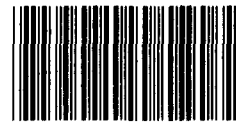


May 1992

BUREAU OF INDIAN
AFFAIRS

Long-standing Internal
Control Weaknesses
Warrant Congressional
Attention



146545

**Resources, Community, and
Economic Development Division****B-247384****May 8, 1992****The Honorable Daniel K. Inouye
Chairman, Select Committee on
Indian Affairs
United States Senate****Dear Mr. Chairman:**

The Bureau of Indian Affairs (BIA) has been singled out by the Secretary of the Interior for not providing adequate assurance that its (1) obligations and costs are in compliance with applicable law; (2) assets are safeguarded against waste, loss, unauthorized use, and misappropriation; (3) revenues and expenditures are recorded and accounted for properly; and (4) programs are efficiently and effectively carried out in accordance with applicable law and management policy. BIA's Social Services program has been among those activities identified as having inadequate internal controls. BIA, however, has stated that previously disclosed problems have been corrected or are being addressed.

As part of your Committee's continuing oversight of activities within BIA, you asked us to review the implementation of BIA's \$110-million-a-year Social Services program. We reviewed the status of internal controls in two components of the program: general assistance payments to eligible Indian recipients—the largest component in terms of funding—and burial assistance payments—one of the smallest in terms of funding—to determine whether internal controls were applied consistently in large and small programs. This report presents the results of our review in the context of previously disclosed internal control weaknesses.

Results in Brief

Problems such as unjustified, improper, and inconsistent payments, as well as a significant potential for fraud and waste, exist in the general assistance and burial assistance components of BIA's Social Services program. These problems stem from weak internal controls—some as basic as inadequate supervision, failure to separate employee duties, and poor computer system security.

Similar internal control weaknesses have been repeatedly identified in BIA's Social Services program for over a decade. BIA's effort to resolve these problems through a quality control branch, created in 1986, ended in 1990. In addition, long-standing internal control weaknesses persist

throughout BIA. Previous reviews by Interior's Inspector General, as well as BIA's annual reports on the accounting and internal control systems, show a recurring pattern of inadequate attention from BIA's management, shortcomings in program administration, and ineffective corrective action in many BIA programs.

BIA needs to establish effective internal controls. However, the long-standing nature of internal control weaknesses and BIA's past efforts to correct them indicate that an overall management commitment at all levels will be needed if an effective system of controls is to be established. Recent initiatives by congressional appropriations committees to address persistent accounting and internal control weaknesses in BIA's management of Indian trust funds and the Office of Audit and Evaluation established in 1991 will need management support at all levels if these initiatives are to be successful. To ensure full management support, increased congressional oversight may be warranted.

Background

BIA, through its Social Services program, administers specific programs for the benefit of Indian tribes and individual Indians. Among these programs are payments to individuals for general assistance (welfare) and payments for the burial of indigents. Establishing eligibility for either of these payments requires demonstrating Indian ancestry and residence on or near a reservation. In addition, to be eligible for general assistance, applicants (1) must have insufficient resources to meet basic needs, as established by state standards, and (2) must not receive financial assistance from the Aid to Families with Dependent Children (AFDC) or Supplemental Security Income (SSI) programs—two programs of the Department of Health and Human Services. Burial assistance is available only when the deceased's resources are not sufficient to pay burial expenses.

General assistance and burial assistance program responsibilities are carried out by BIA's Central Office (headquarters) within the Department of the Interior, BIA area offices, BIA agency offices, and tribes that contract with BIA to manage program activities.¹ BIA's Central Office is responsible for providing leadership, direction, and coordination; formulating policies and procedures; and performing quality control reviews. Area offices are responsible for providing (1) technical guidance, consultation, and training to BIA agency and tribal social services staff and (2) performing semiannual quality control field visits. Agencies, or tribes through contracts, determine

¹Tribes may contract with BIA to administer program activities under the Indian Self-Determination and Education Assistance Act of 1975 (P.L. 93-638). In such cases, tribes administer program activities according to contract provisions, and BIA performs oversight and monitoring.

program eligibility and the amount of payments to be provided to program recipients.

In fiscal year 1991, BIA spent about \$57 million for general assistance (over \$33.6 million of which was administered by tribes under contracts with BIA) and about \$1.4 million for burials (almost \$700,000 of which was administered under tribal contracts). General assistance payments were provided agencywide to an average of 50,095 individuals monthly, and burial payments were provided to an average of 264 individuals monthly.

We reviewed general assistance program payments administered through 2 of the 12 BIA area offices and 3 agency/tribal locations. For burial assistance payments, we included one BIA area office and two agency/tribal locations. Total expenditures for the programs we reviewed at the agency/tribal level were about \$3.4 million for general assistance and about \$271,000 for burial assistance.

Significant Problems Are Evident in BIA's Social Services Payment Process

Unjustified, improper, and inconsistent payments were made to general assistance and burial assistance recipients. In addition, BIA's payment administration puts the Social Services program at risk for fraud and waste. These conditions were evident in programs administered by BIA, as well as in programs contracted by the tribes, and exemplify major internal control weaknesses.

BIA Made Unjustified, Improper, and Inconsistent Payments

In a review of randomly selected case files of general assistance payment recipients, we found that few of the files documented that individuals receiving general assistance payments were not also receiving payment assistance through AFDC or SSI. One caseworker told us that she rarely made such checks. Program regulations state that general assistance payments are not to be made to individuals receiving financial assistance through AFDC or SSI. In addition, caseworkers were not always verifying and documenting the available resources of deceased individuals, as required by program eligibility rules, before approving burial assistance payments. In 146 burial files, we found no evidence in 17 cases, or 11.6 percent, that caseworkers had determined the decedent's available resources. In one case, BIA paid over \$1,900 for an indigent's burial when the deceased had sufficient funds to cover the expenses in a local bank account specifically designated to pay his funeral expenses. The bank discovered BIA's error and initiated repayment to BIA.

