

**REPORT TO
THE CONGRESS OF THE UNITED STATES**

**REVIEW OF
PROGRAMING, BUDGETING, ACCOUNTING,
AND REPORTING ACTIVITIES
OF THE
BUREAU OF INDIAN AFFAIRS
DEPARTMENT OF THE INTERIOR**



**BY
THE COMPTROLLER GENERAL OF THE UNITED STATES
NOVEMBER 1958**

GAO Wash., D.C.



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON 25

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Honorable Sam Rayburn
Speaker of the House of Representatives

Dear Mr. Speaker:

Herewith is our report on the review of the programing, budgeting, accounting, and reporting activities of the Bureau of Indian Affairs, Department of the Interior, as of May 1958.

Our review disclosed that considerable progress has been made by the Bureau in properly maintaining its accounting system but certain changes in procedures are still needed to obtain the maximum benefits from the system. We believe that the accounting system has not been used to its full potential. There is need (1) for development and use of unit costs for measuring the Bureau's operating efficiency and (2) for providing greater flexibility in the management of appropriated funds.

Our review of the Bureau's budgeting and programing activities did not disclose any significant deficiencies in budgeting procedures. The Bureau, however, has not used to the fullest extent cost-based budgets for purposes of administration and operation. We noted also certain weaknesses in long-range programing for termination of Federal supervision over specific tribes and groups and for construction of buildings. Our comments on these and other matters, together with our recommendations to the Commissioner of Indian Affairs for corrective action, are included in the accompanying report.

A copy of this report is being sent today to the President of the Senate.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "W. P. Campbell".

Comptroller General
of the United States

Enclosure

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REPORT ON REVIEW
OF
PROGRAMING, BUDGETING, ACCOUNTING
AND REPORTING ACTIVITIES
OF THE
BUREAU OF INDIAN AFFAIRS
DEPARTMENT OF THE INTERIOR

In connection with the audit of the BUREAU OF INDIAN AFFAIRS, Department of the Interior, the General Accounting Office has reviewed the Bureau's activities relating to programing, budgeting, accounting, and reporting. This review was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

The review was completed in May 1958 and was performed at Washington, D.C., and at selected area and agency offices of the Bureau. Additional comments on the scope of our review appear on page 28.

GENERAL COMMENTS

The Branch of Budget and Finance, Division of Administration, has the primary responsibility for the financial functions of the Bureau of Indian Affairs. Organizationally, this branch consists of a Budget Section and a Fiscal Section. The Bureau has 17 accounting offices which maintain accounting records, prepare financial reports, and assemble budget data. These offices include the Central Office, 7 area accounting offices which have general

responsibility for fiscal matters in their geographic jurisdictions, and 9 other accounting offices which have limited responsibilities such as accounting for tribal funds or for a specific school or project. Bureau activities are programed by the staffs responsible for carrying out these activities. In addition, a number of field locations of the Bureau, at which activities such as individual Indian moneys, irrigation, or timber sales are carried out, have responsibility for billing amounts due and the collection or disbursement of cash.

The Bureau's accounting procedures comprise an integrated system of cost, property, and allotment accounting. The system was developed by the Department and the Bureau in cooperation with the General Accounting Office and was approved as to its principles, procedures, and policies by the Comptroller General on January 27, 1953, pursuant to the provisions of the Budget and Accounting Procedures Act of 1950 (31 U.S.C. 66).

The Bureau's accounting system provides for control of appropriated funds on the basis of obligations through the allotment accounts and, at the same time, for reporting operating results of the various Bureau activities on the basis of cost through the cost accounts. The system has enabled the Bureau to prepare its budgets for appropriation requests on the basis of cost data obtained from the accounting records in accordance with applicable provisions of the act of August 1, 1956, amending the Budget and Accounting Act of 1921 (31 U.S.C. 24), and Bureau of the Budget Bulletin 57-5. The accounting system has also enabled the Bureau to prepare cost-based programs for its various activities.

However, the Bureau has not used to the fullest extent the cost-based budget for purposes of administration and operations. The Bureau prepares statements comparing cost-based programs with results of operations at June 30 and, in part, at December 31. (See p. 12.)

In our audit report on the Bureau of Indian Affairs submitted to the Congress on March 9, 1955, we pointed out that the accounting system is based on recognized principles but that there were numerous deficiencies in nearly every phase of accounting operations, particularly in irrigation and individual Indian moneys accounts. Also, in reports to the Commissioner of Indian Affairs based on audits of the various area offices for fiscal years 1954, 1955, and 1956, we commented on a number of accounting and related deficiencies. Many of the reported deficiencies have been corrected by the Bureau, but certain of these deficiencies relating to the operation of the system still existed at the time of our current audit. Our comments relating to certain accounting and related matters are included in a letter report dated September 15, 1958, to the Commissioner of Indian Affairs.

