



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

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*New Chief Leschi School  
Photo Courtesy Puyallup Tribe*

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**Construction Costs for Chief Leschi School  
Puyallup Tribe, Puyallup, Washington  
Bureau of Indian Affairs**

**Report No. 01-I-237  
March 2001**



# United States Department of the Interior

## Office of Inspector General Western Region

Federal Building  
2800 Cottage Way, Suite E-2712  
Sacramento, California 95825

March 5, 2001

### Advisory Report

#### Memorandum

To: Assistant Secretary for Indian Affairs

From: Michael P. Colombo   
Regional Audit Manager, Western Region

Subject: Advisory Report on Survey of Construction Costs for Chief Leschi School,  
Constructed by the Puyallup Tribe Under Bureau of Indian Affairs Replacement  
School Construction Program (Report No. 01-I-237)

Following are the results of our survey of the costs of the Chief Leschi School, constructed near Puyallup, Washington, by the Puyallup Tribe under the Bureau of Indian Affairs (BIA) Replacement School Construction Program. The objective of our survey was to determine whether the school was constructed in accordance with applicable BIA guidelines.

#### Background and Scope

Construction of the Chief Leschi School was necessitated after the Assistant Secretary for Indian Affairs condemned the middle/high school portion of the old school in 1991 as “an immediate hazard to health and safety” and ordered it vacated. Construction of the new school began in May 1995 and was substantially completed in November 1996. Students, however, began occupying the school in September 1996. From May 1995 to September 1996, the middle and high school students were temporarily housed in leased facilities. Projected enrollment for the new school was 1,077 students, ranging from Pre-Kindergarten through Grade 12.

We selected the Chief Leschi School for review because the \$28.9 million<sup>1</sup> appropriated for school construction represented 25 percent of the \$117.4 million appropriated for replacement school construction from fiscal years 1991 to 1997. We conducted our survey

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<sup>1</sup>The \$28.9 million consisted of \$3.1 million awarded to the Tribe under Public Law 93-638, the Indian Self-Determination and Education Assistance Act of 1975 (25 U.S.C. 450 et seq.), and \$25.8 million awarded under an existing grant through Public Law 100-297, the Tribally Controlled Schools Act of 1988 (25 U.S.C. 2501 et seq.).

at the Chief Leschi School and at BIA's Facilities Management and Construction Center (FMCC) in Albuquerque, New Mexico, and Office of Indian Education Programs in Portland, Oregon. To accomplish our objective, we reviewed laws, regulations, policies, and guidelines governing the construction of replacement schools; BIA processes for approving and monitoring school construction; the single audit reports for the Chief Leschi School for fiscal years 1994 through 1998; and the certified public accountant's working papers for fiscal years 1996 and 1997.

Our review was made 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 procedures that were considered necessary to accomplish our objective. As part of our survey, we reviewed the Departmental Reports on Accountability, which included information required by the Federal Managers' Financial Integrity Act, and BIA's annual assurance statements on management controls for fiscal years 1996, 1997, and 1998. Based on those reviews, we determined that no material weaknesses were reported that directly related to the objective and scope of our survey.

## **Results of Survey**

We found that although the Chief Leschi School was constructed within the \$28.9 million of contract and grant monies provided by BIA, the FMCC did not (1) sufficiently monitor construction planning to identify variances between the Program of Requirements (POR)<sup>2</sup> prepared for the School and the construction design specifications or (2) remove the old Chief Leschi School buildings from the data base used to track buildings eligible to receive BIA operation and maintenance funds, as follows.

- ' Under BIA's process for planning and approving construction of school facilities, the FMCC prepares the POR and uses it to monitor construction planning and ensure that design specifications comply with the size and nature of the facilities provided for in the POR. The POR for the Chief Leschi School stated that the school was not to exceed a maximum of 175,924 square feet and provided for construction of athletic fields. The school design submitted to FMCC, however, totaled 181,427 square feet, or 5,530 square feet more than established in the POR, and did not include athletic fields. The FMCC either did not detect or did not question the difference between the design specification submitted and the POR. As a consequence, the school, as constructed by the Tribe's contractor, was larger than specified in the POR, resulting in additional costs of about \$666,000 and the need to rent facilities for outdoor sports activities at a cost of about \$10,000 a year.
- ' During construction of the new Chief Leschi School, elementary students continued to be housed in the elementary portion of the old school, which was in serviceable condition, and middle/high school students were housed in leased facilities. During this time, BIA appropriately paid to maintain the portion of the old school that was being used and the leased facilities. With the occupation of the new

