

**REPORT ON REVIEW
OF
ADMINISTRATION OF EDUCATIONAL ACTIVITIES
BY
BUREAU OF INDIAN AFFAIRS
DEPARTMENT OF THE INTERIOR**

DECEMBER 1956

UNITED STATES GENERAL ACCOUNTING OFFICE

GAO Wash., D.C.

TO THE READER:

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

CIVIL ACCOUNTING AND
AUDITING DIVISION

B-118601

AUG 13 1957

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

Dear Mr. Emmons:

Herewith is our report on the review of the Bureau's administration of educational activities. We reviewed certain phases of this activity at Washington, D.C., at 9 of the 10 area offices, and at selected field locations under the jurisdiction of the area offices, as part of our audit of the Bureau of Indian Affairs for fiscal year 1956. The field work was completed in December 1956. The scope of our review is explained on page 27 of this report.

Our review disclosed certain deficiencies in the administration of public school and adult education contracts, the administration of Bureau-operated schools, and the administration of educational loans. For example, in some cases, Johnson-O'Malley funds were not allocated on the basis of need in accordance with established departmental and Bureau policy. Other deficiencies noted include (1) inadequate control over unexpended education contract funds, (2) failure to audit contract costs, (3) improper administration of educational leave, and (4) inadequate control over enrollment in Bureau schools.

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

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

Sincerely yours,

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

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REPORT ON REVIEW
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GENERAL COMMENTS

The Bureau of Indian Affairs has the responsibility and authority by law (25 U.S.C. 13 and 295 and 48 U.S.C. 169) to direct and supervise the expenditure of moneys appropriated for school purposes for the benefit, care, and assistance of Indians throughout the United States and the Territory of Alaska (including the Eskimo natives). One of the primary activities of the Bureau is to provide for the education of Indian children. These education activities are carried out by the Bureau's Branch of Education. The basic objective of the education program is to secure for Indian children the opportunities provided for other citizens. This objective is accomplished primarily through the operation of Federal schools and also by contracts with states and the Territory of Alaska for the education of Indian children in the public school system. In addition, the Bureau has an adult education program.

For fiscal year 1956, Congress appropriated \$43,635,995 for "Education and Welfare Services," or more than 50 percent of all Federal funds appropriated to the Bureau. Of this amount, about 38 million dollars was for educational services, and the balance

was appropriated for welfare and guidance services, relocation services, and maintaining law and order. The Bureau's cost for "Educational assistance, facilities, and services" for fiscal year 1956 was as follows:

<u>Activity</u>	<u>Amount</u>
Assistance to pupils in non-Federal schools	\$ 5,380,599
Federal facilities:	
Boarding schools	24,162,426
Day schools	6,910,465
Special services	892,719
Adult education and training program	<u>871,795</u>
Total	<u>\$38,218,004</u>

The education program of the Bureau of Indian Affairs includes financial assistance to states where relatively large numbers of Indian children attend public schools. This aid is made available under the provision of the Johnson-O'Malley Act of April 16, 1934, as amended (25 U.S.C. 452), which provides as follows:

"The Secretary of the Interior is authorized, in his discretion to enter into a contract or contracts with any State or Territory, or political subdivision thereof, or with any State university, college, or school, or with any appropriate State or private corporation, agency, or institution, for the education, medical attention, agricultural assistance, and social welfare, including relief of distress, of Indians in such State or Territory, through the agencies of the State or Territory or of the corporations and organizations hereinbefore named, and to expend under such contract or contracts, moneys appropriated by Congress for the education, medical attention, agricultural assistance, and social welfare, including relief of distress, of Indians in such State or Territory ***."

During fiscal year 1956, education facilities were furnished for 35,836 Indian children under Johnson-O'Malley contracts. The contracts, entered into between the Bureau of Indian Affairs and 14 states and Alaska, were administered by 8 Bureau area offices

and totaled \$4,817,000. In addition, Johnson-O'Malley contracts totaling \$209,142, covering about 1,200 Indian pupils, were made with 14 individual school districts in 6 states and Alaska, and contracts totaling \$366,789 were made for the tuition and other expenses for 1,290 children housed in 7 Bureau-operated dormitories and attending public schools. Of the total amount contracted (\$5,392,931) for fiscal year 1956, \$57,787 was not expended for fiscal year 1956 contracts.

During fiscal year 1956, the Bureau also expended \$45,455 of the amount appropriated for assistance to pupils in non-Federal schools for noncontractual items, namely higher education and special aids.

A summary of all Johnson-O'Malley contracts by state or Territory is shown in appendix A.

Bureau records show that, of the 71,956 Indian children of school age enrolled in the public schools, an estimated 38,300, or about 53 percent, attended schools receiving Federal aid under these contracts during fiscal year 1956.