Our review of payments made between January and October 1991 for one tribal location disclosed that two individuals had received improper general assistance payments. In one instance, an individual received duplicate payments in the same payment period. In the other instance, an individual received multiple payments for three consecutive payment periods. The responsible BIA area office official was not aware of these erroneous payments but, when we brought the situation to his attention, he said that corrective action would be taken to prevent these multiple payments from continuing.

Inconsistencies also existed in the calculation of general assistance payments and the basis used to justify a portion of burial payments. For general assistance, partial monthly payments (prorated payments) were being computed differently at agency and tribal locations. The differences stemmed from varying interpretations of BIA's guidance, which did not clearly specify how such payments were to be computed. For this reason, when we asked staff at BIA's Central Office and area offices and supervisors at agency and tribal offices to calculate prorated payments using standardized case examples, only two out of the six responses provided consistent payment calculations. Payments made to cover the cost of burial ceremonies were also inconsistent. One location made burial ceremony payments of up to \$100 for groceries only and required grocery receipts before making payment; another location paid up to \$100 without requiring any justification.

BIA's General Assistance Payment System Is Vulnerable to Fraud and Waste

Central to BIA's administration of general assistance payments is the Bureau's Social Services computerized payment system. However, BIA is not adequately controlling access to this system or properly separating the duties of program staff. These conditions make BIA's general assistance payments system vulnerable to fraud and waste.

BIA's computerized payment system stores information on recipients of general assistance payments and is used to process the payments. After a program applicant is approved, key information about the applicant is entered into the system, creating a data file that includes the amount of the payment to be made. Actual payments are authorized and issued on the basis of information contained in the system's data file.

BIA was not following its procedures for authorizing specific employees access to the computerized system and for assigning system access codes. At one BIA agency office, none of the Social Services' data entry staff had

been authorized access to the system. To get payments to recipients, three staff members routinely gained access to the system using the access code used by a former staff member who had not worked at that location for over a year. Furthermore, at both BIA area offices, an employee in each area who had been authorized to use the system and given an access code also used codes assigned to employees at agency offices to gain access to the records of program recipients and, when deemed necessary, to modify payment information. Because there is no control over individual staff's use of access codes, it is not possible to document which specific individuals are gaining access to the system. Thus, the opportunity exists for employees to modify payment data with the intent to defraud.

Not only was access to the system not controlled, but also duties were not adequately separated. We found that at both a tribal location and an agency office, employees responsible for establishing applicants' eligibility, determining payment amounts, approving payments, and reviewing payment information also entered payment information into the computerized system.

In the two instances of duplicate or multiple payments mentioned earlier, both recipients had more than one valid file in the system, and each file generated a payment. The payment system is not programmed to identify multiple or duplicate payments or multiple files.

Key Internal Controls Are Lacking

BIA has not established and maintained key internal controls in its general assistance and burial assistance programs. These controls include documenting the basis for programmatic decisions, providing adequate supervision, separating the duties of employees, and maintaining computer system security. Executive agencies must follow standards for such controls under 31 U.S.C. 3512(b).² The failure of BIA's management to effectively establish and maintain these internal controls has led to the problems and conditions described earlier.

Because BIA does not document the basic programmatic decision of whether general assistance and burial assistance applicants meet eligibility criteria, the Bureau has little assurance that program funds are being directed to eligible individuals. We did not attempt to determine whether the general assistance recipients whose files we reviewed were also receiving AFDC or SSI financial assistance. However, to perform a limited

²Standards are contained in the Comptroller General's Standards for Internal Controls in the Federal Government (Washington: U.S. General Accounting Office, 1983).

check with four states, in August 1991, BIA's Division of Social Services used social security numbers in clients' files to determine whether the states had provided AFDC assistance to selected recipients of BIA general assistance and child welfare assistance³ in April 1991. Of the 102 cases selected, BIA found that two clients had received duplicate payments and questioned two other cases.

The level of supervision provided to program employees at the BIA agency and area offices we visited was limited. For example, none of the burial assistance case files we reviewed contained evidence of supervisory involvement. On the basis of our sampling results, we estimated that 87 percent of the general assistance case files contained no evidence of supervisory involvement.⁴ The supervisors confirmed that they rarely reviewed caseworkers' determinations of applicants' eligibility and payment amounts. Furthermore, although BIA's program procedures require area staff to review program activities through quality-control field visits to agency locations at least semiannually, such visits were not being made. Instead, staff at one area office had requested agency program officials to conduct self-evaluations. According to area staff, however, the self-evaluation results were not reviewed in detail.

BIA has not properly separated the duties of program employees, as required by internal control standards, nor has it ensured the security of BIA's computerized payment system. Both separation of duties and system access security are essential to minimize the opportunity for fraud. Separation of duties ensures that no one individual controls key aspects of a program; computer system security ensures that access is controlled to reduce the risk of unauthorized manipulation of data and transactions and that changes made by individuals with specific access codes are documented. More specifically, only authorized staff should receive access codes, and these codes should be invalidated when the person transfers, resigns, or no longer needs access. To establish accountability, at no time should these codes be shared.

Only authorized staff should have access to the system. At the local level, caseworkers—who determine eligibility and approve payment amounts—should not be able to enter payment information into the system. However, we found that one caseworker who was not authorized

³This program provides for the care of abandoned or neglected children. These children are not eligible for care under any other programs.

⁴At the 95-percent confidence level, the lower and upper limits of this estimate are 85.6 percent and 80.0 percent. Appendix III contains an explanation of what these percentages mean.

access used another person's password to enter payment data. Although we found no instances of fraud, caseworkers who can establish client eligibility and also enter payment information have the opportunity to create, and place BIA at risk for, fraudulent payments. Caseworkers could also create altered, duplicate, or multiple payments for existing clients and then verify the payments for processing.