Considerable progress has been made by the Bureau in properly maintaining its accounting system, but certain changes in accounting procedures are still needed to obtain maximum benefits from the system. We believe that the accounting system has not been used to its full potential. There is need for development and use of unit costs for measuring the Bureau's operating efficiency and for providing greater flexibility in the management of appropriated funds. Moreover, although detailed cost reports have been

furnished to management personnel at all levels since 1953, Bureau employees have not made full use of the cost data available. We noted, however, that some progress has been made and some is being made in orienting operating personnel in the value of cost data for management purposes.

SUMMARY OF PRINCIPAL FINDINGS AND RECOMMENDATIONS

Following is a summary of significant deficiencies noted during our review of the Bureau's administration of activities relating to programing, budgeting, accounting, and reporting and our recommendations for corrective action.¹

Emphasis on obligation control

Our review disclosed that certain Bureau practices have resulted in placing emphasis on the use of allotment records rather than cost records for control of the Bureau's various programs and activities. Area office allotments are divided and subdivided into numerous small segments, and area offices use numerous accounts and records to record allotments and obligations under the Bureau's five major appropriations. Moreover, monthly operating statements are concerned primarily with reporting allotment and obligation data rather than cost data, except for the June reports when cost data is added and the December reports when certain cost data is shown.

¹By letter dated August 28, 1958, the Assistant Secretary of the Interior (Public Land Management) furnished us with the Department's comments on our draft report. We have given consideration to the Department's comments and have stated the Department's views in footnotes on various pages in the body of the report.

To provide for greater management flexibility and more effective control over funds and to direct the attention of management to the cost of carrying out activities, we are recommending that the Commissioner of Indian Affairs take action to provide for control of obligations at the highest practical level and promote reliance on costs, in such detail as is required for management purposes, for controlling programs or activities at all levels. We are recommending also that the Commissioner require that operating statements be prepared at least quarterly, showing costs compared with predetermined budgeted amounts. Additional comments on this matter appear on pages 7 to 14.

Need for more meaningful cost data

Our review disclosed that, although the Bureau maintains a large amount of cost data, some revision of cost accounting and reporting procedures is needed to improve the usefulness of cost data to management. We noted that unit costs have not been computed or reported, that most costs are accumulated on an accrual basis at the end of the fiscal year only, and that some of the cost categories are not useful to management.

To provide management with more meaningful and useful cost data, we are recommending that the Commissioner establish procedures for the periodic issuance of unit-cost reports, for reporting costs at least every 3 months, and for reporting of payroll and all other significant costs on an accrual basis at all cost reporting dates. We are recommending also that the Commissioner require revision of cost categories to reduce the number of cost accounts and to provide for classification of the accounts on a

more functional basis. Additional comments on this matter appear on pages 15 to 22.

Inadequate long-range programing

Our review of long-range programing procedures disclosed weaknesses in (1) programing for withdrawal of Federal supervision over Indians and (2) programing for construction and maintenance of buildings and utilities. We noted that, at some Bureau locations, written long-range programs had not been developed for withdrawal of Federal supervision over specific Indian groups and also that long-range programing of buildings and utilities construction is hampered by inadequate procedures for communication between Bureau offices and that long-range programs have not always been developed for maintenance of buildings and utilities.

To provide Bureau management with more meaningful program data for use in correlating the various Bureau activities, we are recommending that the Commissioner take action to (1) expedite the development of long-range programs for termination of Federal supervision over specific tribes and groups, (2) establish procedures whereby area directors will be regularly informed of the status of proposed buildings and utilities construction projects, and (3) promote the development of long-range programs for maintenance of buildings and utilities. Additional comments on this matter appear on pages 23 to 27.

ACCOUNTING AND REPORTING

The Washington Central Office maintains accounting records primarily for Washington Central Office activities. It maintains also accounts to control the allotments of funds to the other accounting offices. The area offices generally maintain a complete set of accounting records for all activities in the area, except those activities that are handled by the special accounting offices which are not located at the area offices. (See p. 2.)

The Central Office prepares Bureau-wide financial reports, such as the monthly Report on Status of Appropriation Accounts and the annual report of obligated and unobligated appropriations and funds, by consolidating reports submitted by the Bureau's accounting offices. The accounting offices also prepare certain reports, such as the monthly operating statement, which are not consolidated into Bureau-wide reports.

Our review of the Bureau's accounting and reporting activities disclosed that the Bureau is placing an undue amount of emphasis on obligation control and that there is a need for more meaningful cost data.

EMPHASIS ON OBLIGATION CONTROL

Our review disclosed that certain Bureau practices have resulted in placing emphasis on the use of allotment records rather than cost records for control of the Bureau's various programs or activities. Additional comments on these practices follow:

Maintenance of detailed records
for control of funds

The Bureau's emphasis on obligation control is evidenced by the detailed division and subdivision of area office allotments into numerous small segments. Although allotments are controlled at the area office level, ledgers are broken down by agencies.¹

Area offices use numerous accounts and records to record allotments and obligations under the Bureau's five major appropriations. The Washington office makes allotments to area offices for each of about 20 budgeted activities. Area office employees then divide the allotments generally into separate authorizations for each of the agencies and subagencies under the area's jurisdiction. The authorizations are subdivided into two categories, such as "personal services" and "other expenses," or "fixed charges" and "other charges." In addition to these accounts, some area offices use many miscellaneous obligation records to show the obligation of funds by type of expense for each suboffice of the area. Obligations are posted monthly to the miscellaneous obligation records, and expenditures which liquidate the obligations are entered as they occur, on an individual basis.

