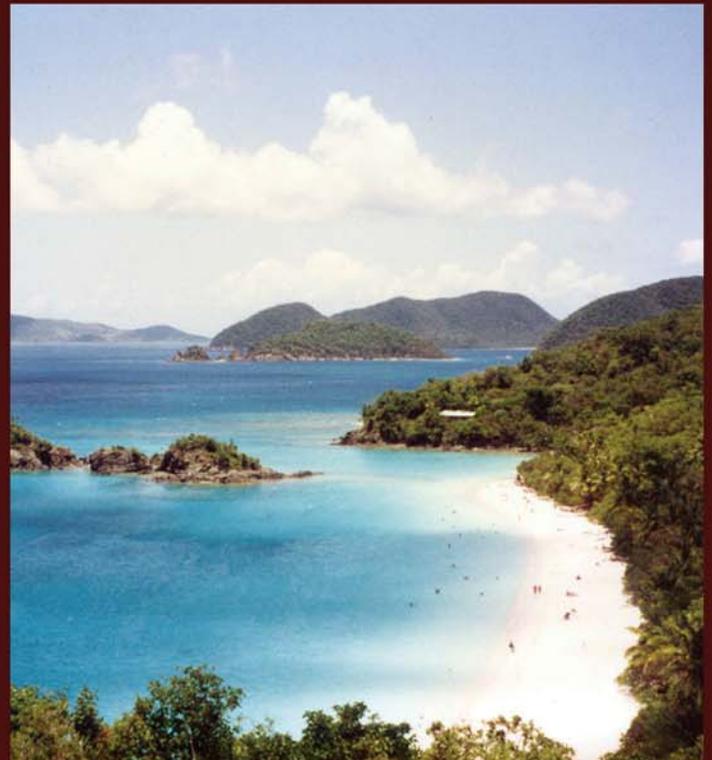


October 2004

Semiannual Report

to the Congress



Security

IG issues report exposing deplorable conditions
in Indian Country Detention Facilities.

Page 1

Concessions

Virgin Islands Park Officials fail to
collect correct fees from vendors.

Page 21



Message From the Inspector General

On behalf of the Office of the Inspector General for the U.S. Department of the Interior (DOI), I am pleased to present this summary of results and accomplishments from April 1 through September 30, 2004.

During this reporting period, as part of our ongoing effort to examine law enforcement and security at the Department, we performed an assessment of Indian detention facilities operated by the Bureau of Indian Affairs (BIA). In what became one of our most prominent assessments, we reported on deplorable conditions that exist at many of these facilities. Our report showed that over a 3-year period, 11 prisoners died, 236 prisoners attempted suicide, and 631 escaped from jails. The BIA, which oversees and funds these jails, was unaware of 98 percent of these incidents due to poor record-keeping and mismanagement. We also found a pattern of neglect and apathy on the part of BIA management, resulting in haphazard monitoring of funds and a lack of maintenance upkeep. In short, we found a national disgrace.

Since my testimony before the Senate Committee on Indian Affairs in April and the Senate Committee on Finance in September, limited progress has been made in securing Indian jails. However, Secretary Gale A. Norton directed senior Department and BIA officials to implement reforms and she has requested the assistance of the Bureau of Prisons, Department of Justice. We believe that anything short of a heroic effort by BIA personnel would be unacceptable.

Also over the last 6 months, we reviewed and reported on 12 procurements valued at \$81.1 million, issued by DOI's National Business Center on behalf of the U.S. Army for intelligence, interrogation, security services, and logistics in Iraq and Guantanamo Bay, Cuba. We discovered that 11 of these procurements should not have been issued because they were outside the scope of work allowed by the General Services Administration (GSA) for the contracting method used. Working with GSA and the Department of Defense, we issued four recommendations, which, if implemented, will help prevent this type of error from reoccurring.

In another important area that affects all DOI employees, we initiated an evaluation into conduct and discipline within the Department and discovered problems – both real and perceived. Through employee interviews and a Department-wide survey – the first of its kind – employees identified poor management support, inconsistent enforcement, and a lack of training and guidelines as the three weakest areas of DOI conduct and discipline.

Message From the Inspector General



Also during this reporting period, an individual was sentenced in the first federal case of tribal recognition fraud. Ronald Roberts, known as Chief Golden Eagle, was sentenced for submitting false documents to receive federal recognition for the Western Mohegan Tribe and Nation. This recognition would have allowed Roberts to gain federal assistance and the ability to operate a casino.

As an organization committed to promoting integrity and accountability, we expect that our efforts will not only uncover fraud, waste, and abuse, but also produce meaningful, impartial results.

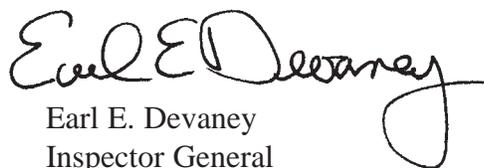

Earl E. Devaney
Inspector General

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Statistical Highlights

Audit *Activities*

Reports Issued	28
<i>Internal Audits</i>	11
<i>Contracts and Grant Audits</i>	17

Audit *Impacts*

Total Monetary Impacts	\$4,435,497
<i>Questioned Costs (includes unsupported costs)</i>	\$1,590,866
<i>Recommendations That Funds Be Put to Better Use</i>	\$2,754,236
<i>Lost or Potential Additional Revenues</i>	\$90,395
Internal Audit Recommendations Made	44
Internal Audit Recommendations Resolved	35

Investigative *Activities*

Cases Closed This Period	159
New Cases Opened	210
Hotline Complaints/Inquiries Received	81
Assessments/Reviews Closed	2
Assessment/Review Recommendations Made	25

Criminal Investigative *Activities*

Indictments/Information	16
Convictions	9
Sentencings	9
<i>Jail</i>	<i>190 mos.</i>
<i>Probation</i>	<i>312 mos.</i>
<i>Community Service</i>	<i>650 hrs.</i>
Criminal Judgments/Restitutions	\$1,702,871
Criminal Matters Referred for Prosecution	69
Criminal Matters Declined	11

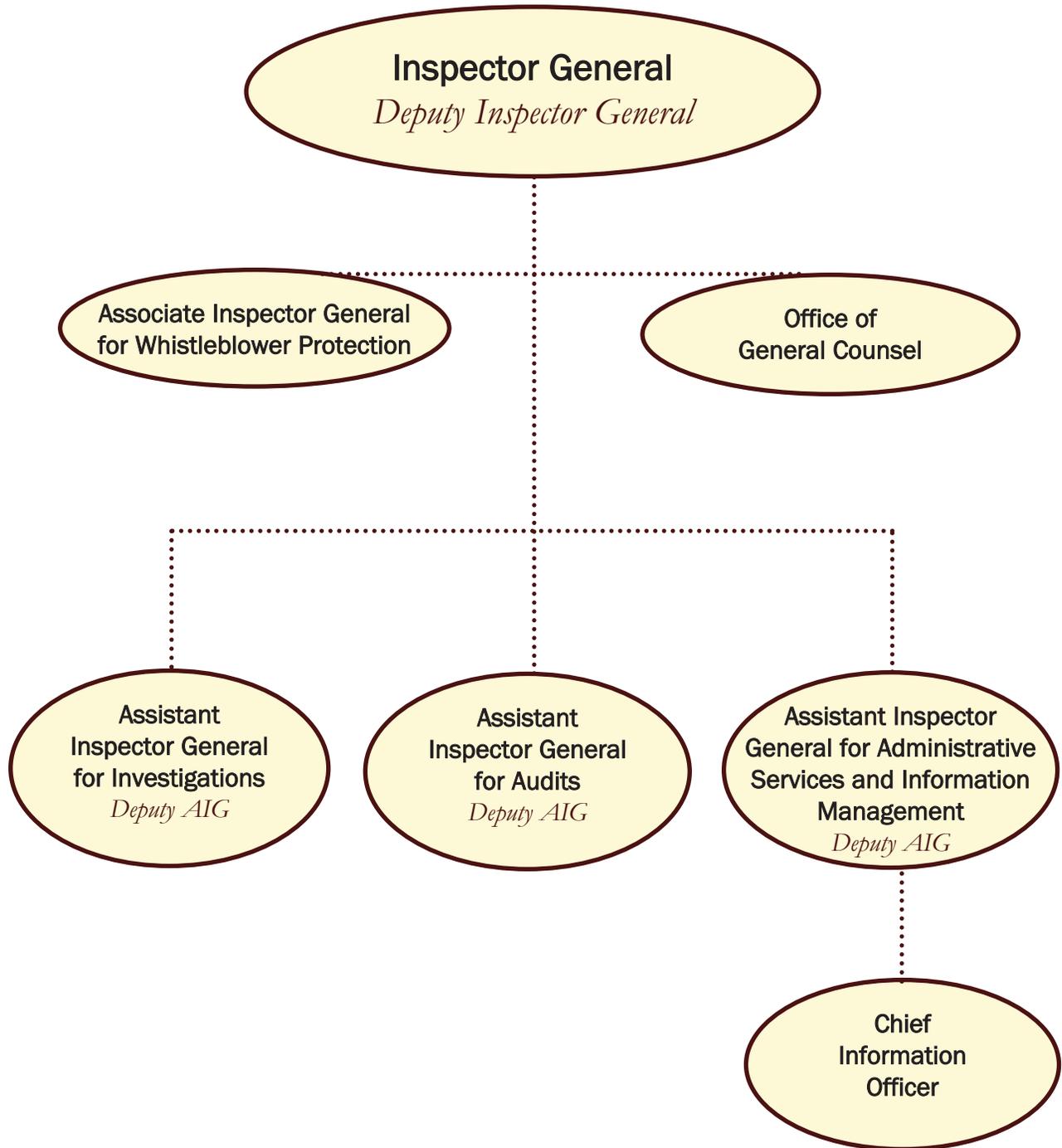
Civil Investigative *Activities*

Civil Referrals	1
Civil Recoveries	\$767,200
Civil Declinations	0

Administrative Investigative *Activities*

Personnel Actions	
<i>Removals</i>	<i>4</i>
<i>Suspensions</i>	<i>10</i>
<i>Resignations</i>	<i>3</i>
<i>Retirements</i>	<i>2</i>
<i>Reprimands/Counseling</i>	<i>12</i>
<i>Reassignments/Transfers</i>	<i>4</i>
<i>General Policy Actions</i>	<i>8</i>
Procurement Remedies	
<i>Debarments</i>	<i>2</i>

Organization Chart



Mission and Top Management Challenges

Mission

The mission of the Office of Inspector General is to promote excellence, integrity, and accountability in the programs, operations, and management of the Department of the Interior.



