

**REPORT ON AUDIT
OF
GALLUP, NEW MEXICO, AREA OFFICE
BUREAU OF INDIAN AFFAIRS
DEPARTMENT OF THE INTERIOR
FOR THE FISCAL YEAR ENDED JUNE 30, 1954**

**UNITED STATES GENERAL ACCOUNTING OFFICE
DIVISION OF AUDITS**

TO THE READER:

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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON 25

JUL 7 1955

DIVISION OF AUDITS

B-118601

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

Dear Mr. Emmons:

Herewith is a copy of our report on the audit for fiscal year 1954 of Bureau of Indian Affairs, Gallup Area Office, New Mexico. In April 1954 the former Window Rock and Albuquerque Area Offices were officially consolidated as the Gallup, New Mexico, Area Office. During our audit we reviewed the organization, procedures, and operations at the locations visited, including most of the agencies under the jurisdiction of the Window Rock and Albuquerque Area Offices, and gave particular attention to the deficiencies reported as a result of our audits for fiscal year 1953. We have given consideration to the Bureau's replies dated August 16, 1954, and September 28, 1954, respectively, to our reports on the former Window Rock and Albuquerque Area Offices.

As indicated by the number and character of the deficiencies on which we are reporting, the situation at Gallup is very serious. Aggressive and prompt action should be taken by you to bring about correction of the deficiencies noted, especially the failure to control obligations and expenditures, weaknesses in control procedures over cash collections, and the irregularities in the financing of irrigation activities.

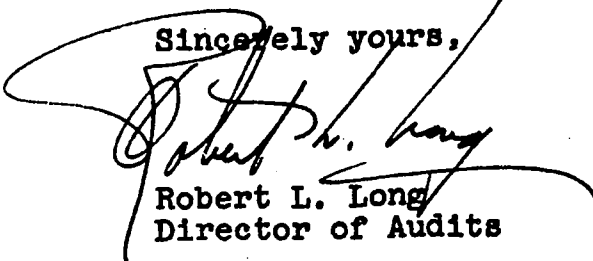
We are pleased to note the cooperation of the Area Director and the interest he has taken in correction of the deficiencies disclosed during our audit. We wish to acknowledge also the cooperation given to our representatives at each of the locations in the area visited

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by us. Our findings were reviewed with responsible area officials during our 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,



Robert L. Long
Director of Audits

Enclosure

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FOR THE FISCAL YEAR ENDED JUNE 30, 1954

1. Failure to control obligations and expenditures

Our audit disclosed serious deficiencies in the control of funds and maintenance of fund control records at the Gallup Area Office. The following specific deficiencies were noted:

a. Failure to control obligation of funds resulted in over-obligation of allotments at June 30, 1954. The Gallup Area Office books of account and the report to the central office on Standard Form 133, Report on Status of Appropriation Accounts, showed over-obligations of allotments of certain funds as of June 30, 1954.

For example:

<u>Allot-</u> <u>ment</u> <u>symbol</u>	<u>Fund</u> <u>symbol</u>	<u>Title of funds</u>	<u>Amount over-</u> <u>obligated at</u> <u>June 30, 1954</u>
1600	1442016	General Administrative Ex- pense, BIA, 1954	\$7,908
R-800	1442201	Resources Management, BIA (Operation, Repair and Maintenance of Indian Irrigation Systems), 1954	4,266 ^a
-	14-1242258 (20).020	Control of Forest Pests, Agriculture (Transferred to Department of the Interior), 1954	630

^aIncludes overobligation of allotments by the Mescalero, United Pueblos, Navajo, and Hopi Agencies.

Notations on the area trial balances of the accounts on the books at June 30, 1954, stated that steps were being taken to cover the overobligations. On July 9, 1954, the central office wired the Area Director as follows:

"Reurtel July 8. Allotment for \$10,000 being processed to cover 1954 GAE deficit."

We were informed that the obligations in fund symbol 14-1242258(20).020 were overstated at June 30, 1954, because of errors in postings and that corrective action would be taken to adjust this fund balance. At December 31, 1954, however, this fund symbol was still overobligated by the same amount. Resources management fund (Operation, Repair, and Maintenance of Indian Irrigation Systems) allotment symbol R-800 was still reported overobligated by \$4,109 as of December 31, 1954, on Standard Forms 133 prepared by the area office.

Reports on these overobligations to the President and the Congress have not been made as required by law (31 U.S.C. 665(i)(2)).

b. During fiscal year 1954 the Treasury Department Regional Disbursing Officer at Albuquerque, New Mexico, notified the area finance officer that appropriation accounts showed overexpended amounts for the following months:

<u>Month</u>	<u>Fund symbol</u>	<u>Amount</u> <u>overexpended</u>
September 1953	14x2301	\$808,636
December 1953	14x2201	1,317
April 1954	14x7341	6,241

Treasury Department-General Accounting Office Joint Regulation No. 4, dated June 30, 1953, provided that the responsibility, for

determining before disbursement the sufficiency of balances under appropriations, funds, or other limitations established by or pursuant to law, rests with the administrative agency to whom the funds were appropriated or otherwise made available. Correction of these overexpenditures was made subsequently by transfers from the central office in Washington.

c. Prepayments to other Government agencies for work to be performed under provisions of section 601 of the Economy Act of 1932 (47 Stat. 417) have been charged as obligations without regard to the services actually rendered by those agencies. (See item 15, p. 26.)

d. Unliquidated obligation documents were not reconciled with balances in control accounts at June 30, 1954, or apparently at prior dates. By teletype, dated January 18, 1955, the Gallup Area Office advised the central office that:

"Rett 1-14-55. List of unliquidated obligations as of 6-30-54 not available. List as of 12-31-54 being constructed as base point to regain control of Gallup Area allotments. List as of 6-30-54 might be reconstructed but would be time consuming and expensive. No assurance can be given that such a reconstructed list would balance to allotment ledger or the Form 133 as of 6-30-54 ***."

e. Accuracy of reports on funds submitted to the central office by the Gallup Area Office pursuant to section 1311 of the Supplemental Appropriation Act, 1955 (68 Stat. 830), could not be evaluated. The area officials could not produce any evidence to support the certification of such reports. In a letter to the central office, dated January 19, 1955, the Assistant Area Director, Administration, stated in part:

"A somewhat sketchy analysis of the condition of accounting records has revealed that the balances in the allotment ledgers at December 31, 1954, could not be supported by documents in the files--that, in fact, the files had not been balanced completely in many months. Further analysis reveals that the provisions of the Manual with respect to the treatment of accrued expenditures are not being followed except with regard to GSA transactions. For this latter reason, it is apparent that the usefulness of the operating statements is considered limited."

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

2. Financing of irrigation operation and maintenance costs

Our review of operation and maintenance activities on various irrigation projects in the Gallup area disclosed certain irregularities in the financing of these projects including the following:

a. Pine River Irrigation Project--Resources management appropriations were used on the Pine River Irrigation Project of the Consolidated Ute Agency to benefit non-Indian water users and to pay irrigation operation and maintenance costs not recovered through collection of operation and maintenance assessments. These appropriated funds were justified in hearings before the Congress as being available only to pay operation and maintenance assessments of those Indians who are financially unable to make such payments.

Review of budget estimates on the Pine River Irrigation Project submitted for the Consolidated Ute Agency to the central office disclosed that the requests for irrigation resources management funds were based on the difference between estimated operation and maintenance costs and estimated collections of operation and

maintenance assessments from Indians and non-Indians. Because the assessment rates on the Pine River Irrigation Project have not been sufficient to cover operation and maintenance costs, resources management funds have been used to supplement the difference.

In a letter addressed to the Area Director of the former Albuquerque Area Office on October 23, 1953, on irrigation operation and maintenance assessment rates for the Pine River Irrigation Project, the Acting Commissioner stated, "We would appreciate being informed also how the difference between actual costs and collections from water users has been bridged; if not by labor contributed by the water users in maintenance work, what funds have been used to make up the difference." On November 20, 1953, the Area Director answered that, "The difference between collections of \$0.75 per acre and \$2.00 actual costs have been covered by the regular O&M (resources management) appropriations together with some contributed labor by water users."

In March 1954 the irrigation operation and maintenance assessment rate was revised to "\$1.50 per acre per annum for the year 1954 and thereafter until further notice." The former rate of 75 cents an acre had been in effect since at least 1932. The revised rate, however, was not sufficient to cover operation and maintenance costs and therefore the non-Indians did not pay their pro rata share of project costs. Bureau officials informed us that beginning in 1956 the assessment rate will be increased 25 cents an acre each year until full costs are recovered. Until assessment rates are established to cover the full cost of operation and maintenance of the project, non-Indians and Indians who can afford to

pay their pro rata share of costs are being subsidized from annual appropriations.

b. United Pueblos Agency Irrigation Project--Under contract No. I-1-Ind. 18737, dated February 10, 1947, the United Pueblos Agency makes annual payments to the Middle Rio Grande Conservancy District, a political subdivision of New Mexico, for the operation and maintenance of the irrigation lands under the Bureau's jurisdiction and also certain lands under the jurisdiction of the Soil Conservation Service, Department of Agriculture.

