



U.S. Department of the Interior
Office of Inspector General

AUDIT REPORT

**FOLLOWUP OF RECOMMENDATIONS CONCERNING
BUREAU OF INDIAN AFFAIRS ACCOUNTABILITY
AND CONTROL OVER ARTWORK AND ARTIFACTS
LOCATED IN THE MAIN AND SOUTH
INTERIOR BUILDINGS**

**REPORT NO. 96-I-1245
SEPTEMBER 1996**



United States Department of the Interior

OFFICE OF THE INSPECTOR GENERAL
Washington, D.C. 20240

OCT 16 1996

MEMORANDUM

TO: **The Secretary**

FROM: **Wilma A. Lewis**
Inspector General

SUBJECT SUMMARY: Final Audit Report for Your Information - "Followup of Recommendations Concerning Bureau of Indian Affairs Accountability and Control Over Artwork and Artifacts Located in the Main and South Interior Buildings" (No. 96-I-1245)

Attached for your information is a copy of the subject final audit report. At the request of the Bureau of Indian Affairs, we reviewed the actions taken by the Bureau to implement the recommendations in a prior report to safeguard and account for its artwork and artifacts.

We concluded that the Bureau had taken actions to implement all of the recommendations but that not all of the recommendations were implemented adequately. Specifically, the Bureau had not: (1) adequately documented its physical inventory of artwork and artifacts or reconciled the inventories taken with the property records; (2) formally designated an accountable officer and a custodial officer for the artwork and artifacts in storage; (3) issued property receipts to assign responsibility for all property in private offices; and (4) corrected all of the deficiencies regarding the physical storage of artwork and artifacts.

In its response, the Bureau concurred totally or partially with all five of our recommendations to improve its control over artwork and artifacts. Based on the response, we considered four recommendations resolved and revised the recommendation pertaining to physical inventories. The Bureau was requested to respond to the revised recommendation.

If you have any questions concerning this matter, please contact me at (202) 208-5745 or Mr. Robert J. Williams, Acting Assistant Inspector General for Audits, at (202) 208-4252.

Attachment



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
Washington, D.C. 20240

SEP 30 1996

AUDIT REPORT

Memorandum

To: Assistant Secretary for Indian Affairs

From: Robert J. Williams *Robert A. Williams*
Acting Assistant Inspector General for Audits

Subject: Final Audit Report on Followup of Recommendations Concerning Bureau of Indian Affairs Accountability and Control Over Artwork and Artifacts Located in the Main and South Interior Buildings (No. 96-I-1245)

INTRODUCTION

This report presents the results of our followup review of recommendations contained in the audit report entitled "Bureau of Indian Affairs Accountability and Control Over Artwork and Artifacts Located in the Main and South Interior Buildings" (No. 91-I-73), issued in October 1990. The followup audit was initiated at the request of the Bureau of Indian Affairs. The objective of the followup review was to determine whether the Bureau had implemented the recommendations in the prior report to adequately safeguard and account for its artwork and artifacts and whether any new recommendations were warranted.

BACKGROUND

Our October 1990 audit report concluded that the Bureau was not maintaining adequate accountability, control, and storage of artwork and artifacts within the Main and South Interior Buildings in Washington, D.C. This occurred because the Bureau had not: (1) performed a complete physical inventory of all artwork and artifacts located in the two buildings and reconciled the inventory results with its official property records; (2) designated officials responsible for property in storage; (3) assigned responsibility for property in private offices; and (4) established proper physical storage procedures and facilities. The report concluded that, because of the reasons cited, the Bureau's artwork and artifacts often were seriously damaged or deteriorating and were not included in the Bureau's inventory records. Based on the October 1990 report and the July 1990 Office of Inspector General audit report entitled "Accountability and Control Over Artwork and Artifacts, Department of the

Interior” (No. 90-83), the Department designated this area as a material weakness in its Annual Statement and Report to the President and the Congress, required by the Federal Managers’ Financial Integrity Act, for fiscal year 1990. Subsequently, the Bureau received a total of about \$2.3 million during fiscal years 1992 through 1995 to fund corrective actions.

