

**REPORT ON AUDIT  
OF  
MUSKOGEE, OKLAHOMA, AREA OFFICE  
BUREAU OF INDIAN AFFAIRS  
DEPARTMENT OF THE INTERIOR**

**FOR THE FISCAL YEAR ENDED JUNE 30, 1955**

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

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

DIVISION OF AUDITS

B-118601

MAR 21 1956

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


Dear Mr. Emmons:

Herewith is our report on the audit of the Muskogee, Oklahoma, Area Office, Bureau of Indian Affairs, for the fiscal year 1955. During the audit we reviewed selected phases of the organization, procedures, and operations at the locations visited and also reviewed the action taken with respect to matters noted in our report for the fiscal year 1954. We have given consideration to the area office's corrective actions with respect to our report for 1954.

We wish to acknowledge the cooperation given to our representatives at each of the locations in the area visited by us. Our findings have been reviewed with responsible area officials during the audit. The Area Director was informed by letter of most of the findings reported herewith. We will be happy to discuss these comments in greater detail with you or members of your organization.

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

Sincerely yours,

  
E. H. Morse, Jr.  
Director of Audits

Enclosure

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INDIVIDUAL INDIAN MONEYS

1. Inadequate approval of authorizations for withdrawal of funds from individual Indian accounts

The Deputy Indian Service Special Disbursing Agent at the Muskogee Area Office approves authorizations requesting disbursements from individual Indian moneys and also signs the checks disbursing these moneys. This procedure, authorized verbally by the Superintendent of the Five Civilized Tribes Agency (who is also the Area Director), does not provide for the proper separation of duties relating to cash transactions.

To provide suitable fiscal controls, we recommend that the Area Director designate someone other than the Deputy Indian Service Special Disbursing Agent to approve authorizations for the disbursement of individual Indian moneys. Moreover, such designation should be in writing.

2. Statements are not furnished periodically to Indians who have individual money accounts

In our report for fiscal year 1954 (item 18, p. 25) we pointed out that statements were not furnished to the owners of individual Indian money accounts except upon their request. We

recommended that the Area Director take action to assure that statements are mailed periodically to all holders of individual Indian money accounts.

Our audit for fiscal year 1955 of the individual Indian money accounts under the jurisdiction of the Muskogee Area Office disclosed that statements had not been mailed to the account owners at either December 31, 1954, or June 30, 1955, as provided by the Indian Affairs Manual (42 IAM 603.03E(19)). The copies of the statements required to be furnished the account owner were furnished by the area office to field representatives. The manual does not provide that the field representatives be furnished copies of the statements.

The Area Director stated that he planned to request a revision by the Commissioner of the above provision.

During our audit for fiscal year 1955, confirmation requests of account balances were mailed by us to 346 account owners. Sixteen confirmations were mailed to addresses outside of the territory serviced by area field representatives. The replies showed that some account owners were not informed as to the transactions recorded in their behalf by the Bureau or had no knowledge as to what their balance should be. Some of the replies, from guardians of Indian wards, implied that they were not even aware that their wards had certain funds on deposit with the Bureau. Some of the replies disclosed also that not all account owners are visited by field representatives even in areas serviced by them.

To furnish the Indian with a record of his transactions as they appear in the individual Indian money accounts for comparison with his own information so that he may determine and resolve any

discrepancies that may exist, we recommend again that the Area Director take action to assure that statements are mailed periodically to all holders of individual Indian money accounts in accordance with the manual provisions.

3. Interest computation based on balances in account 2224.3, Deposits--Other

The Indian Affairs Manual (42 IAM 1004.01) provides for computation of semiannual interest on the month-end balances in account 2224.3, Deposits--Other. The interest computed on the balances in this account is credited as income to an agency Indian Moneys Proceeds of Labor account and is available for expenditure by the Bureau. During fiscal year 1955 the interest income credited to IMPL totaled \$3,357. The interest is earned on group securities purchased, with cash not needed for current disbursements, from the individual Indian money accounts activity.