In March 1954 the United Pueblos Agency collected \$1,370 from the Soil Conservation Service, Department of Agriculture, in payment of its share of operation and maintenance costs for calendar year 1953 on lands under the jurisdiction of the Soil Conservation Service. This reimbursement was treated as income by the area office and deposited into appropriation fund symbol 14x5240, Operation and Maintenance, Indian Irrigation Systems, although no expenditures had been made from this fund during fiscal year 1954. Expenses for operation and maintenance for fiscal year 1953 totaling \$90,123 were paid from appropriation fund symbol 1442201, Resources Management, Bureau of Indian Affairs.

Collections from the Soil Conservation Service for its share of such operation and maintenance costs should not be treated as income but should be applied to reimburse appropriation fund symbol 1442201. The same principle is applicable also to collections for prior years which have been deposited to fund symbol 14x5240. The unallotted balance in fund symbol 14x5240 was \$10,479 at June 30, 1954. We have issued notices of exception against the certifying

officers involved for the amounts deposited in the manner stated above.

c. Navajo Agency Irrigation Projects--The Navajo Agency has supplemented appropriation fund symbol 14x5240, Operation and Maintenance, Indian Irrigation Systems, with funds appropriated for operation and maintenance of irrigation projects under the resources management appropriations (symbol 14_2201). For example, during fiscal year 1954 moneys in payment of services by Indians who performed labor in lieu of paying for irrigation assessments were transferred from resources management appropriations and deposited into fund symbol 14x5240 in the following amounts.

<u>Transferred from fund symbol</u>	<u>Amount transferred</u>
1422201	\$ 2,533
1432201	<u>9,986</u>
Total	12,519
Less taxes	<u>966</u>
Total transferred	<u>\$11,553</u>

On August 27, 1954, a similar transfer was made in the amount of \$3,495 from appropriation 1442201 to 14x5240. During fiscal year 1954 expenditures were not made from fund symbol 14x5240 for irrigation operation and maintenance costs. Operation and maintenance expenses of \$195,128 were financed entirely from resources management fund symbol 1442201 in fiscal year 1954 even though there was an unallotted balance of \$16,284 in fund symbol 14x5240 at June 30, 1953. We are taking exception against the certifying officer for the amounts involved.

To prevent future allotments of resources management appropriations being used to benefit non-Indians and Indians who are financially able to pay their assessments, we recommend that the Area Director take the following action:

- (1) Revise current assessment rates periodically so that these rates are adequate to cover all operation and maintenance costs of the project.
- (2) Allot resources management funds to individual projects only to pay the assessment on acreage owned and operated by Indians whose assessments have been officially deferred. The allotment would be the amount arrived at by multiplying this acreage by the assessment rate.
- (3) Base future requests for resources management funds only on acreage owned and operated by Indians for which the assessment is expected to be deferred. The acreage so determined should be based in part on previous years' experience.

We recommend also that the Area Director take immediate action to have all amounts which were improperly deposited into fund symbol 14x5240 transferred to the appropriate accounts.

Collections of operation and maintenance assessments from water users are available generally until expended. Collections of deferred assessments from Indians whose water charges were paid from reimbursable appropriated funds, however, are required to be reimbursed to the Treasury (25 U.S.C. 385). To assure the proper application of collections and the recovery of amounts due to the Government, we recommend that the Commissioner require the area office to maintain accounting and related records in a manner that will disclose adequately the collections of irrigation operation and maintenance assessments financed by reimbursable appropriations.

3. Delivery of water to non-Indians before payment

The Federal Register (19 F.R. 1250) provides for non-Indian lands in the Pine River Irrigation Project that "The annual charge *** shall become due on April 1 of each year, [and] is payable on or before that date ***. The delivery of water shall be refused to all tracts of land for which the charges have not been paid when due ***."

In May 1954 the Bureau billed non-Indian land owners on the project in the amount of \$4,081 for operation and maintenance charges. At June 30, 1954, only \$1,762 of the \$4,081 assessed had been collected. There was no evidence, however, that water delivery to non-Indians had been discontinued even though most of the assessments had not been paid. In response to our inquiry in the matter, the irrigation project engineer advised us that water deliveries to non-Indians who had not paid the charges by the date specified were not discontinued because he felt he could collect the charges when he had time to contact the water users personally.

To provide for prompt payment of irrigation operation and maintenance assessments, we recommend that the Area Director take the necessary action to comply with the regulations. All water users should be billed for the annual irrigation operation and maintenance assessments before April 1 of each year; and if any assessments against non-Indians are not paid by April 1, the irrigation engineer should take the necessary action to stop the delivery of water to the affected acreage.

4. Maintenance of irrigation water user ledgers

Our audit disclosed that before March 1954 the irrigation water user ledgers on the Navajo Irrigation Project had not been posted since 1945. We were informed by an area office official that before fiscal year 1953 the water user ledgers were maintained at the irrigation project and were transferred to the area office in fiscal year 1953. Starting in March 1954 considerable progress was made by the area office to adjust the records and bring them up to date. At December 31, 1954, however, the aggregate of the water user ledgers totaled \$24,894 more than the balance in the general ledger control account. Moreover, because the water user ledgers are maintained by the area office, the Navajo Agency has maintained duplicate water user records for billing purposes.

To reduce the administrative costs of accounting for irrigation revenues, we recommend that the Area Director take the necessary action to transfer the Navajo water user ledgers to the Navajo Agency and eliminate the duplicate water user records maintained at the agency. We recommend also that the aggregate of the balances in the water user ledgers be maintained on a current basis and reconciled periodically with the balance in the applicable control account.

5. Nonpayment of construction costs pursuant to contract

In our report for fiscal year 1953 on the former Window Rock area (item 8, p. 4), we pointed out that the Bureau had not billed or collected on a contract entered into on September 29, 1933, between the Government and the Board of National Missions of the Presbyterian Church for the repayment of the Mission's pro rata share of the construction costs of the Ganado Irrigation Project. The annual payments due to the Government for the 20-year period ended June 30, 1953, totaled \$2,499. The Bureau had not recorded this contract on its financial records and therefore did not have proper accounting control over the amounts due to the Government. The Mission Board acknowledged its obligation to the Government by a letter dated September 8, 1947, stating that payments had not been made because the Bureau had failed to send an annual notice of the assessment due. Accordingly, in our report for fiscal year 1953, we recommended that action should be taken to adhere to the terms of the contract.

Our audit for fiscal year 1954 disclosed that in September 1953 the Bureau billed the Mission Board for the amount due to June 30, 1953, and subsequently billed for the annual payment due July 1, 1954, in the amount of \$124.95. At December 15, 1954, however, the Bureau had not recorded the total amount to be reimbursed to the Government under contract as required by the Indian Affairs Manual.

We were advised on December 15, 1954, by the area budget and finance officer that:

"The apparent reason for failure to pick this item up in the accounting controls lies in the fact that the Presbyterian Board has made a formal request to the Congress for the cancellation of the debt. In order to bring the item into the controls where it will remain without action until formal decision is made by the Congress, I am instructing the Finance Officer by copy of this letter to make entries in accordance with Vol. IV, Part 11, Chapter 5, Section 502.04 B (2) of the Bureau of Indian Affairs Manual."

Because delays in properly recording amounts due to the Government may result in losses of revenue, we recommend that applicable manual regulations be promptly complied with. The Bureau's records should show the true financial status of the Bureau on a current basis.

6. Deficiencies in credit operations

In our report for fiscal year 1953 on the former Window Rock area (item 13, p. 6), we pointed out that the primary responsibility for the collection of the revolving loans funds rested with the Navajo Tribe who had borrowed the money from the Government and has made the loans to enterprises and individuals, but that in actual practice the Bureau had assumed the primary responsibility for collection of the loans. The report pointed out also that the discharge of this responsibility had not been in a businesslike manner. In addition, all loans showed a high percent of delinquency.

Our audit for fiscal year 1954 disclosed that some progress had been made to correct these deficiencies. A plan for the reorganization of the Navajo Tribal Credit Program was approved by the Tribal Advisory Committee in September 1954. One of the provisions of this program calls for the attorneys for the Tribe and

the Government to submit for approval a tribal code of regulations governing suits to collect debts in Navajo courts, including foreclosure and attachment proceedings. Foreclosure procedures are not provided for under present regulations. The Tribal Council had not approved this program at that date. The Branch of Credit was in the process of reorganizing for a more efficient credit operation.

