1955 disclosed that the cost records for these activities do not accurately show the results of operations. The deficiencies noted include the following:

- a. Expenses and income are not recorded on the same basis. About 90 percent of the IMPL expenditures are accrued; however, the area does not account for IMPL income on the accrual basis. This method did not result in a fair statement of income and expenses.
- b. Consolidated garage income of about \$10,000 was erroneously credited to the warehouse IMPL enterprise.
- c. Adjustments between IMPL activities were made without proper supporting documentation.
- d. Landscaping costs ordinarily chargeable to general and administrative expenses have been charged to IMPL warehouse activities.
- e. Two tractor-trailer trucks costing about \$40,000 and the construction of a root cellar (see p. 11) were charged to IMPL warehouse expenses instead of being capitalized.

The manager of the Gallup Supply Center in a letter dated September 25, 1955, requested the Gallup Area Office to furnish a breakdown of operating costs charged to the warehouse operations. The Area Finance Officer was unable to furnish the information because such detailed costs were not readily available. This information is necessary for effective control over IMPL program costs.

In order that management may exercise proper control over IMPL operations and to establish equitable reimbursement rates for services performed, we recommend that the Area Director take the action necessary to establish procedures which will result in

operating statements showing clearly and accurately the results of IMPL activities.

8. Dual administration of Gallup Supply Center

Under an agreement effective July 1, 1952, the Gallup Supply Center was established by the General Services Administration, which agency is solely responsible for technical and administrative supervision over all procurement, contracting, warehousing, and stores operations, except for dispatch and delivery. The Bureau furnishes the physical facilities and operating personnel. In October 1955 GSA had four employees at this installation; the remaining 82 employees were Bureau personnel.

Based upon interviews with representatives of both agencies, it is evident that neither is completely satisfied with the present arrangement. The Area Director informed us on November 10, 1955, that the Bureau of Indian Affairs had requested GSA to take over the complete operation of the warehouse, but that GSA had not arrived at a decision in this respect.

In the interests of more efficient operations, we recommend that the Commissioner of Indian Affairs take the necessary action to provide for the transfer of all responsibility for administration of the Gallup Supply Center to either the General Services Administration or Bureau of Indian Affairs.

9. Unauthorized construction at the Gallup Supply Center

The Bureau constructed a cement block structure (root cellar) at the Gallup Supply Center which was not within the scope of the approved program for the warehouse IMPL enterprise. All material

and labor costs incurred in the construction were charged to the warehouse operating account as incurred.

Work authorization was not obtained and costs were not accumulated on work orders as required by the Indian Affairs Manual (45 IAM 305 and 42 IAM 607, respectively). Consequently, the total costs incurred were not readily available. Moreover, we were unable to ascertain whether an area official authorized the construction.

Because operating expenses of the warehouse IMPL operation are reimbursed from appropriated funds by means of a surcharge, various Bureau appropriations have borne the costs of constructing this building.

To prevent unauthorized construction, we recommend that the Area Director establish procedures to insure that all future construction projects are properly approved by the appropriate area official and the Washington office of the Bureau. We recommend also that the Area Director require that the manual provisions pertaining to the use of work orders for accumulation of construction costs be adhered to and that such costs be properly capitalized.

10. The Gallup Area operated without approved IMPL programs

IMPL operations were conducted in the Gallup Area during the first 6 months of fiscal year 1955 without an approved program from the Bureau's central office.

Pending receipt of approved programs, the Bureau accounted for all IMPL transactions in accordance with fiscal year 1954 programs. When the program authorizations for fiscal year 1955 were

received, an analysis was made of all transactions previously recorded to insure compliance with the program requirements. As a result, numerous adjustments were required to correct previous entries made during the 6-month period. We are unable to locate journal vouchers or supporting documentation for some of these adjustments.

To obtain the necessary management control over IMPL programs, we recommend that the Area Director require that they be processed and approved in a timely fashion. The lack of approved programs for IMPL operations precludes management from performing an adequate review of a program's progress during the year.

