

Semiannual Report to the Congress

Message From the
Inspector General

OIG Initiatives

Significant
Narrative
Summaries

April 2008





Grand Canyon of the Yellowstone, 1872, painted by Thomas Moran, memorializes the 1871 Hayden expedition to the West. The 34-year old Moran captured on canvas a region still stewarded by the Department of the Interior.

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Inspector General**

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The U.S. Department of the Interior (DOI) is a large, decentralized agency with more than 67,000 employees and 236,000 volunteers located at approximately 2,400 operating locations across the United States, Puerto Rico, U.S. territories, and freely associated states. DOI is responsible for 500 million acres of America’s public land, or about one-fifth of the land in the United States, and 56 million acres of Indian Trust lands. DOI also has responsibility for a variety of water and underwater resources, including 479 dams and 348 reservoirs and approximately 8,526 active oil and gas leases on 44 million acres of the Outer Continental Shelf. Approximately 30 percent of the nation’s energy production comes from projects on DOI-managed lands and offshore areas. DOI scientists conduct a wide range of research on biology, geology, and water to provide land and resource managers with critical information for sound decisionmaking. DOI lands also provide outstanding recreational and cultural opportunities to numerous visitors worldwide.

The OIG promotes excellence, integrity, and accountability in these programs. With less than 300 employees, the organization is driven by a keen sense of mission and dedicated to providing products and services that impact mission results.

A range of murals dating back to the New Deal era of the 1930s remind visitors to DOI of the diversity the Department oversees. Some of those murals are reproduced here to celebrate the resource commitment of DOI employees in general and of OIG employees specifically.

Commissioned in 1928 by the Bureau of Reclamation to illustrate its work in the West, Frank Mackenzie depicted the fledgling Phoenix, Arizona, after creation of the Roosevelt Dam encouraged agriculture and city building.





Message From the Inspector General

I am pleased to present the accomplishments of the Office of Inspector General (OIG) from October 1, 2007, through March 31, 2008. In this Semiannual Report to the Congress, we have taken a new approach to highlighting our results and accomplishments. We have streamlined our publication to focus on our most significant work as well as trends affecting the entire agency.

We have also included a section on OIG initiatives in this Semiannual Report to show new products and services we are offering as well as how we have restructured operations to be more effective in producing positive results.

One of our initiatives has been creating a mineral royalties oversight unit. Over the last 2 years, we have been significantly involved in work with the Minerals Management Service oil and gas royalty program. We felt it was imperative that we create a unit of experts in this area to continue this important work, which has assisted in recovering millions of dollars in oil and gas royalties over the years.

The OIG Office of Investigations has also created an Acquisition Integrity Unit to supplement and support OIG contract and grant oversight efforts, combining the skills of auditors and investigators and using a team approach to combat fraud.

We also established an Office of Inspections and Evaluations to perform work that often involves answering specific questions by the Congress and the Department, as opposed to the broader audits that examine programs and operations.

Another initiative we highlight in this Semiannual Report is our use of Critical Point Evaluations, a new product/service that allows teams to perform limited-scope evaluations for major projects or initiatives, such as the acquisition of a new financial system. We are using Critical Point Evaluations as project milestones to identify problems and resolve concerns during each step of our work.

We will continue to explore new products and services that allow us to facilitate positive changes in the Department and ultimately create more streamlined operations and save taxpayer money. We hope the results and accomplishments we have highlighted in this Semiannual Report show our commitment to not only detecting fraud, waste, and abuse but effecting positive change.


Earl E. Devaney
Inspector General

Mission

The mission of the OIG is to promote excellence, integrity, and accountability in the programs, operations, and management of DOI.

Responsibilities

The OIG is responsible for independently and objectively identifying risks and vulnerabilities that directly impact, or could impact, DOI's ability to accomplish its mission. We are required to keep the Secretary and the Congress fully and currently informed about problems and deficiencies relating to the administration of DOI programs and operations. Effective implementation of this mandate addresses the public's demand for greater accountability and integrity in the administration of government programs and operations and addresses the demand for programs that work better, cost less, and get the results Americans care about most.

Activities

The OIG accomplishes its mission by conducting audits, inspections, evaluations, assessments, and investigations relating to the programs and operations of DOI. Our activities are tied directly to DOI's major responsibilities and are designed to assist DOI in developing solutions for its most serious management and program challenges, most notably cross-cutting or DOI-wide issues. These activities are also designed to ensure that we keep critical issues prominent, which greatly influences key decisionmakers and increases the likelihood that we will achieve desired outcomes and results that benefit the public.

DOI Management Challenges

OIG programs help to meet DOI's Management Challenges: Financial Management; Information Technology; Health, Safety, and Emergency Management; Maintenance of Facilities; Responsibility to Indians and Insular Areas; Resource Protection and Restoration; Revenue Collections; and Procurement, Contracts, and Grants.

Marking the 150th anniversary of DOI, this is one of a pair of murals by Daniel Galvez, completed in 1999 and titled *Stewards of the Future*.



Office of Inspector General

Portion of a mural by John Seuart Curry, illustrating the pioneer dream of productive farmland.



OIG Initiatives

In response to some specifically identified programmatic concerns and the ever-emerging need to provide new and innovative services, the OIG has initiated three new organizational units and a new product-line to address these programmatic concerns and meet the need for new and innovative services.

MMS Royalties Unit

Over the past 2 years, the OIG has been profoundly involved in numerous Minerals Management Service (MMS) royalty issues. Given the amount of work we have been doing in the royalties arena, it might be reasonable to conclude that we drew on a corps of subject-matter experts familiar with the intricacies and nuances of royalty management. Rather, we grew our so-called “experts” from scratch and on the run. We recognized almost immediately that the OIG would need to develop a royalties oversight unit and build an expertise for the long term.

In December, the Congress passed the Omnibus Spending Bill for Fiscal Year 2008. Accompanying the bill was report language that instructed the OIG to develop a permanent capability to oversee MMS’ royalty function. The OIG is in the process of doing just that.

In the near term, we are standing up a modest Denver-based Royalty Oversight Office, consisting of six employees, four of which have already been filled by current OIG staff, including the position of Director. The remaining two positions are expected to be recruited and on-board by May 2008.

The members of this small office must first develop an understanding of royalties-related activities in MMS; we are also identifying training opportunities to cultivate their expertise, including observation and participation in royalty audits conducted by states and tribes.

This group will soon complete the ongoing evaluation of MMS’ Royalty-in-Kind (RIK) sales program for oil and will then undertake an audit of MMS’ processes for verifying volumes delivered as RIK, including, most importantly, oil destined for the Strategic Petroleum Reserve. Eventually, this unit would also verify that the recommendations we have made, and those issued by the Royalty Policy Committee, have been appropriately implemented.

In the longer term, we intend to develop the capacity to oversee all minerals-related activities managed by DOI from initial leasing of federal and Indian lands to the final termination of those leases, which would

include the management of those leases and the collection of royalty payments. Ultimately, we would like to expand our oversight coverage beyond MMS to the energy and minerals programs at the Bureau of Land Management and Bureau of Indian Affairs (BIA), including oil, gas, and solid minerals.

Acquisition Integrity Unit

DOI awards approximately \$4.5 billion in contracts and over \$2 billion in grants annually. To further enhance effective and efficient audits, evaluations, and investigations related to fraud and other irregularities in DOI's procurement and financial assistance programs, the OIG has established the Acquisition Integrity Unit (AIU) to supplement and support OIG contract and grant oversight efforts. AIU is a hybrid organization combining auditors, investigators, criminal research specialists, and program analysts to provide a level of procurement and financial expertise previously unavailable in-house. In addition, the AIU conducts independent analyses of, and provides recommendations for, the improvement of DOI procurement and financial assistance programs and processes.

Inspections and Evaluations

In the OIG community, inspections and evaluations units have existed for some time. In this OIG, we have not had a dedicated inspections and evaluations unit, although we have routinely conducted the equivalent of inspections and evaluations for years. In January 2008, the Inspector General announced the creation of the Office of Inspections and Evaluations; the unit is now up and running.

Inspections are independent, objective reviews of various program elements (such as documents, facilities, records, and any other assets) to determine if a program is complying with specific regulations or criteria. Inspections have limited depth and breadth, relate to a single issue, are designed to answer a specific question, and would generally not contain recommendations. In some cases, an inspection may be used to respond to a congressional request for information or may answer some specific question not directly tied to criteria.

Evaluations are objective, independent studies and appraisals of a program's systems, records, and processes. The goal of an evaluation is to determine the significance, value, and/or current operating condition of program elements and determine whether opportunities exist for improvements in program operation or effectiveness.

Evaluations may focus on such issues as program vulnerabilities; program effectiveness; “best practices”; the adequacy and appropriateness of program policies; the efficiency of resource use; or fraud, waste, and abuse. Evaluations include developing only an understanding of the internal control environment as it relates to the functioning of the program elements under review.

No actions are undertaken to specifically detect or identify fraud or illegal acts. Evaluations, which provide timely reporting on programmatic results while conserving staff resources, have scopes of either depth or breadth, but not both; address a single program or operation of a single or multiple bureaus; and accept a greater, but acceptable, risk that errors in our findings, conclusions, recommendations, or suggestions might occur. The report or other product presented to Interior management officials may contain recommendations or suggestions on how to improve management of the program, activity, or organizational unit under review.

Critical Point Evaluations

Critical Point Evaluations (CPEs) are a new product/service being offered by the OIG. CPEs are limited scope evaluations of planned or ongoing major projects or initiatives, such as the acquisition of a new financial system, a large construction project, or a new cross-cutting initiative.

Initially, CPEs typically had been conducted at the beginning of a project, before major funding had been expended, to ensure that adequate management controls and oversight have been incorporated in the project. Subsequently, CPEs may be iterative components of a project, occurring at identified major milestones.