At the area level, staff who review and forward payments for final processing need to review the computerized payment data but should not be able to manipulate data and alter payments. Issuing access codes that limit access to only viewing or reading the files can accomplish this goal. However, we found that BIA authorizes agency access codes for these area staff, which is contrary to the concept of establishing accountability for changes made to data files. Area staff use these codes to modify payment information and expedite the payment process. By allowing area staff to use access codes assigned to agency staff, BIA further exposes itself to risk for fraudulent payments.

BIA Has Not Corrected Long-standing Internal Control Weaknesses in the Social Services Program

The internal control weaknesses disclosed by our work, as well as weaknesses in the Social Services program disclosed by Interior's Inspector General and BIA itself, are long-standing. BIA's effort to correct these problems, through the Branch of Quality Control, has not been successful.

For more than a decade, Interior's Inspector General has reported specific internal control weaknesses in the Social Services program. (See app. I.) These weaknesses include insufficient (1) guidance and standards, (2) supervision and monitoring, (3) separation of duties, and (4) computer system security—the same internal control weaknesses we identified during our review. Through required annual reporting on its accounting and internal control systems under 31 U.S.C. 3512(d),⁵ BIA itself has also reported major internal control weaknesses in its Social Services program. For example, in its October 1991 reporting to the Secretary of the Interior, BIA stated that computer system security was a material weakness.⁶ BIA previously had reported that this weakness, initially identified by Interior's Inspector General in 1983, had been corrected.

⁵This provision was originally enacted as part of the Federal Managers' Financial Integrity Act of 1982.

⁶A material weakness, among other things, would significantly weaken safeguards against waste, loss, unauthorized use, or misappropriation of funds. Material weaknesses are to be reported to the President and the Congress.

BIA created the Social Services Branch of Quality Control in 1986 to perform independent, systematic reviews of the Social Services program to accurately assess weaknesses in program administration. The branch's primary function was to identify unacceptable performance and ineffective policies and to review corrective action plans. To perform this function, the branch targeted problems in individual programs rather than the underlying internal control weaknesses that caused them. Eighteen reviews performed by the Branch of Quality Control between 1986 and the early part of 1990 disclosed insufficient documentation of the eligibility of program recipients, a lack of systematic case review, incomplete and unsigned applications, and errors in calculating prorated payments. However, while BIA addressed specifically identified problems, as our review indicates, the agency did not correct the systemic internal control weaknesses.

Since the middle of fiscal year 1990, the Branch of Quality Control has not been staffed, and funding for this office—about \$240,000 per year—has been reprogrammed for other program purposes. For example, in fiscal year 1990 the funds were used to pay \$196,500 for a court settlement in the Phoenix Area Office; in fiscal year 1991, \$217,676 of the funds went to the Juneau Area Office for general assistance payments in the state of Alaska.

Major Internal Control Weaknesses Persist Throughout BIA

Internal control weaknesses have been and continue to be a BIA-wide problem. Previous reviews by Interior's Inspector General, as well as BIA's annual reports on its accounting and internal control systems, show a recurring pattern of inadequate management attention, significant shortcomings in program administration, and ineffective corrective action across many BIA programs. The congressional appropriations committees and BIA have taken recent steps in response to these problems.

Over the last 6 years, Interior's Inspector General has reported material weaknesses in a number of BIA activities. For example, a 1991 report indicated weaknesses in Indian education, water resources, trust funds management, and cash management. In its last four annual internal control reports, BIA itself has reported material weaknesses in a number of its programs and activities. In addition, Interior, in its fiscal year 1991 report to the Congress and the President on its accounting and internal control systems, identified BIA as having material financial, environmental, and safety-related weaknesses. Finally, in 1989 the Office of Management and Budget identified three high-risk areas within Interior; Interior's ranking of

the high-risk areas put numerous BIA programs, collectively, at the highest risk for fraud, waste, and abuse.

BIA has not been effective in resolving its internal control weaknesses. In 1986 Interior's Inspector General recommended that BIA determine the actions it needed to take to prevent these long-standing, BIA-wide internal control problems and weaknesses from continuing and/or reemerging. However, in October 1991 the Inspector General noted that BIA was not making enough significant progress in correcting known weaknesses in a number of programs. Furthermore, our review of the material weaknesses that BIA reported to Interior in fiscal year 1991 showed that 15 of 16 weaknesses had been disclosed in previous years and remain unresolved—including 6 that had been identified before 1986.

Recent actions have been taken to address long-standing internal control weaknesses. In congressional hearings in April and May 1991 and again in April 1992, we testified on BIA's continuing accounting and internal control weaknesses in its management of Indian trust funds.⁷ After the 1991 hearings, the House and Senate Appropriations Committees directed BIA to complete a strategic plan for addressing these persistent problems. Also, in December 1991 an Office of Audit and Evaluations was established in the Office of the Assistant Secretary for Indian Affairs. This office, initially proposed as part of a 1990 reorganization plan for BIA, is to address long-standing internal control weaknesses throughout the Bureau. The office received \$1.1 million in funding for fiscal year 1992 but, as of the end of January 1992, had not been fully staffed.

Conclusions

Serious internal control weaknesses exist in BIA's administration of the general assistance and burial assistance components of the Social Services program. The weaknesses disclosed by our work are long-standing. Furthermore, internal control weaknesses exist in a number of other BIA programs and activities.

Immediate corrective action to resolve internal control weaknesses within BIA is clearly warranted. Furthermore, given that such weaknesses have persisted, a consistently demonstrated commitment from all levels of BIA management will be needed to establish and maintain effective internal controls.

⁷Bureau of Indian Affairs' Efforts to Reconcile and Audit the Indian Trust Funds (GAO/T-AFMD-91-2, Apr. 11, 1991); Bureau of Indian Affairs' Efforts to Reconcile, Audit, and Manage the Indian Trust Funds (GAO/T-AFMD-91-6, May 20, 1991); and BIA Has Made Limited Progress in Reconciling Indian Trust Fund Accounts and Developing a Strategic Plan (GAO/T-AFMD-92-6, Apr. 2, 1992).