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<sup>2</sup>The POR is a document prepared by the FMCC to establish the size and nature of facilities to be provided.

school buildings in September 1996, however, BIA did not remove the old school facilities from its data base. As a result, BIA erroneously paid the Puyallup School Board \$815,557 to maintain 97,639 square feet of the old Chief Leschi school buildings from October 1996 through September 2000 (see Appendix 1) and has not attempted to recover the erroneous payments from the School. BIA later recalculated the amount to \$785,310.

### **Recommendations**

We recommend that you ensure that appropriate BIA officials:

1. Monitor construction planning to ensure that the design specifications of schools comply with the POR.
2. Make a final determination on the allowability of the \$785,310 erroneously paid for operation and maintenance for fiscal years 1997 through 2000 and recover the amounts determined to be unallowable.

### **Agency Response**

In your December 8, 2000 response (Appendix 2), you concurred with our recommendations and stated that BIA had recalculated the amount erroneously paid for operation and maintenance for fiscal years 1997 through 2000 to be \$785,310. We accept that calculation as the amount that will be recovered and adjusted the amount in Recommendation 2 accordingly. You subsequently designated the responsible official for implementing the recommendations as the Education Line Officer for the Portland Area Office and the target date for action as March 30, 2001. Based on your response, we consider the two recommendations resolved and are referring them to the Assistant Secretary for Policy, Management and Budget for tracking of implementation. Accordingly, no further response to our office is necessary (Appendix 3).

The legislation, as amended, creating the Office of Inspector General, requires semiannual reporting to 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.

If you have any questions regarding this report, please call me at (916) 978-5653 or Mr. Andrew P. Rosenberger, Senior Auditor, Western Region, at (916) 978-5624.

## Appendix 1

### Questioned Operation and Maintenance Costs

Fiscal Year	Description	Square Footage <sup>1</sup>	Funded Rate <sup>1</sup>	Percentage of Year Facilities Not Used	Amount <sup>2</sup>
1997	Non-Maintained	40,638 <sup>3</sup>	\$0.15	100%	\$6,096
	Maintained	57,001 <sup>4</sup>	\$5.50	100%	313,505
	Subtotal				319,601
	Non-Maintained	40,638 <sup>3</sup>	\$0.15	100%	\$6,096
	Maintained	57,001 <sup>4</sup>	\$3.99	100%	227,434
	Subtotal				233,530
	Non-Maintained	40,638 <sup>3</sup>	\$0.15	100%	\$6,096
	Maintained	57,001 <sup>4</sup>	\$4.24	100%	241,684
	Subtotal				247,780
2000	Non-Maintained	97,639 <sup>5</sup>	\$0.15	100%	\$14,646
	Total				\$815,557

<sup>1</sup>Square footages and funding rates were obtained from FMCC.

<sup>2</sup>The amount was determined by multiplying the square footage times the funded rate times the percentage of the year the facilities were not used.

<sup>3</sup>This number is the square footage of the middle/high school portion of the old Chief Leschi School facilities which was condemned in 1991, boarded up for safety purposes, and held in “non-maintained” status.

<sup>4</sup>Old elementary school facilities were funded for 12 months (October 1996 through September 1997) and all of fiscal years 1998 and 1999, when they were not occupied, after the new Chief Leschi School facilities were opened in September 1996.

<sup>5</sup>In fiscal year 2000, the old elementary school facilities were reclassified as non-maintained, which, when combined with the middle/high school facilities, resulted in 97,639 (40,638 + 57,001) square feet of non-maintained space.

