

GAO

Briefing Report to the Chairman, Select
Committee on Indian Affairs, U.S. Senate

June 1989

**ACCOUNTING
SYSTEMS**

**Efforts to Improve
Crow Tribe's
Accounting System**





United States
General Accounting Office
Washington, D.C. 20548

Accounting and Financial
Management Division

B-207047

June 26, 1989

The Honorable Daniel K. Inouye
Chairman, Select Committee
on Indian Affairs
United States Senate

Dear Mr. Chairman:

Your August 15, 1988, letter requested that we obtain information on the status of the Crow Tribe's financial management operations. On December 8, 1988, we briefed your office on the results of our review. As agreed, this report summarizes the information presented. This report discusses the adequacy of the Crow Tribe's accounting records and the internal controls used to account for and control resources, the Ernst & Whinney review of severance tax disbursements, and the efforts under way to improve the accounting records.

BACKGROUND

The Crow Tribe resides on the Crow Indian Reservation in south-central Montana. The tribal government is located in Crow Agency, Montana, and is comprised of the Tribal Council, Tribal Chairman, Vice Chairman, Secretary, Vice Secretary, and the Executive Committee. The Tribal Council consists of all adult tribal members and meets quarterly. The Tribal Chairman, other officers, and Executive Committee members are elected by the Tribe.

The Tribe's principal income, apart from federal assistance, comes from mineral leases (mainly coal), grazing, and interest on money held by the Bureau of Indian Affairs (BIA). Another income source is the severance tax revenues which are received for extracting coal from mines on the Crow Tribe's lands. All income to the Crow Tribe is deposited in the United States Treasury in the name of the Crow Tribe. Funds are released to the Tribe through the BIA Billings area office in Billings, Montana, and the BIA Crow Indian Agency in Crow Agency, Montana.

BIA performs many different functions for Indians, including providing administrative services for a wide

range of social and welfare programs. BIA discharges its administrative responsibilities through a three-tiered organizational structure. Its organization consists of the central headquarters with offices in Washington, D.C., and Albuquerque, New Mexico; area offices with jurisdiction over specified geographic areas; and Indian agencies located on or near Indian reservations.

RESULTS IN BRIEF

The accuracy and reliability of the Crow Tribe's accounting records is questionable. Since September 1981, Office of Inspector General (OIG) audits and other audits¹ of tribal operations by certified public accountants (CPAs) have identified internal control problems. The Tribe's comptroller expressed the opinion that the accounting records are unauditible. There were no postings to the accounting system between December 1987 and September 1988.

The Crow Tribe contracted with Ernst & Whinney in August 1988 to review the disbursement of the Tribe's severance tax revenues from May 25 to June 30, 1988. Ernst & Whinney reported that no matters came to its attention that caused it to believe that the disbursements reviewed were not made for authorized governmental purposes. However, the Ernst & Whinney report identified at least \$80,000 of disbursements that were not documented.

The Crow Tribe has initiated action to improve its financial operations. In September 1988, the Tribe contracted with a local CPA to serve as its comptroller. In addition, a tribal representative stated that in January 1989 the Tribe purchased a new accounting system.

In the past, the Crow Tribe and BIA have disagreed over the preparation and approval of tribal budgets. BIA officials complain that the tribal management has hindered attempts to conduct budget compliance reviews and that the funds budgeted were not always spent in accordance with what had been approved. Tribal officials complain that BIA has not provided the information they need to prepare their tribal budgets. A BIA official agreed that the Tribe was entitled to this information. The Acting Director of BIA's Billings area office stated that he was taking steps to ensure that requests from the Crow Tribe receive proper attention from his office.

¹Pursuant to the provisions of the Office of Management and Budget's Circular A-102, Attachment P, dated January 1981, which was superseded in March 1988.

AGENCY COMMENTS

In commenting on our draft report, the Department of the Interior's BIA agreed with the information presented in the report. BIA stated that the Crow Tribe has experienced financial management problems since 1971 and that improvements will need to be made by the Crow Tribe to establish accountability for federal or tribal funds. BIA further stated that the Billings area office will monitor the development of the new accounting system and provide technical assistance as required.