VEHICLE USE

11. Excessive repair costs on vehicles

Our review of motor vehicle use at the Crownpoint Subagency disclosed that in some cases costs for maintenance of vehicles during fiscal year 1955 were excessive. Because of lack of replacements, the Navajo Agency instructed the Crownpoint Subagency officials to repair certain old and broken-down vehicles if they were definitely needed. These repairs were made. In most cases it was not long before the vehicle broke down again. This procedure was costly because some of these vehicles required repairs several times during the year.

Vehicles having excessive maintenance costs during fiscal year 1955 are as follows:

License No.	Make	Year	Model	Maintenance cost	Maintenance cost per mile (cents)	Mileage June 30, 1955	Location
I-32876	Ford	1949	Sedan	\$556 ^a	6.4	75,036	Wingate
I-36414	Ford	1948	Pickup	605	6.3	52,269	Crownpoint
I-39045	Chev.	1951	Sedan	817	6.7	62,864	Crownpoint
I-39668	Chev.	1951	Station wagon	787	4.6	89,908	Thoreau
I-44465	Ford	1947	Stake truck	662	22.0	29,327	Crownpoint

^aLabor charges not included.

The maintenance costs per mile for each of the vehicles listed above equaled or exceeded the Bureau's average combined operation and maintenance costs per mile for these types of vehicles. The high maintenance costs can be attributed to the age and mileage of the vehicles and the very poor reservation roads and trails that the vehicles are required to be driven over.

Central office property and supply employees informed us that in fiscal year 1955 all requests for purchase of passenger automobiles for replacement were denied although the Bureau was authorized to purchase 50 vehicles. Accordingly, we recommend that the Bureau develop a planned replacement program in an effort to reduce the over-all motor vehicle costs.

12. Incurring of storage charges for Area Office vehicles is unnecessary

The eight administrative vehicles of the Gallup Area Office are now being parked nightly on an open lot adjoining a local service station approximately one-half mile from the Area Office. The vehicles are delivered by a service station attendant every morning upon request of the Area Office. If it is impossible for the attendant to deliver the vehicle, the Bureau employee must find a way to get to the service station. As a consequence, some administrative personnel time is lost. At the end of each day the vehicles are returned by the attendants to the parking lot.

The vehicles are presumed to be safe on this lot because it is well lighted, and the city police make periodic checks nightly of all business establishments. The vehicles are checked every evening by the service station attendants to make sure that they are locked for the night. The charge for this service is \$5 each month for each vehicle or \$480 annually for all eight administrative vehicles. No contract or leasing agreement exists between this service station and the Bureau of Indian Affairs.

The Gallup office grounds have a heavy fence, 6 feet high with 3 strands of barbed wire on top, around the entire south and

west sides. There is more than sufficient parking space for the administrative vehicles on the office grounds. In order to complete the fence, a section approximately 50 feet in length with a gate would be required at the east side. On the north side a gate of about 25 feet in length would be necessary to enclose the area between the garage and the office building, and at the extreme northwest corner an additional 12 feet of fencing would be required. By fencing in these three areas, the office grounds would be a safe place to store vehicles. We were informed that the project could be completed at an approximate cost of \$300. The Government would realize a saving of approximately \$200 the first year and \$480 annually thereafter. In addition, savings in time of administrative personnel would be realized.

To reduce the cost of storing Area Office vehicles and to save administrative personnel time, we recommend that the Area Director take the action necessary to complete the fencing of the Area Office grounds in a manner which will provide adequate storage space for Area Office vehicles and that the vehicles be stored in the enclosed Area Office grounds.