An example of the numerous accounts and records required by the Bureau to record obligations was noted at the Gallup Area Office, where about 1,550 accounts and records were used to record allotments and obligations during fiscal year 1958. (See appendix A.) These include about 20 allotment accounts, about

¹By letter dated August 28, 1958, the Department advised us that, because of geographical distances and the difficulty in communications between agencies and area offices, it would be impossible to relate funds to programs for control purposes if ledgers were not segregated by agencies.

330 authorization accounts, and about 1,200 miscellaneous obligation records. The miscellaneous obligation records were prepared for 32 categories of expense. (See appendix B.) Some miscellaneous obligation records were established for monthly obligations of very small amounts. For example, the following records were maintained for "fixed charges" for the activity "plant management" for the United Pueblos Agency, Gallup Area:

<u>Miscellaneous obligation record</u>	<u>Estimated monthly obligation (fiscal year 1958)</u>
Motor pool, General Services:	
Administration	\$416.50
Imprest fund	200.00
Power, heat, and light	56.00
Garage services	41.50
Communications	25.00
Service station deliveries	6.00
Postage	1.00

We believe that some of the above amounts could readily have been combined without weakening financial control to any material degree. The Gallup Area Office allotment ledger accounting unit consisted of nine employees at the time of our visit in October 1957.

At the Aberdeen Area Office, we noted that not only are allotments divided into separate authorizations for each agency but also attempts are made to hold each agency superintendent responsible for keeping within his authorizations, under penalties prescribed by the Anti-Deficiency Act (31 U.S.C. 665). A sample of the form letter used by the Aberdeen Area Finance Officer to inform an agency superintendent that he has exceeded one of his authorizations is shown as appendix C. Also, an Aberdeen Area Office memorandum dated July 23, 1957, suggested that superintendents should

hold their agency activity heads or branch chiefs responsible for operating within their respective authorizations.¹

The Bureau's procedures described above for control of obligations are, in our opinion, contrary to accounting principles and standards prescribed by the Comptroller General (2 GAO 1240.30) and to the spirit of the act of August 1, 1956 (31 U.S.C. 665g), which provides in part:

"In order to have a simplified system for the administrative subdivision of appropriations or funds, each agency shall work toward the objective of financing each operating unit, at the highest practical level, from not more than one administrative subdivision for each appropriation or fund affecting such unit."

By letter dated August 28, 1958, the Department advised us that it made a commitment to the Appropriations Committees of the Congress that (beginning with fiscal year 1951) funds appropriated will be obligated and expended by budget activities in the manner in which they were presented to the committees and thus it is necessary for the Bureau to maintain separate allotment controls on each activity under each main head appropriation.

We recognize that raising the Bureau's allotment controls from the activity to the appropriation level at the accounting offices will require appropriate coordination with these congressional committees. We believe, however, that the Bureau's goal should be (1) to have not more than one allotment from each appropriation or other fund account for each area office and (2) to control funds

¹By letter dated August 28, 1958, the Department advised us that the Aberdeen Area Office had been advised that responsibility for such control could not be placed below the area level and this procedure has been eliminated commencing with fiscal year 1959 on the direct instructions of the Assistant Commissioner (Administration) to that area.

below the allotment level by use of cost accounts that are compared periodically with previously determined operating budgets (based on cost) established by activities and organizational units. If required, the determination of obligations by activities and by organizational units could be accomplished by adding changes in unliquidated obligations and changes in inventories to accumulated costs at the end of the accounting period.

Moreover, in our opinion, many of the records for control of funds below the area office level are not necessary for adequate fund control because authority to obligate funds for most purposes is retained in the area offices. Officials of operating units below the area office level usually indicate their needs beyond those required for regular payroll and recurring expenses by submitting requisitions to the area offices for approval, including validation as to sufficiency of funds.

We recognize that the Bureau's area offices must maintain separate obligational controls by local or project levels for irrigation projects; tribal trust funds; and Indian moneys, proceeds of labor funds, as these funds are not interchangeable between agencies, projects, or tribes. We believe, however, that, wherever possible, the authorization accounts and the related miscellaneous obligation records should be eliminated.

We recognize also that officials below the area office level have obligational authority for certain relatively minor procurement actions. For purposes of controlling these obligations, we believe that the area officials should furnish appropriate

officials below the area level with predetermined operating budgets (based on cost) to be used as guidelines which are expected to be followed. This technique is a management device which the Area Director could use as an aid in carrying out his responsibility as an allottee. In addition, to assist in controlling these obligations, agencies could use a device such as maintaining an obligations register at those times of the year when there may be a danger of overobligating the allotment or administrative subdivision thereof.

