

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

**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

B-118601

MAR 12 1956

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

Dear Mr. Emmons:


Herewith is our report on the audit of the Portland, Oregon, 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 and gave particular attention to the deficiencies reported as a result of our audit for fiscal year 1954. We have given consideration to the area office's corrective actions with respect to our report for 1954.

Your attention is invited to the fact that many of the deficiencies on which we are reporting are the result of failures in the area office to comply with stated policies and procedures of the Bureau included in the Code of Federal Regulations and the Indian Affairs Manual. Many of these deficiencies would have been disclosed by a vigorous program of administrative review, inspection, and internal audit. Such a program would afford the Bureau an opportunity to take early corrective action based on its own findings.

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

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

Sincerely yours,


E. H. Morse, Jr.
Director of Audits

Enclosure

C o n t e n t s

	<u>Page</u>
IRRIGATION	1
Construction costs not assessed against patent-in-fee lands in Indian ownership at Wapato Project	1
Water-right contracts not executed on patent-in-fee Indian-owned lands at Wapato Project	2
Completed constructed works at Wapato Project not officially declared complete	4
Delinquent payment of construction cost assessments at Wapato Project	4
Construction cost assessments and payments made by Indian owners not transferred to the accounts of non-Indian purchasers at Wapato Project	5
Ditch riders' records of water deliveries at Wapato Project not reviewed	6
Notices not issued at Wapato Project to landowners for installments due on "10 year contracts"	7
Accounts receivable records at the Wapato Irrigation Project	8
Construction repayment contracts not executed at Klamath Irrigation Project	10
Construction assessment rate not computed in accordance with regulations at Modoc Point Unit of Klamath Irrigation Project	10
Assessments for construction costs not made at Klamath Irrigation Project	11
Construction cost assessments not recorded in accounts at Klamath Irrigation Project	11
Operation and maintenance assessment rate inadequate to recover costs at Klamath Irrigation Project	13
Rules and regulations not issued for the operation and maintenance of the Klamath Project	14
Irrigation assessments not collected at Klamath Project	15
Water users' associations not formed at Klamath Project	18
Internal control over irrigation accounting not adequate	19
Small tracts not irrigated at Klamath Irrigation Project	20
Accounts receivable not aged and reviewed	20
Other irrigation accounting deficiencies	21
LAND MANAGEMENT	23
Irrigation construction assessments paid by Indian landowners not considered when lands are appraised	23
Surety bonds covering improvements to Indian-owned property not obtained	23
Action not taken to collect probate fee accounts receivable	24

	<u>Page</u>
No evidence of inspection of lessee-improvements to Indian-owned property	25
Systematic procedures are not used to assure prompt follow-up action after a lease expires	25
INDIVIDUAL INDIAN MONEYS	27
Disbursements of individual Indian moneys not supported by proper authorizations for withdrawals	27
Checks not safeguarded	28
Location of certain account owners not known	30
Individual Indian money signature files not maintained	30
Disbursement documents not properly filed	31
Semi-annual statements not furnished individual Indian money account owners	31
CREDIT	
Delinquent status of loans to employees and tribal officials	32
Duplicate loan files	32
OTHER MISCELLANEOUS AND ACCOUNTING DEFICIENCIES	34
Excess motor vehicles	34
Necessary accounting data omitted from transfer documents	34
Charges for medical services not billed	35
Small purchases at Yakima Agency not made with imprest cash	37
Imprest fund cashier at Klamath Agency	37
Deposit fund accounts not cleared	37
Authority of Klamath Tribal Executive Committee	38

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IRRIGATION

1. Construction costs not assessed against patent-in-fee lands in Indian ownership at Wapato Project

The Wapato Project has not been assessing patent-in-fee Indian-owned lands for construction costs.

The Code of Federal Regulations (25 C.F.R. 130.88) provides that patent-in-fee landowners will pay construction assessments before delivery of water, but does not define the term "patent-in-fee landowners."

Area office officials informed us that the project has not been assessing construction costs on patent-in-fee Indian-owned lands because it is the opinion of the Solicitor, Department of the Interior, that the term Indian-owner as stated in the Leavitt Act (act of July 1, 1932--25 U.S.C. 386a) means any Indian owner, whether title be held in trust or patent-in-fee. Therefore, Indian owners of patent-in-fee lands would not be required to pay construction costs because the Leavitt Act deferred collection of all construction costs until the lands have passed from Indian ownership.

The deferment of irrigation construction costs on Indian lands until the Indian title to the land is extinguished does not preclude the assessment of Indian patent-in-fee lands and the recording of unpaid assessments as liens against the land. Indian patent-in-fee landowners can sell or transfer their lands without the supervision of the Federal Government.

Accordingly, to assure the recovery of irrigation construction costs, we recommend that the Commissioner require the assessment of these lands and the recording, in the county records, of unpaid assessments as liens against the land.

To avoid misunderstanding and to assure proper application of the code, we recommend also that the Commissioner clarify the Code of Federal Regulations (25 C.F.R. 130.88) to state the interpretation of the Leavitt Act as expressed in the Solicitor's opinion.

2. Water-right contracts not executed on patent-in-fee Indian-owned lands at Wapato Project

The Wapato Project has not required water-right contracts on patent-in-fee Indian-owned lands, but does require non-Indian landowners to execute these contracts.

