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# REPORT TO THE CONGRESS

## Need For Improved Practices For Obtaining Equitable Contributions Toward The Cost Of Constructing Sanitation Facilities For Indians <sup>46</sup>

B-164031(2)

Health Services and Mental Health  
Administration <sup>48</sup>

Department of Health, Education,  
and Welfare <sup>44</sup>

BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES

~~715081~~

APRIL 10, 1970

**092572**



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D C 20548

B- 164031(2)

To the President of the Senate and the  
Speaker of the House of Representatives

This is our report on the need for improved practices for obtaining equitable contributions toward the cost of constructing sanitation facilities for Indians. This program is administered by the Indian Health Service, Health Services and Mental Health Administration, Department of Health, Education, and Welfare. Our review was made pursuant to authority contained in the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

Copies of the report are being sent to the Director, Bureau of the Budget, and to the Secretaries of Health, Education, and Welfare and of the Interior.

A handwritten signature in cursive script, reading "James B. Arato".

Comptroller General  
of the United States

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ABBREVIATIONS

BIA	Bureau of Indian Affairs
GAO	General Accounting Office
IHS	Indian Health Service
PHS	Public Health Service
HEW	Department of Health, Education, and Welfare

NEED FOR IMPROVED PRACTICES FOR OBTAINING  
EQUITABLE CONTRIBUTIONS TOWARD THE COST  
OF CONSTRUCTING SANITATION FACILITIES FOR  
INDIANS

Department of Health, Education, and  
Welfare B-164031(2)

D I G E S T

WHY THE REVIEW WAS MADE

Under a law enacted in 1959, the Indian Health Service, Health Services and Mental Health Administration, Department of Health, Education, and Welfare (HEW), administers a program for the construction of sanitation facilities for Indians. The facilities include water supplies, sewage and waste disposal facilities, and other improvements for Indian homes and communities.

Through fiscal year 1968, Federal funds totaling about \$47 million had been expended for the construction of sanitation facilities expected to benefit about 44,000 of the 69,000 potential beneficiary Indian families.

The legislative history of the authorizing law indicates, and the Indian Health Service's guidelines provide, that the construction of sanitation facilities for Indians is to be a cooperative effort among the Government, Indian tribes, and non-Indian beneficiaries of the facilities. The General Accounting Office (GAO), noting that little or no cash and labor contributions had been obtained from some Indian tribes or from non-Indian beneficiaries--families, businesses, or organizations--examined into the Indian Health Service's practices and procedures for obtaining contributions.

FINDINGS AND CONCLUSIONS

GAO's review of selected sanitation facility construction projects administered by four Indian Health Service Area Offices in the Western United States indicated that the Indian Health Service needed to improve its practices for obtaining cash and labor contributions from Indian and non-Indian beneficiaries of the facilities provided. The review showed that

--cash contributions by Indian tribes either were not obtained or were obtained in amounts minor in relation to the tribes' apparent ability to pay. (See p. 13.) For example, six projects were constructed for one tribal group, for which the Indian Health Service paid \$425,000. The tribe--whose average annual income was about \$1.7 million during the 6-year construction period--contributed \$41,500. GAO believes that equitable contributions toward the cost of constructing sanitation facilities from those tribes that have

the ability to contribute would enable the Indian Health Service to provide a larger number of Indians with needed sanitation facilities at an earlier date

- the Indian Health Service generally did not collaborate with the Bureau of Indian Affairs, Department of the Interior, in its programming of funds awarded to Indian tribes by the Indian Claims Commission. For example, one tribe received an award of about \$4.3 million, but none of the funds were made available for the construction of sanitation facilities because the funds had been programmed for other purposes. (See p. 17 )
- frequently no arrangements were made for obtaining cash contributions from non-Indian beneficiaries of sanitation facilities constructed. For example, a water supply system was constructed at a cost of about \$90,000. The non-Indian beneficiaries of the system did not contribute toward the construction cost although they used nearly one half of the water supplied. GAO believes that these beneficiaries should have been requested to contribute toward the cost of the water system. (See p. 20 )
- some tribes were not required to comply with their commitments to contribute labor to construction projects. The necessary labor to accomplish the work was performed either under Indian Health Service contracts with the tribes or by work crews employed by the Indian Health Service. One of the program's basic objectives was to encourage the Indians to participate in the construction of sanitation facilities so that they might acquire the training necessary to accept responsibility for the future operation and maintenance of the facilities. (See p. 23 )
- the Area Offices did not accumulate and systematically report accurate and complete data pertaining to contributions of cash, labor, material, and equipment. The Indian Health Service's annual justifications to the Congress for construction appropriations stated that contributions from Indians amounted to about one third of the total cost of the sanitation facilities constructed. However, the stated value of Indian contributions was not adequately supported and appeared to be overstated by about \$5 million. (See p. 34.)

#### RECOMMENDATIONS OR SUGGESTIONS

The Secretary of Health, Education, and Welfare should

- emphasize, to officials responsible for administering the Indian sanitation facility construction program, the intended cooperative nature of the program which requires them to seek equitable contributions from Indian and non-Indian beneficiaries of the sanitation facilities

- establish a joint policy with the Secretary of the Interior providing for cooperation between the Indian Health Service and the Bureau of Indian Affairs in assisting Indian tribes in the programming of funds awarded in settlement of Indian tribal claims, as well as tribal funds from other sources, so that some of these funds can be made available for constructing sanitation facilities.
- require the Indian Health Service to maintain, in its Area Offices, adequate records of project contributions, in cash and in kind, and other accounts receivable to improve management control and facilitate reliable reporting of program accomplishments.

#### AGENCY ACTION AND UNRESOLVED ISSUES

Both HEW and the Department of the Interior have agreed to cooperate in programming tribal funds for constructing sanitation facilities. However, HEW did not comment on GAO's recommendation that the Secretary emphasize, to officials responsible for administering the sanitation facility construction program, the intended cooperative nature of the program. GAO believes that this matter requires further attention. (See p. 33.)

To improve management control over contributions, HEW has established a pilot system in one Area Office, which centralizes the records of contributions. The system is being evaluated for possible application to the other Area Offices.

#### MATTERS FOR CONSIDERATION BY THE CONGRESS

GAO is bringing its findings to the attention of the Congress in view of the interest expressed by Committees and Members of the Congress in programs for the improvement of health and economic conditions of the Indians.

## CHAPTER 1

### INTRODUCTION

The General Accounting Office has made a review of certain aspects of the program for construction and improvement of sanitation facilities for Indian homes, communities, and lands, authorized under Public Law 86-121 (42 U.S.C. 2001). This program is administered as part of the comprehensive health services provided to approximately 400,000 Indians and Alaskan natives by the Indian Health Service (IHS), Health Services and Mental Health Administration, Department of Health, Education, and Welfare.

Our review was concerned principally with examining into the IHS policies, procedures, and practices followed in negotiating and obtaining contributions from benefiting Indians and non-Indians toward the cost of constructing sanitation facilities. Our review also covered certain related aspects of program administration which, in our opinion, required improvement; but we did not make an overall evaluation of the administration of the program. The scope of our review is described on page 44.

### STATUS OF PROGRAM

From the beginning of the sanitation program in fiscal year 1961 through fiscal year 1968, Federal funds totaling about \$46.7 million were expended for construction and improvement of a total of 763 sanitation facility projects. Of the \$46.7 million, about \$40 million was expended for 443 regular construction projects and for 151 engineering investigations and special emergency repairs or improvements. The remaining \$6.7 million was expended for the construction of 169 sanitation facilities to complement new, federally sponsored, Indian housing programs. Since 1965 IHS has been coordinating its sanitation facilities construction efforts with various housing programs sponsored by other Federal agencies--the Housing Assistance Administration, the Bureau of Indian Affairs, and the Office of Economic Opportunity--and by interested tribal groups.

Sanitation projects constructed during the 8-year period range in scope from small groups of individual



facilities to relatively large community water and sewer systems. IHS has reported that, when all projects funded through fiscal year 1968 are completed, they will benefit about 44,000 of the 69,000 potential beneficiary Indian families. Of the 44,000 families that will be served, the homes of 32,000 will have running water and an adequate means of waste disposal and the homes of 12,000 will have improved outside sanitation facilities although they still will lack running water and means of waste disposal inside the home.

IHS proposed a plan for meeting the remaining known needs of Indian families and estimated that the plan would require funding of \$80 million during the 5-year period--fiscal years 1969 through 1973--at a rate of \$16 million a year. This level of funding represents an accelerated rate over the average annual funding of about \$5 million for the 7-year period--fiscal years 1961 through 1967--and over the \$10.5 million for fiscal year 1968. About \$17 million was allocated for funding sanitation facility projects in fiscal year 1969.

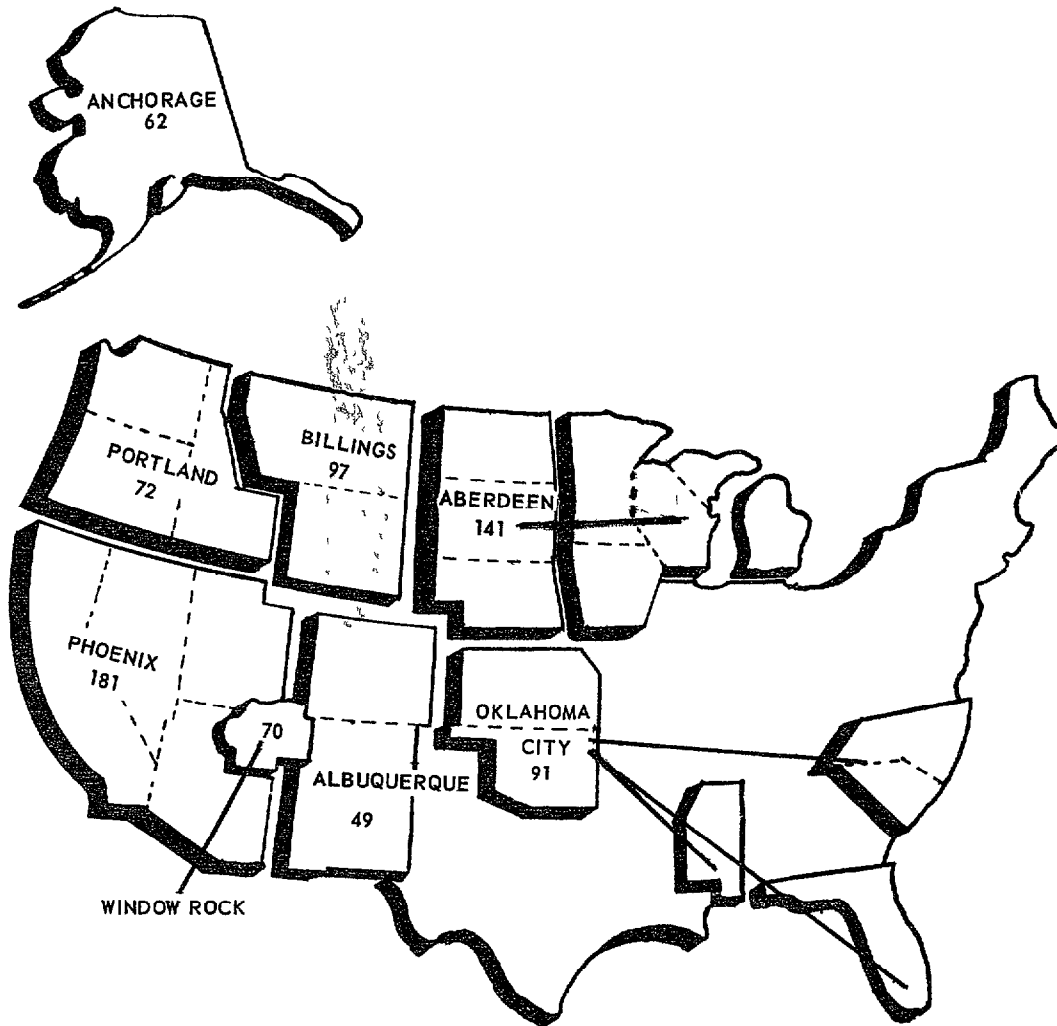
A map is presented on the following page showing the geographic distribution of sanitation facility projects funded in fiscal years 1961 through 1968 and identifying IHS Area Office jurisdictions.

