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UNITED STATES GENERAL ACCOUNTING OFFICE
REGIONAL OFFICE
7014 FEDERAL BUILDING, 1961 STOUT STREET
DENVER, COLORADO 80202

JUN 14 1971

Mr. Roland Miller, Chief
Division of Financial Management
Bureau of Indian Affairs
Room 11327
500 Gold Avenue, SW
Albuquerque, New Mexico 87101



Dear Mr. Miller:

We have completed our test of the adequacy of the accounting procedures and controls employed by the Bureau of Indian Affairs in recording and reporting accrued expenditure transactions, primarily for account 14X2301 - Construction. A copy of the letter report to the Commissioner, Bureau of Indian Affairs, is enclosed for your information. The letter gives the scope of our test and the conclusions reached. Additional observations made during our test are discussed below.

During our test we found that certain lines on the accrued expenditure reports to the Treasury were being derived from the Report on Budget Status (Standard Form 133). Internal controls would be improved if accrued expenditure reports were developed from appropriate general ledger accounts supplemented by manual input from accounting stations not on computer and checked to the Standard Form 133.

The letter to the Commissioner stated that the "Manually-generated data included in consolidated reports was not validated." A Division official told us that each of the three independent accounting stations cutoff at least some of their transactions prior to the end of the month for reporting purposes. He said that transactions after the cutoff are included in the next month's reports. We believe that the Division should encourage these stations to follow Office of Management and Budget Bulletin No. 68-10 which says "Financial reports for the month ... should cover the total transactions of the month." The Bulletin mentions two approaches for achieving this. The preferable method is to use actual data and speed up report processing so as to meet reporting deadlines. Another approach is to use estimates for accruals between the cutoff and the end of the month.

Reports to the Treasury separate transactions with the public from those with U.S. Government agencies. We were told by a Division official that your account structure did not provide for this segregation, and account balances which could include both types of transactions were being arbitrarily classified.

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