Responsibilities

The Office of Inspector General (OIG) is responsible for independently and objectively identifying risks and vulnerabilities that directly impact, or could impact, the Department of the Interior's (DOI) 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 departmental 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, investigations, evaluations, and assessments 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 department-wide issues. These activities are also designed to ensure that we keep critical issues prominent, which greatly influences key decision makers and increases the likelihood that we will achieve desired outcomes and results that benefit the public.

DOI's Top Management Challenges

As reported in the DOI FY 2003 Report on Accountability

Financial Management

Information Technology

Health, Safety, and Emergency Management

Maintenance of Facilities

Responsibility to Indians and Insular Areas

Resource Protection and Restoration

Revenue Collections

Procurement, Contracts, and Grants



Assessment Shows Indian Jails Are Neither Safe Nor Secure

When our office initiated an assessment focusing on detention facilities operated or funded by the Bureau of Indian Affairs (BIA), we discovered serious safety and security concerns and found that BIA did not always appropriately use the funds it received to operate the detention program.

Early in our assessment, we found that some of the facilities we visited were egregiously unsafe, unsanitary, and a hazard to both inmates and staff. Our assessment found evidence of a continuing crisis of inaction, indifference, and mismanagement throughout the BIA detention program. Because these conditions were potentially life-threatening, the Inspector General (IG) issued an interim report to the Secretary and testified before the U.S. Senate Committee on Indian Affairs months before the final report was issued.

Our final report, “Neither Safe Nor Secure: An Assessment of Indian Detention Facilities,” revealed a long history of neglect and apathy on the part of BIA officials that has resulted in serious safety, security, and maintenance deficiencies at the majority of facilities we visited.

An example of BIA’s failure to remedy poor conditions at Indian Country detention facilities occurred when a 39-year-old inmate at the Yakama detention facility committed suicide. The inmate, who had been incarcerated for violating a domestic violence no-contact order, was placed in isolation after attacking another inmate. He subsequently hanged himself from a broken light fixture in a corner of the cell out of view of a surveillance camera using a blanket and a bucket that had been



Detention Facility Findings

During our visits to the jails, we discovered:

- ❖ Eleven fatalities, 236 attempted suicides, and 631 escapes had occurred during the last 3 years. BIA was unaware of 98 percent of those serious incidents.
- ❖ Most of the facilities operate below their authorized staffing level; the majority operate with only one detention officer per shift.
- ❖ The maintenance backlog is significant.
- ❖ Detention program funds are haphazardly monitored.
- ❖ The majority of the detention officers have yet to attend mandatory basic training.
- ❖ Detention facilities do not meet BIA standards for operation.

Significant Audits, Evaluations, Assessments, and Investigations



Broken light fixture at Yakama detention facility OIG Photo

left in the room. Only one person, a dispatcher, was on duty that night. Due to the heavy volume of calls for service that night, the dispatcher did not conduct periodic rounds of the cellblock, and the inmate's body was not discovered until 8 hours later.

The inmate's death occurred 1 month after we visited the Yakama site and 2 days after the IG testified before the Senate Committee on Indian Affairs about the deplorable conditions we had discovered during our site visits. The IG referred to his visit to Yakama during his testimony, and the OIG's April interim report specifically addressed life-threatening issues comparable to those found at Yakama, yet BIA Law

Enforcement Services (BIA-LES) management failed to implement sufficient safeguards to prevent such an incident.

According to detention officers, BIA-LES had not visited the Yakama jail in more than 5 years and had also failed to show up for an inspection they had scheduled for 3 days prior to the inmate's death. Detention staff also reported a second BIA inspection scheduled after the inmate's death was cancelled without explanation. BIA detention specialists did not conduct a site inspection of this troubled detention facility until September 15, 2004.

It is imperative that BIA take immediate action to alleviate potentially life-threatening situations at its detention facilities. Throughout the report we recommended 25 actions that we believe will improve the security, safety, and efficiency of detention facilities in Indian Country.

In the first step toward correcting these problems, Secretary Gale A. Norton has directed senior DOI and BIA officials to implement reforms and has requested the assistance of the Bureau of Prisons, Department of Justice.



An unsupervised inmate uses a knife in the kitchen of one of the detention facilities we visited. OIG Photo

Read final report.

Read interim report.

Chronic Problems in Conduct and Discipline Are Disclosed

During the course of other work conducted by OIG auditors and investigators, we uncovered numerous incidents in which misconduct by DOI employees was not addressed appropriately – or at all – by DOI management. Upon hearing of these incidents, the IG became concerned about DOI’s entire conduct and discipline process and initiated this evaluation. The evaluation found a number of shortcomings – both real and perceived – in DOI’s conduct and discipline process. Paramount in the findings is a clear perception by employees that a significant amount of misconduct is not being reported and that discipline is administrated inconsistently and unfairly throughout DOI.

To complete our evaluation, we interviewed employees individually and in group meetings, reviewed disciplinary case files, benchmarked with seven other agencies, and conducted an extensive employee survey. The survey was sent to more than 25,000 employees; 9,340 employees responded, an overall response rate of 37 percent. This high response rate maximized the accuracy of our statistical findings, producing a margin of error of plus or minus 1.1 percent.



DOI employee responses showed that they perceive a cycle effect in the way management responds to conduct and discipline issues.
OIG Illustration

Employee responses revealed three themes: (1) failure of DOI management to confront issues of conduct and discipline, (2) selective and inconsistent administration of discipline, and (3) ineffective training in conduct and discipline for management and employees. The effect of these conditions: a belief by the majority of respondents that their work environment is unfair and hostile.

We concluded that DOI must develop and implement a comprehensive and consistent conduct and discipline program that sends a clear signal that conduct of the highest standard is expected of all DOI employees, that misconduct will not be tolerated and will be disciplined, and that employees who report and supervisors who discipline misconduct will have the full support of DOI management.

Our recommendations to resolve these problems include: (1) training managers and employees on expectations of proper conduct, (2) holding managers accountable for addressing conduct and discipline appropriately, and (3) developing and imposing instructive and consistent guidance department-wide. Senior DOI management is developing a comprehensive plan to address the issues identified in our report.

Read full report.

Scrutiny of Single Audit Reports Finds Numerous Deficiencies

The Single Audit Act requires non-federal organizations that expend federal financial assistance (i.e., grants, contracts, and loans) in excess of \$500,000 to obtain an organization-wide audit, or single audit, of all their funding for that year. The Single Audit Act also identifies oversight responsibilities for federal agencies.

As part of our oversight responsibility, we assess the quality of single audits that identify DOI as the principal federal funding agency.

Review of Single Audit Reports

OIG recently completed 70 reviews with the following results:

- ❖ Two reviews found that the auditor did not conduct sufficient tests of major programs or that the level of testing did not meet federal requirements.
- ❖ Forty-six reviews found that the audit reporting package was not submitted within the required 9-month time frame after the end of the audit period.
- ❖ Seven reviews identified at least three errors or deficiencies in each report, such as incomplete or incorrect findings, unfinished or incomplete financial schedules, disagreement between financial statement components, and missing sections from the audit report.
- ❖ Seven reviews resulted in the auditors re-issuing the reports to correct deficiencies.

Agencies Lack Plan for Hiring Temporary and Critical Staff

Neither DOI nor its individual bureaus had developed an overall approach or guidelines for acquiring non-permanent staff. Specifically, we found that bureaus were:

- ❖ not ensuring that contracted services were needed,
- ❖ using wrong contract sources,
- ❖ not ensuring appropriate pay rates were established for temporary staff, and
- ❖ requesting specific individuals without sole-source justifications.

Agency contracting and human resource officials were not always involved or informed about the temporary staffing decisions, and none of the bureaus we reviewed had accurate information about the numbers or types of temporary staff acquired. The lack of management information and oversight leaves this area open to questionable practices and abuse. Management agreed to issue appropriate guidance to address most of these issues. We have requested additional information regarding management's response to one recommendation.

Read full report.

DOI Employee Ordered to Return Unlawful Compensation

Robert Berman, a DOI employee who illegally received compensation for his expertise on oil valuation issues, was ordered to repay the \$383,600 that he received from a non-profit organization. He also is not allowed to accept additional payments that he would have eventually received. The U.S. Government alleged that the Project on Government Oversight (POGO), a non-profit organization that identifies itself as a government watchdog, illegally paid Berman \$383,600.

Executive branch employees are prohibited by law from receiving a supplemental salary in compensation for government services. POGO paid Berman under an agreement to split POGO's share as a relator in *qui tam* litigation against 16 major oil companies for underpaying royalties owed for oil extracted from federal and Indian lands.

Berman was employed as an economist with the DOI Office of Policy Analysis, Assistant Secretary – Policy Management and Budget, and is an expert on oil valuation issues. The \$383,600 payment triggered criminal, civil, and congressional investigations, leading POGO to suspend payments pending final resolution. The congressional and criminal investigations ended without action. Under the agreement, POGO would have paid Berman an additional \$3 million based on the \$440 million eventually recovered in the *qui tam* litigation.



An offshore oil platform

Minerals Management Service Photo



Sentencing in First Federal Case of Tribal Recognition Fraud

Ronald Roberts, also known as Chief Golden Eagle of the Western Mohegan Tribe and Nation, was sentenced to 6 months home detention, 5 years probation, and ordered to pay nearly \$28,000 in restitution. Roberts had previously pleaded guilty, midway through his trial, to submitting false documents to the government with his petition for federal recognition of the Western Mohegan Tribe and Nation and to making false statements under penalty of perjury in a bankruptcy case. The U.S. Attorney has filed a protective notice of appeal (currently being reviewed) based on alleged errors in the application of Federal Sentencing Guidelines that would have required Roberts to serve at least 21 months in prison.

The federal recognition process is an important and unique process, essential to the establishment of a government-to-government relationship between the U.S. Government and Indian tribal governments. Roberts' case was the first of its kind to be prosecuted and illustrates our office's dedication to safeguarding the integrity of the acknowledgement process. We were assisted in this case by DOI's Office of Federal Acknowledgement.