The Department’s Semi-Annual Report on Audit Followup dated March 31, 1993, stated that the Bureau had taken sufficient actions to resolve all five of the recommendations made in our October 1990 report. On October 7, 1993, the Bureau submitted a Museum Property Action Plan to the Office of the Assistant Secretary for Policy, Management and Budget that set forth the goals and accomplishments of the Museum Property Management Program. The goals included: (1) ensuring accurate identification of museum property at all Bureau offices; (2) strengthening curatorial expertise and improving museum property management policy guidance to the field; (3) establishing accountability for museum property; and (4) establishing adequate storage and protection for museum property. According to the Plan, corrective actions are to be completed by the year 2010.

SCOPE OF AUDIT

To accomplish our audit objective, we reviewed documents and records pertaining to Bureau artwork and artifacts located in the Washington, D.C. area. In addition, we interviewed Bureau personnel responsible for accounting for and controlling artwork and artifacts and for implementing the prior audit report’s recommendations.

This followup review was conducted at Bureau offices located in the Main and South Interior Buildings. Our review was made, as applicable, in accordance with the “Government Auditing Standards,” issued by the Comptroller General of the United States. Accordingly, we included such tests of records and other auditing procedures that were considered necessary under the circumstances. Because of the limited scope and objective of our review, internal controls were reviewed only to the extent that they related to corrective actions taken on the prior recommendations.

We also reviewed the Department of the Interior’s Annual Statement and Report to the President and the Congress for fiscal year 1994. The report concluded that accountability, control, and protection of artwork and artifacts administered by the bureaus and offices throughout the Department were inadequate and that Departmental policies and procedures were inadequate to ensure the preservation of these objects. Our recommendations, if implemented in a timely manner, should improve the internal controls in this area.

RESULTS OF AUDIT

We found that of the five recommendations made in our October 1990 report for the Bureau of Indian Affairs to adequately safeguard and control its artwork and artifacts, two recommendations were not implemented, two were partially implemented, and one was implemented. (These prior recommendations are summarized in Appendix 1.) Specifically, the Bureau had not: (1) adequately documented its physical inventory of artwork and artifacts or reconciled the inventories taken with the property record; (2) formally designated an accountable officer and a custodial officer for the artwork and artifacts in storage; (3) issued property receipts to assign responsibility for all property in private offices; and (4) corrected all of the deficiencies regarding the physical storage of artwork and artifacts.

Status of Prior Recommendations

Recommendation 1. Conduct a complete physical inventory of all artwork and artifacts and reconcile it with the property records.

Our prior audit found that the inventory listing of artwork and artifacts for the Main and South Interior Buildings was not complete. For example, 49 of the 50 objects we reviewed during the prior audit that were stored in the South Interior Building were not included on the Bureau's property records. The Bureau agreed with our recommendation, stating that a physical inventory had since been conducted of all artwork and artifacts located in the Main and South Interior Buildings and that photographs were taken of all items, which were then labeled with the titles, descriptions, and artists' names, and filed in an album for reference.

In our followup review, we found that, although the Bureau stated that a physical inventory had been performed as recently as March 1995, it could not provide adequate documentation on the results of the review. The Departmental Manual (411 DM 4.3) states that inventories are to be retained for 3 years and that if "problems" (for example, "large numbers of losses") are identified in an inventory, the complete inventory for a particular unit should be "retained until the problem is corrected." We also found that the inventory listing and property records were still inaccurate and incomplete. For example:

- Of the 1,137 artwork and artifact items on the Bureau's July 1995 inventory listing for the Main and South Interior Buildings, 268 items did not have on file Forms DI-105, "Receipt of Property." (Form DI-105 is used for initial receipt and control of all accountable Bureau property.) In addition, 91 items for which Forms DI-105 were on file were not on the inventory listing.

- Twenty-five of 100 items judgmentally selected from the July 1995 inventory listing could not be located or otherwise accounted for, and 21 other items were at

locations different from those noted on the inventory. Subsequent to our review, the Bureau informed us that 19 of the 25 missing items had been located.

- Twenty-four of 81 judgmentally selected items that we observed in Bureau offices during our review were not labeled with an official property number. We therefore could not verify that the items were included in the property records.