Bureau officials in Washington have indicated that the allotment system should be simplified but that this must wait until the Bureau has developed better programing. We believe that simplification of the allotment structure need not necessarily be delayed until better programing is achieved.

Preparation of financial reports

The Bureau's accounting offices prepare monthly operating statements by operating units¹ for distribution to the Bureau's Central Office in Washington, area officials, and operating units. The monthly statements are concerned primarily with reporting allotment and obligation data rather than cost data, except for the June reports when cost data is added and the December reports when certain cost data is added. A large number of operating statements are prepared; in the Muskogee Area, for example, about 70 operating statements were prepared for one month's operations.

¹Similar units of an activity, such as a school or a group of schools to which planning responsibility and authority have been delegated and for which operating statements are prepared.

During the period April 1953 to August 1957, the monthly operating statements included programed costs and actual costs¹ to date by operating units and activities² as well as the allotment and obligation data now reported. On August 23, 1957, however, a memorandum from the Assistant Commissioner (Administration) advised all area directors and accounting offices to omit the detailed cost information from the monthly operating statements except in those statements prepared as of June 30 and December 31. The memorandum further states that "this reduction in reporting volume should permit greater attention to other reporting details and also contribute to more prompt and timely reporting with respect to budget status."

Although some reduction in reporting volume probably was warranted, we believe that the monthly operating statements (except for June and December) place excessive emphasis on obligation control. Moreover, discussions with appropriate officials in Washington and at the Aberdeen, Gallup, and Muskogee Area Offices disclosed that these statements are too complicated to be readily understood by operating personnel and that in many cases the statements are referred to primarily to determine the balance of funds available for obligation during the remainder of the year.

¹Certain costs were not included on other than the June reports. (See pp. 17 through 19.)

²Major budgetary segments of an appropriation, such as the welfare and guidance services activity under the Education and Welfare Services appropriation.

We believe that emphasis should be shifted from obligations to costs for control of programs and for management purposes as soon as possible. One of the advantages of using cost data rather than obligation data as a means of control over operations is the positive emphasis that is placed on the receipt of value for resources used which, in turn, gives greater prominence to cost in the planning of operations as opposed to placing too much emphasis on not exceeding budgetary authorizations with a resulting lack of emphasis on value received. Further, by directly relating costs to assignments of administrative responsibility, it is possible to develop cost consciousness to a greater degree as well as a keener appreciation of all aspects of financial management.

Experience has shown that financial management reaches its maximum potential through the use of cost data for controlling operations. The accounting principles and standards developed on the basis of this experience are set out in detail in the General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies (2 GAO 1200).

Recommendations

To provide for greater management flexibility and more effective control over funds and to direct the attention of management to the cost of carrying out activities, we recommend that the Commissioner of Indian Affairs take action to provide for control of obligations at the highest practical level and promote reliance on costs, in such detail as is required for management purposes, for controlling programs or activities at all levels. (See recommendation on pp. 21 and 22.) We recommend also that the Commissioner require that operating statements be prepared at least quarterly showing costs compared with the predetermined budgeted amounts.

NEED FOR MORE MEANINGFUL COST DATA

Our review disclosed that, although the Bureau maintains a large amount of cost data, some revision of cost accounting and reporting procedures is needed to improve the usefulness of cost data to management. We noted that unit costs¹ have not been computed or reported, that most costs are accrued only annually,² and that some of the cost categories are not useful to management. Specific comments follow.

Need for reporting unit costs

There is no Bureau-wide procedure for the regular reporting of unit costs to management. As a result, in some cases, management or operating personnel compute their own unit costs. In other cases, management or operating personnel are not aware that unit costs could be computed from available data or of the value of unit-cost data as a management tool.

The cost reports prepared by the Bureau on a semiannual basis (see p. 17) furnish cost data in terms of total dollar expended to date but do not usually contain unit costs. Budget and Finance personnel of the Bureau compute certain unit costs for budget purposes, but there is no established procedure for the reporting of unit cost data to management.

¹Cost of goods or services used over a given period for carrying out an activity expressed in terms of a measure common to all locations carrying on this activity; for example, per pupil costs for food, books, or teaching supplies.

²Under the accrual basis, costs are reported as the goods or services are used, regardless of when the goods or services were ordered, received, or paid for.

In one area, where unit costs had not previously been used by management, we computed unit costs of food and of books and teaching supplies for the area schools for fiscal year 1957 and discussed them with area officials. Our computations, based on area records, disclosed large variations of costs among different schools within the area. For example, the food cost at a 1-teacher day school of one agency was 46 cents a day per pupil and the food cost at a consolidated day school under the jurisdiction of the same agency was 19 cents a day per pupil. The food cost for a boarding school at one agency was 39 cents a day per pupil and 66 cents at another agency within the same area. Our computations showed also that an average of \$50.14 was spent for each pupil attending boarding schools in this area for books and teaching supplies during fiscal year 1957, compared with \$25.77 for each pupil at consolidated day schools and \$26.86 for each pupil at 1-teacher day schools. Although the differences in the unit costs may be justified, information of this nature could serve as a very valuable tool to management.