Federal recognition of an Indian tribe grants numerous rights to the tribe as a sovereign entity, one of which is the ability to conduct casino gaming operations. It is the government's contention that Roberts submitted the fraudulent federal recognition documents in an effort to establish an Indian gaming facility in northern New York.

BIA Agrees to Improve Oversight of Its Contract With the Navajo Nation to Provide Social Services and Assistance

BIA contracts with the Navajo Nation for the delivery of social services. Under the contract, the Navajo Nation is responsible for providing welfare assistance payments, adult and elderly institutional and in-home care services, and Child Protective Services. The Navajo Nation received \$31.4 million in FY2003 for its social services program. Improved monitoring and technical assistance from BIA in those areas could be beneficial to enhance the effectiveness and efficiency of the program. BIA agreed with our recommendation and is strengthening its contract oversight by establishing ongoing processes for program evaluation and management controls, not only for the social services contract but other contracted programs as well.

Read full report.

Navajo Nation Social Services Contract

We identified areas where improvements could be made to the social services program performance, most notably in financial and management controls. For example:

- ❖ Monthly financial reports did not always agree with the supporting general assistance database, manual spreadsheets, or the Navajo Nation Financial Reporting System.
- ❖ Required Financial Status Reports and Annual Audits under the Single Audit Act were not completed and submitted in a timely manner.
- ❖ At two of the three Navajo Nation regional offices we visited, payroll costs for work performed on state-funded programs were incorrectly charged to the BIA-funded contract.
- ❖ Information in the case files was not always sufficient to verify invoiced amounts and/or client income.



BIA Employee Indicted for Possession of Child Pornography

Kenneth Young, a BIA petroleum engineer at Southern Ute Agency, Ignacio, CO, was indicted by a federal grand jury in U.S. District Court of Colorado on two counts of receiving and possessing child pornography for knowingly receiving child pornography that had been transported in interstate commerce. Young is alleged to have possessed at least 50 child pornography images on his government computer. Young was arrested and a trial is pending. Administrative action is also pending.

This indictment was the result of a cooperative investigation by our office and the FBI.

Crow Tribal Chairman's Conviction and Sentencing Upheld; Chairman's Brother Is Sentenced for Violating Probation

The Ninth Circuit Court of Appeals upheld the conviction and sentencing of Crow Tribal Chairman Clifford G. BirdinGround, who appealed his sentencing on the grounds that he does not understand the English language. BirdinGround was convicted of charges that he received bribes from a Billings, MT, automobile dealership in return for the purchase of vehicles by the Crow Tribe of Indians, and he had been sentenced to 37 months imprisonment and 36 months of supervised release.

BirdinGround's brother, Alexander R. BirdinGround's, violated his probation after previously pleading guilty and being sentenced on charges of conspiracy and theft from an Indian tribal organization. OIG agents from our Billings, MT, field office and BIA law enforcement personnel arrested Alexander BirdinGround and he was then charged with violating multiple conditions of his probation, including failure to pay restitution. He was subsequently sentenced to serve 6 months.

Crow Finance Director and Four Others Indicted in Scheme to Defraud Tribe to Help Chairman Pay Attorney Fees

Five people were indicted on charges of theft from a tribal organization and conspiracy to commit theft from a tribal organization for their roles in a scheme designed to steal money to help Crow Tribal Chairman Clifford G. BirdinGround pay for his defense attorney. (See above story.)

Our office conducted an investigation into allegations that that Kelly Passes, former Finance Director, Crow Tribe of Indians, Crow Agency, MT, created fictitious contracts and inflated real contracts worth thousands of dollars and awarded them to friends and family. Passes allegedly created a fake consulting contract for Tammy Findley, Court Clerk, Big Horn County Courthouse, Hardin, MT, who subsequently negotiated two \$5,000 checks and gave the proceeds to BirdinGround to pay for his defense attorney. Passes also allegedly created a fictitious \$14,000 contract for his brother, Brenden Passes, and inflated the amount of contracts awarded to Harvest White and Elliot Mountain Sheep.

For their roles, Brenden Passes, Findley, and White were each charged with one count of theft from an Indian tribal organization and one count of conspiracy to commit theft. Mountain Sheep was also charged with one count of theft from an Indian tribal organization and one count of conspiracy to commit theft in a separate indictment.

Investigation Finds Ione Band of Miwok Indians' Elections Conducted and Authorized Properly, Despite Disputes

In February 2004, our office investigated allegations that a BIA senior manager improperly influenced the Ione Band of Miwok Indians' 2002 tribal election. The allegations centered around the contention that the election, supervised by another BIA employee, allowed members of that employee's family to be improperly added to the tribal roles. Additional allegations suggested that the tribal membership inappropriately increased, resulting in the election of a pro-casino tribal leadership.

Historically, there have been long-standing disputes between two opposing factions within the Ione Band of Miwok Indians regarding their tribal leadership. The leadership dispute is exacerbated with the current leadership advancing casino interests for the Band and the other faction opposing a casino. The casino issue has also divided the local community into distinct pro- and anti-casino groups.

The OIG reviewed thousands of historical documents and interviewed all pertinent parties. We found the election had been properly authorized and conducted. The BIA senior manager had been properly recused and had taken no official action regarding the Band, which would advance personal interests. The BIA employee who was originally appointed to oversee the tribal election resigned from the position before the election. Neither this employee nor the employee's family were ever enrolled tribal members. The increase in the tribal members resulted from the two opposing tribal factions ratifying new tribal membership criteria.

Former Non-Profit Coordinator Indicted for Embezzlement

Franklin E. Akoneto, former Program Coordinator, Lawton Johnson O'Malley Parent Committee, Inc., was indicted by a federal grand jury in U.S. District Court, Western District of Oklahoma, for embezzlement in connection with his role in a fraud scheme. The scheme cost BIA thousands of dollars intended for Native American children attending public schools in the Lawton, OK, area.

The indictment alleges that Akoneto embezzled more than \$51,000 from the Lawton Johnson O'Malley Parent Committee, Inc., a non-profit organization designed to provide financial assistance to Native American children enrolled in an Indian education program, which is funded by the BIA, Office of Indian Education Programs. Akoneto was arrested in connection with the charges, and court action is pending.

Texas Man Sentenced for Falsely Promising High-Yield Investments, Defrauding Victims of \$1.6 Million

Howard Eugene Liner was convicted and sentenced for defrauding victims, including two tribes in Minnesota, of more than \$1.6 million in a scheme that promised investors sensational returns. Liner, age 58, from Katy, TX, solicited investors primarily in southern Minnesota, including the Upper and Lower Sioux Community Tribes, for a high-yield investment program scheme that promised returns as high as 100 percent per month.

Liner lulled investors by falsely stating that the programs were sponsored or overseen by the U.S. Department of the Treasury, the Department of Defense, and the Federal Reserve and that their purpose was to fund humanitarian projects that would benefit global development.

Evidence presented during the trial showed that Liner did not place investors' money into these fictitious trading programs. Instead, he diverted investors' funds for his own personal benefit and made some payments to investors to create the appearance that the trading programs were actually producing profits.

Liner was convicted in September 2003 by a federal jury on 1 count of false statements, 17 counts of wire fraud, and 1 count of money laundering. He was sentenced in May 2004 to 11 years and 3 months incarceration, 3 years supervised release, and ordered to pay full restitution of \$1.6 million.

Former Tribal Employee Sentenced in Kickback Scheme

Charanjit Singh Sodhi, former Director of Natural Resources, Chehalis Indian Nation, pleaded guilty to a charge of embezzlement and theft from an Indian tribal organization regarding a contract he facilitated between the tribe and an independent contractor using funds provided by BIA. Sodhi used his position with the tribe to bypass competitive solicitation regulations making the \$30,000 award to a contractor in return for a \$15,000 kickback.

Sodhi was sentenced in the U.S. District Court of the Western District of Washington to 24 months of probation, 2 months of home confinement, and 250 hours of community service. He was ordered to pay \$30,000 restitution. This investigation was a joint effort with the FBI.

Tribal Officials Request Investigation; Two Indicted for Embezzlement From Fort Belknap Insurance Company

We began our investigation of suspected embezzlement by employees of the Fort Belknap Insurance Company (FBIC) at the request of elected officials of the Assiniboine and Gros Ventre Tribes of the Fort Belknap Indian Reservation. Our investigation resulted in the indictments of two FBIC employees.

Between April 1997 and May 2000, Gregory Morris Powderface, a contract employee of the FBIC, was conducting business as Financial Native Network (FNN). The investigation revealed that Powderface was allegedly paid in excess of \$100,000 from the FBIC main account based on FNN invoices for services rendered. In addition, the investigation determined that, unknown to the Fort Belknap officials, Powderface allegedly was responsible for more than \$97,000 in unauthorized Visa debit card transactions from the FBIC main account, most of which appear to be for his personal benefit.

Powderface was indicted for theft/embezzlement from an Indian tribal organization, filing a false tax return, and willful failure to file a tax return. Powderface pleaded not guilty to the charges, and his trial is scheduled for October 2004.

Another former FBIC employee, Roxanne Blue Horse, formerly an accounting technician, was also indicted for theft/embezzlement from an Indian tribal organization. The investigation revealed a number of personal transactions authorized by Blue Horse through her use of another unauthorized Visa debit card issued in her name against the same FBIC account. Blue Horse pleaded not guilty and her trial is pending.

This investigation is being conducted jointly with the FBI and the IRS.

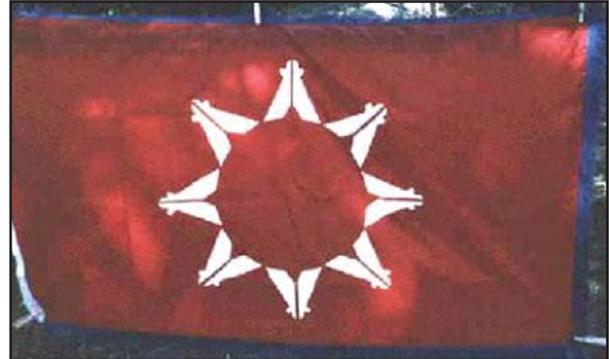
Santee Sioux Tribal Official Pleads Guilty to Theft

Richard Thomas, former Social Services Director, Santee Sioux Tribe (SST) of Nebraska, pleaded guilty in U.S. District Court of Nebraska to charges of theft from a program that receives federal funds and theft from an Indian tribal organization.

