



U.S. Department of the Interior

Office of Inspector General

Washington, D.C. 20240



BIA Alaska Regional *Indian Reservation Roads Program* Rife with Mismanagement and Lacking Program Oversight

FLASH REPORT

Report No. WR-IV-BIA-0001-2009

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Memorandum

To: Secretary Salazar

From: Earl E. Devaney
Inspector General

Subject: BIA Alaska Regional *Indian Reservation Roads Program* Rife with Mismanagement and Lacking Program Oversight (WR-IV-BIA-0001-2009)

With the President's proposed economic stimulus plan poised to pass through Congress, we caution the Department of the Interior (Department) on the distribution of stimulus funds to its bureaus and offices that have not demonstrated the ability to adequately ensure proper management of program monies. One such office is the Bureau of Indian Affairs (BIA) Alaska Regional Indian Reservation Roads Program (IRRP).

We found that the Alaska region's inattention to expenditures and failure to manage its program has repeatedly jeopardized the success of Alaskan Native community roads projects and caused millions of dollars to be wasted or unaccounted for. Specifically, we found that BIA's passive acceptance and failure to pursue corrective action has apparently allowed some Alaskan Native communities to spend money on activities that are unrelated to those for which the funds were awarded. Further, the region's internal management controls have completely broken down, enabling wage-grade employees to earn over \$100,000 in a given year without explanation.

This report contains seven recommendations that, if implemented, should help correct the deficiencies noted within this specific BIA regional office. We would appreciate being kept apprised of the actions the Department takes on our recommendations, as we will track the status of their implementation. We ask that you direct BIA to inform us of their course of action within 30 days.

If you have any comments or questions regarding this report, please do not hesitate to contact me at (202) 208-5745.

WHY WE DID THIS REVIEW

This review was prompted by the results of a comprehensive report, *Indian Reservation Roads Program Review, Bureau of Indian Affairs Alaska Region, Federal Lands Highway Program*, issued by the Department of Transportation, and a separate DOI OIG investigative hotline complaint. While initially deemed separate issues, we quickly determined that both of the areas in question pointed back to the same fundamental problem: A lack of oversight and management in the BIA IRRP Alaska regional offices.

The IRRP is part of the Federal Lands Highway Program established to address transportation needs of Alaskan Native communities by providing funds for the planning, design, construction, and reconstruction of designated public transportation facilities. These facilities provide access to or within Alaskan Native lands, communities, and villages. The BIA and Federal Highway Administration's Federal Lands Highway Office jointly administer the program with funding from annual Department of Transportation appropriations. As most IRRP contracts are administered under the provisions of the Indian Self Determination Act (P.L. 93-638), the entities are responsible for the daily administration of the contracts; however, BIA is tasked with oversight and administration of the program.

WHAT WE FOUND

The Alaska regional office's consistent decision to ignore sound management practices has resulted in the loss of millions of dollars and left Native American citizens without needed infrastructure. The Alaska Regional IRRP Director told us that while \$32 million in program funding was distributed to approximately 230 Alaskan Native communities each year, only about \$3 to 4 million in roads projects had any physical oversight or verification of work completed. The Director attributed this lack of oversight to severe understaffing, as 12 of the 25 program positions are vacant. While we appreciate the difficulties understaffing causes, this office has had staffing concerns for the past 10 years and has not taken the measures necessary to correct this problem despite the apparent annual surplus of operations monies. Further, we were told that the BIA Alaska regional employees who are responsible for monitoring the projects were directed to perform only two oversight meetings throughout the course of any given project, one of which was the final meeting to close out the contract. BIA's late monitoring activity appears to be reckless at best given the results of the Department of Transportation report, as well as several investigations and complaints currently under OIG review.

External Mismanagement

One of the investigations that prompted this review involved a village that was advanced over \$2 million to build and repair critical road areas but instead used the monies to perform unauthorized work on another road that was deemed unnecessary by two engineers within the Alaska Regional IRRP. However, we found that buried within copious construction documents in BIA's own files were claims that BIA itself required this separate work to be performed without making the appropriate amendments or modifications to the contract. When Alaska regional officials finally stopped funding the construction, over \$1.6 million was estimated to have been spent on this unauthorized and unnecessary work, and less than \$100,000 remained for the original work to be completed. Over six years later, this project is still considered dormant with the main road incomplete. The village has acquired some additional funds to replace the misspent funds, but have not reimbursed BIA. The Alaska regional contracting officer, responsible for this project when it was mishandled, has been the BIA Regional IRRP Director for the past four years.