During fiscal year 1956, the Bureau operated 236 schools in the United States and 85 in Alaska for the education of Indian children of all ages, as follows:

Type of school	Number of schools	Enrollment	Cost	Cost per enrolled student
Boarding	83	25,244	\$24,162,426	\$957
Day	238	16,411	6,910,465	421
Total	321	41,655	\$31,072,891	\$746

The number of schools operated by the Bureau of Indian Affairs during fiscal year 1956 in each state and Alaska and the enrollment in these schools are shown in appendix B. Bureau statistics show that in fiscal year 1956, compared with fiscal year 1955, enrollment of children of school age (6 to 18 years) in Federal schools decreased 186, or 0.5 percent, whereas enrollment in public schools increased 6,867, to 71,956, or 10.6 percent.

For fiscal year 1956, the Bureau's adult education and training program was concerned primarily with the education and training of Indians who are members of tribes included in termination legislation. This program consisted of two major parts: (1) to arrange for appropriate vocational training away from the reservation for those who wish to settle and secure employment away from the reservation and (2) to arrange for education and training for those Indians on the reservation who will remain there independent of Federal supervision. The training program was carried out under contractual arrangements with state educational institutions and in Federal facilities on the reservations. Contracts were entered into with state departments of education and universities for fiscal year 1956, as follows:

State	Contract number	Date of contract	Amount
Oregon	14-20-500-264	March 10, 1955	\$240,565
Utah	14-20-450-552	July 1, 1955	141,996
Wisconsin	14-20-350-73	July 1, 1955	256,490
Total			\$639,051

These contracts cover the Klamath Tribe and certain bands of Indians located in western Oregon; the mixed-blood group of Utes

from the Uintah and Ouray Reservation, Utah; the four bands of Paiutes residing in southwest Utah; and the Menominee Tribe in Wisconsin.

Bureau records show that during fiscal year 1956 adult Indians were assisted under education programs authorized by or related to termination legislation, as follows:

	<u>Number of Indians attending</u>	
	<u>Off-reservation</u>	<u>On-reservation</u>
	<u>programs</u>	<u>programs</u>
	<u>(note a)</u>	<u>(note b)</u>
Paiute Tribes	7	-
Ute Tribe (mixed bloods)	7	60
Klamath Tribe	123	200
Western Oregon bands and tribes	73	-
Menominee Tribe	<u>125</u>	<u>100</u>
Total	<u>335</u>	<u>360</u>

^aVocational training.

^bFigures are estimates because class attendance is irregular and not formalized to the extent of accounting for the number of adults in attendance at the various group meetings.

The off-reservation programs were carried on under the contracts cited above. The off-reservation and on-reservation programs for the Paiute and Klamath Tribes and the western Oregon bands and tribes were authorized by termination legislation. The termination legislation for the Utes and Menominees did not authorize the adult education programs conducted for these tribes during fiscal year 1956. These programs, however, are authorized under the Johnson-O'Malley Act.

Our review of the Bureau's administration of educational activities disclosed certain deficiencies in administration of public school and adult education contracts, as well as deficiencies in the administration of Bureau-operated schools. Following are specific comments on the deficiencies noted.

DEFICIENCIES IN ADMINISTRATION

OF EDUCATIONAL ACTIVITIES

DEFICIENCIES IN ADMINISTRATION OF PUBLIC SCHOOL
AND ADULT EDUCATION CONTRACTS

Our review disclosed certain weaknesses in the administration of public school and adult education contracts, such as not allocating contract funds in accordance with established policy, inadequate control over unexpended contract funds, and not auditing contract costs. One or more of these deficiencies were noted at all five of the area offices visited for the review of educational activities. Specific comments on the deficiencies follow.

Johnson-O'Malley funds not allocated
in accordance with established policy

The Bureau did not allocate funds to states and school districts under fiscal year 1955 and 1956 public school contracts in accordance with departmental and Bureau policy as set forth in the Appropriation Justifications and the Code of Federal Regulations. This matter has been commented on in our report on the audit of Bureau of Indian Affairs for fiscal years 1952 and 1953 (B-114868), submitted to the Congress on March 9, 1955 (pp. 47 and 48).

Bureau policy requires that allocation of funds under the contracts shall be based on evidence that supplemental funds are needed by the states and school districts to maintain adequate schools. The Senate Committee on Appropriations in its report on the General Appropriation Bill, 1951, stated:

"The committee *** recognizes that the presence of large blocks of nontaxable Indian property within a local district, or unusually large numbers of Indian children, may create a situation which local funds are inadequate to meet. The committee therefore endorses the

present policy of the Indian Bureau of recommending Federal financial assistance to these districts, based on evidence that the district is taxing itself to the maximum, and is still in need of supplementary funds in order to maintain an adequate school. ***"

In justifying appropriations for state education contracts for fiscal year 1956, the Bureau stated:

"The Senate Committee on Appropriations *** directed that the funds appropriated be allocated by the Indian Bureau among the States under contract in accordance with established criteria. Distribution by States follows, and, in accordance with Bureau policy, contract amounts are subject to justification by states on the basis of need at the time of execution of the contracts: ***."

