

**GAO**

**Briefing Report to the Subcommittee on  
Interior and Related Agencies, Committee  
on Appropriations, House of  
Representatives**

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**June 1989**

**FINANCIAL  
MANAGEMENT**

**Bureau of Indian  
Affairs' Consolidation  
of Billing and  
Collection Functions**



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

Accounting and Financial  
Management Division

B-235644

June 14, 1989

The Honorable Sidney R. Yates  
Chairman  
The Honorable Ralph Regula  
Ranking Minority Member  
Subcommittee on Interior  
and Related Agencies  
Committee on Appropriations  
House of Representatives

Your February 10, 1988, letter requested that we monitor and periodically advise you of the status and progress of the efforts by the Department of the Interior's Bureau of Indian Affairs (BIA) to consolidate its billing and collection functions at its central accounting operations center in Albuquerque, New Mexico. You requested that we monitor the consolidation to ensure that the implementation of the consolidated functions was successfully completed. On February 23, 1989, we briefed your Subcommittee staff on the results of our efforts. As agreed, this report discusses the information presented at that briefing.

#### BACKGROUND

As you know, BIA is responsible for providing a wide range of services and activities, including education, economic development, employment programs, and general administration, to federally recognized American Indian tribes. With your Subcommittee's approval, in February 1988, BIA initiated an effort to consolidate the functions involved in billing and collecting moneys due for these services into its central accounting operations center in Albuquerque, New Mexico. Up until that time, the billing and collection functions were performed on a decentralized basis by BIA's field locations.

The consolidation was undertaken to further centralize BIA's accounting operations, thereby permitting a more orderly conversion to a new departmentwide accounting system, and to correct a number of weaknesses in its decentralized debt collection process. BIA's financial operations, which include billing and collections, have

been criticized for having inadequate internal controls and unreliable financial data and reports which have led to BIA's loss of accountability for millions of dollars.

#### RESULTS IN BRIEF

Staffing of the consolidated billing and collection functions unit and reassignment of those BIA field office employees who were affected by the consolidation are now virtually complete. Since the consolidation, BIA has identified a number of actions it feels are needed to strengthen the billing and collection functions. These include the need to provide additional training; revise its operational procedures, particularly in debt collection requirements and techniques; eliminate the existing reconciliation backlog; and automate the billing and collection processes.

We believe that BIA's consolidation of its billing and collection functions is a positive step to obtaining better accountability and establishes a foundation for its conversion to the new Department of the Interior-wide system planned for October 1, 1989.

#### OBJECTIVE, SCOPE, AND METHODOLOGY

In monitoring the status and progress of the consolidation effort, we interviewed BIA's Division of Accounting Management officials located both in its Washington, D.C., headquarters and its central accounting operations center in Albuquerque, New Mexico. We also reviewed the Department's consolidation request to the Subcommittee and subsequent correspondence as well as the Department's reports describing the status and progress of the consolidation effort. In addition, we reviewed a May 1987 report by the Department's Inspector General on BIA's debt collection efforts and a December 1985 report by the contractor who was hired to review the Department's accounting systems and to develop a strategy for departmentwide consolidation. The purpose of these interviews and reviews of various documents was to identify any concerns which may have hindered BIA's consolidation efforts.

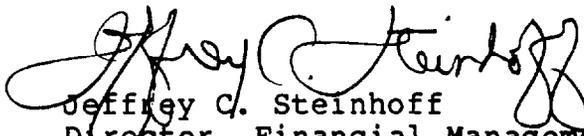
We performed our work from February 1988 through February 1989. Throughout the course of this review, we discussed our work with BIA officials in order to ensure the accuracy

and completeness of the information in this report. Their comments were considered in preparing the report.

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Appendix I provides details on improvements made at the Albuquerque operations center. Appendix II discusses those actions that BIA feels would strengthen the billing and collection functions. Appendix III lists the major contributors to this report.

We are sending copies of this report to the Secretary of the Interior, the Director of the Office of Management and Budget, and other interested parties. Copies will be made available to others upon request. If you or your staff have any further questions about the contents of this report, please contact me at (202) 275-9454.

  
Jeffrey C. Steinhoff  
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Systems Issues

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ABBREVIATIONS

BIA           Bureau of Indian Affairs



IMPROVEMENTS MADE AT THE ALBUQUERQUE OPERATIONS CENTER

ACCOUNTING FUNCTIONS CONSOLIDATED

- ISSUING BILLS FOR MONEYS DUE
  
- COLLECTING MONEY DUE
  
- RECONCILING ISSUED BILLS AND COLLECTIONS RECEIVED WITH THE ACCOUNTING RECORDS

ORGANIZATIONAL RESPONSIBILITY HAS BEEN REVISED

- CASH MANAGEMENT UNIT WAS CREATED TO IMPROVE ACCOUNTABILITY
  
- FIELD OFFICES' BILLING AND COLLECTION RESPONSIBILITIES HAVE BEEN LESSENED

IMPROVEMENTS MADE AT THE  
ALBUQUERQUE OPERATIONS CENTER

In July 1988, BIA consolidated its billing and collection functions and the related accounting at its central accounting operations center in Albuquerque, New Mexico. A cash management unit was established within the operations center to serve as the focal point for these functions, which were previously performed at the individual BIA field locations.