As we reported in our last Semiannual Report, Thomas was indicted for theft for using a tribal credit card for personal expenses, including making cash withdrawals at casinos. Thomas paid the credit card charges with checks he diverted from the SST. These checks included federal funds received from the BIA through a Public Law 93-638 contract. Sentencing is scheduled for December 2004.

Counselor Sentenced for Stealing Radio Station Funds

Denise Brown Eyes, academic counselor at Oglala Lakota College in Pine Ridge, SD, was sentenced to 5 years probation by the U.S. District Court of South Dakota, for embezzling nearly \$33,000 from KILI Radio Station, where she had been employed as a radio station business manager. In addition, Brown Eyes was ordered to pay \$31,000 in restitution to KILI Radio Station, and she was terminated from her position as academic counselor at the Oglala Lakota College.



Indian Tribal flag of the Oglala Sioux Nation

OIG Photo

As reported in our April 2004 Semiannual Report, Brown Eyes pleaded guilty following her indictment for theft. Brown Eyes admitted that while employed at KILI Radio Station (Lakota Communications), she stole 100 personal money orders over 13 months. Brown Eyes received these money orders in her capacity as KILI Business Manager for the payment of various KILI financial obligations, and altered the payee information in order to cash them.

KILI radio has annual underwriting agreements with the BIA contract/grant schools within Pine Ridge, SD. These agreements fund approximately two-thirds of the radio station's budget (P.L. 93-638 contracts). The BIA Wildland Fire Program also has contract agreements with KILI radio to perform various advertising and promotion services.

School Custodian Indicted for Theft of Government Property

Jeanette Lawrence, former custodian, Tate Topa Tribal Grant School in Fort Totten, ND, was indicted by a federal grand jury in the U.S. District Court of North Dakota for theft of government property.

Our investigation determined that she spent more than \$20,000 of federal funds, knowing that she was not entitled to the money. The Department of Labor (DOL) had inadvertently deposited an overpayment of worker's compensation benefits into Lawrence's bank account. Lawrence had been receiving worker's compensation since March 1998.

A day prior to the overpayment, DOL contacted Lawrence and explained that an error had been made, and an overpayment of workman's compensation funds would be deposited into her account. DOL further explained to Lawrence that she was not entitled to the money and that the funds were supposed to be directed to the Office of Personnel Management for benefit reimbursement.

Investigation Clears BIA and Schaghticoke Tribe of Allegations

In March 2004, we initiated an investigation into BIA's federal recognition of the Schaghticoke Tribal Nation (STN). Multiple allegations were raised concerning BIA's federal recognition, including: (1) BIA bent the rules, (2) the Office of Federal Acknowledgement (OFA) authored a briefing paper explaining how the tribe's petition could be approved even if they did not meet all the mandatory criteria, (3) STN supporters improperly influenced BIA officials decision, and (4) an OFA employee had a personal bias toward Connecticut government officials, which prejudiced the recognition findings.

After reviewing thousands of documents and interviewing the parties involved in the recognition process, we found that the BIA conducted itself according to the rules for granting federal recognition to the STN. The briefing paper was prepared by the OFA to assist the Deputy Assistant Secretary, Indian Affairs, with the decision-making process, knowing it would be subject to public disclosure. Finally, there was no evidence of undue influence of BIA senior managers by outside STN supporters and there was no evidence of an OFA employee's personal bias toward Connecticut government officials that affected the recognition process.

Two Former Fort Sill Apache Tribal Consultants Charged With Reselling Pharmaceuticals Intended for Internal Tribe Use

Wilbur "Bill" Swift, Jr., and Fred Solmor, former tribal consultants for the Fort Sill Apache Tribe, were charged in the U.S. District Court, Western District of Oklahoma, after allegedly illegally purchasing and reselling pharmaceuticals for profit that were intended for internal use by the Fort Sill Apache Tribe in Oklahoma. Swift and Solmor were also charged with interstate transportation of property obtained by fraud in connection with this illegal pharmaceutical diversion fraud scheme.

Under a consulting agreement with the Fort Sill Apache Tribe to establish a tribal pharmacy, Swift and Solmor allegedly illegally purchased pharmaceuticals at discounted, federal-contract prices. Swift and Solmor reportedly abused the Fort Sill Apache Tribe's federally recognized status and its Indian Self Determination Act contracts to obtain these discounted pharmaceuticals, which were restricted for the tribe's internal use and not eligible for resale.



Swift and Solmor are alleged to have diverted \$1.8 million in pharmaceuticals from the tribe by secretly selling the pharmaceuticals to shell companies that they controlled, and then reselling them at a profit. The investigation determined that Swift and Solmor approached several other federally recognized Indian tribes throughout the United States to promote this same scheme.

The trial is pending. These charges were the result of a cooperative investigation by our office, the Food and Drug Administration, and the FBI.

Former Employee Sentenced for Receiving Unauthorized Pay

Daniel T. Spencer, a Master Sergeant with the U.S. Army Reserves and a former BIA employee, was sentenced in U.S. District Court for the District of Montana in Great Falls, MT, to 6 months of house arrest and 5 years of probation and was ordered to pay \$45,000 in restitution along with a \$100 special assessment fee.

As we reported in our April 2004 Semiannual Report, Spencer was indicted by a federal grand jury in Montana and pleaded guilty to theft of federal government money.

More than \$36,000 was deposited into Spencer's bank account during a 10-month period, after he received notice that his orders calling him to active duty had been cancelled. Spencer admitted to spending the money the Army deposited into his account and has since resigned from his position with the BIA.



Company President Pleads Guilty for Product Substitution

Boyd Goble, president of Goble Seed Company, pleaded guilty in U.S. District Court of Colorado to charges of wire fraud, false statements, and false claims.

As we reported in our April 2003 Semiannual Report, Goble and his son, Jeffrey Goble, were indicted by a federal grand jury in the District of Colorado on charges of wire fraud, mail fraud, false statements, aiding and abetting, and false claims in connection with a product substitution scheme. The Bureau of



Workers unload bags of seed outside a warehouse.

OIG Photo

Land Management (BLM) contracted with Goble for the delivery of nearly 155,000 pounds of fourwing saltbush seed, collected from plants growing at higher altitudes in northern states, which is considered vital to the successful stabilization and restoration of lands debilitated by forest fires. Goble submitted invoices to the BLM totaling more than \$3 million after deliberately substituting inferior, less expensive seed, which would die or fail to thrive in the locations where the seed was to be planted.

Sentencing for Boyd Goble is pending. The United States dismissed the charges against Jeffrey Goble, who had been indicted for aiding and abetting the fraud after he passed a polygraph examination as to the issue of criminal intent.

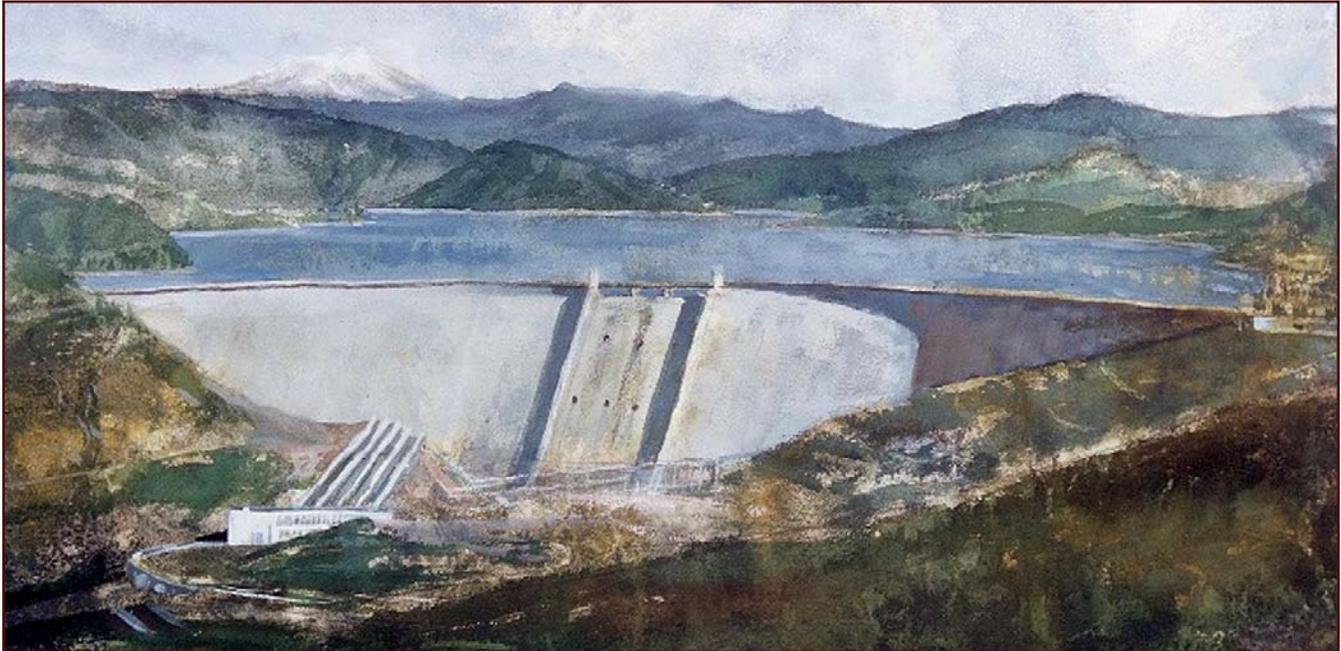
BLM Contractor's Reimbursement Claim Is Overstated

A contractor submitted a claim of about \$490,000 to BLM seeking reimbursement for extra costs incurred while building the National Historic Trails Interpretive Center in Casper, WY. The contractor stated that BLM had provided erroneous contract plans and specifications, which resulted in extra performance time and costs to complete the project.

We reviewed the claim and concluded that the contractor overstated its alleged damages for field office and home office overhead. Accordingly, we questioned approximately \$250,000, or more than half, of the total claimed amount. BLM has not yet resolved this matter.

