REPORT ON AUDIT
OF
BILLINGS, MONTANA, 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

GAO Wash., D.C.

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

DIVISION OF AUDITS

MAR 21 1956

B-118601

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

Dear Mr. Emmons:

Herewith is a report on the audit for fiscal year 1955 of Bureau of Indian Affairs, Billings, Montana, Area Office. During our audit we reviewed selected phases of the organization, procedures, and operations at the locations visited. At the time of our audit, area officials had not had sufficient opportunity to correct the deficiencies reported as a result of our fiscal year 1954 audit. Therefore, some of the matters included in our 1954 report have not been repeated in this report although corrective action had not been taken by area management officials.

Among our audit findings we noted many failures in the area office to comply with stated policies and procedures of the Bureau included in the Code of Federal Regulations and the Indian Affairs Manual. We recommend that aggressive and prompt action be taken to bring about correction of the deficiencies noted, especially the irregularities in the financing of irrigation activities, weaknesses in the administration of the individual Indian money transactions, and inadequacies in the control of assets, obligations, and expenditures. Many of these deficiencies would have been disclosed by a vigorous program of administrative inspection and internal audit. Such a program would afford the Bureau an opportunity to take timely corrective action based on its own findings.

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

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

Sincerely yours,

E. H. Morse, Jr.

E. H. Morse, Jr.
Director of Audits

Enclosure

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IRRIGATION

1. Operation and maintenance assessment rates against water users are inadequate

The published assessment rates applicable to water users on the Crow and Fort Peck Indian irrigation projects are not sufficient to recover the operation and maintenance costs on these projects. As a result, appropriated resources management funds have been used to supplement the operation and maintenance (O&M) assessments and the water users, both non-Indian and Indian financially able to pay O&M assessments, are not paying their proper share of costs for operation and maintenance of irrigation projects.

During calendar year 1954 at the Fort Peck Project, the total amount assessed was $26,972 at a rate of $2.25 an acre. For the same period operation and maintenance costs totaled $41,380 or $3.45 an acre. The assessment rate was increased to $3 an acre on April 1, 1955, but area office budget estimates show that this rate will not be adequate to meet costs.

At the Crow Project for calendar year 1954 the total amount assessed at various rates was $96,689 and the operation and maintenance costs amounted to $107,752. An increase in December 1955 in the assessment rate at the Crow Project may eliminate this operating deficit.

The stated policy of the Bureau of Indian Affairs is to charge water users for delivery of water at rates sufficient to pay all operation and maintenance costs. Adequate rates, therefore, are essential to (a) provide enough revenue to operate and maintain the projects properly and efficiently and (b) assure that water users, both Indian and non-Indian, will bear their full share of costs for operation and maintenance. Accordingly, we recommend that the Area Director review annually the adequacy of water-use rates per acre by comparison with actual cost per acre, and that appropriate adjustments of rates be made where costs exceed revenues.

2. Appropriated funds are not used solely for Indians who are financially unable to pay assessments

Appropriated resources management funds have been used on the Crow and Fort Peck Irrigation Projects to benefit non-Indian water users and to pay irrigation operation and maintenance costs not recovered through collection of operation and maintenance assessments. These appropriated funds were justified in hearings before the Congress as being available to pay operation and maintenance assessments for only those Indians who are financially unable to make such payments.

During the first half of calendar year 1955 the Crow Irrigation Project accepted assignments of income from Indians who the Bureau determined were unable to pay. These assignments of income were accepted in lieu of advance payments of operation and maintenance assessments totaling $639; in addition, however, $5,507 of appropriated resources management funds were obligated for irrigation O&M expenses during this same period.

During calendar year 1954 the Fort Peck Irrigation Project accepted crop mortgages in lieu of cash from Indians who the Bureau determined were unable to make advance payments of operation and maintenance assessments for calendar year 1954, totaling $5,113; in addition, however, $13,164 of appropriated resources management funds were obligated for irrigation O&M expenses during this same period.

To prevent future allotments of resources management appropriations being used for the benefit of non-Indians and Indians who are financially able to pay their irrigation operation and maintenance assessments, we recommend that the Area Director use appropriated funds to finance only those assessments applicable to acreage owned and operated by Indians who are financially unable to pay their assessments based on an official determination of financial status. We recommend also that the Commissioner require future requests by the Bureau for appropriated funds for this purpose to be based on the acreage owned and operated by Indians for whom the assessment is expected to be deferred. The acreage so determined should be based in part on previous years' experience.

3. Appropriated funds are being used to pay a disproportionate share of costs of Tongue River Water Users' Association

The Government is paying a disproportionate share of the expenses of the Tongue River Water Users' Association for water supplied to the Northern Cheyenne Irrigation Project.

Under the terms of the agreement with the Tongue River Water Users' Association and the State Water Conservation Board of the

State of Montana, dated March 15, 1938, the Northern Cheyenne Irrigation Project obtained the rights to 7,500 acre-feet or 23.44 percent of the project reservoir's storage capacity of 32,000 acre-feet.

The operating statements submitted by the Tongue River Water Users' Association for the period November 1, 1953, to October 31, 1954, show that the association had expenses in the amount of $1,270 of which the Bureau paid $750 to cover the Northern Cheyenne Irrigation Project's share. This amount represents 59 percent of the total costs and 73 percent of the total income of $1,025 reported for the period. The payment by the Bureau was made from appropriated resources management funds.

We have been advised by the Area Director that negotiations with the Montana State Water Board and the Tongue River Water Users' Association will be undertaken for the purpose of working out a plan to correct any inequities which may have arisen and to adjust past payments accordingly. Formal exception has been taken by the General Accounting Office disallowing these payments in the settlement of the accountable officer's account pending corrective action by the Bureau.

4. Improper use of Wind River Irrigation Project funds by the Fort Peck Irrigation Project

In December 1954 Wind River Irrigation Project operation and maintenance funds amounting to $10,000 were loaned to the Fort Peck Irrigation Project to be used for paying operation and maintenance expenses of the Fort Peck Irrigation Project. The necessity for this loan resulted from a failure to collect sufficient operation and maintenance assessments from land owners on the Fort Peck

Irrigation Project. At the date the loan was made the Fort Peck Irrigation Project's operation and maintenance cash fund, Symbol 14x5240, showed a credit balance of $694 in general ledger account 131, Appropriated Funds with Disbursing Officer.