13. Equipment record cards, form DI-100, are not maintained for all vehicles under the jurisdiction of the Crownpoint Subagency

Our examination of the equipment record cards, form DI-100, for the Crownpoint Subagency on file in the Gallup Area Office, disclosed that cards had not been prepared for a number of vehicles. Moreover, these vehicles had not been assigned a property

number. Vehicles which did not have a form DI-100 or a property number on file as of October 14, 1955, in the Gallup office are as follows:

<u>License No.</u>	<u>Make</u>	<u>Year</u>	<u>Model</u>	<u>Location</u>
I-5046	Chev.	1939	Dump truck	Fort Wingate
I-36809	Ford	1948	Stake truck	Thoreau
I-36817	Ford	1948	Pickup	Fort Wingate
I-36845	Ford	1949	Pickup	Fort Wingate
I-36848	Int.	1946	Bus	Fort Wingate
I-36877	Chev.	1950	Sedan	Fort Wingate
I-39069	Chev.	1951	Carryall	Fort Wingate
I-39681	Dodge	1951	Stake truck	Fort Wingate
I-43315	Pontiac	1951	Sedan	Fort Wingate
I-44476	Mack	1948	Bus	Fort Wingate
I-44720	Dodge	1950	Pickup	Fort Wingate
I-44764	Ford	1947	Sedan	Fort Wingate
I-44783	Chev.	1941	Pickup	Fort Wingate
I-44852	Ford	1942	Fire truck	Fort Wingate
I-44863	Chev.	1941	Truck bus body	Fort Wingate
I-44866	Reo	1947	Bus	Fort Wingate
I-45063	Ford	1953	Pickup	Crownpoint
I-45086	Int.	1944	Cargo truck	Fort Wingate
I-45088	Chev.	1949	Carryall	Baca

To maintain adequate control over Bureau property, we recommend that the Area Director require the Branch of Property and Supply to prepare and maintain property numbers and forms DI-100 for each vehicle under the jurisdiction of the Gallup Area Office.

14. Operator's records, form DI-120, are not being maintained properly

An examination of the operator's records, form DI-120, at Fort Wingate Vocational High School revealed that the drivers had failed to keep an accurate record of expenses. The first part of the form DI-120, showing operation and maintenance costs by months, was completely blank in several instances.

Examples of forms DI-120 which did not contain complete information for the first quarter of fiscal year 1956 are as follows:

<u>License No.</u>	<u>License No.</u>
I-44866	I-44852
I-36354	I-53229
I-53255	I-45111
I-36848	I-39681
I-44476	I-44863

In our opinion the information and time required to keep the operator's records current are reasonable. Also, the data accumulated therein are of value to management in evaluating vehicle use and vehicle cost. We recommend that the Area Director require that vehicle operators be instructed regarding the importance of this record and that a representative of the Property and Supply Section be assigned to check these records for accuracy each month.

15. Equipment is being retained in excess of needs

Our review disclosed several cases where vehicles and other equipment were being retained in excess of the requirements of a particular activity or location.

Examples of excess vehicles and equipment are as follows:

- a. A 1948 Pontiac sedan, No. I-38828, assigned to the Roads Branch at the Consolidated Ute Indian Agency, Ignacio, Colorado, has been sitting idle since February 1955.
- b. The Branch of Roads at the Navajo Indian Agency has a number of items of excess equipment including 12 trucks, 10 tractors, and 17 trailers.
- c. The Irrigation Branch of the Navajo Indian Agency had five No. 50 diesel caterpillar tractors which were built in 1933 and 1934, most of which are not in running order.

To reduce the Government's investment in equipment and to effectively use available vehicles, we recommend that the Area Director review vehicle and equipment needs and initiate a program to assure disposal of equipment excess to the Area's needs.

16. Motor vehicle operation and maintenance
cost records are not maintained properly

Our examination of the records of operation and maintenance costs of motor vehicles for the Crownpoint Subagency disclosed that some of these records were not maintained properly.

In several cases no expenses were charged to the cost records although the vehicles were being operated for certain periods during the year. The expense records did not show any maintenance costs for one of these vehicles driven over 6,000 miles during the fiscal year. A 1950 Dodge 1-ton truck, license No. I-44720, was reported as having been driven 56,352 miles during fiscal year 1955. It was reported, however, as having used only 716 gallons of gasoline and 22 quarts of oil. The speedometer reading at July 1, 1954, was erroneously reported on the expense records.