Analysis of account 2224.3 disclosed that the majority of the deposits represent amounts which are ultimately transferred to individual Indian money accounts. Therefore interest computed on such amounts would appear to be proper for credit to these individual Indian money accounts and not to the IMPL account. Account 2224.3, however, is in effect a suspense account wherein receipts are temporarily deposited until the appropriate account is determined. In our opinion the computation of interest income should exclude deposits in suspense status. If deposits are transferred promptly to the appropriate account, material inequities should not develop in crediting interest income. (In this connection see item 4.)

Our audit disclosed also that in several instances collections which should have been credited directly to applicable receipt accounts were credited to account 2224.3. For example, during fiscal year 1955 collection voucher 9542 in the amount of \$5,000, representing proceeds from Creek Nation land sales, was credited to account 2224.3. This amount remained in the account for 6 months before it was transferred to the appropriate account, Deposits--Proceeds of Land. Consequently, interest income of about \$50 computed on this balance was transferred to an IMPL account. Area employees informed us that the correct receipt account was not determinable at the time the \$5,000 was received.

To distribute interest income on an equitable basis, we recommend that the Commissioner consider revising the Indian Affairs Manual (42 IAM 1004.01) to eliminate the use of balances in account 2224.3 in the base for computation of interest.

4. Old balances in account 2224.3, Deposits--Other

Account 2224.3, Deposits--Other, totaled \$101,627 at May 31, 1955, and consisted of 243 subaccounts. Our test-check of 24 subaccounts disclosed that 4 of the accounts totaling \$312 were 6 months old or more. Two of the subaccounts totaling \$186 were cleared immediately as the result of our inquiry.

To maintain the account on a current basis, we recommend that the Area Director issue instructions that balances in this account be reviewed at least quarterly and that appropriate follow-up action be initiated.

ADMINISTRATION OF INDIAN LANDS

Applications for rights-of-way not processed in accordance with regulations

In the report for fiscal year 1954 (item 7, p. 10) we pointed out that applications for rights-of-way upon and across restricted Indian lands were not processed by the Bureau in accordance with the applicable regulations (25 C.F.R. 256).

Our audit for fiscal year 1955 disclosed that contrary to these regulations, the Muskogee Area Office continued to permit applicants for rights-of-way upon and across restricted Indian lands to negotiate directly with the individual Indians or Indian tribes as to the amount of damages sustained. Payments were made by the applicants directly to the Indians in 169 of the 178 cases approved by the Muskogee Area Office.

We recommend that the Area Director comply with the applicable regulations unless specific authority is granted to deviate therefrom.

6. Cost of processing rights-of-way

During fiscal year 1955 the Muskogee Area Office processed 218 right-of-way cases of which 40 were rejected and 178 approved. Fees have not been established for this service.

Right-of-way cases originate with an application for permission to survey a right-of-way on restricted Indian lands and must be approved by the Superintendent. Based upon discussions with employees responsible for the processing of the applications, the salary cost of processing right-of-way applications during fiscal year 1955 amounted to about \$2,400, or \$11 for each application handled.

To reimburse the Government for the costs applicable to rendering these services, we recommend that the Commissioner establish a fee schedule for the processing of right-of-way applications. The fees should be based upon the objective of covering the total cost of furnishing the service.

7. Fees for land sales not charged in accordance with Code of Federal Regulations

Fees for sales of land under the jurisdiction of the Five Civilized Tribes Agency were charged on a sliding scale from \$2.50 to \$20 based on sales price of the land. Fees were waived if the sales price was less than \$100. The Code of Federal Regulations (25 C.F.R. 241.39) provides that "A remittance of \$20 will be required from the successful bidder as a land sale fee on each tract sold." This regulation provides further that the \$20 fee may be reduced by the Secretary of the Interior upon determination that conditions warrant such action.

Bureau personnel were not able to find written authority for the use of the sliding scale in lieu of the \$20 fee provided for by the regulation.