We believe that the lack of adequate controls over the removal and return of property from the Main and South Interior Buildings contributed to the large number of missing items. For example, we found that 7 of the 28 property passes issued during fiscal years 1994 and 1995, accounting for at least 175 items, did not contain Bureau identification numbers or detailed descriptions of the items removed. In addition, we could not determine whether all property passes were accounted for because the forms were not sequentially numbered and a log book on property passes issued was not maintained.

Because the results of the inventory were not available and a large number of items could not be located or were not labeled properly, we consider the recommendation unimplemented. The Bureau should ensure that a complete physical inventory is taken of all artwork and artifacts located in the Main and South Interior Buildings and that the results are adequately documented and reconciled with the property records. In addition, because Form DI-105 is one of the basic documents used to establish accountability and control over artwork and artifacts, the Bureau should ensure that the form is completed and filed for each item in the inventory.

Recommendation 2. Hire an art expert to determine the historical and monetary value of the artwork and artifacts before board-of-survey actions are initiated.

In making this recommendation, our prior report stated, “The Bureau’s recorded value for its artwork and artifacts may be significantly lower than the actual value because some of the artists have become more prominent since the artwork was acquired.” The prior audit also found that the Bureau had not established values for artwork and artifacts in storage. The Bureau agreed with the recommendation, stating that specific guidance would be developed.

Our followup review found that while the files generally contained an adequate description of the historical value of the items, monetary values had not been established. However, subsequent to the prior audit, the Federal Accounting Standards Advisory Board issued draft guidelines (“Statement on Accounting for Property, Plant, and Equipment”) in February 1995 which stated that “no monetary value be recognized for donated heritage assets” (which included artwork). The guidelines further stated, “The most relevant information about heritage assets would generally be their existence and condition.” According to Departmental officials, the bureaus have been encouraged to implement the guidelines even before they are finalized. Therefore, we consider the recommendation implemented.

Recommendation 3. Formally designate an accountable officer and a custodial officer for the artwork and artifacts in storage.

Our prior audit found that neither an accountable officer nor a custodial officer was designated for objects stored in the attic of the South Interior Building. The accountable officer is responsible for the property records and the annual inventory, and the custodial officer is responsible for the daily supervision and control of artwork and artifacts in storage. The Bureau agreed with the recommendation, stating that a memorandum would be issued designating the responsible officials.

Our followup review found that the Bureau hired a curator in June 1992, who assumed the role of accountable officer. Because the curator controlled access to the storage areas, she was, in effect, also the custodial officer. However, while these actions address the intent of our recommendation, the Bureau did not formally designate the curator for either position. Also, the Bureau of Indian Affairs Property Management Manual (43 BIAM Supplement 8, Section 2.8) states that the duties of accountable officer and custodial officer should not be performed by the same person. Therefore, we consider this recommendation partially implemented.

Recommendation 4. Issue property receipts to assign responsibility for property in private offices.

Our prior audit found that, although Bureau officials had inventoried artwork, property receipts (Form DI-105) indicating custody had not been prepared for these items, as required by the Departmental Manual. The prior report stated that, in addition to indicating custody, a property receipt would ensure that responsible officials were financially liable to the Government if the property was lost, damaged, or stolen. The Bureau agreed with the recommendation, stating that a memorandum would be issued to persons with items in their offices to designate them as the custodial officers and that a signed Form DI- 105 would be maintained for each item.

Our followup review found that the Bureau took actions different than it proposed in response to our prior audit to improve controls over its artwork and artifacts. Instead of designating individuals who had property in their own offices as custodial officers, the Bureau assigned custodial officer responsibility to a smaller number of individuals who oversaw the property as part of their daily activities. This practice was in compliance with the Bureau Manual. However, property receipts had not been prepared for all of the items we reviewed, as discussed in Recommendation 1. Therefore, we consider this recommendation unimplemented. The Bureau should ensure that property receipts are obtained for all items assigned to the custodial officers.

Recommendation 5. Establish appropriate physical storage facilities and implement procedures to safeguard artwork and artifacts from environmental hazards.