#### PROGRAM OBJECTIVES

IHS provides a broad range of curative, rehabilitative, and preventive health care services through activities designed to elevate health among Indians to a level comparable to that of the general population. These activities are intended to develop an understanding of modern medical and health services among Indians, to encourage and assist Indians in self-help activities, and to develop their capacity to assume responsibility for their own health care.

Prior to the enactment of Public Law 86-121, which authorized a continuous program for construction of sanitation facilities for Indians, the former Division of Indian Health of the Public Health Service (PHS) had found that the health status of Indians, as measured in particular by infant mortality, average age at death, and gastroenteric

**INDIAN SANITATION FACILITIES CONSTRUCTION**  
**PROJECTS APPROVED IN FISCAL YEARS 1961 – 1968**  
**BY INDIAN HEALTH SERVICE AREA**



THIS MAP SHOWS THE GEOGRAPHIC DISTRIBUTION OF THE 763 SANITATION PROJECTS APPROVED AS OF JUNE 30, 1968, AMONG THE EIGHT INDIAN HEALTH SERVICE AREA OFFICES HEADQUARTERED AT

- |                           |                           |
|---------------------------|---------------------------|
| 1 ABERDEEN, SOUTH DAKOTA  | 5 OKLAHOMA CITY, OKLAHOMA |
| 2 ALBUQUERQUE, NEW MEXICO | 6 PHOENIX, ARIZONA        |
| 3 ANCHORAGE, ALASKA       | 7 PORTLAND, OREGON        |
| 4 BILLINGS, MONTANA       | 8 WINDOW ROCK, ARIZONA    |

infection, was approximately the same as that of the non-Indian population a generation earlier. This condition was attributed by PHS primarily to (1) gross environmental deficiencies related to a lack of safe domestic water supplies, sanitary waste disposal systems, and proper drainage facilities and to substandard and overcrowded housing, and (2) a lack of understanding of modern health practices and the relationship between disease and environment.

To give impetus to the program of remedying the physical environmental conditions for Indians, the Congress enacted Public Law 86-121, approved July 31, 1959 (see app. III), which provided the Surgeon General<sup>1</sup> with expanded authority and new responsibilities for constructing essential sanitation facilities for Indians.

The authorizing legislation and the testimony presented prior to its enactment by the Congress indicate the intended cooperative nature of the construction program. The act authorizes the Surgeon General to make arrangements and agreements regarding equitable contributions toward the construction, improvement, and maintenance of the sanitation facilities with appropriate public authorities, nonprofit organizations or agencies, Indians to be served by such sanitation facilities, and any other person so served. The act also requires that the Surgeon General consult with, and encourage the participation of, the Indians concerned and the States and political subdivisions thereof in accomplishing the purposes of the act.

#### LEGISLATIVE HISTORY

The reports of the House and Senate legislative committees recommending enactment of the bill which became Public Law 86-121 stated that the legislation would, among other things, clarify the authority of PHS to undertake sanitation projects under cooperative arrangements involving the acceptance of contributions and the eventual transfer of completed facilities and appurtenances to the Indians or to local or State agencies. The reports stated also that

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<sup>1</sup>Reorganization plan no. 3 of 1966 transferred all functions of the Surgeon General and all other officers of PHS to the Secretary of HEW.

enactment of the bill would provide an improved legislative basis for the correction of gross deficiencies in basic sanitary facilities.

The matter of the degree of participation in the program for constructing sanitation facilities by the Federal Government, the Indians, and others was discussed in hearings held on May 5 and 6, 1959, before a subcommittee of the Committee on Interstate and Foreign Commerce, House of Representatives, 86th Congress, first session. The discussions and testimony during these hearings indicated that the program was to be a cooperative endeavor and that the Federal Government was not to bear the full cost of construction because contributions of labor, materials, equipment, cash, or services would also be made by the Indian and non-Indian beneficiaries.

The testimony by PHS officials indicated that this kind of cooperation would create a sense of involvement and personal responsibility on the part of the beneficiaries which would not necessarily be true of a project executed by the Federal Government alone. PHS stated that the Indians, from experiences of participating in previous cooperative endeavors to improve their health, had gained a sense of pride and accomplishment and that, for the program to be effective, cooperation and understanding would be required.

A statement submitted by PHS for the subcommittee's record pointed out that, for the most part, the Federal role would be one of planning, furnishing some of the materials needed, supervising the work, and educating the Indians in the utilization and maintenance of the facilities. Other testimony, although recognizing that the economy of many tribes was such that the more expensive sanitation facilities would be constructed only when substantial Federal financial assistance was furnished to supplement tribal initiative and participation, emphasized that the tribes would be required to contribute labor, materials, and cash to the extent of their ability.

Concerning the involvement of non-Indian beneficiaries, the testimony at the hearings stressed the fact that poor sanitation facilities on Indian reservations have a direct

effect upon the health of the surrounding non-Indian communities. The testimony emphasized that the legislation would benefit the general welfare since efforts to improve sanitation facilities on Indian reservations would also improve sanitation conditions of adjacent non-Indian communities. The testimony indicated that contributions of cash, labor, materials, or services would also be made by the non-Indians on or near Indian reservations and communities.

#### PROGRAM GUIDELINES

To implement the provisions of Public Law 86-121, the former Division of Indian Health issued policy directives and guidelines in a manual entitled "Method of Conduct, Indian Sanitation Facilities Construction Activity." The manual specifically provides for the cooperative approach in carrying out the objectives of the legislation. The manual's introductory remarks state, in pertinent part, that (1) the legislation affords an excellent opportunity to meet Indian environmental sanitation problems on a broad front with active participation by Indian, State, and local groups and (2) the objective of the construction of sanitation facilities is to elevate the health of the Indian people by improving their environment and by encouraging and developing the desire and ability of the Indians to maintain sanitation facilities.

The Office of Environmental Health at IHS headquarters provides policy guidance for the program. The operational responsibility for the sanitation program has been assigned to the Chief Sanitary Engineer at each Area Office, functioning under the general authority of the Area Office Director. A Project Engineer is designated to supervise field operations for individual construction projects in each area.

The Area Offices are responsible for acquainting the Indian tribal groups and State and local agencies with the purpose of the program and encouraging their participation. The Area Offices are authorized to negotiate and execute agreements with Indians, adjacent political subdivisions, and others, concerning the extent of contributions to be made and arrangements for operation and maintenance of facilities.

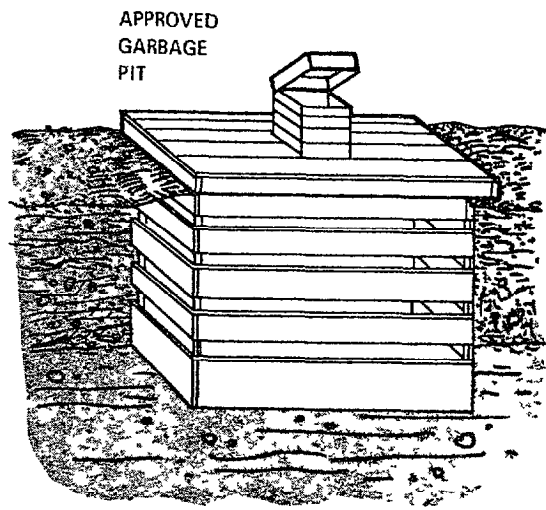
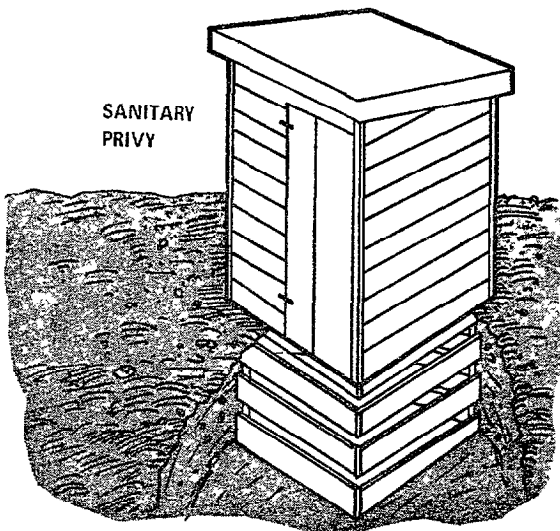
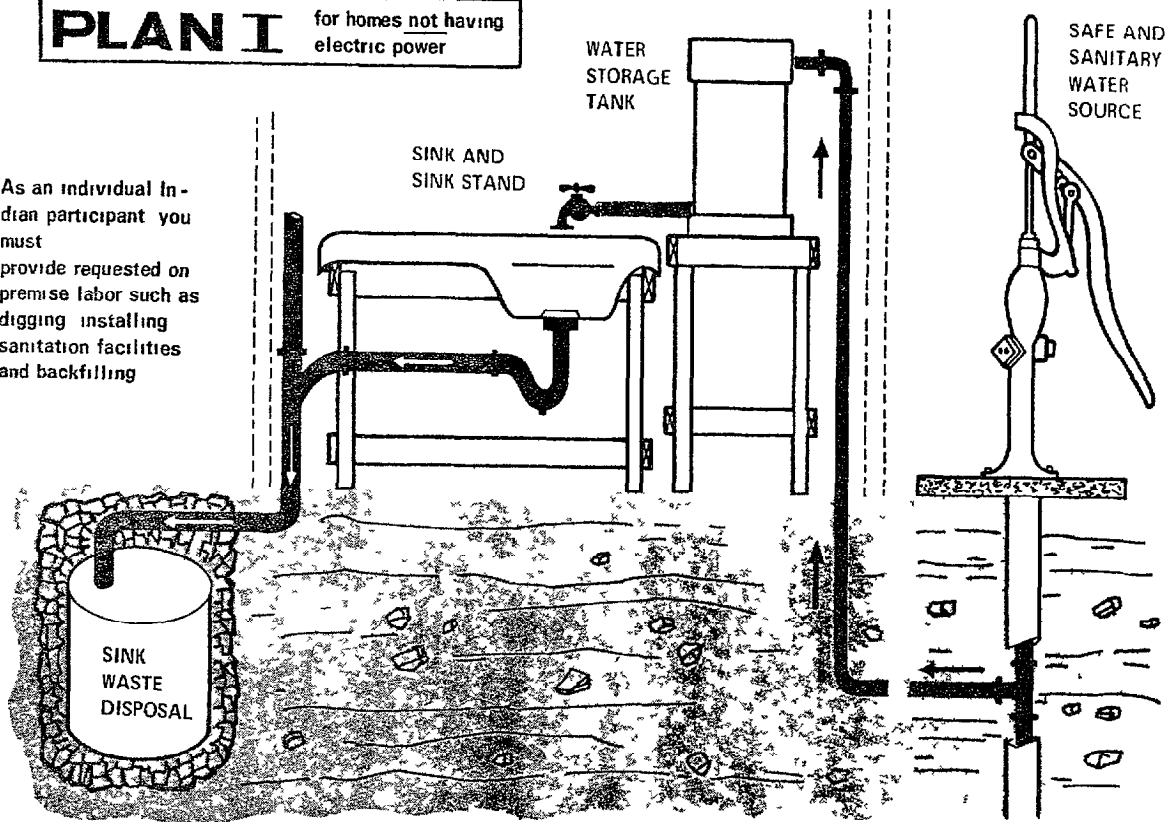
The guidelines also provide for consultations between IHS Area Offices and the Bureau of Indian Affairs (BIA), Department of the Interior, on proposed financial contributions by Indians for a specific project and provide for encouraging such financial, labor, material, and service contributions as are practicable.