The funds borrowed consisted of operation and maintenance assessments collected from Wind River Irrigation Project water users for the operation and maintenance of that project. The Bureau has no authority to expend these collections for the operation and maintenance of any other project.

On May 31, 1955, the $10,000 loan was repaid. The repayment resulted in a credit balance of $4,453 in general ledger account 131 for the Fort Peck Irrigation Project. This credit balance, as well as the credit balance at the date the loan was made, was possible because the funds of all projects in the Billings, Montana, area are included in a single account with the Treasury disbursing officer.

We recommend that in the future the Area Director expend operation and maintenance collections only for the benefit of the project from which collected.

5. Need for individual agency long-term land programs

A long-term land program has not yet been developed for the Crow and Northern Cheyenne Indian Agencies setting forth a specific program for accomplishing the objectives of the Bureau.

Indian Affairs Manual, volume V, part IV, section 101.02 states that:

> "Programs for the use of land should be developed with a view to its most advantageous use and gradual but greater assumption of responsibility by the Indians. Fulfillment of this policy and the objectives set forth can and should lead to the termination of Federal responsibility."

Each of the reservations differ in geographical environment, resources, and attitude and development of the Indians. Accordingly, we recommend that the Commissioner require the Billings Area Office to develop a long-term land-use program for each reservation and that periodic reports be prepared to show the progress made in accomplishing the Bureau's objectives with regard to withdrawal of guardianship over Indians.

6. Accounting control over lease income is inadequate

Accounting control measures exercised by the Crow Indian Agency to assure that income from the leasing of individual Indian lands is collected and deposited to the individual Indian money accounts are inadequate.

Lease card files showing the date and amount of each payment due are now maintained. When payments are received the date is noted on the lease cards. These cards are reviewed periodically and notices are mailed to all delinquent lessees. Collections are

received by the Indian agency realty employees who maintain and have complete access to the lease card files. Moreover, receipts are not given by realty employees to the lessees at the time payment is made. As a consequence, internal procedures governing Indian lease collections do not provide automatic checks to assure responsible Bureau officials that all Indian lease money is deposited to the individual Indian accounts.

To reasonably assure that all Indian lease income due is paid to the various Indian agency superintendents, and deposited to the individual Indian money accounts, we recommend that the Area Director assign an employee outside the agency realty offices to receive, record, and forward cash collections to the area office and that the person so designated be required to use prenumbered receipts for issuance to the lessees at the time of payment. The adequacy of management control over lease income should also be subject to periodic administrative review and internal audit.

7. Control over acreages covered by oil and gas lease blanket surety bonds is lacking

A number of the major oil companies have posted blanket surety bonds covering all their Indian land oil and gas leases in the State of Montana. In accordance with 25 C.F.R. 186.6, 189.10, and 195.7, blanket surety bonds totaling $15,000, may be posted to cover all lands up to 10,240 acres in one state. The area office has not maintained a record to assure that the acreage covered by blanket surety bonds does not exceed 10,240 acres.

To assure that oil and gas leases are properly covered by bond as required by the regulations, we recommend that the Area

Director establish a record on the acreage covered by blanket surety bonds.

8. Certain surety bond requirements regarding oil and gas leases are not being properly applied

We noted two instances at the Crow Indian Agency where insufficient surety bonds were obtained on oil and gas mining leases contrary to the requirements contained in 25 C.F.R. 195.7.

The bonds obtained were sufficient in amount to satisfy the regulations covering Indian agencies other than the Crow Agency. In both cases noted (lease numbers 14-20-252-337 and 14-20-252-338) bonds obtained were in the amount of $2,000, whereas, 25 C.F.R. 195.7 requires that a minimum bond of $5,000 or a satisfactory substitute be obtained for each oil and gas lease.

To fully protect the land owners, we recommend that the Area Director comply with the bonding requirements in 25 C.F.R. 195.7 for all oil and gas leases on lands of the Crow Indian Reservation.

9. Performance bonds are not obtained on certain farming and grazing leases

Performance bonds have not been obtained on certain farming and grazing leases at Northern Cheyenne Agency. The Code of Federal Regulations (25 C.F.R. 171.18) provides for a bond in the amount of one year's rental. Without a bond there is no assurance of performance on the part of the lessee. Examples of leases on which no bonds were required are:

Lease number	Annual rent
889	$ 82.81
891	30.00
902	20.00
913	50.68
927	125.00
968	61.10

The agency superintendent stated that many of the lessees were Indians and were not able to advance cash or securities to be held in lieu of a performance bond. The amount of the bond required on these leases, in most cas less than $100, would make corporate sureties impractical. Moreover, there are only a few qualified individuals who can act as sureties in the Northern Cheyenne Agency area. To require bonds in all cases would result in some of the land not being leased due to a lack of interested parties capable of meeting the bond requirements.

To assure performance by lessees and to comply with the provisions of the Code of Federal Regulations, we recommend that the Area Director require bonds in accordance with applicable Federal regulations. Should such requirement be impracticable, appropriate change should be made in the regulations or approval for deviations should be obtained in advance from the appropriate Washington officials.

INDIVIDUAL INDIAN MONEYS

10. Area is not discharging its responsibilities with regard to the administration of individual Indian moneys

In our audits of the Billings, Montana, Area Office for fiscal years 1954 and 1955, we observed several serious deficiencies which indicate that the Bureau is not satisfactorily discharging its responsibilities in the administration of individual Indian moneys. Some of these deficiencies precluded the General Accounting Office from issuing a clearance for settlement of the accountable officers' accounts for the fiscal years 1954 and 1955.

On June 25, 1954, the Assistant Commissioner for Administration addressed a letter to all Area Directors and accounting officers setting forth the deficiencies which the Division of Audits, General Accounting Office, had found during past audits on individual Indian money (IIM) accounts. During the fiscal year 1955 audit of the Crow and Northern Cheyenne Indian Agencies, we noted that many of the deficiencies previously brought to the attention of the Commissioner still existed. Our 1955 findings are stated briefly below.

a. Records which positively identify the Indian account owner were not maintained. Although the Indian Affairs Manual contains no such requirement, generally accepted banking practices require that signature cards or some comparable record which positively identifies the depositor be maintained.

b. Withdrawal requests were not being prepared as required by the Indian Affairs Manual.

c. Written determinations by the agency superintendent that the Indians' funds do not require supervision had not been prepared as required by the Indian Affairs Manual.

d. Although individual jackets for filing supporting documentation for disbursements are required by the Indian Affairs Manual, the agencies visited failed to comply with this requirement.

e. Indians were not being informed of balances in their accounts semiannually as required by the Indian Affairs Manual.

f. Adequate control procedures for handling individual Indian moneys were lacking at the agencies visited. The present assignment of duties to IIM clerks concentrates too many phases of IIM transactions in a single employee.