Our prior audit found that the Bureau had not adequately safeguarded its artwork and artifacts from environmental hazards resulting from improper handling and

storage and from inadequate climate and lighting controls. For example, we found that items such as paintings, prints, and pottery were stored improperly in the South Interior Building attic, where it was “exceedingly hot, humid, dusty and dirty.” The attic had a leaking water pipe, and there was evidence of previous flooding. The Bureau agreed with the recommendation, stating that procedures would be issued to adequately protect artwork and artifacts. The Bureau further stated that it would review Departmental guidance being developed by the Office of the Assistant Secretary for Policy, Management and Budget for protecting artwork and artifacts and incorporate, in the Bureau Manual, a section setting forth policies and responsibilities in this area.

Our followup review found that the Bureau had made significant progress in correcting the conditions noted in the prior report and had revised the Bureau Manual to incorporate Departmental guidance on safeguarding artwork and artifacts from environmental hazards. For example, the Bureau’s curator had removed all items from the attic and had established temporary locked storage areas in the Main and South Interior Buildings, and items were generally being protected from potential damage from ultraviolet light and dust. However, we believe that additional actions are needed to ensure that all artwork and artifacts are adequately protected. We used the Department of the Interior Checklist for Preservation, Protection, and Documentation of Museum Property to evaluate the storage areas located in the Main and South Interior Buildings and identified the following deficiencies:

- The storage areas did not have sufficient space.
- There were no intrusion alarms.
- The shelving was not stabilized.
- There were no devices to monitor humidity and the presence of pests.

We therefore consider this recommendation partially implemented.

Recommendations

We recommend that the Assistant Secretary for Indian Affairs:

1. Ensure that physical inventories of artwork and artifacts located in the Main and South Interior Buildings are adequately documented and that the results are reconciled with the property records.

2. Ensure that Forms DI-105, “Receipt for Property,” are prepared for all artwork and artifacts and that each item is labeled with a property number.

3. Ensure that sequentially numbered property passes are prepared accurately and completely and issued for all items removed from the Main and South Interior Buildings.

4. Formally designate an accountable officer and a custodial officer for the artwork and artifacts in storage.

5. Obtain and properly equip permanent storage areas to ensure that artwork and artifacts are protected in accordance with Departmental standards.

Bureau of Indian Affairs Response and Office of Inspector General Reply

In its March 29, 1996, response (Appendix 2) to the draft report, the Bureau of Indian Affairs concurred with Recommendations 2, 3, and 4 and partially concurred with Recommendations 1 and 5. Based on the response, we consider Recommendations 4 and 5 resolved and implemented and Recommendations 2 and 3 resolved but not implemented. Accordingly, the unimplemented recommendations will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation. Based on the response, we revised Recommendation 1 and are requesting that the Bureau respond to the revised recommendation, which is unresolved (see Appendix 3).

Recommendation 1. Partial concurrence.

Bureau Response. The Bureau stated that it performed a physical inventory of artwork in the Main and South Interior Buildings in March 1995 in compliance with annual inventory requirements and that it had “provided a set of the workpapers to the auditors as evidence.” According to the Bureau, as part of the inventory effort, “some items” were entered into the property records, and a reconciliation of the inventory and the property records was “partially performed.” The Bureau stated that it will ensure that all items are entered into the system and that the reconciliation is completed. The Bureau also indicated that it was unable to specifically comment on some of the examples in our report because we did not provide listings identifying the items involved.

Office of Inspector General Reply. During our review, the Bureau provided us with partial documentation that a physical inventory of its artwork and artifacts had been conducted. However, the documentation covered only a portion of the items on the Bureau’s inventory listing; therefore, we could not determine whether a complete physical inventory had been performed. Based on the Bureau’s comments, we have revised our report to recognize that inventory work had been performed but that adequate documentation was not maintained. Accordingly, we have also revised the recommendation to reflect the need for adequate documentation. Further, we have provided listings of the items cited to the Bureau to enable it to take corrective action as appropriate.

Recommendation 2. Concurrence.

The Bureau stated that it will obtain Forms DI-105 within 3 months after obtaining the list of items from the audit staff and that it had located 19 of the 25 missing items and obtained Forms DI-105 for them. The Bureau further stated it will either locate the remaining six items or convene a board of survey regarding the items' disposition.

Recommendation 3. Concurrence.