A number of collections of revolving loan funds were made during the year, nonetheless at June 30, 1954, the revolving loan funds had 298 individual loans outstanding with an unpaid balance of \$165,451. Of these 298 loans, 216 were delinquent on payments in the amount of \$53,377 or 32 percent of the unpaid balance. The revolving loan fund agreements between the Bureau and the Navajo Tribe provide for regular payments of the total loan commencing in 1966. The loan is secured by an assignment of all tribal income and all collateral required in connection with the Tribe's relending activity.

In addition to the revolving loan funds, reimbursable loans made to Navajo Indians under loans for "Industry Among Indians" were delinquent in the amount of \$281,705 at June 30, 1954. The Navajo Agency summary of transactions by appropriation for fiscal year ended June 30, 1954, shows that only \$436 was collected on the principal during fiscal year 1954.

One of the delinquent loans under "Industry Among Indians" represents an unpaid balance of \$81,000 due from the Navajo Tribe since 1951 under loan agreement No. 1458 dated September 26, 1938.

This loan agreement between the Navajo Tribe and the Government for livestock development was made in the amount of \$125,000 and disbursed from fund symbol 1492203, Industry Among Indians, 1939. In a letter to the Commissioner of Indian Affairs dated March 20, 1953, the Director of the former Window Rock area stated in part:

"Agreement No. 1458, \$125,000. The purpose of this loan was for the purchase of feed, sale, or other disposition of Navajo livestock. This enterprise folded up about seven years ago. No thought has been given to any related activation of this enterprise. Repayments of this loan agreement were scheduled at the rate of \$12,500 per year beginning in 1948 and extending through 1957."

Bureau records show that payments began in 1948 but were discontinued after 1951. In November 1954 the Bureau had not taken the necessary action to enforce collection. The loan agreement provides that the loan shall be a charge and lien against the income from the trust land of the Tribe, and any other trust income or moneys due it from the United States from any source. Moreover, under the act of April 4, 1910 (25 U.S.C. 145), any tribal funds held by the United States are to be applied to reimbursable accounts. At June 30, 1954, the Navajo Tribe had more than 15 million dollars of tribal funds on deposit with the United States.

To reduce the losses from loans, we recommend that the Area Director pursue diligently the collection of delinquent loans and that an aggressive policy of follow-up on all delinquent loans be established. We recommend also that the Commissioner take the necessary action to enforce collection of the \$81,000 loan due from the Navajo Tribe.

7. Failure to bill Tribe for administrative expenses in connection with the operation of the Navajo Tribal Sawmill

In our report for fiscal year 1953 on the former Window Rock area (item 11, p. 6), we stated that the Bureau performs certain administrative functions for the Navajo Tribal Sawmill without reimbursement. The Code of Federal Regulations (25 C.F.R. 61.25) provides that, in all sales of timber from either allotted or unallotted land, a sufficient deduction will be made from the gross proceeds to cover certain specified costs of the Bureau. In general, 10 percent of the gross amount received from the timber sold is to be deducted for administrative expenses. We pointed out also that about \$39,600 is due to the Bureau from the Tribe for the years 1948 through 1952.

On August 10, 1954, the Bureau issued instructions that deductions of 10 percent of stumpage values are to be made commencing July 1, 1954. Pending further instructions from the Bureau, however, these deductions are to be held in a special deposit account.

The Acting Comptroller General, in a letter dated November 3, 1954, advised the Secretary of the Interior that action should be taken to collect from the Tribe the fees due and to deposit the same in accordance with the act of February 14, 1920, as amended.

At January 28, 1955, instructions had not been issued to the Gallup Area Office to comply with the provisions of the Acting Comptroller General's letter.

To reduce the amount of administrative expenses to be borne by the Federal Government, we recommend that the Bureau enforce the

regulation requiring the charging of fees to cover administrative expenses for the value of timber used by the Navajo Tribal Sawmill and deposit same in accordance with the act of February 14, 1920, as amended.

8. Failure to collect reimbursable maintenance expenditures from the Navajo Tribe

In our report for the fiscal year 1953 on the former Window Rock area (item 12, p. 6), we pointed out that for the period from 1932 to 1953 reimbursable maintenance expenditures on U.S. Highway 666 and State Highway 68 had not been collected or recorded on the books of the Bureau as a receivable from the Navajo Tribe as required under the act of June 7, 1924 (43 Stat. 606), and the act of May 28, 1941 (55 Stat. 207). We were advised by the area budget and finance officer that this receivable (\$330,594) would be recorded on the books during the fiscal year 1955. Action had not been taken, however, to enforce collections from the Navajo Tribe of the amount due the Government for this reimbursable maintenance expenditure.

Inasmuch as (1) specific legislation requires the reimbursement of the subject maintenance expenditures from the Navajo Tribe and (2) the Navajo Tribe had more than 15 million dollars of tribal funds on deposit with the United States at June 30, 1954, we urge immediate action by the Commissioner to enforce collection in the manner provided by the act of April 4, 1910 (25 U.S.C. 145).

9. Accounting for receipts

In our report for fiscal year 1953 on the former Window Rock area (item 18a, p. 10), we pointed out certain deficiencies in the

administrative procedures on cash receipts. Our audit for fiscal year 1954 of the Gallup area disclosed that corrective action had been taken at the area office to deposit promptly cash received at the office in accordance with applicable manual regulations. Control over official field receipts, however, was very inadequate. The area office failed to keep an adequate and accurate record of official field receipts, and therefore we could not make a satisfactory audit of collections by field collector agents.

Based upon available records, the following deficiencies were noted:

- a. Two field collector agents at Fort Defiance had not transmitted collections promptly for over a period of 2 years to the area office in accordance with the applicable provision of the Indian Affairs Manual (vol. IV, part II, sec. 603.02B(3)). Although the area office was aware of this situation, effective corrective action was not taken.

At the Bureau's invitation we examined this situation which had resulted in a cash shortage, the total amount of which could not be determined due to lack of adequate records. We have requested the Bureau to begin action to recover the shortage from the bonding companies. The Bureau has suspended the two employees pending completion of an investigation into this matter. We have been informed that the Department of the Interior is now making a field investigation of the matter.

- b. Collector agents were relieved from their duties without being required to return unused field receipts to the area office and without an audit of their accounts. In one instance the agent collector was using field receipts issued by the area office to his predecessor.
- c. Field receipt books were issued by the area office to employees who were not designated or bonded as collector agents. None of the receipt books had been used.
- d. Collections in the field were usually written on prenumbered (printed) field receipts (form 5-777), but receipts at the Jicarilla and Consolidated Ute agency offices are written on official receipts (SF-1114) which form is not serially prenumbered. Consequently, there is no

accountability of receipts issued in the latter case until the receipts are numbered and entered on the accounts receivable register.

To assure the proper application of receipts, to minimize the possibility of cash collections being temporarily diverted for personal use, and to safeguard the Government against the possibility of loss of cash, we recommend that:

- a. Collector agents be required to deposit collections promptly as provided by the Indian Affairs Manual and that effective corrective action be taken by the Area Director in cases of noncompliance.
- b. An audit be made of the records of collector agents before relief from duty, including an accounting of all unused official field receipts.
- c. Procedures be established to prevent unauthorized employees from obtaining official field receipt books from the area office.
- d. The Commissioner consider, in consultation with the Accounting Systems Division of the General Accounting Office, the establishment and use on a Bureau-wide basis of a printed, prenumbered official receipt form designed to meet the Bureau's particular requirements. In this connection reference might be made to the receipt and accounts receivable forms recently put into effect by the Bureau of Land Management. The area offices should control the issuance of supplies of such receipts to the agencies and should also maintain an accounting control over the numerical sequence of the receipts. This is a recognized administrative control measure in accounting for collections.

10. Inadequate administrative control over receipts

Our review of procedures at the Gallup Area Office for handling collections disclosed that the agent-cashier's responsibilities included:

- a. Handling collections.
- b. Maintaining accounts receivable files and posting to subsidiary accounts receivable records.
- c. Making deposits.
- d. Posting to cash receipts register.
- e. Reconciling the aggregate of balances in the subsidiary accounts receivable with the balance in the general ledger control account.

To provide better administrative control over cash receipts, we recommend that the duties of the employees of the Branch of Budget and Finance be reassigned to permit greater diversification of responsibilities for receiving cash, recording cash received, and recording accounts receivable. The accounts receivable records and the clerk who devotes full time to recording accounts receivable should be transferred to the supervision of the accounts section.

11. Inadequate collection follow-up on delinquent accounts receivable

Our audit disclosed that follow-up on the collection of delinquent accounts receivable has been inadequate at the Gallup area. Moreover, there have been unusually long delays in billing for medical services rendered, and in discontinuing utility services when bills submitted by the Bureau were not paid.

Bills had not been submitted to the beneficiaries from 5 to 10 months after the medical service had been rendered. In some cases, the debtor had moved before the bills were rendered and the debtor's new address was not known.

