

DOCUMENT RESUME

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Financial Review of the Navajo and Hopi Indian Relocation Commission, June 30, 1976. FGMSD-77-13; B-114868. August 5, 1977. 2 pp. + 2 appendices (13 pp.).

Report to Hawley Atkinson, Chairman, Navajo and Hopi Indian Relocation Commission; by Richard W. Maycock (for D. L. Scantlebury, Director, Financial and General Management Studies Div.).

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Congressional Relevance: House Committee on Interior and Insular Affairs; Senate Committee on Interior and Insular Affairs.
Authority: P.L. 93-531. 5 U.S.C. 6301. 5 U.S.C. 6303.

Problems which were identified in the financial activities of the Navajo and Hopi Indian Relocation Commission were relatively minor in fiscal year 1976 because of the Commission's limited operations and fund expenditures. However, as the Commission's program activities, fund disbursements, and staff increase, these minor problems could become major problems. The Commission assists tribal members who are required to move as the result of settlement of a land dispute.

Findings/Conclusions: Incorrect salaries were paid to the Commissioners, and annual leave was not properly accrued for the Commissioners. Procurement procedures were not consistently followed by the Commission. Travel funds were not promptly deobligated at the end of the year. A formal manual for administrative procedures has not been developed.

Recommendations: The Commissioners should: (1) not use any leave already accrued; (2) have the Bureau of Indian Affairs (BIA) stop accruing leave and eliminate the accrued leave balances from payroll records; (3) direct the staff to strictly adhere to the BIA procurement procedures; (4) have BIA deobligate the unexpended travel funds; (5) direct the executive director to develop procedures to insure that in the future unexpended funds are promptly deobligated at yearend and to monitor and control travel fund expenditures during the year; and (6) require the executive director to develop a formal administrative manual of procedures for the preparation, review, and approval of time and attendance records, travel authorizations, purchase requisitions, receipt and custody of equipment and supplies, and other administrative activities as necessary. (Author/SC)

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UNITED STATES GENERAL ACCOUNTING OFFICE

Financial Review Of The Navajo And Hopi Indian Relocation Commission June 30, 1976

The Navajo and Hopi Indian Relocation Commission was established to assist those tribal members who are required to move because of settlement of a land dispute. At the Commission's request, GAO reviewed the Commission's financial activities during its initial year of operation which ended June 30, 1976.

GAO identified these weaknesses:

- Incorrect salaries were paid to the Commissioners.
- Annual leave was improperly accrued for the Commissioners.
- Procurement procedures were not consistently followed.
- Travel funds were not promptly deobligated at yearend.
- An administrative manual had not been developed.

These problems were relatively minor in fiscal year 1976 because of the Commission's limited operations and fund expenditures. However, as the Commission's program activities, fund disbursements, and staff increase, these minor problems could become major problems.

The Commission agreed with GAO's recommendations to solve these problems and is strengthening its administrative controls and practices.



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

DIVISION OF FINANCIAL AND
GENERAL MANAGEMENT STUDIES

B-114868

The Honorable Hawley Atkinson
Chairman, Navajo and Hopi Indian
Relocation Commission

Dear Mr. Atkinson:

We have completed our financial review for the fiscal year ended June 30, 1976, which was requested by the former chairman of your Commission. Only those financial transactions relating to administrative functions were examined because no program funds were spent in fiscal year 1976. We reviewed records and procedures applicable to payroll, leave, procurement, equipment, inventory, and other financial areas.

We found that incorrect salaries were paid to the Commissioners, annual leave was improperly accrued for the Commissioners, procurement procedures were not consistently followed, travel funds were not promptly deobligated at the end of the fiscal year, and a formal manual for administrative procedures had not been developed. The enclosed summary (app. I) includes a discussion of these findings. We considered your comments on our draft report in finalizing the report and they are included as appendix II.