Area officials showed considerable interest in these unit costs and stated that they would like to obtain similar data in future years for controlling operations and evaluating performance.

Cost data must be translated to some comparative form before it has management significance. The development of comparative cost information requires the use of a common denominator, such as unit costs by which programs of different size can be converted to a single measure. In such form, the most likely problem areas are spotlighted, thus facilitating management's evaluation of a given

program. On the other hand, cost information stated in total dollars expended does not lend itself as readily to comparison with other similar operations or predetermined standards.

We recognize that certain activities lend themselves more readily to reporting of unit costs than do other activities. We believe, however, that a major portion of the Bureau's activities lend themselves to this type of reporting. Moreover, because cost data and related statistics are already available for the Bureau's major activities, such as education, unit costs could be developed readily and published at a relatively low cost.

Need for accrual of costs

Bureau procedures do not provide for maintenance of cost accounts on an accrual basis during the course of the fiscal year but provide for adjustment to the accrual basis only at June 30 of each year. During the fiscal year, the Bureau records costs on the basis of cash disbursements for all items except supplies, equipment, and personal services. The cost of supplies and equipment is recorded at the time of issue; personal services costs are entered in the accounts as the payrolls are processed after the end of each biweekly pay period. All costs, however, are accrued at June 30 of each year. Although costs, except for supplies and equipment issues, are not accrued until the end of the fiscal year, cost reports are prepared at December 31 as well as at June 30. (See p. 12.)

Because all costs are not accrued at December 31, the costs reported as of that date are not accurate. For example, personal services comprise the largest single item of expense in the Bureau,

accounting for 44 percent of the Bureau's budget for fiscal year 1959, and as much as 75 percent for some activities. However, the cost for that part of December between the ending date of the last processed payroll and the end of December is not included in the cost accounts as of December 31 or in the cost report for the 6 months ending on that date. This period for which payroll accruals are not made varies from year to year, and, to that extent, reported costs of different periods are not comparable. Moreover, reports issued as of December 31, which purport to show management the results of operations for one half of the fiscal year, in fact understate the costs.

We noted that a procedure has been adopted for the monthly accrual of salaries in the Gallup Area. However, we do not believe that the procedure has been perfected, as evidenced by significant errors noted during our review of month-end accruals. In the Gallup Area, we noted also several instances where costs incurred in one reporting period were not reported until a later period because of delays in recording accounting documents.

Bureau officials in Washington have indicated that the Bureau has also explored means of accruing salaries at the Portland Area Office, which we did not visit during our review, but that no date has been set for the establishment of a Bureau-wide procedure for the accrual of salaries at the end of each reporting period.

The accrual basis of accounting when properly applied makes the expense figures more meaningful and, thereby, more useful to

management. Accrual accounting permits the development of costs which, in contrast to disbursements, are a realistic financial measurement of the resources actually consumed in doing the programmed work.

The Budget and Accounting Procedures Act of 1950, as amended by the act of August 1, 1956 (31 U.S.C. 66a), requires each executive agency to maintain its accounts on the accrual basis as soon as practicable, in accordance with accounting principles and standards prescribed by the Comptroller General (2 GAO 1200). The maintenance of accounts on an accrual basis, or on a basis which can readily be converted to the accrual basis for purposes of financial reports at all important reporting dates, is a basic requirement for all executive agencies (2 GAO 1282.50).

If costs are to be compared and used as a management tool, as suggested on page 16, the costs must be derived by proper accounting methods which include the use of the accrual basis of accounting. Moreover, in our opinion, costs should be reported at least every 3 months to enable management to evaluate and control programs on a timely basis.

Need for revision of cost categories

Our review disclosed that an excessive number of cost accounts are in use by the Bureau of Indian Affairs and that cost accounts are not always classified on a functional basis.

The chart of accounts in the Indian Affairs Manual contains over 300 cost accounts grouped by budget activities. Operating units in each area require the use of some of these accounts. Postings are made to as many as 2,000 cost accounts for the various operating units in an area.

We noted that the cost categories established for small sub-activities, such as General Trustee Services, Credit Operations, and Development of Indian Arts and Crafts, require an excessive number of cost accounts and that these accounts are not classified on a functional basis. The three subactivities are accounted for and reported under the following cost categories:

Personal Services
Other Expenses
Facilitating Administrative Services
Facilitating Common Services

The three subactivities, combined, account for less than 1 percent of the Bureau's budget for fiscal year 1959. Moreover, the above four cost categories for these subactivities are not shown in budget estimates or justifications.