The Code of Federal Regulations (25 C.F.R. 130.92(c) and 130.88) requires patent-in-fee owners to execute water-right contracts before assessments can be made and water delivered. In the absence of executed water-right contracts, owners of patent-in-fee lands can sell or transfer their lands without supervision of the Bureau of Indian Affairs. Therefore, these owners could forego irrigation of their lands and allow the operation and maintenance assessments to accrue. These lands could then be sold or

transferred without the Federal Government having an opportunity to collect accrued operation and maintenance charges through enforcement of the lien clause in a water-right contract.

To provide a means whereby liens can be recorded against the land, we recommend that the Area Director execute water-right contracts covering all Indian patent-in-fee lands and record them in the county records. At the time of our audit in September 1955 the Wapato Project had about 1,585 acres recorded as patent-in-fee Indian-owned lands on which water-right contracts had not been recorded.

3. Completed constructed works at Wapato Project not officially declared complete

Our review of Wapato Irrigation Project records and the discussion with the Area Office Irrigation Engineer disclosed that the constructed works of the Ahtanum Unit have been physically completed, but have not been officially declared complete. Repayment contracts for specific amounts of construction costs may be executed for the acreages designated irrigable only after such declaration is made. Accordingly, we recommend that the Area Director take the necessary action, at the earliest practicable date, to have the constructed works of this unit declared officially complete.

4. Delinquent payment of construction cost assessments at Wapato Project

Payments of construction cost assessments at the Wapato Project have been delinquent. The act of May 25, 1922 (42 Stat. 595), sets the due date for payments of these charges as December 31 of each year, but does not provide for penalties for failure to pay by the due date. Consequently, construction assessments on idle lands may be allowed to accrue indefinitely without penalizing the owner for failure to pay on the dates due. Also, it is the practice at the Wapato Project for all landowners to pay their construction assessments at the same time as the operation and maintenance assessments. Most of these payments are made during April, May, and June each year and include about \$70,000 of construction cost assessments that should be paid by December 31 of the preceding calendar year.

We recommend that the Area Director take the necessary action to have the construction assessments paid by December 31 of each year as required by law. We recommend also that the Commissioner consider having the regulations amended to provide for penalties on delinquent payments of construction cost assessments.

5. Construction cost assessments and payments made by Indian owners not transferred to the accounts of non-Indian purchasers at Wapato Project

Construction cost assessments and payments on Indian-owned lands at the Wapato Project that were made before the enactment of the Leavitt Act (act of July 1, 1932--25 U.S.C. 386a) are not always transferred to the account of the non-Indian purchasers in the water users' ledgers when the lands are sold.

The Code of Federal Regulations (25 C.F.R. 241.23) provides that the purchaser shall pay the unpaid charges of construction costs as of the date of acceptance of the bid. Therefore, these assessments and payments should be carried forward for the account of the purchaser. The assessments and payments that were not transferred to the accounts of the purchasers when the lands were sold are now lost in the dormant accounts of the former Indian owners who had paid the charges.

To properly maintain the water users' ledgers we recommend that the Area Director instruct the Project Superintendent to take prompt action to transfer these assessments and payments from the accounts of the former Indian owners to the accounts of the purchasers.

6. Ditch riders' records of water deliveries at Wapato Project not reviewed

Ditch riders' records of water deliveries on the Toppenish-Simcoe Unit of the Wapato Irrigation Project are not reviewed and checked to the record of assessments paid by the water users and landowners.

The ditch riders are required to make a record for each water user to whom water is delivered. This record shows the description of the land and the number of the official receipt the water user received when he paid his charges.

On the Wapato Satus and Ahtanum Units of the Wapato Irrigation Project the ditch rider certifies on copies of delinquent notices whether the users are receiving water. The watermaster verifies the ditch riders' statements. Delinquent notices are not sent to water users of the Toppenish-Simcoe Unit, however, because those water users are not billed unless an application for water has been filed, and because water should not be delivered unless charges have been paid or certificate of deferment has been issued by the superintendent. Consequently the type of verification performed by the watermaster on the Wapato Satus and Ahtanum Units cannot be made on the Toppenish-Simcoe Unit.

To improve management control over delivery of water on the Toppenish-Simcoe Unit we recommend that a field check be made periodically by the watermaster to determine that the ditch rider is making a record of all deliveries. After the field check, the ditch riders' records of deliveries should be checked to the water

users' ledger by administrative personnel of the project office to insure billings for deliveries of water.

7. Notices not issued at Wapato Project to landowners for installments due on "10 year contracts"

Our review of the Wapato Irrigation Project "10 year contracts" (agreements to pay accrued delinquent operation and maintenance and construction assessments) authorized by the act of June 22, 1936 (25 U.S.C. 389), disclosed that the project office did not issue bills for annual installments as they became due.

Because landowners have not been notified of installments due on contracts some installments have become delinquent. The Project Administrative Officer stated that annual bills for installments due had not been issued because the charges covered by these contracts have previously been billed and recorded in the water users' ledger and general ledger account 136, Accounts Receivable.

The Indian Affairs Manual (42 IAM 402.04B) provides general ledger account 128, Deferred Receivables, for recording the obligations of water users deferred under the Moratoria or other acts extending the time of payment.

To provide for proper classification of the Bureau's assets for purposes of financial and other statements and to comply with the provisions of the Indian Affairs Manual, we recommend that the receivables covered by the 10-year contracts of the Wapato Project be transferred from account 136, Accounts Receivable, to account 128, Deferred Receivables. To assist in timely collection of amounts due the Federal Government, we also recommend that bills be issued for installments and interest due.

