

**REPORT ON AUDIT
OF
ABERDEEN AREA OFFICE
BUREAU OF INDIAN AFFAIRS
DEPARTMENT OF THE INTERIOR**

FOR THE FISCAL YEAR ENDED JUNE 30, 1954

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

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WASHINGTON 25, D. C.

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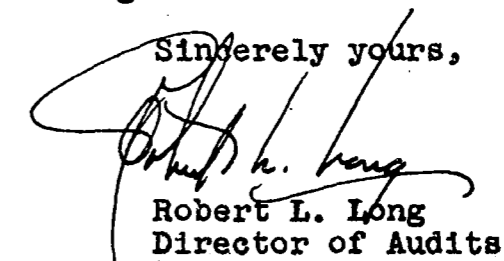
Mr. Glenn L. Emmons, Commissioner
Bureau of Indian Affairs
Department of the Interior

Dear Mr. Emmons:

Herewith is a copy of our report on the audit of the Aberdeen Area Office, Bureau of Indian Affairs, for the fiscal year 1954. During the audit we reviewed the organization, procedures, and operations at the locations visited and gave particular attention to the deficiencies reported as a result of our audit for the fiscal year 1953. We have given consideration to the Bureau's reply, dated December 20, 1954, to our 1953 report. Our observations on deficiencies and weaknesses in procedures and internal control and on certain other matters are set forth in the accompanying report.

We wish to acknowledge the cooperation given 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.

Sincerely yours,



Robert L. Long
Director of Audits

Enclosure

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1. Failure to establish criteria for charging medical fees

The area has no standard procedure for verifying an Indian's ability to pay for medical or hospital services received.

In our audit report for 1953 (see item 1, p. 1), we commented on the fact that a formal policy or procedure for determining an Indian's ability to pay for medical or hospital services had not been established by the Aberdeen Area Office. This condition existed also in 1954. Under current procedures, the agency superintendent or medical officer determines whether Indians are indigent or able to pay. The area office does not review this action. At the Rosebud Agency, the policy now in effect provides that all reservation Indians are considered indigent and fees are collectible only from nonresident Indians who are able to pay.

The Code of Federal Regulations (25 C.F.R. 84.8) provides that Indians, who are economically able, should pay for medical or hospital services received. Collections and outstanding receivables for all medical or hospital services furnished to Indians in the Aberdeen Area Agency hospitals totaled \$12,070 for fiscal year 1954. These collections amounted to less than 1 percent of the total hospital operational cost of \$1,209,706.

In the Bureau's reply to our 1953 audit report, we were advised that the determination of an Indian's indigency lies wholly within the jurisdiction of the agency superintendent. In view of our 1954 audit findings and to reduce the net cost of operating area hospitals, we again recommend that the Commissioner establish a standard procedure for determining whether or not an Indian patient is able to pay for medical and hospital services furnished him.

2. Charges for outpatient services not billed or collected

The Aberdeen Area Office has not taken effective action to implement the provisions of the Code of Federal Regulations (25 C.F.R. 84.7, 84.8, and 84.9). This regulation requires that fees be collected for medical outpatient services.

Collections and outstanding accounts receivable for all outpatient medical services furnished by the agencies totaled \$352 during fiscal year 1954. In this same period, the agencies reported a total of 66,158 outpatient treatments.

The area office has taken no action to ascertain if the agencies have established medical fee schedules for outpatient services. At the Rosebud Agency and the Sisseton Area Field Office, we found that medical fee schedules were not in effect and that fees had not been collected during fiscal year 1954.

To comply with existing regulations, we again recommend that the Commissioner establish fees for outpatient services at all field installations in the area. See point 9 of this report for our recommendation on collecting fees.

3. Poor condition of educational facilities

The poor condition of Bureau school buildings endangers the health and hampers the education of area Indian children.

The hazardous condition of school buildings on the Pine Ridge Reservation, mentioned in the audit report for fiscal year 1953, has not been corrected. Physical inspections of the Lower Brule Reservation school at the Crow Creek Agency and the Old Agency Day School at the Sisseton Area Field Office showed these buildings to be in need of major repairs to make them habitable. The conditions observed included:

- a. Improper heating and lighting.
- b. Rotted window sashes and roof eaves.
- c. A flooded basement.
- d. A deteriorated leaky roof.