[Read full report.](#)

California's Ability to Repay Investment Is Questionable



California's Shasta Dam stores surplus water to use for irrigation during dry months.

BOR Artwork

In the more than 50 years of Central Valley Project (CVP) operation, California farmers and cities have repaid just a little more than 10 percent of the \$1.6 billion federal investment. Concerned with growing deficits in recovering CVP operation and maintenance costs and minimal repayment of construction costs, the Congress established a deadline of 2030 for repayment of all deficit and capital costs. Our review of the Bureau of Reclamation's (BOR) process for renewing long-term contracts with CVP water users revealed that repayment by this date is uncertain, primarily because of aid to irrigation, a ballooning debt.

Aid to irrigation is the cost of the federal subsidy to farmers, which is repaid by revenues from project power generation at the end of the repayment period. We found that irrigation aid was ballooning, increasing from \$21 million as of 2002 to a potential \$250 million by 2030. Most alarming, this amount could be higher, given the impediments to repayment: (1) increasing water rates, which may drive more farmers to apply for assistance; (2) the ever-present threat of drought and its effect on water supplies; and (3) a deregulated energy market, which may not bear the increasing costs of irrigation assistance.

We offered two suggestions to help stabilize the water and power rate-setting processes for CVP repayment: (1) revise the water rate-setting base to reflect a more realistic estimate of future deliveries and (2) annually compute estimated total aid to irrigation requirements for the CVP and provide this information to the power rate-setting agency.

[Read full report.](#)

Denver Office Did Not Follow Procurement Requirements

The Bureau of Reclamation – Denver Office (BOR-DO) did not have an adequate system of controls to ensure that contracting was performed in accordance with acquisition regulations and guidelines.

As a result, the BOR-DO lacked assurance that it was acquiring goods and services at the most economical prices and that the payments to contractors were accurate.

The Commissioner, BOR, concurred with all four recommendations and stated that BOR will implement policy and procedures to comply with the recommendations. [Read full report.](#)

Examples From BOR – Denver Office

Examples of how BOR-DO failed to ensure that contracting was performed according to regulations and guidelines:

- ❖ Made incorrect payments to contractors.
- ❖ Awarded a sole-source contract without adequate justification.
- ❖ Awarded cost-plus-percentage of cost contracts, which are prohibited by federal regulations.
- ❖ Awarded time-and-materials contracts when firm-fixed-price contracts would have been more advantageous to the government.

Audit of Contractor Finds Questionable Costs

A contractor billed costs of \$976,500 to provide security risk assessments of BOR facilities. Our audit of the billings identified questionable costs of approximately \$51,600, as follows:

- ❖ Labor costs of \$49,332 that were not supported by adequate time records.
- ❖ Equipment costs of \$5,270 representing items retained by the contractor for which the costs should have been but were not deducted from the billings.
- ❖ Indirect costs of \$1,554 that were calculated incorrectly.

We then offset the total questioned costs of \$56,156 by \$4,515 in additional labor costs due to contractor.

Virgin Island Government Officials Misuse Credit Cards

Our audit found that the employees of the Government of the Virgin Islands used official government credit cards to buy personal items costing \$180,820. In the worst case, the former General Manager of the Virgin Islands Public Television System made personal charges totaling \$101,370, which included more than \$10,000 in charges coinciding with the official's wedding and honeymoon.

We also identified charges totaling \$339,990 for purported business expenses that were not supported by receipts or other appropriate documentation. Most of these unsupported charges occurred at the Public Television System and the Water and Power Authority. We identified these abuses during our audit of approximately \$3.1 million in credit card charges made by eight autonomous agencies of the Government of the Virgin Islands during fiscal years 1998 to 2003.

These discrepancies occurred because the agencies generally did not have comprehensive policies and procedures to (1) define the allowable uses of official credit cards, (2) establish strong internal controls to monitor the use of credit cards, and (3) specify the appropriate disciplinary action for misuse of credit cards. We made 11 recommendations to strengthen controls over the use of official credit cards at the 8 agencies audited. Agency officials say they have implemented 9 of the 11 recommendations, and 2 recommendations remain unresolved.

Subsequent to our audit, the General Manager of the Public Television System was terminated and required to make full restitution for the credit card charges incurred.

Read full report.

Former Official Pleads Guilty for Giving Contracts to Family

Tafua Fa'au Seumanutafa, former American Samoa Government (ASG) Chief Procurement Officer (CPO), and Patolo Mageo, former Deputy Director of the ASG Department of Human and Social Services (DHSS), pleaded guilty to charges of conspiracy to defraud.

Our office initiated an investigation after receiving a complaint from the ASG Senate Select Investigative Committee Chairman Senator Lualemaga E. Faoa. The complaint focused on improprieties involving procurement policies and procedures with the ASG's Department of Education.

The investigation disclosed that Seumanutafa, in his official capacity as CPO and in participation with his co-conspirators, allocated furniture contracts for American Samoa schools to certain vendors, including a business that was operated by his family members. In addition, Seumanutafa and his co-conspirators subdivided purchase orders for the contracts into amounts less than \$10,000 to avoid subjecting the purchases to competitive bid, as required by ASG Procurement Rules, enabling Seumanutafa to approve the purchase orders. Furthermore, Seumanutafa gave Mageo money in exchange for Mageo giving contracts to Seumanutafa's family business to construct and repair DHSS buildings.

Improvements Made in Insular Areas Governments

According to our Insular Areas Field Liaison for the Pacific, new efforts and training opportunities by the Pacific Island Public Auditors have led to progress in several areas. Some of the improvements include the increased capacity of the local offices of the Public Auditor to perform audits and investigations over the use of local funds and the review of related accounting systems and controls. In addition, the Public Auditors have provided assistance in the closing of long-outstanding internal audit recommendations. As of August 31, 2004, the Liaison reported that 149 recommendations (30 reports) have been closed.

There have been increased efforts to provide on-the-job training for Pacific Island government auditors in OIG regional offices. Auditors from the Republic of Palau, Federated States of Micronesia National Government, Yap State Government, Government of Guam, and the Commonwealth of the Northern Mariana Islands have participated in the training.

We believe that these on-going, focused efforts have and will continue to improve the capacity of the Insular Areas' auditors and investigators and will help highlight the importance of accountability to Pacific Island government officials.

Review Prompts Quick Action to Correct Deficiencies in Procurements for Intelligence and Security Services

Our review of 12 procurements, valued at \$81.1 million and placed by the National Business Center (NBC) on behalf of the U.S. Army for interrogation, intelligence, security services, and logistics, revealed that 11 procurements were outside of the scope of work for these schedules and should not have been issued. Since these 11 procurements were outside the scope of work allowed by the General Services Administration (GSA) for the contracting method used, we concluded that these procurements for services in Iraq and at Guantanamo Bay, Cuba, should be terminated.

Factors contributing to the improper use of GSA schedules were the lack of a system that promoted both competition and the public interest, and ineffective monitoring by NBC.

DOI, NBC, the Department of Defense, and GSA acted quickly to correct the deficiencies. We made four recommendations to help ensure that these kinds of deficiencies would not occur in the future.

[Read full report.](#)



Correct Amount of Fees Not Collected at Virgin Islands Park



Trunk Bay, St. John, Virgin Islands National Park

OIG Photo

Our audit found that Virgin Islands National Park officials did not adequately monitor the activities of concessionaires and business permit holders to ensure that they paid appropriate concession and permit fees. We estimated that about \$60,000 in concession and permit fees had not been collected during fiscal years 2001 through 2003. We also determined that some concession files did not contain required documentation on insurance, health inspections, annual financial reports, and local business licenses. In addition, we found a shortage of at least \$9,000 in entrance fee collections and overdue fees from tour operators totaling more than \$21,000.

We attributed these deficiencies to the fact that park officials had not assigned concession oversight responsibility to specific employees and did not follow sound internal control practices to collect and safeguard fees. We made eight recommendations to improve internal controls over concession management and fee collection activities, which park officials say they have implemented.

Read full report.

Contractors Sentenced for Bribing NPS Contracting Official

Two contractors were sentenced in relation to a bribe offered for an National Park Service (NPS) contract to replace theater seats at the Chamizal National Memorial in El Paso, TX. Harmon Maddox was sentenced in U.S. District Court, Western District of Texas, El Paso Division, to 3 years probation and 100 hours of community service, fined \$2,500, and ordered to pay a \$100 special assessment stemming from charges of conspiracy and bribery. Angela Sanchez was also sentenced in U.S. District Court, Western District of Texas, El Paso Division, to 3 years probation, 100 hours community service, and ordered to pay a \$100 special assessment for her role in the conspiracy and bribery.



Chamizal National Memorial in Texas

NPS Photo

As reported in our April 2004 Semiannual Report, Sanchez offered a \$4,000 bribe, which was paid by Maddox, to a NPS contracting official in exchange for the NPS contract valued at approximately \$131,000.

Another subject in the case, David Ahumada, contracting agent, U.S. Army was sentenced in U.S. District Court, Western District of Texas, El Paso Division, after he had pleaded guilty to two counts of bribery in regard to soliciting kickbacks from a prime contractor. He was ordered to serve 4 months incarceration (on each of the 2 counts, to run concurrently), 3 years supervised release, 200 hours community service, fined \$1,000, and ordered to pay a special assessment of \$200.

These cases are a result of a joint effort between our office and the FBI.



Investigation Determines Replacement of Scientists at Missouri River Site Was Appropriate

At the request of six U.S. Senators, we initiated an investigation concerning the removal of several scientists assigned to formulate a new biological opinion regarding the Missouri River. The Senators questioned whether the U.S. Fish and Wildlife Service (FWS) could conduct an unbiased consultation with the Army Corps of Engineers (Corps) after removing the scientists and replacing them with handpicked individuals.

The investigation determined that FWS and the Corps were at an impasse regarding the management of the river's spring and summer flows, and its impact on the endangered least tern and pallid sturgeon and the threatened piping plover. To address this, a new team was established to consult with the Corps. The new team consisted of 13 members, 6 of whom were members of the original team.



Least Tern

FWS Photo



Pallid Sturgeon

FWS Photo

The investigation revealed no evidence to suggest that the removal of team members was for any reason other than the stated purpose of resolving the impasse. In addition, DOI's Science Advisor opined that changing the team membership did not violate any standards of scientific ethics.