In commenting on our draft report, the Crow Tribe stated that the report accurately described the Tribe's financial management difficulties and its ongoing efforts to correct these problems. For the most part, however, the comments expressed concern over BIA's involvement in the Tribe's activities, and these matters were beyond the scope of our review.

OBJECTIVES, SCOPE, AND METHODOLOGY

We conducted our review between September 1988 and January 1989. We interviewed the Crow Tribal Chairman, the Crow tribal manager, and assistant Crow tribal managers, in Crow Agency, Montana, to obtain information on the financial management problems faced by the Tribe and on the Tribe's efforts to obtain BIA's assistance in resolving these matters. We also interviewed representatives of the BIA area office in Billings, Montana, and of the Crow Indian Agency, in Crow Agency, Montana, to obtain their perspective of the Crow Tribe's financial management problems. We interviewed in West Yellowstone, Montana, the former BIA employee who served as the tribal manager during the period of "voluntary receivership."²

We also reviewed reports prepared by the Department of the Interior's OIG and the report prepared by Ernst & Whinney to ascertain which specific internal control and accounting system problems each had identified. We discussed these reports with representatives of both the Office of Inspector General in Sacramento, California; and in Billings, Montana; and with Ernst & Whinney representatives in Denver, Colorado; and in Houston, Texas. We also

²The period of time during which BIA, under a memorandum of agreement with the Crow Tribe, appointed a BIA employee to serve as tribal manager. It was not a receivership in the legal sense, in which a person is appointed to hold in trust and administer property under litigation.

interviewed the Crow Tribe's comptroller located in Hardin, Montana, to determine the corrective actions being initiated to improve the Tribe's financial management operations.

- - - -

Appendix I contains a chronology of events relevant to the Tribe's financial management operations from September 1981 to December 1988. This chronology covers the period from the identification of the financial problems that resulted in the "voluntary receivership" of the Crow Tribe to the date we briefed your office. Appendix II discusses the accuracy and reliability of the Tribe's accounting records. Appendix III summarizes the results of the Ernst & Whinney review of the severance tax funds. Appendix IV highlights the Tribe's current efforts to improve the integrity of its accounting records. Appendixes V and VI contain the comments from the Department of the Interior and from the Crow Tribal Council on our draft report. Appendix VII lists the major contributors to this report.

As agreed with your office, we will initiate a follow-up review on the Crow Tribe's efforts to improve its financial management environment in November 1989. Unless you publicly announce the contents of this report earlier, we will not distribute it until 10 days from its date. At that time, we will send copies to the Chairman of the Crow Tribal Council, the Secretary of the Interior, the Director of the Office of Management and Budget, and other interested parties. If you or members of your staff would like to discuss the information included in this report or have any additional questions, please call me at 275-9454.

Sincerely yours,


Jeffrey C. Steinhoff
Director, Financial Management
Systems Issues

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ABBREVIATIONS

BIA	Bureau of Indian Affairs
CPA	certified public accountant
GAO	General Accounting Office
OIG	Office of Inspector General

CHRONOLOGY OF EVENTS

Since September 1981, numerous events relevant to the Crow Tribe's financial management operations have transpired. These events are summarized below.

- September 1981 Department of the Interior's Inspector General advised Interior's Assistant Secretary for Indian Affairs of the Crow Tribe's adverse financial conditions and various financial management problems.
- December 1981 In response to concerns raised by the September 1981 Department of the Interior's Inspector General letter, a BIA employee was temporarily assigned as tribal manager.
- March 1982 Inspector General's report recommended that BIA arrange for control of all tribal and federal funds.
- July 1982 Memorandum of agreement between the Crow Tribe and BIA formally appointed a BIA civil engineer as the tribal manager. This began the period that is commonly referred to as the period of "voluntary receivership."
- May 1986 New Crow Tribal Chairman and officers elected.
- June 1986 Crow Tribe ended the period of "voluntary receivership" and assumed responsibility for the administration and financial operations of the Tribe.
- May 1987 Crow Tribe requested that BIA immediately release tribal funds to pay \$775,000 in tribal debts incurred during the 1982 through 1986 period of "voluntary receivership."
- August 1987 Crow Tribe filed a lawsuit against Department of the Interior and BIA for payment of the \$1.6 million debt incurred during the period of "voluntary receivership." (See appendix II.)
- October 1987 As the result of allegations that the Crow Tribe had not paid federal withholding taxes, a search warrant was issued authorizing confiscation of the Crow Tribe's accounting records.