The area office records show that the Bureau is cognizant of the poor condition of many school buildings. The failure to make the necessary repairs was attributed to a lack of maintenance funds.

To avoid the possibility of endangering the health of the school children and to hasten the program of transferring educational activities to the states, we recommend that the Commissioner continue the efforts to obtain needed repairs to the school buildings.

4. Filing of income tax returns

Effective follow-up procedures have not been established by the area office to determine whether Indian corporations,

unincorporated tribes and bands, credit associations, and cooperatives are filing informational income tax returns.

The Indian Affairs Manual (vol. IV, part VII, sec. 509.09) requires that copies of the completed returns be forwarded to the Commissioner through the Area Director. Furthermore, area office instructions were issued on September 4, 1953, directing the agency superintendents to assist the tribes in completing their tax returns.

Our audit disclosed, however, that copies of the informational tax returns were not received by the area office during fiscal year 1954, and that the area office did not follow up the instructions to the agency superintendents.

To prevent penalties from being assessed against the Indian corporations, unincorporated tribes and bands, credit associations, and cooperatives for failure to file the required tax returns, we recommend that the Area Director establish adequate follow-up procedures.

5. Numerous purchase orders issued for small amounts

The Aberdeen and Minneapolis area field installations have not procured supplies and services in the most economical manner.

The Aberdeen Area Office is responsible for procurement activities in both the Aberdeen and Minneapolis areas. Procurement functions, except by formal contract, were decentralized to the field installations on July 1, 1953. The Bureau's Washington office had authorized the use of the Standard Form 44, Purchase Order-Invoice-Voucher, but in a memorandum dated June 26, 1953,

withdrew this authority and authorized instead an imprest fund procedure for local purchases. During the period from December 1953 through May 1954, all field installations in the Aberdeen area, except Crow Creek Agency and the Sisseton Area Field Office, established imprest fund procedures. These procedures however, were not adopted in the Minneapolis area.

The Aberdeen Area Office Report on Procurement by Civilian Executive Agencies (Form GSA 33), for the period January 1 to June 30, 1954, contained the following information:

<u>Type of action</u>	<u>Number</u>	<u>Amount</u>
Cash purchase	971	\$ 10,450
Noncash purchases:		
Less than \$25	3,637	39,605
Over \$25	<u>5,533^a</u>	<u>928,349</u>
Total	<u>10,141</u>	<u>\$978,404</u>

^aThe report shows that 3,785 of these actions were less than \$500 each.

The number of purchase orders issued during the last half of fiscal year 1954 approximates the total number of fiscal year 1953 purchase actions issued by the Aberdeen office on a centralized basis (12,911). This indicates that field installations are issuing a large number of small formal purchase orders (form 5-678).

To provide for a more expeditious handling of purchases with a resultant savings in administrative costs, we recommend that the Area Director require all Aberdeen and Minneapolis area installations to:

- a. Use an imprest cash fund in accordance with current procedures.
- b. Reduce the number of purchases by forecasting needs to permit the purchase of supplies on a consolidated basis. Use should be made also of blanket purchase orders and monthly open account purchasing as authorized by regulations of the General Services Administration.

6. Property records are inadequate

Physical inventories and property records were incomplete at June 30, 1954, and accounting control over nonexpendable equipment was deficient in the Aberdeen area.

Physical inventories have not been completed at the Fort Berthold, Pine Ridge, Rosebud, and Standing Rock Agencies. Property Record Cards (DI-100) have not been prepared for equipment purchased before April 1, 1952.

The general ledger control account for nonexpendable property is maintained in the area office but is incomplete. On May 31, 1953, the balance was \$4,576,606 which represented the unverified amount for fixed assets in the Aberdeen area. The balance was reduced to \$163,826 on June 30, 1953, so that the control account balance would include only the amount of the fixed assets that were purchased after April 1, 1952, and properly recorded on property record cards. The control account balance as of June 30, 1954, was \$1,795,473. We were informed that, when physical inventories have been completed at all field installations, the total amount of the fixed assets should exceed the unverified amount of \$4,576,606 that was shown by the records as of May 31, 1953.