CPEs are designed to identify and resolve issues or concerns early, at the lowest level, and least cost, to prevent waste and costly mistakes, identify best practices relevant to the project or initiative, and enhance coordination among affected DOI entities.

For projects with multiple CPEs, a compilation report may be prepared at the conclusion, primarily to record and memorialize lessons learned to aid the OIG and DOI in future projects.

Department of the Interior



Panel from a larger work titled *Construction of a Dam* by William Gropper, 1939, depicts DOI's construction activities.

Official Held Liable After Accepting Proceeds From Oil Litigation

In a verdict following a civil trial in the U.S. District Court for the District of Columbia, a jury found Robert A. Berman, an economist with the Office of Policy Analysis, Assistant Secretary, Policy, Management and Budget, Washington, D.C., guilty for receiving an unlawful contribution to or supplementation of salary from the Project on Government Oversight (POGO), a government watchdog group. The trial occurred as a result of a July 2006 ruling by the U.S. Court of Appeals for the District of Columbia Circuit to reverse a prior decision by the U.S. District Court granting summary judgement for the government. In its decision, the Appeals Court had ruled that a genuine issue of material fact existed with respect to Berman being compensated for his services as a federal employee.

On November 2, 1998, POGO Executive Director Danielle Brian Stockton made a \$383,600 payment to Berman from proceeds that POGO had received as a *qui tam* relator in a civil False Claims Act settlement between the federal government and Mobil Oil Corporation (Mobil) in August 1998. In the settlement, Mobil paid \$45 million to resolve allegations that it undervalued oil produced and sold from federal and Indian leases between January 1, 1980, and December 31, 1997. The payment to Berman was based on an undisclosed agreement that Berman had entered into with POGO in January 1998 to equally share the proceeds of any settlements resulting from the litigation.

During the trial, Berman testified that he neither informed anyone at DOI before he received the payment from POGO nor did he contact the ethics officer before he deposited the payment. Berman confirmed that the payment was for his decade-long work to expose and stop the underpayment of royalties from crude oil production. The payment from POGO also recognized his efforts to bring the undervaluation issue to the attention of DOI officials.

During the *qui tam* litigation, the Department of Justice (DOJ) settled with 18 U.S. oil companies for a total of approximately \$430 million. The settlement resolved allegations that the companies had undervalued oil for royalty purposes. The oil had been produced and sold from federal and Indian leases nationwide.

Health and Safety Is An Issue at DOI Facilities

We conducted an audit to determine whether DOI and its bureaus were effectively addressing health and safety issues associated with infrastructure. We found that, although progress had been made, much work remained to be done. For example, DOI does not know if all health and safety issues have been identified because condition assessments and safety inspections of facilities have not been completed. Many health and safety hazards place employees and the public at risk. In addition, we found numerous weaknesses in the health and safety program managed at the DOI headquarters and individual field office level. DOI generally concurred with the recommendations provided in our report and included an action plan that should help alleviate the situation.

We also issued three separate flash reports during this audit to quickly address the most serious health and safety hazards. These consisted of the following:

- ◆ Severe deterioration exists at Bureau of Indian Education's elementary and secondary schools. This deterioration ranged from minor deficiencies such as leaking roofs to major deficiencies like structural weaknesses, outdated electrical systems, and inadequate fire detection and suppression systems.
- ◆ For at least 20 years, the National Park Service (NPS) has not performed critical maintenance on its aging Wawona Tunnel located in Yosemite National Park. We concluded that the hazardous conditions in the tunnel endangered lives.
- ◆ At the Jackson National Fish Hatchery in Wyoming, U.S. Fish and Wildlife Service (FWS) and U.S. Geological Survey (USGS) employees worked for almost 7 years in two buildings that were previously condemned and closed to the public.

After receiving each report, the Secretary of the Interior acted quickly to direct appropriate officials to address the problems.

We also conducted a Department-wide survey to determine employee perceptions of health and safety. Most respondents felt that they worked in a safe and healthy environment, but thousands of written comments also revealed serious, uncorrected problems.

Culture of Expediency Curtails Competition in Contracting

A culture within DOI values expediency in contracting over and above protecting both the best interest of the public and the accountability, integrity, and transparency necessary to DOI acquisition practices. Although federal procurement policy envisions a very limited use of sole source contracting, DOI's preference toward sole source contracting circumvents competition and raises questions as to whether procurement dollars are being used appropriately.

We noted examples in which material modifications to competed contracts were, in effect, de-facto sole source contracts; written justifications for sole source contracts were inadequate or nonexistent; fair value pricing for sole source awards was not established; and small businesses were not given opportunities to compete.

This urgent need for competition, accountability, and transparency was also stressed in our first two reports: (1) *Framework Needed to Promote Accountability in Interior's Grants Management*, issued August 2005, and (2) *Proper Use of Cooperative Agreements Could Improve Interior's Initiatives for Collaborative Partnerships*, issued January 2007.

Collectively, our three reports represent a holistic review of acquisition practices within DOI. They provide recommendations to significantly improve these practices and move DOI toward a sound, business-like approach for acquiring goods and services.

We made three recommendations in this report to help restore competition to its proper place in the acquisition process and to ensure that DOI and the public receive the best value for goods and services purchased.

DOI and DOD Interagency Contracting Audited

For a number of years, the Government Accountability Office has identified interagency contracting as a high-risk area. Because the National Defense Authorization Act (NDAA) of fiscal year 2006 required the Department of Defense (DOD) OIG to work with the DOI OIG to review such contracting, we assessed the fiscal year 2005 purchases made

by DOI's two acquisition centers, the Herndon, VA, Branch (formally GovWorks) and the Southwest Branch (SWB) of the Acquisition Services Directorate. Based on our findings, the NDAA required a second audit be conducted.

The objective of this second audit was to determine whether the purchases that SWB and GovWorks made on behalf of DOD conformed to applicable laws and regulations. We examined the specificity of DOD procurement requests, compliance with DOD procurement requirements on the part of DOI, and use and tracking of DOD funds.

Overall, we found that SWB has made significant improvements since our first audit. However, GovWorks did not comply in full with legal requirements, the Federal Acquisition Regulations, or DOD supplemental policies. In fact, GovWorks continues to violate rules designed to protect federal interests. Its improper use of funds puts DOI at risk for acquisition center loss of business and loss of public confidence and trust.

Inadequate Controls Undermine Transit Benefit Program

The transit benefit program assists commuters with transportation funds. It is a popular DOI program. However, during our evaluation of this program, we found several weaknesses in DOI's oversight. These weaknesses leave it vulnerable to fraud, abuse, and monetary losses. We conducted our evaluation in response to a request from the Washington Metropolitan Area Transit Authority's Inspector General. We found that:

- ◆ DOI has not implemented strong enough controls to identify and remove from the program individuals who have left any of its bureaus. As many as 162 participants may have continued to receive benefits after leaving DOI in fiscal year 2007, and more than half of the program participants who left could have continued to receive benefits.
- ◆ It is highly likely that DOI is making payments in excess of actual commuting costs. Of the 80 employees in our sample, 34 had a relatively high risk of collecting more than they were entitled to. Furthermore, only 162 out of the 4,871 participants in fiscal year 2007 adjusted downward the amount of transit benefits they received. We would have expected a higher number of employees to make adjustments due to leave, holidays, and other situations that change the number of days each month they use public transportation to travel to work.

- ◆ The transit benefit applications for more than 60 percent of the employees in our sample were missing, incomplete, or inaccurate.
- ◆ The lack of electronic searchable parking records inhibits the ability of transit subsidy program coordinators to ensure program participants do not also receive parking privileges.

The problems identified above stem from lack of adequate oversight at multiple levels within DOI and its bureaus, as well as inadequate communication with the Department of Transportation, which administers the acquisition and distribution of transit benefits for DOI employees.

Opinion on Trust Fund Finances Remains Qualified

Although we recognize that the Office of the Special Trustee for American Indians (OST) has made substantial progress in addressing internal control weaknesses during fiscal year 2007, the independent, certified public accounting firm of KPMG LLP (KPMG), under contract with OST, issued qualified opinions on the fiscal years 2006 and 2007 Tribal and Other Trust Funds and on Individual Indian Monies Trust Funds financial statements prepared by OST.

According to KPMG's report, it was not practicable for the auditors to extend their auditing procedures to determine the fairness of trust fund balances. This was due to certain parties for whom OST holds assets in trust disagreeing with balances recorded by OST. Certain of these parties also may have requested an accounting of their trust funds, claims filed or expected to be filed against the U.S. government, and inadequacies in certain DOI trust-related systems and processes. The report also identified a material weakness related to unresolved financial reporting issues from prior periods and a significant deficiency caused by OST's reliance on processing trust transactions at BIA.

Bureau of Indian Affairs



Commissioned by Secretary Ickes in 1939, this mural by Velino Herrero of Zia Pueblo celebrated many of the traditional lifeways that had disappeared in the early 20th century.

School Officials Sentenced for Major Theft

In November 2007, seven school board members and employees of Twin Buttes School, Three Affiliated Tribes, Fort Berthold Reservation, ND, were sentenced in U.S. District Court, District of North Dakota, for their involvement in the theft of approximately \$665,000 in federal funds.

As we reported in our April 2007 *Semiannual Report*, the defendants were charged in October 2006 with various counts of fraud and misapplication of federal funds, embezzlement from an Indian tribal organization, wire fraud, and conspiracy. They took the funds through fraudulent travel advances, cash transactions, wire transfers and checks, debit withdrawals, stipends, and travel reimbursements. Each defendant named below pled guilty to 1 count of theft from an Indian tribal organization.