During our review at the Aberdeen Area Office, the Area Budget Officer suggested a more functional breakdown of costs for General Trustee Services, as follows:

Individual Indian Moneys
and Special Deposits (Accounting
Functions)
Field Administration

The Bureau's Education Branch is in the process of setting Bureau-wide standards for management and budgetary purposes. This Branch has tentatively adopted four major and four minor categories for standard costs for Bureau boarding schools. The cost accounts for the education activity, however, have not been revised. For example, under the operation of schools subactivity, cost categories under four major headings are still being used for cost accounting and reporting. Some refinement of the new budgetary cost

categories may be needed for accounting and reporting purposes, but, in our opinion, the tentative standards for boarding schools represent considerable progress by the Bureau toward the development of more meaningful cost data.

We believe that reduction of the number of cost accounts and reclassification of cost categories on a more functional basis would be an important step toward development of more meaningful cost data. We recognize, however, that additional cost breakdowns may be desirable at a later date based on experience gained by management in the use of the cost data developed in accordance with the suggestions in this report.

Recommendations

To provide management with more meaningful and useful cost data, we recommend that the Commissioner of Indian Affairs:

1. Establish procedures for the issuing of periodic unit-cost reports to appropriate Washington and field officials. The cost data should be obtained from the books of account. Unit cost data need not necessarily be included in the periodic operating statements.¹
2. Establish procedures for the reporting of costs at least every 3 months and for the reporting on an accrual basis of payroll and all other significant costs at all cost reporting dates.²

¹By letter dated August 28, 1958, the Department advised us that it considers the development of unit costs desirable.

²By letter dated August 28, 1958, the Department advised us that, although it considers the complete accrual of costs on a current basis desirable, the benefits to be obtained would not warrant the increased expenditures for accounting personnel which would be necessary. (It should be pointed out, however, that this report does not recommend that accruals be made currently. See recommendation (2) above and page 19.)

3. Require revision of cost categories to reduce the number of cost accounts and to provide for classification of the accounts on a more functional basis.¹

¹By letter dated August 28, 1958, the Department advised us that much study has been given to this matter, particularly in the education activity, and will continue to be given to the maximum extent possible.

PROGRAMING AND BUDGETING

Programing in the Bureau of Indian Affairs includes development of long-range programs for certain Bureau activities and preparation of programs to be carried out during each fiscal year. Under the Bureau's system, programing and budgeting are interrelated. Bureau procedures require that long-range programs shall be followed in preparing the annual budget estimates for activities for which such programs have been developed.

The administrative and program or activity staffs of the Washington Central Office and the area offices and other field offices have a joint responsibility for the processing of the entire budget. In formulating the budget, the budget staff is concerned primarily with the budget procedures, consolidated schedules and tables, conformance with Bureau of the Budget requirements, the tie-in of the budget estimates with program and accounting documents, and the final consolidation and processing of budget material. Program staffs supply required program schedules and narrative justifications in support of the budget estimates. Also, when necessary, the various branches and offices having technical supervision over a particular activity prepare special narrative and tabular justification material.

Because budget estimates must be submitted several months before the beginning of the fiscal year, the budget is revised to a more current status and becomes the basis for the annual program.

Our review of the Bureau's budgeting activities did not disclose any significant deficiencies in budgeting procedures. We noted, however, certain programing deficiencies relating primarily to long-range programing.

INADEQUATE LONG-RANGE PROGRAMING

Our review of long-range programing procedures disclosed weaknesses in programing for withdrawal of Federal supervision over Indians and weaknesses in programing for construction and maintenance of buildings and utilities. Additional comments on these deficiencies follow.

Weaknesses in programing for withdrawal of Federal supervision over Indians

Our review disclosed that at some Bureau locations written long-range programs had not been developed for withdrawal of Federal supervision over specific Indian groups as required by instructions from the Commissioner of Indian Affairs dated April 12, 1956. For example, in the Gallup Area Office, the first recorded action to implement the Commissioner's instructions was taken in February 1957, when the Gallup Area Director requested reports from the agencies on the progress made in long-range programing and appointed a review committee. In response to this request, the agencies submitted reports which dealt principally with past accomplishments of the tribes in the field of self-management. These reports showed that little progress had been achieved toward agency development of written long-range programs. The review committee made its first field trips in June 1957.

In the Aberdeen Area, we noted also that little progress had been made in formulating long-range programs for withdrawal of Federal supervision over Indians. At the time of our visit in September 1957, a meeting of all superintendents was planned at which one of the initial tribal programs in the area would be reviewed as

a pilot project. However, programing had not begun for many of the tribes in the area.

It has been Bureau policy to seek termination of Federal responsibility for administering the affairs of individual Indian tribes or other Indian groups as rapidly as the circumstances of each tribe will permit. This policy is in accordance with congressional policy as expressed in House Concurrent Resolution 108, dated August 1, 1953, which states that it is the policy of Congress to end the Indians' status as wards of the Federal Government. We believe that positive planned action by Washington Central Office, area, and agency personnel is needed to carry out this policy. Moreover, such planning is necessary for correlating the programing and budgeting for the various Bureau activities.

