



United States Department of the Interior

Office of Inspector General

Western Region

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Report No. W-VS-BIA-0009-2006

September 28, 2006

Memorandum

To: Assistant Secretary for Policy, Management and Budget
(Attention: Associate Director for Finance, Policy and Operations)
Assistant Secretary for Indian Affairs

From: Michael P. Colombo 
Regional Audit Manager

Subject: Verification Review of the Four Recommendations from Our January 2002 Audit
Report *Management of Federal Funds, Cheyenne and Arapaho Tribes of Oklahoma* (No. 2002-I-0006)

The Office of Inspector General (OIG) has completed a verification review of the four recommendations presented in the subject audit report. The objective of the review was to determine whether the recommendations were implemented as reported to the OIG and to the Office of Financial Management, Office of Policy, Management and Budget.

Background

The report made four recommendations to the Bureau of Indian Affairs (BIA) regarding the sufficiency of the Tribes' management systems and internal controls to ensure that federal funds were properly managed, accounted for, and expended in accordance with federal laws and regulations and the terms of the funding agreements.

In its October 31, 2001 response to the draft of the subject report, BIA expressed general concurrence with all four of the recommendations. Based on the response, we requested additional information on Recommendation 1 and considered Recommendations 2, 3, and 4 to be resolved but not implemented. We referred all four of the recommendations to the Office of Financial Management for tracking of implementation on February 7, 2002. In a February 25, 2003 memorandum to the OIG, the Office of Financial Management reported that the audit report was closed and that all recommendations had been implemented.

This report is exempt from disclosure to the public pursuant to exemptions 4 and 5 of the Freedom of Information Act 5 U.S.C. §§ 552 (b)(4) and (b)(5). For this reason, recipients of this report may not show or release its contents for purposes other than official review and comment under any circumstances.

Scope and Methodology

The scope of this review was limited to determining whether BIA took adequate action to implement the recommendations. To accomplish our objective, we reviewed documentation provided by BIA officials to support closing the recommendations, as well as documentation showing ongoing corrective actions taken after closure. During our review, we interviewed personnel from BIA's Office of Audit and Evaluation and Southern Plains Regional Office and from the Cheyenne and Arapaho Tribes of Oklahoma.

We did not perform any site visits or conduct any detailed audit fieldwork to determine whether the underlying deficiencies that were initially identified have actually been corrected. As a result, this review was not conducted in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States.

Results of Review

Our current review found that BIA implemented Recommendations 1 through 4. The status of the recommendations is summarized in the Appendix.

Recommendation 1: “Ensure that Tribal management and elected officials enforce compliance with the Tribes’ Accounting and Finance Manual in accounting for and administering federal funds to forestall establishing a federal monitor and/or reassuming administration of the programs.”

In its October 31, 2001 response to the draft of the report, BIA offered to work with the Tribes to develop internal policies and procedures for the finance office.

Actions taken by BIA in response to this recommendation resulted in a Resolution passed by the Business Committee committing the Tribes to “enforcement of compliance with the Tribe's Accounting and Finance Manual, as well as other applicable laws, regulations, and guidelines necessary to the efficient and effective accounting and administration of federal funds” and requiring “timely monitoring and accomplishment reports from our employees, with emphasis on compliance by the tribal government.” In addition, BIA has continued to treat the Tribes as a “High Risk Contractor/Grantee” by requiring documented spending plans before allowing the Tribes to draw down BIA funds. We also noted that BIA officials have continued to work closely with the Tribes to improve financial management and to take appropriate corrective actions when needed. For example, because of historical mismanagement, BIA initiated a hold on Contract Support funds in April 2005, which continues to the present date.

Based on these actions, we concluded that Recommendation 1 has been resolved and implemented.

Recommendation 2: “Ensure that the eligibility and need of participants in the Tribes’ Social Services Program are properly determined and documented in case files so that only eligible applicants receive federal assistance. Such assurance could include BIA’s installing

a federal monitor, reassuming administration of the Program, or taking other action as appropriate.”