The consolidation was undertaken as a result of a 1985 contractor's review of financial management activities throughout the Department. The contractor's report recommended centralization of the Department's administrative accounting operations prior to the planned implementation of a departmentwide standard accounting system. Subsequently, a 1987 Interior Inspector General's review of BIA's debt collection function recommended centralizing that function at the operations center after finding that BIA had lost accountability for millions of dollars of accounts receivable because there was no centralized control and responsibility over accounts receivable maintenance and debt collection activities.

As a result of the consolidation, the cash management unit within the BIA operations center now issues bills for those moneys due from nonfederal entities, including current and former employees and Indian tribes. The operations center now receives and accounts for all payments received on such billings and records the payment transactions into its individual subsidiary accounting records and its general ledger. The center is also responsible for reconciling its subsidiary accounts to the general ledger receivable and cash accounts. Billing for reimbursements due from other federal agencies for funds spent on their behalf by BIA had already been centralized in the Albuquerque operations center, as were other administrative accounting activities such as disbursement and payment activities.

The billings and collections for the receivables due BIA from nonfederal entities are primarily for rent and utilities at BIA-provided living quarters, disallowed costs identified by audits of tribal grants, and employee-related debt for such items as payroll overpayment and outstanding travel advances. During fiscal year 1988, BIA collected about \$16 million from these entities; about \$15 million, representing about 5,500 individual accounts, remained outstanding from these entities according to BIA's 1988 fiscal year ending report.

In addition, BIA officials informed us that the current annual reimbursements received from other federal agencies for

funds spent on their behalf are about \$50 million, most of which comes from the Department of Education for the funding of school operations on Indian reservations.

As a result of the consolidation, BIA's field offices no longer perform the actual billing and collection functions but are required to identify debts owed to BIA and to notify the operations center of such debts. This, in turn, has reduced the number of employees involved in the billing and collection functions in these field locations. Those employees affected by the transfer of the billing and collection functions to the operations center were offered positions at the operations center or elsewhere within BIA. The staffing of the new cash management unit and the reassignment of affected employees are now virtually complete. The cash management unit has grown from an initial on-board staff of 5 employees to 10, with one position vacant at the time of our briefing. We were advised that of the 62 field staff positions affected by the consolidation, 19 employees were transferred to the Albuquerque operations center, while the other 43 employees were given positions elsewhere within BIA.



FURTHER EFFORTS BY BIA TO STRENGTHEN  
THE BILLING AND COLLECTION FUNCTIONS

**ACTIONS BIA IS TAKING**

- PROVIDING ADDITIONAL TRAINING**
  
- MAKING IMPROVEMENTS IN ITS OPERATIONAL PROCEDURES**
  
- RECONCILING ISSUED BILLS AND COLLECTIONS WITH ITS  
ACCOUNTING RECORDS**
  
- AUTOMATING THE BILLING AND COLLECTION FUNCTIONS**

FURTHER EFFORTS BY BIA TO STRENGTHEN  
THE BILLING AND COLLECTION FUNCTIONS

While the consolidation is for the most part complete, BIA is undertaking a number of steps to strengthen its billing and collection processes. BIA is providing additional training; developing written operational procedures, particularly in debt collection requirements and techniques; completing the reconciliation of bills and collections with its accounting records; and automating the billing and collection functions.

In December 1988, orientation training was provided to field office and operations center staff affected by the consolidation. BIA officials recognize, however, that additional training, particularly in debt collection requirements and techniques, is needed before the staff will completely understand its new responsibilities and duties.

In addition, there are presently no written procedures which define the roles and responsibilities of those employees assigned to the cash management unit. These procedures are needed to ensure that the cash management unit personnel are performing their activities in compliance with the billing and collection requirements of the Debt Collection Act. For example, prior to the consolidation, payment demand letters, often referred to as dunning letters, were not always issued promptly by the BIA field office personnel and in some cases were not issued at all. We were told that only 2 of the 26 field locations routinely issued dunning letters. BIA officials informed us that they have some continuing problems in this area. However, they believe that dunning letters will be issued more promptly after the cash management unit's staff becomes more familiar with its duties and responsibilities and once the process is automated.

BIA officials informed us that written procedures describing the roles and responsibilities of the cash management personnel are expected to be in place before the new departmentwide accounting system is implemented at BIA, which is planned for October 1, 1989. They also mentioned that individual performance measurement standards would be prepared which would outline employee responsibilities, but they gave no planned completion date for that project.

Also, the cash management unit has a backlog of billings and collections on hand which must be reconciled with the related accounts in its accounting system. According to BIA officials, the staff has not always properly recorded the receipt of payments received on issued bills in its subsidiary receivable accounts. To correct this problem, the unit must match the collections received

with the issued bills and make the appropriate entries in its accounting system records. The unit's staff is currently performing this matching process and anticipates eliminating the backlog by mid-1989.

In addition, by mid-1989, BIA plans to implement an interim automated system which will assist the cash management unit in performing its duties. This interim system will provide the unit with such capabilities as issuing bills and dunning letters as well as monitoring the overall status of its collection efforts. According to a BIA official, the data from this interim automated system will be compatible with the new departmentwide accounting system, thereby permitting a more orderly conversion.

We believe that BIA's consolidation of its billing and collection functions is a positive step to obtaining better accountability and establishes a foundation for its conversion to the new departmentwide system.



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