Melissa Starr, former school board president, was sentenced to 18 months of imprisonment, 36 months of supervised release, and payment of \$309,246 in restitution. Tammy Grady, former school board member, was sentenced to 7 months of imprisonment, followed by 7 months of home confinement, 36 months of supervised release, and payment of \$92,000 in restitution. Elaine Incognito, former school principal, was sentenced to 5 months of imprisonment, followed by 5 months of home confinement, 36 months of supervised release, and payment of \$58,000 in restitution. Hank Starr, former school board member, was sentenced to 36 months of probation and payment of \$29,500 in restitution. Darwin Lone Bear, former school board member, was sentenced to 36 months of probation and payment of \$23,498 in restitution. Lillian Holen, former school financial officer, was sentenced to 6 months of home confinement, followed by 36 months of probation and payment of \$30,000 in restitution. Paul Fredericks, former school custodian, was sentenced to 36 months of probation and payment of \$40,068 in restitution.

Contractors Charged in Bribery and Kickback Schemes

In October 2007, Richard Dean Baysinger, former Transitional Director for Special Education, Crow Creek Tribal Schools (CCTS), Crow Creek Indian Reservation, SD, was indicted by a federal grand jury on 1 count of mail fraud and 6 counts of money laundering. Ed Patzer, a flooring contractor from Pierre, SD, was indicted by the same federal grand jury on 12 counts of bribery.

In March 2008, Baysinger pled guilty to money laundering and agreed to cooperate with the investigation. Shortly after he agreed to plead guilty, Royal Edwin “Shorty” Kutz, an excavation contractor from Highmore, SD, was indicted by a federal grand jury on 3 counts of bribery. The indictment occurred on March 18, 2008. An additional indictment involving this case was filed in the same month, but that indictment is sealed.

This investigation initially focused on funds allocated to CCTS to finance the construction of new dormitory and kitchen facilities to replace facilities destroyed at the school’s main campus in April 2005. Our investigation showed that the Office of Facilities Management Construction (OFMC), BIA, allocated slightly more than \$1 million shortly after the fire to help finance the construction project.

Additionally, CCTS received about \$3 million in a fire-related insurance settlement. Work on the project was completed in 2005, but payments continued to be allocated by CCTS to contractors in 2006.

The scope of our investigation eventually expanded to cover other construction projects completed at CCTS between 2003 and 2006. CCTS received millions of dollars in additional federal construction money from OFMC for these projects. Our investigation established that the person responsible for administering the contracts on behalf of the school was Scott Raue, the former CCTS superintendent and chief executive officer.

Baysinger pled guilty to laundering a fraudulent \$19,000 payment that construction contractor Nystrom Electric (Pierre, SD), paid in 2005. Nystrom Electric recovered these funds through bills it submitted and that were paid by CCTS. The investigation showed that Baysinger ran the proceeds of the payment he received through his personal checking account and then paid the money to Raue or Raue’s family members. Baysinger admitted to this wrongdoing when interviewed by investigators.

The charges filed against Patzer pertain to payments he received from CCTS for work on the dormitory and kitchen construction project. Patzer paid tens of thousands of dollars in bribes and kick-backs to Raue out of these CCTS funds. Our investigation disclosed that Patzer received hundreds of thousands of dollars in overpayments for the flooring work he completed for the CCTS project.

When interviewed by investigators, Patzer admitted he provided check and cash payments to Raue even though he knew his actions were wrong. Patzer's trial is scheduled for May 2008.

Kutz was indicted for tens of thousands of dollars in bribes and kickbacks that he also paid Raue between 2003 and 2006 in order to secure construction work at CCTS. Our investigation disclosed that during that same time, Kutz obtained about \$2.2 million in projects from CCTS through Raue.

In addition to the construction monies allocated by OFMC to CCTS, the Office of Indian Education Programs (OIEP) also provided CCTS with millions of dollars in federal funds annually to finance the school's education programs and operations. As an example, OIEP allocated more than \$8 million for the 2005/2006 school year. Oversight of OFMC and OIEP fund allocation to the school also is being scrutinized as part of this ongoing investigation with the FBI. Additional indictments are anticipated.

Office Manager Sentenced for Embezzlement

Candace Gray was sentenced in U.S. District Court, Southern District of California, by Honorable Roger T. Benitez, U.S. District Judge, in connection with her guilty plea to 1 count of embezzlement from an Indian tribal organization, in violation of 18 U.S.C. 1163. Gray was sentenced to 3 months of imprisonment, 3 months of home confinement via electronic monitoring device, \$36,000 in restitution, and mandatory participation in the Alcohol and Gambling Anonymous Programs.

Gray, a former office manager for the Mesa Grande Band of Mission Indians, pled guilty to misappropriating approximately \$40,000 in tribal funds to support her gambling habit.

The Mesa Grande Band of Mission Indians is a federally recognized tribe located in Southern California. The tribe received approximately \$358,514 in grant monies from the BIA while Gray was the office manager.

Tribal Officials Found Guilty Of Embezzling

In October 2007, Kim Colhoff, a former payroll supervisor with the Oglala Sioux Tribe, pled guilty to a 1 count indictment that charged her with embezzlement, as well as aiding and abetting charges. Also, Eileen Janis, a former tribal finance committee coordinator, was convicted of both embezzlement and aiding and abetting charges by a federal trial jury in the District of South Dakota. In January 2008, Colhoff was sentenced to 60 months probation and payment of restitution in the amount of \$29,156. Janis was sentenced to 60 months of probation and payment of \$22,140 in restitution.

As we reported in our April 2007 *Semiannual Report*, the above-named defendants along with David Rabbit, the former tribal treasurer, were indicted for their involvement in the theft of funds through excessive payroll advances obtained from the tribe but never fully repaid. Rabbit pled guilty in June 2007. In August 2007, he was sentenced to 5 years of probation and payment of \$9,898 in restitution.

A substantial amount of the funds involved in this case had been allocated to the Oglala Sioux Tribe by DOI and other federal agencies. These were indirect cost funds to cover payroll for administrative personnel. Also, as Oglala Sioux Tribe treasurer, Rabbit was responsible for millions of dollars the tribe received annually from DOI and other federal sources.

Former Tribal Governor and Finance Director Indicted for Fraud

On March 19, 2008, a federal grand jury in Maine indicted Robert L. Newell on 30 counts of conspiracy to defraud the United States, misappropriation of tribal and health care funds, making false statements, and submitting false claims. Newell was the former tribal governor of the Passamaquoddy Tribe Indian Township Reservation between 2002 and 2006.

James J. Parisi, Jr., also was charged as a co-conspirator and co-defendant in a 21-count indictment covering conspiracy to defraud the United States, misappropriating tribal and health care funds, making false statements, and submitting false claims. Parisi served as the tribe's finance director from 2003 to 2006.

During their tenures in positions of tribal authority, both men allegedly misapplied federal funds awarded to the tribe by the U.S. Department of Health and Human Services, DOI, the U.S. Department of Housing and Urban Development, DOJ, and the U.S. Environmental Protection Agency. The defendants also allegedly diverted funds from the tribal employees' retirement fund and misapplied approximately \$1.7 million in federal funds awarded to benefit tribal programs.

Single Audit Oversight Leads to Severe Penalties for Nonfederal Auditor

The Single Audit Act Amendments of 1996 require nonfederal entities that expend federal awards equal to or greater than \$500,000 (in any fiscal year) to obtain a single audit for that year. One responsibility of the OIG is to conduct quality control reviews of selected audits made by nonfederal auditors. The OIG completed a review of the Gun Lake Tribe single audit report for the fiscal year that ended September 30, 2003, issued by Nicholas Lahr, CPA. Due to the significant deficiencies noted during our review, we referred Mr. Lahr to the Michigan Board of Accountancy for substandard audit performance. The Board ultimately fined Mr. Lahr \$10,000 and revoked his license to practice public accounting.

Commissioned by Secretary Ickes in 1939, this mural by Alan Houser illustrates the vigor of daily Apache life.



Office of Insular Affairs

Gifford Beal's mural, installed at DOI in 1941, illustrates the expansiveness of DOI's resource responsibilities. Beal was considered one of the great American impressionists.



Pohnpei State's Supplies and Equipment At-Risk; Accountability Lacking

Located in the Federated States of Micronesia (FSM), Pohnpei State is the largest and most populous of the four islands comprising this region. Supplies and property accountability are critical on an island. Our evaluation identified the absence of an effective property accountability process to ensure that supplies and property are properly used and protected from fraud and mismanagement.

Serious deficiencies existed in accounting for medical and educational supplies and also for state-owned equipment. Pohnpei's State Hospital, for example, failed to manage its drugs properly, particularly drugs identified as controlled substances under the Controlled Substances Act. Such drugs have a high potential for abuse.

Our evaluation found either shortages or overages, ranging from 5 to 4,667 units, for all 14 controlled substances listed in the hospital pharmacy's logbook. We also found excessive quantities of expired controlled substances, as well as multiple, unorganized drawers of prescription orders with no system to track receipts, issuances, on-hand balances, or reorders. Educational supplies also went untracked. Principals at six of the seven elementary schools in Pohnpei said their schools had not received requested supplies for the previous or current school years. This necessitated them seeking donations from parents, teachers, and the community, and ultimately making do with what they had.

We also confirmed that significant deficiencies in accounting for state-owned equipment, identified in a 1999 report by Pohnpei's Public Auditor's Office, had not yet been corrected. A September 2006 inventory, conducted at our request, revealed that approximately 45 percent of property items, valued at about \$750,000, could not be found.

We made recommendations to help Pohnpei State establish an effective property accountability process, as measured against the best practices for conducting physical inventories compiled from seven leading-edge companies in the private sector. The governor concurred with our recommendations and issued an executive order to begin correcting the deficiencies. The governor's response to the final report contained additional information on the actions Pohnpei State has taken or plans to take. These were sufficient for us to consider all recommendations resolved and implemented.

Kosrae State Lacks Adequate Property Accountability

Kosrae State, also part of FSM, needs to improve its property accountability process. We found that supplies and equipment purchased with health and education grant funds, totaling 65 percent of the \$6.5 million in financial assistance provided to Kosrae State by the Office of Insular Affairs, were not safeguarded or even used for authorized purposes.