The Bureau stated that although most of the need for property passes would be alleviated when its offices are consolidated in the Main Interior Building, which was scheduled to occur in May 1996, the Bureau concurred with the recommendation and said that it will develop a "list of requirements" for property passes. The requirements will include sequential numbering and ensure that passes are complete and accurate.

Recommendation 4. Concurrence.

The Bureau stated that it partially implemented the recommendation when it hired a curator in June 1992. The Bureau also included in its response copies of March 26, 1996, memoranda designating an accountable officer for personal property in the Central Office and designating a different individual as the custodial officer for artwork and artifacts located in designated storage areas in the Central Office.

Recommendation 5. Partial concurrence.

Bureau Response. The Bureau stated that because of the planned renovation of the Main Interior Building and the Bureau's plans to move to the building, the current storage area is considered "temporary." The Bureau said, therefore, that it "does not believe that it would be cost effective to install intrusion alarms, special lighting and humidity controls or erect permanent shelving" in the current storage areas. The Bureau further stated that the additional space will be large enough to hold some items currently in the Main Interior Building and will have adequate shelving and protection from ultraviolet light. The Bureau also identified actions that had been taken to improve storage conditions to prevent damage from ultraviolet light, dust, and pests.

Office of Inspector General Reply. We agree that it would not be cost effective to correct the conditions in the current storage area at this time. Based on the Bureau's response, we have revised the report to reflect the improvements made by the Bureau.

Additional Comments

Our draft report had included a finding that the Bureau was not adequately monitoring and accounting for funds received in fiscal years 1994 and 1995 to correct material weaknesses reported in the Secretary's Annual Statement and Report to the President and the Congress regarding inadequate controls over artwork and artifacts. The report recommended that the Assistant Secretary for Indian Affairs ensure that the Office of Management and Administration accounts for and monitors the use of the material weakness funds.

In response to the report, the Bureau stated that it "recognize[d]" that it "did not provide full documentation at the time of the audit review" and requested that the draft report be revised to reflect the additional information provided with the response.

Based on our review of the additional information and the fact that the Bureau did not request or receive any supplemental funds in its fiscal year 1996 budget for specifically correcting these material weaknesses, we have excluded the finding and related recommendation from the final report.

In accordance with the Departmental Manual (360 DM 5.3), we are requesting a written response to this report by December 20, 1996. The response should provide the information requested in Appendix 3.

The legislation, as amended, creating the Office of Inspector General requires semiannual reporting to the Congress on all audit reports issued, actions taken to implement audit recommendations, and identification of each significant recommendation on which corrective action has not been taken.

We appreciate the cooperation of Bureau officials in the conduct of our audit.

**STATUS OF RECOMMENDATIONS FOR AUDIT REPORT
 “BUREAU OF INDIAN AFFAIRS ACCOUNTABILITY AND
 CONTROL OVER ARTWORK AND ARTIFACTS LOCATED IN
 THE MAIN AND SOUTH INTERIOR BUILDINGS”
 (No. 91-I-73)**

<u>Recommendation</u>	<u>Status</u>
1. Conduct a complete physical inventory of all artwork and artifacts and reconcile it with the property records.	Not implemented.
2. Hire an art expert to determine the historical and monetary value of the artwork and artifacts before board-of-survey actions are initiated.	Implemented.
3. Formally designate an accountable officer and a custodial officer for the artwork and artifacts in storage.	Partially implemented. The Bureau had established and filled the position of museum curator, who is identified on some records as the accountable officer. However, the Bureau had not formally designated an accountable officer and a custodial officer for the artwork and artifacts in storage in the Main and South Interior Buildings.
4. Issue property receipts to assign responsibility for property in private offices.	Not implemented.
5. Establish appropriate physical storage facilities and implement procedures to safeguard artwork and artifacts from environmental hazards.	Partially implemented. Although the Bureau had relocated artwork and artifacts to more adequate facilities, the current storage areas lacked some of the features required by Departmental museum property guidelines.