During the course of our inquiries, we found several other projects that indicated similar mismanagement and potential loss or theft of funds. For example, we were informed of the following:

- One Alaskan Native community was given funds for a transportation project that is estimated to cost about \$14 million; however, the intent of the project has been arbitrarily changed, without approval from BIA, from addressing the transportation needs of the community to creating an avenue of tourism revenue.
- Another Alaskan Native community was advanced about \$500,000 for a road project; however, the Community used those monies to purchase equipment and a restaurant/saloon. The road was apparently never designed and BIA has taken no perceptible action to have the monies returned or to require the community to complete the agreed-upon work.

Internal Mismanagement

A 2007 joint review by the Office of Federal Lands Highway and the BIA Division of Transportation found that the BIA Alaska Region Office Branch of Transportation, which manages the Alaska Regional IRRP, had significant irregularities in the area of payroll, specifically regarding overtime compensation and leave. The primary objective of the review was to evaluate the state of the program and to provide recommendations for the improvement of processes to ensure the efficient and effective administration of the roads program in Alaska. The review included an analysis of the Alaska Region Office's processes; project files; and controls in program management and oversight, transportation planning, design, contract administration, construction, financial management, and systems management. Based on the results of this review, the report identified significant deficiencies in all of these areas, including payroll, and made 96 recommendations to establish or improve program oversight, accountability, and contract administration.

Based on the specific concerns of the Department of Transportation team - that the Alaska regional office was allowing several employees to charge seemingly inordinate amounts of overtime during traditionally harsh winter months - we reviewed these charges. We were told that traditional outside road work typically ends by late October and that little to no road construction would occur after this date until snow thaw. Further, we found that in order to address fluctuations in the staffing demands as a result of seasonal work schedules, the program's construction office has a number of positions that are considered furloughable positions. These positions are designed to match labor resources to workload demands through the use of overtime during busy periods or with temporary suspensions of employment, most often during the winter months. Unfortunately, the office was not following the intent of these positions, which allowed several employees to receive excessive benefit.

For example, the Department of Transportation team found that one of the wage-grade workers made over \$130,000 in a single year, and another made over \$100,000 that same year. Under the wage-grade schedules for Alaska, a comparable grade 9 construction supervisor could make between \$77,000 and \$90,000 annually - far less than the \$130,000 stated above. Likewise, a heavy equipment mechanic grade 10, could expect to make somewhere between \$58,000 and \$68,000 - not over \$100,000. In addition, we found that one employee was paid overtime in five pay periods during the winter months of 2007, including two pay periods with over 80 hours of overtime. When asked, neither the BIA Alaska Regional IRRP Director nor the employees' immediate supervisor, both of whom approved the large amounts of overtime requested by the employees, were able to explain or justify why employees would be paid such large amounts of overtime during the winter months and earn the large amount of wages shown in any given year. When asked how he verified that these employees, who spent as little as one visit a month in the office during busy seasons, actually earned the overtime, the immediate supervisor admitted

that he relied fully on the time and attendance reports of these unsupervised employees and had never verified the hours reportedly worked against other supporting documentation.

Unfortunately, this lack of control and management also extends to other BIA IRRP offices. The OIG investigated another allegation of fraud in the Northwest Regional IRRP and found that while no fraud was identified, apparent programmatic internal control weaknesses contributed to the perception of fraud. With only 2 contracting officers and 5 engineers to monitor 254 contracts with 45 Alaskan Native communities, staffing in this office was critically insufficient, making it nearly impossible for BIA staff to adequately oversee the contracts. This insufficient staffing cultivated an environment where mismanagement and fraud could occur.

ACTIONS TO BE TAKEN

We recognize the intense effort made by the Department of Transportation team to identify the issues within the Alaska Regional IRRP and we concur with the recommendations presented in their exhaustive report. We reiterate some of the recommendations here to emphasize our agreement and belief in their importance. Additionally, we recommend that surplus or stimulus funds be given to this program only when the necessary changes are made to assure that those funds are properly managed and can be accounted for.

- Develop and implement a reporting and monitoring program for all aspects of the program to ensure that it is administered in accordance with all applicable laws and regulations.
- Conduct periodic program and progress reviews of Alaskan Native government operations to ensure that the IRRP funds are being administered in accordance with contract requirements.
- Conduct periodic site visits to verify that completed projects were constructed in accordance with approved plans and specifications.
- Increase monitoring of overtime usage by staff during peak delivery cycles and develop overtime thresholds for early detection of potential fraud and abuse of overtime via detail logs, details of activities, or other evidence of overtime efforts.
- Revisit management decisions and determine costs and benefits of using furlough positions since some of these wage-grade employees are being compensated 40 percent higher than GS-12s and 13s.
- Initiate innovative recruitment efforts to fill existing vacancies.
- Carefully review the program before providing additional funding.

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