Following are examples of delays in billing for medical services.

<u>Bill number</u>	<u>Date of service</u>	<u>Date of billing</u>	<u>Amount</u>
HFD-455	September 1953	April 1954	\$290
HFD-409	August 1953	April 1954	150
HTC-225	November 1953 to March 1954	August 1954	122
HFD-572	September 1953	May 1954	100
1936-P-2	April 1953	January 1954	85
HFD-346-P1	September 1953	April 1954	76
HFD-240	October 1953	April 1954	40
HFD-482	August 1953	May 1954	34

In one instance a Bureau employee had been hospitalized in August 1953 and was not billed for the \$150 due for these services until April 1954. This employee, however, had been terminated from Government service in February 1954 and his forwarding address was not known for billing purposes.

Numerous examples of lax collection efforts at the Navajo Agency were noted on all services rendered. In many instances administrative action was not taken to effect collection. In the case of utility services, notwithstanding nonpayment, action was not taken to discontinue the services for several months. One Indian trading post accumulated telephone charges over a 10-month period during fiscal years 1953 and 1954 in the amount of \$264. Service was not discontinued during this period, and the trading post was eventually sold without collection being made.

A few examples of unpaid bills at November 30, 1954, are as follows:

<u>Service rendered</u>	<u>Period covered by unpaid bills</u>	<u>Amount</u>
Telephone service to a business	April 1953 through February 1954	\$264
" " " an individual	April 1953 through September 1954	68
" " " " "	August 1952	8
" " " " "	January through March 1954	74
" " " a business	January to May 1953	114
" " " " "	August 1953 through May 1954	136
" " " " "	May 1949 to June 1953	260
Utility service to a business	November 1953	39
Water service to an individual	November 1953 to November 1954	33
" " " " "	September 1953 to November 1954	38
" " " " "	February 1954 to November 1954	25
" " " a business	June 1953 to August 1954	75
Rental of quarters to an individual	April 1954	78
Garage service to an individual	May and June 1954	20
Medical services to an individual	November 1952 to April 1954	94
" " " " "	August 1953 to April 1954	96
" " " " "	June 1952 to June 1954	295
" " " " "	August 1944	32
" " " " "	August 1953	90
Garage service to Navajo Tribe	March 1951 to May 1954	925

The names of the debtors will be made available to the Bureau upon request.

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

- a. Prompt billing of all amounts due to the Government and discontinuance of services, such as telephone, if payment is not received.
- b. Analysis of accounts receivable by the agency offices on a quarterly basis and reports to the area office on the action taken to collect each account over 6 months old.

c. Installation of a vigorous collection program at those agencies or locations where excessive delinquent accounts or evidences of poor collection procedures are found to exist.

d. The transfer of all accounts considered to be uncollectible to the central office in accordance with applicable regulations.

12. Subsidiary accounts not reconciled with control account balances

Our audit disclosed that aggregate balances in certain subsidiary accounts were not in agreement with the balances in general ledger control accounts at June 30, 1954, and had not been reconciled with the general ledger control accounts involved.

Following are examples of accounts which were not reconciled.

a. Most of the subsidiary accounts on revolving fund loans and individual Indian reimbursable loans did not agree in the aggregate with the respective general ledger control accounts at June 30, 1954. For example, the general ledger control account balance of the Navajo revolving fund loan was \$198,000 less than the aggregate of the subsidiary account balances at June 30, 1954. Similarly, the aggregate of the subsidiary account balances of the Hopi revolving fund loan was \$182,541 less than the general ledger control account balance at June 30, 1954. The differences were due primarily to posting errors in the subsidiary accounts and control accounts. Some of the posting errors made in prior fiscal years had not been corrected as of June 30, 1954.

b. The aggregate of the water user ledgers at the Consolidated Ute Agency were not in agreement with the respective general ledger control accounts in the area office at June 30, 1954. General ledger control account for Accounts Receivable--Operation and

Maintenance Charges--Indian Lands (No. 136.5) was \$6,283 less than the aggregate of the applicable water user ledger subsidiary accounts; and general ledger control account for Accounts Receivable--Operation and Maintenance--Non-Indian Lands (No. 136.6) was \$6,264 more than the aggregate of the applicable subsidiary accounts. These differences were due primarily to posting errors between account No. 136.5 and account No. 136.6. We reconciled the accounts as of June 30, 1954, and called the differences to the attention of officials of the area office on November 5, 1954, for corrective action. In addition, certain adjustments on the accounts receivable of the Consolidated Ute Agency recommended to the Bureau by the Office of Investigations, General Accounting Office, in a report dated June 1, 1953 (No. I-16906-12), had not been made by the agency at November 1954. These adjustments should be made.

c. There was no evidence that accounts payable balances had been reconciled to the general ledger control account balance at June 30, 1954. We were unable to ascertain when the last reconciliation had been made, because records on previous reconciliations were not maintained by the area office.

d. We were unable to determine that a reconciliation of unliquidated obligation documents had been made to the allotment ledger control at June 30, 1954. Area finance officials were not able to inform us of the last time that such reconciliation had been made.

To insure that all amounts due the Government are properly accounted for and to provide effective accounting control over

such amounts, we recommend that the Area Director take the necessary action to have all subsidiary records reconciled now and periodically to balances in the respective general ledger control accounts. Appropriate adjustment of the records should be made based on the reconciliations. Support for the reconciliations should be maintained for audit purposes.

13. Adjustments of accounts receivable

By journal voucher No. 822 the Gallup Area Office adjusted the general ledger control accounts for Accounts Receivable--Other (No. 1036.2 and No. 2036.2) to agree with the aggregate of bills in the unpaid files at May 31, 1954. The bills were taped and checked by the agent-cashier and his assistant in the Gallup Area Office. General ledger control account No. 1036.2 was reduced \$1,219 and account No. 2036.2 was increased \$22,103 to agree with the total of unpaid bills. The area office did not determine the reason for the differences, although control account No. 1036.2 had been reduced \$26,113 in May 1953 by journal voucher No. 731 to adjust the control account balance to agree with the aggregate of subsidiary account balances.

This method of adjusting general ledger control accounts is unsatisfactory, because unpaid bills may be misfiled, misplaced, or destroyed before adding machine totals are prepared. Moreover, the individuals responsible for cash collections should not have access to the accounts receivable files or submit the amounts upon which adjustments are based. (See item 10, p. 19.)

To control properly accounts receivable and to use the general ledger control accounts for the purpose intended, we recommend that the Area Director take effective action to have necessary adjustments between subsidiary accounts receivable records and the general ledger control accounts supported adequately. The reasons for the differences should be ascertained and fully explained on the adjusting journal vouchers.

14. Accounts current not reconciled with general ledger account balances

Our audit disclosed that the procedures for reconciling the account current of the regional disbursing officer with the balances in general ledger accounts do not provide for reconciling miscellaneous receipts. Consequently, failure to record properly in the accounting records miscellaneous receipts from the sales of motor vehicles in the amount of \$11,195 was not detected by the area accounting personnel, although the amount had been returned to the Treasury in June 1954.

We advised the Area Director of this deficiency, and on December 15, 1954, we were informed that the error in the accounts had been corrected and that the reconciliation procedures had been revised to include a reconciliation of miscellaneous receipts.

To eliminate the possibility of similar errors in the future, we recommend that the area accounting personnel make the required reconciliation at the end of each month.

15. Prepayments and advances not recorded properly

Our review of prepayments made to other Government agencies and advances from other Government agencies disclosed that the area office did not follow prescribed Indian Affairs Manual procedures.

The Indian Affairs Manual (vol. IV, part II, sec. 502.04B(2)) provides that prepayments to other Government agencies under provisions of section 601 of the Economy Act of June 30, 1932, as amended, are to be recorded in appropriate prepayment accounts. The cost of services rendered under the prepayment agreements should be transferred to the appropriate asset or cost accounts on the basis of cost statements rendered to the Bureau by the respective Government agencies performing the services. The prepayments, however, have been recorded incorrectly as a direct charge to asset or cost accounts at the time the amounts were advanced by the Bureau. The total amounts advanced were recorded also in the allotment ledger as obligations and expenditures.

During fiscal year 1954 the Bureau advanced \$125,000 to Geological Survey for certain reimbursable services to be performed for the Bureau and charged the entire amount to cost accounts at the time the advances were made. Consequently, at June 30, 1954, the area office records did not show a balance of the advance to Geological Survey, although the Survey had reported \$55,722 as unobligated at the end of fiscal year 1954. Included in this amount were unobligated balances of \$3,172 against 1-year appropriations for fiscal years 1953 and 1954.