The recent establishment of an Office of Audit and Evaluation offers an opportunity to undertake a concerted effort to address BIA's systemic internal control weaknesses. The development and implementation of a strategic plan to resolve accounting and internal control weaknesses in the management of Indian trust funds represents another opportunity. However, given the long-standing nature of the problems to be resolved, we believe that further congressional action may be warranted.

Matter for Congressional Consideration

The cognizant Senate and House of Representatives committees should consider requiring BIA to (1) develop a comprehensive management or strategic plan with measurable objectives and milestones and specific organizational responsibilities delineated within the organization for correcting systemic internal control weaknesses and (2) periodically report to the Congress on its progress in meeting the plan's objectives.

Agency Comments and Our Evaluation

The Assistant Secretary for Indian Affairs generally concurred with our findings and conclusions on the two components of the Social Services program and stated that immediate steps would be taken to address our findings. The Assistant Secretary also stated that our report should recognize that, in his view, the basic objectives of the general assistance program are being met and expressed concern about our report's discussion that was critical of internal controls outside the Social Services program. On the basis of a number of ongoing Department of the Interior and BIA efforts to address internal control deficiencies, the Assistant Secretary stated that further congressional oversight and reporting were not warranted. The Assistant Secretary's comments are provided in appendix II.

Our findings on internal control weaknesses in the general assistance program show that there is no assurance that the program's objectives are being met. For example, when funds were disbursed, BIA had no assurance that the payments were made to the proper individuals because individual case files lacked eligibility documentation. Furthermore, BIA's payment system was vulnerable to fraud and could not detect duplicate payments.

Our report's discussion of internal control weaknesses BIA-wide is appropriate. For years the existence of significant internal control weaknesses within a number of BIA programs has been documented in reports by Interior's Inspector General and the Secretary of the Interior, yet these weaknesses persist. We note that the Assistant Secretary did not

take exception to our statement that major internal control weaknesses persist throughout BIA. Because effective internal controls need to be established BIA-wide—not just in the Social Services program area—we believe that a report limited to a discussion of internal control weaknesses within two Social Services programs would not have addressed the more fundamental cause of the problems we found.

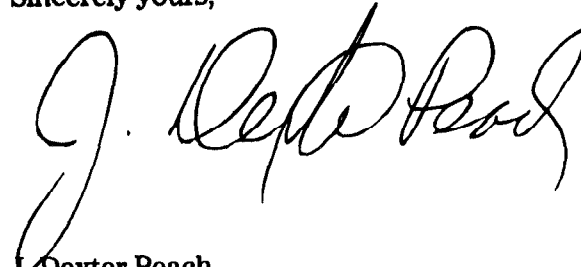
To be effective, internal control systems (1) need the full support and commitment of all levels of management and (2) must be an integral part of operations. We recognize that BIA's top management, in cooperation with Interior, is undertaking initiatives aimed at resolving BIA's long-standing internal control problems. However, the results of our review of internal controls in the Social Services program demonstrate that internal controls are not an integral part of operations at either the management or the staff level. Furthermore, while we support the thrust of BIA's current initiatives, the goal of establishing and maintaining effective internal controls within BIA has been elusive. We therefore continue to believe that congressional involvement is appropriate.

We performed our review from May 1991 through January 1992 in accordance with generally accepted government auditing standards. Appendix III contains a discussion of our objectives, scope, and methodology.

We are sending copies of this report to the Secretary of the Interior, the Assistant Secretary for Indian Affairs, appropriate congressional committees, and other interested parties. We will also make copies available to others on request.

This work was performed under the direction of James Duffus III, Director, Natural Resources Management Issues, who may be reached at (202) 275-7756. Other major contributors are listed in appendix IV.

Sincerely yours,

A handwritten signature in black ink, appearing to read "J. Dexter Peach". The signature is written in a cursive style with a large initial "J" and a long, sweeping underline.

J. Dexter Peach
Assistant Comptroller General

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Abbreviations

| | |
|------|---|
| AFDC | Aid to Families with Dependent Children |
| BIA | Bureau of Indian Affairs |
| SSI | Supplemental Security Income |

Previous Reports on BIA's Internal Controls

As part of our review of internal control problems and weaknesses within the Bureau of Indian Affairs (BIA), we reviewed reports from the Department of the Interior's Inspector General and BIA addressing (1) social services, general assistance, or burial assistance and (2) weaknesses in other BIA programs.

Social Services Program Reports

For the Social Services program, we examined 13 audit reports—covering 10 BIA area offices and at least 30 BIA-administered and tribally-contracted programs—issued by Interior's Inspector General from 1977 through 1991. Our review of these reports revealed that a number of weaknesses within the Social Services program are long-standing. These weaknesses include lack of adequate (1) standards and guidance, (2) supervision and monitoring, (3) separation of duties, (4) and computer system security.

We examined 18 reviews—covering both BIA-administered and -contracted programs in eight area offices—carried out by BIA's Branch of Quality Control between 1986 and 1990 (see table I.1). Unlike the Inspector General's audit reports, these reviews targeted problems in individual social services programs rather than the underlying internal control weaknesses that caused them. Problems identified included (1) insufficient documentation of client eligibility, (2) lack of systematic case review and eligibility redeterminations, (3) incomplete and unsigned applications, and (4) errors in proration and budget math calculations.

