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W-IA-BIA-16-82C

U.S. DEPARTMENT OF THE INTERIOR

OFFICE OF INSPECTOR GENERAL

AUDIT REPORT

REVIEW OF THE
MANAGEMENT SYSTEMS
OF THE
BLACKFEET TRIBE



**This report may not be disclosed to anyone other than the auditee
except by the Assistant Inspector General for Administration,
Office of Inspector General, U.S. Department of the Interior,
Washington, D.C. 20240.**

March 1983

DATE

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File: "Blackfeet Tribe... W-IA-BIA-16-82C"

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United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
WASHINGTON, D.C. 20240

March 30, 1983

Memorandum

To: Assistant Secretary - Indian Affairs

From: Inspector General

Subject: "Review of the Management Systems of the Blackfeet Tribe"

This report discusses the results of our review of the management systems of the Blackfeet Tribe.

During the last few years, the Council made a concerted effort to establish control over all tribal activities by gradually bringing tribal departments and activities under the centralized financial and management systems envisioned in the Tribal Plan of Operation and modifications thereto. In our opinion, the Tribe's centralized accounting system, subject to the establishment of certain interrelated managerial controls, is an acceptable system that provides reasonably accurate data on recorded costs. For the most part, the problems disclosed by our review related to financial activities that were not under the central accounting system or where related administrative systems envisioned by the Tribal Plan of Operation had not been fully implemented.

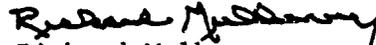
We are recommending that BIA encourage the Tribe to (1) bring all financial activities under the control of the centralized accounting system, and (2) expedite its efforts to establish and implement procedures needed to provide proper control over pay and benefits of personnel, procurement, and maintenance of property records.

Our discussion with officials of the Tribe, Billings Area Office (BAO), and Blackfeet Agency, indicated general agreement with our findings and recommendations. In the matter concerning employees reporting 8 hours a day when the normal working day is 7 hours, the Tribe's position was that the procedure was justified because tribal policy provides for a 7-hour day with 1 hour for lunch. BAO officials indicated disagreement with the Tribe's positions.

We are issuing this report without BIA comments because we did not receive a requested written response to the draft report from your office by the extended due date.

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As required by 360 DM 7.3, please provide us with your response to this report by May 20, 1983. The legislation creating the Office of Inspector General requires semiannual reporting to Congress on all reports issued, action taken to implement the recommendations, and identification of each significant recommendation on which corrective action has not been completed.


Richard Mulberry

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INTRODUCTION

The Office of Inspector General (OIG) has reviewed the financial management system and operations of the Blackfeet Tribe (Tribe) located in North Central Montana. The Tribe was selected as part of an ongoing OIG program to perform comprehensive audits of Indian tribes.

The objective of our review was to determine the adequacy of the Tribe's financial management system and related internal controls. In addition, we reviewed the operation of selected contract, grant, and tribal functions for their efficiency and effectiveness. The results of these reviews are covered in separate reports dealing with reservation land records and the Tribe's Housing Improvement Program.

As a general policy, tribal accounting records, including selected Federal contracts and grants, are audited annually by a Certified Public Accountant (CPA). As a result, we limited our tests to the identification and development of specific weaknesses in either the accounting or management systems which affect the overall reliability of the system for reporting costs under Federal contracts and grants.

Costs recorded in the tribal central accounting system totaled \$11.1 million for fiscal year (FY) 1981 and \$10 million through May of FY 1982. The details of these are shown in exhibit 1.



Our review was made, as applicable, in accordance with the "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions" issued by the Comptroller General of the United States and, accordingly, included such tests and auditing procedures as we considered necessary under the circumstances. We made our review at the tribal offices from June through October 1982.



BACKGROUND

The Tribe is located on the Blackfeet Indian Reservation adjacent to Glacier National Park in North Central Montana. The Reservation covers approximately 1.5 million acres in Glacier and Pondera counties. The 1.5 million acres include approximately 940,000 acres held by BIA in trust for the Tribe and individual Indians and 549,000 acres owned in fee simple by the Tribe, individual Indians, and non-Indians.

The primary commercial center of the Reservation is the town of Browning, Montana, where both the tribal and BIA agency offices are located.

There are approximately 12,300 enrolled members of the Tribe including 8,550 adults and 3,750 children. Approximately, 3,075 of the tribal members live on or near the Reservation.

As shown in exhibit 1, the Tribe spent \$11.1 million in FY 1981 and \$10 million in the first 8 months of FY 1982. FY 1981 expenditures involved \$4.4 million of tribal funds, \$6.4 million expended under Federal contracts and grants, and \$300,000 in State funds. Other Federal and state support or assistance provided on the Reservation averages approximately \$12,723,000 per year as shown in exhibit 4.