This report contains recommendations to you. As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House Committee on Government Operations and the Senate Committee on Governmental Affairs not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

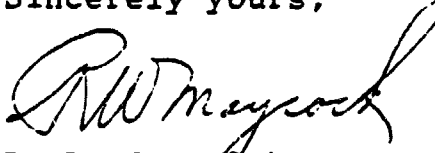
We are sending copies of this report to the Chairmen, House Committees on Government Operations and Appropriations; the Senate Committee on Governmental Affairs; the House Committee on Interior and Insular Affairs; the Senate

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Select Committee on Indian Affairs; the Director, Office of Management and Budget; and the Secretary of the Interior.

We wish to express our appreciation for the courtesies and cooperation extended our representatives during this review.

Sincerely yours,


for D. L. Scantlebury
Director

SUMMARY OF
FINDINGS AND RECOMMENDATIONS

INTRODUCTION

Public Law 93-531 enacted December 22, 1974, established the Navajo and Hopi Indian Relocation Commission as an independent entity in the executive branch. In accordance with this law, the Secretary of the Interior appointed three commissioners: Hawley Atkinson, Robert E. Lewis, and Paul D. Urbano, effective July 1, 1975.

The purpose of Public Law 93-531 is

"* * * To provide for final settlement of the conflicting rights and interests of the Hopi and Navajo Tribes to and in lands lying within the joint use area [1/] of the reservation established by the Executive Order of December 16, 1882, and lands lying within the reservation created by the Act of June 14, 1934 * * *."

This law provides an opportunity for the Hopi and Navajo tribes to resolve their dispute by direct negotiation and agreement. If no agreement can be reached through negotiation, a settlement will be imposed by court decision. Any settlement, either negotiated by the two tribes or imposed by the court, would most likely require the relocation of some families from both tribes.

The law requires the Navajo and Hopi Indian Relocation Commission to

- develop a relocation plan;
- relocate those families being moved;
- provide assistance and moving expense payments to the heads of households;
- purchase the homes of families being relocated;
- provide additional funds for the purchase of new homes;
- and

¹/The joint use area consists of approximately 1.8 million acres in which the Hopi and Navajo tribes share title.

--construct or acquire new homes if requested or, if a family does not find suitable housing, through its own means.

As of June 30, 1976, the Hopi and Navajo tribes had not reached an agreement and the court had not imposed a settlement.

Public Law 93-531 also provides that the Department of the Interior shall furnish, on a nonreimbursable basis, necessary administrative and housekeeping services to the Commission. This was done during fiscal year ended June 30, 1976, by Interior's Bureau of Indian Affairs (BIA) and included the processing of budget, allotment, and personnel actions; payrolls and travel vouchers.

BIA's accounting system was originally approved in January 1953 by the Comptroller General. Preliminary to the redesign of the system, the principles and standards were reissued and reapproved in November 1972 and a revised system design is scheduled for resubmission to us in 1978.

Commission financial activities
for year ended June 30, 1976

From July 1, 1975, through February 3, 1976, the Commission used BIA's funds for its activities. During that period the Commission submitted time and attendance records, travel authorizations, travel vouchers, and requisitions for services, equipment, and supplies through BIA's Joint Use Agency in Flagstaff, Arizona. The Commission received its appropriation in February 1976, and began processing transactions directly through BIA's Field Administrative Office in Albuquerque, New Mexico. Following receipt of its appropriation, the Commission reimbursed BIA \$17,925.61 for funds expended on the Commission's behalf. The Commission used office space provided by the Joint Use Agency until May 1976, when it obtained its own office space in Flagstaff through the General Services Administration.

Congress appropriated \$12,700,000 for Commission activities for the fiscal year ending June 30, 1976. Of this amount \$400,000 was for administrative expenses and \$12,300,000 for the relocation program. During the fiscal year, the Commission obligated \$180,962.70 and spent \$66,348.05 for administrative expenses. No program funds were obligated or spent.

We prepared the following financial summary based on data provided by the Commission and BIA.

