

conservator could see them. In this one case, the conservator showed me his and these notations that appear, his records were beautiful but that the previously deceased fiduciaries' records were not, and that's why the estate is included in one of these 25 as having inadequate records, and my position is that—

Mr. EDMONDSON. How long have you been conservator?

Mr. CLEARY. Beginning 1965; 1965, 1966, and 1967.

Mr. EDMONDSON. So, you had a situation where records were inadequate, and this task force made its study in 1967, I believe?

Mr. CLEARY. Yes.

Mr. EDMONDSON. So, they were looking for records prior to 1965?

Mr. CLEARY. Yes.

Mr. EDMONDSON. And, they were unable to find them?

Mr. CLEARY. They went back to the very beginning of the accounting when the Indian had the estate created for him in the superior court, and that's where all this commenced. A few records were missing in the Indian fiduciaries since the beginning of the Indian estate and that estate was classified as having inadequate records. Now, I think that's a misleading classification.

Mr. EDMONDSON. Your impression of that is based on the conclusion that they were objecting to the absence of old records and not to the absence of recent records?

Mr. CLEARY. Yes, sir.

Mr. EDMONDSON. 1964, 1963, for example, it would be reasonable to expect to find in 1967, I think you will agree, even for tax purposes?

Mr. CLEARY. Yes, sir; I think it would be. Because I did not see the audit, I can make no further comments on the alleged categories that Mr. Cox has placed estates in, however, I will make one comment and that is, assets understated and the assets overstated. The auditing team picked up an item at its initial cost, for instance, an automobile costing \$5,000 in the year 1961, would be carried on the books of the auditing team as being \$5,000 in 1967, whereas the fiduciary depreciated the property—appreciated and depreciated the property that he was accounting for, so if the auditing team saw that the car costs \$5,000 at its inception and the fiduciary later indicates it to be worth only \$500, then he was understating assets, and if he had a piece of property or stock in 1963 and in 1964 that stock was raised in value, it would be classified as overstated.

Mr. EDMONDSON. What point are you documenting on that, that 10 cases were understated?

Mr. CLEARY. Ten understated and then on page 17, seven overstated.

Mr. EDMONDSON. You base that again, on your examination of one accounting?

Mr. CLEARY. Yes, sir. I see it once, I therefore applied it that they must have carried it throughout.

Mr. EDMONDSON. Is it possible that in that instance, the examiner felt that the depreciation from \$5,000 to \$500 in that time period might be overdepreciation?

Mr. CLEARY. It's quite possible, but the point I'm making is the audit—this doesn't appear to be an overdepreciation. In other words, I'm not saying that in one estate there was an overdepreciation of this