To correct these recurring deficiencies in the administration of individual Indian moneys, we recommend that the Commissioner take action to require:

a. Compliance with applicable provisions of the Indian Affairs Manual.

b. The revision of the Indian Affairs Manual to provide for the establishment of an appropriate signature or thumbprint card for positive identification of the account owner.

c. Assignment of another person, not now maintaining IIM accounting records, to receive, record, and forward cash collections to the area office.

11. Manual provisions regarding distribution and computation of interest applicable to individual Indian accounts

In the Billings area, our audits for fiscal years 1954 and 1955 disclosed the following deficiencies concerning the distribution of interest income.

a. A lack of uniformity existed at the different agencies as to which balances should be included or excluded in making the computation prior to the distribution of interest. The Crow Indian Agency was incorrectly including the balance of Account No. 2224.2, "Deposits - Undistributed Interest." This inclusion had the effect of increasing the amount available for distribution to the Indian Moneys, Proceeds of Labor account. The inclusion of this balance is not in accord with the Indian Affairs Manual and is improper because it results in computing interest on undistributed interest amounts. Even for other balances the agencies' interpretations of the qualifying requirements varied: The Northern Cheyenne Indian Agency considers the manual provision to require a $200 balance and earned interest of $2, whereas the Crow Indian Agency interprets the manual provision to require either a $200 balance or $2 earned interest.

b. The account numbers and account titles contained in the manual for interest computation and distribution are antiquated, because the numbers and titles referred to therein were changed several years ago.

c. At the Crow Indian Agency it was also noted that the distribution of interest was made annually rather than semiannually. Personnel stated that annual computations have been made since 1945, and, in their opinion, this procedure has resulted in a savings of considerable clerical time.

We recommend that the Commissioner's office revise volume IV, part II, section 1004, of the Indian Affairs Manual with particular consideration being given to the following.

a. Clarification of the manner in which the interest computation is to be made.

b. Revision of the account numbers and account titles in the interest computation and distribution section of the manual in accordance with current usage.

In addition to the above, consideration should also be given to the possible savings in clerical time that might result from an annual distribution as compared to a semiannual distribution of interest.

12. <u>Items improperly retained in Account 2224.3, "Deposits - Other"</u>

Our review of Account No. 2224.3, "Deposits - Other," commonly referred to as special deposits, at the Crow Agency disclosed many account balances whose retention appeared to be improper. As a result of a discussion with agency personnel, the land section analyzed the balances and made refunds on 33 completed land transactions to special depositors totaling $3,842. A similar deficiency was noted during our fiscal year 1954 audit at the Fort Peck Indian Agency.

An analysis of the balances applicable to oil leases disclosed that the balances held for three companies should be refunded. The companies affected are shown below.

Fox Oil Co.	$ 1,358
Brinkerhoffer Drilling Co.	6,451
Mobil Producing Co.	18,799
Total	$26,608

Our examination also disclosed another special deposit account (Richfield Oil Group, totaling $41,123) of long standing which involves deposits made in connection with numerous bids. This account will require a complete analysis to determine the amounts proper for refund.

To reduce the Government's liability to private individuals or companies and to determine the propriety of retaining special deposits, we recommend that the Area Director require responsible agency officials to periodically analyze special deposit accounts and to close out items which should be refunded or credited to the accounts of the Indians, Indian tribes, commercial firms, or the Government.

INDIAN MONEYS, PROCEEDS OF LABOR

13. IMPL funds are used to supplement appropriated funds

The act of May 17, 1926 (44 Stat. 560), provides in part:

"That hereafter all miscellaneous revenues derived from Indian reservations, agencies, and schools, which are not required by existing law to be otherwise disposed of shall be covered into the Treasury of the United States under the caption, 'Indian Moneys, Proceeds of Labor,' and are hereby made available for expenditure, in the discretion of the Secretary of the Interior, for the benefit of the Indian tribes, agencies and schools on whose behalf they are collected ***."

The availability of IMPL funds gives the Bureau a degree of financial flexibility not found in many Government agencies. IMPL funds are used to supplement appropriated funds, and appropriated funds are used to supplement IMPL operations. This availability is particularly advantageous to the Bureau when appropriated funds for the year have been exhausted, since available IMPL funds can be used to finance activities wherever a shortage of appropriated funds occurs.

Use of IMPL funds to supplement appropriated funds was noted at several Indian agencies. In a letter to the Commissioner of Indian Affairs, dated June 3, 1955, the Assistant Area Director stated that:

"Management of Indian Trust operations (account 1860), particularly the Land Management aspect, has been a problem throughout this fiscal year. This resulted from limited funds which eventually required supplemental I.M.P.L. assistance in the amount of $11,590."

In two separate letters to the Commissioner, dated May 27, 1955, the Assistant Area Director submitted the following program revisions requesting supplemental authorizations:

"The enclosed I.M.P.L. program for the Fort Peck Agency has been revised to include a supplemental allotment to the presently established Management of Indian Trust program. This will amount to an increase of $2,000,***."

"The enclosed I.M.P.L. program for the Flathead Agency has been revised to include a supplemental Management of Indian Trust program. This is necessary in order to continue our current program as established with gratuity funds."

In both instances the supplemental authorizations were approved.

Another example of the Bureau's diversified use of IMPL funds is shown in a letter from the Area Director, Billings Area Office, replying to an inquiry made by the General Accounting Office relative to an overobligation of $14,611 in a Crow Indian Agency account. The pertinent part of the letter states:

"If it eventually turns out that appropriated funds will not be available, Crow Agency IMPL funds may legally be programmed for the health activity."

An additional allotment, however, was received in the amount of $18,286 to cover the overobligation.

During the review we noted also some cases where appropriated funds were used to supplement IMPL enterprises. An example of the use of appropriated funds to finance an IMPL operation is the IMPL garage enterprise at Lame Deer, Montana. This operation was established because of the isolated location of the Northern Cheyenne Indian Agency, and the absence of a reliable privately owned garage. The enterprise is supposed to operate on a cost basis; that is, no profits or losses are to accrue over a reasonable period of time. Although this operation is labeled as an IMPL enterprise, it is primarily supported out of appropriated funds. The agency activities pay the garage enterprise for services received; a flat

rate of $3 per hour is charged for all services. The one garage employee is paid from IMPL funds.