The Code of Federal Regulations (25 CFR 44.4), as revised January 28, 1956, provides that this Federal assistance program shall be based on the need of the district for supplemental funds after evidence of a reasonable tax effort and receipt of all other aids to the district.

Our review of Johnson-O'Malley contracts disclosed that payments were made to school districts without sufficient evidence as to the need of the school districts for supplemental funds to maintain adequate schools. For example, in the Gallup Area, contract number 14-20-600-1080 entered into on November 16, 1955, with the State of New Mexico in the amount of \$549,600, for fiscal year 1956, was negotiated before information regarding the tax effort for the support of schools was received from the states. The payments made to the State under this contract were based upon an approved state plan. This plan provides that the Bureau will pay the full per capita cost of all eligible Indian children enrolling in participating school districts for the first time,

75 percent of per capita cost for second year students, and 50 percent of per capita cost for all other students.

In the Phoenix Area, the fiscal year 1956 contract dated July 1, 1955, in the amount of \$175,800, with the State of Nevada was also negotiated without sufficient evidence as to the need of the school districts for supplemental funds. The state supervisor of Indian education submitted a narrative justification in support of the contract, but this document is confined principally to setting forth reasons for increases over the prior year program. Budgetary information, such as total estimated income and expenses of school districts for fiscal year 1956 and actual income and expenses of school districts for the prior fiscal year, was not available to substantiate financial need.

Our review of the Gallup Area Office disclosed also that the following fixed-price contracts for fiscal year 1956 were awarded to school districts in the State of Colorado:

<u>Contract number</u>	<u>Date of contract</u>	<u>School district</u>	<u>Amount of contract</u>
14-20-604-1068	July 1, 1955	Ignacio	\$32,000
14-20-604-1096	July 1, 1955	Cortez	32,100

The average daily attendance of Indians attending schools in the Cortez school district was 137. The average per pupil cost to the Bureau, therefore, was \$234 a pupil. This compares favorably with the average per pupil cost of \$247 for all pupils in the school district for the same period. For Indians attending schools in the Ignacio district, however, the contract cost amounted to \$539 a pupil as compared with an average per pupil cost of \$277 for all pupils in the school district.

Records of the Gallup Area Office did not disclose the reason for the wide variation between the cost for Indian pupils and the cost for all pupils in the Ignacio school district.

We could not readily determine from available records whether the Bureau payment exceeded costs incurred by the school district for the education of Indians. Moreover, the available records did not show that the need criterion was taken into consideration in these contracts. Area officials stated that it was their belief that the amount of the contract was based on an estimated enrollment.

In the Anadarko Area financial assistance has been extended to a school district having income in excess of expenditures. Total income exceeded total operating expenditures for fiscal year 1954 by \$3,174 and for fiscal year 1955 by \$6,547. The Bureau, however, paid school district number 80, Brown County, Kansas, \$4,070 under contract number 14-20-200-216 for fiscal year 1955. Need for the Bureau funds in this case is not apparent.

Recommendation

To comply with Department and Bureau policy as expressed in the Code of Federal Regulations (25 CFR 44.4) and to provide adequate control over expenditures of educational assistance funds, we recommend that the Commissioner require (1) states, counties, and school districts to submit statistical information in sufficient detail to enable the Bureau to determine the need for Federal aid and (2) that such a determination be made before contracts for educational assistance are approved.

Inadequate control over unexpended contract funds

Our review disclosed that public school and adult education contracts do not always provide for refund or other disposition of funds advanced to the states or educational institutions. Moreover, the Bureau does not maintain accounting control over funds advanced under these contracts.

For example, in the Aberdeen Area, the fiscal year 1956 public school contract with the State of South Dakota provided \$10,700 for administrative expenses of the Johnson-O'Malley program even though the state had retained \$12,118 advanced in prior years for this purpose. Although the highest expenditure for administrative expenses for any prior year was \$10,917, the fiscal year 1956 contract did not provide for refund or other disposition of any of the unexpended balance. This contract provides that the total amount of the contract and the amount allotted to each school district shall be determined and justified in accordance with the state plan for justification and distribution of Johnson-O'Malley funds. The state plan provides that Bureau payments to the state shall be made in accordance with a formula designed to meet the needs of eligible school districts in South Dakota. The needs of the school district are based on costs incurred by the districts for instruction, lunches, and transportation services for eligible Indian children, as well as for services rendered under special agreements.