**Appendix I
Previous Reports on BIA's Internal Controls**

Table I.1: BIA Quality Control Reports Reviewed

| Year | Report |
|-------------|---|
| 1986 | Standing Rock Agency (Aberdeen Area Office) |
| 1987 | Red Lake Agency, Red Lake Band of Chippewa (Minneapolis Area Office) Seneca-Cayuga (Muskogee Area Office) Wind River Agency (Billings Area Office) |
| 1988 | Cheyenne-Arapaho (Anadarko Area Office) Pawnee Agency (Anadarko Area Office) Pine Ridge Agency (Aberdeen Area Office) Ramah Navajo (Albuquerque Area Office) Ute (Phoenix Area Office) |
| 1989 | Mississippi Band of Choctaw (Eastern Area Office) Wind River Agency (Billings Area Office) Muscogee (Creek) Nation of Oklahoma (Muskogee Area Office) Wewoka Agency (Muskogee Area Office) Three Affiliated Tribes (Aberdeen Area Office) Northern Cheyenne (Billings Area Office) |
| 1990 | Santo Domingo (Albuquerque Area Office) Zuni (Albuquerque Area Office) Mescalero Agency (Albuquerque Area Office) |

BIA-Wide Reviews

For other programs, we reviewed four annual reports that BIA submitted to the Secretary of the Interior between 1988 and 1991 on its accounting and internal control systems as required by 31 U.S.C. 3512(d). These reports indicated that material internal control weaknesses exist in programs throughout BIA.

We also reviewed 13 semiannual reports issued by Interior's Inspector General between April 1985 and October 1991. These reports noted long-standing internal control weaknesses in BIA programs other than the Social Services program.

**Inspector General
Audit Reports
Reviewed**

Selected Aspects of the Navajo Social Services Program (Report No. 91-I-914, June 1991).

Bureau of Indian Affairs Compliance With the Federal Managers' Financial Integrity Act of 1982 for Fiscal Year 1990 (Report No. 91-I-220, Dec. 1990).

Survey of Bureau of Indian Affairs General Assistance Program (Report No. 88-26, W-IA-BIA-09-87, Jan. 1988).

Significant and Longstanding Problems Within the Bureau of Indian Affairs (C-IA-BIA-33-85, Feb. 1986).

Review of Selected Administrative and Program Activities, Fort Peck Agency, Bureau of Indian Affairs (W-IA-BIA-18-84A, Jan. 1986).

Review of Bureau of Indian Affairs Contracts With the Crow Creek Sioux Tribe, Fiscal Years 1983 and 1984 (C-IA-BIA-08-84, Sept. 1985).

Review of Selected Programs and Administrative Activities of the Winnebago Agency, Bureau of Indian Affairs (C-IA-BIA-17-84, Mar. 1985).

Review of BIA Contracts Awarded to the Penobscot Indian Nation for the Period October 1, 1979 through September 30, 1982 (E-IA-BIA-56-84, Dec. 1984).

Review of Social Services Program Operated by the Navajo Tribe under Contract NOOC14209253 with the Bureau of Indian Affairs (C-IA-BIA-20-83, Oct. 1984).

Review of Automated Social Services System, Bureau of Indian Affairs (C-IA-BIA-11-82, July 1983).

Review of Indian Child Welfare Grants Awarded by the Bureau of Indian Affairs (W-IA-BIA-05-82, Dec. 1982).

Review of the Delivery of Social Services, Bureau of Indian Affairs (BIA 4-78, Feb. 1979).

Review of General Assistance and Tribal Work Experience Programs, Bureau of Indian Affairs (W-127, Dec. 1977).

Review of General Assistance Function, Aberdeen Area Office, Bureau of Indian Affairs (II-12d, June 1977).

Comments From the Bureau of Indian Affairs



United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240



APR 9 1992

Honorable Charles A. Bowsher
Comptroller General of the
United States
General Accounting Office
Washington, D.C. 20548

Dear Mr. Bowsher:

This letter is in response to the General Accounting Office's (GAO) Draft Audit Report - "Long-standing Internal Control Weaknesses Warrant Congressional Attention" (GAO/RCED-92-118), of February 28, 1992, on the Bureau of Indian Affairs (BIA) Social Services program.

In terms of balance, I believe that the final report should recognize that basic overall General Assistance program objectives of providing financial and counseling assistance to needy people are being addressed. As the audit indicates, no instances of fraud were detected in the program, and the problem areas noted are of a nature that can be remedied.

The focus of the audit was the General Assistance and Burial Assistance components of the Social Services program. It is understood that the management control deficiencies identified for these two components in the draft audit report are within the scope of material weaknesses identified and reported in the Department's Federal Managers' Financial Integrity Act (FMFIA) Annual Report.

We generally concur with the findings and conclusions regarding these two components of the Social Services operations, and will take immediate steps to incorporate the recommendations into a corrective action plan.

Celebrating the United States Constitution

**Appendix II
Comments From the Bureau of Indian
Affairs**

Notwithstanding the specific concerns regarding the Social Services program, I am troubled by a number of statements included in the draft regarding our Management Control Program. Since GAO did not perform a detailed review or full scope audit of the Bureau's overall management control program, we take exception to including general statements, conclusions, and recommendations about that overall program area in this audit report.

We request that GAO delete the general statements and conclusions regarding the Bureau's overall management control program and limit the audit report to the focus of the audit -- the General Assistance and Burial Assistance components of the Social Services program. If not, in the interest of providing an objective, fair, and accurate appraisal of the Bureau's overall management control program, GAO should give equal consideration to the recent initiatives taken by the Department and Bureau management to correct program deficiencies. This would include, but not be limited to, organizational changes, training programs, and system improvements, as outlined in the attachment provided herewith.

I also take exception to language in the draft report contending that BIA management does not have the commitment or the resolve necessary to establish an effective system of management controls and for correcting material weaknesses: "the failure of BIA's as well as the Department of the Interior's management to effectively address these weaknesses leads us to conclude that the management resolve needed to correct the weaknesses BIA-wide has not been forthcoming."

The Bureau's management control program deficiencies and planned corrective actions have been well-documented in the Department's FMFIA Annual Report. The Department's Management Control and Audit Follow-up Council, comprised of the Deputy Secretary (Chair), Inspector General, and Assistant Secretary - Policy, Management and Budget, meet periodically with Bureau management to monitor the management control program and corrective action progress. In addition, various Bureau programs have been identified by the Office of Management and Budget (OMB) as "High Risk" areas for the Department. As a result, the Department and Bureau management have worked with OMB in developing a strategic plan to address the deficiencies in these "High Risk" areas. During the past year, significant milestones in the strategic plan have been accomplished. Furthermore, since 1990, the Department has provided OMB a semi-annual status report on corrective action progress for "High Risk" initiatives.