Pertinent provisions of the IHS manual with respect to overall program policies and the participation to be obtained from Indian and non-Indian beneficiaries in the construction and operation of sanitation facilities are summarized in appendix IV.

Diagrams illustrating two plans for individual-type sanitation facilities and explaining participation expected from an individual Indian beneficiary are presented on the two following pages.

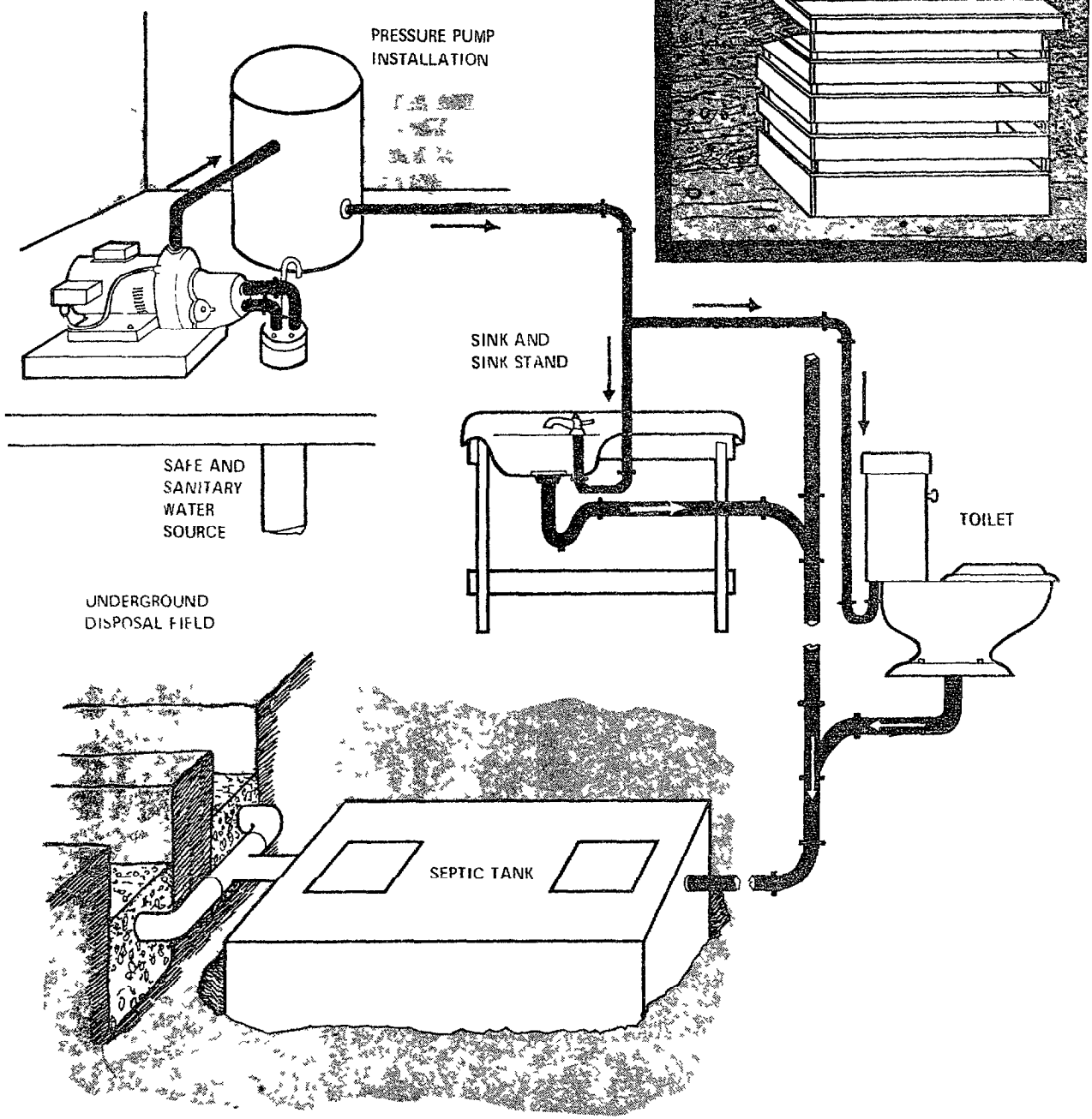
**PLAN I** for homes not having electric power

As an individual Indian participant you must provide requested on premise labor such as digging installing sanitation facilities and backfilling



BEST DOCUMENT AVAILABLE

**PLAN II** for homes having electric power



AS AN INDIVIDUAL INDIAN PARTICIPANT, YOU MUST (1) provide power to operate the pressure pump (2) provide space in your home for the toilet (3) provide requested on premise labor and participate on Tribal work teams as needed (4) plumbing for additional household fixtures (such as bath tubs, showers, hand washing sinks, and hot water heaters) will also be installed by the Public Health Service if the householder obtains the fixtures at his own expense and has them on hand when the plumber begins work in his home

**BEST DOCUMENT AVAILABLE**



## CHAPTER 2

### PRACTICES FOR OBTAINING CONTRIBUTIONS

#### FROM PROGRAM BENEFICIARIES

This chapter presents our findings concerning the need for improved practices by IHS for obtaining equitable cash and labor contributions from Indian and non-Indian beneficiaries toward the cost of constructing sanitation facilities.

#### TRIBAL CASH CONTRIBUTIONS

Although cash contributions have been obtained from some Indian tribes, our review showed that, for many sanitation construction projects, cash contributions either were not negotiated or were negotiated in amounts minor in relation to the tribes' apparent ability to contribute. We believe that, in some of these cases, IHS did not make adequate efforts to ascertain the financial resources of the tribes and their ability to make contributions toward the cost of constructing sanitation facilities.

We believe further that IHS Area Offices have not properly applied the IHS guidelines for determining and negotiating Indian tribal financial contributions and that, as a result, adequate consideration has not been given to the tribes' ability to contribute. The IHS guidelines set forth a mathematical formula for computing and gauging suggested tribal cash contributions based on available tribal funds. The formula for computing available funds takes into consideration primarily the anticipated tribal cash income for the year in which construction of a sanitation project is programmed and the accumulated reserve funds not committed for other tribal programs.

Concerning application of the formula, the IHS guidelines provide that:

- The suggested cash contribution by an Indian tribe be gauged by an amount equivalent to 10 percent of the available funds of the tribe, prorated on a per

capita basis in relation to the number of tribal members that will actually benefit from the project.

- The amount of the suggested cash contribution may be reduced to an amount that equals 50 percent of the cost of a sanitation project, when a larger contribution would work an unusual hardship on the tribe.
- When it is determined that a tribe can make and is willing to make a larger cash contribution than would be obtained under the computation formula, it should be encouraged to do so.

Also, the IHS guidelines emphasize that Area Offices should seek financial contributions from all tribal groups in addition to and not in lieu of the minimum labor participation expected from the tribes. (See p. 23.)

We found a need for the Area Offices to include all tribal income and resources in their considerations for encouraging tribal financial contributions. Such consideration should include also the programming of funds from judgments awarded by the Indian Claims Commission, which, in the past, generally have not been considered as sources of income available for contributions in negotiating project agreements.

Following is a discussion of some of the sanitation projects we reviewed in selected IHS Area headquarters at Portland, Oregon; Phoenix, Arizona; Billings, Montana; and Aberdeen, South Dakota.

#### Review of selected projects

Our review at the Portland Area Office showed that project agreements generally did not provide for cash contribution from the Indian tribes of more than 10 percent of the estimated cost of a project or 10 percent of the IHS contribution. The provisions in the IHS guidelines for obtaining contributions--10 percent or more of the tribe's available funds--were generally not followed. The two following examples illustrate the practices of the Portland Area Office.

Example 1--During fiscal years 1962 through 1967, sanitation facilities under six projects were constructed for one Indian tribal group, with IHS funds totaling about \$425,000. The Indian tribes' cash contributions negotiated for the six projects totaled \$41,500. The tribal budget data which we obtained from BIA showed that the average annual income of the tribe was about \$1.7 million--ranging from \$1.6 to \$2.1 million--during the 6-year construction period.

Area Office officials with whom we discussed these projects acknowledged that they generally followed a pattern of obtaining Indian contributions approximating 10 percent of the amount of IHS financing and that they considered these contributions reasonable. They acknowledged also that IHS constructed the projects without obtaining significant labor or other noncash contributions toward the cost of constructing these sanitation facilities.

Example 2--During fiscal years 1962 through 1967, sanitation facilities under five projects were constructed for another tribe with IHS funds totaling about \$464,000. Cash contributions were negotiated with the tribe for only two of the projects in the total amount of \$50,000. The tribal budget data we obtained from BIA showed that the tribe had an average annual income of about \$1.9 million--ranging from \$1.5 to \$2.5 million--during the 6-year period.

The contributions which the tribe had agreed to make toward the construction of the two projects were limited because its constitution provided that no more than \$25,000 could be spent on any one program during a fiscal year and that this limitation could be exceeded only by a vote of the tribal membership. Area Office files did not indicate that the tribal council had been requested by IHS or BIA to seek approval from the tribal membership for authorizing larger cash contributions from the tribe's substantial income toward the cost of constructing the sanitation facilities in these five projects.

The tribe had initially agreed to make a cash contribution of \$25,000 and furnish the necessary warehouse space for one of the projects. The Portland Area Office made some attempt to collect the \$25,000 cash contribution but

later agreed to reduce this amount to \$19,000, allowing a \$6,000 credit for the value of the warehouse space which the tribe had previously agreed to furnish at no cost.

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Although Portland Area Office officials informed us that they generally had consulted with BIA regarding tribal financial information, we found that the Area Office files contained no evidence that such information had been obtained by IHS to determine the ability of the tribes to contribute toward the cost of constructing sanitation facilities, although provided for by the IHS guidelines. Subsequent to our discussions, the Area Office established a committee with the assigned responsibility of conferring with BIA concerning tribal financial resources and possible contributions toward the cost of constructing sanitation facilities.

Our review at the Phoenix Area Office showed that project agreements negotiated with Indian tribes generally did not require them to make financial contributions toward the cost of constructing sanitation facilities. In fact, a pamphlet issued by the Phoenix Area Office explaining the sanitation facilities program made no reference to cash contributions expected from the tribes.