Another example of appropriated funds used to supplement IMPL enterprises is the farming and ranching operation conducted by the Tongue River Boarding School at the Northern Cheyenne Indian Agency. The cattle were originally purchased out of IMPL funds and all increases in the size of the herd are classified as IMPL stores. Meat, eggs, and produce are furnished to the Tongue River Boarding School out of IMPL stores in exchange for the services of two men who operate the ranch; these men are paid from appropriated funds. This exchange is inequitable because the value of the meat, eggs, and produce supplied does not equal the salary costs of these employees nor is this exchange of services for farm produce and meats shown accurately in the accounts.

Personnel at the school stated that, in addition to the meat, eggs, and produce supplied, this operation also has considerable educational value because the farming and ranching facilities are used for vocational training purposes.

We agree that this operation does have educational value and that vocational training is one of the great needs on Indian reservations. However, we cannot agree with the unbusinesslike manner in which this operation is conducted because the results of operations and the extent to which IMPL funds and appropriated funds are being used are not clearly disclosed.

Certain IMPL employees are assigned responsibilities in addition to their IMPL duties. For example, the telephone operator at

Northern Cheyenne Indian Agency is paid from IMPL telephone enterprise revenue. In addition to her telephone duties, however, she types all of the bills that are prepared at this agency, and has recently been designated as a collector-agent.

Although we are of the opinion that generally these employees are meeting a bona fide need of the Indian agency, there are certain cases where the particular operation is not closely allied to the needs of the agency. Examples of such operations would be the farming, dairy, and ranching enterprises not associated with vocational training programs or in excess of training needs. In any event, whether by direct or indirect payments, appropriated funds would be used to finance most of the costs of those operations that meet a basic need of the agency. The primary benefit gained by the Bureau from the establishment of IMPL enterprises is the ability to carry on activities such as telephone systems, garages, central heating plants, farms, ranches, and others of a similar nature without many of the restrictions imposed by annual appropriation acts.

The use of IMPL funds to supplement appropriated funds tends to weaken control by Congress over Federal expenditures. Accordingly, we recommend that the Bureau submit to the Congress annually detailed IMPL programs and justifications together with, and in the same manner as, budget requests for appropriated funds.

14. Bureau has not established firm policies regarding the use of IMPL funds

During the audit we observed that a lack of uniformity exists in classifying IMPL operations as enterprises and that most of the IMPL operations do not function as independent entities.

For example, at the Crow Indian Agency the central heating plant functions as a separate entity; that is, employees who are hired as firemen devote their entire time to the maintenance of the central heating plant. This operation, however, is not considered to be a separate IMPL enterprise. The heating plant is included with dissimilar operations under a category termed "IMPL agency"; consequently the results of this operation are not clearly disclosed. We also noted that the Management of Indian Trust Property activity at Crow Indian Agency was not charged for heat in fiscal year 1955.

At Northern Cheyenne Indian Agency the telephone operation has been established as an enterprise but receives maintenance and repair services from employees who are paid from appropriated funds. No reimbursement is made for services received.

The farming and ranching operation conducted at the Tongue River Boarding School is a combination appropriation and IMPL operation. Area office finance personnel stated that the original cattle herd was purchased out of IMPL funds and all increases in the herd are recorded as IMPL stores, however, the major cost of this operation, the salaries of the two employees who work on the ranch, are paid from appropriated funds.

To establish more consistent and realistic operating statements, we recommend that the Commissioner establish policies and procedures which will disclose clearly the results of IMPL activities and the extent to which appropriated funds are used to supplement these operations.

MOTOR VEHICLE USE

15. Inadequate use of vehicles

Area office operating records maintained for vehicles located at the Billings Area Office and at the Crow and Northern Cheyenne Agencies showed a number of vehicles with low mileage or no mileage during fiscal year 1955, as follows:

Location	June 30, 1955 Number of employees	June 30, 1955 Number of vehicles	Vehicles driven 501 to 5,000 miles	Vehicles driven 1 to 500 miles	Vehicles not used
Billings Area Office	106	45 (35)	13 (8)	1 (1)	1 (0)
Crow Agency	73	77 (27)	41 (11)	6 (1)	7 (4)
Northern Cheyenne Agency	49	55 (13)	24 (3)	8 (0)	6 (1)
Total	228	177 (75)	78 (22)	15 (2)	14 (5)
Percentages		100% (100%)	44% (29%)	8% (3%)	8% (7%)

Note: Figures shown in parentheses refer to passenger vehicles.

Thirty-nine percent of the passenger vehicles were operated for not more than 5,000 miles each. Nineteen of the 29 passenger vehicles driven under 5,000 miles are over 6 years old.

At the Crow Indian Agency, the credit branch, consisting of one Bureau employee, was assigned one pickup and two passenger vehicles. Two of these vehicles were not operated during the fiscal year.

One of the primary factors that contributes to the retention of the present number of vehicles, many of which show comparatively low mileage for the year, is that the Bureau generally assigns vehicles to an individual or activity and the vehicles are not freely transferable between Indian agencies or between activities at an Indian agency. The assignment of vehicles to individuals or activities is justified by area officials as follows:

a. Vehicles assigned to an activity or individual receive more care and less abuse than vehicles not so assigned. This method of assignment results in superior vehicle performance and longer service.

b. The activity is not restricted in its use of vehicles; that is, the vehicle can be taken to other locations and remain there for extended periods of time.

In addition area officials informed us that certain activities require the use of specialized vehicles such as fire-fighting trucks, dump trucks, tow trucks, and similar vehicles. The number of miles that this type of equipment is operated fluctuates considerably.

The reasons presented do have considerable merit. An alternative to the system in use in the Billings area would be to establish some type of motor pool or consolidated garage operation. This type of system is generally considered to have the following advantages.

a. Fewer number of vehicles are required because vehicles are used more extensively. Consequently, the Government's investment in motor vehicles and total operating costs are lower.

b. Preventive maintenance programs are more easily administered.

The Bureau should determine the type of operation that will best meet its needs. This determination may vary between Indian agencies since available facilities and isolation factors will have a bearing on the decision. In either event the resolution of this problem will be facilitated by the disposal of excess vehicles.