Financial Summary
Fiscal Year Ended June 30, 1976
Navajo and Hopi Indian Relocation Commission

Appropriated administrative funds	\$400,000.00
Obligated	<u>180,962.70</u>
Balance	<u>\$219,037.30</u>

	<u>Obligations</u>	<u>Disbursements</u>
Travel	\$65,640.13	\$10,689.81
Personnel costs	52,678.49	47,925.87
Legal services	33,588.30	3,348.33
Equipment	22,005.55	-
Supplies and materials	5,192.36	3,552.99
Rents, communications, and utilities	647.99	251.94
Transportation of things	530.77	-
Printing and reproduction	22.40	22.40
Other services	<u>656.71</u>	<u>556.71</u>
Total	<u>\$180,962.70</u>	<u>\$66,346.05</u>

Commission employees

The Office of Management and Budget imposed an employment ceiling of 10 full-time employees on the Commission extending through September 1977. The Commission had three employees as of June 30, 1976, and two additional individuals were hired during the transition quarter. According to Commission estimates, a total of 10 employees will be on board by September 1977.

Scope of review

We reviewed the Commission's financial records for the fiscal year ended June 30, 1976, at the Commission's office in Flagstaff, Arizona, and BIA's Office of Administration and Field Administrative Office, Albuquerque, New Mexico. Our review was limited to financial transactions related to administrative functions because no program funds were obligated or spent during fiscal year 1976.

We met with Commission and BIA employees responsible for preparing financial documents, maintaining records, and data processing to gain an understanding of their respective

responsibilities and to learn how the Commission's financial transactions were processed by the financial system. Procedures and records applicable to the Commission's payroll, leave, personnel appointments, procurement, equipment, inventory, and related financial areas were reviewed. We did not evaluate the BIA financial systems which process the Commission's financial transactions.

FINDINGS AND RECOMMENDATIONS

Our review identified certain weaknesses which caused problems in the Commission's financial operations during its first year of activity. These problems need to be corrected so that the Commission can fully comply with applicable laws and regulations and have better control over resources.

We found that

- incorrect salaries were paid to Commissioners,
- annual leave was improperly accrued for the Commissioners,
- procurement procedures were not consistently followed,
- unexpended travel funds were not deobligated, and
- a formal administrative procedures manual was not developed.

We believe the Commission should correct these problems by strengthening its administrative controls and practices.

These problems were relatively minor in fiscal year 1976 because of the Commission's limited operations and fund expenditures. However, as the Commission's program activities, fund disbursements, and staff increase, these minor problems could become major. In the following sections we recommend specific corrective action for the problems identified.

Incorrect salary paid to Commissioners

Our review of fiscal year 1976 payroll records showed that in some pay periods the Commissioners were underpaid and in others they were overpaid, resulting in net salary underpayments totaling \$2,523.25. The following schedule summarizes the amount of, and the reasons for, incorrect payments.

Summary of Incorrect
Salary Payments to Commissioners

Reason for underpayment:	<u>Amount</u>
Full day's pay not claimed	\$2,101.85
Clerical errors	<u>1,047.84</u>
Total underpayment	\$3,149.69
Reason for overpayment:	
Clerical errors	<u>\$ 626.44</u>
Net underpayment as of 6/30/76	<u>\$2,523.25</u>

Full day's pay not claimed

During the fiscal year ended June 30, 1976, the Commissioners did not always claim the full day's pay to which they were entitled.

Public Law 93-531, which established the Commission, provides that each Commissioner shall receive a full day's pay for any portion of a day spent on Commission business.

Our review of payroll records indicated that two Commissioners were underpaid \$2,101.85 because, for some pay periods, they did not claim a full day's pay when only part of the day was spent working on Commission business. Additional underpayments may have been made because, on occasion, all three Commissioners accumulated hours worked each day until an 8-hour day could be reported on the activity reports used to prepare time and attendance forms. Because the activity reports do not show how the hours were accumulated we could not determine if the Commissioners should have claimed more days and if they were underpaid additional amounts beyond the \$2,101.85.

The Commissioners expressed concern over being paid for a full day when only a small part of the day was spent on Commission business. It appears that their workload will substantially increase once the relocation program is underway. In the meantime, better planning and work scheduling could minimize the number of days when small amounts of time are spent on Commission business.