The area office did not have accounting control over stored supplies and equipment at the field installations on June 30, 1954.

The Rosebud Agency warehouse contained large quantities of usable and broken furniture, medical drugs, burial caskets, obsolete supplies, and miscellaneous other items. The equipment and supplies have not been stored properly and in an orderly manner for a number of years. The inventory was not included in property or stores record cards.

Food supplies were stored at the Lower Brule Reservation School, Crow Creek Agency, after the close of the school year. Physical inventories and action to dispose of supplies in danger of deterioration had not been taken by the agency at the conclusion of our field audit work.

To establish and maintain proper accountability for all equipment, we recommend that:

- a. Physical inventory of all equipment, materials, supplies, and other property be completed at the earliest practicable date.
- b. Equipment, materials, supplies, and similar property excess to the needs of the Bureau be separated from property to be retained, and disposition action promptly taken thereon in accordance with existing regulations.
- c. Property Record Cards (DI-100) be prepared for property to be retained in accordance with the provisions of the Indian Affairs Manual (vol. IV, part III, sec. 204 and 207) for equipment located in the area.
- d. Inventory amounts be established in the accounting control records of the Aberdeen Area Office.
- e. Procedures be established to provide for proper accounting for receipts, issues, dispositions, losses, adjustments, and other transactions in the general ledger control account and on the property record cards.
- f. Periodic or cycle physical inventories be taken and adjustments for differences be recorded promptly in the accounting records after review and approval.

7. Control and use of motor vehicles

Motor vehicles in the Aberdeen area have not been properly inventoried, recorded on Property Record Cards (DI-100), marked for identification, or adequately used during the fiscal year.

Our review at the Rosebud Agency disclosed that a complete physical inventory of motor vehicles had not been taken since October 1950. There were 108 motor vehicles at the agency. Only 15 of these were recorded on Property Record Cards (DI-100) and marked with property identification tags.

The tabulation below shows the use of passenger vehicles in the Aberdeen area during fiscal year 1954.

<u>Extent of use</u>	<u>Number of vehicles</u>
Not used	23
Less than 5,000 miles	91
5,001 to 10,000 miles	85
10,001 to 15,000 miles	87
Over 15,000 miles	<u>56</u>
Total	<u>342^a</u>

^aIncludes 23 vehicles, in the first three categories, considered unusable by area officials.

We also found inadequate use of other types of motor vehicles at the Crow Creek Agency, Rosebud Agency, and the Sisseton Area Field Office as well.

To establish adequate administrative control over the number and use of vehicles in the area, we recommend that:

- a. Field installations be required to take an immediate physical inventory of all automotive equipment.
- b. Automotive equipment excess to the needs of the agency be declared and disposed of in accordance with Bureau regulations.

c. Property records be prepared and financial accountability be established at the Aberdeen Area Office on vehicles to be retained.

d. Vehicles be properly tagged or marked for identification purposes.

8. Administration of individual Indian money accounts

The area office has not properly supervised the field installations' administration of individual Indian money accounts. Inadequate supervision was evidenced by (1) accounts being overdrawn, (2) funds being disbursed without prior authorization, (3) dormant accounts being intermingled with active accounts, (4) deposits in the suspense account not being transferred to the appropriate individual account or to the proper fund account, and (5) statements of accounts not being distributed semiannually to the depositors.

Numerous overdrawn account balances were shown on the June 30, 1954, individual Indian money account reports from the agencies. Subsequent agency reports show that 22 of these accounts totaling \$416 were still outstanding in September 1954.

Withdrawals, without proper authorization, were made from the individual Indian money accounts at the Crow Creek Agency, Rosebud Agency, Standing Rock Agency, and the Sisseton Area Field Office. The Indian Affairs Manual (vol. IV, part II, sec. 603.03E(19)(b)) provides that an individual Indian accounts application (form 5-139b) is required to authorize withdrawals. The application is to be completed by or in behalf of the Indian and approved by the agency superintendent. These applications were used infrequently and most of those received were neither properly completed nor approved.