The fiscal year 1956 and 1957 adult education contracts with the University of Utah do not require the contractor to refund or apply to subsequent year programs unused funds advanced by the

Bureau. At the expiration of the period covered by the 1956 contract, the contractor advised the Phoenix Area Office that advances received in the amount of \$141,996 exceeded its requirements and that the excess, or \$105,996, would be used on the 1957 program. The fiscal year 1957 contract, however, provides for payments to the contractor totaling \$35,718, and no reference is made in the contract to the additional \$105,996 already advanced which apparently is to be applied to the 1957 contract.

The fiscal year 1956 contract provides for installment payments by the Bureau during the year based on vouchers submitted by the state. The amount of this contract was based on the placing of 46 adult Indians in formal training situations at a cost of \$141,996. Only 14 persons actually were in formal or vocational training at a cost of \$36,000 during the fiscal year, however, leaving an unexpended balance of \$105,996 at June 30, 1956.

The Indian Affairs Manual does not provide for an account for advances under educational contracts (see 42 IAM 5.2.3B(2)). Payments under these contracts are recorded as expenditures rather than advances. As a result, there is no accounting control over unexpended balances of contract funds. For example, the budget for Johnson-O'Malley funds submitted by the State of New Mexico for the education of Indians in public schools in fiscal year 1956 shows that a cash balance of \$7,190 had been brought forward from four previous fiscal years. Because the Bureau has not required a separate accounting for advances of funds to states or educational institutions, the area offices do not have such information in the books of account. Consequently, official information is not readily

available for comparing actual obligations and expenditures of the contractor with amounts advanced to determine the amount, if any, to be refunded or applied to subsequent contracts.

The contract with the State of New Mexico provides that the total amount of the contract and the amount allotted to each school district shall be determined and justified in accordance with the state plan. The state plan provides that Bureau payments to the state shall be based on the estimated average state cost per pupil in average daily attendance multiplied by the total number of eligible Indian children in average daily attendance in the participating school districts. Because the actual expenditures computed in accordance with the state plan were less than the total funds advanced, the unexpended balance at June 30, 1956, on this contract was \$137,253.

The use of unexpended contract funds for subsequent year contracts is authorized by the act of June 16, 1955 (69 Stat. 144), which provides as follows:

"Appropriations of the Bureau of Indian Affairs (except the revolving fund for loans) shall be available for *** advance payments for service (including services which may extend beyond the current fiscal year) under contracts executed pursuant to the Act of June 4, 1936 (25 U.S.C. 452), and legislation terminating Federal supervision over certain Indian tribes ***."

Recommendations

To establish adequate control over funds advanced to states, school districts, or educational institutions, we recommend that the Commissioner require that all public school and adult education contracts contain provisions for refund or other appropriate disposition of unexpended advances. We recommend also that all

amounts advanced under contracts based on costs to the state, school district, or educational institution be accounted for appropriately as advances on the books of account until the costs are determined.

Contract costs not audited

The Bureau has not audited expenditures from funds furnished by the Federal Government under public school contracts and adult education contracts.

Our review of public school contracts for fiscal year 1956 disclosed that audits of state costs for education of Indian children have not been made by the Bureau for public school contracts with Arizona and Nevada administered by the Phoenix Area Office or for the contract with New Mexico administered by the Gallup Area Office. In our report to the Commissioner on audit of the Juneau Area Office for fiscal year 1954 (item 4, page 4), submitted April 21, 1955, we recommended that an audit be made by the Bureau of expenditures of Johnson-O'Malley funds by the Territory of Alaska. The Bureau, however, has still made no attempt to audit these contract costs. All of these contracts contain provisions authorizing the Bureau to audit financial records. This deficiency was pointed out also in our report to the Commissioner on audit of the Minneapolis Area Office (pp. 2-6) for fiscal year 1953, submitted January 15, 1954.

Area officials informed us that lack of personnel to perform the audit and the belief that state officials would look upon such audits with disfavor have been responsible for the lack of action in this matter. The Chief Accountant of the Territorial Department

of Education in Alaska, however, informed us that he had requested the Bureau several times to audit the contract costs but that the Bureau had not complied with his request.

Our review of the adult education contracts for fiscal year 1956 disclosed that the Bureau did not audit the costs incurred under these contracts. Moreover, none of these contracts contained provisions authorizing the Bureau to examine the contractor's financial and related records.

We discussed this matter with the Assistant Commissioner, Division of Community Services. In this official's opinion, periodic audits should be made of expenditures from funds furnished by the Bureau under public school contracts and adult education contracts, not only to assure that these funds are expended as prescribed by law but also to provide a proper basis for contract negotiations.

Recommendations

To provide that Federal education contract funds are expended as prescribed by law and to provide a proper basis for contract negotiations, we recommend that the Commissioner take the necessary action to have periodic Bureau audits made of the financial records pertaining to transactions involving public school and adult education contract funds. We recommend also that future adult education contracts include appropriate provisions for audit of the contractor's financial and related records.