- August 1988 Crow Tribe hired the public accounting firm of Ernst & Whinney to review the severance tax disbursements for the period May 25 to June 30, 1988.
- Senator Inouye, Chairman, Senate Select Committee on Indian Affairs, requested that the General Accounting Office (GAO) review selected aspects of the Crow Tribe's financial operations.
- September 1988 Ernst & Whinney recommended improvements to the system of internal accounting controls.
- Crow Tribe contracted with a local CPA to serve as Tribe's comptroller.
- November 1988 Crow Tribe requested that the U.S. District Court in Billings, Montana, appoint an individual to determine the amount owed to creditors.
- December 1988 GAO briefed Senate Select Committee on Indian Affairs.

ACCURACY OF ACCOUNTING RECORDS IS QUESTIONABLE

- CROW TRIBE HAS HAD CONTINUING INTERNAL CONTROL AND ACCOUNTING PROBLEMS

- CROW TRIBE IS NOT AWARE OF ITS TOTAL ACCOUNTS PAYABLE

- CROW TRIBE HAS REQUESTED THAT THE COURT APPOINT AN INDIVIDUAL TO DETERMINE THE AMOUNT OWED TO CREDITORS

- CROW TRIBE'S COMPTROLLER STATED THAT THE ACCOUNTING RECORDS ARE UNAUDITABLE

ACCURACY OF ACCOUNTING RECORDS IS QUESTIONABLE

The accuracy and reliability of the Crow Tribe's accounting records has been a long-standing problem. Since 1981, Interior's Inspector General has reported on the overall lack of adequate internal controls over tribal operations. Further, as of September 30, 1988, the Tribe's accounting records do not accurately reflect the results of its operations. Finally, the Crow Tribe is uncertain of the amount it owes to creditors and, in many instances, is unable to procure the services and supplies it needs to operate.

CROW TRIBE HAS HAD CONTINUING
INTERNAL CONTROL AND ACCOUNTING PROBLEMS

In a September 1981 letter, Interior's Inspector General advised the Assistant Secretary for Indian Affairs of the serious financial management weaknesses identified during an audit of the Crow Tribe's accounting records. The Inspector General's letter stated that the Crow Tribe was unsure of its financial status and, therefore, was not in a position to accurately identify the amount of funds it owed to creditors, the amount of funds it had disbursed, or the amount of funds available to it. The OIG further stated that it was considering recommending direct federal control or stewardship for all federally funded tribal programs and all revenues produced from tribal lands under BIA's trust responsibility.

Further, a March 1982 Inspector General report stated that the administration of the Tribe either circumvented or disregarded the internal controls over the Tribe's payroll system. The report also described other necessary financial controls as ranging from marginally acceptable to totally lacking. The report recognized that BIA had appointed a federal manager to oversee the financial affairs of the Crow Tribe and recommended that BIA (1) control all of its tribal and federal funds, (2) develop a plan for payment of the Tribe's liabilities, (3) provide for proper maintenance of the financial management system, and (4) establish methods to improve program accomplishments. The report further recommended that the federal manager be retained until the Crow Tribe demonstrated that it could manage the various tribal programs and funds in an efficient and effective manner.

In July 1982, responding to the OIG's letter of September 1981, the Crow Tribe and BIA signed a memorandum of agreement that assigned a BIA employee as the tribal manager. This individual was to help the Tribe improve its managerial and administrative capabilities. The tribal manager was expected to assist tribal officials and report to them on his progress in implementing fiscal, personnel, and property management systems. After their

implementation, the tribal manager was to be responsible for ensuring effective administration of all tribal systems relating to fiscal, personnel, and procurement matters involving the expenditures of federal, state, private, and tribal funds. Finally, the manager was to serve as the tribe's primary liaison with all federal funding agencies.