In order to give management more reliable information on the operation and maintenance costs of motor vehicles and to provide accurate reporting of motor vehicle costs to the Bureau's central office, we recommend that the Area Director require that responsible area officials carefully review the reports sent in from the field and immediately request correction of missing or apparently inaccurate cost or operating data.

FINANCIAL ADMINISTRATION

17. Bureau's administration over the obligation
and expenditure of funds has been unsatisfactory

Our audit for fiscal year 1955 disclosed serious deficiencies in the maintenance of allotment and other fund control records. Unliquidated obligation documents were not reconciled with balances in control accounts at June 30, 1955, or apparently at prior dates. In a letter to the General Accounting Office, dated October 20, 1955, the Area Director stated:

"***. Some of the allotment ledgers for which reconstruction was necessary in January of 1955 had not been fully reconciled at June 30, 1955 for the transactions entered in the months prior to January. For that reason the lists of obligation documents at June 30 could not be fully reconciled with the allotment transactions that came to this office during the entire accounting year. ***."

The Section 1311 report submitted by the Gallup Area Office to the Bureau's Washington office showed that certain allotments under the following appropriations were overobligated at June 30, 1955, in violation of Section 3679, Revised Statutes, as amended (31 U.S.C. 665):

1442016 General Administrative Expenses
1452016 General Administrative Expenses
1452501 Health, Education, and Welfare

Moreover, during fiscal year 1955, cash accounts of disbursing officers showed overdrafts for the following appropriations:

14x7200 Indian Moneys, Proceeds of Labor
1442016 General Administrative Expenses
14x5240 Deposits, Operation and Maintenance,
Indian Irrigation Systems

In our audit report for fiscal year 1954 on the Gallup Area Office (item 1, p. 1), we also pointed out serious deficiencies in the maintenance of fund control records.

We recommend that the Commissioner take immediate action to provide adequate control over funds and to provide accurate records and reports necessary to comply with applicable legislation.

18. Failure to maintain satisfactory control over assets in the Gallup Area

The audit for fiscal year 1955 disclosed that the Gallup Area does not have adequate records showing the stores and major equipment for which the Area Director is accountable as required by the Indian Affairs Manual (43 IAM 201.04D).

The following deficiencies were noted during the audit:

a. Although physical inventories had been taken on certain stores, we noted that the Bureau had not properly adjusted its financial records on the basis of these inventories.

b. During our inspection of the consolidated garage facilities at Crownpoint, New Mexico, we were unable to locate inventory records for parts on hand. A physical inventory of these parts had not been made since October 20, 1951.

c. The aggregate of the balances in the equipment records at June 30, 1955, maintained by the Property Branch did not agree with the balances in the corresponding general ledger accounts, and no reconciliation has been made as required by the Indian Affairs Manual.

The balances as of June 30, 1955, were as follows:

	<u>General ledger</u>	<u>Property records</u>	<u>Difference</u>
Equipment--General	\$4,036,523.27	\$4,659,778.31	\$623,455.04
Equipment--Irrigation	606,677.32	549,264.64	-57,412.68
Equipment--Indian Moneys, Proceeds of Labor	78,880.42	131,350.22	52,469.80

d. Our audit disclosed also that the Area Office has not maintained subsidiary records for Account 2001.2, Fixed Property, IMPL activities, as required by the Indian Affairs Manual (42 IAM 502.05B). The balance of this fixed property account in the general ledger at June 30, 1955, amounted to \$45,171. The Bureau was unable to furnish information as to the nature of this property, its location, or the date of the last physical inventory. There has been no activity in this account since April 1, 1952.

At the time of our field audit in November 1955 the Gallup Area was engaged in taking a physical inventory of all property.