Clerical errors

The Commissioners received incorrect salary payments because clerical errors were made when supplemental time and attendance forms for payroll adjustments were submitted to BIA for processing. Both over and underpayments were made which resulted in the Commissioners being underpaid \$421.40.

The Commission's Executive Director told us that BIA prepared and processed time and attendance records until February 1976. After the Commission hired its Executive Director in January 1975 and received its appropriation in February 1976, it began preparing the time and attendance records and reviewed those BIA had previously done. The review showed numerous discrepancies between Commissioners' hours worked and paid and resulted in supplemental time and attendance forms being prepared and submitted in March 1976. However, the Commission staff entered an incorrect number of hours worked (both understatements and overstatements) on the supplemental time and attendance forms and BIA applied an incorrect hourly rate in computing pay for the Commissioners.

Our review of transactions subsequent to March 1976 showed that the Commission staff was promptly submitting necessary supplemental time and attendance forms. We also found no errors in the time and attendance forms, including supplementals, prepared subsequent to March 1976. If the Commission staff maintains this accuracy, incorrect salary payments resulting from clerical errors should be minimized.

Conclusions

The Commissioners are obligated, by law, to accept a full day's pay for each day they spend any time on Commission business; they have no option to do otherwise.

Our review indicated that the Commissioners were underpaid because, in some pay periods, they did not claim a full day's pay for days when minimal time was spent on Commission business.

If the Commissioners, collectively or individually, do not feel that they should receive a full day's pay for limited work, they could make arrangements to donate part of their salaries to the Government. Either the Commission's legal counsel or BIA's General Counsel should be able to make the legal arrangements necessary to effect such a donation.

Agency comments

The Commission Chairman stated that the Commissioners had some philosophical differences with the requirement that they be paid for a full day's work regardless of the length of time spent working on Commission business. This problem has been corrected since the volume of Commission work is significantly increasing and the Commissioners are scheduling their activities to concentrate their work and minimize the number of days when small amounts of time are spent on Commission business. In addition, the Commissioners are now accepting a full day's pay for those days in which Commission business is conducted. Beyond this, there will be a reconciliation of incorrect salary payments.

Concerning clerical errors, the Chairman said that additional internal controls had been established and additional staff assigned so that in the future errors would be minimized.

Commissioners' annual leave
improperly accrued

Part-time employees without established tours of duty during the administrative work week may not accrue annual leave (5 U.S.C. 6301, 6303 (1970)). The Commissioners do not have an established tour of duty during an administrative work week. However, BIA began accruing annual leave improperly for one Commissioner in July 1976. We discussed this problem with a BIA official who said he would investigate the matter and take corrective action. In February 1977 we called the Commission's Executive Director to see if the problem had been eliminated. He told us that the Commissioner was still accruing annual leave, it was also being accrued for the other two Commissioners, and the Commissioners had not taken any annual leave as of February 17, 1977.

Conclusions and recommendations

The Commissioners are not entitled to the annual leave they are accruing. We recommend that the Commissioners

- not use any leave already accrued and
- have BIA stop accruing annual leave and eliminate accrued leave balances from payroll records.

Agency comments

The Commission Chairman agreed with our recommendations and stated that they had been implemented.

Procurement procedures not followed

Our tests of procurement records showed that, in several instances, the Commission staff bypassed BIA's procurement procedures. These procedures require the Commission to submit requisitions for needed materials, supplies, furniture, equipment, and other items to BIA's Field Administrative Office, Property and Supply Branch. When a requisition is received, the Branch issues the purchase order necessary to obtain the needed item.

We identified cases where the Commission staff ordered items directly from vendors before the issuance of a purchase order. Subsequent to ordering these items, justifications were sent to BIA so that purchase orders could be issued and the vendors' invoices could be paid. For example, in March 1976, the Commission staff ordered four calculators costing a total of \$1,350.88 from a local Flagstaff firm. All calculators were received by March 31, 1976, the same day the Commission staff submitted justifications to BIA. Purchase orders were not issued until April 13, 1976.