Audits of State Grants Find Potential Savings of \$3.5 Million

Six of eight audits of grants that FWS awarded to states for sport fish and wildlife restoration projects revealed a potential savings of \$3.5 million. The grants finance up to 75 percent of state-sponsored projects, such as developing sites for boating access and acquiring and managing natural habitats. States cover the full cost of an approved grant project and then apply to FWS for reimbursement.

During audits of grants in six states, we questioned the eligibility for reimbursements of \$752,719 and identified income of more than \$2,750,000 from grant-supported activities. This income could have been used to defray program costs.

A breakdown of the significant issues disclosed in the audits follows. FWS is working with the states to resolve these matters.

- ❖ The state of *South Dakota* claimed ineligible costs of \$42,089, including costs of maintaining property acquired under a different grant program and costs for advertising, which is not allowed by federal cost standards. [Read full report.](#)
- ❖ The state of *Connecticut* did not report program income of \$240,277, which it earned from the sale of timber on lands maintained with FWS grant funds. [Read full report.](#)
- ❖ The state of *New York* claimed \$668,504 in excess of allowable indirect costs and did not report \$980,616 in program income from the sale of timber and agricultural products on lands maintained with FWS grant funds. [Read full report.](#)
- ❖ The state of *Alaska* claimed ineligible costs of \$13,006, including costs incurred outside a grant period and in excess of actual costs. [Read full report.](#)
- ❖ The state of *Iowa* did not report program income of \$1,290,424, earned from crop leases on land obtained and maintained with FWS grant funds. [Read full report.](#)
- ❖ The state of *Vermont* could not substantiate costs of \$29,120 for payments made to another state agency, and it did not report program income of \$242,919. The income was generated for the sale of timber on lands operated and maintained with FWS grant funds. In addition, DOI bartered with farmers to leave crops unharvested in exchange for permission to farm on lands maintained with FWS grant funds, the value of which should also have been reported as program income.

[Read full report.](#)

Summary of Audit and Related Activities From April 1 Through September 30, 2004

Audits Performed by:

	OIG Staff	Other Federal Auditors (With Review and Processing by OIG Staff)	
	Internal, Grant, and Contract Audits	Contract and Grant Audits	Total
.....			
<i>Reports Issued To</i>			
Department/Office of the Secretary	8	0	8
Fish and Wildlife and Parks	12	0	12
Indian Affairs	1	0	1
Insular Affairs	3	0	3
Land and Minerals Management	1	0	1
Water and Science	3	0	3
Other Federal Agencies	0	0	0
<i>Total Reports Issued</i>	28	0	28
.....			

Reports Issued or Processed During the 6-Month Period Ended September 30, 2004

This listing includes all internal reports (internal audits, advisory reports, assessments, and evaluations), contract and grant audits, and single audit reports issued during the 6-month period ended September 30, 2004. 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, and **** Lost or Potential Additional Revenues).

Internal *Reports*

Bureau of Indian Affairs

Q-IN-BIA-0098-2003 Bureau of Indian Affairs Contract With the Navajo Nation for Social Services (09/30/2004)

Bureau of Reclamation

W-IN-BOR-0016-2004 Central Valley Project Contract Renewal Process (08/12/2004)

C-IN-BOR-0067-2002 Bureau of Reclamation, Denver Office, Contract Administration (09/30/2004)

Multi-Office

E-IN-MOA-0070-2004 District of Columbia Water and Sewer Authority Payments for January 1, 2004, Through March 31, 2004 (05/03/2004)

E-EV-MOA-0068-2002 Evaluation of Conduct and Discipline (06/24/2004)

E-EV-MOA-0073-2004 Follow-up Evaluation of the Department of the Interior's Policies and Procedures Related to the Rural Development Act of 1972 (07/28/2004)

A-IN-MOA-0099-2004 Independent Accountants' Report Application of Agreed-Upon Procedures for the Department of the Interior and the Social Security Administration (09/17/2004)

E-IN-MOA-0087-2004 District of Columbia Water and Sewer Authority Payments for April 1, 2004, Through June 30, 2004 (08/09/2004)

C-EV-MOA-0094-2003 Department of the Interior Contracting for Temporary and Critical Staffing Needs (09/30/2004)

National Park Service

V-IN-NPS-0004-2003 Concession Management and Fee Collection Operations, Virgin Islands National Park, National Park Service (05/17/2004) *****\$90,395

P-IN-NPS-0105-2003 National Park Service Management of Selected Grants in Hawaii (07/30/2004)

Office of the Secretary

W-EV-OSS-0075-2004 Review of 12 Procurements Placed Under General Services Administration Federal Supply Schedules 70 and 871 by the National Business Center (07/16/2004)

A-EV-OSS-0094-2004 Information System Security Over Systems and Applications Used by the National Business Center to Provide Services to Non-Department of the Interior Clients (08/23/2004)

U.S. Fish and Wildlife Service

E-FL-FWS-0009-2004-D Verification Report on the Status of Recommendations Contained in the Audit Report Entitled, “Miscellaneous Receipts, U.S. Fish and Wildlife Service” (06/30/2004)

Virgin Islands

V-IN-VIS-0104-2003-M Use of Official Credit Cards, Government of the Virgin Islands (08/27/2004) **\$189,990 ***\$339,990

V-EV-VIS-0097-2004 Verification of Jewelry Quota Data for Calendar Year 2004 for DBC Corporation (08/26/2004)

V-IN-VIS-0069-2004 Audit Report on “Financial Arrangements Between the Government of the Virgin Islands and Financial Institutions” (09/30/2004)

Contract and Grant *Audits*

Bureau of Land Management

C-CX-BLM-0044-2003 Costs Claimed by Sletten Construction of Wyoming, Inc., Under Contract No. NDC000037 to Build the National Historic Trails Interpretive Center (05/19/2004) **\$256,526

Bureau of Reclamation

E-CX-BOR-0032-2004 Costs Billed by Veridian Corporation, Information Solutions Division, During the Fiscal Years Ended September 30, 2002 and 2003, Under General Services Administration Contract No. GS35F0038J, Bureau of Reclamation Delivery Order No. 02PE810774 (09/16/2004) **\$2,309 ***\$49,332

National Park Service

C-CX-NPS-0027-2004 Costs Claimed by Remediation Constructors, Inc., to Construct an Access Road and Parking Area at Sequoia Kings National Park in California, Contract No. 1443C8000010903 (07/08/2004)

U.S. Fish and Wildlife Service

R-GR-FWS-0030-2003 U.S. Fish and Wildlife Service Federal Assistance Grants Administered by the State of Wyoming, Game and Fish Department, From July 1, 2000, Through June 30, 2002 (04/22/2004)

R-GR-FWS-0026-2003 U.S. Fish and Wildlife Service Federal Assistance Grants Administered by the State of South Dakota, Department of Game, Fish and Parks, From July 1, 2001, Through June 30, 2003 (04/22/2004) **\$42,089

R-GR-FWS-0019-2003 U.S. Fish and Wildlife Service Federal Assistance Grants Administered by the State of Connecticut, Department of Environmental Protection, Bureau of Natural Resources, From July 1, 2000, Through June 30, 2002 (05/06/2004) *\$240,277

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 Resource, From April 1, 2000, Through March 31, 2002 (05/06/2004) *\$980,616 **\$668,504

- R-GR-FWS-0017-2003** U.S. Fish and Wildlife Service Federal Assistance Grants Administered by the State of Alaska, Department of Fish and Game, From July 1, 2000, Through June 30, 2002 (07/09/2004) **\$13,006
- R-GR-FWS-0028-2003** U.S. Fish and Wildlife Service Assistance Grants Administered by the State of Utah, Department of Natural Resources, Division of Wildlife Resources, From July 1, 2001, Through June 30, 2003 (07/09/2004)
- R-GR-FWS-0022-2003** U.S. Fish and Wildlife Service Federal Assistance Grants Administered by the State of Iowa, Department of Natural Resources, From July 1, 2000, Through June 30, 2002 (07/29/2004) *\$1,290,424
- R-GR-FWS-0005-2004** U.S. Fish and Wildlife Service Federal Assistance Grants Administered by the State of Vermont, Agency of Natural Resources, Department of Fish and Wildlife, From July 1, 2001, Through June 30, 2003 (09/16/2004) *\$242,919 ***\$29,120

Monetary Impact of Audit Activities From April 1 Through September 30, 2004

Activity	Questioned Costs*	Funds To Be Put To Better Use	Revenues	Total
Bureau of Indian Affairs	0	0	0	0
Bureau of Land Management	\$256,526	0	0	\$256,526
Bureau of Reclamation	\$51,641	0	0	\$51,641
Fish and Wildlife Service	\$752,719	\$2,754,236	0	\$3,506,955
Insular Areas:** U.S. Virgin Islands	\$529,980	0	0	\$529,980
Multi-Office	0	0	0	0
National Park Service	0	0	\$90,395	\$90,395
Total	\$1,590,866	\$2,754,236	\$90,395	\$4,435,497

* Unsupported costs are included in questioned costs.

** Includes monetary impact of non-federal funds.

Non-Federal Funding Included in Monetary Impact of Audit Activities During the 6-Month Period That Ended September 30, 2004

V-IN-VIS-0104-2003

“Use of Government Credit Cards, Government of the Virgin Islands,” dated August 27, 2004. The report identified \$529,980 as monetary impact consisting of \$189,990 questioned costs (\$120,890 federal and \$69,100 Insular) and \$339,990 unsupported costs (\$125,160 federal and \$214,830 Insular).

Audit Resolution Activities*Table I: Inspector General Audit 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. ¹	33	\$10,036,780	\$592,463
B. Which were issued during the reporting period.	7	\$1,590,866	\$418,442
<i>Total (A+B)</i>	40	\$11,627,666	\$1,010,905
C. For which a management decision was made during the reporting period.	5	\$1,555,334	\$326,197
(i) Dollar value of recommendations that were agreed to by management.	4	\$1,423,117	\$326,197
(ii) Dollar value of recommendations that were not agreed to by management.	1	\$132,217	0
D. For which no management decision has been made by the end of the reporting period. ²	36	\$10,072,312	\$684,708
E. For which no management decision was made within 6 months of issuance.	29	\$8,481,446	\$266,266

* Unsupported costs are included in questioned costs.