Therefore, to question the commitment or resolve of the Department and Bureau management to improve the management control program, or recommend additional Congressional oversight and reporting in view of ongoing efforts by the Department and Bureau management to keep a high level of attention on the program, is unwarranted.

**Appendix II
Comments From the Bureau of Indian
Affairs**

Attached are comments and information outlining the specific areas of the draft report which I believe warrant further consideration and revision prior to its publication in final format. I herewith submit these comments for your consideration in preparing the final document on the Social Services program audit findings. Given these concerns, and with appropriate modification, the audit findings are accepted.

Sincerely,


Assistant Secretary - Indian Affairs

Attachment

**BUREAU OF INDIAN AFFAIRS
SPECIFIC COMMENTS ON GAO DRAFT REPORT
GAO/RCED-92-118**

Social Services Program:

The focus of the audit examination was on the general assistance and burial assistance components of the Social Services program. The specific findings center around guidance and standards, supervision and monitoring, separation of duties, and computer system security. The BIA is deeply concerned about the problems identified in the draft report and the findings and deficiencies noted in specific program areas audited. The BIA is examining the overall program to determine the extent to which corrective actions are required overall or in specific operations, and to verify program areas in conformance with regulatory and administrative requirements.

The basic purpose of the General Assistance program to provide financial and counseling assistance is a primary goal of the program, and in many cases these positive purposes of the program are being achieved. As noted in the "Results in Brief" section of the March 1992, GAO Briefing Report to Congressional Committees, "Welfare to Work, Effectiveness of Tribal JOBS Programs Unknown" (GAO/HRD-92-67BR), the economic environment and other impediments have severely affected the Indian welfare situation, and challenged administrators in delivering effective services. The Bureau is striving to meet these challenges. As noted below, the following initiatives have been taken on in this effort.

- o Design and initiation of social services training to develop skills of field workers. Two sequential levels of training have been developed. To date, Level I training has been presented at three locations; Level II at two locations. The training is on-going and addresses all service and administrative facets of the Social Services program.*
- o Bureau headquarters and field staff have entered into an arrangement with Haskell Indian Junior College to develop additional training curricula and to develop and implement strategies for recruitment aimed at hard-to-fill vacancies.*

The draft report includes a limited reference to efforts undertaken to determine duplication of payments such as the BIA program's check on AFDC and General Assistance payments conducted in August, 1991. This particular effort indicated a minimal error rate of less than 2% in issuing payments.

In addition to these initiatives, the Bureau will be developing a comprehensive corrective action plan during the next 60 days, focusing on the deficiencies cited in the draft report.

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Management Control Areas:

Although the audit itself focused on two components of the Social Services program, the draft report contained numerous references regarding the Management Control Program. Because internal control procedures for overall management of BIA programs was not the focus of the audit, insufficient documentation was provided from the review to substantiate general conclusions and statements as noted below. These are beyond the scope of the immediate audit review and it is recommended that they be omitted from the final audit report.

Specifically, statements included on page 2 (second and third paragraphs), are not based on the specific program related findings of the audit and it is recommended that they be deleted from the final report on Social Services program findings.

These statements are as follows: "In addition, long-standing internal control weaknesses BIA-wide persist. Previous reviews by Interior's Inspector General as well as BIA's annual reports on its accounting and internal control systems show a recurring pattern of inadequate BIA management attention, shortcomings in program administration, and ineffective corrective action in many BIA programs." "...the long-standing nature of internal control weaknesses in BIA and the ineffectiveness of BIA's past efforts to correct them indicate that the level of BIA management commitment needed to establish an effective system of internal controls has not been forthcoming. Recent initiatives by congressional Appropriations Committees to address persistent accounting and internal control weaknesses in BIA's management of Indian trust funds and the Office of Audit and Evaluation established in 1991 will need management support at all levels if they are to be successful. To assure full management support, increased congressional oversight may be warranted."

There is a broad sweeping statement on page 5 which contends that the specific problems encountered in administering general assistance payments "exemplify major internal control weaknesses" which may be evident throughout. It is recommended that this statement be omitted from the report.

Of particular concern is the section "Major Internal Control Weaknesses Persist Throughout BIA" on page 13 of the draft. This section contains a number of references to program administration, internal control systems, and management approaches as applied to BIA programs as a whole. As the audit itself focussed only on the Social Services program, this section is not relevant to the report and certainly the specific processes or systems alluded to have not received the level of review and evaluation required if audit conclusions are drawn.

Similarly, comments included in the "Conclusions" section of the report focus on general statements concerning overall internal control processes rather than on the specific findings of the Social Services program audit. The last sentence of the first paragraph in this section states: "Furthermore, internal control weaknesses persist in a number of other BIA programs and activities." The limited scope of the audit to the two Social Services

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components did not provide the documentation necessary to substantiate a link between the specific problems found in the audit and the "other BIA programs and activities" alluded to in the statement.

The remaining two paragraphs of the "Conclusions" section again focus on overall program controls rather than on the specific findings and recommendations of the two audited programs. Without specific evaluation and review of these overall processes applicable to all BIA programs, the draft report cannot provide specific findings and recommended corrective actions based on the audit of the two program areas reviewed.

The section entitled "Matter for Congressional Consideration" recommends that the Congressional committees consider "requiring BIA to (1) develop a comprehensive management or strategic plan with measurable objectives and milestones and delineated organizational responsibilities for correcting systemic internal control weaknesses and (2) periodically report to the Congress on its progress in meeting the plan's objectives". This recommendation appears to be premature in that the focus of the audit was on the Social Service's components rather than on the Management Control Program. Specific recommendations on the Social Services program for consideration would be appropriate matters for consideration based on the areas examined. A recommendation of this magnitude would be more justifiably made, given a specific review and evaluation of the Management Control Program.