8. Accounts receivable records
at the Wapato Irrigation Project

The water users' ledger of the Wapato Irrigation Project Office does not show all necessary information, nor does it always show the correct balance of accounts receivable.

Many accounts failed to show information to properly identify the current owner, the description of the land irrigated, the deed number, whether the deed was recorded in the county records, and whether the lands are covered by water-right contracts. Because of incorrect balances of accounts receivables in the water users' ledgers difference accounts are maintained between the amounts of the outstanding bills issued and the balances in the water users' ledgers, and difference accounts are maintained also between the balances in the water users' ledgers and the balances in the control accounts in the area office. Complete and correct information in water users' ledger accounts for the Wapato Project is particularly needed because of the size of the project and volume of transactions.

The project office and the area office are aware of the poor condition of the water users' ledger and a detailed review is being made to correct these deficiencies. Since 1948 three different employees, each working alone, have worked on this review. Much of the work performed by each of the first two employees has been reworked by the succeeding employee because of the background knowledge required to adequately perform the review. In our opinion it would be much more economical to complete the work as rapidly as possible without changing the personnel.

To record the necessary information, eliminate the difference accounts, and proceed with appropriate collection action, we recommend that the Area Director provide an adequate staff to complete the review as soon as possible.

9. Construction repayment contracts not executed at Klamath Irrigation Project

Construction repayment contracts have not been executed for non-Indian lands of the Klamath Irrigation Project. These formal contracts provide agreements with debtors for recording liens on lands of the non-Indians within the project, and for repayment to the Federal Government of reimbursable appropriations applicable to such lands.

To provide a means of recording liens for construction cost repayments on lands within the project, we recommend that the Area Director execute repayment contracts covering lands within the Klamath Irrigation Project as soon as possible.

10. Construction assessment rate not computed in accordance with regulations at Modoc Point Unit of Klamath Irrigation Project

The rate of \$2.12 assessed for construction costs of the Modoc Point Unit of the Klamath Irrigation Project was not established in accordance with the procedures provided in the Code of Federal Regulations (25 C.F.R. 141.1). The rate was developed by the Portland Area Office in 1952 based on an estimated reimbursable construction cost of \$510,426 for 6,031 acres, the ultimate irrigable acreage of the Unit. The Code of Federal Regulations provides that the per acre cost shall be determined by dividing the cost at June 30 each year by the total acres to which water can be delivered on that date.

To provide for proper repayment to the Federal Government of all construction costs, we recommend that the Area Director revise

the construction assessment rate of the Modoc Point Unit of the Klamath Irrigation Project in accordance with the provisions of 25 C.F.R. 141.1.

11. Assessments for construction costs not made at Klamath Irrigation Project

Construction cost assessments on non-Indian owned lands were not made at the Klamath Irrigation Project from 1936 to 1952. An assessment was made for 1952, but not for 1953. Assessments were again made for 1954 and agency officials stated bills would be issued for the 1955 construction assessment. The Code of Federal Regulations (25 C.F.R. 141.1) provides that these assessments shall be paid on or before November 15 of each year for the pro-rated construction costs as of June 30 of that year.

To provide for repayment to the Federal Government of the cost of constructed works at the Klamath Irrigation Project and to comply with the provisions of 25 C.F.R. 141.1, we recommend that the Area Director make the required construction cost assessments.

12. Construction cost assessments not recorded in accounts at Klamath Irrigation Project

Construction cost assessments for the Klamath Irrigation Project issued on December 17, 1954, had not been posted to the water users' ledger at July 7, 1955, nor had the agency notified the Portland Area Office to record the billings in the area office irrigation accounts. This deficiency was called to the attention of the Land Operations clerk and the Administrative Officer at the Klamath Project. The assessments were then posted to the water users' ledger and appropriate notice was forwarded to the area

office. The information was not received in the area office in time to be recorded as fiscal year 1955 transactions.

We recommend that the agency exercise more care and be more prompt in the maintenance of its irrigation accounts so that accurate financial data may be obtained from official records. We recommend also that the area office periodically review irrigation accounts to determine that reports of assessments made are forwarded promptly and are recorded within a reasonable time.

13. Operation and maintenance assessment rate
inadequate to recover costs
at Klamath Irrigation Project

The operation and maintenance assessment rate at the Modoc Point Unit of the Klamath Irrigation Project is not adequate to repay all operation and maintenance costs.

The operation and maintenance assessment rate at the Unit was increased for the 1955 irrigation season from \$3 to \$3.85 per acre. The new rate was based on an average annual operating cost of \$12,000 a season for 3,127.94 acres listed in the schedule of February 12, 1935 (25 C.F.R. 130.48a). However, in 1955 only 1,750 acres were assessed, of which 962 acres were farmed by non-Indians and 788 acres were Indian farmed. Consequently, the 1955 assessment under the new rate of \$3.85 will, if it is all collected, result in collections of only \$6,737. Thus, appropriated funds will pay about \$5,300 of the cost of operation and maintenance at this project.

In the 1954 irrigation season 1,605 acres were assessed \$4,815, compared to an operating cost of \$8,249, or \$5.14 per acre. The assessment rate was \$3 an acre. In addition, \$8,019 was spent in fiscal year 1954 from operation and maintenance funds for rehabilitation of the drainage works on the Modoc Point Unit, but this amount was not included in the average operation and maintenance costs in arriving at the increased assessment rate of \$3.85. Provision has not been made to repay this expenditure, either by an increased assessment rate or a special assessment.