To correct the deficiencies noted above, to strengthen the control over Bureau property accountability in the Gallup Area, and to assist in preventing possible losses of property owing to misplacement, destruction, or theft, we recommend that the Area Director require that the physical inventory of all property be completed promptly and that the necessary reconciliation of differences be made. Appropriate adjustments should then be made to bring the respective general ledger balances into agreement with the physical inventory.

19. Collection follow-up on delinquent accounts receivable is inadequate

Our audits for fiscal year 1955 disclosed that follow-up on the collection of delinquent accounts receivable has been inadequate at the Gallup Area Office. This deficiency was pointed out also in the report on Gallup Area Office (item 11, p. 19) for fiscal year 1954.

Numerous examples of inadequate follow-up on unpaid bills at the Navajo Indian Agency were noted for most of the services rendered. A few examples of unpaid bills at November 20, 1955, are as follows:

<u>Bill date or date of service</u>	<u>Service</u>	<u>Amount</u>	<u>1st follow-up date</u>
4- 9-51	Hospitalization	\$ 30	8-31-54
2-11-52	Hospitalization	48	8-31-54
1-13-50	Sale of coal	37	1-10-52
6- 5-46	Sale of coal	44	4-19-54
1-51 to 3-51	Telephone	43	4-21-52
11-17-49	Surplus lab product	27	9- 2-53
9-50 to 4-51	Water	35	9- 1-53
3-48 and 1-50	Sale of coal	67	1-10-52
1947 to 1950	Electricity	35	9- 1-53
2-50 to 5-50	Subsistence	103	9- 2-53
4-53 to 10-53	Telephone	64	6- 3-54

To correct the deficiencies in the collection of accounts receivable, we recommend that the Area Director carry out the provisions of the Indian Affairs Manual (42 IAM 608.01F) which provides in part that "Every reasonable effort must be made to collect delinquent bills." Specifically, we make the following recommendations:

- a. Prompt billing of all amounts due to the Government and discontinuance of services, such as telephone, if payment is not received.
- b. Analysis of accounts receivable by the agency offices on a quarterly basis and reports to the Area Office on the action taken to collect each account over 6 months old.
- c. Installation of a vigorous collection program at those agencies or locations where excessive delinquent accounts or evidences of poor collection procedures are found to exist.
- d. The transfer of all accounts considered to be uncollectible to the central office in accordance with applicable regulations.

20. Aggressive action not taken to collect probate fees

Aggressive action has not been taken by the Navajo Agency to collect probate fees from the sources prescribed in the Code of Federal Regulations (25 C.F.R. 81.22). Bills for these fees have been issued and fees due have been recorded in the books of account only when there were sufficient funds in the individual Indian money account of the deceased. The regulations provide that the fees "shall be paid (1) by the heirs, or (2) by the beneficiaries under the will, or (3) from the estate of the decedent, or (4) from the proceeds of the sale of the allotment, or (5) from any trust funds belonging to the estate of the decedent."

Our review of 170 Forms 5-405, Departmental Findings Determining the Heirs of Deceased Indians, prepared for each estate, disclosed that probate fees were outstanding against 90 of these estates. We noted that, in 23 cases, these fees have been outstanding for over 15 years.

The Real Property Officer at the Agency estimated that unpaid probate fees would total about \$20,000.

To collect probate fees due and to establish accounting control over all probate fees due, we recommend that the Area Director take aggressive action to collect probate fees from the applicable prescribed sources and require that all such fees due be recorded in the books of account.

21. Loans receivable records have not been reconciled periodically

Unreconciled differences between agency loans receivable subsidiary records and Area Office control records as of June 30, 1955, are summarized below.

<u>Account title</u>	<u>Control records</u>	<u>Subsidiary records</u>	<u>Unreconciled differences</u>
Revolving Fund Loans Receivable	\$512,868	\$707,796	\$194,928
Other Loans Receivable	975,898	249,804	-726,094
Long Term Receivables and Loans	135,426	141,278	5,852

In our report for fiscal year 1954 on the Gallup Area Office (item 12, p. 22), we also pointed out unreconciled differences between loans receivable subsidiary and control accounts as of June 30, 1954. The Indian Affairs Manual (42 IAM 502.06) provides that, on agency accounts, "the balances will be reconciled monthly with the area office accounts."