For example, the Kosrae State Hospital did not account for, protect, or ensure the proper use of medical supplies and pharmaceuticals, including narcotics identified as controlled substances under the Controlled Substances Act because of their high potential for abuse. We found significant variances in 3 of the 12 controlled substances stocked by the hospital. Similarly, Kosrae's Department of Education could not confirm that educational supplies, such as textbooks and printers, were received and distributed to schools and used for educational purposes.

Equipment and personal property purchased with grant funds were likewise inadequately accounted for and not protected from unauthorized use, theft, or loss. Although Kosrae enacted financial management regulations to improve its recordkeeping, property identification, and inventory, it was not following them. The most recent inventory was completed in 2003. Our sampling of 223 of the 283 items held by the Department of Education in 2006 revealed that 125 items, valued at nearly \$470,000, could not be found. We made recommendations to ensure effective controls over supplies and equipment purchased with financial assistance from DOI.

Circumvention of Tax Law Undermines Integrity of Virgin Islands Tax System

Continuing a decades-long practice of administrative non-feasance, the Bureau of Internal Revenue and the Department of Finance, the two primary agencies responsible for collecting tax revenues in the Virgin Islands, ignored their charge to collect delinquent taxes and focused instead on accounting for receipts.

Specifically, the bureau did not assess taxpayers in a timely manner, meet its collection timelines, identify non-filers, or effectively use its collection officers. In fact, collection officers said their efforts could be characterized more as "correcting" errors than as "collecting" delinquent taxes.

At the Department of Finance, antiquated recordkeeping practices, combined with minimal collection efforts, allowed property owners to forego paying property taxes without consequence. The result of these practices was a systematic breakdown in the collection of delinquent taxes and a cumulative total of uncollected tax revenues for the past 10 years of more than \$250 million. Of this amount, \$128 million may never be recovered because of the age of the debt.

Also contributing to the breakdown in delinquent tax collection were two other issues of grave concern. The first issue involved practices that circumvented legislation enacted to prevent tax evasion by ensuring that business licenses were not issued to applicants with delinquent taxes. However, the Department of Licensing and Consumer Affairs issued business licenses to applicants who did not have clearance letters. Also, the Bureau of Internal Revenue issued clearance letters when delinquent taxes were owed, thereby rendering the tax evasion legislation ineffective.

The second issue was the flagrant abuse of position by a former director of the bureau who issued favorable tax clearance letters to taxpayers, falsely stating that they were current in filing and paying their taxes. For example, we found 31 favorable tax clearance letters issued to a businessperson who had evaded filing and paying taxes for 7 years, eventually accumulating a balance of \$1.75 million in taxes owed.

The governor of the Virgin Islands concurred with our recommendations and took steps to correct deficiencies in the tax collection process to maximize revenues to the government.

Portion of the Beal mural.



Minerals Management Service

A fresco by Edgar Britton, created originally for the Petroleum Division of the Bureau of Mines in 1939.



Energy Company Agrees To Settlement

After 4 days of administrative hearings in November 2007, Citation Oil & Gas Corporation, Houston, TX, a privately held independent oil and gas acquisition and production company, executed a settlement agreement to pay \$300,000 to MMS.

The agreement resolved our investigation into the conduct of the company and certain respective officers, directors, and employees regarding altered documents the company submitted during an audit of royalties the company paid for oil and gas removed from federal leases in North Dakota. The fraudulent documents hid about \$62,000 in royalties that Citation Oil & Gas Corporation failed to pay MMS for oil.

As we reported in our April 2006 *Semiannual Report*, a deferred prosecution agreement, which was executed between Citation Oil & Gas Corporation and its wholly owned subsidiary, Citation Crude Marketing, Inc., Houston, TX, resolved our criminal investigation into this same matter.

Former MMS Oceanographer Sentenced for Traveling to Meet Minor for Sex

On January 18, 2008, Barry S. Drucker, a former MMS oceanographer in Herndon, VA, pled guilty in the Northern District of Georgia to one count of violating 18 USC 2422(b), using a computer attached to the Internet to entice a minor (defined as under the age of 18) to engage in sexual activity. This statute carries a minimum sentence of 10 years incarceration. Drucker received a sentence of 10 years of imprisonment, followed by 10 years of supervised release.

In March 2007, Immigration and Customs Enforcement (ICE) contacted the OIG regarding possible child exploitation by an individual with access to an MMS computer. ICE advised that someone using an MMS Internet IP address electronically communicated via e-mail, video, and chat with a Clayton County, GA, investigator posing as a 13-year-old female. Subpoena results identified the individual as Barry S. Drucker, a GS-14 employee with MMS in Herndon, VA.

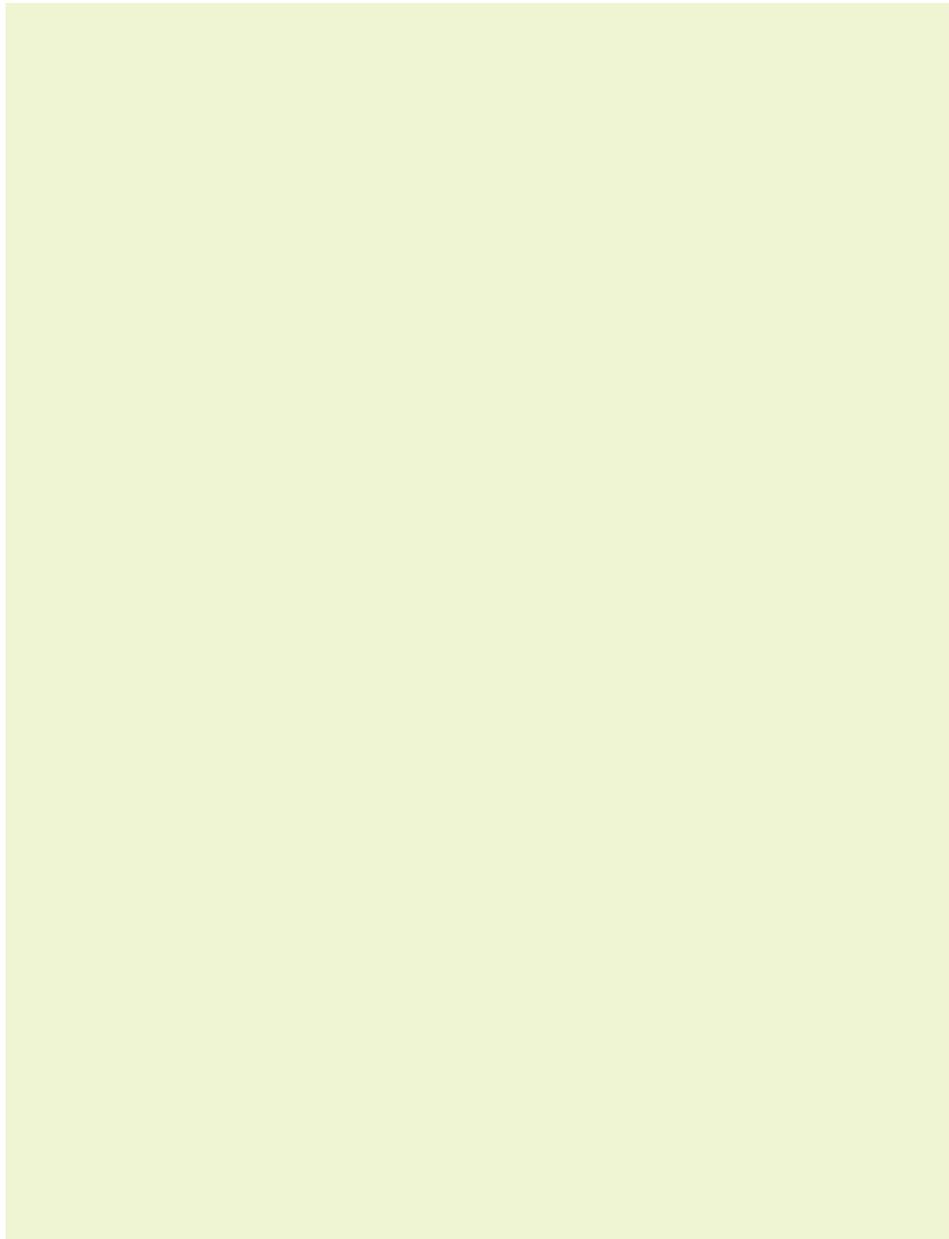
OIG agents arrested Drucker in May 2007 at Atlanta Hartsfield-Jackson International Airport as he got off a flight from Washington, D.C., to meet the supposed 13-year-old. He was indicted for using the

Internet to entice a minor to engage in prohibited sexual activity and for using the Internet to transmit obscene material to a minor. Following his arrest, a team of OIG agents executed search warrants for his Virginia residence and office cubicle.

Drucker had arranged to fly to Atlanta, using his government-issued credit card to pay for the flight, and to make hotel and rental car reservations. To justify the travel, he advised his MMS superiors of his intention to attend an oceanography conference, then created a flyer for the conference agenda.

Images on pages 24 and 25 taken from the Britton mural.





National Park Service



Mural by Nicolai Cikovsky, installed in 1939, part of a series demonstrating the influence of water on desert environments.

Former NPS Supervisor Sentenced

On October 31, 2007, Patricia Buccello, the former National Special Agent-in-Charge for NPS, pled guilty to 1 misdemeanor count of theft of public money for fraudulently obtaining money belonging to the NPS. Buccello admitted that in March 2007 she failed to appear as a representative of the NPS Director at a ceremony honoring fallen NPS officers in Jacksonville, FL. She did this in order to obtain a free round trip airline ticket. However, she claimed that her connecting flight had been cancelled after being stuck for hours on the tarmac in Charlotte, NC.