¹ Beginning balance differs from April 2004 Semiannual Report ending balance by \$33,291,420 (decrease) because of deletion of single audit report amounts and a corrective adjustment.

² Number of reports does not calculate from above because one report included costs in which a management decision was made and other costs in which a decision still has not been made.

Audit Resolution Activities

Table II: Inspector General Audit Reports

With Recommendations That Funds Be Put To Better Use

	Number of Reports	Dollar Value
A. For which no management decision has been made by the commencement of the reporting period. ¹	18	\$140,703,581
B. Which were issued during the reporting period.	4	\$2,754,236
<i>Total (A+B)</i>	22	\$143,457,817
C. For which a management decision was made during the reporting period.	5	\$77,558,005
(i) Dollar value of recommendations that were agreed to by management.	3	\$26,552,417
(ii) Dollar value of recommendations that were not agreed to by management.	2	\$51,005,588
D. For which no management decision had been made by the end of the reporting period.	17	\$65,899,812
E. For which no management decision was made within 6 months of issuance.	13	\$63,145,576

¹ Beginning balance differs from April 2004 Semiannual Report ending balance by \$3,281,569 (increase) because of corrective adjustments.

Audit Resolution Activities

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

	Number of Reports	Dollar Value
A. For which no management decision has been made by the commencement of the reporting period. ¹	12	\$234,144,977
B. Which were issued during the reporting period.	1	\$90,395
<i>Total (A+B)</i>	13	\$234,235,372
C. For which a management decision was made during the reporting period.	5	\$22,469,732
(i) Dollar value of recommendations that were agreed to by management.	5	\$22,469,732
(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.	8	\$211,765,640
E. For which no management decision was made within 6 months of issuance.	8	\$211,765,640

¹ Beginning balance differs from April 2004 Semiannual Report ending balance by \$1,700,000 (increase) because of a corrective adjustment.

Summary of Audit Reports More Than 6 Months Old Pending Management Decisions April 1 Through September 30, 2004

This listing includes a summary of internal, contract (except preawards), grant, and single audit reports that were more than 6 months old on September 30, 2004, and still pending a management decision. It provides the report number, title, issue date, number of unresolved recommendations, and unresolved amount of monetary benefits identified in the audit report.

Internal *Audits*

Multi-Office Audit

2001-I-0297 Audit Report on the Stripper Oil Well Property Royalty Rate Reduction Program (03/30/2001); 2 Recommendations Unresolved

Contract and Grant *Audits*

Bureau of Indian Affairs

1994-E-0784 Audit of Costs Claimed by Diversified Business Technologies Corporation, Albuquerque, NM (06/10/1994); 1 Recommendation; \$825,170 Unresolved
(Circumstances beyond the Bureau's control have delayed resolution of the costs.)

1994-E-0919 Audit of Costs Claimed by Diversified Technologies Corporation, Albuquerque, NM (06/30/1994); 1 Recommendation; \$247,414 Unresolved
(Circumstances beyond the Bureau's control have delayed resolution of the costs.)

Bureau of Land Management

W-IN-BLM-0009-2003 Audit of Oil and Gas Permitting Process, Bureau of Land Management (02/13/2004); 1 Recommendation Unresolved

Appendix Six

Bureau of Reclamation

2001-E-0229 Costs Claimed By Sloat and Associates, Inc., Under BOR Contract No. 1425-5-CC-40-18140 (02/14/2001); 1 Recommendation; \$157,964 Unresolved

National Park Service

2000-E-0289 J.C.M. Control Systems, Inc., Costs Billed During Fiscal Years 1997, 1998, and 1999 Under NPS Contract No. 1443CX300094906 (03/24/2000); 1 Recommendation; \$83,125 Unresolved
(Circumstances beyond the Bureau's control have delayed resolution of the costs.)

2000-E-0607 Harrison and Palmer, Inc., Costs Billed Under National Park Service Contract No. 1443CX00094906 (08/08/2000); 1 Recommendation; \$52,703 Unresolved
(Circumstances beyond the Bureau's control have delayed resolution of the costs.)

2000-E-0706 Southern Insulation, Inc. (09/29/2000); 1 Recommendation; \$86,262 Unresolved
(Circumstances beyond the Bureau's control have delayed resolution of the costs.)

2001-E-0035 Callas Contractors, Inc. (11/07/2000); 1 Recommendation; \$16,425 Unresolved
(Circumstances beyond the Bureau's control have delayed resolution of the costs.)

2001-E-0036 Final Costs Audit of Capitol Mechanical Construction (11/07/2000); 1 Recommendation; \$98,194 Unresolved
(Circumstances beyond the Bureau's control have delayed resolution of the costs.)

2001-E-0244 Audit of Costs Billed by EMS Consultants From May 1, 1996, Through June 1, 1999 (02/27/2001); 1 Recommendation; \$327,330 Unresolved
(Circumstances beyond the Bureau's control have delayed resolution of the costs.)

- 2001-E-0336** Audit of Subcontract Overhead Costs Billed by JCM Control Systems, Inc. (04/23/2001); 1 Recommendation; \$109,865 Unresolved
(Circumstances beyond the Bureau's control have delayed resolution of the costs.)
- 2002-E-0002** Community Central Energy Corporation, Amounts Billed Under National Park Service Contract No. CX-4000-0-0023 From October 1, 1993, Through September 30, 2000 (12/19/2001); 1 Recommendation; \$779,274 Unresolved
- A-IN-NPS-0074-2003** Improvements Needed in Managing Information Technology System Security, National Park Service (03/29/2004); 1 Recommendation Unresolved
- Office of the Secretary*
- 2002-E-0001** Los Alamos Technical Associates, Incorporated, Termination Settlement Proposal Under Office of the Special Trustee Contract No. NBCA0C00009 (01/17/2002); 1 Recommendation; \$30,031 Unresolved
- Office of the Special Trustee for American Indians*
- 2002-E-0003** Ktech Corporation, Termination Settlement Proposal Under Office of the Special Trustee Contract No. NBCA0C00009 (01/17/2002); 1 Recommendation; \$28,381 Unresolved
- 2003-E-0005** Audit of Final Contract Costs for Chavarria, Dunne, & Lamey LLC Under Office of the Special Trustee Contract No. CMK00133396 (11/12/2002); 1 Recommendation; \$108,405 Unresolved
- U.S. Fish and Wildlife Service*
- 2003-E-0001** Costs Claimed by the U.S. Virgin Islands, Department of Planning and Natural Resources, Division of Fish and Wildlife, Under Federal Aid Grants From the U.S. Fish and Wildlife Service From October 1, 1996, Through September 30, 1998 (10/07/2002); 10 Recommendations; \$212,322 Unresolved

Appendix *Six*

- 2003-E-0022** Costs Claimed by the State of Missouri, Department of Conservation, Under Federal Aid Grants From the U.S. Fish and Wildlife Service From July 1, 1997 Through June 30, 1999 (06/11/2003); 8 Recommendations Unresolved
- R-GR-FWS-0021-2003** Costs Claimed by the State of Indiana, Department of Natural Resources, Under Federal Assistance Grants From the U.S. Fish and Wildlife Service From July 1, 2000, Through June 30, 2002 (12/22/2003); 1 Recommendation Unresolved
- R-GR-FWS-0023-2003** Costs Claimed by the State of Louisiana, Department of Wildlife and Fisheries, Under Federal Assistance Grants From the U.S. Fish and Wildlife Service From July 1, 2000, Through June 30, 2002 (12/22/2003); 17 Recommendations; \$167,463 Unresolved
- R-GR-FWS-0027-2003** Costs Claimed by the Tennessee Wildlife Resources Agency, Under Federal Assistance Grants From the U.S. Fish and Wildlife Service From July 1, 2000, Through June 30, 2002 (01/08/2004); 14 Recommendations; \$515,956 Unresolved
- R-GR-FWS-0020-2003** U.S. Fish and Wildlife Service Federal Assistance Grants Administered by the State of Florida Fish and Wildlife Conservation Commission From July 1, 2000, Through June 30, 2002 (02/25/2004); 6 Recommendations; \$179,574 Unresolved
- 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 (03/04/2004); 2 Recommendations Unresolved

U.S. Geological Survey

- 1993-E-0339** Closing Statement, TGS Technology, Inc. (12/22/1992); 1 Recommendation; \$786,501 Unresolved

Summary of Internal Audit and Evaluation Reports More Than 6 Months Old Pending Corrective Action April 1 Through September 30, 2004

.....

This is a listing of internal audit and evaluation reports with management decisions more than 6 months old 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 (06/11/03), 3 Recommendations
W-FL-BIA-0047-2002	School Construction Program, Bureau of Indian Affairs (02/24/2004), 6 Recommendations
E-IN-BIA-0069-2003	Independent Auditors' Report on the Bureau of Indian Affairs' Financial Statements for Fiscal Years 2003 and 2002 (02/25/2004), 18 Recommendations
C-IN-BIA-0014-2004	Improvements Needed in the Bureau of Indian Affairs Process for Conducting Background Investigations of Indian Education Employees (03/05/2004), 2 Recommendations
C-IN-BIA-0007-2003	Bureau of Indian Affairs, Office of Indian Education Programs, Central Office Management of Administrative Funds (03/30/2004), 1 Recommendation

Bureau of Land Management

1992-I-0828	Onshore Geophysical Exploration Fees, Bureau of Land Management (05/26/1992), 2 Recommendations
1995-I-0379	Follow-up of Recommendations Relating to Bureau of Land Management User Charges for Mineral-Related Document Processing (01/23/1995), 2 Recommendations
1995-I-0747	Right-Of-Way Grants, Bureau of Land Management (03/31/1995), 6 Recommendations