The Constitution of the Tribe was approved by the Secretary of Interior on December 13, 1935, pursuant to the Indian Reorganization Act of June 18, 1934 (48 Stat. 984). The Constitution provides for the election of a nine member Blackfeet Tribal Business Council (Council) in June of even numbered

years. Council membership for the period covered by our audit is shown in exhibit 2. All executive and legislative authority rests with the Council, which appoints various committees as listed in exhibit 3.

There are no constitutional provisions for a judicial system. However, the Constitution does allow the Council to establish minor courts for settling disputes between tribal members and for punishment of tribal members violating tribal ordinances.

The Tribe's principal income comes from oil and gas royalties which totalled \$3,528,000 in FY 1981. The major commercial enterprise of the Tribe is the Blackfeet Indian Writing Company which produces pencils and pens and employs approximately 100 tribal members.

Tribal administrative requirements were codified in the Tribal Plan of Operation adopted by the Council in January 1965. This plan and its modifications outline tribal administrative procedures to be followed in the conduct of tribal activities. The Tribe does not prepare consolidated financial statements for its combined activities. However, the Tribe's general fund is audited annually and many federally funded programs are audited annually on an individual basis by CPA's.



HIGHLIGHTS

During the last few years, the Council made a concerted effort to establish control over all tribal activities by gradually bringing tribal departments and activities under the centralized financial and management systems envisioned in the Tribal Plan of Operation and modifications thereto. In our opinion, the Tribe's centralized accounting system, subject to the establishment of certain interrelated managerial and administrative controls, is an acceptable system that provides reasonably accurate data on recorded costs. For the most part, the problems disclosed by our review related to financial activities that were not under the central accounting system or where related administrative systems envisioned by the Tribal Plan of Operation had not been fully implemented.

Although most of the Tribe's financial activities are under the centralized accounting system, we noted that: (1) one federally sponsored program was not under such control, (2) responsibility for the maintenance of individual project records under the Blackfeet Housing Improvement Program (BHIP) was not transferred to central accounting, and (3) two programs were maintaining separate special funds outside of the system. There were problems in each of these cases including the absence of adequate individual BHIP project records, possible duplication of payroll costs, writing of checks for cash, and use of special funds to provide loans to other programs. We also believe that many other problems related to the reliability of records and controls existed prior to FY 1981 when most of the programs were not under a centralized accounting system.

The need for effective implementation of controls that are interrelated to the reliability of the accounting records involves the payroll/personnel area and the procurement/property management area. Together these functions are involved in the vast majority of the Tribe's expenditures and, therefore, the establishment of adequate procedures in these areas is very important. Specific procedural or control problems noted in our review of these areas include:

Payroll and Personnel

--- Absence of employee and/or supervisory certifications of timecards.

--- Reporting of 8 hours a day when the normal working day is 7 hours.

--- Taking of excessive paid holidays.

--- Failure to properly account for the accumulation and use of annual and sick leave.

--- Absence of adequate personnel records for all employees.

--- Absence of pay scales and pay rate authorization data.

Procurement and Property

--- Lack of evidence that competition was obtained for most purchases of items costing over \$500.

--- Failure to utilize the tribal procurement office in the acquisition of property items.

--- Failure to maintain centralized property and inventory records and controls.



We are recommending that BIA encourage the Tribe to (1) bring all financial activities under the control of the centralized accounting system, and (2) expedite its efforts to establish and implement procedures needed to provide proper control over pay and benefits of personnel, procurement, and maintenance of property records.



FINDINGS AND RECOMMENDATIONS

1. ACCOUNTING SYSTEM

During recent years, the Tribe has established and substantially implemented a centralized accounting system that replaces the former individual systems maintained separately for each program. In our opinion, the centralized system, subject to the establishment of further managerial controls, is an acceptable system that provides reasonably accurate data on recorded costs. However, we found problems related to the few programs or financial activities that have not been placed under the central accounting system.

For example, although ordered to do so in early 1981, the Tribe's Natural Resources Department (NRD) did not turn over its accounting for the Montana Indian Targeted Jobs Demonstration Project to the centralized accounting system. Our review has disclosed questionable practices including possible duplication of salary payments involving this program and programs that were turned over to centralized accounting. Our questions in this case have been referred for investigation.

Also, the NRD maintained a checking account that was reportedly established initially to cover the cost of purchasing a vehicle for a women's rights program. Subsequently, this fund has been used to provide short-term temporary loans to other tribal programs.

In addition, the Tribal Nursing Home has retained responsibility for a patient trust fund used to provide nursing home residents a secure