We were informed by agency and project officials that some lands had not been assessed because water could not be delivered, because of the alkali condition of the lands, or because of lack of drainage.

The Area Irrigation Engineer stated that the lands of the Modoc Point Unit are being surveyed to determine irrigable acreage and that an official determination may be made within a year.

In order that all irrigable acres can be assessed in the 1956 irrigation season and the assessment rate may be made on a realistic basis, we recommend that the Area Director expedite the survey and make the determination before assessment notices are issued for the 1956 irrigation season. We recommend also that the operation and maintenance assessment rate for the Modoc Point Unit be reviewed, that the rates be based on the acres actually benefiting from the irrigation works, and that the rates be fixed so as to repay all operation and maintenance costs, including the cost of the special drainage work financed from operation and maintenance funds in fiscal year 1954.

14. Rules and regulations not issued for the operation and maintenance of the Klamath Project

Rules and regulations for operation and maintenance of the Klamath Project have not been issued. In our report dated July 6, 1955, on the audit of the Portland Area Office for the fiscal year 1954 (page 15, item 10a) we called this matter to the attention of the Bureau.

The need for rules and regulations was further evidenced as a result of the fiscal year 1955 audit at this project. The

Modoc Point Unit of the project was started in 1901, and the Sand Creek Unit in 1918, but an irrigation season has not been formally designated for either unit. This failure has resulted in the use of the system for stock watering until as late as the middle of December or about two months beyond the normal irrigation season. The Operation Watermaster of the Klamath Project stated that the use of the Modoc Point Unit irrigation facilities for stock watering in 1954 resulted in increased operation and maintenance costs of about \$1,500.

To provide specific policies and procedures governing the distribution and use of water on the project, to provide protection of the constructed works, and to reduce the cost of the operation and maintenance of the project, we repeat our recommendation that rules and regulations governing the operation and maintenance of the irrigation project be issued.

15. Irrigation assessments not collected at Klamath Project

There is no evidence that the Klamath Agency has actively attempted to collect irrigation assessments.

The Indian Affairs Manual (42 IAM 608.01F) provides that every reasonable effort must be made to collect delinquent bills. Portland Area Office supplement to the manual provides that each agency is responsible for taking all reasonable steps to collect amounts due the United States and that all collection efforts should be documented.

The unpaid operation and maintenance assessments on non-Indian owned lands of the Modoc Point Unit amounted to \$6,776 at June 30, 1955. Of that amount \$4,662 has been due since 1950 or earlier.

We noted also that of the \$13,299 due for operation and maintenance on the Sand Creek Unit since 1950 or earlier, \$6,654 applies to lands removed from the unit. Of the latter amount, \$935 applies to Indian-owned lands and \$5,719 to non-Indian lands so removed.

Many of the unpaid operation and maintenance assessments of the Modoc Point Unit are on Indian lands. Tests of unpaid Indian assessments disclosed that some Indians owing operation and maintenance assessments had funds to their credit at the agency through per capita payments, lease income, or in individual Indian money accounts. We also noted that the superintendent had not issued any certificates that the Indians were financially unable to pay so as to relieve them of the payment of their operation and maintenance assessments.

None of the bills issued for the 1954 construction cost assessment had been collected by July 1955. The total construction assessments on the Klamath Irrigation Project through 1955 amounted to \$33,302 but only \$17,828 had been collected or canceled through June 30, 1955, leaving an unpaid balance of \$15,474. The Code of Federal Regulations (25 C.F.R. 130.48(b)) provides that if payment of assessments is not received, water shall not be delivered. We observed on June 28, 1955, that water was going into the Sand Creek Unit although none of the assessments on that

unit had been paid since the 1952 season. All of the irrigable lands of the Sand Creek Unit are owned by non-Indians.

To assure that amounts due the Federal Government are collected, we recommend that the agency take prompt and effective action to collect unpaid irrigation assessments, including, if necessary, discontinuance of delivery of water to any tract where all required assessments have not been paid, legal action against non-Indians, and, where applicable, execution of agreements with Indians to pay water charges, as provided by 25 C.F.R. 130.48(c). We further recommend that the Area Director and the Commissioner undertake such continuing follow-up as is necessary to assure satisfactory action in this matter.

16. Water users' associations not formed at Klamath Project

There are no formal water users' associations or irrigation districts on the Klamath Irrigation Project.

The act of August 13, 1954 (68 Stat. 718) provides for the termination of Federal jurisdiction over property of the Klamath Tribe and individual members thereof no later than August 13, 1958. Section 13(a) of this act (68 Stat. 721), provides also:

"That part of section 5 of the Act of August 13, 1914 (35 Stat. 687; 43 U.S.C. 499), which relates to the transfer of the care, operation, and maintenance of reclamation works to water users' associations or irrigation districts shall be applicable to the irrigation works on the Klamath Reservation."

The applicable part of section 5 of the act of August 13, 1914, provides that:

"Whenever any legally organized water-users' association or irrigation district shall so request, the Secretary of the Interior is authorized, in his discretion, to transfer to such water-users' association or irrigation district the care, operation, and maintenance of all or any part of the project works, subject to such rules and regulations as he may prescribe."

We were informed by the Klamath Agency Superintendent that there is a Modoc Point Water Users' Association, but it is not a formal organization.