The BIA employee assigned as the tribal manager was a civil engineer who, at the time of his appointment, was working as the Acting Assistant Director of Administration at the area office in Billings, Montana. Although he had no accounting experience, he volunteered to be the tribal manager because he had previously worked at the BIA Crow Agency Office as a road engineer and was familiar with the Crow Tribe.

Other audits³ of the Tribe's operations, performed by CPAs, have also identified numerous internal control weaknesses. Audits in 1983 and 1984 identified a lack of separation of duties between receipt of funds, disbursement of funds, payroll, and financial reporting. Further, the audit for fiscal year 1985 has not been released by the Inspector General because of concerns over the independence of the CPA, a member of the Tribe, who performed the audit. In addition, the Crow Tribe has requested and received an extension of the audit requirements for fiscal years 1986 and 1987. The OIG granted the extension because in October 1987, a portion of the Tribe's accounting records had been confiscated by the Inspector General and the Internal Revenue Service. This action was taken as a result of allegations that the Tribe had not paid federal withholding taxes. The accounting records are still in the custody of the Inspector General.

CROW TRIBE IS NOT AWARE OF AMOUNTS OWED TO CREDITORS

As of January 1989, the Tribe was not aware of the total amount it owed to creditors. The amount of the Tribe's debt has been a point of contention between it and BIA since the Tribe was placed in "voluntary receivership" and BIA assumed direct responsibility for the fiscal operation of the Tribe.

On several occasions the Tribe has tried to identify its debts. For example, in February 1987, the Crow Tribe requested by letter BIA's assistance in developing a plan for reducing its outstanding debt and in determining the amount owed to creditors. However, a Crow Tribal official said the Tribe did not receive a

³Audits required by the Office of Management and Budget's Circular A-102, Attachment P, dated January 1981, which was superseded in March 1988.

response from BIA. Subsequently, in March and April 1987, the Tribe placed an advertisement in a local newspaper asking all creditors to contact the Crow Tribal office and identify any debt that the Crow Tribe may owe.

In June 1987, the Tribe forwarded another letter to BIA requesting assistance in determining the amount of its debt. Subsequently, in August 1987, the Tribe filed suit against Interior and BIA for payment of the \$1.6 million debt incurred during the period of "voluntary receivership." The tribal manager stated that the \$1.6 million was the Tribe's estimate of the amount BIA should pay because this is the amount of debt the Tribe incurred during the period of "voluntary receivership." In September 1987, the Tribe made a third request for BIA's assistance in determining the amount owed to creditors, but there was no BIA response to the request.

We asked BIA area office officials why BIA had not responded to the various Crow Tribe requests. Area officials claimed never to have seen the Tribe's requests for assistance. We reviewed mail logs in the BIA area office and verified that they had not recorded receiving any of the Tribe's letters. These letters, addressed to the Area Director through the BIA Crow Agency Superintendent, had not been forwarded to the area office, although they had been received by the Crow Agency. The Acting Director said that if the BIA area office had received the Tribe's letters, it would have responded to them. He admitted that there was a communication problem and said he was taking action to ensure that future correspondence from the Crow Tribe received proper attention from his office.

Due to the difficulty of identifying the tribal debts, in November 1988, the Tribe requested that the U.S. District Court in Billings, Montana, appoint an individual to determine the amount owed to the Tribe's creditors. A representative of the Tribe said this action is intended to discourage the filing of false claims against the Tribe.

The Crow Tribe's inability to verify amounts owed to creditors has significantly hampered its day-to-day operations. A representative of the Tribe stated that its credit rating has declined to such an extent that local vendors will not accept the Tribe's purchase orders. As a result, they are having difficulty obtaining the supplies and services necessary for running the Tribe. During the period of our review, the Tribe's offices were sometimes without telephone or electrical services because the relevant bills had not been paid.