United States Department of the Interior

OFFICE OF THE SECRETARY

Washington, D.C. 20240

MAR 20 1996

Memorandum

To: Assistant Inspector General for Audits

From: Ada E. Deer *Ada E. Deer*
Assistant Secretary - Indian Affairs

Subject: Draft Audit Report on Followup of Recommendations Concerning Bureau of Indian Affairs Accountability and Control Over Artwork And Artifacts Located In The Main And South Interior Buildings, Report No. E-IN-BIA-014-95

We have reviewed the above draft report which contained six findings, five of which were originally discussed in the previous report, "Bureau of Indian Affairs Accountability and Control Over Artwork and Artifacts Located in the Main and South Interior Buildings," Report No. 91-I-73. The sixth finding concerns material weakness funds. The current report indicated that one of the original findings has been implemented.

Before responding to the remaining five findings, we would like to comment on the following items contained in the report.

Complete Physical Inventory

The draft report states on page 4 that the Bureau had not conducted an adequate physical inventory of artwork and artifacts or reconciled the inventories with the property records. On page 5 the report says, "In our followup review, we found that, although the Bureau stated that a physical inventory had been performed as recently as March 1995, it could not provide the results of the review." A physical inventory is a two-step process, performing a physical review and then reconciling it with the property records. While it is true that the reconciliation between the physical review and the property records has not been completed, the Bureau did complete a physical review of all artwork and artifacts in the Main and South Interior Buildings and provided a set of the workpapers to the auditors as evidence.

On page 6, the report lists three "examples" of inaccurate and incomplete inventory and property records:

The first example is that 268 items did not have a Form DI-105, "Receipt of Property," on file.

Since a copy of the list containing the 268 items was not provided, we are unable to determine the circumstances or whether a DI-105 is required. If they are photographs, then they are reprints of historical ethnographic photographs from the Smithsonian or copies of historical Rinehart photographs from the Haskell Indian Nations University. Reprints are not considered museum property and do not require property numbers. The replacement cost is minimal.

The second example is that 25 of 100 items “judgmentally selected” from the July 1995 inventory listing could not be located or otherwise accounted for, and 21 other items were at locations different from those noted on the inventory.

As stated above, while a complete physical inventory was performed of all artwork and artifacts, many of the DI-105s had not been entered into the Fixed Assets Subsystem. As a result, the “July 1995 inventory listing” did not reflect the inventory in the workpapers and it may have been difficult to locate some of the two sets of items. Additionally, some of the items on the listing had numbers which are no longer used as identifiers. The Bureau has the list of the 25 items that could not be located and is in the process of reconciling them. As noted in the report, 19 have been reconciled. DI-105s have been obtained.

The third example is that 24 items observed in Bureau offices were not labeled with an official property number.

A list of those items was not provided, and the Bureau does not know what method was used to “judgmentally” select those items. Some of those items may belong to individual BIA employees or maybe photographs which are not museum property and do not require official property numbers.

In the last paragraph on page 6, the report cites 7 property passes that did not contain Bureau identification numbers.

Again, since no list was provided, we do not know if the 7 items which did not have identification numbers are photographs. If they are, no identification numbers are required.

Property Receipts

On pages 9 and 10, the report states that as a result of the 1990 audit, the Bureau agreed to issue a memorandum to persons with items in their offices to designate them as custodial officers but that during this audit the Bureau could not provide documentation that memoranda were issued. Attached to this response is a memorandum dated July 22, 1992 which indicates that property custodial officers were designated and would be provided training on custodial and cognizant employee responsibilities for artwork.

We believe the auditors did not accept this memorandum since they assumed that anyone who has artwork in his or her own individual office should have received a memorandum designating them as a custodial officer. On the contrary, custodial officers are defined in 43 BIAM Supplement 83.6 and 3.6A as “operating officials” who “shall be responsible for property in an area which can reasonably be overseen in the daily use of government property, and in which the misuse and use for other than official purposes is readily identifiable.” This memorandum was intended for the custodial officers who meet that definition.

Storage Facilities

While the report does give credit on page 11 for some actions taken to improve the storage of artwork and artifacts, other corrective actions are not acknowledged. Those corrective actions are as follows:

- To prevent UV light damage, curtains and blinds are closed in the storage room,
- The Department of the Interior Integrated Pest Management is used in the storage room and throughout offices displaying artwork and artifacts.
- All museum property items in the Main Interior Building storage room is protected from dust. Additionally, at the time of the fieldwork, baskets were either covered by acid-free paper or were in acid-free boxes. Sculptures were wrapped in acid-free paper or were covered with plastic. Textiles were stored in acid-free boxes, and small items were wrapped in acid free paper. The paintings were stored with acid free dividers in both the Main Interior Building and the South Interior storage rooms.