Conclusions and recommendations

BIA's procurement procedures are reasonable and, if followed, provide effective internal control over procurement actions. We recommend that the Commissioners direct the staff to strictly adhere to the BIA procurement procedures.

Agency comments

The Commission Chairman stated that the Office of the Secretary now provides administrative services for the Commission and had specified procurement procedures to be followed when procuring needed materials and equipment. He said that the Commission staff follows these procedures and effective internal control over procurements has been established.

Travel funds not deobligated

Travel funds obligated from July 1, 1975, through September 30, 1976, and not expended during that year were

not deobligated. In July 1975, funds were obligated for the Commissioners' anticipated official travel from July 1975 through September 1976. Later in the fiscal year, funds were also obligated for travel by Commission employees. Neither the Commissioners nor Commission employees traveled as much as planned and a balance remained in the obligated travel fund account on September 30, 1976. This balance was not deobligated at the end of the fiscal year as it should have been.

According to section 1311 (a) of the Supplemental Appropriation Act of 1955, as amended (31 U.S.C & 200(a) (1976)), no amount should be recorded as an obligation unless it is supported by documentary evidence that it is a legal liability of the Government. In this case, since the travel has not taken place there is no liability and no obligation has been incurred.

Because the travel funds were not deobligated, Commission records do not accurately reflect the amount of travel obligations outstanding as of June 30, 1976, and September 30, 1976, and total obligations are overstated in the records.

As a related matter, when travel is authorized and funds obligated for a full year, additional controls are needed to insure that no more funds are spent than are obligated. Since the Commissioners did not travel much in fiscal year 1976, a large unexpended balance remained in the travel fund account at yearend. However, when the relocation program gets underway, the Commissioners will most likely do considerable traveling and the obligated travel funds could be overspent, unless the Commission's staff closely monitors expenditures during the year.

Conclusions and recommendations

The Commission's obligated but unexpended travel funds need to be deobligated because they are invalid and travel expenditures must be closely controlled to prevent overexpenditures.

We recommend that the Commissioners

- have BIA deobligate the unexpended travel funds; and
- direct the Executive Director to develop procedures (1) to insure that, in the future, unexpended travel funds are promptly deobligated at yearend and (2) to monitor and control travel fund expenditures during the year.

Agency comments

The Commission Chairman stated that the unexpended travel funds had been deobligated and procedures were established to prevent overexpenditures and to insure prompt deobligation of unused travel funds.

Lack of formal procedures manual for administrative functions

The Commission receives most administrative and housekeeping services, including accounting services, from BIA but also performs certain administrative functions for itself without a written, formal procedures manual. These functions include preparation of time and attendance records, authorization and preparation of travel vouchers; preparation of requisitions for procurement of equipment, supplies, and services; and receipt and custody of equipment and supplies.

The publication of agency procedures in manual form is necessary to guide the individuals responsible for carrying out the Commission's day-to-day activities in a uniform and systematic manner. Generally, the absence of a procedures manual for administrative functions can lead to errors which can remain undetected for extended periods. Identifying the causes of these errors is difficult, if not impossible, because the correct procedures for processing administrative actions are not documented. The Commission's failure to promptly deobligate travel funds and to strictly adhere to BIA procurement procedures are two examples of problems resulting from the lack of an administrative procedures manual.

Training new employees to perform administrative functions is difficult when a manual is not available. These employees must rely on the oral instructions of the other employees since no definitive, written sources of information are available. This would make training new employees difficult and could result in additional administrative problems. The Commission's budget estimates for fiscal 1977 and 1978 indicate that its staff will double in size, also adding to the problems.

Conclusions and Recommendations

A formal, written administrative procedures manual should be prepared for all administrative functions performed by the Commission. This manual would strengthen the

implementation of administrative functions as the Commission's staff increases and would assure consistent application of administrative procedures when personnel turnover occurs. Administrative procedures manuals adopted by BIA or other Government agencies could serve as guides in developing the Commission's manual.