CROW TRIBE'S ACCOUNTING
RECORDS ARE UNAUDITABLE

The Tribe's effort to identify its outstanding debts is further complicated by the poor state of its accounting records. The CPA recently hired by the Tribe to serve as its comptroller stated that the accounting records are unauditabile. He said that no financial transactions had been recorded in the accounting system from December 1, 1987, to September 30, 1988. He further stated that some accounting records would have to be reconstructed before commencing an audit. He said he would not attempt to reconstruct the records because it would be too time-consuming and the cost would be prohibitive. As discussed in appendix III, Ernst & Whinney had to reconstruct some records to perform its review of the severance tax funds.

In addition, for several years the Tribe's accounting system has not been operating efficiently. The former BIA tribal manager stated that when he left in 1986, the system was not running properly. Furthermore, according to tribal representatives, the Tribe does not have the manuals necessary for operating the accounting system, and the firm that sold them the system has since gone out of business. The Ernst & Whinney review also disclosed that the Tribe's accounting system was not being used.

ERNST & WHINNEY REVIEW

AUGUST 1988 ERNST & WHINNEY REVIEW INCLUDED

- REVIEW OF DISBURSEMENTS OF SEVERANCE TAX REVENUES BETWEEN MAY 25 AND JUNE 30, 1988**

- REVIEW OF INTERNAL ACCOUNTING CONTROLS USED TO ADMINISTER THE FUNDS RECEIVED ON MAY 25, 1988, AND COMMENTS AND RECOMMENDATIONS ON THE EXISTING SYSTEM OF INTERNAL CONTROLS**

ERNST & WHINNEY REPORTED

- NO MATTERS CAME TO ITS ATTENTION THAT CAUSED IT TO BELIEVE THAT THE DISBURSEMENTS REVIEWED WERE NOT MADE FOR AUTHORIZED GOVERNMENTAL PURPOSES**

- OVER \$80,000 OF DISBURSEMENTS WERE NOT PROPERLY DOCUMENTED**

- EXISTING ACCOUNTING SYSTEM WAS NOT BEING USED**

ERNST & WHINNEY RECOMMENDED IMPROVEMENTS TO THE CROW TRIBE'S INTERNAL CONTROL SYSTEMS

ERNST & WHINNEY REVIEW

In August 1988, the Crow Tribe entered into a contract with the public accounting firm of Ernst & Whinney, which was to review the severance taxes received and disbursed. The Tribe hoped this review would demonstrate its ability to account for and control its financial operations properly. As discussed in appendix II, the Crow Tribe has had a long history of internal control problems which have hampered the effectiveness of its financial operations.

ERNST & WHINNEY CONTRACTED TO
REVIEW SEVERANCE TAX DISBURSEMENTS

The contract with the Crow Tribe stipulated that Ernst & Whinney was to

- review the Crow Tribe's disbursement of severance tax revenues for the period May 25 through June 30, 1988;
- review the existing system of internal accounting controls and recommend improvements;
- review the related payroll deductions and payments to the IRS from the tax disbursements; and
- monitor the Crow Tribe's adherence to the controls.

Ernst & Whinney reviewed the Crow Tribe's disbursements of the \$659,000, which included \$557,000 in severance tax revenues and \$102,000 of other tribal funds. Ernst & Whinney also performed certain procedures to help the Crow Tribe establish a verifiable system of fiscal responsibility and assist the Tribe in its efforts to achieve fiscal independence.

SEVERANCE TAX DISBURSEMENTS
WERE REPORTED AS AUTHORIZED

Ernst & Whinney reported in September 1988 that it found no evidence indicating that the severance tax disbursements reviewed were not made for authorized governmental purposes. However, the report identified over \$80,000 of disbursements which were supported only by cancelled checks and which lacked other needed documentation. These included the following:

- \$25,018 in undocumented disbursements and
- \$39,524 in unsupported salary payments to tribal officials or employees.

An Ernst & Whinney representative said that the firm had to reconstruct relevant accounting records in order to conduct its 5-week review of the severance tax disbursements. The auditors were

not able to use the Tribe's accounting system because transactions had not been recorded in the system since December 1987. Instead, they manually reviewed the various transactions to determine whether the disbursements were properly documented and whether they had been made for authorized purposes.