In February 1964, the Phoenix Area Office entered into an agreement with a tribe to construct water supply and waste disposal facilities for a village at a total cost to IHS of about \$200,000. The agreement did not provide that the tribe make a cash contribution toward the cost of constructing the facilities. Although BIA records showed that the tribe had very minor unrestricted cash resources at the time of entering into the agreement, the records also showed that in September 1963 the tribal council passed an ordinance permitting the sale of gas and oil leases and that by November 1964 the tribe's net income from this source amounted to about \$2 million.

A Phoenix Area project agreement executed in August 1966 with another Indian tribe provided for the construction of sanitation facilities consisting of a community

water system and waste disposal facilities estimated to cost about \$100,000. The agreement did not provide for any tribal cash contributions toward the cost of constructing the facilities. Our review showed that in October 1965 the tribe had entered into an agreement with the State of Arizona which provided for payments to the tribe for certain rights-of-way and sand and gravel permits. The tribe received \$265,000 for rights-of-way in January 1966; received initial payments under the sand and gravel permits in June 1966; and by June 1967, or 11 months after entering into the project agreement, the tribe had cash funds of about \$730,000.

An IHS policy statement issued in October 1962 provides that changes in circumstances of an Indian tribe subsequent to entering into an agreement with the tribe for constructing sanitation facilities might indicate a need for a change regarding the tribe's contribution toward the cost of the facilities. A Phoenix Area Office official informed us, however, that the Area Office considered a memorandum of agreement with a tribe to be a binding commitment and that no effort was made to obtain a cash contribution, or an increased cash contribution, if the tribe's financial condition improved subsequent to the date of the agreement.

Programming of funds  
awarded in settlement of Indian claims

Judgments awarded by the Indian Claims Commission in settlement of claims by Indians against the United States provide Indian tribes with significant cash resources. BIA statistics showed that, as of July 1969, awards totaling \$305 million had been granted to Indian tribes in settlement of 150 claims and that an additional 301 claims were still pending. Of the total awards, \$92 million, or 30 percent, was granted during the 30 months prior to July 1969.

BIA assists the Indian tribes in developing programs for the use of judgment funds and approves the programs. Our review indicated, however, that IHS generally did not collaborate with BIA in its programming of such funds so that consideration might be given to using some of the funds as contributions toward the cost of sanitation facilities.

Examples of cases where Indian tribes had sizable amounts of judgment funds and made either no or only minimal cash contributions toward the cost of constructing sanitation facilities follow:

- In the Portland Area, an Indian tribe had received a judgment award of about \$3 million about 4 months before submitting a sanitation project proposal to IHS in 1963. Although the tribe had indicated in the proposal its willingness to contribute funds toward the construction cost of the sanitation facilities, no contribution was made. The Area Office records showed no indication that IHS had followed up with BIA the programming of a portion of the judgment funds toward the construction of the sanitation facilities which IHS subsequently financed at a cost of about \$40,000.
- In the Billings Area, an Indian tribe received a judgment award of about \$4.3 million in November 1963; however, the judgment funds awarded to the tribe were not programmed for constructing sanitation facilities although the tribe had recognized the need for such facilities in an earlier year. When IHS inquired from a BIA field representative about a possible cash contribution from the tribe, IHS was informed that all of the funds had been programmed for other purposes. Funds totaling \$600,000 were subsequently provided by IHS in fiscal years 1964, 1966, and 1967, without obtaining cash contributions from the tribe toward the cost of constructing the sanitation facilities.
- In the Aberdeen Area, an Indian tribe received judgment awards of about \$2.9 million in February 1960 and \$1.7 million in April 1964. The tribe did not program any of the judgment funds for contribution toward the cost of sanitation facilities constructed in 1964 at a total cost of \$470,000. Area Office officials told us, however, that a contribution of about \$50,000 was requested from the tribe and that subsequently the tribe contributed \$30,000 toward the cost of constructing the facilities.

In contrast to the foregoing examples of no, or only minor, cash contributions by Indian tribes toward the cost of constructing sanitation facilities, we noted one instance, early in the program, where a tribe contributed a major portion of a judgment award toward the construction of sanitation facilities. Under a tribal program for use of award funds totaling \$220,000 that had been approved by BIA in March 1960, the tribe contributed \$180,000 toward the cost of about \$412,000 for constructing sanitation facilities.

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IHS headquarters officials, with whom we discussed this matter in November 1968, acknowledged that the guidelines, to the extent they suggest contributions equivalent to 10 percent of available tribal funds, had not been applied in a meaningful or logical way in the examples cited by us. They acknowledged also that contribution agreements with tribes should be preceded by effective coordination between IHS and BIA in programming tribal funds.

BIA headquarters officials, with whom we discussed the matter of programming tribal funds, expressed general agreement with our view that steps should be taken to provide for participation by IHS in the programming of tribal funds and agreed that projects for the construction of sanitation facilities should be considered, along with other programs for tribal financing. They also suggested that IHS project agreements with the Indian tribes should provide flexibility so that tribal funds, which might become available after an agreement was signed, could be considered for use in financing construction of sanitation projects.

## NON-INDIAN CONTRIBUTIONS

IHS guidelines provide for obtaining contributions from non-Indian sources including individual families, owners of businesses, and other groups or organizations which will benefit from sanitation projects constructed for Indian communities. The guidelines state that the minimum participation is to include an equitable financial or other agreed upon contribution to cover the cost of that portion of the project that will be of benefit to the non-Indians.

We found that the Aberdeen, Billings, Phoenix, and Portland Area Offices did not follow practices that were consistent with the prescribed IHS guidelines. For several sanitation projects we reviewed, adequate arrangements and agreements had not been made for contributions by non-Indians who benefited from the projects and the Area Offices did not have adequate information on the contributions which should have been sought from non-Indians.

Area Office officials told us that, generally, very few non-Indians were located in the remote reservation communities and were recipients of benefits from sanitation projects. Our review, however, showed that, although the number of non-Indians varied between communities, in some communities there were numerous non-Indian homes, motels, gas stations, laundromats, restaurants, other businesses, and nonprofit organizations which were connected to and received benefits from Indian sewer and water systems. We found that, for some sanitation projects, the Area Offices did not identify or determine the numbers of non-Indians who would benefit from the projects. For other projects, the Area Offices, although aware that non-Indians would benefit from the facilities constructed, did not require the non-Indians to make adequate contributions as provided for in the guidelines.

We estimated that for nine of the projects covered by our reviews in the Aberdeen and Billings Areas, IHS should have requested about \$200,000 in financial contributions from non-Indians; but arrangements had not been made for such contributions. Our estimate was computed by prorating the cost of constructing the facilities to the estimated water consumption and sewer usage by the non-Indian beneficiaries.



Officials of the Aberdeen Area Office informed us that, in their opinion, non-Indians were not to be considered participants in sanitation projects because generally they were not provided with any extra facilities. The officials explained that non-Indian beneficiaries of a project were requested to pay any extra costs involved in serving them but were not requested to pay any portion of the cost of constructing facilities which benefit an entire community.

Similarly, officials of the Billings Area Office told us that, if to accommodate non-Indians, they had to increase the size of a sanitation facility or construct water or sewer lines which were not provided for in the original plans, they would request a contribution from non-Indians. In some instances, the Area Office had obtained hookup charges of \$100 to \$200 from non-Indians, but had made no pro rata assessments of construction costs on the basis of benefits received by non-Indians.

We believe that these practices are not consistent with IHS guidelines which require that non-Indian beneficiaries contribute toward the cost of constructing sanitation facilities to the extent of the benefits that they received from the facilities. Also, the guidelines provide for the payment of connection (or hookup) charges in addition to contributions toward construction costs.

We noted a project in the Portland Area where non-Indians, representing a relatively large proportion of beneficiaries in the community served by the project, had not contributed toward the cost of the sanitation facilities-- a water supply system and waste disposal facilities. The construction of these facilities was completed in April 1966 at a total cost of about \$120,000. Of this amount, \$110,000 was financed with IHS construction funds and \$10,000 was contributed by an Indian tribe. On the basis of IHS's project reports and available water consumption records, we estimated that non-Indians in the community used nearly one half of the total water consumed. We believe, therefore, that the non-Indians should have been requested to contribute toward the cost of the water system, which was about \$90,000.

Although Portland Area Office officials were aware that a substantial amount of the water supplied by the system would be used by non-Indians, we found no evidence that action had been taken to obtain financial contributions for constructing the system. An IHS project summary prepared in 1964, proposing construction of the sanitation facilities, had indicated that the number of non-Indian beneficiaries in the village was significant because of tourist facilities and commercial establishments in the locality. Available Area Office records indicated that at least 11 commercial establishments were located in the village and that during the summer months over 1,000 persons used the motel and other available tourist accommodations. The Project Engineer's report to the Portland Area Office in 1965 indicated that water shortages which occurred in the village were caused, to a large degree, by the substantial quantities of water used by the commercial establishments.

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In commenting on our findings regarding contributions from non-Indian sources, IHS headquarters officials acknowledged that generally only small sums such as certain hookup charges were obtained from non-Indians. They explained, however, that decisions as to the amounts to be sought and the extent of effort to be made to obtain payments from non-Indian sources were matters generally delegated to the Area Office Sanitary Engineers, who were considered to be familiar with the economic conditions and practical possibilities for recovering part of the construction costs from non-Indian sources. They also told us that the Area Office Sanitary Engineers initially made or approved the arrangements which permitted the tribes to authorize non-Indians to be served.

## INDIAN LABOR CONTRIBUTIONS

In our reviews at the Aberdeen, Billings, and Portland Area Offices, we found that the labor contributions had not been made by Indians as contemplated by the IHS guidelines. By contrast, the Phoenix Area Office was able to obtain substantial Indian labor contributions toward construction of sanitation facilities. The IHS guidelines emphasize that all tribes and tribal groups are expected to contribute the minimum labor associated with the installation of household fixtures and appurtenances, onpremise pipelines, and waste disposal facilities. Financial contributions are to be sought from the tribes in addition to, and not in lieu of, the labor contributions.

In the three areas, we found that on some projects only minor unskilled labor was provided and that Indian tribes had not been required to comply with their commitments under the project agreements to contribute labor. The labor necessary to accomplish the work was performed either under IHS contracts with the tribes or by work crews employed directly by IHS.

Our analysis of nine projects in the Aberdeen and Billings Areas showed that IHS had incurred costs of about \$180,000 for work of the type that should have been performed by the tribes and individual Indians.

We observed on one project in the Portland Area, which was under construction at the time of our field review, that tribal members were not performing the labor as required under the terms of the project agreement. We discussed the matter with the Project Engineer who acknowledged that the tribe was not providing any labor and that the project labor was being performed by laborers hired by IHS. The Project Engineer informed us during subsequent discussions that he had obtained voluntary tribal labor for the project.

IHS Area Office officials advised us that obtaining the expected labor contributions of individual Indians had been a long-standing problem. They expressed the opinion that the majority of the Indians did not possess the

necessary skills to perform the type of labor suggested by the IHS guidelines and that it would require a great deal of supervision by IHS to persuade and encourage the Indian homeowners to accomplish the expected labor. They also stated that to insist that the tribes comply with the agreements covering expected labor contributions would delay completion of the projects.