We recommend that the Commissioners require the Executive Director to develop a formal administrative manual of procedures for the preparation, review, and approval of time and attendance records; travel authorizations; purchase requisitions; receipt and custody of equipment and supplies; and other administrative activities as necessary.

Agency comments

The Commission Chairman stated that an administrative procedures manual is being developed and should be completed within 60 days.

UNITED STATES GOVERNMENT
NAVAJO & HOPI INDIAN RELOCATION COMMISSION
2708 N. FOURTH ST. P.O. BOX 1178 FLAGSTAFF, ARIZONA 86001

June 29, 1977

Mr. D. L. Scantlebury
Director
Division of Financial and General Management Studies
United States General Accounting Office
Washington, D. C. 20548

Dear Mr. Scantlebury:

This letter is a follow-up to my letter of May 26th.

As you are no doubt aware, the Commission is a relatively new agency and the Commission's request for a review by GAO was prompted by the Commission's desire for direction in developing effective financial operating guidelines. In this regard, the review visit was most helpful, and the report has become an important management tool.

I am happy to say that the problems identified in the review have been resolved. A major feature of this is that since the GAO review, the Commission has negotiated a Memorandum of Agreement with the Secretary of Interior - a copy of which is attached. This agreement makes provision for the Office of the Secretary - Operations to provide administrative and housekeeping services, and has thus brought about a substantial upgrading in procedures.

The following addresses the specific problems identified in the review:

Incorrect Salary Paid to Commissioners. As pointed out in the review, the Commissioners had some philosophical differences with the requirement that they be paid for a full day's work regardless of the length of time spent working on Commission business. This problem has been corrected since as was pointed out in the review, the volume of Commission work is significantly increasing and the Commissioners are scheduling their activities in a manner which concentrates their work. This minimizes the number of days when only a small amount of time is spent on Commission activities. In addition, the Commissioners are now accepting a full day's pay in compliance with applicable standards, for those days in which Commission business is conducted. Beyond this, there will be a reconciliation of over and underpayments itemized.

Clerical Errors. The review indicates that subsequent to March 1976 reports were being submitted with complete accuracy, and steps have been taken to minimize the possibility of future errors. These efforts involve assigning additional staff to this area, and establishing new internal controls, e.g., cross referencing and designating an individual to certify the timekeeper's reports.

Mr. Scantlebury
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Commissioner's Annual Leave. In direct response to the review, accrued leave balances have been eliminated from the payroll records, and leave is no longer being accrued. Moreover, no Commissioner has charged any annual or sick leave. Beyond the above, at such time as the Commissioners may determine an established tour of duty during an administrative work week, a schedule of annual leave may be instituted.

Procurement Procedures. Pursuant to the Memorandum of Understanding with the Secretary of Interior, the Commission now utilizes the procurement process of the Office of the Secretary - Operations. This process requires the Commission to submit requests for materials, equipment, etc., to the Office of the Secretary - Operations. All procurement policies instituted by this office are complied with by Commission staff, thus effective internal controls over procurement have been established.

Travel Funds Not Deobligated. As a direct result of the review, all travel authorizations with balances prior to April 1, 1977 have been deobligated. Those travel authorizations issued after April 1, 1977 have a record showing travel expenditures charged against the authorizations. This will offset any chance of over-expenditure and will show any balance of obligation remaining when the travel authorization expires. The travel authorization balance will be deobligated immediately on expiration.

Lack of a Formal Procedures Manual. Pursuant to the Memorandum with the Office of the Secretary, most administrative and housekeeping services, including accounting services from that office, are procedurally documented. Those administrative functions performed within the administrative structure of the Commission are systematically being identified and a procedural manual being developed, which should be completed within 60 days. (A copy will be forwarded to you upon completion.) The procedures covered by this manual will include all phases of the relocation mission.

When we receive authorization from you for audit release, we will comply with Section 236 of the Legislative Reorganization Act of 1970.

Thank you for your staff's efforts in accomplishing a most helpful financial review of this Agency.

Sincerely,


Hawley Atkinson
Chairman

HA:mj

Enclosures