To effectively utilize the available vehicles and to reduce the Government's investment in equipment, we recommend that the

Commissioner (a) initiate a program that will insure the disposal of vehicles determined to be excess to the Bureau's needs, and (b) review the needs for the number of vehicles of a specialized type, particularly road construction equipment, and reduce the number required to be retained by increasing the number of intra-agency and inter-agency transfers.

16. Operator's records, form DI-120, are not being properly maintained

An examination of 21 of 55 vehicle-use records at the Northern Cheyenne Indian Agency showed that for 10 vehicles drivers had failed to maintain properly the operator's records, form DI-120, on vehicles operated during fiscal year 1955. Consequently, the number of miles that these vehicles were operated in fiscal year 1955 could not be accurately determined.

The information and time required to keep the operator's records current is reasonable. Also, the data accumulated therein is of value to management in evaluating vehicle use and vehicle cost. We recommend that the vehicle operators be instructed by the area property and supply officer regarding the importance of this record and that a representative of the property and supply section be assigned to check these records for accuracy each month.

CONTROL OVER ASSETS

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

Costs accumulated in the work-in-progress accounts for Crow and Northern Cheyenne Indian Agencies in the amount of $107,639 were transferred to fixed property accounts at the end of fiscal year 1955 without related completion reports, and zero balances were shown in the construction work-in-progress accounts.

The Indian Affairs Manual, volume IV, part II, section 607.10, provides:

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

Instructions were issued through the Commissioner by the Branch of Budget and Finance in Washington, D.C., on July 8, 1954, to supplement manual provisions for handling construction work-in-progress costs. In part, these instructions read as follows:

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

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

18. Accounting control over property is inadequate

The audit disclosed that at June 30, 1955, property cards, representing equipment owned by Indian tribes and the Government, showed amounts $1,033,737 in excess of the general ledger control account balances (Charts A,B,C). This difference could not be explained by Bureau employees at the time of our audit but we were advised that the difference would be reconciled.

The accumulation of differences existed at June 30, 1955, despite a credit adjustment in the Chart A accounts in the amount of $223,598 made on July 30, 1954, in an attempt to bring the general ledger control account balance into agreement with the aggregate of balances on subsidiary property cards.

Physical inventories of property were not accomplished at all locations during fiscal year 1955 as required by the Indian

Affairs Manual. When inventories were accomplished in the past, differences between inventory, property cards, and general ledger control account balances had not been accounted for or adjusted to aid in subsequently reconciling the control account balances to those in subsidiary records. Because of these deficiencies, we are of the opinion that the property balances reported by the Bureau cannot be relied upon.

To strengthen the control over Bureau property accountability in the Billings, Montana, area and to assist in preventing possible losses of property due to misplacement, destruction, or theft, we recommend that the Area Director take action to obtain accounting control over property as provided by the Indian Affairs Manual.

19. Accounting control over stores is inadequate

The audit disclosed that physical inventories of stores were taken at only three of the seven Indian agencies during fiscal year 1954 and at only two agencies during fiscal year 1955. During these two fiscal years the inventoried stores at these agencies showed a net difference of $30,886 more than the general ledger control account balances at inventory dates. At June 30, 1955, the general ledger stores balance of $148,001 had not been adjusted for these differences.

The Acting Area Director informed us by letter dated September 20, 1955, that corrective action has been taken at the Wind River Agency. To assure proper accountability over stores in the Billings area, we recommend that the Area Director take action at all locations to comply with applicable provisions of the Indian Affairs Manual.

20. <u>Control over credit and collection activities is unsatisfactory</u>

The examination disclosed several major areas wherein the Billings, Montana, Area Office was not satisfactorily controlling credit and collection activities.

Many unsupported adjustments have been made to loan and accounts receivable amounts to reconcile differences between the balances in the subsidiary and control records. Adjustments of this nature made to the control accounts during the fiscal year are summarized below.

Account title	Net increase	Net decrease
"Industry among Indians" Loans Receivable	$119,468	
Revolving Fund Loans Receivable		$ 24,560
Area Accounts Receivable	5,461	
Tribal Loans Receivable	412,019	
Tribal Accounts Receivable		9,513
Irrigation Accounts Receivable		192,786

Although these adjustments were made, for the most part, during fiscal year 1954, the unreconciled differences between agency loan and accounts receivable subsidiary records and area office control records totaled $19,313 and $32,133 respectively, as of June 30, 1955.

Other examples of unsatisfactory control over credit and accounting activities are as follows:

a. A promissory note in the amount of $25,515 for payment of a cattle loan by the Chippewa-Cree Tribe (Rocky Boy Subagency) went unrecorded in the general ledger accounts for about 10 months. This note was signed by the tribe in August 1954 but was not

recorded until we brought it to the attention of responsible area officials in June 1955.

b. Loans receivable were overstated in the amount of $14,171. This amount was canceled by the Secretary of the Interior by order dated January 4, 1955. These loans receivable were still shown in the books of account in June 1955.

c. Principal payments received on a loan from the Blackfeet Tribe (Arts and Crafts) in the amount of $11,500 were inadvertently recorded as "interest income." Although part of the error ($4,500) was noted in the area office on October 24, 1954, no adjustment had been made to the control account balance at June 30, 1955.

In our opinion, laxity in financial administration of the type shown above is primarily responsible for the poor condition of the loan and accounts receivable control accounts.

To achieve proper control over credit and collection activities and to improve the effectiveness of financial administration, we recommend that the Area Director issue instructions to implement the Indian Affairs Manual (1) to insure recording of all financial transactions affecting loans and accounts receivable in the books of account in a timely fashion and (2) to provide adequate accounting controls over credit and collection activities.

On September 2, 1955, the Area Director advised us in regard to certain of these and other matters raised during the audit. He assured us that in the future there will be a closer coordination of records that affect the Branches of Finance and Credit.

21. Livestock loans not controlled by or recorded in general ledger accounts

Loans of livestock to Indian tribes, bands, individuals, and associations were not recorded in the general ledger account at June 30, 1955. A total of 2,968 head of cattle were due the Bureau at that date.

Agency annual reports entitled, "Revolving Cattle Pool Loans" are the only source of information available at the area office in support of amounts due the Bureau. Consequently, no accounting controls over cattle transactions and related livestock loans owing to the Bureau have been established at the area office.

