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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON REGIONAL OFFICE
FIFTH FLOOR
803 WEST BROAD STREET
FALLS CHURCH, VIRGINIA 22046



JUN 10 1971

Dear Mr. Jacobson:

We have made a review for the settlement of accounts of certifying officers of the Cartographic Division, Soil Conservation Service, Department of Agriculture, Hyattsville, Maryland, through June 30, 1970. Our review was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

Our review, which was completed in April 1971, consisted of an evaluation of the administrative procedures and controls relative to the receipt and disbursement of funds and included such tests of financial transactions and records as we considered appropriate. We did not review payroll operations or program activities.

We found the administrative procedures and internal controls to be generally effective, and the selected transactions which we reviewed were processed in a satisfactory manner.

We wish to acknowledge the courtesies and cooperation extended to our representatives during the review.

Copies of this letter are being sent to the Administrator, Soil Conservation Service, and the Inspector General, Department of Agriculture.

Sincerely yours,

D. L. Scantlebury
D. L. Scantlebury
Regional Manager

Mr. James L. Jacobson, Assistant Director
Cartographic Division, Soil Conservation
Service
Department of Agriculture
Hyattsville, Maryland 20782

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Albuquerque, one of the other seven Areas, disclosed that expenditures were being recorded only on the amount of contractor performance approved for payment, thereby excluding holdbacks as well as all unbilled performance.

3. At the Albuquerque Office we found that travel was being accrued at the time of authorization.

4. BIA Accounting Center financial management personnel indicated that revenue for reimbursable work was accrued only when billed and that billing practices among the Areas varied.

We were unable to reach any conclusion as to the probable accuracy of the information being reported to the Treasury because we found that the accounting system was not adequately documented and appeared to be undergoing continuing change.

We observed the following deficiencies during our test at the Accounting Center.

1. Intradepartment transactions between the Bureau's various Area Offices did not net out as they should have in the three months tested.

2. Application of the reconciliation formula contained in IFRM Transmittal Letter No. 18 resulted in unexplained variances in the June 30, 1970, report on the expenditure account tested.

3. BIA, instead of reporting certain receivables separately, was deducting their value from the payables reported. The receivables and payables being netted were unrelated.

4. Adjustments in net disbursements were made in order to make the budget reports (SF133) agree with previously submitted cash transaction reports (SF224) which were in error.

5. Manually-generated data included in consolidated reports was not validated.

We believe that BIA should give priority to developing a stabilized and adequately documented system for recording and reporting accounting information including accrued revenue and expenditure data.

We wish to express our appreciation for the fine cooperation we received during our test at BIA. We will be glad to discuss the results of our work with you or your staff if you so desire.

Sincerely yours,

Jewell Jackson
Jewell Jackson
Deputy Director

12-17-70

Robert W. [Signature]



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

OFFICE OF POLICY AND
SPECIAL STUDIES

DEC 17 1970

Mr. Louis R. Bruce
Commissioner, Bureau of Indian Affairs
Department of the Interior

Dear Mr. Bruce:

We have completed our test of the adequacy of the accounting processes and controls employed by the Bureau of Indian Affairs (BIA) in recording and reporting accrued expenditures of selected appropriation accounts as of June 30, 1970, and monthly thereafter. The test of BIA was part of a study conducted at selected Departments and Agencies to determine if they were reporting accruals in accordance with the concepts of the Office of Management and Budget (OMB) Bulletin 68-10, as amended by the letter from the Director, OMB, dated April 13, 1970, and Treasury Fiscal Requirements Manual (TFRM) Transmittal Letters Nos. 18, 36, 46 and 49.

Our evaluation consisted of a review of applicable portions of the BIA Manual and other available documentation of the accounting system, a review of the accrued revenue reporting process at the BIA Accounting Center, and a limited test of transaction processing at the Albuquerque Area Office. We also reviewed workpapers prepared by Audit Operations, Office of Survey and Review. In addition, we have had numerous discussions with BIA Accounting Center financial management personnel on the procedures used to record and report accrual data.

We found that the process employed by BIA differs from the concepts of OMB Bulletin 68-10 in several respects.

1. In five of the twelve BIA Areas accruals are not recorded for material receipts until after Agency personnel have received supplier invoices, matched them with receipt documents, and forwarded them to the Area Offices.

2. BIA personnel stated that the five Areas were recording expenditures for contractor performance on the basis of invoices only but that the other seven were recording unbilled contractor performance although not necessarily completely. However, our field tests at

Mr. Roland Miller

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the Statement since the Division can itself compute the Statement, utilizing the formula contained in Treasury Fiscal Requirements Manual Transmittal Letter No. 18 and the net receipts and disbursements reported on the Statement of Transactions. A Division official stated that by local application of the formula more timely reporting can be achieved.

We found delays in recording some fiscal year 1970 transactions:

<u>Month in which processed</u>	<u>Approximate volume recorded</u>
July 1970	19,670
August 1970	<u>5,630</u>
Total	<u>25,300</u>

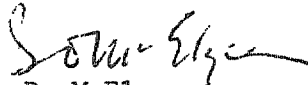
A Division official furnished us with information which showed that transactions processed during May and June of 1970 averaged about 430,000 per month. The above delayed transactions were approximately 6 percent of that average. We believe that the volume of delayed transactions was significant. If the same delay in recording exists during the other months of a year, it is possible that the reports to the Treasury could be significantly misstated. We feel that the Division should encourage the areas to record their transactions in a timely manner in order to get more timely and accurate reporting to the Treasury.

Please notify us as soon as possible regarding the corrective actions you have taken for the problems mentioned above.

We appreciate the cooperation received from your staff. We will be glad to discuss the results of our work with you or your staff if you so desire.

Copies of this letter are being sent to the Commissioner, Bureau of Indian Affairs, and the Director, Office of Survey and Review, Department of the Interior.

Sincerely yours,


S. D. McElyea
Regional Manager

Enclosure

Rental expenses for General Services Administration facilities are recorded as an expenditure at yearend only rather than being reported on a monthly basis. During June expenditures are charged to the various funds on the basis of data from the Bureau of Indian Affairs in Washington, D.C. We believe that you should establish monthly accruals for rent. If the Bureau in Washington cannot readily furnish monthly allocations by fund, you should develop your own estimates to be recorded and reported.

The computerized accounting system is deficient in that no provision has been made for utilizing account 123, Advances to Other Government Agencies, even though BIA had at least one such advance. We were told that the deficiency is known and that priority has been given to corrective action.

While we did not include the Indian Trust Funds in our test, Division personnel told us that the fund revenues were recorded on a cash rather than an accrual basis. They believed that recording revenues as they accrue might lead to attempts to spend the funds before they are in fact available. We believe this misunderstanding of the meaning of accruals can be corrected by educating those spending the funds.

Following is a summary of preparation and issue dates for Form No. BA-6727 at BIA as compared with the due dates established by the Treasury:

<u>Date of 6727</u>	<u>When prepared and mailed</u>	<u>When due</u>
June 30, 1970	Preliminary prepared and mailed on August 13, 1970	July 22, 1970
	Interim not prepared	August 20, 1970
	Final prepared and mailed on September 23, 1970	September 25, 1970
July 31, 1970	Prepared on October 2, 1970 Mailed on October 6, 1970	August 20, 1970
August 31, 1970	Prepared and mailed on October 8, 1970	September 20, 1970

One of the reasons advanced by a Division official for delays in submitting reports was the desire to wait to reconcile differences between their records and the Treasury "Statement of Appropriation Account" for the prior month. We pointed out that it was not necessary to wait for