Our observations, concerning the position taken by some Area Office officials that Indians did not have the necessary skills to perform the required labor, revealed that Indians from the same tribes performed the labor when hired by IHS. For example, in the case of one project, the Billings Area Office issued a purchase order for \$1,725 to a tribal council, for furnishing labor to install certain sanitation facilities, including all piping, cold-water lines, vent pipes, drain pipes to septic tanks, tile field, and necessary gravel. According to the project agreement, the tribe had previously agreed to furnish all of the above labor without charge to the Government.

We believe that the IHS policy, regarding the responsibility for performance of onpremise labor by individual Indians, was clearly stated in a 1961 memorandum from the Chief, Environmental Sanitation Branch, in Washington, D.C., to the Billings Area Office Director as follows:

"It is the Tribe's responsibility to provide the agreed-upon labor either through the voluntary efforts of its individual members or otherwise. The individual should look to the Tribe, not the Public Health Service, for the facilities to be provided. The Public Health Service dealings with individuals should be on a technical basis only."

The importance of involving Indians in project construction, even at the risk of delaying project completions, was emphasized in the final construction report on one of the projects completed in the Portland Area in 1961. The report stated in part that:

"If the Public Health Service had provided all the labor, installations could have been

completed in one-fourth of the time. In fact, the entire project could have been completed in one-half the time. However, if the home owners had not been required to participate physically in the project, we would have defeated our sub-purpose of developing the individual home owner's interest, responsibility and initiative in the facilities installation."

According to the Chief of the Sanitation Facility Construction Branch of the Portland Area Office, the extent of the use of Indian labor has changed since the program was first initiated. He explained that, in the early projects, the Area Office insisted on rather strict compliance with commitments in the project agreements and the tribes assumed the responsibility for most of the required labor. He stated, that in later projects, however, the Area Office generally did not encourage Indians to actively participate in the construction of the projects because of efforts to complete projects in a timely manner. As a result, Indians contributed only a minor amount of unskilled labor, such as excavating in the vicinity of the dwellings, or made no contributions.

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In commenting on the problems of obtaining Indian labor contributions, IHS headquarters officials agreed with earlier comments by Area Office officials that it had become increasingly difficult to obtain labor contributions toward the construction of sanitation projects. They stated that, to complete planned work on schedule, IHS had decided to finish some projects essentially with Federal funds. They agreed that in certain more recent projects, Indian tribes had not contributed the labor to construct the projects or the onpremise labor although provided for in the project agreements.

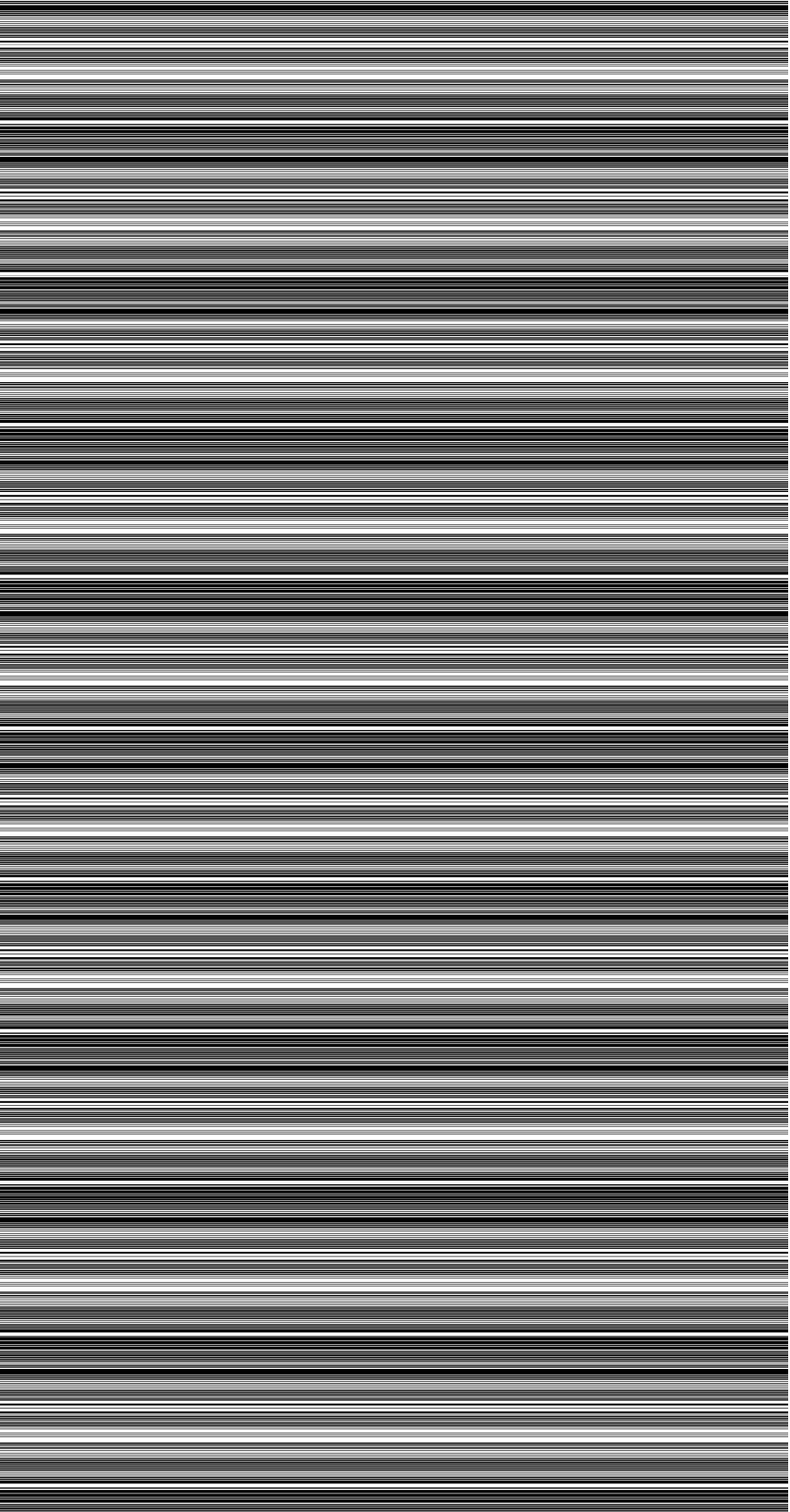
IHS headquarters officials pointed out that, in some geographical areas where water was readily accessible, although not necessarily sanitary, it was more difficult to motivate the tribes to actively participate in the construction of project facilities than in areas where water was not previously available. They also told us that some

agreements were not realistic at the time negotiated, in that the Area Office Sanitary Engineers should have been aware of factors such as seasonal employment which would prevent Indian labor from being furnished for some projects.

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The photograph on the following page, which was furnished to us by the IHS Window Rock Area Office, shows effective participation by Indians in a cooperative project for developing a water supply.

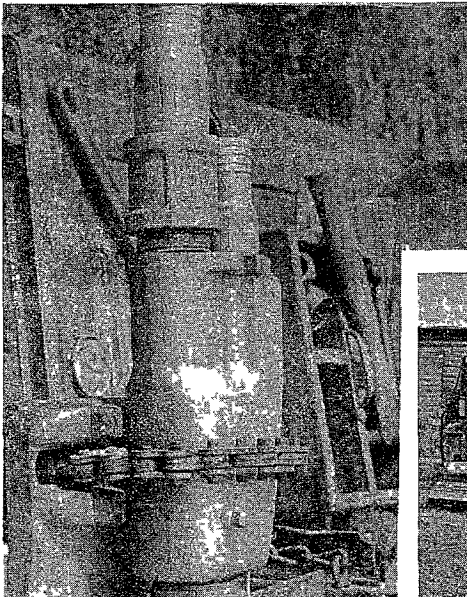
A series of photographs on pages 28 through 31, which were furnished to us by the IHS Portland Area Office, illustrates the installation of water and waste disposal facilities at an Indian community in the State of Washington.



## DEVELOPMENT OF WATER SUPPLIES

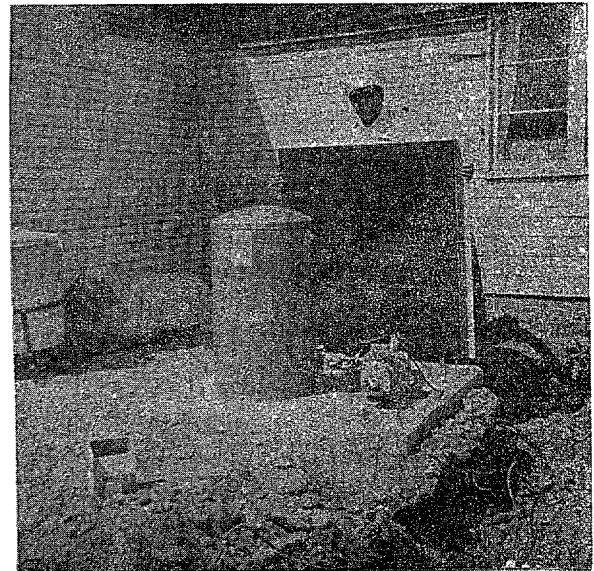


**Well Rig on Location**

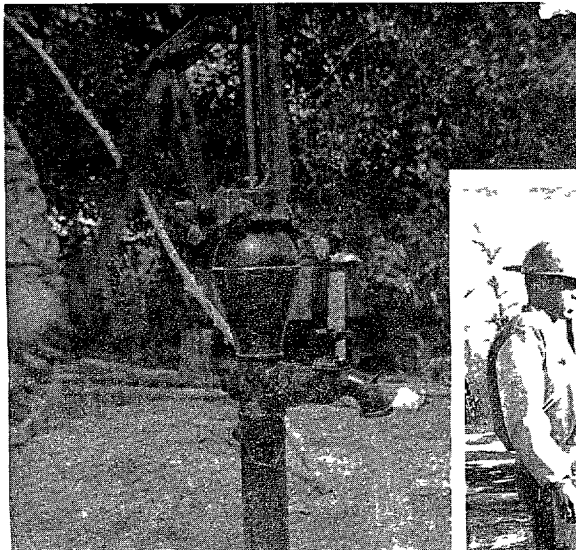




**TYPICAL FACILITIES INSTALLED**



**Plan II Water Supply**



**Plan I Water Supply**



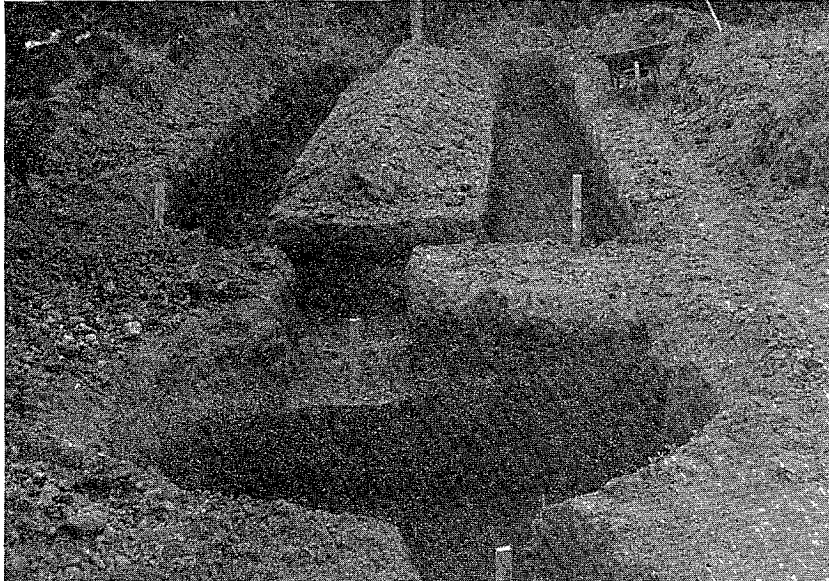
**Above Plan II Bathtub Facility**

**Domestic Water and Waste Disposal Facilities  
Toppenish District, Yakima Indian Reservation, Washington  
Public Law 86-121 - Project PO-65-851**

