Mr. Chairman, and members of the Committee, thank you for the opportunity to testify this morning about the challenges associated with economic development on tribal lands and the creation of jobs for American Indians.

The Office of Inspector General (OIG) is a small, but highly motivated organization that provides independent oversight to prevent and detect waste, fraud, and mismanagement and promotes excellence, integrity, and accountability within the programs, operations and management of DOI.

The OIG accomplishes its mission by performing audits, investigations, evaluations, inspections, and other reviews of the Department’s programs and operations. We independently and objectively identify risks and vulnerabilities that directly affect, or could impact, DOI’s mission and the vast responsibilities of its bureaus and offices. We target our resources by identifying and developing solutions for the Department’s most serious management and program challenges.

Our organizational strategies are aimed at ensuring the OIG is relevant and respected for its independent expertise and objective products. We continuously evaluate our efforts to improve the accountability of DOI and our responsiveness to Congress, the Department, and the public. We seek continuous improvement within, and we believe in the limitless potential of our employees to maintain OIG as a leading organization in the Federal government.

**DOI Responsibility to American Indians**

Management problems persist in programs for Indians. The Department manages relationships with 564 Federally recognized Indian tribes, has trust responsibilities for 112 million surface and subsurface acres of land belonging to Indian tribes and individuals, and provides education services to approximately 42,000 Indian children in 184 schools and dormitories.

Responsibility to American Indians has consistently been a top management challenge for the Department. Indian Country programs managed by the Department include Indian Trust for Lands and Funds, Indian Education, Self-Determination, Energy and Economic Development, Indian Gaming, and Justice Services. Approximately 25 percent of OIG investigations involve Indian Country issues.

The Federal Government has long acknowledged the resulting complexity from land fractionation on Indian Trust operations. Fractionation is the result of dividing Tribal land into
parcels and allotting the parcels to individual Indians. The allotments are subsequently divided among heirs through probate. With each generation, the amount of fractionation increases. We are working with the Department as it develops a comprehensive plan that will guide its efforts to significantly reduce fractionation.

The myriad problems we have uncovered in BIA portray programs that are sorely understaffed, and poorly managed. The OIG has identified gross program inefficiencies at many levels of Indian Affairs and in tribal management of Federal funds.

Let me summarize some the more recent work we have done regarding the Bureau of Indian Affairs:

**Indian Land Fractionation**

In anticipation of the *Cobell* settlement, in which a $1.9 billion fund is established for the voluntary buy-back and consolidation of fractionated land interests, the OIG conducted an evaluation to identify challenges to implementing the settlement and solving the long-standing problem of Indian land fractionation. This evaluation was the first in a series on the Indian land consolidation provision of the settlement. Fractionation has two primary impacts: it limits the Tribes’ productive use of land and is very costly to the Federal Government to administer the approximately 4.1 million fractionated interests on 99,000 fractionated tracts. Unless a tribe owns at least a majority interest in a fractionated tract, the tribe must seek the approval of other owners in order to lease the tract for economic development purposes. This need for approval has essentially stopped economic development on some tracts of land.

We found two major opportunities for the Department to enhance the likelihood of success in this endeavor: improving communication and coordination in terms of strategic planning and among the various offices that must be involved in the consolidation process and identifying the resources needed for this consolidation effort. We are continuing to work cooperatively with the Department to address the other management areas that must operate effectively to ensure success of the land consolidation envisioned in the *Cobell* settlement.

**Roads and Transportation Funds**

In one BIA region, we found that inattention to expenditures and failure to manage the roads program has jeopardized the success of roads projects and caused millions of dollars to be wasted or unaccounted for. $32 million in funding was distributed by this region a year, but only $3 to 4 million in roads projects had any physical oversight or verification of work completed. Internal management controls were so broken down that wage-grade employees were earning over $100,000 a year, with overtime, without explanation. We were not able to substantiate that overtime was improperly or illegally being claimed. This was due, however, to the lack of any uniform system of records for tracking the overtime worked by the employees in question.