To assure proper accountability for livestock loans, we recommend that the Indian Affairs Manual be revised to require these loans, which are repayable in cash or in kind, to be shown on the books at an appraised fair market value. Such appraised value need not be adjusted for seasonal fluctuations but could be revised periodically when major economic changes warrant.

22. Delinquent loan collection follow-up is inadequate

The audit at the Northern Cheyenne Indian Agency disclosed that the follow-up on delinquent loans receivable was inadequate. At that agency 125 individuals were indebted to the Bureau for a total of $18,273 at June 30, 1955. Although all had been notified in the last 3 years of their indebtedness, records on file indicate that only nine individuals with outstanding indebtedness of $1,934 had been notified in the past year. Of these nine cases, four with indebtedness totaling $1,405 were in the process of being referred to the Department of Justice for collection action as of the close of fiscal year 1955.

To facilitate collection of amounts due the Bureau, we recommend that the Area Director activate a more vigorous collection follow-up program on delinquent loans receivable at the Northern Cheyenne Indian Agency. A thorough investigation of loans should also be completed as soon as practicable to permit the collection or write-off of these amounts in accordance with Bureau of Indian Affairs Bulletin No. 339, dated March 2, 1954.

23. Accounts receivable have not been aged

The aging of receivables at June 30, 1955, has not been accomplished in accordance with volume IV, part II, sec. 701.02H, of the Indian Affairs Manual which provides:

> "At the end of the fiscal year an analysis of the accounts receivable will be made and the balances grouped as follows:
>
> Less than 60 days old
> 60 days to 6 months old
> Over 6 months old
>
> The accounts over 6 months old will be itemized and an explanation given as to what collection action is being taken."

After this manual provision was brought to the attention of responsible employees in the area office, and after special requests were made by us for these analyses, we received the aging of accounts receivable, except for irrigation activities, from the Fort Belknap, Blackfeet, and Crow Indian Agencies as noted below. Aged analyses of accounts receivable at June 30, 1955, for other agencies in the Billings area were not available for our review.

Indian Agency	Percent-age over 6 mos.	Less than 60 days old	60 days to 6 mos. old	Over 6 mos. old	Total
Crow	82	$142	$ 173	$1,409	$1,724
Fort Belknap	84	125	299	2,303	2,727
Blackfeet	38	356	2,717	1,856	4,929
Totals	59	$623	$3,189	$5,568	$9,380

We noted that a number of the receivables over 6 months old were due from Bureau employees.

To assist the area office in reviewing the status of accounts receivable and increase the effectiveness of the follow-up on amounts that have been outstanding for extended periods of time, we recommend that the Area Director take action necessary to obtain prompt and full compliance with applicable provisions of the Indian Affairs Manual.

RENTAL OF GOVERNMENT QUARTERS

24. Quarters isolation allowances are not equitable

Rental isolation allowances granted to employees occupying Government quarters on certain Indian reservations, do not provide for equitable allowances between renters at an Indian agency.

On June 11, 1954, the Indian Affairs Manual, volume IV, part III, section 506.01(1), was revised to provide for a sliding scale isolation deduction, based upon the number of miles the Government housing facilities are located from an established community, to be applied against comparable private housing rates.

The purpose of quarters isolation allowances is to compensate the employee for the additional cost, particularly transportation costs, resulting from living in an isolated location. Section 4.b.(1) of the Bureau of the Budget Circular No. A-45 Revised dated June 3, 1952, on rent policies, states the following:

> "In some cases the Government supplies quarters to its employees in isolated locations where no private rental housing is available in the vicinity for purposes of comparison. In this situation, the nearest representative year-round private community should be used as a base, with a reasonable adjustment to offset the unusual transportation costs incurred by residents at the station (due to the distance from public transportation, shopping, educational, medical and social centers, etc.). No attempt should be made to compensate, through the station rent structure, for the intangible disadvantages of isolation."

The costs of transportation would be the same or comparable for all of the employees at a given location. Under the Bureau's formula, however, the amount of isolation allowance varies in accordance with differences in the base rental charges even at the same location. For example, the person occupying quarters at the

Northern Cheyenne Agency with a base monthly rent of $41.25 is receiving more than twice the isolation allowance received by the person occupying quarters with a base monthly rent of $18. The isolation allowance at this agency is 80 percent of the base monthly rent.

In our opinion the present method of reimbursing employees for living at isolated locations is not equitable. Certain employees may not be compensated for unusual transportation costs and some employees may be compensated in excess of unusual transportation costs.

We recommend that the Commissioner review the rentals now being charged for Government-furnished quarters in the Billings area and establish rates that will provide equitable isolation allowances in accordance with provisions of Bureau of the Budget Circular A-45 Revised.

25. Isolation allowance on Government quarters at Crow Agency

On June 11, 1954, the Indian Affairs Manual, volume IV, part III, section 506.01(1), was revised to provide for isolation allowance deductions, ranging from 10 to 80 percent, based on monthly shelter rental, depending on the distance of the Bureau's housing facility from an "established community." An "established community" is defined by the manual as "an area of not less than 3,000 population where shopping, recreation, medical, dental, educational, and religious facilities are available." The manual provision previously in effect did not include a population criterion in determining an "established community."

Before July 1954 the Bureau considered the town of Hardin, Montana, population of 2,306 in 1950, as the established community for the Crow Agency; Hardin is located 13 miles from the Crow Agency. Based on the manual provisions in effect at that time, occupants of Government quarters at the Crow Agency were not allowed an isolation deduction. Under the revised manual provisions, Hardin was not considered by the Bureau as an "established community" because the 1950 census showed a population of less than 3,000.

Since July 1954, the "established community" for the Crow Agency is Billings, Montana; Billings is located 63 miles from the Crow Agency. Accordingly, the employees at the Crow Agency occupying Government quarters receive an 80 percent isolation allowance. The use of Billings as the "established community" in determining the isolation allowance for the Crow Agency does not appear to be realistic. Hardin has all of the facilities of an "established community." Moreover, based on information obtained from the telephone company, Hardin, Montana, presently has a population of about 3,000.

In view of the above, we recommend that the Commissioner consider revising the manual so that consideration may be given to an area having the required services and facilities but less than 3,000 population, in determining an "established community." Under the sliding scale deduction provided by the manual the maximum isolation allowance at the Crow Agency would be 30 percent if Hardin were the "established community."