The Bureau of Indian Affairs advanced \$60,925 to the Bureau of Reclamation under several agreements entered into in fiscal years 1953 and 1954 for studies, investigations, and surveys on a proposed Navajo Irrigation Project which is to be a joint undertaking between both Bureaus. The area office did not post these advances to the account for Prepayments To Other Government Agencies (No. 139.1) at the time the advances were made. Instead, the advances were charged to the account for Construction Work In Progress (No. 107.1). A journal entry was made, however, transferring \$18,000 from the construction account to the prepayment account as of June 30, 1954. The Bureau of Reclamation statement showed expenditures of \$28,747 and an unexpended balance of \$32,178 at June 30, 1954. Based on the report from the Bureau of Reclamation, the BIA prepayment account at June 30, 1954, should have shown a balance of \$32,178. Because the \$28,747 was expended by the Bureau of Reclamation for preliminary surveys and investigations, the proper charge should be to the account for Preliminary Survey and Investigation Costs (No. 153.1) instead of the Construction Work In Progress account.

Our audit of the account for Work In Process (No. 1040) also disclosed that the area office was not following the applicable provisions of the Indian Affairs Manual (vol. IV, part II, sec. 502.03B(2) regarding payments received from other Government agencies in advance of the period earned. Advances from other Government agencies were credited directly to the account for Work In Process (No. 1040) instead of being credited to Deferred Credits (No. 1243). Because of improper accounting entries at

June 30, 1954, the Work In Process account showed a credit balance of \$160,679 instead of a debit balance of \$42,421. In addition, the deferred credit account should have included an additional credit of \$203,100 at June 30, 1954.

We recommend that the applicable provisions of the Indian Affairs Manual be followed to provide accurate accounting records for management and for reporting purposes. Moreover, because recorded obligations against fiscal year appropriations which are based on agreements entered into with other Government agencies are required by law to be deobligated at the end of each fiscal year to the extent that the performing or procuring agency has not incurred valid obligations under the agreements (31 U.S.C. 686-1 and B-121982, dated March 4, 1955, 34 Comp. Gen. _____), it is essential that the applicable manual requirements cited above be followed closely.

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

The Indian Affairs Manual (vol. IV, part II, sec. 607.10) provides:

"Completion Report. The Completion Report, Form No. 5-1032, (Illustration 6), is the final detail cost report of all work completed under a work order. In effect it is the work order converted to the actual cost of work accomplished. In addition to being a reference document for cost and statistical purposes, it serves as the supporting accounting document for transferring cost from construction work in progress to the fixed property accounts. The completion report also forms the basis for billing other Governmental agencies when other work in process is completed for a particular job. ***"

Our audit disclosed that the area office had not complied with this manual provision. Construction work-in-progress costs on irrigation projects and roads were transferred without completion reports to fixed property accounts at June 30, 1954, and zero balances were shown in the construction work-in-progress accounts.

Irrigation project costs accumulated in the construction work-in-progress accounts of the Consolidated Ute, Jicarilla, Mescalero, and United Pueblos Agencies in the amount of \$258,123 at June 30, 1954, were closed to fixed property accounts at the end of fiscal year 1954. These transfers were not based on completion reports. Similarly, all road construction costs in work-in-progress accounts of these agencies, totaling \$199,707 at June 30, 1954, were closed to fixed property accounts at the end of the fiscal year.

We were informed by area officials that this action was based on instructions issued by the Branch of Budget and Finance in Washington, D.C., on July 8, 1954. These instructions read in part as follows:

**** For the sake of uniformity and programming, the following is to be used as a guide in clearing capital expenditures through work orders under Construction Work in Progress to the asset accounts. *** Specific projects, Buildings and Utilities, upon completion of a work order or structure; Engineering Plans and Surveys, Water Exploration, Major Repairs and Improvements, On-the-Job Training, Communications shall be cleared at Close of Business June 30 in accordance with Pro-forma entry Number 21, Section 503.03C, Indian Affairs Manual. Irrigation Systems and Roads to be cleared at Close of Business June 30."

The closing of construction work-in-progress accounts and the transfer of costs recorded therein to fixed property accounts on a fiscal year basis in lieu of a completion basis for specific features or units of work does not disclose the true financial status of construction work in progress and completed works. Accordingly, we recommend that the Commissioner provide for a revision of instructions so that all construction work-in-progress accounts will be transferred to the appropriate asset accounts on the basis of completion reports. Because some of the construction work, especially on irrigation projects, is of a continuing nature, separate work orders should be issued on specific features or units of construction which will be completed within a reasonable length of time. Appropriate adjustment should also be made as of June 30, 1955, for in-progress construction shown as completed fixed property.

17. Imprest fund in excess of authorized amount

Our audit of the Gallup Area Office disclosed that both the Assistant Area Director, Administration, designated as imprest fund cashier, and the Chief, Property and Supply Branch, designated

as his alternate imprest fund cashier, were advanced \$500 each for imprest fund purposes. Consequently, the total amount in the imprest fund was \$1,000.

The Department of the Interior "Imprest Fund Regulation" approved by the Administrative Assistant Secretary on July 21, 1952, provides in part:

"*** If considered necessary or desirable, a request may be made for the designation of an alternate Fund Cashier to serve during the absence of the regular cashier. *** In case of leave of absence for short periods, the Imprest Fund Cashier may transfer sufficient funds to the alternate to transact the usual business during his absence, taking the alternate's receipt therefor, but retaining full accountability for the Imprest Fund."

* * * * *

"The amount of any Imprest Fund shall not exceed \$500.
***"

We recommend that the Area Director take the necessary action to comply with the above regulation and reduce the amount of imprest funds on hand, or if an additional imprest fund is desired the alternate should be designated as imprest fund cashier. Alternate imprest fund cashiers are not authorized to be advanced funds in addition to amounts advanced to the regular imprest fund cashier.

18. Other accounting deficiencies

We noted many other accounting deficiencies during the audit, some of which are as follows:

a. Journal vouchers adjusting the accounts were not properly supported and were not approved by responsible officials, as required by the Indian Affairs Manual (vol. IV, part II, sec. 601.03B).

For example, journal vouchers No. 66 and No. 148-A, dated September 30 and December 31, 1953, respectively, were not supported by the necessary documents and explanations and were approved by the accounting clerk who prepared the vouchers rather than a responsible finance official. All journal vouchers should be processed in accordance with manual regulations.

b. Due to numerous posting errors in the accounts, the monthly operating statements did not accurately disclose the financial position of the Gallup area during fiscal year 1954. For example, at June 30, 1954, the account for Irrigation Income (No. 550.1), Consolidated Ute Agency, showed a credit balance of \$13, although the correct amount should have been \$14,565. The error was due to an incorrect posting of \$14,552 to account for Construction Repayment--Irrigation (No. 551.1). Because of the poor condition of the accounting records in the Gallup Area Office, the Assistant Area Director, Administration, temporarily suspended the issuance of monthly operating statements in January 1955.

c. Purchase discounts had been lost because of the payment of invoices after the expiration of the discount period. Notations on Bureau vouchers indicated that the discounts were lost because of "lack of personnel" and because receiving reports had not been forwarded promptly to the voucher section. Priority should be given to the processing of invoices offering discounts, and receiving reports pertaining to such invoices should be submitted promptly to the voucher section.

d. An official record of signatures or thumbmark signatures of individual Indian money account owners was not maintained in

the Gallup area. Prudent banking practice would require that such signature or thumbprint records be maintained for each account owner. Moreover, separate account folders were not maintained for each individual Indian money account. Withdrawal applications of both individual Indians and Indian groups were commingled in one folder. The Indian Affairs Manual (vol. IV, part II, sec. 603.03E (19)(b)) provides that a separate folder will be maintained for each account and such folders will contain all withdrawal applications applicable to such accounts. This manual regulation should be followed.

e. The area office receives numerous monthly checks for items, such as Railroad Retirement, Social Security, insurance, and others, which are deposited to the credit of the respective Indians in the individual Indian money accounts maintained by the Bureau. Most of these receipts are withdrawn by the Indians concerned within a short period after they are credited to their accounts. In many instances such checks could be mailed directly to the Indian involved, thereby reducing the Bureau's workload and related administrative expenditures.

These and other accounting deficiencies were pointed out and discussed with appropriate area officials. Some of the deficiencies were corrected during our audit. We were informed that all of the deficiencies noted would be considered for corrective action.

19. Missing accounting records

In our report for fiscal year 1953 on the former Window Rock area (item 18 b, p. 12), we stated that numerous pertinent records on individual Indian money accounts were missing and unavailable for audit. Neither the individual ledger sheets nor the control totals for June 1952 could be found. Some authorization folders containing withdrawal forms could not be located. The Bureau informed us in August 1954 that the control ledger for June 1952 was still missing, although considerable effort was made to locate it and that precautions had been taken to prevent such recurrences in the future.