Weaknesses in programing for construction and maintenance of buildings and utilities

Long-range programing of building and utility construction is hampered by inadequate procedures for communication between the area directors, the Washington Office, and the Branch of Plant Design and Construction at Albuquerque, New Mexico. The Bureau's long-range construction programs are developed by area directors, approved by the Washington Office, and carried out by the Branch of Plant Design and Construction.

At the Aberdeen Area Office, we noted that area officials could not relate their construction program to the Bureau's plans as prepared by the Albuquerque office. Many projects planned by the Albuquerque office could not be identified with projects listed in the area program. For example, the Albuquerque office estimated \$6,000 as the cost of a project which was included in the area

program at \$50,000, and a project estimated by the Albuquerque office to cost \$86,000 was programmed by the area at \$30,000. Area officials could not adequately explain these differences. We were advised that projects are often begun without the knowledge of the area officials, and actual construction has materially differed from its original conception in the area office.

The Indian Affairs Manual (45 IAM 202.05) requires that long-range programs developed by area offices for construction of buildings and utilities shall be revised each year to bring them up to date. To properly review and revise the programs, we believe that the area directors must be continuously informed of changes required by budget or policy considerations. Our review disclosed that neither the Central Office nor the Albuquerque office has a regular procedure for keeping the area directors so informed.

Our review disclosed also that long-range programs have not always been developed for maintenance of buildings and utilities. Such programs had not been developed in the Gallup Area. According to agency and area officials, programming for maintenance is done on an annual basis governed by the availability of funds and by emergency requirements.

We believe, however, that long-range programs for maintenance would provide a sounder basis for requests for increased appropriations where warranted and would facilitate planning for termination of Federal supervision over specific Indian groups.

Recommendations

To provide Bureau management with more meaningful program data for use in correlating the various Bureau activities and for

submission to other Government agencies requiring Bureau program data for their purposes, we recommend that the Commissioner of Indian Affairs:

1. Take action to expedite the development of long-range programs for termination of Federal supervision over specific tribes or groups. Such programs should promote the orderly withdrawal of Federal supervision over Indians and aid in the programming and budgeting for Bureau activities.¹
2. Establish procedures whereby the area directors will be regularly informed of the status of proposed buildings and utilities construction projects and take action to promote the development of long-range programs for maintenance of buildings and utilities.²

¹By letter dated August 28, 1958, the Department advised us that much of the real planning for withdrawal of Federal supervision over Indians must come from the Indian groups themselves.

²By letter dated August 28, 1958, the Department advised us that the Bureau plans to formalize, to a greater degree, the present method by which a construction project can be placed on the Bureau's long-range construction program, as well as its removal from the program, and also to establish certain other criteria and approved procedures for those actions and that this should improve communications between all levels of activity in the Bureau with respect to long-range construction programs. The Department stated also that the Bureau plans to develop and execute long-range maintenance and repair programs as recommended.