In another instance, we determined that BIA paid out over $2.4 million for airport and roads improvement. As a result of our investigation, we estimate that $1.6 million had been expended on a non-specified road maintenance project and that as much as $200,000 may have been overbilled by a sub-contractor. We were unable to determine the actual percentage of work
completed on the project or the disposition of the remaining funds due to a lack of project oversight and funds accountability by the awarding office. Since 2004, this contract was listed as “suspended” and had been in this limbo status with little or no action until our investigation caused BIA to take action and cancel the contract. The United States Attorney’s Office declined to pursue a civil recover for the funds because of BIA’s lack of due diligence in administering the original project, and its contribution to the failure of the project and misuse of its funding.

BIA mismanaged a $9 million DOT funded ferry boat in Alaska that turned into a private boat tour. We investigated a complaint regarding misuse of funding intended to build a year-round high-speed car and passenger ferry to operate between Homer, Seldovia, Jacolof Bay and Halibut Cove on the Kachemak Bay. The complaint alleged that the “pass through” funding from the U.S. Department of Transportation in the amount of $9 million of a planned $14 million, which was supposed to be overseen by BIA, and was misspent. Instead, the complaint alleged that the recipient used the funding to build what has been described as a tour boat, without capability to haul vehicles, traveling only between Homer and Seldovia.

We found a lack of sufficient controls and oversight over Federal funding which would have prevented these funds from being spent contrary to the intended use. We determined that the proposal submitted to the BIA by the recipient described a scheduled year-round high-speed car/passenger ferry servicing Homer, Seldovia and other unserved points on Kachemak Bay. The language of the Congressional appropriations by which the project was funded indicated monies for a ferry to serve “Homer – Halibut Cove – Jacolof Bay – Seldovia.” Further, we concluded that the recipient did change the scope of the project by selecting a style boat that varied significantly from the original stated intent and from the specifications of the Request for Proposal; however, we found a clause in the Annual Funding Agreements between BIA and the recipient which allowed a change in scope. We also found instances in which the recipient indicated its intent to the Government to depart from the original specifications prior to the actual departure.

**Detention Centers**

Nearly seven years ago, the OIG conducted a thorough assessment of Indian Country Detention Facilities. We found that BIA had failed to provide safe and secure detention facilities throughout Indian Country. Our assessment revealed a long history of neglect and apathy on the part of BIA officials, which resulted in serious safety, security, and maintenance deficiencies at the majority of facilities we visited. Our work in this area received considerable attention and Congress appropriated significant funding to improve upon what was characterized as a national disgrace.

We recently completed an evaluation of BIA’s efforts to improve staffing levels at their detention facilities, a critical issue directly impacting safety and security and a key recommendation from our 2004 report. We have determined that despite the focus on the seriousness of the problem and a 48% increase in funding in excess of $64 million, BIA has failed to address staffing shortages and the state of these facilities remains largely unchanged. Additionally, we were unable to determine how much of the increased funding was spent.
Indian Schools

In February of 2010, the Office of Inspector General issued an evaluation of school violence prevention measures in tribally operated schools. We conducted this review to determine the quality of school safety measures in preventing violence against students and staff, from both internal and external threats.

Overall, our evaluation revealed many indicators of potential violence, deficiencies in school policies aimed at preventing violence, and substantial deficiencies in preventative and emergency safety procedures. As a result, many schools are dangerously unprepared to prevent violence and ensure the safety of students and staff.

Tracking violence and/or violent trends within Indian schools is particularly problematic because no functional, comprehensive reporting or tracking system exists. While we found few statistics on violence indicators at Indian schools, we found a wealth of supporting anecdotal evidence during our visits. For example, we found confiscated weapons, signs of gang activity, and substance abuse. Weapons end up on campuses as a result of various inadequate physical security features.

Given the fact that Indian communities suffer from high violent crime rates, maintaining a secure campus is, perhaps, as important as keeping weapons off campus. We identified an array of physical security deficiencies in areas such as security fencing, camera surveillance systems, visitor procedures, and security guards.