To reduce the net cost of processing land sales, we recommend that the Area Director take the necessary action to comply with the regulation unless proper written authority is granted to reduce the fees.

8. Fees for processing and administering leases are in need of revision

During fiscal year 1955 the Muskogee Area Office processed 1,705 land leases including 451 assignments and 232 cancellations. The Bureau's fiscal records do not permit obtaining costs of this

operation or the fees collected therefrom. Based, however, upon information available at the Muskogee Area Office and discussion with employees engaged in leasing operations, the fees collected during fiscal year 1955 totaled about \$8,500 compared with salary costs for processing and administering leases of about \$21,000. The estimated cost does not include supplies, advertising, and overhead expenses.

To reduce the net cost of processing and administering land leases, we recommend that the Commissioner take the necessary action to revise the various regulations applicable to collection of fees for these services. Wherever feasible all costs applicable to these services should be recovered.

9. Payment of royalties on lead and zinc mining leases

In the report for fiscal year 1954 (item 19, p. 26) we pointed out that checks for royalties from lead and zinc mining leases on Indian restricted allotted lands, formerly under the jurisdiction of the Quapaw Agency and presently under the jurisdiction of the Miami field office of the Five Civilized Tribes Agency, are received from the lessees by the Bureau and deposited in the United States Treasury pending distribution to individual Indian money accounts. This procedure is authorized by the Code of Federal Regulations (25 C.F.R. 201.3).

Our audit for fiscal year 1955 disclosed that checks for royalties from these lead and zinc mining leases were still processed by the Bureau.

To transfer more responsibility to the Indians in accordance with the Bureau's program for Federal supervision over Indians and to reduce the Bureau's work in administration of leases, we are repeating our 1954 report recommendation that the Commissioner take the necessary action to authorize payments of all rental and royalties from leases on all Indian lands to be made directly to the Indian lessors.

PROPERTY MANAGEMENT

10. Vehicle use at Seneca Indian School

At June 30, 1955, the Seneca School had 11 vehicles, consisting of two passenger cars, one bus, one fire truck, four pickup trucks (one-half ton), and three trucks (one and one-half tons), one of which is a dump truck. Our review of motor vehicle use at the Seneca School disclosed that three of the vehicles had very little use during fiscal year 1955 and apparently were excess to the needs of the school.

a. A dump truck, license No. I-3439, was driven only 343 miles during fiscal year 1955. In our opinion the school does not have sufficient use for a dump truck to justify the assignment of one to this field location. This is evidenced by the low mileage driven during fiscal year 1955 and the fact that it was not used at all from January to June 30, 1955, because it was not in operating condition. The school had not reported the vehicle to the area office as excess or unusable.

b. A 1949 model, Chevrolet passenger car, license, No. I-33140, has been driven about 13,000 miles during the 5 years it has been assigned at this location, or an average of 2,600 miles a year. This car is held in readiness as a stand-by for trips to the area office or other trips made on school business. The school also has another passenger car, a 1948 model Plymouth, license No. I-37282, that receives most of the use as a general purpose passenger vehicle.

c. A 1953 model, Ford truck (one and one-half ton), stake bed, license No. I-49004, is kept in a locked garage adjacent to

the school campus. It was acquired in August 1953 and had been driven a total of only 2,042 miles at June 30, 1955, for an average of about 1,000 miles a year. This truck is still in showroom condition although it is 22 months old. School officials explained that the truck is used only during the haying season, if needed, and at the beginning and close of the school year to pick up and deliver children and their belongings. The school has another truck of the same size which is used generally for similar purposes. A school bus, in very good condition, is available also.

The Chevrolet passenger car and the 1953 Ford truck were the subject of similar comment in our audit report (item 13, p. 18) for fiscal year 1954.

To reduce the number of motor vehicles operated at the Seneca School, we recommend that the Area Director take the necessary action to have vehicle needs at the school reexamined so that vehicles not needed may be transferred to other locations or declared excess.