Our audit for fiscal year 1954 disclosed that certain pertinent records of the former Albuquerque Area Office were missing and unavailable for audit. These records could not be located even after discussions with responsible Bureau personnel. We observed also that general ledger and cost ledger sheets were lying unbound on shelves and could easily become lost or misplaced. We wrote the Area Director that certain accounting records necessary for our audit had not been located, but at the completion of our audit on January 28, 1955, we had not received a reply.

We recommend that the Area Director take the necessary action to adequately safeguard the Bureau's records and to prevent such recurrences in the future.

20. Inadequate training of accounting personnel

In the report for fiscal year 1953 on the former Window Rock area (item 19, p. 12), we stated that our examination of the books

and financial records of the Window Rock Area Office disclosed that effective administrative reviews are needed to achieve a reasonable level of performance. We enumerated many of the major deficiencies which were disclosed in the audit and recommended that an intelligent training program be undertaken.

On August 16, 1954, the Bureau replied, as follows:

"There has recently been a complete reorganization of the Finance Branch in the Gallup Office and there is presently under way an organized training program. Complete Functional Charts for each section have been made and placed in the hands of all concerned employees. Appropriate Manuals, directives, etc., have been made available to all employees. Key supervisory positions which have long been vacant are now filled. It is anticipated that the Finance Branch will in a relatively short time be performing satisfactorily and will solve many of their old outstanding problems."

During fiscal year 1954 the former Window Rock and Albuquerque areas were consolidated into the Gallup area. Our audit for fiscal year 1954 of the Gallup Area Office disclosed numerous accounting errors and deficiencies in accounting procedures similar to the ones found in the prior years' audit. Employees were not familiar with basic accounting practices, such as reconciling subsidiary record balances with general ledger control account balances. In November 1954 we were informed by responsible area personnel that a training program for finance personnel was not in effect and was not scheduled for fiscal year 1955. As a result of our inquiry on this matter to the Area Director, the area budget and finance officer in December 1954 recommended a training program for finance personnel to the Assistant Area Director, Administration, and on January 6, 1955, we were advised that a training program will begin in February 1955.

We recommend that the Area Director continue his concerted efforts to provide proper supervision of financial activities and to properly implement this training program. We believe that continuous corrective and aggressive action is necessary to provide the Bureau with accurate accounting records necessary for effective administration and also to meet legal requirements.

(See item 1, p. 1.)

21. Inadequate use of motor vehicles

In our reports on the former Window Rock (item 15, p. 8) and Albuquerque Area (item 11, p. 9) Offices, we pointed out that the Bureau had a greater number of vehicles in the former Albuquerque area than were necessary at some locations and that better use of vehicles could be made at other locations in the area. We stated also that we did not believe that the arrangement under which the Bureau's automobiles were assigned to various individuals for their sole use provided the most effective use of motor vehicles. The Bureau replied that certain corrective action was being taken.

Our audit of the Gallup area for fiscal year 1954 disclosed, however, that equipment was not being used adequately. We observed many instances of idle equipment.

The Navajo Agency did not prepare vehicle use reports on all vehicles under the jurisdiction of the agency. Moreover, reports on vehicle use by the Jicarilla, Mescalero, Consolidated Ute, and United Pueblos Agencies for fiscal year 1954 were not available at the Gallup Area Office for review. Accordingly, we were not able to make a satisfactory and complete review on the use of automotive equipment in the Gallup area.

Based on available records, observation, and discussion, some examples of inadequate use of motor vehicles follow.

a. At the Navajo Agency, 34 vehicles were idle during the entire fiscal year 1954. These ranged from passenger-carrying vehicles to heavier vehicles, such as dump trucks.

b. Our review of road operations disclosed that during the peak of the road construction season several pieces of equipment had been

in the repair shops as long as 8 months without being repaired. The Bureau was advised of this situation on September 30, 1954, and an explanation was requested. At the date of this report a reply had not been received.

c. In November 1954 the Consolidated Ute Agency had 95 permanent employees and 54 vehicles assigned to it, or the ratio of more than 1 vehicle to every 2 employees. Vehicles are assigned to various individuals and motor pools are not in existence. We noted for example that the agency forester had three vehicles assigned to him, although he was the only employee in the branch. A sedan was assigned to a doctor in a hospital which had no doctor. The Soil and Moisture Branch consisting of 5 employees had 6 vehicles assigned to it. The Extension Agent has three vehicles assigned to him.

d. At the United Pueblos Agency, four vehicles were assigned to the Administrative Branch whose employees travel very little. In addition, two vehicles were assigned to the three placement employees.

e. The Hopi Agency Hospital had two ambulances and two panel trucks. The doctor at the Hopi Hospital stated that the hospital needs only the panel trucks, and if one of these trucks were converted into an ambulance he could dispose of both ambulances.

To reduce the number of motor vehicles owned by the Bureau and to reduce costs, we recommend that the Area Director require:

a. That immediate action be taken by the Bureau to reduce the large number of vehicles now on hand in this area and appropriate disposition be made of those determined to be excess.

- b. Establishment of motor vehicle pools at the larger offices. Vehicles would not be assigned to individuals or branches but would be requisitioned from pools as required.
- c. Preparation of equipment use reports on all vehicles and the review of these reports by management.

22. Inadequate property records

In our report for fiscal year 1953 on the former Albuquerque Area Office (item 15, p. 13), we pointed out that the general ledger account balance for stores as of June 30, 1953, could not be reconciled to the aggregate of the balances on stock record cards because the records had been improperly maintained. At the date of our examination in April 1953, no entries had been made for receipt or issues on the stores ledger cards for fiscal year 1953.

The Bureau replied that a physical inventory has been made and general ledger accounts have been established in accordance with information received from the property division.

Our audit for fiscal year 1954 disclosed that certain physical inventories had been taken on stores and other property, but the Bureau had not properly adjusted its financial records on the basis of these inventories. Receipts and issues of material and supplies had not always been recorded on the stores ledger cards for fiscal year 1954, although required by the Indian Affairs Manual (vol. IV, part III, sec. 208.02E). Moreover, property owned was not properly recorded on the books and all inventories had not been completed.

The property records on land, buildings, and other structures of the Gallup area were not in agreement with the balances in the corresponding general ledger control accounts. As of December 31, 1953, the date of the latest physical inventory, the balances in

the property records totaled \$38,832,970 compared with the balance in the general ledger account of \$19,715,139, or a difference of \$19,117,831.

Since December 31, 1953, all additions to land, buildings, and other structures have not been entered on the property records. It is the responsibility of the Buildings and Utilities Branch to furnish the final cost information to the Property Branch for the property records. Because the finance records are not on a current basis, such information is not readily available.

The aggregate of the balances in the equipment records maintained by the Property Branch did not agree with the balances in the corresponding general ledger accounts. A complete physical inventory of equipment has not been taken. The balances as of November 30, 1954, were as follows:

	<u>Property records</u>	<u>General ledger</u>	<u>Difference</u>
Equipment--General	\$4,335,550	\$3,539,974	\$795,576
Equipment--Irrigation	531,946	601,859	-69,913
Equipment--Indian Moneys, Proceeds of Labor	<u>87,736</u>	<u>69,970</u>	<u>17,766</u>
Total	<u>\$4,955,232</u>	<u>\$4,211,803</u>	<u>\$743,429</u>

Property Branch officials informed us that many pieces of equipment in the area have not been assigned property numbers because all of the equipment has not been inventoried.

To provide records that show properly the amounts and location of property owned, to prevent unauthorized or unapproved disposition of such property, and to provide management with reliable data on the detail of property being used, we recommend that the Area Director provide for:

- a. A complete inventory of all property and equipment.
- b. An adjustment of the general ledger balance to agree with the inventory.
- c. Appropriate reconciliation and follow-up of differences.
- d. The periodic compliance with these same procedures.

23. Deficiencies in procurement practices and procedures

In our report for fiscal year 1953 on the former Albuquerque Area Office (item 9, p. 8), we noted a number of deficiencies in procurement practices in the area, such as repetitious issues of open-market purchase orders to the same vendors for goods and services of a single class, the issuance of purchase orders after goods and services had been received, and not keeping bidders' mailing lists current. At the time of our audit in December 1954 the functions of the Albuquerque Area Office had been transferred and consolidated with the Gallup Area Office.

Our audit of the Gallup Area Office, however, disclosed a lack of coordination in procurement procedures and certain deficiencies in procurement practices, including some of the deficiencies noted in fiscal year 1953.

Following are some of the deficiencies noted:

- a. At the Navajo Agency numerous local purchases were made in the field before issuing a requisition and purchase order and without notifying the area procurement office. The area procurement office was not aware of many of these purchases until the invoices were received from the vendor, at which time "confirming purchase orders" were prepared. In some cases this did not occur until 3 or 4 months after the purchase had been made. This practice results

in the danger of overobligating funds because a prevalidation of funds is not obtained on purchases made before issuing a purchase order.