To assure that legally organized water users' associations or irrigation districts may take over the operation and maintenance of all the units on the Klamath Reservation upon final termination of Federal supervision, we recommend that the area office take an active part in planning for appropriate organization of associations or districts.

17. Internal control over irrigation accounting not adequate

In our review of the irrigation accounts of the Klamath and Wapato Irrigation Projects we noted a concentration of duties in one employee at each location which did not provide adequate internal control.

The clerk in the Land Operations Office of the Klamath Agency was preparing, mailing, and posting the bills for irrigation assessments. This employee was also receiving the payments from the water users, issuing the receipts, and posting the collections to the water users' ledger. Because the same employee handled all phases of the transaction, there was no automatic check on accuracy that could be obtained through division of duties to more than one employee. As a result of discussing this matter with the Agency Superintendent, transfer was made of these functions to the Branch of Finance where an appropriate division of duties was to be made.

A clerk at the Yakima Agency prepares and sends the bills to water users of the Toppenish-Simcoe Unit, Wapato Project, when application for water is received. This clerk also receives the payments made by the water users, schedules and forwards the deposits, and notifies the project office of the billings made and payments received and deposited.

To provide adequate internal control at the Yakima Agency for handling the irrigation accounts of the Toppenish-Simcoe Unit, we recommend that the Agency Superintendent segregate the duties so that the employee preparing or sending the bills to the water user

is not the same employee who collects the payment and makes the deposit.

18. Small tracts not irrigated at Klamath Irrigation Project

There are about 20 tracts of Indian land totaling less than 20 acres in the Modoc Point Unit of the Klamath Irrigation Project that are not being irrigated or assessed operation and maintenance charges.

Klamath Agency officials and Irrigation Project employees stated that some of the small tracts might be consolidated into larger and more attractive farming units that could be leased, thus providing income for the Indian owners.

To provide income for the Indian owners and assessment revenue for the project we recommend that the Superintendent of the Klamath Agency develop plans for putting unused Indian lands on the Modoc Point Unit into irrigation operation wherever possible.

19. Accounts receivable not aged and reviewed

The irrigation accounts receivable at the Klamath and Wapato Irrigation Projects have not been aged as required by the Indian Affairs Manual (42 IAM 701.02H). The manual provides that the analysis will be made at the end of a fiscal year, by groups: less than 60 days; 60 days to 6 months; over 6 months, the last group to be itemized, with an explanation of collection action taken.

The poor condition of the accounts receivable and lack of collection action taken was disclosed in our efforts to confirm the balances of receivables at the Klamath Agency. Confirmation of accounts receivable balances of 19 water users was requested

and only three replies to our confirmation requests had been received at completion of the field audit in September 1955. These three receivables show balances dating back to 1950 and earlier, and all three are disputed by the debtors. The Area Director has been informed by letter dated August 29, 1955, of the replies received to our confirmation requests.

To provide information to management in determining the status of accounts receivable and to ascertain that the agency is taking appropriate action to collect them, we recommend that the Klamath Agency be directed by the Area Director to submit to the Portland Area Office the analysis and aging of accounts receivable as required by the manual.

We realize that until accurate accounts receivable records have been established at the Wapato Project, it is not practicable to attempt to age and analyze them. As soon as the review recommended on page 9 is completed, we recommend that the Area Director require an analysis and aging of the accounts receivable from the Wapato Project also.

20. Other irrigation accounting deficiencies

a. An amount of \$46 is being used by the Klamath Agency to balance the water users' ledger with the balance in control account 136.5, Accounts Receivable, Operation and Maintenance Charges, Indian Lands, Modoc Point, in the Portland Area Office general ledger. This amount has been used since about 1951. Employees of the agency were not able to identify this item, but told us that a representative of the area office instructed them to use the amount to reconcile with the balances in the area office control accounts. Appropriate action should be taken to

eliminate the amount in the reconciliation of the Modoc Point Unit operation and maintenance accounts receivable.

b. Credit balances are carried in the operation and maintenance assessment accounts of the Modoc Point Unit, Klamath Irrigation Project, as follows:

<u>Tract number</u>	<u>Credit balance</u>
4	\$221.04
33	217.60
12	0.02

A schedule prepared during an audit of the accounts of the Modoc Point Unit in 1950 by the area office shows that the credit balances for tracts 4 and 33 may have been caused by payment after July 1, 1932, of assessments that were canceled by the Leavitt Act of July 1, 1932 (25 U.S.C. 386a). Appropriate action should be taken to dispose of these credit balances.

LAND MANAGEMENT

21. Irrigation construction assessments paid by Indian landowners not considered when lands are appraised

Review of procedures at the Wapato Irrigation Project disclosed that construction assessments paid by Indians before July 1, 1932, the date of enactment of the Leavitt Act (25 U.S.C. 386a), were not always taken into consideration in the appraisal of their lands nor in the Notice of Public Sale when the land was sold to non-Indians. Inclusion of the paid assessments in appraisals of irrigable lands is required by the Code of Federal Regulations (25 C.F.R. 241.23).

To assure that Indians are paid the proper amounts for their equity in constructed irrigation works and to obtain compliance with 25 C.F.R. 241.23, we recommend that the Commissioner put into operation procedures that will assure the inclusion of construction assessments paid prior to July 1, 1932, in the appraisal of Indian-owned lands and in Notices of Public Sale.