In its October 31, 2001 response, BIA stated that it would conduct a program review of case files in November 2001 to determine whether significant improvements had been made in administering the Social Services Program and would take necessary and appropriate action, including partially or totally reassuming the Social Services Program contract, if improvements had not been made.

We found that after a November 2002 review of the Tribes’ Social Services Program, BIA’s Southern Plains Regional Office recommended closure of Recommendation 2 because the “Tribes were meeting the requirements contained in the corrective action plan developed in response to the BIA reassumption proposal.” The review of Welfare Assistance Cases supported closure of the recommendation by stating “Over-all, the case review findings were greatly improved and found to be more adequately documented.” We also found that BIA’s Southern Plains Regional Office had followed up with a similar review in December 2004 and concluded that, although case records were much improved over the previous review, weaknesses continued to exist in certain areas. BIA officials told us that an additional review was planned for September 2006.

Based on our examination of the reviews performed by the Southern Plains Regional Office in response to the recommendation and the acknowledged intent of BIA to continue working with the Tribes’ Social Services Program, we concluded that Recommendation 2 has been resolved and implemented.

Recommendation 3: “Determine the amount of direct funding used for indirect purposes that is reimbursable to each federal program.”

In its October 31, 2001 response, BIA stated that it did not concur with the recommendation, but that in an effort to assist in the resolution of the finding, would request the Tribes to have their single auditor prepare a breakdown, by federal agency, of the direct funding improperly used for indirect purposes. We agreed with this alternative plan of action. BIA officials stated that it actively monitored the funding provided to the Tribes during the audit period in question because of the Tribes’ “high risk” designation and was satisfied that none of the unaccounted for revenues were applicable to BIA programs. BIA, however, had taken actions to recover the portion of the unaccounted for revenues applicable to BIA programs.

We verified that BIA, through the Concho Agency, issued a memorandum, dated March 15, 2002, to the Chairman of the Cheyenne and Arapaho Tribes Business Committee formally requesting the Tribes’ auditor to “prepare an analysis and breakdown of the \$614,000 as part of the current and ongoing single audit report. The results of such analysis should identify each federal agency whose funds were inappropriately used.”

Based on the corrective action taken by BIA, we concluded that Recommendation 3 has been resolved and implemented.

Recommendation 4: “Notify each affected federal agency of the reimbursable amount determined.”

This recommendation was directly dependent on completing the corrective action requested in Recommendation 3. In its October 31, 2001 response, BIA did not specifically address this recommendation because it did not believe it was responsible for the funds of non-BIA agencies.

We agree, and since BIA had taken action to recover its portion of the unaccounted for revenues addressed in Recommendation 3, we consider Recommendation 4 resolved and implemented. In addition, our office took formal action to notify the four federal agencies with significant direct funding to the Tribes of our findings in regard to unaccounted for revenues.

Conclusion

During an exit conference on August 1, 2006, we informed BIA officials that we were reporting Recommendations 1 through 4 in the subject audit report as resolved and implemented. Because we consider these recommendations closed, no response to this report is necessary.

If you have any questions about this report, please contact me at (916) 978-5653.

cc: Focus Leader for Management Control and Audit Follow-up, Office of Financial Management, Office of the Assistant Secretary for Policy, Management and Budget
Audit Liaison Officer, Assistant Secretary for Indian Affairs and Bureau of Indian Affairs - Director, Office of Audit and Evaluation, Bureau of Indian Affairs

STATUS OF PRIOR AUDIT RECOMMENDATIONS

<u>Recommendation</u>	<u>Status</u>	<u>Action Required</u>
1	Resolved and Implemented	No further action required.
2	Resolved and Implemented	No further action required.
3	Resolved and Implemented	No further action required.
4	Resolved and Implemented	No further action required.