- b. Numerous purchase orders were prepared on the same day to the same vendor for identical or similar types of items at most of the agencies in the area. At the Consolidated Ute Agency we noted continuous purchasing of similar items for several months. Because none of the purchase orders were issued for more than \$500, advertising was not required. Examples of some of these purchases are as follows:

Purchase order number	Voucher number	Date of purchase order	Date of delivery	Vendor	Items purchased		
					Lumber	Plumbing supplies	Other
TP-9	2961	7-24-53	8-3-53	Durango Lumber Co.	\$449.60		
TP-10	4391	7-24-53	7-29-53	Slavens Hardware Co.		\$289.40	
TP-11	2510	7-24-53	7-29-53	Wiseman Hardware Co.	380.00		
TP-16	3070	7-24-53	7-21-53	Cortez Lumber Co.		35.77	
TP-36	1488	8-4-53	8-4-53	Cortez Plumbing Co.		30.78	
TP-37	1489	8-4-53	8-4-53	do		97.56	
TP-38	2508	8-4-53	8-4-53	do		94.14	
TP-39	2531	8-4-53	8-4-53	do		85.36	
TP-41	2507	8-10-53	8-10-53	do		70.74	
TP-42	2505	8-10-53	8-10-53	do		43.72	
TP-43	2530	8-10-53	8-10-53	do		97.59	
TP-44	2506	8-10-53	8-10-53	do		98.50	
TP-47	2299	8-10-53	8-10-53	Cortez Lumber Co.			\$244.99
TP-49	3474	8-10-53	8-13-53	Automatic Equipment Co.		58.80	
TP-50	1570	8-10-53	8-10-53	Cortez Lumber Co.		138.23	39.18
TP-54	2010	8-11-53	8-17-53	Cortez Electric Co.		66.50	
TP-55	2009	8-11-53	9-3-53	do		100.00	
TP-69	1892	8-24-53	8-24-53	Cortez Lumber Co.			216.41
TP-70	1894	8-24-53	8-24-53	do	30.72	9.02	145.00
TP-71	4401	8-24-53	8-24-53	Slavens Hardware Co.	391.68	70.98	

By proper planning many of these orders could be combined at a savings of processing time and, in some cases, prices more advantageous to the Government might have been obtained. Moreover, it would reduce the voucher workload.

- c. Gallup Area Order No. 19, dated October 1, 1954, provides that:

"Requisitions of purchases for \$100.00 or less where the order is issued for local purchase by the Agency need not be forwarded to the Area Office for pre-obligation purposes. In some cases the Area Procurement Officer may return requisitions for more than \$100.00 to the Agency for local procurement action."

Our audit disclosed, however, that purchase requisitions for items under \$100, which should have been made locally, were forwarded to the area office, thereby creating an unnecessary workload.

d. Review of open-market purchases at the area office disclosed that there was no evidence that telephone bids had been made as required by the Indian Affairs Manual (vol. IV, part III, sec. 411.02F). Consequently, a record to determine whether the best bid prices were obtained is not available for administrative review.

We recommend that the Area Director take effective action to eliminate the above types of procurement deficiencies.

24. Carrying capacity of grazing lands

In the report for fiscal year 1953 on the former Albuquerque Area Office (item 8, p. 7), we stated that the Chief of the Branch of Forest and Range Management informed us that the last intensive range survey to determine the carrying capacity of grazing lands in the area was made in 1924. The branch chief had acknowledged that data obtained in 1924 were not adequate for current requirements, and we recommended that intensive range surveys be made to determine the carrying capacity of Bureau grazing lands.

Our audit for fiscal year 1954 disclosed that a range survey had been made in May 1954 at the Ute Mountain Reservation of the Consolidated Ute Agency, under the jurisdiction of the former Albuquerque area. The forester at the Consolidated Ute Agency stated, however, that he has been unable to get the Indians to accept the results of the survey which provided for the reduction of the

number of cow units permitted to graze on the Indian lands. Intensive range surveys had not been made, however, on the other range lands in the Gallup area.

The stated carrying capacity of grazing lands in the Navajo Reservation is based on a 1937 range survey. The area's reports on grazing on the Navajo Reservation show that three districts were overgrazed during calendar years 1953 and 1952, as follows:

	Percentage of range use over stated carrying capacity	
	<u>1953</u>	<u>1952</u>
District No. 4	55	52
District No. 9	14	9
District No. 14	28	12

To properly protect the interests of the Indians and the Federal Government, and to prevent deterioration of the range land by overgrazing, we recommend that the Bureau provide that intensive range surveys be made to determine the current carrying capacity of the range lands. These range surveys should be updated periodically on a cycle basis in each area.

To relieve the Federal Government of the possibility of claims by the tribe against the Government for mismanagement of the range because the range has not been properly protected against overgrazing, we recommend also that the Area Director enforce the reduction of animals to the present carrying capacity of these range lands. Moreover, grazing permits to control the use of the range lands should be issued on all Indian lands under the jurisdiction of the Bureau. Permits have not been issued on all Indian lands.

25. Lack of up-to-date inventory data on forests on Indian lands

In our report for fiscal year 1953 on the former Albuquerque Area Office (item 7, p. 6), we stated that since May 1936 the Bureau has been operating under a policy of sustained yield forest management on Indian lands (25 C.F.R. 61.5, 61.6). We stated also that in the Albuquerque area the Bureau did not have up-to-date inventory data on the Indian forest lands. Management plans for forests in the area were generally based on timber cruise data obtained in the 1930's and early 1940's.

During our audit for fiscal year 1954 we noted that action had been taken to formalize forest management plans in the former Albuquerque area. A major deficiency of these plans, however, is the lack of accurate and up-to-date inventories of the timber resources.

The forester of the Consolidated Ute Agency stated that about 65 percent of the virgin timber stand of the Southern Ute forest is overmature or infested and that some of the timber should have been cut at least 40 years ago.

The ponderosa pine at the Mescalero forest is infested with dwarf mistletoe. Consequently, this timber will have to be cut regardless of the effect on the marketing cycle under the management plan. On December 2, 1950, the Business Committee of the Apache Tribe gave the Bureau the authority (resolution No. 357) to take such measures as deemed necessary to control the dwarf mistletoe, including the sale of its timber.

The chief forester of the Navajo Agency informed us that the annual loss in overmature, diseased, or burned-out timber at the

Navajo forests was about 20,000,000 board feet. Two areas in the Navajo Reservation, totaling about 441,000 acres have never been cut. The Navajo Tribe has approved tribal funds for the hiring of timber consulting firms to study Navajo forestry operations.

To provide a sound basis for establishing a sustained yield timber management plan, we recommend that the Commissioner take steps to have the necessary timber cruises and inventories made. This information should be kept up to date to adequately serve the Bureau's requirements for ensuing years. The tribes should be encouraged to finance these programs because they are the direct beneficiaries.

26. Welfare payments are not recorded as liens

The act of May 9, 1938 (25 U.S.C. 306a), states as follows:

"Hereafter the Secretary of the Interior is authorized, in his discretion and under such rules and regulations as he may prescribe, to make advances to old, disabled, or indigent Indian allottees, for their support, to remain a charge and lien against their land until paid; such advances for fiscal years after 1939 to be made from appropriations specifically available for such purposes."

The Navajo Agency has made welfare payments to Indian allottees, but there was no evidence that such payments were recorded as liens against the land of the Indians benefited. The Chief of the Branch of Welfare at the Navajo Agency informed us that no liens had been recorded against any lands in the Gallup area. For example, the following welfare payments made from July 1, 1954, to December 31, 1954, to Indian allottees were not recorded as liens.

<u>Name</u>	<u>Allotment number</u>	<u>Amount</u>
Eunice Guy	947	\$189.50
Aszan Yazzie Begay or Esthan Yazzie	1389	171.50
Bijan Bitsi	024016	189.50
John Tom or Glene ne bah Yazzie	1398	171.50

To insure so far as possible collection of advances made for the welfare payments, we recommend that the Area Director take the appropriate action to have all liens recorded as provided by law.

27. Backlog of probate cases

During our audit for fiscal year 1954 we noted a large backlog of probate cases in the Gallup area. About 500 probate cases were pending at the Navajo Agency in October 1954. Similarly, the Consolidated Ute Agency had 34 probate cases pending in October 1954.

In the Gallup area the Phoenix Examiner of Inheritance is responsible for determining the distribution of restricted property of deceased Indians and for probating their wills and action on petitions for rehearing. We were informed that the Examiner of Inheritance was at the Navajo Agency only 1 month during the fiscal year 1954. Even on the basis of spending 2 months at the Navajo Agency, as planned, it would require about 6 years to clear this backlog if no additional cases are reported. The Phoenix Examiner of Inheritance had not visited the Consolidated Ute Agency in 3 years.