**November 1967**



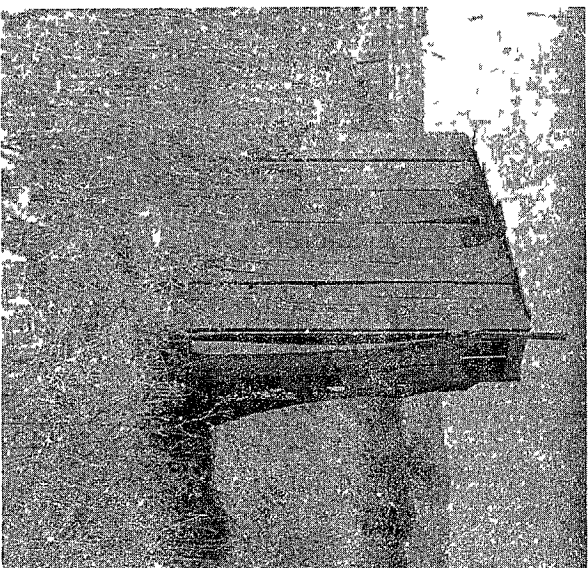
**Installation of Septic Tank and Drainfield**



**Domestic Water and Waste Disposal Facilities  
Toppenish District, Yakima Indian Reservation, Washington  
Public Law 86-121 - Project PO-65-851**

**November 1967**

**ENVIRONMENTAL CONDITIONS PRIOR TO PROJECT**



**Unsanitary Water Supply**

**Unsanitary Privy**



## CONCLUSIONS

On the basis of our review of selected sanitation facility construction projects in several Indian tribal areas, we believe that IHS Area Offices did not adequately emphasize the cooperative nature of the program, which was contemplated by the authorizing legislation and provided for in the IHS policy guidelines. As a result, IHS did not obtain from some Indian and non-Indian beneficiaries equitable financial and other contributions toward the cost of constructing the facilities.

We believe that obtaining equitable contributions toward the cost of constructing sanitation facilities from those tribes which have the ability to contribute would help IHS to provide needed sanitation facility improvements to a larger number of Indian beneficiaries at an earlier date. We believe also that stimulating Indian tribes to make the labor contributions provided for in project agreements would assist the tribes in acquiring the training necessary to enable them to accept the responsibility for future operation and maintenance of the sanitation facilities and thus would help achieve the basic objectives of the sanitation program.

If non-Indian beneficiaries of sanitation projects are not charged with an equitable share of the cost of such projects, the Federal Government and, to a lesser degree, Indian tribes will have to bear the cost of sanitation facilities that benefit non-Indian users.

## RECOMMENDATIONS TO THE SECRETARY OF HEW

We recommend that the Secretary emphasize, to officials responsible for administering the Indian sanitation facility construction program, the intended cooperative nature of the program which requires them to seek contributions from Indian and non-Indian beneficiaries of the sanitation facilities to the extent deemed reasonable and equitable in the light of the beneficiaries' financial resources and other abilities to participate in the construction program.

We also recommend that the Secretary of HEW establish a joint policy with the Secretary of the Interior, providing for cooperation between IHS and BIA in assisting Indian

tribes in the programming of funds awarded in settlement of Indian tribal claims, as well as tribal funds from other sources, so that some of these funds can be made available toward the cost of constructing sanitation facilities.

#### AGENCY COMMENTS

By letter dated April 29, 1969, the Assistant Secretary, Comptroller, transmitted HEW's comments on a draft of our report. (See app. I.)

In commenting on our recommendation for cooperation between IHS and BIA in the programming of tribal funds, HEW stated that it welcomed this suggestion and would pursue such a policy. However, HEW did not comment on our recommendation that the Secretary emphasize to officials responsible for administering the Indian sanitation facility construction program the intended cooperative nature of the program, and, in our opinion, this matter requires further attention.

The Department of the Interior, whose comments we obtained (see app. II) because of its specific responsibilities for the welfare of Indians and their communities, acknowledged the importance of sanitation facilities for Indian communities for reasons of health, housing, and economic development in general. The Department stated that the need for capital improvements in Indian areas is so great that the Indian tribes should be encouraged to use their funds for such improvements, in addition to making maximum use of federally aided improvement programs. The Department expressed its willingness to cooperate with IHS and the Indian tribes in planning for tribal participation in the sanitation facilities program under whatever contribution requirements are imposed under the program. The Department also stated that it anticipated that this subject would be discussed at one of the next BIA-IHS coordinating meetings.

### CHAPTER 3

#### FINANCIAL CONTROLS OVER CONTRIBUTIONS

We found that IHS had not required its Area Offices to accumulate and report, in a systematic manner, accurate and complete data pertaining to contributions of cash, labor, materials, and equipment toward the construction of sanitation facilities. We believe that IHS needs more adequate records to control and collect contributions receivable, improve overall program management, and facilitate reliable reporting of program accomplishments.

#### RECORDS NEEDED FOR CONTROL OVER CONTRIBUTIONS AND OTHER ACCOUNTS RECEIVABLE

At the Aberdeen, Billings, and Portland Area Offices, we found that accounting controls were not established for the collection of the agreed-upon contributions toward the cost of constructing sanitation facilities and for collection of the amounts due from individual Indian or non-Indian beneficiaries for the cost of extra household fixtures and facilities not generally provided as part of the IHS-financed sanitation projects, which were to be paid for by the beneficiaries.

Area Office officials acknowledged that records of amounts due from individual beneficiaries were not maintained by the Area Offices when the Indian tribes were expected to collect and account for amounts due from these individuals. We believe, however, that, to the extent that amounts due are to reimburse IHS for expenditures, it is necessary that the Area Offices establish and maintain adequate control over the amounts due. Our review showed that the Indian tribes were experiencing difficulties in maintaining adequate records and controls over collections due from beneficiaries.

We found that Area Office Sanitary Engineers who were responsible for administering construction projects relied on their personal knowledge of collections due from Indian tribes and individual beneficiaries and that, in some

instances, the Engineers did not know the amount due or the procedures to follow in collecting the amounts.

Our review of IHS records and discussions with Area Office officials showed, for example, that one Indian tribe in the Billings Area had agreed in December 1965 to contribute \$3,500 toward the cost of a sanitation project. However, by August 1967 payment had not been received by the Area Office and its finance office was not aware that this amount was due from the tribe. In addition, \$850 was due from non-Indian beneficiaries, but no account receivable had been established in the Area Office's finance records.

At the Portland Area Office, our review of the final reports for eight selected sanitation projects indicated that approximately \$25,000 should have been collected from individual beneficiaries. Our examination of the Area Office finance records showed that the responsible Indian tribe had remitted only \$12,000 to the Area Office. From our review of the Portland Area Office records and our discussions with Area Office officials, it appeared that there was virtually no control over such collections.

We concluded that the Sanitary Engineers to whom the responsibilities for carrying out the program activities had been delegated did not receive the administrative support needed to devise and maintain records and documentation because administrative personnel of the Area Offices had not been given specific responsibility for these matters.

#### RELIABLE DATA NEEDED FOR REPORTING OF CONTRIBUTIONS

Information reported by IHS on contributions received from Indians toward construction of sanitation facilities has not been sufficiently reliable and accurate.

For several years, IHS stated in its annual construction appropriation justifications to the Congress that contributions of cash, labor, and materials received from Indians amounted to one third of the overall sanitation construction effort. Cumulative appropriations for fiscal years 1961 through 1967 were about \$36 million representing



the Government's share of construction costs. If this sum represented two thirds of the total construction effort, the one third contribution by Indians claimed by IHS would have been about \$18 million. We found however, that the value of Indian contributions was not adequately supported and appeared to be overstated by about \$5 million.

In response to our request for details supporting the amount of contributions indicated in the appropriation justifications, IHS furnished us with data which showed that, for fiscal years 1961 through 1967, Indian tribal contributions totaled about \$13 million, of which about \$2 million represented cash contributions and the remaining \$11 million represented IHS estimates of the value of labor and materials contributed toward the construction of the projects.

Our analysis and review of the contributions data indicated further that the reported amounts were not readily supportable. In our opinion this situation resulted largely because IHS had not prescribed an orderly system for its Area Offices to follow in reporting contributions to the headquarters office. The IHS headquarters office estimated project contributions received on the basis of limited information available in Area Office reports on completed projects or on the basis of anticipated contributions. Officials of the Area Offices included in our review acknowledged that there was no procedure for systematically reporting contributions applicable to sanitation projects in their areas.

Although we determined that substantial amounts had been received from some Indian tribes, the reported contributions appeared to be overstated. The amounts reported included tribal budgets and expenditures for repair and maintenance activities and other improvements under tribal programs not connected with the sanitation facility construction program. We found also that the reported contributions by Indians included cash amounts received from non-Indian sources. Further, we found that the reported contributions included, without separate identification, amounts received from individual Indians in payment for extra facilities or fixtures and for other improvements to



the homes which were not required to be furnished by the Government under the program.

The manner in which the Area Offices estimated the value of labor contributions by Indians, in our opinion, did not produce accurate information in final project reports. The various methods used in computing the value of labor contributions resulted in inconsistencies among project reports prepared by Area Offices. The Area Offices generally did not maintain records of labor contributed by the Indians, and, in our opinion, they did not have a reliable basis for arriving at the estimates reported.

As a result of our inquiries, Area Office officials acknowledged inaccuracies in certain amounts shown as contributions in individual project reports and the need for improved financial data. In discussing the difficulties experienced in estimating Indian labor contributions, a staff engineer in the Portland Area Office stated in his final report on a water and sewer project that the absence of reports certifying labor contributions made the estimates entirely dependent on the reviewer's training and experience and that improved data was needed for the preparation of these reports.

### CONCLUSIONS

We believe that adequate accounting records should be maintained by the Area Offices. These records should clearly show, and should provide needed control over, the contributions negotiated in project agreements with the tribes and any other amounts due from Indian and non-Indian beneficiaries. We believe also that Area Offices should adequately document their efforts to obtain such contributions for the entire period of a project from the initial negotiation of an agreement to the final completion of the project.

We believe further that procedures should be prescribed for more reliable reporting of contributions received by IHS Area Offices to enable them to provide needed program information in a consistent and accurate manner to IHS headquarters, other HEW offices, and interested congressional committees.

RECOMMENDATION TO THE SECRETARY OF HEW

We recommend that, to improve management control and facilitate reliable reporting of program accomplishments, the Secretary require IHS to maintain, in its Area Offices, adequate records of project contributions, in cash and in kind, and other accounts receivable from project beneficiaries.