11. Deficiencies in property management at Seneca Indian School

Our review of property management at the Seneca Indian School disclosed the following deficiencies:

a. Test counts of materials and supplies disclosed several differences between quantities on hand and quantities shown on the stock record cards. Moreover, physical inventories had not been taken in accordance with the Indian Affairs Manual (43 IAM 208.02F(1)(a)), which provides that a complete physical inventory of materials and supplies be taken at least once annually and that the stock record cards be adjusted to agree with the physical

count. We were informed by school officials that this has not been done since May 1953. Some counts are made by school personnel, as the need becomes apparent, but there is no systematic plan to take a complete inventory each year.

b. Certain materials and supplies were not recorded in the stock record cards at the school or in the general ledger stores accounts of the area office. For example, a large quantity of good grade lumber stored in building 269, CCC garage, was not recorded in the stock record cards. The school principal stated that the lumber was an accumulation of materials left over from various school projects, or other sources, over a period of years. A large quantity of shingles located in building 237, barn, had not been recorded also. The school principal estimated that 250 or more bundles of these shingles were on hand.

To obtain proper control over assets and to provide for accurate cost of projects on which they may be used in the future, the lumber and shingles should be recorded in the stock record cards and the area office general ledger stores account.

c. Stock record cards were not always maintained in accordance with manual instructions. The Indian Affairs Manual (43 IAM 208.02E(4)(a), (b), and (c)) provides that only one card will be on file for the entire quantity of each identical item on hand, succeeding receipts will be recorded on an existing card covering a previous shipment of identical items, and an average unit price will be established for the entire quantity of identical items on hand.

Several instances were noted where a single stock record card, form DI-101, was used to record items of different specifications. We noted also that average prices were not recomputed when additional stocks were purchased at different unit prices.

d. Several items of equipment at the school were not in operating condition because of damage or obsolescence, but none had been reported to the area office for appropriate disposition. Following is a list of some of these items.

<u>Property number</u>	<u>Property cost</u>	<u>Description</u>	<u>Comments</u>
4-3939	\$115.80	Power mower, Root, rotary, 1-1/2 hp, 24-inch	Property number not on mower, consisted of frame and handles only
4-3941	147.50	Power mower, Pathfinder, rotary, 21-inch	Property number not on mower, engine broken, needs many other repairs, held for survey
4-4068	500.00	Mimeograph machine	Property number not on machine, old, will not work, beyond repair
4-3794	166.50	Mimeograph machine, A. B. Dick	Will not work, worn out, beyond repair
4-3951	187.76	Movie projector, 16 mm	Has broken frame, will not work satisfactorily, not used
4-4058	100.00	Band saw, Craftsman	Damaged, will not work, being held for survey

The items listed above were carried in general ledger accounts at June 30, 1955, at acquisition cost.

Our review also disclosed two typewriters and one adding machine which were rarely used and excess to the needs of the school.

e. The storeroom was poorly arranged. Items of the same or similar description were not stored in the same place. Considerable quantities of junk and obsolete items such as old paper boxes



and horse collars (the school no longer has any horses) were in the storeroom. We observed also large quantities of old machine parts scattered about the school grounds.

The property management deficiencies listed above were discussed with school and area officials who informed us that corrective action will be taken, appropriate manual regulations will be complied with, and obsolete and unusable items will be disposed of in accordance with appropriate regulations.

FINANCIAL ADMINISTRATION

12. Buildings and structures not accounted for in general ledger

The general ledger accounts of the Muskogee Area Office did not include the costs for all buildings now in use at the Seneca Indian School. Buildings not recorded in the general ledger accounts at June 30, 1955, are as follows:

Building number	Description	Original cost	Amount per property cards June 30, 1955	Amount per evaluation January 10, 1953	Estimated replacement cost January 10, 1953
209	3-room cottage, frame	\$ 200	\$245	\$245	\$2,940
210	5-room cottage, frame	260	254	254	3,040
217	Garage--4 places	102	340	340	1,100
226	Coal shed, frame	485	168	168	1,340
227	Repair shop, frame	773 <sup>a</sup>	193	193	968
230	Oil and paint house, frame	425	224	224	788
236	Implement shed, frame	3,500 <sup>a</sup>	400	400	4,780
237	Barn, frame	600	164	579	5,900
224	Brick garage	288 <sup>a</sup>	None	79	420
238	Hay shed, frame	360	None	43	1,725
None	Hay shed, frame	None	None		No records

<sup>a</sup>Estimated cost.