Appendix 2

Assistant Secretary for Indian Affairs Response



United States Department of the Interior

OFFICE OF THE SECRETARY  
Washington, D.C. 20240

Memorandum

DEC 8 2000

To: Assistant Inspector General for Audits

From: Assistant Secretary - Indian Affairs *[Signature]*

Subject: Draft Advisory Report Construction Costs for Chief Leschi School, Constructed by the Puyallup Tribe Under the Bureau of Indian Affairs Replacement School Construction Program (Assignment No. W-IN-BIA-001-99-D)

The subject draft advisory report addresses the costs of the Chief Leschi School constructed by the Puyallup Tribe under the Bureau of Indian Affairs Replacement School Construction Program. The objective of the survey was to determine whether the School was constructed in accordance with applicable Bureau guidelines. The report contains two recommendations regarding the monitoring of school construction planning and design and the allowability of operation and maintenance costs for fiscal years 1997 through 2000. The Bureau agrees with the intent of the two recommendations. Our responses to the recommendations are provided below:

In May 1999, the Bureau of Indian Affairs developed a plan to ensure the integrity of school construction grants. The plan was the result of a reexamination of the program which concluded that the process did not achieve the appropriate balance between Indian self-determination and accountability for Federal resources. The plan will be in effect for the replacement school construction program funds included in the Bureau's fiscal year 2001 budget.

**Recommendation 1:** Monitor construction planning to ensure that the design specifications of schools comply with the POR.

**Response:** We concur with this recommendation. Appropriate steps will be taken to ensure that grant officers and technical representatives more closely monitor design specifications for compliance with the approved *Program of Requirements (POR)*. In those instances where construction design process results in changes to the POR, the grant file will be documented.

**Recommendation 2:** Make a final determination on the allowability of the \$815,557 erroneously paid for operation and maintenance during school years 1996-97 through 1998-99 and recover the amounts determined unallowable.

**Response:** We concur with this recommendation and will make a final determination based on the outcome of discussions with the Office of the Solicitor regarding the ownership of the old buildings. The overpayment was due to the buildings not being properly classified in the inventory, which

resulted in the payment being made at the wrong rate. An order for the deletion of the building from the inventory was made by the Education Line Officer. However, it was not implemented. Staff limitations within the area facilities function resulted in the oversight not being identified until the Office of Facilities Management and Construction conducted a complete inventory validation of all schools in fiscal year 2000.

The attached table includes our recalculation of the overpayment.

Attachment

**Operation and Maintenance Funding Overpayments for  
Chief Leschi School**

Fiscal Year	Funded Square Footage	Correct Square Footage	O&M Funded	Correct O&M Funding	Funding Difference (+)
1996	61,474	61,471	\$477,690	OK	OK
1997	61,474 196,966 new	201,436	\$1,428,135	\$1,097,108 (a)	\$331,027
1998	258,437	201,436	\$1,038,154	\$812,335 (b)	\$225,819
1999	258,437	201,436	\$1,101,230	\$872,766 (c)	\$228,464
Total					\$785,310

- a.     \$ 30,780     existing 57,001 square footage for one month ( based on occupancy of new space in November) (excludes buildings 106, 107 & 110 which are calculated separately).  
           6,096     existing non-maintained 40,638 square footage for 12 months at 15 cents per square foot.  
           7,837     existing non-maintained 57,001square footage for 11 months at 15 cents per square foot.  
           28,965     buildings 106, 107 & 110 (4470 square feet) maintained for 12 months.  
           1,023,430     supplemental new space funding (not through O&M formula).  
           \$1,097,108
- b.     \$ 14,649     existing non-maintained 97,639 square footage for 12 months at 15 cents per square foot.  
           797,686     O & M funding for new school through formula (201,436 square feet for buildings 100, 106, 107 110, 200, 300 and 400).  
           \$ 812,335
- c.     \$ 14,649     existing non-maintained 97,639 square footage for 12 months at 15 cents per square foot.  
           858,117     O & M funding for new school through formula (201,436 square feet for buildings 100, 106, 107, 110, 200, 300 and 400).  
           \$ 872,766



**Appendix 3**  
**Status of Recommendations**

<b>Recommendation Nos.</b>	<b>Status</b>	<b>Action Required</b>
1 and 2	Resolved; not implemented	No further response to the Office of Inspector General is required. The recommendations will be forwarded to the Assistant Secretary for Policy, Management and Budget for tracking of implementation

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SHOULD BE REPORTED TO  
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