

Summary of Audit Report
Bureau of Indian Affairs
Fiscal Years ended June 30, 1952 and 1953

Page 5

Indian tribes have balances in the Treasury drawing interest at 4 - 5 percent. Bureau lends money to tribes at 1 - 2 percent. Auditors state that lending rate should be at least as high as interest received from Treasury, also recommend that Congress pass legislation to reduce rates paid to tribes.

Page 6

The auditors cite three instances of noncompliance with law by the Bureau:

- (a) Use of \$800,000 of receipts from sale of power for construction at San Carlos Project. Maintain that legislation clearly shows that revenues are not available for construction.
- (b) Bureau has not collected \$330,594 from Navaho due Government for reimbursable road maintenance as required by law even though funds are available for offset.
- (c) Auditors maintain that Bureau violated limitation on passenger carrying vehicles. Purchased 20 vehicles classified as "trucks, coupe pickups" which were actually business coupes with the addition of a box attachment.

Page 8

Bureau has used program funds to finance part of General Administrative expenses. Maintain that this practice nullifies the action of Congress in appropriating funds for General Administrative Expenses.

Page 9

By law, Indians eligible to receive medical attention are expected to pay fees based upon cost of service unless financially unable. Auditors claim Bureau does not have procedures to verify ability to pay, neither has it prepared a specified schedule of fees for services rendered.

Page 11

By law certain collections of irrigation operation and maintenance assessments are to be reimbursed to the United States. Collections have been deposited into project trust funds. Auditors feel that funds should go into miscellaneous receipts of Treasury and state that the Department in 1951 had Treasury set up a miscellaneous receipt account to cover these collections. However, only a small amount of the collections were deposited into this account. GAO's legal staff is studying the laws on this matter.

Page 12

The irrigation operation and maintenance assessment rates are inadequate to recover costs. On page 61 two projects are cited as examples. San Xavier Project in Arizona has rate of \$1 per acre whereas cost of O&M was \$4.68. Dock Valley Project in Nevada has rate of 80 cents an acre whereas cost of O&M was \$3.81.

Page 13

About 1/3 of total electric energy at San Carlos Project has been utilized in irrigation pumping at no charge to water users -- most of whom are non-Indian. Auditors state that at December 1952 a cumulative deficit of \$1,677,064 existed from the irrigation pumping operations.

Page 14

Administrative expenses in connection with timber sales are required to be deducted from gross proceeds and deposited into miscellaneous receipts. Auditors maintain that Bureau's records do not classify the administrative expenses between forest and range activities as required and are otherwise deficient.

Page 16

Administrative expenses have not been collected from Navajo Tribe in connection with Sawmill operations. Bureau has waived such collections and auditors state such action appears to be in excess of Bureau's authority.

Page 17

A duplication of effort between Interior and Agriculture in soil conservation activities exists on areas in which Indian and non-Indian lands are intermingled. The auditors recommend the Secretaries of Interior and Agriculture negotiate agreements so that one agency will do the work for the other in such areas.

Pages 17 - 18

Deficiencies in property management and procurement are discussed in a general manner. No recommendations to the Department are included, other than general recommendation that the situation be improved.

Page 19

The deficiencies in handling the accounts of Indians by Indian Service Special Disbursing agents are discussed. The auditors state that Bureau officials at field locations showed little concern regarding the poor condition of the records and the weaknesses in procedures. Specific cases of embezzlement are cited.

Page 21

The auditors stress the need for an appropriate internal audit staff and program in order to eliminate deficiencies in internal controls and other weak practices.

Page 22

Payments to States for Indian education is discussed. Auditors state that Bureau considers the recoupment payment (repayment of Federal aid in construction) as part of the financial need of a district and allows this item to be included in the district's operating budget. On this basis the Bureau contributes a part but deducts the recoupment payment from its contribution. The auditors state that consequently there is no recoupment.

Page 23

Loans outstanding from revolving fund at June 30, 1953, amounted to \$10,190,941. The auditors state that 44 percent of this amount is on loan to four Alaska salmon canneries and to villages in Southeast Alaska. Fishing seasons have been very unfavorable.

Page 23

Numerous deficiencies in accounting are cited particularly in irrigation and Indian money accounts. The auditors state that "the present prescribed accounting system is adequate." The deficiencies are in operating the system.