As time passes, these cases are becoming more complicated to settle and more difficulty is experienced in locating the heirs. For example, upon the death of Jim Sosie, census 11400, his interests included the following:

- a. Navajo allotment No. 011422 Ka-Souse--A 1,488/1,505,280 interest in said allotment inherited as a great-great-grandson. Appraised value \$.23.
- b. Navajo allotment No. 011377 Ha-So-Sa--A 2,232/564,480 interest in said allotment inherited as a great-great-grandson. Appraised value \$.95.

This interest is subject to division among his wife and four children. A Bureau report on this problem pointed out that in due time this procedure may make it impossible to lease allotments or to take any other action that may be required. Moreover, the cost of handling these cases increases as the number of heirs increase.

The processing of probate cases is presently under the jurisdiction of the Office of the Solicitor. Because this backlog presents many administrative problems for the Bureau, we recommend that the Commissioner and the Office of the Solicitor reach solutions to the problems that will effect reductions in the backlog.

28. Filing of informational income tax returns

In our report for fiscal year 1953 on the former Window Rock area (item 14, p. 7), we pointed out that, although required by the Indian Affairs Manual (vol. IV, part VII, sec. 509.09), informational tax returns of corporations, unincorporated tribes and bands, credit associations, and cooperatives were not filed. During our audit for fiscal year 1954 we noted that the Extension Office, Navajo Agency, had copies of income tax returns on file for Navajo agricultural and livestock associations. Income tax returns on other Navajo tribal organizations, however, had not been prepared and were not on file at the time of our audit in November 1954. We were informed that the Bureau plans to have the tribe submit tax returns for tribal enterprises and one over-all return for the Tribe commencing with the current year's operations.

To comply with the legislative requirement and to prevent tax penalties being assessed against the Indian enterprises and the Tribe, we recommend that the Area Director establish follow-up procedures to assure that agency superintendents require preparation and filing of informational income tax returns for each year.

29. Low patient load at the Edward T. Taylor General Hospital, Consolidated Ute Agency

In our report for fiscal year 1953 on the former Albuquerque Area Office (item 2, p. 2), we stated that the Edward T. Taylor General Hospital was operating considerably below its capacity, and we recommended that to provide more effective use of available funds consideration should be given to contracting for hospital services at Durango and other near-by localities and that only

ambulance service from the Consolidated Ute Agency at Ignacio be maintained.

The Bureau replied that the desirability of discontinuing the operation of this hospital was recognized, and that there was not a sufficient demand to justify the operation of a hospital facility in this area. The Bureau stated also that certain proposals to correct the situation have been under consideration.

Our audit for fiscal year 1954 disclosed that the Edward T. Taylor General Hospital was still in operation in February 1955. The hospital has a rated bed capacity of 34, but the authorized bed capacity for fiscal year 1954 was 10. The average monthly patient census for fiscal year 1954 was only 5.2. For the first 4 months of fiscal year 1955, the average monthly patient load was about 1.6. From September 4, 1954, to October 16, 1954, there were no patients in the hospital. At the time of our audit in November 1954, there were only two patients in the hospital. During fiscal year 1954 the hospital also treated an average of 145 outpatients a month. The total cost of operation for fiscal year 1954 was about \$85,500.

This hospital is owned by the Southern Ute Tribe but is equipped, operated, and maintained by the Bureau of Indian Affairs with appropriated Government funds.

By the act of August 5, 1954 (68 Stat. 674), the maintenance and operation of hospitals and health facilities for Indians was transferred from BIA to the Public Health Service, Department of Health, Education, and Welfare effective July 1, 1955. That law

provides that hospitals in operation on August 5, 1954, for a specific tribe or tribes of Indians shall not be closed before July 1, 1956, without the consent of the governing body of the tribe or its organized council.

To reduce the cost to the Government of operating Indian hospitals, we recommend that the Commissioner of Indian Affairs reach a decision as to the operation of this hospital and make appropriate recommendations to the Public Health Service for medical care of eligible Indians in the area.

30. Charges for medical services to Indians

The Bureau does not have a standard procedure for verifying an Indian's ability to pay for medical services. Moreover, in a memorandum dated September 9, 1952, the area medical director of the former Window Rock area informed the medical officers in charge of hospitals and clinics that only non-Indians be charged for surgical and X-ray services.

The Code of Federal Regulations (25 C.F.R. 84.8) states in part that "*** Free services need not be given to Indians economically able to pay ***."

To reduce the net cost of hospital operations, we recommend:

- a. Establishment of a standard procedure for determining whether a hospital patient is indigent or is able to pay for services furnished. The procedure should include checking the patient's resources by reference to welfare, extension and credit records, and individual Indian money accounts. The patient should be presumed to be able to pay until proven otherwise.
- b. Issuance of instructions by the Area Director to institute compliance with the applicable regulations on charging for medical services.

31. Charges for hospital services are not based on current costs

In our report for fiscal year 1953 on the former Window Rock area (item 2, p. 1), we pointed out that the Navajo Medical Center was not charging for hospital services to employees and noneligibles in accordance with the applicable provision of the Code of Federal Regulations (25 C.F.R. 84.12). Under this provision charges for hospital services, applicable to those required to pay, are to be based on the average cost per patient for the preceding year. The Bureau replied that since the issuance of our report on the Window Rock area all areas had been advised to make proper charges for medical services rendered to employees and noneligibles.

Our audit for fiscal year 1954 disclosed that the Navajo Medical Center did revise its rates and charges for hospital services on the basis of average cost. We noted, however, that the Hopi Hospital (formerly under the Window Rock area) had not complied with regulations and continued to charge a fixed rate of \$10 a day during fiscal year 1954. Based on the average cost per patient for the preceding year, the daily rate should have been about \$14.50. Moreover, the Navajo Agency's schedule of fees used for special medical and dental services had been approved in 1947. This schedule had not been revised, although costs have increased considerably since that date.

To reduce the cost of the Bureau's medical program, we recommend that the Area Director take effective action to comply with the applicable provisions of the Code of Federal Regulations. We

recommend also that schedules of fees for special medical and dental services be based on current costs and that such schedules be reviewed and revised at least annually.

32. Supply of narcotics in excess of needs

In our report for fiscal year 1953 on the former Window Rock area (item 3, p. 2), we stated that the supplies of certain narcotics far exceeded the needs of the Navajo Medical Center. Some of the inventory items were deteriorating because of age, or condemnation by the narcotics agents had been requested because of obsolescence.

The Bureau replied that definite steps have been taken to establish administrative control over all drug items and needs. A pharmacy program was being established and plans were under way to establish a pharmacy officer position at the Fort Defiance Medical Center to assist in the administration, dispensing, and control of all pharmaceutical items.

Our audit for fiscal year 1954 disclosed that in addition to the excess at the Navajo Medical Center there were excess narcotics at Tuba City Hospital, Edward T. Taylor General Hospital, and Jicarilla Agency Clinic. For example:

	Quantity on hand <u>December 1954</u>	Quantity used in fiscal year <u>1954</u>
Tuba City Hospital:		
Morphine sulphate, 1/4 grain; atropine 1/150 grain (H)	240 tablets	62 tablets
Codeine sulphate, 1/2 grain (H)	1,525 "	365 "
Dover Powder	2 bottles	0
Crystal Cocaine	4 "	0
APO-Morphine, HCL, 1/10 grain	60 "	0
	Quantity on hand <u>November 1954</u>	Quantity used in fiscal year <u>1954</u>
Edward T. Taylor General Hospital:		
Codeine sulphate, 1/4 grain (H)	1,000 tablets	0 tablets
Codeine sulphate, 1/4 grain (TT)	989 "	7 "
Morphine sulphate, 1/4 grain (H)	118 "	1 "

At the time of our audit in November 1954, the Edward T. Taylor General Hospital did not have a doctor assigned to it, and we were advised that another doctor probably would not be assigned to this hospital because of a pending decision as to whether the hospital will continue in operation. Narcotics may be prescribed by a doctor only.

At the Hopi Hospital, presently under jurisdiction of the Phoenix Area Office, our audit disclosed also various narcotics and related supplies which according to the agency medical officer were greatly in excess of needs. Examples of related supplies in excess of needs were as follows:

	Quantity on hand <u>October 1954</u>
Prescription bottles	8.5 gross
20 grain hypodermic needles	10 packages
24 grain hypodermic needles	2 gross
2 and 10 cc. hypodermic needles	266 each
Thermometers	79 each

In January 1955 the pharmacy program was still in the process of being established and the pharmacy officer position had not been filled.

To obtain the maximum use of Bureau narcotics and related supplies and to prevent losses by deterioration or obsolescence, we recommend that the current excess supply be transferred to other Bureau medical facilities that may have need for them or other appropriate disposition be made. We recommend also that the Area Director take the necessary action to establish administrative control over all drug items and needs at an early date.