Appendix *Seven*

1996-I-1267	Inspection and Enforcement Program and Selected Related Activities (09/20/1996), 1 Recommendation
1997-I-1300	Issuance of Mineral Patents, Bureau of Land Management and Office of the Solicitor (09/30/1997), 1 Recommendation
1999-I-0677	Rangelands Improvement Program, Bureau of Land Management (07/28/1999), 1 Recommendation
1999-I-0808	Cultural Resource Management, Bureau of Land Management (09/03/1999), 2 Recommendations
2001-I-0421	Audit of Bonding for Oil and Gas Wells on Indian Trust Lands (09/24/2001), 1 Recommendation
C-IN-BLM-0076-2003	Independent Auditors' Report on the Bureau of Land Management's Financial Statements for Fiscal Years 2003 and 2002 (12/10/2003), 11 Recommendations
C-IN-BLM-0021-2004	Management Issues Identified During the Audit of the Bureau of Land Management's Fiscal Year 2003 Financial Statements (12/30/2003), 2 Recommendations
W-IN-BLM-0009-2003	Audit of Oil and Gas Permitting Process, Bureau of Land Management (02/13/2004), 6 Recommendations
<i>Bureau of Reclamation</i>	
2000-I-0376	Concessions Managed by the Bureau of Reclamation (05/08/2000), 1 Recommendation
2002-I-0004	Improvements Needed in Security Management of Information Technology Systems Supporting Energy and Water Operations (11/16/2001), 2 Recommendations
W-FL-BOR-0121-2002	Municipal and Industrial Water Transfers, Bureau of Reclamation (11/26/2003), 3 Recommendations
C-IN-BOR-0077-2003	Independent Auditors' Report on the Bureau of Reclamation's Financial Statements for Fiscal Years 2003 and 2002 (12/08/2003), 2 Recommendations

Departmental Offices

- 2003-I-0056** Department of the Interior Working Capital Fund (06/16/2003),
9 Recommendations
- E-IN-DMO-0068-2003** Independent Auditors' Report on the Departmental Offices' Financial
Statements for Fiscal Years 2003 and 2002 (12/19/2003),
18 Recommendations
- E-IN-DMO-0034-2004** Management Issues Identified During the Audit of the Departmental
Offices' Fiscal Year 2003 Financial Statements (01/21/2004),
7 Recommendations

Minerals Management Service

- 1996-I-1255** Selected Activities of the Royalty Management System (09/30/1996),
2 Recommendations
- 2003-I-0061** Audit of Oversight Performed by the Minerals Management Service of
Non-Federal Auditors (08/22/2003), 1 Recommendation
- E-IN-MMS-0066-2003** Independent Auditors' Report on the Minerals Management Service's
Financial Statements for Fiscal Years 2003 and 2002 (12/09/2003),
5 Recommendations

Multi-Office Audit

- 2000-I-0300** Supporting Documentation for Operators Participating in the Stripper Oil
Well Property Royalty Rate Reduction Program (03/27/2000),
1 Recommendation
- 2003-I-0060** Follow-up Evaluation Policies and Procedures Related to the Rural
Development Act of 1972 (08/20/2003), 1 Recommendation
- X-IN-MOA-0080-2003** Independent Auditors' Report on the U.S. Department of the Interior's
Fiscal Year 2003 Annual Report on Performance and Accountability
(11/28/2003), 39 Recommendations
- C-IN-MOA-0042-2003** Fleet Management Operations U.S. Department of the Interior
(02/09/2004), 5 Recommendations
- X-IN-MOA-0043-2004** Management Issues Identified During the Audit of the Department of the
Interior's Fiscal Year 2003 Financial Statements (02/12/2004),
19 Recommendations

Appendix *Seven*

National Park Service

- 1998-I-0406** Followup 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), 4 Recommendations
- 2003-I-0013** Yosemite National Park's Museum Collection, National Park Service (03/31/2003), 2 Recommendations
- E-IN-NPS-0067-2003** Independent Auditors' Report on the National Park Service's Financial Statements for Fiscal Years 2003 and 2002 (12/22/2003), 10 Recommendations
- E-IN-NPS-0037-2004** Management Issues Identified During the Audit of the National Park Service's Fiscal Year 2003 Financial Statements (01/07/2004), 15 Recommendations
- A-IN-NPS-0074-2003** Improvements Needed in Managing Information Technology System Security, National Park Service (03/29/2004), 12 Recommendations

Office of Special Trustee for American Indians

- 1997-I-1167** Judgment Funds Awarded to the Turtle Mountain Band of Chippewa Indians (09/22/1997), 1 Recommendation
- 1997-I-1168** Judgment Funds Awarded to the Navajo Nation (09/22/1997), 1 Recommendation
- 1997-I-1169** Judgment Funds Awarded to the Papago Tribe of Arizona (09/15/1997), 2 Recommendations
- 2001-I-0411** Independent Auditors' Report on the Financial Statement for Fiscal Years 2000 and 1999 for the Office of Special Trustee for American Indians Tribal and Other Special Trust Funds and Individual Indian Monies Trust Funds Managed by the Office of Trust Funds Management (06/24/2001), 8 Recommendations
- 2002-I-0027** Independent Auditors' Report on the Office of Special Trustee for American Indians Tribal and Other Trust Funds and Individual Indian Monies Trust Funds Financial Statements for Fiscal Years 2001 and 2000 (04/25/2002), 3 Recommendations

Q-IN-OST-0075-2003 Independent Auditors' Report on the Tribal and Other Trust Funds and Individual Indian Monies Trust Funds Financial Statements for Fiscal Years 2003 and 2002 Managed by the Office of the Special Trustee for American Indians (12/09/2003), 3 Recommendations

Q-IN-OST-0025-2004 Management Issues Identified During the Audit of the Office of the Special Trustee for American Indians' Fiscal Year 2003 Financial Statements (12/22/2003), 3 Recommendations

Office of Surface Mining Reclamation and Enforcement

2003-I-0074 Review of the Abandoned Mine Land Program, Office of Surface Mining Reclamation and Enforcement (09/30/2003), 1 Recommendation

C-IN-OSM-0024-2004 Management Issues Identified During the Audit of the Office of Surface Mining Reclamation and Enforcement's Fiscal Year 2003 Financial Statements (12/30/2003), 3 Recommendations

U.S. Fish and Wildlife Service

1997-I-1305 Automated Law Enforcement System, U.S. Fish and Wildlife Service (09/30/1997), 2 Recommendations

2000-I-0050 Miscellaneous Receipts, U.S. Fish and Wildlife Service (11/09/1999), 4 Recommendations

2003-I-0045 Reporting and Recovery Planning and Implementation for Endangered Species (04/22/2003), 1 Recommendation

C-IN-FWS-0078-2003 Independent Auditors' Report on the U.S. Fish and Wildlife Service's Financial Statements for Fiscal Years 2003 and 2002 (12/22/2003), 8 Recommendations

C-IN-FWS-0023-2004 Management Issues Identified During the Audit of the U.S. Fish and Wildlife Service's Fiscal Year 2003 Financial Statements (12/23/2003), 1 Recommendation

Appendix *Seven*

U.S. Geological Survey

2003-I-0042

Improvements Needed in Managing Security of Mission-Critical Information Technology Systems (03/31/2003), 2 Recommendations

E-IN-GSV-0070-2003

Independent Auditors' Report on the U.S. Geological Survey's Balance Sheet for Fiscal Year 2003 (12/09/2003), 1 Recommendation

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

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

Internal *Audits*

American Samoa

2002-I-0003 Assessment and Collection of Taxes, American Samoa Government (11/15/2001); 15 Recommendations; \$7,148,769

Guam

2002-I-0016 Bond Services, Trust Fund Activities, Guam Economic Development Authority, Government of Guam (03/28/2002); 4 Recommendations; \$68,018,988

U.S. Virgin Islands

1993-I-0572 Supply and Equipment Management, Department of Education, Government of the Virgin Islands (02/19/1993); 8 Recommendations; \$310,000

1997-I-0243 Workmen's Compensation Program, Government of the Virgin Islands (12/30/1996); 1 Recommendation

1998-I-0384 Hurricane-Related Contracting, Department of Education, Government of the Virgin Islands (03/31/1998); 2 Recommendations; \$5,418

1998-I-0468 Followup of Recommendations Relating to the Bureau of Corrections, Department of Justice, Government of the Virgin Islands (05/29/1998); 1 Recommendation

1998-I-0670 Interfund Loans and Federal Grant Balances, Government of the Virgin Islands (09/09/1998); 10 Recommendations; \$120,000,000

1999-I-0365 Followup of Recommendations Relating to Personnel Management Practices, Division of Personnel, Government of the Virgin Islands (03/26/1999); 3 Recommendations; \$24,300,000

Appendix *Eight*

- 2001-I-0107** Administrative Functions, Legislature of the Virgin Islands, Government of the Virgin Islands (12/29/2000); 8 Recommendations; \$1,320,293
- 2002-I-0009** Virgin Islands Housing Finance Authority, Government of the Virgin Islands (12/31/2001); 1 Recommendation
- 2002-I-0042** Federal Highway Grants, Department of Public Works, Government of the Virgin Islands (08/30/2002); 1 Recommendation
- 2003-I-0002** Public Finance Authority, Government of the Virgin Islands (11/22/2002); 9 Recommendations; \$30,891,687
- 2003-I-0003** Compliance With the Memorandum of Understanding Between the Governor of the Virgin Islands and the Secretary of the Interior (01/06/2003); 6 Recommendations
- 2003-I-0067** Emergency Services Surcharge Collections by Innovative Telephone Corporation on Behalf of the Government of the Virgin Islands (09/26/2003); 1 Recommendation; \$256,380

Office of Investigations Program Integrity Assessments Issued During the 6-Month Period That Ended September 30, 2004

2004-I-0056	“Neither Safe Nor Secure: An Assessment of Indian Country Detention Facilities” (September 2004)
X-EV-BIA-0114-2003	Interim Report – Indian Country Detention Facilities (<i>April 2004</i>)

Cross References to the Inspector General Act

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Section 5(a)(2)	Recommendations for Corrective Action With Respect to Significant Problems, Abuses, and Deficiencies	1-24
Section 5(a)(3)	Significant Recommendations From Agency's Previous Reports on Which Corrective Action Has Not Been Completed	35-38
Section 5(a)(4)	Matters Referred to Prosecutive Authorities and Resulting Convictions	ii-iii
Section 5(a)(5)	Matters Reported to the Head of the Agency	N/A
Section 5(a)(6)	List of Audit Reports Issued During the Reporting Period	26-29
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Section 5(a)(11)	Significant Revised Management Decisions Made During the Reporting Period	N/A
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 05(b) of the Federal Financial Management Improvement Act of 1996	N/A

*N/A = *Not applicable this reporting period.*

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