Our investigation revealed that the flight in question departed only minutes late, and that Buccello had voluntarily given up her seat in return for a free round trip airline ticket. The investigation also revealed that in July 2006, Buccello failed to travel to St. Louis, MO, to deliver a fatality report to the widow of a fallen NPS special agent.

Further investigation revealed that between April 2005 and March 2007, Buccello charged the government all or a portion of the airfare associated with nine different personal trips between Washington, D.C., and Maine. Pursuant to the plea agreement, Buccello resigned from the NPS and reimbursed the government a total of \$10,865 for the costs associated with personal travel that she fraudulently charged. On January 23, 2008, Buccello was sentenced to 2 years of probation and fined \$10,000 and 50 hours of community service.

CEO Sentenced for Theft of Federal Funds

In 1994, Gregory Thomlison, former chairman and chief executive officer of Destinet Corporation (Destinet), a former NPS contractor, purchased Mistix, a reservations and ticketing management company that collected fees for camp grounds, sports venues, and other entertainment enterprises. NPS and the California State Parks and Recreation Department were among Mistix's largest clients.

As Destinet assumed ownership of Mistix's contracts, it was required to collect reservations and tour fees from NPS patrons and then deposit that agency's share of the proceeds into the U.S. Treasury. In early 1997, however, Destinet stopped paying returns on its state and federal contracts but continued to collect monies on their behalf. In 1997, Destinet declared bankruptcy, and Thomlison fled to Ontario, Canada.

As the result of the OIG investigation, in May 2002, the Federal Grand Jury for the Southern District of California indicted Thomlison on 22 counts of theft of public funds, 22 counts of wire fraud, 22 counts of foreign transfer of money taken from fraud, and 1 count of illegal transfer of bankruptcy assets. The U.S. District Court issued a warrant for

Thomlison's arrest. From October 1997 through July 2007, the DOJ pursued Thomlison's extradition from Canada.

Finally, in July 2007, after exhausting his appeals in the Canadian judicial system, Thomlison voluntarily returned to the United States and surrendered to federal authorities. On August 13, 2007, he appeared in the U.S. District Court, Southern District of California, where he pleaded guilty to 1 count of theft of government funds.

Thomlison was sentenced in U.S. District Court, Southern District of California, in connection with his guilty plea. He was sentenced to 12 months and 1 day of imprisonment, 36 months of probation, and \$1,623,620 in restitution to be paid to NPS and other respective victims.

Pearl Harbor Museum Worker Sentenced

Fe Nakahara, an employee of the Arizona Memorial Museum Association (AMMA) at Pearl Harbor, HI, pleaded guilty in U.S. District Court, District of Hawaii, in October 2007 to the theft of approximately \$170,000 from AMMA receipts. On February 14, 2008, she was sentenced to 2 concurrent 18-month prison terms and 3 years of probation. In addition to the jail time, Nakahara was ordered to pay \$221,111 in restitution. Her 3 years of probation was conditioned on her actual payment of restitution.

Nakahara, a grandmother, admitted stealing the funds in 2005 over a period of a few months. She removed them from an area of AMMA under her control. Nakahara told NPS and OIG investigators that she spent part of the money on gifts for her family and her boyfriend. However, she provided no convincing explanation for her disposition of the majority of the stolen funds, alleging that she had discarded the funds in a dumpster.

AMMA is a nonprofit organization authorized by the Congress. It supports the interpretation and related visitor service activities of NPS at the U.S.S. Arizona Memorial, the War in the Pacific National Historical Park, the American Memorial Park, and the Kalaupapa National Historic Park.

U.S. Park Police Struggles With Dual Mission

As part of a continuing commitment by the OIG to examine DOI law enforcement programs and homeland security efforts, we conducted an assessment of the U.S. Park Police (USPP). Our review found that USPP continues to struggle with the competing missions of protecting national icons and

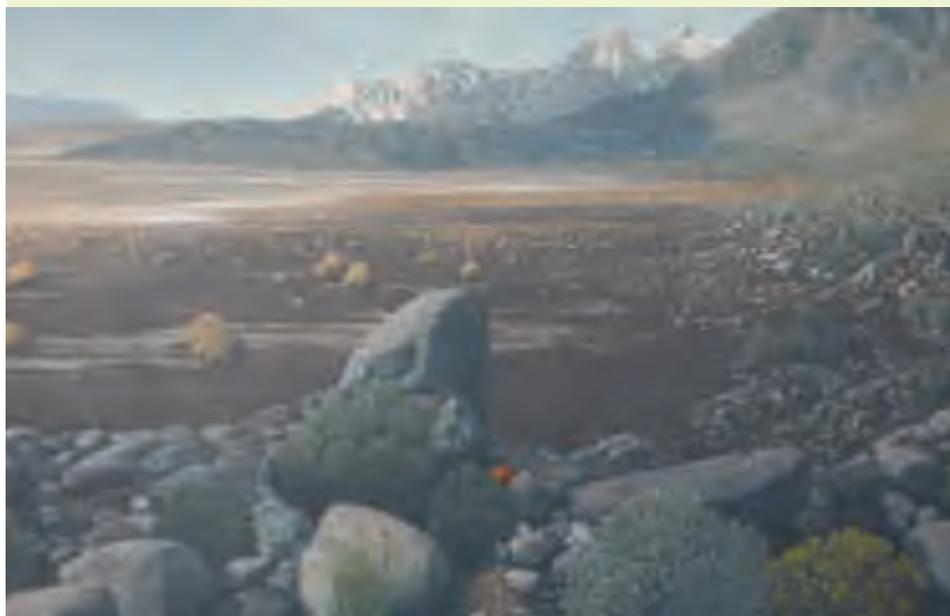
monuments and functioning as an urban police department at the same time and with the same resources.

USPP has failed to establish a comprehensive security program for the protection of national icons and monuments. Lacking centralized command level oversight of icon protection, USPP has not developed comprehensive asset security plans or a formal training program for those responsible for protecting the icons. Despite increased responsibilities involving the protection of national icons and monuments, USPP staffing levels are lower now than they were 6 years ago. USPP has been unable to properly staff security posts, and the lack of a sufficient number of officers has led to concerns for officer safety.

In addition to lack of staffing, we found officer safety concerns regarding firearms, ballistic vests, and patrol vehicles. Many USPP officers have not met minimum firearm qualification standards with their duty weapons. We found that USPP had not taken immediate action to replace ballistic vests containing Zylon, a material determined to be noncompliant with federal standards. In addition, USPP officers in Washington, D.C., do not have enough vehicles for them to properly patrol and respond to calls for service.

Finally, our assessment found weaknesses in management and oversight by senior agency officials. In the area of financial management, we found that USPP failed to put the proper infrastructure in place to successfully manage its financial affairs. Overall we found an environment of distrust and low morale where employees question the ability of senior management to lead USPP. Both DOI and NPS are currently formulating plans to address the issues identified during our assessment.

One of four paintings by William Traher from his *Faces of the West* series, commissioned by the National Park Service in the 1960s.



U.S. Geological Survey



Part of a larger mural by
Gifford Beal, recognizing
the global activities of DOI.

Leave Fraud Leads To Termination

Robert Thom, a USGS information technology specialist in San Diego, CA, was arrested on August 23, 2007, and indicted on September 6, 2007, by a Federal Grand Jury in the U.S. District Court for the Eastern District of California on 10 counts of wire fraud. Thom submitted false and forged documents to the USGS, claiming that he suffered from a malignant brain tumor. He played on coworkers' sympathy and faked a painful brain tumor in order to apply for and receive 995 hours of annual leave from the Federal Voluntary Leave Transfer Program, a leave bank that is intended to help employees who are genuinely ill and who have run out of their own allotted leave.

Misled by Thom's false medical documents, the USGS placed Thom on its national donation list from December 14, 2006, through August 23, 2007. This enabled Thom to receive annual leave donations from all USGS employees. Thirty USGS employees, including 10 outside of California, donated their annual leave, worth \$40,550, so that Thom could continue to receive his federal salary and benefits.

Shortly after Thom's alleged brain tumor operation, office co-workers visited him at home to wish him a speedy recovery. To their amazement, they found him outside washing his car and demonstrating no visible signs of a recent brain operation. OIG investigators subsequently were called, and they conducted undercover activities. They served a search warrant at Thom's residence to uncover his fraudulent scheme.

On September 17, 2007, USGS terminated Thom's employment after the OIG uncovered his scheme.

On December 6, 2007, Thom appeared in the U.S. District Court, Eastern California, where he pled guilty to 10 counts of wire fraud, in violation of 18 U.S.C. 1343. Thom was scheduled to be sentenced on March 7, 2008, but failed to appear. Honorable Judge Garcia issued a bench warrant for Thom's arrest and on March 13, 2008, Thom was apprehended once again in San Diego, CA, on a no bail bond.

Appendices



This 1939 mural by Nicolai Cikovsky is one of four depicting the impact of harnessing water.

STATISTICAL HIGHLIGHTS

Investigative Activities

Cases Closed	211
Cases Opened	177
Hotline Complaints/Inquiries Received	80

Criminal Prosecution Activities

Indictments/Informations	16
Convictions	28
Sentencings	38
- Jail	645 months
- Fines	\$9,046,000
- Criminal Restitutions	\$2,445,585
- Probations	1542 months
- Community Service	1550 hours
- Special Assessments	\$6,930
Criminal Matters Referred for Prosecution	36

Civil Investigative Activities

Civil Referrals	9
Civil Judgements/Settlements	\$300,000

Administrative Investigative Activities

Removals	3
Resignations/Retirements	2
Suspensions	5 (91 days)
Reprimands/Counseling	12
Reassignments/Transfers	2
General Policy Actions	13
Administrative Recoveries	\$15,396
Bureau Non-Responsive*	4

* Bureau Non-Responsive is a category indicating failure by a bureau to respond to referral for administrative action.