DEFICIENCIES IN ADMINISTRATION OF BUREAU-OPERATED SCHOOLS

Our review disclosed certain deficiencies in the Bureau's educational leave practices, inadequate control over enrollment in Bureau schools, and inadequate maintenance of school buildings and facilities. All of these deficiencies were noted in at least two area offices visited for review of educational activities. Specific comments on the deficiencies follow.

Improper administration of educational leave

Bureau employees have been granted educational leave in excess of that authorized by law, and the Bureau has not made a timely adjustment of leave records or has not recovered from employees the cost of excess leave used when adjustment of leave records is impracticable. Certain other deficiencies in the administration of educational leave were also noted.

The act of August 24, 1912, as amended (25 U.S.C. 275),¹ provides that:

"Teachers of the Indian schools and physicians of the Indian Service may be allowed, in addition to annual leave, educational leave not to exceed thirty days per calendar year, or sixty days in every alternate year, for attendance at educational gatherings, conventions, institutions, or training schools, if the interest of the service require, and under such regulations as the Secretary of the Interior may prescribe, and no additional salary or expense on account of this leave of absence shall be incurred."

¹On July 10, 1957, after preparation of this report, Public Law 85-89 (71 Stat. 282) was approved. This act amends the act of August 24, 1912, as amended, and provides that: "hereafter teachers in schools operated by the Bureau of Indian Affairs may be allowed, in addition to annual leave, educational leave not to exceed thirty workdays per calendar year, or sixty workdays in every alternate year."

Indian Education Pamphlet 194, dated April 1, 1950, issued by the Central Office Branch of Education, states:

"The Branch of Education has received several requests from the field for clarification of paragraph 168 'Educational Leave' appearing in the Manual for the Indian School Service. In view of the fact that a new interpretation has been placed on some phases in the basic legislation, the following will serve as a guide to field officials in granting educational leave in the future: *** Educational leave will be authorized on a work-day basis and not on a calendar-day basis. This is a recent interpretation made by the Office of the Chief Counsel."

We attempted to locate written evidence of the Chief Counsel's interpretation through employees of the Office of the Solicitor, Department of the Interior, and the Bureau's Branch of Education. An attorney in the Division of Indian Affairs, Office of the Solicitor, who worked in the Office of the Chief Counsel, Bureau of Indian Affairs, in 1950, stated that he knew of no written evidence of the interpretation. The Administrative Officer, Branch of Education, stated that efforts to locate such evidence had been unsuccessful and that she believed the interpretation was made orally in 1950. She stated also that she believes educational leave was charged on a calendar-day basis prior to April 1, 1950. We were unable, however, to obtain records to substantiate this statement.

On January 10, 1955, we questioned the Bureau's practice of computing educational leave on a workday basis rather than on a calendar-day basis and cited the Comptroller General's decision on this matter (27 Comp. Gen. 252) dated October 27, 1947. This decision states that: "the word 'days' as used in statutes generally has been regarded as referring to 'calendar days' in the absence

of a clear intent to the contrary." On July 20, 1955, the Bureau issued a memorandum to all Area Directors and Central Office Branch Chiefs, placing educational leave on a calendar-day basis. This memorandum was supplemented by a telegram dated August 24, 1955, which stated that: "effective as of July 20 all educational leave shall be charged on a calendar day basis regardless of whether it was authorized prior to that date." On September 12, 1955, the Bureau replied to our inquiry and enclosed a copy of the July 20 memorandum.

Our review of educational leave practices, completed in October 1956 at the area offices of the Bureau, disclosed that in calendar year 1955 Bureau employees were granted 2,951 calendar days of educational leave in excess of that authorized by law. This excessive leave included 2,070 workdays costing about \$38,000 based on employees' salaries. At the time of our review, adjustment of leave records for excess leave taken had been made or refunds had been collected at some of the area offices but at some locations no adjustments of leave records or collection of refunds had been made.

The following tabulation shows the excess leave granted in calendar year 1955 to employees under the jurisdiction of the nine Bureau area offices visited and the corrective action taken by the Bureau before completion of our review.

Area	Calendar year 1955					
	Excess educational leave granted		Leave records adjusted or re-funds collected		No adjustments or refunds collected	
	Number of work-days	Estimated costs	Number of work-days	Estimated costs	Number of work-days	Estimated costs
Phoenix	385	\$ 6,776	-	\$ -	385	\$ 6,776
Gallup	825	15,363	94	1,750	731	13,613
Anadarko	228	4,037	25	438	203	3,599
Muskogee	33	586	-	-	33	586
Minneapolis	-	-	-	-	-	-
Aberdeen	437	8,076	-	-	437	8,076
Billings	70	1,156	12	200	58	956
Juneau	62	1,498	7	172	55	1,326
Portland	30	527	10	175	20	352
Total	<u>2,070</u>	<u>\$38,019</u>	<u>148</u>	<u>\$2,735</u>	<u>1,922</u>	<u>\$35,284</u>

The corrective action taken, based on the Bureau's instructions of July 20, 1955, was for excess leave used during the period July 20, 1955, to December 31, 1955. The Phoenix, Aberdeen, and Minneapolis Area Offices, had not made any adjustments or collections for excess educational leave taken during this period at the time of our review. Adjustments or collections for excess educational leave were not made in the Muskogee Area because all the excess leave was taken before July 20, 1955.