To assure the reliability of the loans receivable accounts, we recommend that the Area Director require that the balances be reconciled monthly with the Indian agency records as required by the Indian Affairs Manual.

22. Imprest fund needed at Navajo Indian Agency

Our audit of the Navajo Indian Agency disclosed that a number of purchase orders for small amounts were being issued. Most of these orders could have been paid from an imprest fund if such a fund had been established. Examples of such purchases are as follows:

<u>Purchase order No.</u>	<u>Description</u>	<u>Amount</u>
607-1303-55	Emergency dental care	\$21
607-1323-55	Purchase of curtain rods	8
603-1334-55	Purchase of door locks	15
603-1336-55	Clean and repair adding machine	25
603-1361-55	Repair of valve and switch	36

To increase efficiency and to promote economies in both the Procurement Section and Branch of Finance, we recommend that imprest funds be established.

23. Controls over imprest funds are inadequate

Our fiscal year 1955 audit disclosed that the Gallup Area has not maintained proper control over imprest funds.

The former Chief, Property and Supply Branch, an imprest fund cashier, transferred on June 18, 1955, to the Public Health Service without an audit of his imprest fund. The employee retained the imprest fund and subsequently the fund was used for the benefit of the Public Health Service. The Bureau of Indian Affairs later instituted corrective action and the account has now been closed.

We noted also that the imprest fund cashier at the Consolidated Ute Agency transferred to the Bureau's Portland Office on August 17, 1955, without an audit of his fund. The imprest fund

cashier left the fund in the custody of the alternate imprest fund cashier. The Bureau has initiated action to terminate this fund.

To safeguard against possible losses of funds and to comply with existing regulations, we recommend that the Area Office require an audit of imprest funds upon termination or transfer of employees. Instructions have been issued by the Area Office which should provide for the proper accounting for imprest funds in the future.

24. Administrative examination of vouchers is inadequate

Our examination of vouchers disclosed that the voucher audit unit is not making a satisfactory audit of disbursement vouchers prior to certification for payment. We noted numerous instances where vouchers (1) were charged to the wrong fiscal year appropriation, (2) were improperly coded by subcost accounts, and (3) were miscoded by object classification.

Examples of charges to the wrong appropriation are as follows:

Bureau schedule No.	Date of payment	Voucher No.	Period service rendered	Appropriation charged	Amount
A-575	8-30-55	13563	Garage repairs, June 1955	1462507	\$ 389.81
			Electricity, 5-20-55 to 6-20-55	"	1,084.20
			Electricity, June 1955	"	180.75
			Electricity, billing of, 6-22-55	"	210.92
			Garage repairs, 6-22-55 to 6-27-55	"	163.65
			Gasoline and oil, 7-22-54 to 3-24-55	"	58.76
			Storage charges, June 1955	"	30.00
			Electricity, 5-21-55 to 6-30-55	"	355.39
A-700	9-12-55	16499	Gasoline, July 1955	1452501	18.45
A-688	9- 9-55	16075	Purchase of stamps, July 1955	1452016	50.00
A-491	8- 9-55	8991	Boarding of Navajo children, July 1955	1452501	2,762.81

The amounts charged to appropriation 1462507 should have been charged to appropriation 1452507. Similarly, the amounts charged to appropriations 1452501 and 1452016 should have been charged to appropriations 1462501 and 1462016, respectively.