Material Weakness Funds

On page 2, the draft report states that “.. the Bureau received a total of about \$2.3 million during fiscal years 1992 through 1995 to fund corrective actions.” While the Bureau had requested a total of \$2,794,000, the Congress appropriated \$2,150,000 over these four fiscal years.

On page 12, the draft report states that the Division of Property Management “... was not adequately monitoring the use of these finds,” and on page 12 that the Division had no records to account for and explain how over \$1.5 million was used during FY 1994 and FY 1995 to improve the management and control of the Indian artwork and artifacts. We believe that these findings are erroneous and resulted from an incomplete review of accounting reports and program management records. However, we recognize that the Bureau did not provide full documentation at the time of the audit review. We request, therefore, that this section of the draft report be revised to reflect the following information and to affirm the adequacy of the Bureau’s accountability for financial and program performance.

The report indicates that \$1,895,000 was provided in FY 1994 and FY 1995 to correct material weaknesses in Indian artwork and artifacts. Because of provisions in the FY 1994 and FY 1995 Appropriations Acts requiring general reductions and procurement savings, only \$1,658,000 in

additional appropriations could be redirected toward planned corrective actions. This is the incremental amount of funds above the Division's base budget level for staff and on-going operations. Of these additional funds, the Division retained \$963,000 for headquarters activities and distributed \$695,000 to various area and agency offices, schools and other field locations as indicated in attached Table 1.

The Division obligated its resources largely for personnel compensation, travel to conduct training and site inventories, and contractual services. It has lead responsibilities for corrective actions on material weaknesses in Real Property and in Personal Property, which includes, but is not limited to, Indian art and artifacts located in the Bureau's facilities. The Division also supports corrective actions on a related material weakness in Acquisition Management through its maintenance of inventory information on artwork and artifacts in the new automated fixed asset property data system. While the Bureau separately identified the amounts of funds specifically budgeted for corrective actions on these material weaknesses, the Division's personnel are not assigned to work exclusively on any one of these three project areas, except for the museum curator. Furthermore, it is not practical to expect staff members to maintain internal records on how much of their time is spent on each project since these material weaknesses are interrelated and corrective activities are integrated into daily operations.

Summary information on the suballotments, obligations, and the use of these funds at the field locations is provided in Tables 2 and 3. Most field locations submitted narrative reports on program plans and accomplishments. While this information is summarized in tabular form for ease of review, copies of the reports submitted by the area offices and schools and the year-end reports from the accounting system are provided.

Recommendations and Response

Recommendation #1:

Ensure that a complete physical inventory is taken of all artwork and artifacts located in the Main and South Interior Buildings and that the results are reconciled with the property records.

Response:

The Bureau concurs and has partially implemented this recommendation. In March 1995, the Bureau performed a physical inventory of artwork in the Main and South Interior Buildings in compliance with 411DM 3.4 (Museum Property Management) and 410DM114.60 (Interior Property Management Directives) annual inventory requirements. This inventory included all Bureau offices as well as the Office of the Secretary, the DOI Museum, and other Interior offices with artwork on loan from the Bureau. At that time, some items were encoded into the Bureau's property system, and reconciliation between the property records and physical inventory records was partially performed. Delores Mays, Division of Property Management, will ensure that the items which have not been encoded into the system will be encoded and that the remainder of the reconciliation will be completed by July 31, 1996.

Recommendation #2:

Ensure that a Form DI-105, "Receipt for Property," is prepared for all artwork and artifacts and that each item is labeled with a property number.

Response:

The Bureau concurs. Prior to the October 1990 Inspector General audit on artwork, the Bureau had been lax on requiring a DI-105 for artwork and artifacts. Since that audit, emphasis has been placed on ensuring that custodial responsibilities and accountability be assigned to Bureau personnel by completing the DI-105. Marian Hansson, Division of Property Management, will obtain the DI-105s for the remaining items within 3 months from the date the auditing staff provides a copy of the list containing those items. With respect to the 25 items listed as "missing" on page 11, the Bureau has located 19 of the 25 items and has obtained DI-105s. Ms. Hansson will also either locate the remaining six items and prepare any required DI-105s or she will prepare a Report of Survey for resolution by Board of Survey members to consider as required under 114DM60.802. Delores Mays will ensure that the Board is appointed and convened. All actions regarding those remaining six items will be completed by July 15, 1996.