The following deficiencies in administration of educational leave were also noted at the area offices visited:

1. Applications for educational leave were not on file at the Phoenix Area Office for 12 of the 112 employees granted educational leave during calendar year 1955, although they are required by the Indian Affairs Manual (44 IAM 3309.05). At the Anadarko Area Office, applications were not on file for 6 of the 66 employees granted educational leave. The application is evidence of

approved educational leave. In some cases corrective action had been taken prior to the completion of our review of educational leave practices in October 1956.

2. Contrary to manual requirements (44 IAM 3309.07G), Forms 5-251, Certificate of Work Done, were not on file for 19 of the employees granted educational leave in the Phoenix Area, 10 of the employees in the Anadarko Area, and 7 of the 9 employees granted educational leave in the Muskogee Area. This form is certified evidence by the institution attended showing the period of attendance and the work done. In some cases, corrective action was taken prior to the completion of our review of educational leave practices in October 1956.

3. Three employees in the Phoenix Area were granted educational leave who were not entitled thereto in accordance with provisions of the manual (44 IAM 3309.04) because of their position classifications. Two of these employees were classified as cooks and the other as a dormitory attendant.

4. For 7 employees in the Phoenix Area, educational leave charged exceeded the number of days in attendance at school by 23.

5. Four employees in the Phoenix Area and two employees in the Juneau Area who were granted excess educational leave during the period July 20 to August 5, 1955, were terminated during the period October 21, 1955, to August 10, 1956. Deductions for the excess leave were not made from the employees' terminal leave pay, and subsequent action has not been taken to collect the overpayments.

The educational leave taken prior to July 20, 1955, was granted in accordance with the Bureau's regulations based upon an

interpretation of the act made by the Department's Office of the Chief Counsel. While that interpretation appears to have been erroneous, it would not appear proper to penalize the employees who were administratively required or authorized to attend educational institutions based upon the erroneous construction of the statute by requiring the excessive educational leave now to be charged to annual leave or leave without pay.

Recommendations

Accordingly, we recommend that the Commissioner require that all leave records be adjusted or refunds collected for any educational leave improperly charged subsequent to July 20, 1955. We recommend also that the Commissioner take action necessary to correct the deficiencies noted above and to have the provisions of law and regulations applicable to educational leave complied with.

Inadequate control over enrollment in Bureau schools

The Bureau has not maintained the necessary control over enrollment in Bureau schools to provide compliance with existing law and regulations.

The pertinent laws dealing with admission of children to Indian schools provide as follows:

Act of May 25, 1918 (25 U.S.C. 297)

"No appropriation, except appropriations made pursuant to treaties, shall be used to educate children of less than one-fourth Indian blood whose parents are citizens of the United States and of the State wherein they live and where there are adequate free school facilities provided."

Act of March 1, 1907 (25 U.S.C. 288)

"White children may, under rules and regulations prescribed by the Commissioner of Indian Affairs, be admitted to any Indian day school: Provided, that the tuition charged for such children shall in no case exceed

the tuition fees allowed or charged by the State or county in which such school is situated for the children admitted in the common schools of such State or county ***."

Act of March 3, 1909 (25 U.S.C. 289)

"White children may, under rules prescribed by the Commissioner of Indian Affairs, be admitted to Indian boarding schools on the payment of tuition fees at a rate to be fixed in said rules. ***."

The Bureau of Indian Affairs Manual (62 IAM 702.02) provides that children who are not legally entitled to free enrollment in Government Indian schools may, upon payment of a tuition fee equal to the per capita cost of maintenance in a given school, be enrolled in a day or boarding school with approval of the area office.

Our review disclosed that students were accepted in Bureau-operated boarding and day schools on a tuition-free basis even though the records do not show that a determination was made as to the eligibility of such students for education at Government expense. For example, records do not show that adequate procedures exist at the Juneau and Aberdeen Area Offices for determination of degree of Indian blood of students attending Bureau schools on a tuition-free basis.

In the Juneau Area, Bureau records do not show that an attempt was made to determine the blood degree of natives prior to admission of students. Area office officials informed us that, in Alaska, vital statistics are not available which would provide a basis for reliably checking any determination attempted through school teachers or otherwise to ascertain the blood degree of natives attending Bureau schools. Juneau Area officials stated that

native village populations are predominately full-blooded and that they could determine the blood degree of natives by appearance.