We were informed that these buildings were excluded from the general ledger accounts for the following reasons:

a. The first eight buildings listed above were appraised by the Bureau at less than \$500 each at June 30, 1955, and were excluded based upon an interpretation of the Assistant Commissioner's memorandum dated April 26, 1954, on inventory of Federal Real Property Holdings.

b. Buildings 224 and 238 were appraised at less than \$100 each in December 1944 and accordingly no cards were prepared.

c. The last building in the table was erected by employees and students at the school within the past few years. The area office did not have any record of this building.

The Bureau's present regulations do not require that buildings or utility systems at less than \$500 each be recorded in general ledger accounts. The Assistant Commissioner's memorandum of April 26, 1954, cited above, however, does not require buildings to be shown at current valuation. The amounts for buildings to be included in the appropriate general ledger account should be based on cost and not on present value. The cost should include the improvements subsequent to the date of acquisition. Estimated costs should represent the amount the Government would have to pay for the structures or facilities, if purchased, at the date of original acquisition. Accordingly, we recommend that the Area Director take the necessary action to have buildings costing more than \$500 each, such as buildings 227, 236, and 237, recorded in the general ledger accounts. The cost of the unnumbered hay shed should be determined and a property number should be assigned.

As shown above, the Seneca Indian School has a number of buildings showing costs of less than \$500 each. All of these buildings, however, are in use. For example, buildings 209 and 210, at costs of \$200 and \$260, are rented to school employees for an annual shelter rent of \$120 and \$150, respectively. Accordingly, to provide financial accountability over buildings in use and of value to the Bureau, we recommend also that the Commissioner consider revising the present minimum for financial accountability to include buildings of this nature.

### 13. Land not included in financial records

The general ledger accounts of the Muskogee Area Office do not show amounts for lands under the jurisdiction of the Seminole Agency, comprised of Big Cypress, Brighton, and Dania Reservations in the State of Florida. The records of the Branch of Realty show that 79,247 acres of land are involved. Also, lands connected with the boarding schools and hospitals under jurisdiction of the Five Civilized Tribes Agency approximating 2,492 acres are not included in the general ledger accounts.

The Branch of Realty records were not complete as to the legal description and cost of these lands, which include both Government-owned and Tribal trust lands. The Indian Affairs Manual (42 IAM 502.03B(2) and 502.05B(2)) provides that lands under the jurisdiction of the Bureau should be recorded in the general ledger accounts.

To provide for financial control of all properties under the jurisdiction of the Bureau, we recommend that the Area Director obtain the necessary information and record the amounts for these lands in the books of account as soon as possible.

Area office officials informed us that they were starting to establish basic documents, such as deeds and appraisal reports, for all lands under the jurisdiction of the area and that all such land would be recorded in the appropriate general ledger accounts as soon as reliable information is developed.

14. Cost of roads and trails transferred to states and counties

During fiscal years 1953, 1954, and 1955, the Muskogee Area Office transferred, by formal agreement, 170 miles of roads to state and county governments. According to area officials, the purpose of these agreements and transfers was to relieve the Bureau of accountability and maintenance of the roads. The area office has not transferred from the general ledger asset account 1001.3, Roads and Trails, the cost of the roads transferred to state and county governments, except for one road costing \$51,012. Moreover, the area office has not maintained detail records supporting the balance in asset account 1001.3, Roads and Trails, as required by the Indian Affairs Manual (42 IAM 502.03B(2)).