22. Surety bonds covering improvements to Indian-owned property not obtained

Selective review of leases of Indian lands at the Yakima Agency disclosed that some lessees were not required to furnish surety bonds as a guarantee for making improvements required by the leases. The Code of Federal Regulations (25 C.F.R. 171.18) provides that unless otherwise provided by the Commissioner a surety bond shall be furnished by the lessee. Our examination of 10 leases disclosed that improvements valued at about \$33,000 on 8 of these leases were not covered by surety bonds.

In order that performance of lease provisions may be reasonably assured and to comply with the Code of Federal Regulations, we recommend that the Area Director obtain surety bonds from lessees in all instances where the lease agreement requires the lessee to make improvements of more than a nominal value. The amount of the bond should include the value of the improvements as stated in the lease.

23. Action not taken to collect probate fee accounts receivable

Probate fee accounts receivable of the Yakima Agency consisted of 21 open accounts at June 30, 1955, totaling \$541. Some of the accounts had been due since 1944 but there was no evidence that any action had been taken to collect or to write off the accounts that are uncollectible. Nine of the accounts totaling \$344 could have been collected in full, or in part, during the fiscal year 1955, in the amount of \$274 from per capita payments or other sources. When we called this matter to the attention of the Bureau, \$150 was collected.

The Indian Affairs Manual (42 IAM 608.01F) provides that every reasonable effort be made to collect delinquent bills, and that after a reasonable effort for collection has failed and the accounts are determined uncollectible, the account should be written off.

To recover amounts due the Government and to effect appropriate disposition of the probate fee accounts, we recommend that the Area Director take aggressive action to collect or write off the accounts in accordance with the applicable provisions of the Bureau of Indian Affairs Manual.

24. No evidence of inspection of lessee-improvements to Indian-owned property

Selective review of leases and permits of Indian lands at the Klamath Agency disclosed several containing provisions that required the lessees to make certain improvements as a part of the rental consideration. There was no evidence in the lease files that agency personnel had inspected the properties to determine whether the lessees had made the improvements. These inspections are required by the Indian Affairs Manual (54 IAM 506.02) and the agency's Land Operations Officer stated that inspections had been made.

To provide a record that required inspections have been made and to evidence performance by lessees of their obligations under leases, we recommend that the Commissioner provide that written reports covering inspections of improvements to leased Indian-owned premises be prepared and filed with the leases.

25. Systematic procedures are not used to assure prompt follow-up action after a lease expires

Our examination of the active lease file at the Klamath Agency disclosed a permit that had expired on September 14, 1954, but the permittee was still using the property in July 1955. A systematic procedure for keeping currently informed of lease and permit expirations is not employed by personnel at the Klamath Agency. At the time of our examination the method used by the agency consisted of notations on a desk calendar pad, and an occasional review of a lease card file which was arranged in numerical sequence.

To prevent loss of rentals to the owners of Indian lands, we recommend that the Area Director adopt a more systematic method for keeping currently informed of the expiration of leases and permits. Arrangement of the card file of leases and permits by date of expiration and provision for a review at regular intervals will provide the necessary administrative control.

INDIVIDUAL INDIAN MONEYS

26. Disbursements of individual Indian moneys not supported by proper authorizations for withdrawals

Selective review of individual Indian money (IIM) accounts and records at the Klamath and Yakima Agencies, disclosed that the disbursements were not supported by proper authorizations for withdrawals as prescribed in the Indian Affairs Manual (42 IAM 603.03E (19)(b)(1)).

Written evidence of withdrawal requests from individual Indians at the Klamath Agency was deficient to such an extent that it was not possible to make a satisfactory audit of the IIM accounts. In an examination of about 75 of 3,900 accounts, documents to support 27 disbursements could not be found at the time of our field audit. Many of the disbursements were made to persons other than the account owner. In addition, authorizations for six disbursements were not properly executed by the persons authorized to withdraw from the accounts, and authorizations covering 21 disbursements were not approved by authorized officials of the agency. Many of the unsupported or inadequately supported disbursements were made from the accounts of minors.

As a result of our discussion with the Area Director, an administrative audit will be made of the IIM accounts at Klamath Agency. The audit was begun by the Bureau on August 15, 1955.

In a review of 29 of the 3,000 IIM accounts at the Yakima Agency, documents supporting seven disbursements totaling \$13,000 from one account could not be found at the time of our field audit. Documentation supporting 10 disbursements based on telephone

requests and 21 disbursements based on oral requests consisted solely of "blanket" authorizations which did not specify the frequency or amounts of individual disbursements. Permission to use "blanket" authorities under certain conditions is prescribed in the Indian Affairs Manual (42 IAM 603.03E(19)(1)).

Because blanket authorities for disbursements made at irregular intervals for irregular amounts do not provide evidence at the agency that authorized persons requested and received the funds, we recommend that the Commissioner amend the Indian Affairs Manual to require that a signed request be obtained from the individual for each disbursement, except those made under a planned program providing issuance of monthly checks for a given amount. Area office officials agree with this recommendation and proposed the procedure to the Commissioner in the Area Administrative Officer's letter dated August 12, 1955.

To account properly for moneys held in trust by the Bureau, to insure that individual Indian moneys are disbursed in accordance with regulations, and to promptly detect failure to follow regulations, we recommend that the Area Director provide for regular inspections and audits of the individual Indian money activity at the agencies, and take prompt action to correct deficiencies when found.

27. Checks not safeguarded

During working hours the Yakima Agency keeps the blank Treasury checks in an unlocked box in an open room, which at times is not occupied by agency employees. After working hours the unlocked box of checks is transferred to open storage in the agency

vault, to which all agency employees have access until the vault is locked.