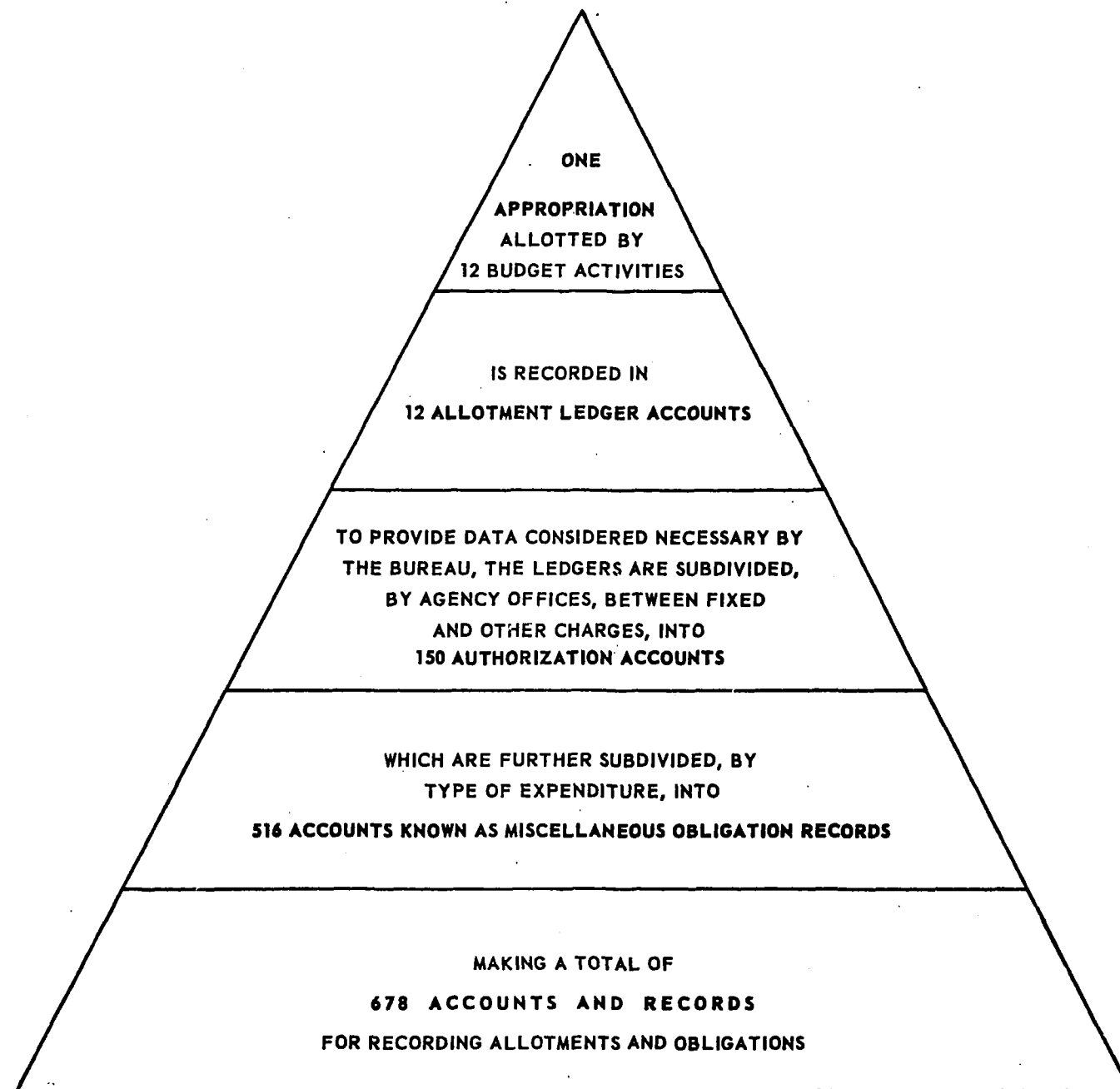
SCOPE OF REVIEW

Our review of programing, budgeting, accounting, and reporting activities of the Bureau of Indian Affairs was performed at Washington, D.C., at 5 of the 10 area offices, and at 8 selected field locations under the jurisdiction of the area offices. Our review work in the field was completed in January 1958 and in Washington, D.C., in May 1958. The review was conducted in the following manner:

1. We ascertained the policies adopted by the Bureau and reviewed those policies for conformance with basic legislation and regulations.
2. We reviewed the procedures followed by Bureau employees to determine the effectiveness of the procedures.
3. We did not make a detailed examination of every transaction or budget action, but we reviewed in detail selected items to the extent we deemed appropriate under the circumstances.

APPENDIXES

THE ALLOTMENT AND OBLIGATION RECORD PYRAMID
 APPROPRIATION FOR RESOURCES MANAGEMENT, 1958
 GALLUP (NEW MEXICO) AREA OFFICE



The above chart represents the system for recording allotments and obligations in the Gallup Area for the "Resources Management" appropriation during fiscal year 1958. The same situation exists to a lesser degree for each of the other major appropriations in that area, making a total of about 1,550 accounts and records for the recording of allotments and obligations under the 5 major appropriations.

MISCELLANEOUS OBLIGATION RECORD CATEGORIES

AS OF OCTOBER 1957

GALLUP (NEW MEXICO) AREA OFFICE

1. Facilitating administrative services
2. Power, heat, and light
3. Subagency (management of Indian trust property)
4. Warehouse expense
5. Garage services
6. Service station deliveries
7. Motor pool
8. State contracts
9. District contracts
10. Boarding home care
11. Relief grants
12. Off-reservation
13. Meals
14. Area office reserve
15. Rent
16. Utilities
 - 16A. Bureau of Mines--helium
 - 16B. Natural gas--Shiprock power plant
17. Communications
18. Laundry
19. Postage
20. Storage
21. Parking
22. Horse rental
23. Equipment rental
24. Radio maintenance
25. Imprest funds
26. Office supplies
27. Television services
28. General Services Administration custodial work
29. Bread
30. Milk
31. Fuel oil
32. Student transportation

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF INDIAN AFFAIRS
Aberdeen Area Office
820 South Main
Aberdeen, South Dakota

Memorandum

To: Superintendent, [Agency]
From: Branch of Finance
Subject: Overdrafts in apportionments and/or allotments

As of this date an overdraft is reflected in the allotment ledger accounts maintained in this office for your unit under allotment account No. _____ for the _____ quarter in the amount of \$ _____.

Responsibility for operating within quarterly apportionments and within the total program rests with you in your official capacity as superintendent as indicated in Area Memorandum dated July 23, 1957, on the subject Operating Programs and Operating Statements under penalties of law as prescribed and covered in 42 IAM 3.9.2 B. ^[1]

Please advise this office immediately as to the action you have taken to remove the overdraft.

H. C. Fontenelle
Area Finance Officer

cc - Branch Chief, AAO
Budget Officer, AAO

^[1] Refers to the Anti-Deficiency Act. (31 U.S.C. 665)