In order that financial records show the true status of the assets for which the Bureau is responsible, we recommend that the Commissioner issue instructions to remove the cost of roads transferred to states and counties from the Roads and Trails account to an appropriate general ledger account. We recommend also that the Area Director require compliance with the provisions in the Bureau manual and provide for records supporting the Roads and Trails account.

15. Deficiencies in payroll procedures

Our review of payroll procedures and transactions for fiscal year 1955 at the Muskogee Area Office disclosed the following:

a. The payroll section maintains a personnel folder for each employee, thereby requiring 24 file drawers of space. These folders contain information such as old individual earnings records

and miscellaneous correspondence regarding payroll changes. Similar information is kept by the personnel branch in the official personnel folders. The maintenance of these records by the payroll section is an unnecessary duplication.

We recommend that the payroll section discontinue the maintenance of duplicate personnel folders and dispose of the unnecessary material contained in the 24 file drawers. This will provide more filing space and also reduce the workload of the payroll section.

b. Time and attendance reports are prepared by typewriter, contrary to the Indian Affairs Manual (42 IAM 604.02(B)(1)) which provides for the preparation of time and attendance reports by indelible pencil or ink.

We recommend that the time and attendance reports be prepared in accordance with manual instructions.

c. Twenty employees, including timekeepers and supervisors, are certifying to their own time and attendance reports.

To strengthen internal control over the reporting of time and attendance, we recommend that time and attendance reports be certified by persons other than the employee.

d. We noted that payroll records were maintained on the basis of the allotment from which the employee was financed. Consequently, if an employee's time was chargeable to more than one allotment during a payroll period, several time and attendance reports and timecards were prepared for the employee. In fact, a separate check was issued under each allotment so that an employee received more than one payroll check for the payroll period.

We recommend that the area office simplify the payroll procedures by discontinuing the use of several paycards and time and attendance reports for an employee. It is estimated, by area officials, that the discontinuance of this practice would result in a saving of 40 man-hours a pay period.

e. The credit branch and personnel branch of the area office are not posting to time and attendance reports on a daily basis. In one case time was not posted until the end of the pay period.

To insure accuracy we recommend that posting to time and attendance reports be done on a daily basis.

f. The payroll section has 54 drawers of payroll records dating back to 1919. These old records include time and attendance reports, certification and payroll summaries, S.F. 1128, and individual paycards and leave records.

We recommend that these records be disposed of in accordance with current regulations, thereby providing considerable drawer space for current records.

g. The area office disbursed \$1,263 to the brother of a deceased employee covering compensation to the estate. There was no evidence in the files, however, that the brother was entitled to receive the payment as executor of the estate. We called this matter to the attention of the area officials, who, subsequently, secured proof of the eligibility of the payee to receive the payment.

To avoid possible controversy, we recommend that in all cases of this nature, prior proof be obtained of the eligibility of persons to receive payment of funds due deceased employees.

Area officials informed us that corrective action would be taken on the payroll deficiencies listed above.

#### 16. Other accounting deficiencies

Our audit of the Muskogee Area Office for fiscal year 1955 disclosed that adequate subsidiary records were not always maintained, as shown below:

a. Subsidiary accounts were not maintained to support general ledger account 2501, Income, Trust Operations, in accordance with provisions of the Indian Affairs Manual (42 IAM 502.05B(2) and 503.04). The subsidiary records should provide an analysis of income by type, enterprise, and location. All income was posted to one account without the required analysis.

b. Subsidiary records for depreciation on road equipment did not agree with general ledger account 1004, Provision for Depreciation and Amortization. The balance in the general ledger account at June 30, 1955, was \$46,913, whereas the total of the subsidiary records was \$55,097. The difference of \$8,184 was because of failure to properly adjust the general ledger account for equipment which had been disposed of and failure to post to the general ledger account the provision for depreciation for June 1955.

Numerous other accounting deficiencies were discussed with appropriate officials in the area office. We were informed that these matters would be given consideration and corrective measures would be taken.