Examples of improper codings to subcost accounts are as follows:

<u>Bureau voucher</u>	<u>Description</u>	<u>Subcost account charged</u>	<u>Amount</u>
A-18673	Ditcher, 2-way flat bottom for hydraulic 3-point tractors	1751.2	\$ 158.00
"	Steam cleaner, 90-gallon per hour capacity	1751.2	510.00
"	Machine, floor-polishing, electric	1751.2	104.60
"	Basketball, canvas shoes	1753.2	1,260.16
"	Grass seed, athletic field mix	1751.2	300.00

The amounts listed above are not proper charges to these subcost accounts because subcost account 1751.2 is provided for costs relating to books and teaching supplies and subcost account 1753.2 is provided for costs relating to dormitory operations (housekeeping and property expense).

We noted also object classification miscodings of telephone charges on June 1955 vouchers in the amount of \$5,635.

The above deficiencies were called to the Bureau's attention and, in some cases, proper adjustments were made at the time of the audit.

To account properly for appropriated funds and to accumulate accurate fiscal information for report purposes, we recommend that an effective review of the propriety of charges to the various appropriations, object classifications, and cost accounts be made by the Bureau's voucher examiners before payment of vouchers.

25. Construction work-in-progress costs were transferred to fixed property accounts at end of fiscal year

Irrigation project costs, in the amount of \$1,162,981, which had accumulated in the construction work-in-progress accounts were transferred without completion reports to the fixed property

accounts at June 30, 1955. Similarly all road construction costs, totaling \$1,310,540, were transferred to fixed property accounts at June 30, 1955, without supporting completion reports. This procedure was also followed in fiscal year 1954 as pointed out in the report on the Gallup Area Office (item 16, p. 29) for fiscal year 1954. The action was based on instructions issued by the Branch of Budget and Finance in Washington, D.C., on July 8, 1954.

The closing of construction work-in-progress accounts and the transfer of costs recorded therein to fixed property accounts on a fiscal year basis in lieu of a completion basis for specific features or units of work do not disclose the true financial status of construction work in progress and completed works. Accordingly, we are repeating our 1954 report recommendation that the Commissioner provide for a revision of instructions so that all construction work-in-progress accounts will be transferred to the appropriate asset accounts on the basis of completion reports. 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.

26. Depreciation charges have not been properly accrued

Our audit disclosed that, except at the Navajo Indian Agency, depreciation on road construction equipment was not being accrued or charged to work orders. This was due to an inadequate description of the equipment on use reports submitted to the Area Finance

Office. In such cases no depreciation was charged to the work orders for the equipment used. Depreciation is accrued on the basis of the number of hours of use reported on the use reports, and the unit of equipment must be adequately identified in order that the proper rate of depreciation may be applied.

To show costs properly and to charge work orders with reasonably accurate depreciation costs, we recommend that the Area Director take the necessary action to train field personnel in the preparation of equipment use reports.

27. Other miscellaneous and accounting deficiencies

During the audit we noted certain irregular or deficient practices, some of which are set forth briefly below. Where other than compliance with manual provisions is required, our recommendations for change are stated immediately after the audit finding.

a. Our review disclosed that contract files on mining leases are not maintained at the Area Office in accordance with provisions of the Bureau of Indian Affairs Manual (54 IAM 604 and 605). Original documents for assignment of mining leases were missing for contracts Nos. 14-20-603-756, -771, -773, -774, -775, and -776.

b. Examination of 35 oil and gas leases disclosed that surety bond documents were not on file for 22 of these leases. Examples of leases which were not supported by bonds are:

Lease No.
14-20-603-223
14-20-603-248
14-20-Ind-381
14-20-603-382
14-20-603-383
14-20-603-65
14-20-603-349

Surety bonds on leases are required by the Indian Affairs Manual (54 IAM 606.02). Each lease listed above should have a surety bond of \$2,000 on file.

c. Procedures have not been established by the Gallup Area Office to determine whether all rentals on Government quarters are collected.

To assure that all rentals are collected, we recommend that the Area Director establish such procedures.

d. Our fiscal year 1955 audit disclosed that GSA Forms 33, Report on Procurement by Civilian Executive Agencies, were not being prepared properly, nor were they being forwarded to the Bureau's central office when due in accordance with provisions of the Indian Affairs Manual (43 IAM 408.01A).