26. <u>Rental rates were improperly adjusted</u>

A new survey was not made of the costs of comparable private housing, when the established community was changed from Hardin and Forsyth, Montana, to Billings, Montana, for the Crow and Northern Cheyenne Indian Agencies, respectively. The changes in the established communities, which effected the quarters isolation allowances at the various agencies, resulted from a revision of the pertinent section of the Indian Affairs Manual.

In a letter to all agency superintendents, dated June 29, 1954, pertaining to the revision of quarters evaluation regulation, and the recalculation of existing quarters charges on the basis of revised isolation percentage allowances, the Billings, Montana, Area Director stated that:

> "It is our interpretation that this will not require another survey or evaluation of private housing in the new town meeting the definition for an 'established community' of 3,000 population or more since the definitions of 'local area' and 'established community' are not synonymous."

In our opinion an evaluation should have been made of housing in the new town selected as the established community, since it affects the rental rates which are used in the basic computation. The fact that the definition of local area and established community are not synonymous, appears to have no material bearing on whether a new evaluation should have been made. Since the costs of housing in Billings, Montana, are relatively high, it would have been advantageous to the Government to have made an evaluation of quarters in Billings, Montana.

In addition to the fact that a new evaluation was not undertaken, we noticed that a deduction for isolation had apparently already been made at the Crow Indian Agency in at least one case as shown by the following:

Private house 620 W. 2nd Street, Hardin, Montana:	
Base shelter rent of private house	$60.00
No attic in Government house	-2.00
	58.00
Older and much poorer over-all condition of Government house	-8.00
	50.00
Undesirable and remote location of Government house	-10.00
Base shelter rent value of Government house	$40.00

In our opinion, part of the $10 deduction for the undesirable and remote location of the Government house is an isolation deduction. This allowance was completely ignored when the revised computation was made, since the 80 percent quarters deduction was computed using $40 as the cost of comparable private housing. Consequently, a deduction greater than 80 percent was allowed.

Area officials have informed us that a new evaluation of quarters will be made in the calendar year 1956. We recommend that the Commissioner provide that rental allowances be determined by the Area Director in accordance with the intent of Budget Circular No. A-45 Revised dated June 3, 1952.

27. <u>Utility charges are not based on actual use</u>

At Northern Cheyenne Indian Agency, we noticed that occupants of Government quarters are charged a fixed amount each month for electricity. This flat rate charge may not cover costs, and is not related to the amount of electricity used.

Although the occupants of Government quarters are charged a fixed amount for electricity, each house is metered and the Bureau is being billed for electricity based on the individual meter readings. We noted certain cases where the billings for some houses were four times greater than for other houses.

We question the propriety of establishing a flat rate where meter information is available. This system does not provide for reasonably reimbursing the Government for its costs since it assumes that electricity is not being used indiscriminately. The Government is presently absorbing the cost of all electricity used in excess of the amount covered by the flat rate charge. However, the Bureau has not paid certain bills rendered because of a dispute with the utility company as to the propriety of rates billed.

To provide for reasonable reimbursement to the Government and to assure ease of administrating utility rates, we recommend that the Area Director provide that:

a. Occupants of metered houses be billed directly by the utility company and pay the amount of their individual bills.

b. A study be made to determine the difference between the utility charges at the Northern Cheyenne Agency and the charges at the nearest "community," based on the amount that a prudent person would use under similar conditions. The difference should be deducted from the quarters rental in accordance with applicable provisions of Bureau of the Budget Circular A-45 Revised.

FINANCIAL ADMINISTRATION

28. Indian Affairs Manual does not provide for the expensing of minor freight charges

Billings, Montana, Area Office circular letter No. 252 dated April 1, 1954, and signed by the Area Director stated that collect transportation charges on Government bills of lading from shipping point to point of first use will be added to equipment or stores value only when $50 or more.

The Indian Affairs Manual, volume IV, part II, section 503.01E, provides that transportation expenses shall be included in the cost of equipment if identifiable and charged to a clearing account if unidentifiable.

We believe that expensing minor freight charges is a good policy and saves unnecessary expenses in financial administration. Other areas may very well be using some other basis for expensing freight charges resulting in inconsistency within the Bureau.

To insure that area offices within the Bureau are reporting on a consistent basis, we recommend that the Commissioner consider including a provision in the Indian Affairs Manual for expensing minor freight charges below a stated amount. If such a manual change is not considered to be advisable, we recommend that the Billings Area Director require compliance with the present provisions of the Indian Affairs Manual.

29. Depreciation rates on "roads and trails" vehicles are inadequate

The depreciation rate charged to work orders for use of "roads and trails" vehicles is not adequate to fully depreciate such vehicles over an estimated useful life.

Seven vehicles used on roads and trails work, at the Billings Area Office and the Crow and Northern Cheyenne Indian Agencies, were driven a total of 49,984 miles during fiscal year 1955. The original cost of these vehicles was $11,266. The depreciation provision on these vehicles charged to work orders during the year amounted to $600. This provision was computed at a rate of 1.2 cents per mile as provided by circular 61, dated July 17, 1939. At this rate it would take about 19 years to fully depreciate these vehicles.

A flat mileage rate is inequitable when applied to vehicles of different costs. The cost of vehicles mentioned above ranged from about $1,000 to about $2,500. A vehicle costing $1,000 would have to be driven 83,333 miles to be fully depreciated, while a vehicle costing $2,500 would have to be driven 208,333 miles.

In order that a reasonable charge for depreciation be recorded to roads and trails work orders, we recommend that the Commissioner establish depreciation rates based on both the cost and normal life span of the vehicle.

30. <u>Procurement documents are coded improperly</u>

We noted several instances where procurement documents were not coded to the proper fund limitations. Examples noted follow.

a. Procurement documents, apparently issued for the purpose of making improvements and extensions to the Flathead power system, were not charged against the fund limitation for that purpose. For example, purchase order No. 254-3497, dated June 29, 1955, in the amount of $1,050, was for the purchase of six transformers.

The justification on the purchase order stated:

> "These transformers needed for increase of customers and customer loads."