In the Aberdeen Area, required applications for enrollment were not on file for 27 students admitted to Pierre Boarding School and 3 students admitted to Wahpeton Boarding School during the 1955-56 school year. Form 5-192, Application for Admission to Boarding School, provides for information regarding degree of Indian blood. We were informed that the application forms are the only records available regarding eligibility of students to attend Bureau schools.

We believe that appropriate records are necessary for purposes of review by Bureau officials to determine compliance with the provisions of the act of May 25, 1918 (25 U.S.C. 297).

Our review disclosed also that children ineligible to receive free schooling in Bureau schools were admitted to these schools on a tuition basis without written approval of the Area Director. In the Phoenix Area, 12 children of less than one-fourth degree Indian blood were admitted to Bureau schools on a tuition basis. Ten of these students are children of Bureau employees. In the Juneau Area, 47 nonnative children were enrolled in Bureau schools on a tuition basis. Approval by the area office for admission of such students is required by the Indian Affairs Manual (62 IAM 702.02). The records do not show, however, that this approval was obtained in the above cases.

Recommendation

To provide that Federal funds will not be expended for the education of children ineligible to receive such education at Government expense, and to comply with existing laws and regulations,

we recommend that the Commissioner take the necessary action to (1) require that Bureau records show that the degree of Indian or native blood was determined prior to admission to Bureau schools and (2) require area office approval in writing for admission to Bureau schools of children ineligible for free enrollment in Government Indian schools.

Inadequate maintenance of school buildings and facilities

Our examination of school buildings and facilities disclosed that, at some Bureau-operated boarding schools, maintenance of school buildings and facilities is inadequate.

Our review disclosed that at Sherman Institute, Riverside, California, a 55-year old building is used for serving meals to over 900 students. The mortar of this structure is crumbling. At Theodore Roosevelt School, Fort Apache, Arizona, building number 204 is used as an agricultural classroom and workshop for about 60 students. In 1955 the adobe brick began to crumble and a portion of the front wall fell. Funds were requested to repair this building, but none had been received as of July 11, 1956.

At Wahpeton School in the Aberdeen Area, the condition of facilities in the boys' basement could result in a serious sanitation problem. The wash basin has not been in operating condition for several months, and upon occasion two out of four toilets have been out of condition because of pipe corrosion or sewer system difficulty. Water leaks through the walls of the basement and the sewage backs up, causing the washroom and the entire basement to be partially flooded most of the time.

Our review disclosed also that at some schools repairs are needed to prevent rapid deterioration of Government buildings. In the Aberdeen Area, damage to certain buildings has resulted from lack of repairs. For example, at Pierre School, the roof of the gymnasium leaks and the floor has buckled. Moreover, the inside walls of the school are cracked in many places, and the roof of the boys' large dormitory leaks badly. At Wahpeton School, the badly leaking roof of the gymnasium has caused the floor to warp and the basement of the gymnasium is often flooded because the foundation walls are cracked. The poor condition of educational facilities was also commented on in our report on the audit of the Aberdeen Area Office for fiscal year 1954 (p. 3).

Area officials informed us that some needed repairs to buildings and utilities had not been made because of lack of funds.

Recommendations

To protect the Government's investment in school buildings, we recommend that the Commissioner take every possible action to provide for necessary repairs and to forestall deterioration of Government property to the point where major repairs are needed.

DEFICIENCY IN ADMINISTRATION OF EDUCATIONAL LOANS

The Bureau has not taken aggressive action to collect delinquent educational loans. The act of June 18, 1934 (25 U.S.C. 471), authorizes a program of assistance by educational loans to Indians seeking higher education. The act provides that such loans shall be reimbursable under rules established by the Commissioner of Indian Affairs. The Indian Affairs Manual (47 IAM 306) provides that follow-up, supervision, and collection of educational loans is the responsibility of the Branch of Education.

Examples of untimely follow-up action by the Phoenix Area Office to collect overdue amounts are as follows:

<u>Loan agreement number</u>	<u>Delinquent amount</u>	<u>Date loan became delinquent</u>	<u>Initial follow-up date (note a)</u>
I-46-Ind-1686	\$295	September 1949	February 1955
I-46-Ind-1691	225	October 1950	February 1955
I-46-Ind-1858	346	June 1954	July 1955

^aFurnished by Branch of Credit, Phoenix Area Office.

The first two loans listed above have been recommended for cancellation by the Phoenix Area Office and the Washington Office. Collections of \$154 were made during fiscal year 1956 on the third loan. As of June 30, 1956, the Phoenix Area Office had 8 outstanding direct educational loans to Indians amounting to \$2,437, of which 7 were delinquent in the amount of \$2,173.

In the Aberdeen Area there were 513 outstanding educational loans, of which 340 were delinquent in the amount of \$62,399 as of June 30, 1956. Collection efforts have been limited primarily to writing letters to the debtor, that is, no positive action has been taken to collect the amounts due from cosigners or through attachment of the collateral given as security by the borrower or the cosigner.