STATISTICAL HIGHLIGHTS

Audit and Evaluation Related Activities

Reports Issued	50
Performance Audits, Financial Audits, Evaluations, and Verifications	36
Contracts and Grant Audits	12
Single Audit Quality Control Reviews	2

Audit and Evaluation Impacts

Total Monetary Impacts	\$255,380,471
Questioned Costs (includes unsupported costs)	\$1,947,268
Recommendations That Funds Be Put to Better Use	\$33,203
Lost or Potential Additional Revenues	\$252,700,000
Wasted Funds*	\$700,000
 Audit and Evaluation Recommendations Made	 370
 Audit and Evaluation Recommendations Resolved	 70

* Wasted Funds is a category used to classify funds that were wasted and cannot be recovered.

Portion of a mural titled *Conservation of American Wildlife* by Henry Varnum Poor, depicting various dedicated individuals working for the benefit of wildlife.



Reports Issued During the Six-Month Reporting Period

This listing includes all audit-related reports issued during the 6-month period that ended March 31, 2008. It provides report number, title, issue date, and monetary amounts identified in each report (* *Funds To Be Put To Better Use*, ** *Questioned Cost*, *** *Unsupported Cost*, **** *Lost or Potential Additional Revenues*, and ***** *Wasted Funds*).

Audits, Evaluations, Assessments, and Verifications

Bureau of Indian Affairs

Y-RR-BIA-0003-2007	Program Assessment Rating Tool (PART) — Review of Bureau of Indian Affairs Irrigation Program (11/19/2007)
X-IN-BIA-0013-2007	Independent Auditors' Report on Indian Affairs Financial Statements for Fiscal Years 2007 and 2006 (01/11/2008)
X-IN-BIA-0008-2008	Management Letter Concerning Issues Identified During the Audit of the Indian Affairs Financial Statements for Fiscal Years 2007 and 2006 (02/21/2008)
W-EV-BIA-0005-2008	Letter to Senator Pete Domenici Regarding Allegations that the Navajo Nation Misused Federal Funds in Sending Representatives to a National Indian Education Association Conference in Honolulu, Hawaii (03/07/2008)

Bureau of Land Management

X-IN-BLM-0016-2007	Independent Auditors' Report on the Bureau of Land Management Financial Statements for Fiscal Years 2007 and 2006 (01/04/2008)
X-IN-BLM-0003-2008	Management Letter Concerning Issues Identified During the Audit of the Bureau of Land Management Financial Statements for Fiscal Years 2007 and 2006 (02/14/2008)

Y-RR-BLM-0005-2007 Program Assessment Rating Tool (PART): Progress Evaluation of the Bureau of Land Management, Land Use Planning Program (02/25/2008)

Bureau of Reclamation

X-IN-BOR-0017-2007 Independent Auditors' Report on the Bureau of Reclamation Financial Statements for Fiscal Years 2007 and 2006 (01/16/2008)

X-IN-BOR-0002-2008 Management Letter Concerning Issues Identified During the Audit of the U.S. Bureau of Reclamation Financial Statements for Fiscal Years 2007 and 2006 (02/05/2008)

Departmental Offices

X-IN-OSS-0014-2007 Independent Auditors' Report on the Departmental Offices Financial Statements for Fiscal Years 2007 and 2006 (01/28/2008)

Federated States of Micronesia

P-EV-FSM-0001-2007 Kosrae State, Federated States of Micronesia: Property Accountability Process Needs To Be Improved (10/17/2007)

P-EV-FSM-0001-2006 Pohnpei State, Federated States of Micronesia: Property Accountability Process Needs To Be Established (10/17/2007)

Multi-Office Audits

X-ST-MOI-0021-2007 Inspector General's Statement Summarizing the Major Management and Performance Challenges Facing the Department of the Interior (10/03/2007)

X-IN-MOA-0012-2007 Independent Auditors' Report on the Department of the Interior Financial Statements for Fiscal Years 2007 and 2006 (11/13/2007)

X-IN-MOA-0001-2008	Independent Auditors' Report on the Department of the Interior Special-Purpose Financial Statements for Fiscal Years 2007 and 2006 (11/16/2007)
W-EV-MOI-0001-2008	Congressional Request from the Honorable George Miller Chairman, Committee on Education and Labor and the Honorable Nick J. Rahall II, Chairman, Committee on Natural Resources, House of Representatives, Concerning the Safety of Children Attending Residential Treatment Programs that Operate on Department of Interior's Lands (01/18/2008)
W-EV-MOA-0001-2007	Sole Source Contracting: Culture of Expediency Curtails Competition in Department of the Interior Contracting (02/08/2008)
X-IN-MOA-0006-2008	Management Letter Concerning Issues Identified During the Audit of the Department of the Interior Financial Statements for Fiscal Years 2007 and 2006 (02/15/2008)
Y-IN-MOA-0001-2007	Audit of FY2006 and FY2007 Department of Defense Purchases Made Through the Department of the Interior (02/21/2008)
W-EV-MOA-0004-2008	Evaluation of the Department of the Interior's Recruitment, Screening, Selection, and Training of Departmental Volunteers (03/07/2008)
Y-EV-MOA-0001-2008	Controls Over the Transit Benefit Program at the Department of the Interior (03/18/2008)
C-IN-MOA-0011-2006	Health and Safety Concerns at the Department of the Interior's Facilities (03/26//2008)
National Park Service	
P-VS-NPS-0002-2007	Verification Review of Recommendations From July 2004 Report on <i>National Park Service Management of Selected Grants in Hawaii</i> (10/22/2007)
B-EV-NPS-0002-2008	District of Columbia Water and Sewer Authority, July 1, 2007, through September 30, 2007 (12/10/2007)

X-IN-NPS-0019-2007	Independent Auditors' Report on the National Park Service Financial Statements for Fiscal Years 2007 and 2006 (12/21/2007)
X-IN-NPS-0009-2008	Management Letter Concerning Issues Identified During the Audit of the National Park Service Financial Statements for Fiscal Years 2007 and 2006 (02/01/2008)
Y-RR-NPS-0010-2007	Program Assessment Rating Tool (PART): Progress Evaluation of the National Park Service (NPS) Land and Water Conservation Fund State Grants Program (02/27/2008)
B-EV-NPS-0005-2008	District of Columbia Water and Sewer Authority – October 1, 2007 through December 31, 2007 (03/06/2008)
Office of Insular Affairs	
W-VS-OIA-0007-2007	Verification Review of Five Recommendations From January 2003 Audit Report Compliance With the Memorandum of Understanding Between the Governor of the Virgin Islands and the Secretary of the Interior (No. 2003-I-0003) (10/18/2007)
V-IN-VIS-0011-2006	Collection of Outstanding Taxes and Fees, Government of the Virgin Islands (01/10/2008) ****\$252,700,000 *****\$700,000
Office of the Special Trustee for Indian Affairs	
Q-IN-OST-0003-2007	Independent Auditors' Report on the Tribal and Other Trust Funds and Individual Indian Monies Trust Funds Financial Statements for Fiscal Years 2007 and 2006 (11/09/2007)
Q-IN-OST-0001-2008	Management Letter Concerning Issues Identified During the Audit of the Office of the Special Trustee for American Indians Financial Statements for Fiscal Years 2007 and 2006 (12/05/2007)

U.S. Fish and Wildlife Service

X-IN-FWS-0018-2007	Independent Auditors' Report on the U.S. Fish and Wildlife Service Financial Statements for Fiscal Years 2007 and 2006 (01/18/2008)
X-IN-FWS-0005-2008	Management Letter Concerning Issues Identified During the Audit of the U.S. Fish and Wildlife Service Financial Statements for Fiscal Years 2007 and 2006 (01/28/2008)
B-EV-FWS-0004-2008	Management Advisory, Clarification Needed on License Certification Requirements for State Hunting and Fishing Licenses (02/19/2008)

U.S. Geological Survey

X-IN-GSV-0015-2007	Independent Auditors' Report on the U.S. Geological Survey Financial Statements for Fiscal Years 2007 and 2006 (12/14/2007)
X-IN-GSV-0004-2008	Management Letter Concerning Issues Identified During the Audit of the U.S. Geological Survey Financial Statements for Fiscal Years 2007 and 2006 (01/31/2008)

Contract and Grant Audits

Bureau of Reclamation

K-CX-BOR-0001-2006	Audit of Proposed Settlement Costs Claimed by McDaniel Fire Systems, Under the Bureau of Reclamation Contract to Replace Fire Extinguisher Systems in Powerplants Throughout Wyoming (No. 03CC602130) (11/15/2007) **\$74,657 ***\$117,904
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National Park Service

W-CX-NPS-0009-2007	Pre-award Review of Pricing Proposal for Electric Utility Service Rates for Yellowstone National Park Submitted by Northwestern Energy LLC (11/09/2007)
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W-CX-NPS-0010-2007 Pre-award Audit of Overhead Rate for Jones & Jones Architects and Landscape Architects, LTD, under National Park Service Solicitation for an Architect-Engineering Contract (No. N8078070175) (11/15/2007) *\$7,475

Q-CX-NPS-0004-2007 Administration of the Contract to Build a Breakwater Dock and Log Boom Fairway at Bighorn Canyon National Recreation Area (01/25/2008)

U.S. Fish and Wildlife Service

R-GR-FWS-0005-2007 U.S. Fish and Wildlife Service Federal Assistance Program Grants Awarded to the State of Connecticut, Department of Environmental Protection, Bureau of Natural Resources, from July 1, 2004, through June 30, 2006 (10/16/2007) *\$25,728 **\$19,373

R-GR-FWS-0006-2007 U.S. Fish and Wildlife Service Federal Assistance Program Grants Awarded to the Virgin Islands, Department of Planning and Natural Resources, Division of Fish and Wildlife, From October 1, 2003, Through September 30, 2005 (10/18/2007) **\$60,000