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In its comments on a draft of our report, HEW advised us (see app. I) that a pilot system had been established in one IHS Area Office and was undergoing evaluation for possible application to the other seven Area Offices. HEW expressed the belief that this system would improve the management controls as recommended by us.

## CHAPTER 4

### INTERNAL MANAGEMENT REVIEWS

#### AND INTERNAL AUDITS

##### PROBLEM AREAS DISCLOSED BY INTERNAL MANAGEMENT REVIEWS

During our review we noted that the IHS headquarters office had conducted certain internal reviews of the management of the sanitation facility construction program which focused on particular problems experienced in the conduct of the program and called for remedial action.

The agenda prepared by the headquarters office for an Area Office Directors' conference held in May 1967 pointed out that future planned increases in the sanitation construction program made it imperative that field personnel be given clear, complete, and practicable policy statements and guidelines which are more conducive to accomplishment of program objectives. IHS informed the Area Office Directors that experience over the past few years had indicated that the "team approach" was not being utilized to the extent called for by the guidelines and that inadequate attention had been given to headquarters policies and guidelines relating to project priorities and tribal contributions.

Concerning the need for a coordinated team approach, the IHS guidelines stress that, although the program is primarily an engineering endeavor, the total resources of the Area Offices and field staffs should be concerned with its implementation. The guidelines state also that the activity requires effective support by all field program personnel; that procurement, contract services, and fiscal accounting require the support of management staff at all levels; and that stimulation of Indian interest requires the full support of the local Medical Officers in Charge and their staffs.

A report on "Maintenance Anomalies," issued by the IHS Special Projects Branch, Office of Environmental Health, in June 1967, pointed out the importance of motivating and encouraging Indians to participate in the physical construction

of sanitation projects. The report was based on a study to evaluate the adequacy of sanitation facility maintenance and to determine the underlying causes of the maintenance problems which were being encountered.

One of the problems discussed in the report was that only in rare cases was enough money being collected from the Indian tribes to build up funds for future repairs and that every major repair of the facilities included in the IHS study had been made by the Government. Although the report emphasized sanitation facility maintenance problems, it brought out the need for basic improvements in administrative practices and management controls which should also benefit construction activities.

Concerning the need for greater beneficiary participation the report stated, in part, that:

"Even though it was and is recognized by the Areas that motivation is a key element of ultimate success, pressures to show immediate results with emphasis on completed construction and transferred projects coupled with small staffs has forced efforts to be diverted away from activities that would show results only on a long term basis. Motivation and training activities were often combined to save time and manpower instead of preceding training with motivation. When these activities amounted to no more than a token effort it was usually because it was necessary to immediately begin construction on another project."

Concerning the need for assistance to and supervision of field activities by Area Offices, the report stated, in part, as follows:

"This study discloses a need for stronger internal control to assure compliance with policy and directives. It points to a need for evaluation activities to keep running accounts of how closely the goals are being approached and to determine the effectiveness of the methods used. It also reveals that the field staff need more assistance and supervision than they are presently receiving.

Last but most important, this study discloses that there is a need for a shift of emphasis from only constructing a sanitation facility to building a total project, including a properly motivated, well trained, community."

As shown by its internal reviews, IHS had recognized the need for improvements in the management of the sanitation program.

We were informed by IHS headquarters officials that IHS's own investigations into problem areas, together with the results of our review, had been of significant assistance in reevaluating the practices followed in the sanitation construction program. They told us that the following actions had been taken to improve the management of the program: Improved supervision of field activities had been provided through field trips by headquarters personnel and meetings of responsible field personnel at IHS headquarters and efforts had been made for more comprehensive training of field staffs; the IHS Special Projects Branch, which is responsible for devising improved program practices, was moved from Arizona to IHS headquarters in Washington, D.C., to strengthen headquarters' direction of these efforts; also, a training center facility was established in Arizona to serve all IHS Area Offices.

Although these various actions should improve the conditions disclosed by IHS management reviews, we believe that a specific follow-up review of the problem areas disclosed should be included in the audits scheduled by the HEW Audit Agency (see below) to provide HEW management with an independent appraisal of the corrective actions being taken or proposed by IHS.

#### NEED FOR PERIODIC INTERNAL AUDITS OF INDIAN HEALTH PROGRAMS

Prior to fiscal year 1969, the HEW Audit Agency and its predecessor organizations had not made or scheduled periodic audits of the Indian sanitation facilities and other IHS programs.

The sanitation facility construction program is only a part of total Indian health activities which altogether involve the services of about 6,000 persons most of whom are assigned to a field organization encompassing eight Area Offices. These offices conduct medical and other health services at about 100 principal locations, including about 50 hospitals and 46 major health centers and several hundred smaller field health locations throughout the western States and Alaska. There has been a steady increase in the funds appropriated for Indian health activities, and these funds totaled about \$100 million for fiscal year 1968.

Periodic internal audits of Indian health activities are needed, in our opinion, particularly in view of the widely dispersed activities of IHS, for the purpose of evaluating the program and financial operations of field offices and the overall effectiveness of management controls exercised by IHS headquarters.

In May 1969, GAO issued a report to the Congress entitled, "Observations on Development and Status of the Audit Function at the Department of Health, Education, and Welfare" (B-160759) which presented our overall views on HEW's internal audit activities. Our report brought out, among other things, that relatively little internal audit effort had been directed toward evaluation of the management controls exercised by the operating groups over the various HEW programs.

We suggested, therefore, that the Secretary of HEW bring about a more concerted internal audit effort toward in-depth reviews of management controls and program operations so that adequate coverage would be given to all of HEW's major programs, consistent with their relative importance. The Assistant Secretary, Comptroller, had informed us earlier that HEW was in full accord with our view that increased emphasis needed to be given to overall reviews of program operations, and he had cited efforts to enhance the HEW Audit Agency's capability to make broader based reviews.

Responsible HEW Audit Agency officials with whom we discussed the need for internal audit coverage of Indian health activities confirmed that these activities had not been examined by the former PHS internal audit group prior

to its consolidation into the HEW Audit Agency in March 1968. They informed us at a later date however, that the Audit Agency had started a survey with the objective of programming reviews of the activities administered by IHS Area Offices.

In a draft of this report transmitted to HEW for comments, we proposed that the HEW Audit Agency include an examination of Indian Health activities in its regular work plans so that adequate coverage would be obtained as part of the periodic audits of HEW constituent agencies' programs.

HEW, in its comments forwarded to us in April 1969, informed us that a planning survey was made by the HEW Audit Agency in the fall of 1968 at one IHS Area Office and, as a follow-on to this survey, a pilot audit was under way at that location. HEW expressed the belief that this pilot audit would provide the Audit Agency experience and overall program knowledge needed for attaining comprehensive coverage of IHS activities and programs.

From our follow-up inquiries in October 1969, we learned that the HEW Audit Agency had undertaken audits at a total of five IHS Area Offices--Aberdeen, Albuquerque, Billings, Oklahoma City, and Phoenix. The reviews were not completed in time, however, to permit an evaluation by us for inclusion in this report. In connection with these or future audits scheduled at IHS Area Offices, we believe that the Audit Agency should follow up the problems discussed in this report in order to provide HEW management with an independent appraisal of the corrective action being taken.

## CHAPTER 5

### SCOPE OF REVIEW

We reviewed the history of the legislation authorizing the sanitation facility construction program and IHS implementing policy directives and operating procedures. We also reviewed IHS records pertaining to, and made inspections of, selected sanitation construction projects which were funded during fiscal years 1961 through 1968 and we interviewed IHS Area Office and project officials who had responsibility for administration of the program in the field. In addition, we reviewed available records pertaining to Indian tribal financial resources and had discussions with Indian tribal officials and field officials of BIA.

Our review was conducted at the Washington, D.C., headquarters of IHS and at IHS Area Offices located in Aberdeen, South Dakota; Billings, Montana; Phoenix, Arizona; and Portland, Oregon. We also performed a more limited review at IHS Area Offices located in Albuquerque, New Mexico, and Window Rock, Arizona. In addition, we consulted with headquarters officials of BIA concerning its responsibilities for the welfare of Indians and their communities.



**APPENDIXES**



DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE  
WASHINGTON, D C 20201

OFFICE OF THE SECRETARY

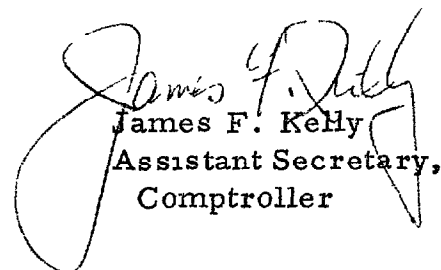
APR 29 1969

Dear Mr. Rabel:

The Secretary has asked that I reply to your letter of February 27, 1969, which transmitted copies of your draft report entitled, "Need for Increased Participation by Beneficiaries in the Construction of Sanitation Facilities for Indians." The enclosed statement sets forth the Department's comments on the draft report.

We appreciate the opportunity to review and comment on the draft report. Although we do not agree with all of the interpretations made by your office, we believe that the review has been of significant value to the Health Services and Mental Health Administration, particularly the Indian Health Service, in reevaluating its administrative and management practices.

Sincerely yours,

  
James F. Kelly  
Assistant Secretary,  
Comptroller

Mr. Frederick K. Rabel  
Assistant Director  
Civil Division  
U.S. General Accounting Office  
Washington, D. C. 20548

Enclosure

COMMENTS ON GAO DRAFT REPORT ENTITLED  
"NEED FOR INCREASED PARTICIPATION BY  
BENEFICIARIES IN THE CONSTRUCTION OF  
SANITATION FACILITIES FOR INDIANS"

Recommendation No. 1

[See GAO note.]

GAO note: Deleted comments pertain to matters presented  
in the draft report but revised in the final  
report.

[See GAO note.]

Recommendation No. 2 - Establishment of a joint policy with the Department of Interior that would provide for cooperation between IHS and the Bureau of Indian Affairs in the programming of judgement funds awarded to Indian Tribes as well as other significant sources of income so they can be made available toward the cost of constructing sanitation projects.

COMMENT - We welcome this suggestion and will pursue such a policy with the Bureau of Indian Affairs. At the present time, efforts are made to keep abreast of the progress of Indian claims and judgements for the benefit of the Indian Health Service Area staff. A more formal arrangement between our two agencies will facilitate early awareness of pending judgements which would permit the IHS Area staff to participate with the Tribal and Bureau of Indian Affairs officials in programming the settlement funds into sanitation facilities construction projects along with the other many worthwhile programs on the reservations.

Recommendation No. 3 - Establishment of an orderly system of maintaining adequate records to project contributions which will facilitate needed management controls in the IHS Area offices and reliable reporting to IHS Headquarters.

COMMENT - Such a system has been established in one Indian Health Service Area on a pilot basis. The system is now in use and currently undergoing evaluation for possible application to the other seven areas. The system which has been developed centralizes the maintenance of records of contributions receivable and contributions received from the project office to the Area Office. We feel this system will improve the management controls as recommended in the report.

Recommendation No. 4 - Inclusion of Indian health activities in the regular work plans of the HEW Audit Agency so that adequate coverage be obtained as part of the periodic audits of HEW constituent agency programs.