Finally, most of these schools are simply not prepared for an emergency. We reviewed emergency plans at almost all schools visited. We requested that each school run the emergency drills according to plan to identify any weaknesses. We noted numerous deficiencies in schools’ abilities to run the drills due to high staff turnover, ineffective intercom systems, and inadequate classroom security. Lockdown drills we observed revealed that most schools had classroom doors that could only be locked from the outside. As a result, staff needed to go outside to lock doors with keys, exposing staff and students to potential danger.

These are some of the issues we uncovered in our visits to schools throughout Indian Country. Our February 2010 report on school violence was preceded by a report in August 2008 addressing preparedness to address violence in BIE operated schools. Our findings were, not surprisingly, similar.

Earlier, in 2007, we issued a report regarding the physical conditions at BIE operated elementary and secondary schools, including boarding schools. We found severe deterioration that directly affected the health and safety of Indian children and their ability to receive an education. Deterioration ranged from minor deficiencies such as leaking roofs, to severe deficiencies such as classroom walls buckling and separating from their foundation; outdated electrical systems; inadequate fire detection and suppression systems; improperly maintained furnaces; and condemned school buildings that had not been torn down.
Other Management Weaknesses

Ten individuals, including the BIA Agency Superintendent, have been indicted in connection with a decade-long fraud scheme to embezzle tribal funds from the Fort Peck Credit Program, a tribal lending program of the Fort Peck Tribe in northeast Montana. Seven of the ten indicted, including two other BIA employees, have pleaded guilty to various charges related to the fraud scheme. Total loss to the Credit Program is approximately $1.2 million. As a result of our investigation, we determined that BIA managers overseeing this program displayed significant management failures.

For 14 years, BIA funded a nonexistent fish hatchery. Our investigation confirmed that for 14 years the BIA funded a hatchery that never hatched a single fish. BIA continued to fund the hatchery even after a superintendent visited the Reservation and saw that that the hatchery site had been converted into office space and after the superintendent was notified that the former Tribal Chairperson had spent BIA-provided funds, including those meant for the Tribe’s Fisheries Management Program, towards the purchase of real estate. Funding for the hatchery finally stopped in late 2006 when BIA’s Regional Office learned of the situation.

The Office of Inspector General is currently conducting an evaluation on Efficiency and Effectiveness of the Information Assurance Program at BIA. The objectives of this evaluation are to find out whether BIA tracks its IT expenditures ($72 million annually); whether the program effectively provides confidentiality, integrity, and availability of information to carry out the BIA mission; and to evaluate whether the management of the program is in compliance with laws and federal regulations. The OIG has successfully compromised the BIA network and user accounts without detection and has gained access to the BIA network and other financial systems. Access has been validated at multiple locations and continues to be undetected. Furthermore, two major BIA offices were unable to accurately identify all IT assets or to assure the effectiveness of security and processes surrounding those assets.

Non-Responsiveness

Due to resource limitations, the OIG can only investigate and/or review a small percentage of the issues that come to our attention. As a result, many of the issues are referred back to the bureaus so that they can be thoroughly evaluated and resolved appropriately. For the more significant issues, our process requires the bureaus to respond back to us, communicating the actions that have been taken to resolve the issues and any preventative measures that can be taken to ensure that similar situations to not re-occur in the future.

For many years, the Bureau of Indian Affairs has demonstrated tremendous inefficiency and has poorly managed the matters that we refer to them for action. The OIG refers serious allegations of employee misconduct such as fraud, theft, retaliation, misuse of funds to the BIA on a regular basis with the expectation that the issues will be appropriately resolved or that poor managers and/or ethically challenged employees will be held accountable. Unfortunately, BIA, more than any other bureau at Interior, has a history of failing to respond to OIG referrals or even worse, completely disregarding the serious matters referred to them. As a direct result of BIA’s inattention to these matters, the OIG recently had to create a new category within our
referral program - “Non-Responsive”- to eventually close out the issues, many, more than a year overdue. We have since elected to begin reporting “non-responsive” matters in our Semiannual Report to the Congress.

Thank you, Mr. Chairman, for the opportunity to share this information with you. I will be happy to answer any questions you or other members of the Subcommittee may have.