R-GR-FWS-0010-2007 U.S. Fish and Wildlife Service Federal Assistance Program Grants Awarded to the State of New Jersey, Department of Environmental Protection, Division of Fish and Wildlife, From July 1, 2004, Through June 30, 2006 (12/05/2007)

R-GR-FWS-0016-2005 U.S. Fish and Wildlife Service Federal Assistance Program Grants Awarded to the State of Maine, Department of Inland Fisheries and Wildlife, From July 1, 2003, Through June 30, 2005 (12/11/2007)

R-GR-FWS-0012-2007 U.S. Fish and Wildlife Service Federal Assistance Program Grants Awarded to the State of Iowa, Department of Natural Resources, From July 1, 2004, Through June 30, 2006 (01/25/2008) **\$293,377

R-GR-FWS-0009-2007	U.S. Fish and Wildlife Service Federal Assistance Program Grants Awarded to the Government of Guam, Department of Agriculture, From October 1, 2004, Through September 30, 2006 (02/14/2008) **\$1,273
R-GR-FWS-0011-2007	U.S. Fish and Wildlife Service Federal Assistance Program Grants Awarded to the State of California, Department of Fish and Game, From July 1, 2004, Through June 30, 2006 (03/14/2008) **\$1,381,957
R-GR-FWS-0016-2007	U.S. Fish and Wildlife Service Federal Assistance Program Grants Awarded to the State of New Hampshire Fish and Game Department from July 1, 2004, Through June 30, 2006 (03/20/2008)

Single Audit Quality Control Reviews

B-QC-MOA-0003-2008	KPMG Audit of Navajo Nation for the Year Ended September 30, 2006 (01/10/2008)
B-QC-MOA-0006-2008	William R. Hoffmann Ltd. Audits of Capital Concerts for the Years Ended December 31, 2005, and 2006 (03/27/2008)



One of four paintings by William Traher from his Faces of the West series, commissioned by NPS in the 1960s.



Monetary Impact of Audit and Evaluation Activities During the Reporting Period

Activity	Questioned Costs*	Funds To Be Put To Better Use	Potential Additional Revenue	Wasted Funds	Total
Bureau of Reclamation	\$192,561	0	0	0	\$192,561
Insular Affairs	0	0	\$252,700,000	\$700,000	\$253,400,000
National Park Service	0	\$7,475	0	0	\$7,475
U.S. Fish and Willife Service	\$1,755,980	\$25,728	0	0	\$1,781,708
Total	\$1,948,541	\$33,203	\$252,700,000	\$700,000	\$255,381,744

*Unsupported costs are included in questioned costs.

Non-Federal Funding Included in Monetary Impact of Audit Activities During the Reporting Period

V-IN-VIS-0011-2006

Collection of Outstanding Taxes and Fees, Government of the Virgin Islands, dated January 10, 2008. The report identified \$253,400,000 as monetary impact, consisting of \$252,700,000 potential additional revenues and \$700,000 wasted funds. All of the funds were Insular funds.

Monetary Resolution Activities

Table I: Inspector General Reports With Questioned Costs*

	Number of Reports	Questioned Costs	Unsupported Costs
A. For which no management decision had been made by the commencement of the reporting period.	35	\$16,274,920	\$6,635,834
B. Which were issued during the reporting period.	6	\$1,948,541	\$117,908
Total (A+B)	41	\$18,223,461	\$6,753,738
C. For which a management decision was made during the reporting period.	2	\$675,032	\$117,904
(i) Dollar value of recommendations that were agreed to by management.	1	\$619,258	\$62,163
(ii) Dollar value of recommendations that were not agreed to by management.	1	\$55,774	\$55,774
D. For which no management decision had been made by the end of the reporting period.	39	\$17,548,429	\$6,635,834
E. For which no management decision was made within 6 months of issuance.	35	\$15,793,722	\$6,635,834

Monetary Resolution Activities

Table II: Inspector General Reports With Recommendations That Funds Be Put To Better Use

	Number of Reports	Dollar Value
A. For which no management decision had been made by the commencement of the reporting period.*	17	\$28,250,456
B. Which were issued during the reporting period.	2	\$33,203
Total (A+B)	19	\$28,283,659
C. For which a management decision was made during the reporting period.	2	\$102,268
(i) Dollar value of recommendations that were agreed to by management.	2	\$102,268
(ii) Dollar value of recommendations that were not agreed to by management.	0	0
D. For which no management decision had been made by the end of the reporting period.	17	\$28,181,391
E. For which no management decision was made within 6 months of issuance.	16	\$28,155,663

*Beginning balance differs from the October 2007 *Semiannual Report* ending balance by \$38,577 (increase) because of corrective adjustments.

Monetary Resolution Activities

**Table III: Inspector General Reports
With Lost or Potential Additional Revenues**

	Number of Reports	Dollar Value
A. For which no management decision had been made by the commencement of the reporting period.	3	\$40,325,640
B. Which were issued during the reporting period.	0	0
Total (A+B)	3	\$40,325,640
C. For which a management decision was made during the reporting period.	0	0
(i) Dollar value of recommendations that were agreed to by management.	0	0
(ii) Dollar value of recommendations that were not agreed to by management.	0	0
D. For which no management decision had been made by the end of the reporting period.	3	\$40,325,64
E. For which no management decision was made within 6 months of issuance.	3	\$40,325,64

Monetary Resolution Activities

**Table IV: Inspector General Reports
With Wasted Funds**

	Number of Reports	Dollar Value
A. For which no management decision had been made by the commencement of the reporting period.	2	\$28,856,706
B. Which were issued during the reporting period.	0	0
Total (A+B)	2	\$28,856,706
C. For which a management decision was made during the reporting period.	0	0
(i) Dollar value of recommendations that were agreed to by management.	0	0
(ii) Dollar value of recommendations that were not agreed to by management.	0	0
D. For which no management decision had been made by the end of the reporting period.	2	\$28,856,706
E. For which no management decision was made within 6 months of issuance.	2	\$28,856,706

Summary of Reports Over 6 Months Old Pending Management Decisions

This listing includes a summary of audit and evaluation reports that were more than 6 months old on March 31, 2008, and still pending a management decision. It provides report number, title, issue date, number of unresolved recommendations, and unresolved amount of monetary benefits identified in the report.

Audits, Evaluations, Assessments, and Verifications

Bureau of Indian Affairs

W-FL-BIA-0047-2002	School Construction Program, Bureau of Indian Affairs (02/24/2004); 1 Recommendation; \$2,100,000 Unresolved
C-IN-BIA-0015-2004	Bureau of Indian Affairs Use of Facilities Improvement and Repair Funds (08/29/2005); 1 Recommendation; \$10,200,000 Unresolved

Multi-Office Audits

X-IN-MOA-0018-2005	Fiscal Year 2005 Department of the Interior Purchases Made on Behalf of the Department of Defense (01/09/2007); 3 Recommendations
W-IN-MOA-0086-2004	Proper Use of Cooperative Agreements Could Improve Interior's Initiatives for Collaborative Partnerships (01/31/2007); 5 Recommendations

National Park Service

X-IN-NPS-0017-2006	Independent Auditors' Report on the National Park Service's Financial Statements for Fiscal Years 2006 and 2005 (02/08/2007); 4 Recommendations
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Office of the Secretary

X-IN-OSS-0016-2006	Independent Auditors' Report on the Departmental Offices' Financial Statements for Fiscal Years 2006 and 2005 (02/05/2007); 2 Recommendations
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U.S. Fish and Wildlife Service

X-IN-FWS-0020-2006 Independent Auditors' Report on the U.S. Fish and Wildlife Service's Financial Statements for Fiscal Years 2006 and 2005 (08/14/2007);
2 Recommendations

Contracts and Grants

National Park Service

2000-E-0607 Costs Billed By Harrison & Palmer, Inc., From April 1, 1996, Through June 23, 1999, Under National Park Service Contract No. 143CX300094906 (08/08/2000);
1 Recommendation; \$52,703 Unresolved

2000-E-0706 Audit of Costs Billed by Southern Insulation, Inc., From November 21, 1994, Through June 1, 1999, Under National Park Service Contract No. 1443CX300094906 (09/29/2000);
1 Recommendation; \$86,262 Unresolved

2001-E-0035 Audit of Costs Billed by Callas Contractors, Inc., From January 1, 1997, Through June 1, 1999, Under National Park Service Contract No. 1443CX300094906 (11/07/2000);
1 Recommendation; \$16,425 Unresolved

2001-E-0036 Audit of Costs Billed by Capitol Mechanical Contractors, Inc., From January 1, 1997, Through June 1, 1999, Under National Park Service Contract No. 1443CX300094906 (11/07/2000); 1 Recommendation;
\$98,194 Unresolved

2001-E-0244 Audit of Costs Billed by E.M.S. Consultants, Inc., From May 1, 1996, Through June 1, 1999, Under National Park Service Contract No. 1443CX300094906 (02/27/2001);
1 Recommendation; \$327,330 Unresolved

- 2001-E-0336 Audit of Costs Billed By JCM Control Systems, Inc., From January 1, 1994, Through July 16, 1999, Under National Park Service Contract No. 1443CX300094906 (04/23/2001); 1 Recommendation; \$109,865 Unresolved
- Q-CX-NPS-0004-2006 Audit of Costs Claimed by TDT Construction LLC under National Park Service Contract No. 1443C7140040001 (07/26/2007); 1 Recommendation; \$159,692 Unresolved
- K-CX-OIG-0010-2005 Costs Claimed by Sharks and Sharks General Contractors, Inc., Under National Park Service Contract No. C6068030005 for Construction Work at the Ulysses S. Grant National Historic Site (08/22/2007); 1 Recommendation; \$731,103 Unresolved