In order that procurement reports may serve their intended purpose, we recommend that the Area Director take the necessary action to assure that the reports are prepared accurately and submitted on time to Washington.

e. Our fiscal year 1955 audit disclosed that proper control of travel advances is not being maintained in the Gallup Area. At June 30, 1955, the general ledger control account amounted to \$4,348 or \$564 less than the individual travel advances outstanding. Moreover, monthly reconciliations have not been made as required by General Regulation No. 88, Second Revision, dated November 7, 1950.

In order to improve control over travel advances and to comply with existing regulations, we recommend that the Area Director

establish procedures which require monthly reconciliations of outstanding advances to the general ledger control account.

f. Adjustments between subsidiary records supporting general ledger accounts have been made without supporting journal vouchers. Support for these adjustments included references to posting media such as "Office memo dated 8-30-54" and "Accounting Data Sheet dated March 31, 1955."

To provide adequate supporting documentation for adjustments made in the books of account and to fix responsibility for accuracy of all adjustments, we recommend that these adjustments be made by journal voucher (form 1017G) and approved by a responsible Bureau official.

g. There was no documentary evidence in the loan file at the Navajo Agency which showed that the required insurance for collateral on loans had been obtained and that the insurance premiums were current. Only three loans totaling \$7,717 for other than educational purposes were made by the Navajo Agency during the limited loan program in effect during fiscal year 1955. The largest loan, No. CF-711, was approved on January 18, 1955, in the amount of \$6,500 for the purchase of a motor vehicle service station and equipment. Loan agreement No. CF-711 required, among other things, that insurance be maintained in connection with the property mortgaged under this loan as follows:

<u>Type of insurance</u>	<u>Amount</u>
Theft	\$ 2,000
Fire and lightning	6,500
Personal liability	20,000

We were informed by agency officials, however, that insurance premiums were paid by the borrower for a period of 1 year from the date of this loan and that the borrower had custody of the insurance policies. The period of the loan is almost 4 years. The other loan agreements did not require that the equipment be insured.

To conform as closely as possible to sound loan principles as practiced by commercial lending organizations, we recommend that, where insurance is required on mortgaged property, the Area Director require the copies of the policies or other evidence of insurance to be retained by the Bureau.

h. Our audit disclosed that the procurement procedures set out in the Indian Affairs Manual are not always followed. The time schedule established by the Area Office in the supplement to the Indian Affairs Manual (43 IAM 411.01B(6)(d)-1) provides that printed forms are to be ordered in February for the following fiscal year. Examples of untimely requisitions are as follows:

<u>Requisition</u>	<u>Date</u>	<u>Amount</u>
355-3-4307	5- 5-55	\$ 7.73
355-1-47	5-18-55	10.00
355-16-35	5-24-55	18.00
355-11-17	6- 7-55	1.00
355-11-19	6- 9-55	4.00

The Indian Affairs Manual (43 IAM 410.02E) provides also that confirming purchase orders are to be issued immediately after an order is given by telephone or telegraph. We noted, however, that requisition 356-24-204 dated October 19, 1955, and purchase order 2543, dated November 2, 1955, were issued to cover 22 deliveries of coal made between September 12 and September 30, 1955.

1. Our audit for fiscal year 1955 disclosed that the amounts in Account 1040, Work In Process, and Account 1243, Deferred Credits, were incorrectly stated at June 30, 1955, because of improper accounting for an advance received from the Atomic Energy Commission for access roads to be constructed on the Navajo Reservation. This advance was credited directly to account 1040 instead of being credited to account 1243 as provided by the Indian Affairs Manual (42 IAM 502.03B(2)). Consequently, at June 30, 1955, the work-in-process account showed a credit balance of \$17,789 instead of a debit balance of \$24,907. In addition, the deferred credit account balance at June 30, 1955, was understated by \$42,696.