To properly safeguard blank Treasury checks and to comply with the provisions in the Indian Affairs Manual (42 IAM 603.03E (18)), we recommended that the Portland Area Director instruct the superintendent at Yakima Agency to keep blank Treasury checks under lock and key when not in use. We were advised by the Acting Area Director, subsequent to our audit, that locked files have been provided for safekeeping of the checks.

28. Location of certain account owners not known

Selective review of the individual Indian money (IIM) accounts at the Yakima Agency, disclosed 14 accounts with balances that have been building up over a long period without any withdrawals. Agency officials did not know the addresses of 10 of the account owners or whether the account owners were alive or deceased.

To reduce the workload and to lessen the opportunity to make fraudulent withdrawals from accounts of fictitious or deceased persons, we recommend that the Area Director instruct the superintendent at the Yakima Agency to review all IIM accounts in order to close inactive accounts, and, where practicable, accounts of individuals whose whereabouts are unknown. Accounting Systems Memorandum No. 28 issued by the General Accounting Office on June 26, 1953, provides procedures for the clearance of amounts which have been held for more than one year and belong to individuals whose whereabouts are unknown.

29. Individual Indian money signature files not maintained

The Klamath Agency did not have an adequate means of identifying persons authorized to withdraw from individual Indian money (IIM) accounts. The Indian Affairs Manual does not require the agencies to maintain a signature file of account owners.

Following our discussion with area office officials, the Area Director issued a memorandum on August 8, 1955, directing all agencies in the Portland Area to have on file an applicant's authenticated signature whenever possible.

We recommend that the Indian Affairs Manual be amended to require that agencies maintain a file of properly authenticated signatures of all persons authorized to withdraw from IIM accounts and that the manual direct the employee accepting a signed application for withdrawal to satisfy himself that the signature on the application is that of the person whose signature is on file.

30. Disbursement documents not properly filed

Many of the documents supporting disbursements from individual Indian money accounts at Klamath Agency had not been filed in jacket files as prescribed by the Indian Affairs Manual (42 IAM 603.03E(19)(b)(i)).

We recommend enforcement by the Area Director of this requirement so that specific disbursement documents are readily available at all times to support disbursements.

31. Semi-annual statements not furnished individual Indian money account owners

The Klamath Agency has not furnished copies of individual Indian money (IIM) account ledger sheets to all account owners semi-annually as provided by the Indian Affairs Manual (42 IAM 603.03E(19)(a)(iv) and (v)).

To assist the Indians in assuming responsibility for their affairs and to obtain the internal control provided when statements are reviewed by account owners, we recommend that the Area Director take action to assure that statements are furnished periodically to all holders of IIM accounts.

CREDIT

32. Delinquent status of loans to employees and tribal officials

Review of delinquent tribal loans at the Klamath Agency as of June 30, 1955, disclosed the following:

- a. Four of eight loans made to members of the Klamath Tribal Executive Committee were delinquent. The four loans totaling \$23,917 were delinquent in the amount of \$3,393. Two of the delinquent borrowers are also members of the Tribal Credit Committee.
- b. Five of six loans to Klamath Agency employees were delinquent. The five loans totaling \$20,747 were delinquent in the amount of \$3,969.

One of these loans is a \$2,000 educational loan, agreement No. 5040. A notice of default was sent to the borrower on June 9, 1955. The borrower had discontinued his studies and the entire loan was declared due immediately. He was employed in the Finance Branch, Klamath Agency, and until he terminated his services on July 29, 1955, he had not made a repayment on his loan. His original loan agreement is missing and we have been informed that he had refused to sign a copy which would replace the missing agreement.

To obtain collection of amounts due the loan fund, we recommend that the Klamath Agency Superintendent be instructed to take aggressive collection action on these delinquent loans. We have been informed by area officials that steps will be taken to obtain assignments from those employees at the agency who are indebted to the loan fund; and that action will be taken to collect the \$2,000 educational loan.

33. Duplicate loan files

Klamath Agency maintains duplicate files on all loans. One file that contained many loan documents was not securely locked.

To reduce clerical costs and to provide administrative effectiveness, we recommend that the duplicate file be discontinued and

that the loan documents be consolidated with the official files and maintained in a locked cabinet. Area officials have informed us that the duplicate file of loan papers will be eliminated.

OTHER MISCELLANEOUS AND ACCOUNTING DEFICIENCIES

34. Excess motor vehicles

The 12 motor vehicles assigned to the Roads Branch of the Yakima Agency had low mileage use for fiscal year 1955. Nine of the 12 vehicles were used less than 2,000 miles each during fiscal year 1955. Nine of the vehicles were trucks. The superintendent stated that these vehicles had been used in constructing roads by force account labor, but are now excess because the Yakima Agency was not allotted funds to construct roads by force account labor in either fiscal year 1955 or 1956.

To reduce the number of motor vehicles to those needed at the Yakima Agency and to make the excess vehicles available to other agencies in the Federal Government, we recommend that the Area Director determine the number needed and dispose of the excess in accordance with existing regulations. The Area Director informed us that the need for these vehicles will be reviewed.