COMMENT - We agree that there is a need to establish a comprehensive audit program covering IHS activities. In the fall of 1968 a planning survey was made at the Albuquerque Indian Health Area Office. As a follow-on to this survey, a pilot audit is currently under way at that location. With the audit experience and overall program knowledge acquired on the current audit a more vigorous audit effort and a more comprehensive coverage of the IHS activities and programs should be attainable.



UNITED STATES  
DEPARTMENT OF THE INTERIOR  
OFFICE OF THE SECRETARY  
WASHINGTON D C 20240

JUL 18 1969

Mr. Allen R. Voss  
Associate Director, Civil Division  
General Accounting Office  
Washington, D. C. 20548

Dear Mr Voss:

The Department has reviewed the GAO draft report "Need for Increased Participation by Beneficiaries in the Construction of Sanitation Facilities for Indians," Health Services and Mental Health Administration, Department of Health, Education, and Welfare.

We consider the Indian Sanitation Facilities Construction program to be a very important program for Indians and their communities. The provision of water and sewerage facilities is necessary for health reasons, and is a prerequisite for the attraction of industry, economic development generally, and the provision of housing.

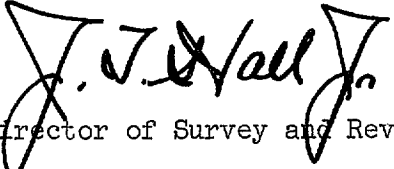
Although we recognize the recommendations are addressed to the Secretary of HEW, we are commenting generally on your proposals because of their effect on the Indian citizens for whom we have responsibilities.

The text of the draft report indicates the GAO's view that the IHS has not obtained adequate cash and labor contributions from tribes in the construction of sanitation facilities, despite the availability of tribal income, anticipated tribal income, and judgment funds. While we express no opinion on the specific examples discussed in the draft report, we suggest that consideration should not only be given to a tribe's ability to contribute based on the gross amount of its financial resources but that consideration should also be given to the uses for which the tribe budgets its funds. A tribe should not be required to forego or seriously curtail activities related to economic development or the provision of necessary services and assistance to tribal communities or members in order to slightly reduce the cost to the Federal Government of a sanitation facilities construction project. The need for capital improvements in Indian areas is generally so great that we believe the tribes should be encouraged to use their funds for such improvements to the extent that no other source of funds is available and that the tribes should make maximum use of federally aided capital improvement programs.

In line with the second recommendation, we shall be most pleased to cooperate with the IHS and the tribes in planning for the tribe's participation in the sanitation facilities program under whatever contribution requirements are imposed under the program. We anticipate that this subject will be discussed at one of the next BIA-IHS coordinating meetings in Washington.

We appreciate the opportunity to comment on this draft report.

Sincerely yours,

A handwritten signature in black ink, appearing to read "J. J. Wall Jr.", written in a cursive style with a large, stylized initial "J".

Director of Survey and Review

Public Law 86-121  
86th Congress, Approved  
July 31, 1959

## AN ACT

73 Stat. 267.

To amend the Act of August 5, 1954 (68 Stat 674), and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That the Act of August 5, 1954 (68 Stat 674), is amended by adding at the end thereof the following new section

"Sec 7 (a) In carrying out his functions under this Act with respect to the provision of sanitation facilities and services, the Surgeon General is authorized—

"(1) to construct, improve, extend, or otherwise provide and maintain, by contract or otherwise, essential sanitation facilities, including domestic and community water supplies and facilities, drainage facilities, and sewage- and waste-disposal facilities, together with necessary appurtenances and fixtures, for Indian homes, communities, and lands,

"(2) to acquire lands, or rights or interests therein, including sites, rights-of-way, and easements, and to acquire rights to the use of water, by purchase, lease, gift, exchange, or otherwise, when necessary for the purposes of this section, except that no lands or rights or interests therein may be acquired from an Indian tribe, band, group, community, or individual other than by gift or for nominal consideration, if the facility for which such lands or rights or interests therein are acquired is for the exclusive benefit of such tribe, band, group, community, or individual, respectively,

"(3) to make such arrangements and agreements with appropriate public authorities and nonprofit organizations or agencies and with the Indians to be served by such sanitation facilities (and any other person so served) regarding contributions toward the construction, improvement, extension and provision thereof, and responsibilities for maintenance thereof, as in his judgment are equitable and will best assure the future maintenance of facilities in an effective and operating condition, and

"(4) to transfer any facilities provided under this section, together with appurtenant interests in land, with or without a money consideration, and under such terms and conditions as in his judgment are appropriate, having regard to the contributions made and the maintenance responsibilities undertaken, and the special health needs of the Indians concerned, to any State or Territory or subdivision or public authority thereof, or to any Indian tribe, group, band, or community or, in the case of domestic appurtenances and fixtures, to any one or more of the occupants of the Indian home served thereby

"(b) The Secretary of the Interior is authorized to transfer to the Surgeon General for use in carrying out the purposes of this section such interest and rights in federally owned lands under the jurisdiction of the Department of the Interior, and in Indian-owned lands that either are held by the United States in trust for Indians or are subject to a restriction against alienation imposed by the United States, including appurtenances and improvements thereto, as may be requested by the Surgeon General. Any land or interest therein, including appurtenances and improvements to such land, so transferred shall be subject to disposition by the Surgeon General in accordance with paragraph (4) of subsection (a). *Provided,* That, in any case where a beneficial interest in such land is in any Indian, or Indian tribe, band, or group, the consent of such beneficial owner

Indians, sanitation facilities.

42 USC 2001-2004.

Surgeon General Powers.

Acquisition of lands.

Construction and maintenance.

Transfer of facilities.

Transfer of U. S. land.

BEST DOCUMENT AVAILABLE



Pub. Law 86-121

-2-

July 31, 1959

73 Stat 268.

to any such transfer or disposition shall first be obtained *Provided further*, That where deemed appropriate by the Secretary of the Interior provisions shall be made for a reversion of title to such land if it ceases to be used for the purpose for which it is transferred or disposed

"(c) The Surgeon General shall consult with, and encourage the participation of, the Indians concerned, States and political subdivisions thereof, in carrying out the provisions of this section"

42 USC 2001  
note.

SEC 2 Section 6 of such Act is amended by striking out the word "This" and inserting in lieu thereof the words "Sections 1 to 5, inclusive, of this".

Approved July 31, 1959.

SUMMARY OF  
IHS GUIDELINES  
FOR CARRYING OUT INDIAN  
SANITATION FACILITIES CONSTRUCTION PROGRAM

Program guidelines were issued by IHS, in its manual entitled "Method of Conduct, Indian Sanitation Facilities Construction Activity," to implement the provisions of Public Law 86-121. Summarized below are the manual provisions pertaining to the overall program policies, the participation to be obtained from Indians and other beneficiaries, and the operation and maintenance of facilities.

Overall policies--The IHS guidelines contain basic policy directives instructing responsible officials to:

- Encourage and emphasize the participation of Indian beneficiaries and adjacent non-Indian communities in project development and construction.
- Promote the assumption of responsibility for the operation and maintenance of completed facilities by the Indians and adjacent political subdivisions or public authorities.
- Limit consideration of Indian sanitation facilities projects to requests from Indian and Alaska native beneficiaries.
- Decentralize operations to the Area and Subarea Offices to the maximum extent feasible.

Participation by Indians--The IHS guidelines state that specific projects under consideration should be part of a long-range plan for improvement of sanitary conditions. The plan should be adopted by the Indian beneficiary group. The guidelines provide that the IHS Area Offices encourage Indian tribes to:

- Establish or designate the responsible tribal body which will function with the PHS in making project arrangements and agreements.
- Administer, through the above tribal body, Indian project responsibilities, including individual Indian participation in the project.
- Install and construct, as required, household fixtures and appurtenances, and "on premise" pipe lines and waste disposal facilities.
- Furnish, as required, unskilled labor and such semi-skilled and skilled labor as may be available for the project.
- Furnish a supervisor for direction for laborers provided by the Indian group and with whom the project engineer can work out schedules and details of work to be accomplished.
- Contribute financial support, materials, equipment, and/or services to the projects as negotiated. This will be based upon resources available and project needs.
- Initiate and complete agreed-upon contributions prior to or concurrently with the PHS scheduled operations.

Participation by other beneficiaries--With respect to other beneficiaries which will include, but not be limited to, individual non-Indians or organizations in the area to be served, the IHS guidelines state that arrangements and agreements can be made for contributions toward construction, improvement, and extension of sanitation facilities and regarding responsibilities for their maintenance. The guidelines state further that, when such a person or group will benefit from a proposed project, the minimum participation in the project required of them shall consist of:

- Furnishing and installing their own domestic appurtenances and fixtures.

- Making an equitable financial or other agreed-upon contribution to cover the cost of that portion of the project from which they will benefit.
- Paying connection charges and other fees established for operation and maintenance of the facilities, commensurate with the use made of the facilities.
- Agreeing to abide by regulations enacted to ensure satisfactory operation of the project's equipment and facilities.

Operation and maintenance of facilities--The guidelines provide that, upon completion of the construction, the tribe should accept the facilities or concur in transfer of the facilities to an operating organization, in accordance with terms of agreements made prior to construction of the facilities. The tribe is then responsible for:

- Operating and maintaining the completed facilities either directly or through such arrangements as may be made with other public authorities or nonprofit organizations or agencies with the consent of the Indian beneficiaries.
- Enacting such regulations as are needed to ensure satisfactory use and operation of equipment and facilities provided under the project.

PRINCIPAL OFFICIALS OF  
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE  
RESPONSIBLE FOR ACTIVITIES COVERED BY THIS REPORT

	Tenure of office	
	From	To
SECRETARY OF HEALTH, EDUCATION, AND WELFARE:		
Robert H. Finch	Jan. 1969	Present
Wilbur J. Cohen	Mar. 1968	Jan. 1969
John W. Gardner	Aug. 1965	Mar. 1968
Anthony J. Celebrezze	July 1962	Aug. 1965
ASSISTANT SECRETARY (HEALTH AND SCIENTIFIC AFFAIRS):		
Roger O. Egeberg	July 1969	Present
Philip R. Lee	Nov. 1965	Feb. 1969
SURGEON GENERAL OF PUBLIC HEALTH SERVICE:		
Jesse L. Steinfeld	Dec. 1969	Present
William H. Stewart	Oct. 1965	July 1969
Luther L. Terry	Mar. 1961	Oct. 1965
ADMINISTRATOR, HEALTH SERVICES AND MENTAL HEALTH ADMINIS- TRATION:		
Joseph T. English	Jan. 1969	Present
Irving Lewis (acting)	Sept. 1968	Jan. 1969
Robert Q. Marston	Apr. 1968	Sept. 1968
DIRECTOR, INDIAN HEALTH SERVICE:		
Emery A. Johnson	Dec. 1969	Present
Erwin S. Rabeau	Feb. 1966	July 1969
Carruth J. Wagner	Aug. 1962	Dec. 1965

NOTE: Pursuant to reorganization of health functions of the Department in 1968, the Assistant Secretary was given direct authority over the Public Health Service and

PRINCIPAL OFFICIALS OF  
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE  
RESPONSIBLE FOR ACTIVITIES COVERED BY THIS REPORT  
(continued)

the Surgeon General was made the principal deputy to the Assistant Secretary.

The Health Services and Mental Health Administration was established to assume responsibility for administering health service activities of the Public Health Service, including the Division of Indian Health which was redesignated the Indian Health Service.