



OFFICE OF  
**INSPECTOR GENERAL**  
U.S. DEPARTMENT OF THE INTERIOR

**INCURRED COST AUDIT OF ALEUTIAN  
PRIBILOF ISLAND ASSOCIATION  
COMPACT AGREEMENT No. OSGT811  
INVOLVING PUBLIC LAW 102-477  
WITH THE BUREAU OF INDIAN AFFAIRS**



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**INSPECTOR GENERAL**  
U.S. DEPARTMENT OF THE INTERIOR

Memorandum

AUG 16 2018

To: Sharee Freeman  
Director, Office of Self-Governance, Bureau of Indian Affairs

From: Chris Stubbs *Christopher Stubbs*  
Director, Office of Financial and Contract Audits

Subject: Final Report – Incurred Cost Audit of Aleutian Pribilof Island Association  
Compact Agreement No. OSGT811 Involving Public Law 102-477 With the  
Bureau of Indian Affairs  
Report No. 2017-FIN-062

This report presents the results of our audit of an agreement between the Aleutian Pribilof Island Association (APIA) and the Bureau of Indian Affairs (BIA) to provide clients with job training, work, and education-related opportunities that lead to employment and self-sufficiency.

During our audit, we found that APIA claimed costs that were unsupported and unallowable in accordance with agreement terms, applicable Federal laws and regulations, and BIA guidelines. We questioned \$18,246 in costs claimed under the agreement and found deficiencies in APIA's management of it. We issued two Notices of Finding and Recommendation (NFRs) to APIA during our fieldwork.

We offered two recommendations to help the BIA oversee APIA's management of agreement funds. Though APIA did not concur with either of the recommendations, its responses to the NFRs and adjustments to its files since we issued them caused us to consider these two recommendations to be resolved and implemented.

## Background

APIA is a consortium of 13 federally recognized Tribes located on the Aleutian and Pribilof Islands in the Bering Sea. All Tribes in the APIA consortium continue to be recognized and are eligible to receive Federal program services; they receive funding directly from the U.S. Department of the Interior through the BIA. The Tribes have designated APIA to be the recipient of their funds and have signed a resolution authorizing APIA to administer the funds under the continued consolidation of employment, training, and related services. APIA administers the approved APIA P.L. 102-477 Plan (plan) for these services for all 13 Tribes.

APIA's plan, which the BIA approves annually, is part of the Self-Governance Compact, but it does not follow the rules for compacts: while the objective of the plan is to provide clients with job training, work, and education-related opportunities that lead to employment and self-

sufficiency, the funds cannot be reprogrammed for tribal functions that are not included in the plan.

## **Objectives**

The objectives of this audit were to determine whether (1) the costs claimed by APIA were reasonable, supported, allowable, and allocable under Federal laws, regulations, and provisions of the agreement, and (2) APIA complied with the agreement terms, Federal laws, regulations, and BIA guidance.

Our audit scope and methodology are included as Attachment 1.

## **Audit Results**

We found that APIA did not comply with applicable Federal regulations and agreement provisions. Specifically, we identified that APIA:

1. Charged costs without supporting documentation for tuition and living assistance
2. Charged unallowable costs for membership dues and burial assistance

### *APIA Claimed Tuition and Living Costs That Were Unsupported*

APIA had no support for \$14,096 in tuition and living assistance that it claimed on the agreement. Unsupported payments are payments that do not have the required supporting documentation (e.g., detailed receipts, itemized invoices, or acceptance letters) describing the goods and services purchased. We noticed that client services files were missing documents associated with the tracking of Federal funds: tuition acceptance letters, justifications, individual self-sufficiency plans, transcripts, and direct support documents. The approved plan (P.L. 102-477) requires the client service files to include these items for proper support.

### *APIA Response*

APIA did not concur with our finding and recommendation, stating that the payments were made to eligible clients, as determined by the caseworkers. After reviewing all the files since the audit, APIA ensured that all proper documentation is now present in the files.

### *OIG Reply*

Based on APIA's response, we determined this recommendation to be resolved and implemented.

### *APIA Claimed Unallowable Membership Dues and Burial Assistance*

APIA claimed costs of \$5,850 for unallowable membership dues and burial assistance. The plan states that burial services cannot be funded through the agreement, but APIA officials asserted they did not notice this clause in the agreement. The plan also states that only expenses

that are associated with the Indian Employment, Training and Related Services Demonstration Act are to be claimed. Memberships to other employment agencies are not to be funded as part of this agreement. While the plan did not have a budgeted amount for memberships dues, it did have a budgeted category for memberships dues.

#### APIA Response

APIA did not concur with our finding and recommendation. APIA stated that it is prepared to reimburse the \$4,150 for miscoded burial assistance and denies the \$1,700 in training and membership dues as misappropriated expenditures. The training and membership dues were included in the budget but were missing an amount. This was an oversight on the budget for the plan, according to APIA.

#### OIG Reply

Based on APIA's response, we determined that the \$1,700 was an allowable cost. We also determined this recommendation to be resolved and implemented.

#### **Conclusion**

During fieldwork, we issued two NFRs to APIA, which included two recommendations: to resolve the \$14,096 in questioned costs for the unsupported direct costs and to resolve the \$4,150 in questioned costs for the burial services. We received APIA's response on May 24, 2018. Based on that response, we consider these two recommendations resolved and implemented.

The legislation creating the Office of Inspector General requires that we report to Congress semiannually on all audit, inspection, and evaluation reports issued; actions taken to implement our recommendations; and recommendations that have not been implemented.

#### Attachments

## Scope

We focused our audit of the Aleutian Pribilof Island Association's (APIA's) claimed costs associated with the APIA P.L. 102-477 Plan (plan) incurred under compact Agreement No. OSGT811 with the Bureau of Indian Affairs (BIA). We reviewed costs claimed by APIA from October 1, 2014, through June 30, 2017. As part of our audit, we reviewed APIA's compliance with agreement terms and conditions, applicable regulations, and BIA policies and procedures.

## Methodology

We conducted this audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We determined that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To accomplish our objectives, we:

- Interviewed APIA's personnel
- Reviewed the agreement for compliance requirements
- Reviewed the terms of the agreement
- Reviewed the support related to APIA's agreement compliance
- Reviewed the Federal Acquisition Regulation and U.S. Department of the Interior guidance related to agreement compliance
- Reviewed APIA's internal controls for monitoring the agreement
- Reviewed support of APIA's claimed costs, including direct costs, indirect costs (overhead), and general administrative expenses
- Conducted a site visit at APIA's headquarters in Anchorage, AK

We also evaluated the internal controls over transactions recorded in APIA's accounting and payroll systems and tested the systems' operation and reliability. We did not project the results of the tests to the total population of recorded transactions.

To test the accuracy of the computer-generated general ledger provided by APIA, we performed several analytical tests on the data. We relied on computer-generated data to verify expenditures APIA made.

**Status of Recommendations**

<b>Recommendation</b>	<b>Status</b>	<b>Action Required</b>
1	Resolved and implemented	N/A
2	Resolved and implemented	N/A

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