In the event that the final report includes references to this program, it is recommended that the following information be taken into consideration:

Current Initiatives:

- o A new management team for the Bureau is now in place that has recognized the critical importance of management controls and correction of material weaknesses on a timely basis. A renewed emphasis concerning management controls has been directed by the Deputy Commissioner to all levels of the organization.*
- o The Management Improvement Oversight Committee (MIOC) has been established to provide oversight of significant BIA management improvement efforts that include financial management, trust fund management, information resources management, personnel management, and implementation of a Total Quality Management process.*
- o The Office of Audit and Evaluation has been established in the Office of the Assistant Secretary to provide oversight and guide all Bureau operations relating to management control and audit follow-up. Staffing is currently underway and the Office will be fully operational this fiscal year.*

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- o *The Bureau's Management Control Program was formally established this year at all field locations and included the training of all pertinent personnel.*
- o *Performance Standards for all SES personnel have been revised to include Federal Managers' Financial Integrity Act (FMFIA) requirements and similar measures are currently underway for all Bureau managers.*
- o *A Bureau-wide in-depth training effort to meet requirements is nearly completed. A three-day course including a manual was developed specifically for the Bureau. Bureau managers including SES personnel and individuals directly involved with coordinating/performing (A-123) evaluations have completed the seminar.*
- o *Part 34 of the BIA Manual (BIAM) has been drafted and is being used as interim guidance until publication in the BIAM. This manual part establishes the specific guidelines and procedures for operating the Bureau's Management Control Program.*
- o *Strategic action plans have been developed and implemented for procurement, trust funds management, information resources management (automation), directives/regulatory management, and records management.*
- o *The Bureau is currently integrating the Management Control Review Process with Total Quality Management (TQM), Chief Financial Officer's Act, Audit Follow-up, Circular A-11 (Preparation and Submission of Budget Estimates), and other Management review processes (such as Administrative Management Assistance Teams (AMAT's), and Trust Program Reviews).*

PREVIOUS SIGNIFICANT ACCOMPLISHMENTS:

- o *Establishment of Management Controls and Audit Follow-up Committee to set policy, establish priorities, and provide oversight of the entire Program.*
- o *Development and implementation of a five-year Management Control Plan which establishes and drives the entire review and evaluation process.*
- o *Establishment of a network of A-123 (Internal Control Systems) Coordinators throughout the Bureau to the Agency Office level.*
- o *Performance of a comprehensive review and analysis of the Bureau's Management and functions. This inventory was recently completed and includes 46 major components and approximately 175 sub-components. This listing provides the basis for our five-year Management Control Plan.*

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- o *Performance of approximately 14 to 16 reviews and evaluations each year (Departmental Functional Reviews (DFR's), Management Control Reviews (MCR's), and the Accounting System Compliance Review (ASCR)). All major components except two have been reviewed at least once since implementation of the Program in 1983.*
- o *Establishment of an early warning system that identifies potential material weaknesses and brings them to the immediate attention of the Assistant Secretary, the Deputy Commissioner, and the Departmental Management Controls and Audit Follow-up Council.*
- o *Correction of over 50 material weaknesses since implementation of the Program in 1983. Definitive action plans have been implemented to address current material weaknesses with most of them scheduled for completion in FY 1992.*
- o *Establishment of a comprehensive tracking and internal/external reporting system to monitor all Bureau operations relating to the program.*

Objectives, Scope, and Methodology

In reviewing BIA's implementation of its Social Services program, we focused our work on the status of internal controls in two specific Social Services program components—general assistance (the largest component) and burial assistance (one of the smallest) to determine whether internal controls were applied consistently in large and small programs. To complement our work, we obtained and reviewed copies of reports by Interior's Office of the Inspector General and other relevant reports pertaining to internal control weaknesses in the Social Services program and other BIA programs.

We conducted most of our work at BIA's Central Office (headquarters) in Washington, D.C.; the Aberdeen Area Office Social Services program and Contracting Office, Aberdeen, South Dakota; the Phoenix Area Office Social Services program and Contracting Office, Phoenix, Arizona; the Pima Agency, Sacaton, Arizona; the Pine Ridge Agency, Pine Ridge, South Dakota; and the Rosebud Agency, Mission and Rosebud, South Dakota. We also worked at the Gila River (Sacaton, Arizona) and the Oglala Sioux (Pine Ridge, South Dakota) Indian communities and at BIA's Data Systems Office in Albuquerque, New Mexico.

Our review included general assistance and burial assistance programs administered both by BIA agencies and by tribes under contract. Within the Aberdeen Area, we reviewed the agency-administered general assistance programs at the Pine Ridge and Rosebud reservations, as well as burial assistance programs at each. Pine Ridge's burial assistance program is contracted by the Oglala Sioux tribe; Rosebud's is administered by the agency.

We selected the Aberdeen Area Office for our work because it was one of the largest, in terms of funding social services programs, and it offered the opportunity to observe operations at two reservations with similar economic situations located within the same state.

On the basis of interest expressed by the requester's office concerning contracted programs, we expanded our work to provide information on a contracted general assistance program in another area. We selected the Phoenix Area Office for this second phase of our work because this office has experience with contracted programs. We chose the Gila River Indian Community's general assistance program because it (1) was one of the largest, in terms of funding, in the Phoenix area and (2) uses BIA's Social

Services Automated System to store client payment data and generate general assistance payments.¹

To assess internal controls, we obtained and reviewed copies of pertinent legislation and BIA policies and procedures. As guidance for internal controls, we used the Comptroller General's Standards for Internal Controls in the Federal Government.² We met with program managers at BIA headquarters, area and agency offices, and tribal offices. In addition, we met with BIA data systems personnel responsible for maintaining the Social Services Automated System and with area contracting officers. Finally, we selected and reviewed a probability sample of general assistance and burial assistance client files to determine whether the files documented client eligibility and supervisory review.