This purchase order was coded to fund symbol 14X5648.003, Proceeds from Power, Bureau of Indian Affairs, Flathead Project, Montana. This fund is available only to pay the expenses of operating and maintaining the power system as provided by the act of August 1, 1946 (60 Stat. 895). However, fund symbol 14X5648.470, Proceeds from Power, Bureau of Indian Affairs, Flathead Project, Montana, is available, to the extent of not to exceed $75,000 in each fiscal year, for the purpose of making improvements and extensions to the power system as provided by the act of May 25, 1948 (62 Stat. 269). Since the purpose of the transformers was to increase the number of customers and customer loads, the purchase order should have been charged to fund symbol 14X5648.470 as an improvement or extension.

b. Other purchase orders for apparently new construction at the Flathead Project, but coded to fund symbol 14X5648.003, available only for operation and maintenance, are as follows:

(1) Purchase order No. 254-3030, dated August 3, 1954, totaling $8,129.25, for the purchase of pole line hardware. The justification on the purchase order stated, "Material estimated to be used during FY 1955 as approved in the budget for new construction."

(2) Purchase order No. 254-3077, dated September 8, 1954, totaling $1,200 was for the purchase of two 1-kw stand-by generator sets for operation of the radio system being installed. Item No. 5 of the fiscal year 1955 budget justification, (construction-power) states that, "Additional mobile and portable radio equipment is required in order for the Project to realize full benefit from the base units which are being installed this year."

(3) Purchase order No. 254-3349, dated March 28, 1955, totaling $4,324.56, for the purchase of pole line hardware. The justification on the purchase order stated, "Material estimated is to be used during FY 1955, as approved in the Budget for new construction."

(4) Purchase order No. 254-3397, dated April 27, 1955, totaling $1,474.20, amended by purchase order No. 254-3480, dated June 15, 1955, to increase the obligation by $518. The justification on the purchase order stated, "Material needed for new construction and maintenance of the Flathead Power System."

(5) Purchase order No. 254-3500, dated June 30, 1955, totaling $1,050 for the purchase of fabricated galvanized steel. The justification on the purchase order stated, "Material required for completion of the Ronan Substation - construction of which has been approved in the FY 1955 budget."

The Area Director stated in a letter dated August 19, 1955, that "all limitations of Public Law 554 [the act of May 25, 1948] have been complied with and that direct purchases have been charged to the proper activity." He agreed that "Purchase Order documents could have been worded to conform more closely to the authorization of the fund from which the supplies were purchased."

Accordingly, we recommend that the Area Director provide that requisitions be worded clearly to show to which fund the purchases resulting therefrom are chargeable.

31. Other miscellaneous and accounting deficiencies

During the audit, we noted certain irregular or deficient practices some of which are set forth briefly below. Where other than compliance with manual provisions is required, our recommendations for change are stated immediately after the audit finding.

a. In some cases employees were certifying their own time and attendance reports. Generally, procedures should provide that no employee should certify his own time report.

b. Official time and attendance reports are received in the area office and the signatures thereon are accepted as bona fide without checking certifications to any listing of authorized certifying supervisors or timekeepers. To preserve the accuracy of field reporting, a file of signatures of persons who are authorized to certify time and attendance reports should be maintained in the area office.

c. Instances were noted where official time and attendance records had been prepared and certified in pencil. As a result, improper alterations may be made in the field or area office to any information thereon. All official time and attendance records should be prepared in ink.

d. During our voucher examination, we noted a number of vouchers initiated by the Crow Indian Agency that were not properly supported. For certain of these vouchers the purchase requisition had not been signed prior to issuing the purchase order and on the remaining vouchers, neither the requisition nor the purchase order accompanied the voucher. To insure that payments are made only for supplies or services ordered and received, we recommend that signed purchase orders and requisitions be attached to the voucher before it is audited and certified for payment.

e. The Billings Area Office is maintaining photostatic copies of the "Individual Retirement Records" of employees who are separated, retired or transferred. This procedure is in accordance with a letter from the Commissioner of Indian Affairs dated October 2, 1947. The preparation of these copies costs an estimated

$120 per year in the Billings area. The maintenance of copies of the retirement records of former employees appears to be unnecessary as the information thereon can be obtained when needed from other personnel records and pay cards. We recommend that the Commissioner issue revised instructions discontinuing this practice.

f. Supplemental IMPL authorizations at Crow Agency were not used in accordance with budget justifications.

g. Accounts receivable for Crow Agency central heating plant were not recorded in a timely manner resulting in the income for fiscal year 1954 being understated.

h. Gasoline purchases at the Northern Cheyenne Agency IMPL garage were not distributed on the basis of use although an actual record of gasoline consumption by activity was maintained. Agency officials informed us that charges would be made in the future on the basis of actual consumption.

i. The area office is not receiving accurate cost information on stores used by the Tongue River Boarding School at the Northern Cheyenne Agency. Not all requisitions were reported and quantity figures or price extensions were erroneous.

j. Tribal employees at Northern Cheyenne and Crow Agencies are maintaining official Federal records of reimbursable loans owed by the tribe to the Government. The Northern Cheyenne Agency Superintendent indicated that a non-tribal employee is being trained to handle this work.

k. One employee at the Northern Cheyenne Agency handling tribal receipts was bonded for $1,000 but has handled sums considerably in excess of that amount. The agency superintendent

informed us that the employee's bond would be increased. In another case an unbonded alternate collector agent at the area office handled collections while the regular collector agent was on leave.

l. At the Crow Agency during May 1955, the authorized collector agent did not deposit collections daily as required.

m. The construction work-in-progress account was adjusted at the area office in the amount of $887,059 to remove costs which could not be identified by agency or activity and were not supported by work orders or completion reports. To reduce the need to write off unidentified costs, we recommend that all charges to work-in-progress be recorded to a specific work order and cleared from the account on the basis of completion reports.

n. Available records at the Northern Cheyenne Agency showed that deductions from timber sale proceeds to cover administrative costs are not adequate. The deductions during fiscal year 1955 totaled $936, or 10 percent of the gross proceeds as compared with costs of $2,422, or 26 percent of the gross proceeds for the year. Instructions have not been issued by the Commissioner pursuant to 25 C.F.R. 61.25 to deduct more than 10 percent of the gross amount received for timber sold.

o. At the Fort Peck Indian Irrigation Project unauthorized and unsupported adjustments have been made to operation and maintenance assessments against individual water users by making notations on the bills for collection and on the water users' ledgers. Certain of these adjustments were included by the area irrigation auditor in his trip report dated December 27, 1954. On September 20, 1955, the Acting Area Director informed us that adjustments of bills are sometimes required to correct certain inequities; such adjustments are now approved by the Area Director.

We recommend that the Area Director take appropriate action to correct the above listed deficiencies.