Recommendation

To reduce the possibilities of losses to the Government because of uncollectible debts, we recommend that the Commissioner require the Area Directors to take aggressive and timely action to collect delinquent educational loans.

SCOPE OF REVIEW

Our review of the administration of educational activities by the Bureau of Indian Affairs was performed at Washington, D.C., at 5 of the 10 area offices, and at 11 selected field locations under the jurisdiction of these area offices. Our review was conducted in the following manner:

1. We reviewed the basic laws and regulations authorizing the Government educational activities and the pertinent legislative history to ascertain the purposes of the activities and their intended scope.

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

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

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

An examination of the administration of educational leave was carried out at 9 of the 10 Bureau area offices.

APPENDIXES

SUMMARY OF ENROLLMENT UNDER AND COST OF JOHNSON-O'MALLEY CONTRACTS
FOR FISCAL YEAR 1956

Area office	State or Territory	State or Territory		School district		Dormitory (note a)		Total	
		Enrollment	Amount	Enrollment	Amount	Enrollment	Amount	Enrollment	Amount
Aberdeen	Nebraska	352	\$ 156,700					352	\$ 156,700
	North Dakota	730	144,800					730	144,800
	South Dakota	1,821	377,560					1,821	377,560
Anadarko	Kansas			183	\$ 13,570			183	13,570
Billings	Montana	3,472	400,800					3,472	400,800
	Wyoming			58	15,449			58	15,449
Gallup	Arizona					551	\$144,699	551	144,699
	Colorado			190	64,100			190	64,100
	New Mexico	2,219	549,600	50	28,000	614	187,955	2,883	765,555
	Utah					125	34,135	125	34,135
Juneau	Alaska	602	338,780	198	10,590			800	349,370
Minneapolis	Iowa			34 ^b	19,000			34 ^b	19,000
	Minnesota	2,762	300,200					2,762	300,200
	Wisconsin	1,340	280,000					1,340	280,000
Muskogee	Oklahoma	11,537	386,400					11,537	386,400
Phoenix	Arizona	3,825	1,180,135					3,825	1,180,135
	California	1,830	155,000					1,830	155,000
	Nevada	844	175,800					844	175,800
	Utah			494	58,433			494	58,433
Portland	Idaho	933	126,725					933	126,725
	Oregon	763	70,500					763	70,500
	Washington	2,806	174,000					2,806	174,000
		<u>35,836</u>	<u>\$4,817,000</u>	<u>1,207</u>	<u>\$209,142</u>	<u>1,290</u>	<u>\$366,789</u>	<u>38,333</u>	<u>\$5,392,931</u>

^aAll contracts for public school expenses of students living in Navajo peripheral dormitories are administered by the Gallup Area Office, regardless of the state where the dormitories are located.

^bFiscal year 1955. Figures for fiscal year 1956 were not available at the time of preparation of this report.

APPENDIX A

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ENROLLMENT AND NUMBER OF SCHOOLS
OPERATED BY THE BUREAU OF INDIAN AFFAIRS
DURING FISCAL YEAR 1956

Area office	State or Territory	Boarding schools				Regular schools				Total, all schools	
		Nonreservation		Reservation		Regular		Other (note a)		Number of schools	Enrollment
		Number of schools	Enrollment	Number of schools	Enrollment	Number of schools	Enrollment	Number of schools	Enrollment		
Aberdeen	North Dakota	1	388	2	537	13	1,355			16	2,280
	South Dakota	2	881	3	1,537	28	1,549	1	106	34	4,073
Anadarko	Kansas	1	971							1	971
	Oklahoma	1	898	4	874					5	1,772
Billings	Montana			2	350	4	291			6	641
Cherokee	North Carolina					5	847			5	847
Gallup	Arizona			21	4,172	4	237	22	785	45	5,194
	Colorado			1	295					1	295
	New Mexico	2	1,489	28	4,695	25	2,727	15	337	72	9,248
	Utah	1	2,318	2	95			1	15	4	2,428
Juneau	Alaska	2	961			69	3,442	14	567	85	4,970
Minneapolis	Iowa					1	114			1	114
Muskogee	Florida					1	28			1	28
	Louisiana					1	25			1	25
	Mississippi					7	816			7	816
	Oklahoma	1	387	1	180					2	567
Phoenix	Arizona	1	955	3	803	23	2,964	1	90	28	4,812
	California	1	940							1	940
	Nevada	1	656			1	56			2	712
	Utah					1	15			1	15
Portland	Oregon	1	663	1	199	1	45			3	907
		<u>15</u>	<u>11,507</u>	<u>68</u>	<u>13,737</u>	<u>184</u>	<u>14,511</u>	<u>54</u>	<u>1,900</u>	<u>321</u>	<u>41,655</u>

^aIncludes trailer, hogan, instructional aid and hospital schools.

APPENDIX B

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