ERNST & WHINNEY RECOMMENDED SHORT-TERM ENHANCEMENTS AND FOLLOW-ON REVIEW

Although Ernst & Whinney did not identify irregularities in the disbursement of the severance tax, they recommended that the Crow Tribe make various improvements to its fiscal operating procedures. Specifically, Ernst & Whinney recommended the following:

- short-term enhancements to the existing system of internal controls,
- the development of a complete and accurate listing of accounts payable, and
- a review of the overall accounting system to determine if it could adequately meet the long-term needs and requirements of the Tribe.

The short-term enhancements to the existing internal controls were procedures designed to increase the level of assurance that receipts and disbursements of the severance tax revenues are made for governmental purposes and are properly documented. According to Ernst & Whinney, the recommended enhancements are the foundation upon which a complete and verifiable system of fiscal accountability should be designed. Ernst & Whinney pointed out that implementation of its internal control recommendations would require the development of specific forms and related procedures.

Many of the recommendations made by Ernst & Whinney related to the areas of budgeting, accounts payable, and payroll--areas in which, as discussed in appendix II, the Crow Tribe has had long-standing problems. In the area of payroll, Ernst & Whinney recommended that procedures be established to ensure that salaries, wages, and benefits are (1) incurred for work authorized and performed, (2) calculated at the proper rate, and (3) correctly recorded in the accounting records.

The recommended actions concerning accounts payable are intended to ensure that

- goods and services are purchased only with proper authorization;
- cash disbursements are for goods and services authorized and received; and

-- goods and services received and cash disbursements, including transfers, are recorded correctly by account and by amount.

Ernst & Whinney also recommended that the Crow Tribe develop a complete and accurate listing of accounts payable currently outstanding. As previously discussed, the accuracy of the accounts payable is a current concern of the Tribe and has been a point of contention between the Crow Tribe and BIA for several years. Appendix IV discusses actions which the Tribe has taken to improve the integrity of its fiscal operations. We believe these actions should correct some of the problems in this area.

Finally, Ernst & Whinney recommended an overall review of the accounting system to determine the adequacy of the system to meet the long-term needs and requirements of the Tribe. Ernst & Whinney reported that the Crow Tribe had an existing accounting system that was not being used. Ernst & Whinney did not review the adequacy of the accounting system; however, they said that an attempt should be made to use the existing accounting system, once the short-term enhancements to the existing system of internal controls were implemented.

CURRENT EFFORTS TO IMPROVE THE INTEGRITY OF ACCOUNTING RECORDS

-- THE CROW TRIBE CONTRACTED WITH A LOCAL CPA TO SERVE AS
COMPTROLLER

-- THE TRIBE HAS PURCHASED A NEW ACCOUNTING SYSTEM

CURRENT EFFORTS TO IMPROVE THE INTEGRITY OF ACCOUNTING RECORDS

The Crow Tribe has recognized the weaknesses in its fiscal operations and is working to improve the integrity of its financial management operations. Tribal management's continued involvement and commitment are essential if the current efforts are to succeed. Further, even though there is now momentum to address the Tribe's financial management problems, improvements will not be accomplished immediately.

In September 1988, following the Ernst & Whinney audit, the Tribe contracted with a local CPA to serve as the comptroller. This contract is scheduled to expire in June 1990. By that time, the comptroller hopes to have established a permanent comptroller position for the Tribe. In his current role as comptroller, this individual is responsible for assisting the Tribe's accounting staff in its day-to-day accounting work and in implementing a system of internal accounting controls. In addition, he is responsible for ensuring that funds are available prior to any expenditure and that all expenditures are supported by the necessary documentation.

The comptroller is also reconciling the tribal checking accounts on a monthly basis. This basic control feature was not routinely performed in the past; therefore, the Tribe was not always certain of the amount of funds available. Further, for better fiscal control, the comptroller has recommended that two new checking accounts, the first for payroll and the second for administrative payment, be opened and that all existing tribal checking accounts be closed. As of January 1989, the Tribe had not acted upon this recommendation. Until this action is taken to tighten controls over tribal expenditures, achieving better fiscal control will be difficult. In addition, the comptroller and the accounting staff are working to develop an accurate accounts payable file.