Recommendation #3 :

Ensure that sequentially numbered property passes are prepared accurately and completely and issued for all items removed from the Main and South Interior Buildings.

Response:

The Bureau recognizes that the property passes are not sequentially numbered and a log book is not maintained and, therefore, concurs with this recommendation. Also, one property pass was not fully completed and six others may not have been fully completed. BIA offices in the South Interior Building will consolidate with the offices in the Main Interior Building in May, 1996, and there will be a corresponding increase in the Main Interior storage area so that items will not have to be transferred from one storage area to the other. This will alleviate most of the requirements for property passes. However, some items will continue to be sent to vendors for repairs and to other agencies on loan. So that these items will be safeguarded, Deolores Mays will ensure that a list of requirements for issuance of future property passes is developed. She will also ensure that all property passes are sequentially numbered and are complete and accurate for all items removed from the Main and South Interior Buildings. The list of requirements will be developed by May 31, 1996. The log and sequentially numbered passes will also be utilized by that date.

Recommendation #4:

Formally designate an accountable officer and a custodial officer for the artwork and artifacts in storage.

Response:

The Bureau concurs with this recommendation. As indicated in the audit report, the Bureau has partially implemented this recommendation by hiring a curator in June 1992 whose duties include custodial officer for storage. The attached memorandums formally designating the accountable officer and the custodial officer for storage meets the remaining requirements of this recommendation.

Recommendation #5:

Obtain and properly equip permanent storage areas to ensure that artwork and artifacts are protected in accordance with Departmental standards.

Response:

The Bureau partially concurs with this recommendation. The Bureau will require additional storage space to accommodate artwork from the South Interior storage area when it moves to the Main Interior Building. Additionally, since the Main Interior Building is scheduled for renovation, the Bureau's storage area may be relocated. Therefore, the Bureau considers the current storage area as temporary and does not believe that it would be cost effective to install intrusion alarms, special lighting and humidity controls or erect permanent shelving. Regarding dust covers and pest controls in the current areas, as stated earlier, acid free paper, dividers and boxes have been obtained to protect art and artifacts from dust, and the storage area is covered by the Department's Integrated Pest Management. The additional space will have adequate storage, shelving, acid-free paper and protection from UV lighting. Also, the additional space will be large enough to accommodate some items from the current Main Interior storage area which should alleviate the overcrowding in that space.

Recommendation #6:

Ensure that the Office of Management and Administration accounts for and monitors the use of the material weakness finds.

Response:

The Bureau does not concur. Based upon the information provided with this response, we consider current accounting and monitoring practices to be adequate.

Attachments

[NOTE: ATTACHMENTS NOT INCLUDED BY OFFICE OF INSPECTOR GENERAL.]

STATUS OF AUDIT REPORT RECOMMENDATIONS

<u>Finding/Recommendation Reference</u>	<u>Status</u>	<u>Action Required</u>
1	Unresolved.	Provide a response to the revised recommendation.
2 and 3	Resolved; not implemented.	No further response to the Office of Inspector General is required. The recommendations will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation,
4 and 5	Implemented.	No further action is required.

**ILLEGAL OR WASTEFUL ACTIVITIES
SHOULD BE REPORTED TO
THE OFFICE OF INSPECTOR GENERAL BY:**

Sending written documents to:

Calling:

Within the Continental United States

U.S. Department of the interior
Office of Inspector General
1550 Wilson Boulevard
Suite 402
Arlington, Virginia 22210

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1-800-424-5081 or
(703) 235-9399

TDD for hearing impaired
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1-800-354-0996

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Caribbean Region

U.S. Department of the interior
Office of Inspector General
Eastern Division - Investigations
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Arlington, Virginia 22209

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Office of Inspector General
North Pacific Region
238 Archbishop F.C. Flores Street
Suite 807, PDN Building
Agana, Guam 96910

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