The individual Indian money accounts at the agencies included numerous balances of less than \$100 each. For example, at the Rosebud Agency and the Sisseton Area Field Office, there were, respectively, 546 and 283 dormant account balances of less than \$100 each. These accounts should have been closed out in accordance with Bureau circular 3659, dated June 15, 1947. Individual accounts having a zero balance were also intermingled with active accounts at the Sisseton Area Field Office and the Standing Rock Agency.

There were many inactive balances in the agencies' "suspense" account No. 2224.3. These balances included amounts received and deposited from 1933 through June 30, 1954, such as Sioux Pony Claim payments, proceeds from sales of Government vehicles, patronage dividends from cooperatives, and proceeds from land sales due to individual Indians. Good accounting practices would require that the balances in the suspense account be reviewed periodically and transferred to an individual Indian's account or to the proper fund.

At the Crow Creek and Rosebud Agencies, a copy of the individual account ledger (form 5-796, revised), for the period July 1 through December 31, 1953, had not been distributed to the Indian depositors. The Indian Affairs Manual (vol. IV, part II, sec. 603.03E(19)) provides that:

"*** Individual Indian Account Ledger, Form 5-796 Revised, shall be maintained in triplicate for each account. All transactions affecting Individual Moneys Deposit accounts shall be posted to the affected ledgers. *** The first copy is to be used as a statement to the individual owner of the account."

To improve the administration of individual Indian money accounts, and to provide proper verification of disbursements and to prevent payment of Indian moneys to unauthorized persons that could result in claims against the Government, we recommend that:

- a. Bureau employees be required to exercise greater care in issuing checks that result in overdrafts in Indian accounts. Additionally, chief clerks at agencies should vigorously follow up on overdrafts, to review the reasons therefor and to insure necessary action to clear them.
- b. Withdrawals not be permitted unless a properly completed, signed, and approved individual Indian accounts application (form 5-139b) is included in the appropriate jacket files.
- c. An owner's signature card (or thumbprint card for illiterates) be required for all individual Indian money accounts.
- d. Action be taken to close inactive Indian money accounts with balances of \$100 or less as provided by Bureau circular 3659, dated June 15, 1947, and in order to reduce the volume of work on these accounts in the area.
- e. Balances in the suspense accounts be reviewed and that transfers, as appropriate, be made to the individual Indian accounts or to the proper fund, so that disposition may be made of the many long-standing balances that now exist in these accounts.
- f. Statements be mailed periodically to all holders of individual Indian money accounts in order that the Indian may have a record of his transactions as they appear in his account for comparison with his own information and that he may determine and resolve any discrepancies that may exist.

9. Delinquent accounts receivable

The Aberdeen Area Office has not properly supervised the field offices in the handling of accounts receivable. Inadequate supervision is illustrated by the failure of the field offices to (1) apply aggressive collection action, (2) bill promptly for

services rendered, and (3) initiate action to remove uncollectible receivables from the active accounts.

The Aberdeen Area Office performs the accounting functions for both the Aberdeen and Minneapolis areas. An aging of the accounts receivable for both areas was made as of June 30, 1954, a summary of which is presented below. The amount of collections from July 1 through August 22, 1954, applicable to these receivables, is included also.

Aging summary	Aberdeen area		Minneapolis area	
	Receiv- ables at June 30, 1954	Collections, July 1 to August 22, 1954	Receiv- ables at June 30, 1954	Collections, July 1 to August 22, 1954
Less than 60 days old	\$30,651	\$3,159	\$ 6,919	\$356
60 days to 6 months old	4,084	473	2,454	203
Over 6 months old	<u>37,828</u>	<u>313</u>	<u>18,174</u>	<u>189</u>
Total	<u>\$72,563</u>	<u>\$3,945</u>	<u>\$27,547</u>	<u>\$748</u>

At the Crow Creek and Rosebud Agencies, collection action was limited to correspondence requesting payment. We found no evidence to indicate that personal visits or other proper follow-up had been made to facilitate collections, even though certain Bureau representatives are in communication with some of the debtors from time to time for other reasons. Some of the delinquent receivables date back to 1946 at the Rosebud Agency, and many of these debtors were agency or tribal employees. The nominal amount of collections applicable to these receivables shows that the follow-up action has not been effective.