During our review, the comptroller was supervising the Tribe's efforts to develop an accurate and complete set of payroll records. Steps to accomplish this included verifying that only current tribal employees were listed on the payroll records and that wages were paid for only the hours worked. The Tribe had not prepared a payroll for the period from July to September 1988. However, salary advances for tribal employees were routinely processed. As a result, the payroll records were not accurate and had to be updated.

Another important function of the comptroller is to prepare periodic reports for the Tribe and certify that all funds are distributed in accordance with approved line item budgets. To prepare these reports, it is necessary to reconcile the approved budgets to actual expenditures. These periodic reports should help resolve the budget conflict between the Tribe and BIA by

clearly showing that the Tribe is making strides towards improving its financial management operations.

The comptroller is also responsible for entering the Tribe's financial transactions for fiscal year 1989 into a borrowed automated accounting system. He borrowed the computer system because, in his opinion, the Tribe's current accounting system is not usable. At present, there is no plan to enter data from prior years into the new system because of the poor state of the accounting records. However, the comptroller stated that in order to meet federal reporting requirements for the various federal funds that the Tribe receives, in certain instances it will be necessary to reconstruct some of the prior accounting records.

Acting upon the comptroller's recommendations, the Tribe purchased a new accounting system in January 1989. The cost of the system, including computer hardware and software, was approximately \$20,000. This system will benefit the Tribe by improving its financial management because the system enables the recording of cash receipts and disbursements by fund group and provides reports of cash transactions. Such an accounting system is required by the state of Montana for its city, town, and county governments to accommodate similar accounting needs and to provide a uniform means of reporting on the results of operation. In addition, a representative of the Montana Department of Commerce stated that the recommended system meets the requirements of the Government Accounting Standards Board.⁴

These actions of the newly hired comptroller are positive steps towards ensuring that tribal obligations and costs comply with applicable laws and regulations; that all tribal assets are safeguarded against waste, loss, unauthorized use, and misappropriation; and that tribal revenues and expenditures are properly recorded in the Tribe's accounting system.

The ultimate responsibility for good internal controls rests with the Tribe's management. Internal controls should not be looked upon as separate, specialized systems within an organization; rather, they should be recognized as an integral part of each system that management uses to regulate and guide its operation. In this sense, a good system of internal controls becomes the mechanism for sound management. Therefore, good internal controls are essential to achieving the proper conduct of business with full accountability for the resources made available.

⁴This Board is responsible for establishing the accounting principles and standards for state and local governments.

COMMENTS FROM THE DEPARTMENT OF THE INTERIOR

United States Department of the Interior

BUREAU OF INDIAN AFFAIRS
WASHINGTON, D.C. 20245

IN REPLY REFER TO:

APR 30 1989

Jeffrey C. Steinhoff, Director
Financial Management Systems Issues
Accounting and Financial Management Division
General Accounting Office
Washington, D.C. 20548

Dear Mr. Steinhoff:

Reference is made to Audit No. GAO/AFMD-89-53BR, Efforts to Improve Crow Tribe's Accounting System, dated March 13, 1989. The draft copy of the audit was referred to the Billings Area Office, Billings, Montana, for comments.

The Crow Tribe has experienced financial management problems dating back to 1971 in the administration of both Federal and tribal programs. These problems have been the basis for a multitude of audits which have resulted in reported questioned and disallowed costs. The findings in your recent audit only confirm that improvements will need to be made by the Crow Tribe to establish accountability of Federal or tribal funds.

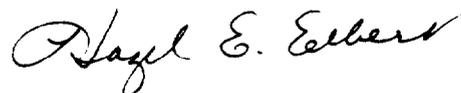
The Billings Area Office has provided over \$1.5 million for design and implementation of a financial management system during the period of 1976 through 1980. Additional funds have been provided through a grant to improve tribal government administration and technical assistance since 1981. However, the Crow Tribe has failed to put in place and in use, a financial management system which would provide accountability.