For the general assistance program, we selected and reviewed a sample of files on active clients (active as of the date of our review). The universe of active files came from BIA's data base. As a check on encoding accuracy, our sample intentionally excluded general assistance recipients receiving tribal work experience funds; these clients have a different code and thus should not appear in our sample unless they were improperly encoded. We reviewed a total of 500 files—190 at Gila River, 170 at Pine Ridge, and 140 at Rosebud. Our sample estimates represent 869 client files—358 at Gila River, 298 at Pine Ridge, and 213 at Rosebud. Because sampling criteria would result in our selecting nearly all burial files, we reviewed 146, or 100 percent, of the burial files that were available at the time of our review at Pine Ridge and Rosebud. We used standardized data collection instruments to gather information from the general assistance and burial assistance files.

Since we used a probability sample of general assistance files to develop our estimates, each estimate has a measurable precision, or sampling error, which may be expressed as a plus/minus figure. A sampling error indicates how closely we can reproduce from a sample the results that we would obtain if we were to take a complete count of the universe using the same measurement methods. By adding the sampling error to and subtracting it from the estimate, we can develop upper and lower bounds for each estimate. This range is called a confidence interval. Sampling errors and confidence intervals are stated at a certain confidence level—in this case, 95 percent. For example, a confidence interval at the 95-percent confidence level means that in 95 out of 100 instances, the sampling

¹Tribes may use BIA's system but are not required to do so.

²U.S. General Accounting Office, 1983.

procedure we used would produce a confidence interval containing the universe value we are estimating. Because we reviewed all of the burial files, no confidence interval is associated with these results.

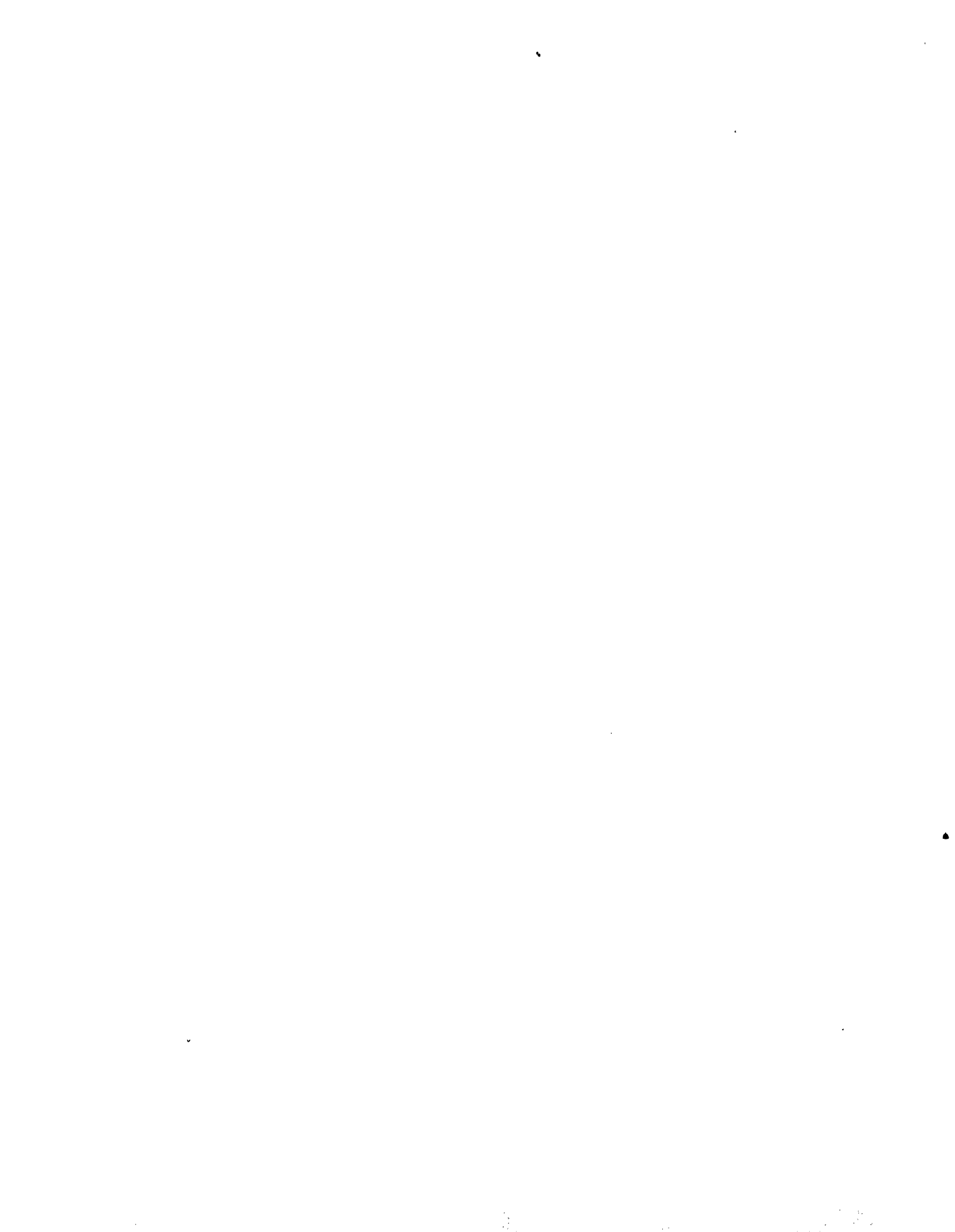
Major Contributors to This Report

**Resources,
Community, and
Economic
Development
Division, Washington
D.C.**

**Paul O. Grace, Assistant Director
Kenneth Kurz, Assignment Manager**

**Denver Regional
Office**

**Craig D. Richards, Regional Management Representative
Cheryl L. Pilatzke, Evaluator-in-Charge
Frank B. Waterous, Staff Evaluator**



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