35. Necessary accounting data omitted from transfer documents

Several adjustment vouchers, S.F. 1081, processed by the Portland Area Office during fiscal year 1955 to transfer proceeds from sales of vehicles to expenditure appropriations did not contain necessary references to collection and purchase documents. Accounting Systems Memorandum No. 23-Revised, paragraph 5a, requires that for audit purposes the S.F. 1081 include or be supported by sufficient evidence to show that the sales proceeds are used for the purchase or replacement of similar equipment.

To provide adequate reference on transfer of proceeds from vehicle sales for both the Bureau's administrative needs and for audit purposes and to comply with Accounting Systems Memorandum No. 23-Revised, we recommend that the Area Director require the inclusion of specific references to the collection and procurement documents on S.F. 1081.

36. Charges for medical services not billed

At Klamath Agency, Bureau of Indian Affairs employees and non-beneficiaries had not been charged for medical services furnished by the Klamath Agency Clinic supported by Klamath tribal funds. From July 1, 1952, through April 30, 1955, a total of 16,131 individuals were furnished medical services by the clinic. Of these cases, 14,028 were eligible Indians who were not employees of the Bureau. The balance of 2,103 cases treated were of the following categories:

Employees	657
Employees' families	703
Civil Service examinations and compensation	104
Noneligibles (non-Indians and Indians not members of the Klamath Tribe)	<u>639</u>
Total	<u>2,103</u>

From July 1952 through April 1955, BIA employees and their families who received medical services were not billed as provided by the Code of Federal Regulations (25 C.F.R. 84.9). The agency issued bills in May 1955 for services rendered during fiscal year 1955. Bills have not been issued for previous fiscal years.

Employees who are members of the Klamath Tribe and were billed for medical services have not paid the bills, contending that they

are entitled to free services because the tribe pays the cost of operating the clinic. The Klamath Tribal Executive Committee adopted a resolution that BIA regulations be changed accordingly but the Portland Area Director has held that no exception to the regulations may be made.

Tests of services furnished nonbeneficiaries disclosed that many calls and treatments had not been billed for. After we notified the Agency Superintendent of this matter, he directed that a review be made of clinic records for services furnished since July 1, 1954, and that the clinic medical officer determine the amount of additional charges.

The responsibility for the Indian health program of the Klamath Tribe was transferred to the United States Public Health Service on July 1, 1955, under the provisions of the act of August 5, 1954 (68 Stat. 674), but the operation of the clinic continued to be financed by Klamath tribal funds.

Accordingly, we recommend that the Commissioner request the Klamath Tribe to assume all administrative functions in connection with the clinic, including billing and collecting of fees for medical services rendered.

37. Small purchases at Yakima Agency
not made with imprest cash

Our review of 200 of 751 purchase orders issued by the Yakima Agency in fiscal year 1955, disclosed that 26 percent of the purchase orders were for amounts of less than \$50 each.

The Indian Affairs Manual (43 IAM 411.03B) requires that the imprest cash method of procurement shall be utilized to the fullest extent when such method is advantageous and practicable.

To achieve the savings intended by establishment of imprest funds, we recommend that the Area Director instruct the Superintendent of the Yakima Agency to make use of the imprest fund in making small purchases wherever practicable and economical.

38. Imprest fund cashier at Klamath Agency

The imprest fund cashier at the Klamath Agency is the Property Clerk, whereas the Indian Affairs Manual (43 IAM 411.03G(3)(d)) provides that the primary imprest fund cashier shall be the Administrative Officer and that the Property Clerk shall be the alternate. An alternate has not been designated at the agency.

To place administrative responsibility for the imprest fund at a sufficiently high level, we recommend that the Area Director request designation of the Administrative Officer as primary imprest fund cashier and redesignation of the Property Clerk as the alternate as contemplated by the Indian Affairs Manual.

39. Deposit fund accounts not cleared

Review of account number 2224.3, Deposits - Other, of the Yakima and Klamath Agencies as of June 30, 1955, disclosed that many of the balances represented deposits that could not be

readily identified or amounts that had been on deposit for considerable periods.

To discharge satisfactorily the responsibilities for handling deposits, we recommend that the Area Director instruct the Superintendents of the Yakima and Klamath Agencies to have the deposit fund accounts reviewed quarterly, as specified in item 4 of Accounting Systems Memorandum No. 28, dated June 26, 1953.

40. Authority of Klamath Tribal Executive Committee

In a report to the Klamath General Council the Tribal Advisory, Investigating, and Coordinating Committee questioned payment of travel expenses and salary to a delegate to the 83d Congress, second session, after the House of Representatives adjourned on August 20, 1954. That report was referred to the Division of Audits for investigation.

Various actions of the General Council and the Tribal Executive Committee indicate the delegates were elected for the duration of the 83d Congress, and to attend to administrative and other business matters, under instructions to be promulgated by the Executive Committee. In addition to representing the tribe before the Congress, the delegation was also to represent the tribe wherever its welfare and interests might be involved. Furthermore, a specific action of the Executive Committee stated that the delegation was to retain its authority until January 1, 1955. The actions of the General Council and Executive Committee, therefore, clearly establish that authority existed to pay the delegate travel expenses and salary after Congress adjourned.

The Advisory, Investigating, and Coordinating Committee also questioned the authority of the Executive Committee to act for the tribe. The administrative office of the Bureau of Indian Affairs apparently has not questioned the validity of the actions of the General Council and the Executive Committee. The question of the validity of these actions is for consideration primarily by the Bureau of Indian Affairs, and any doubts about the authority of the General Council or the Executive Committee, should be submitted to the Departmental Solicitor or to the Attorney General of the United States.