The Crow Tribe contracted with Mr. Ed Thurner, CPA, of Hardin, Montana, in September 1988, to serve as comptroller. Under Mr. Thurner's direction, Fiscal Year 1989 financial transactions were entered into a borrowed computer system. A new accounting system was purchased by the Crow Tribe in January 1989. This system will become the tribe's permanent accounting system once modifications to the program are completed. No date has been established for completing implementation of the new system. The Billings Area Office will monitor the development of this system and provide technical assistance as required.

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Should you have any questions regarding the above matter or need additional information, please contact me or the Billings Area Director at FTS 585-6315.

Sincerely,

A handwritten signature in cursive script that reads "Hazel E. Ellert".

Deputy to the Assistant Secretary -
Indian Affairs (Operations)

COMMENTS FROM THE CROW TRIBAL COUNCIL

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



Crow Country

CROW TRIBAL COUNCIL

May 12, 1989

United States
General Accounting Office
Accounting and Financial
Management Division
Washington, D.C. 20548

Attn: Mr. Jeffrey C. Steinhoff

Re: GAO Review of the Bureau of Indian Affairs/
Crow Tribe Fall 1988

Dear Mr. Steinhoff:

See comment 1.

Your draft report titled BIA ADMINISTRATION-CROW TRIBE MONIES dated April 12, 1989 has been received. By telephone and telefax of April 13, 1989, the 30-day period for review was extended to May 13, 1989.

This letter will document the extension of time and offer comment about the draft report which followed reviews by Messrs. Flores and Pinkert of the Denver Regional Office, GAO. These reviews were in part initiated because I requested an investigation of the Bureau of Indian Affairs by the GAO. Your kind and effective response is sincerely appreciated.

See comment 2.

The GAO review is meticulous, in depth and complete. The observations are correct and consistent with concerns of the Tribe and this Administration. We do wish, however, to offer some comments which deal with what is believed to be unwarranted and counter productive actions of the Bureau of Indian Affairs. It is believed that the sovereignty of the Crow Tribe has been meddled with, misrepresented and generally cast in an unfavorable light. This belief is predicated on the principle that the timing of certain actions of the Bureau of Indian Affairs has either inadvertently or by design influenced and adversely affected the Tribal Administration. Of particular concern is the time of certain actions such as denying draw downs for salaries, utility bills and other expenses, at times when those actions adversely affected the image of the Tribal Administration, as well as the ability of the Tribal Government to function.

United States
General Accounting Office
Mr. Jeffrey C. Steinhoff
May 12, 1989
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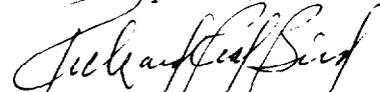
Immediately before Quarterly Tribal Council meetings, salaries and utility payments were disrupted. Immediately before the May 14, 1989 Tribal elections, adverse actions of the Bureau of Indian Affairs were particularly noticed. Payrolls were systematically disrupted by the unexplained cut off of funds. These and other actions of the Bureau of Indian Affairs are noted here as contributing to an unfavorable image of the Crow Tribe. It is our contention that such arbitrary actions of the Bureau of Indian Affairs were capricious and uncalled for in the light of the continuing U. S. Government policy of Indian self determination.

See comment 3.

We are enclosing a Crow Tribal letter to the Bureau of Indian Affairs Area Office in Billings, Montana dated January 23, 1989 which spells out our position and frustration with the way the Bureau of Indian Affairs has responded (or failed to respond) to our requests for services from that Bureau, and which further sets forth the overt acts on the part of that Bureau which appear to be aimed at de-stabilizing the Crow Tribal Government in order to obtain absolute control.

Again, it has been a pleasure to have Messrs. Flores and Pinkert to review our records and we sincerely look forward to future contacts between your office and the Tribe.

Sincerely Yours,



Richard Neal Bird
Chairman, Crow Tribal Council

The following are GAO's comments on the Crow Tribal Council's letter dated May 12, 1989.

GAO COMMENTS

1. A Crow Tribal representative has acknowledged that the title and the date of the GAO draft report were incorrectly cited. Its title was the same as the final report title, and the draft report was dated March 13, 1989.
2. We are not commenting on these matters, as they are beyond the scope of our review.
3. The January 23, 1989, letter is not included because it is not related to the matters discussed in the report. This letter is available upon request.

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