The Sisseton Area Field Office failed to bill non-Indians for hospital services during calendar years 1951-52, and some fiscal year 1954 billings were delayed for more than 4 months after services were rendered. The area office has taken no action to clear the accounting records of uncollectible accounts.

To provide better control over the billing and collection of accounts receivable, we recommend that field installations be required to take more aggressive collection action, bill promptly for services rendered, and remove from the accounting records those accounts that have been determined to be uncollectible in accordance with the applicable regulations.

10. Inadequate accounting control

Accounting control over fiscal activities at the area office and field installations in fiscal year 1954 was inadequate.

At June 30, 1954, the totals of the detail subsidiary records maintained in the Aberdeen Area Office for accounts receivable and stores supplies were not in agreement with the respective general ledger control account balances as shown in the following schedule. The differences had not been reconciled by the time we completed our audit work in the field.

	Total per detail subsidiary records	General ledger total	General ledger (under)
<u>Aberdeen area</u>			
Accounts receivable	\$72,563	\$71,438	\$1,125
Stores	25,042	24,012	1,030
<u>Minneapolis area</u>			
Accounts receivable	27,547	25,925	1,622

At the Crow Creek and Rosebud Agencies, the total of the detail loan receivable records did not agree with the general ledger control balances as shown below. The aggregate of the detail records had not been reconciled to the control account balances by agency personnel or the area office fiscal auditor.

	Total per detail subsidiary records	General ledger total	General ledger over (-under)
<u>Revolving fund for loans</u>			
Crow Creek Agency (April 30, 1954)	\$ 6,774	\$ 1,846	-\$4,928
Rosebud Agency (May 31, 1954)	255,535	256,825	1,290

The Indian Affairs Manual (vol. IV, part II, sec. 502.06c(8)) provides that the agency general ledger deposit control account balances be closed at the end of each fiscal year. Four field installations did not comply with the manual instructions at the close of fiscal year 1954.

To establish proper accounting control, we recommend that the Area Director provide for monthly reconciliations of the detail records to the general ledger control account balances and that the agency deposit accounts be closed at the end of each fiscal year.

11. Internal procedures over cash receipts

Cash receipts are not properly controlled or efficiently handled in the Aberdeen area.

At the Crow Creek, Rosebud, and Standing Rock Agencies, cash receipts were not forwarded daily to the Aberdeen Area Office. The Indian Affairs Manual (vol. IV, part II, sec. 603.02F) provides that field installations transmit cash receipts daily to the area office for deposit.

Strong internal procedures for cash receipts do not exist at the Sisseton Area Field Office. The land clerk, who was an authorized collector agent, received cash collections, prepared official receipts, posted the accounting records, and transmitted the receipts for deposit. A major part of the collections were for advance payments on land leases. The land clerk was responsible also for the preparation of lease documents.

Present procedures require that unnecessary information be recorded on the official cash receipt. A detail description of

each cash collection is shown on the official receipt and related copies (SF-1114a, b, and c). Similar detailed information is required on the schedule of collections (SF-1044). The duplication of the same information on both forms is unnecessary since the copy of the official receipt (SF-1114b) is referenced to and transmitted with the schedule of collections.

To provide for proper control over and efficient handling of cash receipts, we recommend that the Area Director require that:

- a. The cash receipts be transmitted for deposit daily.
- b. Collection, fiscal, and technical responsibilities each be assigned to different individuals in the agency office.
- c. The procedure for processing cash receipt forms be revised to eliminate the duplicate recording of information.

12. Financial reporting on enterprise operations

The area office accounting reports do not show the current financial status of area enterprise operations.

Monthly operating statements are prepared by the area office to show fiscal information on a consolidated and cumulative basis for all agency activities. The only supplemental information shown is the detail of the accrued expenditures for each agency activity.

The Flandreau School Operating Statement, at June 30, 1954, included accrued expenditures in the amount of \$75,950 for the Flandreau Garment Factory Enterprise. The amounts of the accrued income and inventory were not shown.

To provide operating officials with adequate data on expenses and revenues, we recommend that the Area Director require that a

separate monthly operating statement be prepared for each enterprise operating in the area. These statements should include sufficient information to make possible an evaluation of the accomplishments and efficiency of the enterprises.