U.S. Fish and Wildlife Service

- R-GR-FWS-0029-2003 U.S. Fish and Wildlife Service Federal Assistance Grants Administered by the State of Washington, Department of Fish and Wildlife, From July 1, 2000, Through June 30, 2002 (03/21/2004); 1 Recommendation
- R-GR-FWS-0025-2003 U.S. Fish and Wildlife Service Federal Assistance Grants Administered by the State of New York, Department of Environmental Conservation, Division of Fish, Wildlife, and Marine Resources, From April 1, 2000, Through March 31, 2002 (05/06/2004); 1 Recommendation
- R-GR-FWS-0014-2004 U.S. Fish and Wildlife Service Federal Assistance Grants Administered by the Commonwealth of Puerto Rico, Department of Natural and Environmental Resources, From July 1, 2001, Through June 30, 2003 (09/19/2005); 9 Recommendations; \$38,577 Unresolved

- R-GR-FWS-0008-2004 U.S. Fish and Wildlife Service Federal Assistance Grants Administered by the State of Idaho, Department of Fish and Game, From July 1, 2001, Through June 30, 2003 (09/30/2005); 15 Recommendations; \$519,469 Unresolved
- R-GR-FWS-0004-2005 U.S. Fish and Wildlife Service Federal Assistance Grants Administered by the State of Illinois, Department of Natural Resources, From July 1, 2002, Through June 30, 2004 (03/31/2006); 12 Recommendations; \$553,977 Unresolved
- R-GR-FWS-0018-2005 U.S. Fish and Wildlife Service Federal Assistance Grants Awarded to the State of Minnesota, Department of Natural Resources, Division of Fish and Wildlife, From July 1, 2002, Through June 30, 2004 (02/01/2007); 3 Recommendations; \$505,600 Unresolved
- R-GR-FWS-0003-2007 U.S. Fish and Wildlife Service Federal Assistance Program Grants Awarded to the Nebraska Game and Parks Commission, From July 1, 2004, Through June 30, 2006 (09/19/2007); 3 Recommendations

One of four paintings by William Traher from his Faces of the West series, commissioned by NPS in the 1960s.



Summary of Reports Over 6 Months Old Pending Corrective Action

This is a listing of audit and evaluation reports more than 6 months old with management decisions for which corrective action has not been completed. It provides report number, title, issue date, and the number of recommendations without final corrective action. These audits and evaluations continue to be monitored by the Focus Leader for Management Control and Audit Follow-up, Assistant Secretary, Policy, Management, and Budget, for completion of corrective action.

Bureau of Indian Affairs

2003-I-0055	Evaluation of the Bureau of Indian Affairs' Process to Approve Tribal Gaming Revenue Allocation Plans (06/11/2003); 3 Recommendations
X-IN-BIA-0007-2003	Bureau of Indian Affairs, Office of Indian Education Programs, Central Office Management of Administrative Funds (03/30/2004); 1 Recommendation
X-IN-BIA-0006-2005	Independent Auditors' Report on the Bureau of Indian Affairs' Financial Statements for Fiscal Years 2005 and 2004 (12/20/2005) 1 Recommendation
C-IN-BIA-0017-2005	Bureau of Indian Affairs, Radio Communications Program (01/31/2007) 6 Recommendations
X-IN-BIA-0003-2007	Management Letter Concerning Issues Identified During the Audit of the Bureau of Indian Affairs' Financial Statements for Fiscal Years 2006 and 2005 (05/03/2007); 7 Recommendations

Bureau of Land Management

C-IN-BLM-0013-2005	Public Safety Issues at the Saginaw Hill Property Bureau of Land Management (03/15/2005); 1 Recommendation
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Bureau of Reclamation

1999-I-0133	Audit Report on the Identification of Unneeded Acquired Lands (12/21/1998); 1 Recommendation
2000-I-377	Native American Graves Protection and Repatriation Activities, Bureau of Land Management (05/05/2000); 1 Recommendation
W-FL-BLM-0007-2004	Proposed Changes to Management of SNPLMA Costs May Improve Fund Accountability (04/05/2007); 3 Recommendations
C-IN-BLM-0012-2007	Flash Report: Environmental, Health, and Safety Issues at Bureau of Land Management Ridgecrest Field Office Rand Mining District, CA (09/12/2007); 6 Recommendations

Minerals Management Service

X-IN-MMS-0010-2005	Independent Auditors' Report on the Minerals Management Service's Financial Statements for Fiscal Years 2005 and 2004 (12/08/2005); 1 Recommendation
C-IN-MMS-0006-2006	Minerals Management Service's Compliance Review Process (12/05/2006); 3 Recommendations

Multi-Office Audits

1996-I-1267	Inspection and Enforcement Program and Selected Related Activities, Bureau of Land Management (09/30/1996); 1 Recommendation
A-IN-MOA-0004-2004	Department of the Interior's Use of Wireless Technologies (12/06/2004); 1 Recommendation
C-IN-MOA-0049-2004	Department of the Interior Concessions Management (06/13/2005); 2 Recommendations
W-IN-MOA-0002-2005	Hazardous Fuels Reduction Program, Department of the Interior (04/17/2006); 1 Recommendation

X-IN-MOA-0018-2005	Fiscal Year 2005 Department of the Interior Purchases Made on Behalf of the Department of Defense (01/09/2007); 7 Recommendations
W-IN-MOA-0008-2005	Private Uses of Public Lands, National Park Service and Bureau of Land Management (04/10/2007); 6 Recommendations
C-IN-MOA-0007-2005	Department of the Interior Radio Communications Program (01/30/2007); 7 Recommendations
C-IN-MOA-0002-2006	Department of the Interior Internal Control Program (08/09/2007); 4 Recommendations
National Park Service	
1998-I-0406	Follow-up of Recommendations Concerning Utility Rates Imposed by the National Park Service (04/15/1998); 5 Recommendations
2002-I-0045	Recreational Fee Demonstration Program: National Park Service and Bureau of Land Management (08/19/2002); 1 Recommendation
P-IN-NPS-0105-2003	National Park Service's Management of Selected Grants in Hawaii (07/30/2004); 2 Recommendations
C-IN-NPS-0013-2004	National Park Service's Recording of Facility Maintenance Expenditures (01/26/2005); 2 Recommendations
X-IN-NPS-0009-2005	Independent Auditors' Report on the National Park Service's Financial Statements for Fiscal Years 2005 and 2004 (12/21/2005); 2 Recommendations
P-IN-NPS-0074-2004	Hawaii Volcanoes National Park: Improved Operations Should Enhance Stewardship and Visitor Experience (03/31/2006); 6 Recommendations
X-IN-NPS-0017-2006	Independent Auditors' Report on the National Park Service Financial Statements for Fiscal Years 2006 and 2005 (02/08/2007); 4 Recommendations
X-IN-NPS-0005-2007	Management Letter Concerning Issues Identified During the Audit of the National

Park Service's Financial Statements for Fiscal Years 2006 and 2005 (03/01/2007);
6 Recommendations

C-IN-NPS-0007-2007

Flash Report: National Park Service, Hazardous Condition of Yosemite's Wawona Tunnel Endangers Lives (06/20/2007);
3 Recommendations

Office of the Special Trustee for Indian Affairs

Q-IN-OST-0002-2005

Independent Auditors' Report on the Tribal and Other Trust Funds and Individual Indian Monies Trust Funds' Financial Statements for Fiscal Years 2005 and 2004, Managed by the Office of the Special Trustee for American Indians (11/22/2005); 2 Recommendations

U.S. Fish and Wildlife Service

1997-I-1305

Audit Report on the Automated Law Enforcement System, U.S. Fish and Wildlife Service (09/30/1997); 1 Recommendation

X-IN-FWS-0003-2006

Management Letter Concerning Issues Identified During the Audit of the U.S. Fish and Wildlife Service's Financial Statements for Fiscal Years 2005 and 2004 (02/27/2006);
2 Recommendations

C-IN-FWS-0009-2007

Flash Report: Fish and Wildlife Service, Jackson National Fish Hatchery In Need of Immediate Action (05/08/2007); 2 Recommendations

X-IN-FWS-0020-2006

Independent Auditors' Report on the U.S. Fish and Wildlife Service's Financial Statements for Fiscal Years 2006 and 2005 (08/14/2007);
3 Recommendations

X-IN-FWS-0009-2007

Management Letter Concerning Issues Identified During the Audit of the Fish and Wildlife Service's Financial Statements for Fiscal Years 2006 and 2005 (08/14/2007);
3 Recommendations

Summary of Insular Area Reports With Open Recommendations More Than 6 Months Old

These Insular Area reports contain recommendations made specifically to Insular Area governors and other Insular Area officials, who do not report to the Secretary of the Interior and who are not subject to the policy, guidance, and administrative oversight established by the Assistant Secretary, Policy, Management, and Budget.

Audits, Evaluations, Assessments, and Verifications

Northern Mariana Islands

P-GR-NMI-0003-2005 Evaluation of Saipan Public Health Facility Project: Oversight of Capital Improvement Projects, Commonwealth of the Northern Mariana Islands (06/08/2007); 4 Recommendations

P-GR-NMI-0004-2005 Evaluation of the Office of Insular Affairs' Oversight of Capital Improvement Projects, Commonwealth of the Northern Mariana Islands (06/08/2007); 3 Recommendations; \$1,240,144

U.S. Virgin Islands

V-IN-VIS-0004-2005 Controls Over Video Lottery Terminal Operations, Government of the Virgin Islands (06/08/2007); 2 Recommendations



Section of buffalo bas relief, DOI, carved in 1939 by Boris Gilbertson, who was active as a sculpture of animals from the 1930s through the 1950s.



Cross-References to the Inspector General Act

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Section 5(a)(12)	Significant Management Decisions With Which the Inspector General Is in Disagreement	N/A
Section 5(a)(13)	Information Described Under Section 804(b) of the Federal Financial Management Improvement Act of 1996	N/A

*N/A: Not applicable to this reporting period

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Portion of a mural by Daniel Galvez, commissioned in 1999 to mark the 150 anniversary of the founding of DOI, and titled *Guardians of the Past*.

