




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

Report No. WR-VS-BIA-0005-2012  
July 16, 2012

Memorandum

To: Eric Eisenstein  
Division Chief, Internal Control and Audit Follow-up  
Office of Financial Management

From: Michael P. Colombo   
Regional Manager

Subject: Verification Review of Recommendations from our February 2009 Flash Report, "BIA Alaska Regional Indian Reservation Roads Program Rife with Mismanagement and Lacking Program Oversight" (Report No. WR-IV-BIA-0001-2009)

The U.S. Department of the Interior (DOI) Office of Inspector General (OIG) has completed a verification review of the seven recommendations presented in the subject flash report. The objective of the verification review was to determine whether the Bureau of Indian Affairs (BIA) implemented the recommendations as reported to the Office of Financial Management (PFM), Office of Policy, Management and Budget. PFM reported to OIG that BIA had implemented each of the seven recommendations in the subject report and provided supporting documentation. As a result, the flash report was effectively closed September 8, 2011. Based on our verification, we consider six of the seven recommendations resolved and implemented and the seventh recommendation resolved, but not implemented.

**Background**

The Indian Reservation Roads Program (Roads Program) is a part of the Federal Lands Highway Program established in 23 U.S.C. § 204 to address transportation needs of Tribes. The Roads Program provides funds for the planning, design, construction, or reconstruction of tribally designated public transportation facilities that provide access to or within Indian reservations, Indian lands, Indian communities, and Alaska Native villages. BIA and Federal Highway Administration's (FHWA) Federal Lands Highway Office jointly administer the program and annual Department of Transportation (DOT) appropriations fund the Roads Program. The 1982 Surface Transportation Assistance Act established the Federal Lands Highway Program that provides the funding for Roads Program projects from the Highway Trust Fund. In 1936, the FHWA began approving the location, type, and design of all Roads Program roads and bridges to be constructed using BIA funds. As most Roads Program contracts are administered under the provisions of the Indian Self-Determination Act (P.L. 93-638), the entities are responsible for the daily administration of the contracts. BIA, however, is tasked with oversight and administration of the program.

The results of a 2008 DOT report<sup>1</sup> and a separate DOI-OIG investigative hotline complaint prompted our 2009 flash report, “BIA Alaska Regional Indian Reservation Roads Program Rife with Mismanagement and Lacking Program Oversight.” All of these reviews pointed to the same fundamental problem: The Alaska Regional Office (Region) faced a multitude of unique challenges that greatly affected the administration of the Roads Program, including a lack of oversight and management. Our immediate flash report, which was issued on February 9, 2009, contained seven recommendations relating to the mismanagement and lack of program oversight of Alaskan Native community roads projects.

In a memorandum dated March 20, 2009, BIA provided a list of corrective actions associated with the findings and recommendations in the OIG flash report that was issued in February 2009. Based on the information in this response, we considered Recommendations 1, 2, and 7 resolved but not yet implemented and Recommendations 3, 4, 5, and 6 neither resolved nor implemented. On May 6, 2009, we referred the four unresolved recommendations to PFM for resolution and implementation tracking. Subsequently, PFM reported that all recommendations had been implemented (memorandums dated September 30, 2010 and September 8, 2011). The flash report was closed.

FHWA and BIA conducted a follow-up review of the BIA Roads Program at the Region. They conducted the review during the week of July 18, 2011 and issued a report in October 2011. FHWA and BIA determined that the recommendations from the 2008 DOT report had been implemented, pending completion of a business plan that was expected to be completed in January 2012.

### **Scope and Methodology**

The scope of this review was limited to determining whether BIA took action to implement the recommendations. To accomplish our objective, we reviewed the supporting documentation that BIA officials provided and discussed actions taken relating to each of the seven recommendations.

We did not perform any site visits or conduct 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 “Generally Accepted Government Auditing Standards” issued by the Comptroller General of the United States or the “Quality Standards for Inspections of the Council of the Inspectors General on Integrity and Efficiency.”

### **Results of Review**

Our current review found that BIA has implemented six of the seven OIG recommendations and that all recommendations have been resolved.

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<sup>1</sup> “Indian Reservation Roads Program Review, Bureau of Indian Affairs Alaska Region, Federal Lands Highway Program,” Department of Transportation, 2008.

**Recommendation 1:** Develop and implement a reporting and monitoring program for all aspects of the program to ensure that it is administered in accordance with all applicable laws and regulations.

**Action Taken:** The BIA Alaska Regional Road Supervisor confirmed that Tribes on self-determination contracts are required to provide quarterly reports on the status of their contracts and are notified when delinquent. According to the Road Supervisor, payments and drawdowns are withheld if reporting is not up to date. Monitoring visits are conducted as necessary. A Roads Program follow-up review in October 2011 confirmed this action and was used as support for closing the recommendation.

According to the review, the Indian Reservation Roads Integrated Information System (IRRIIS) reports and tracks all needed aspects of the Roads Program. The IRRIIS system now allows the Region to accomplish real-time program management, run a multitude of various status reports, measure program execution, and provide up-to-date information on project, contract, and financial actions needed.

In a meeting held on May 3, 2012, we agreed that if the Region crafted a policy document signed by the Regional Director outlining construction project review practices and procedures for construction projects, we would consider Recommendation 1 closed. We emphasized that such a policy should include monitoring of lower risk projects so that no Tribes or construction projects are routinely eliminated from the monitoring program. On May 17, 2012, BIA provided a Policy on Alaska Region Indian Reservation Roads Construction Monitoring that includes monitoring of lower risk projects.

After reviewing the available documentation, we conclude that Recommendation 1 has been resolved and implemented.

**Recommendation 2:** Conduct periodic program and progress reviews of Alaskan Native Government operations to ensure that [Roads Program] funds are being administered in accordance with contract requirements.

**Action Taken:** In an email dated April 19, 2012, the BIA Alaska Regional Road Supervisor stated that the Region conducted six program/process reviews that were attended by BIA Transportation and Self-Determination staff from March 2009 to October 2009. In addition, the Region has completed approximately 30 partial program reviews. Tribes conducted program/process reviews during the Annual BIA Provider's Conference in November 2010, and three on-site program reviews were also completed during calendar year 2011. The October 2011 Roads Program follow-up review, conducted by FHWA and BIA, confirmed this action, which was used as support for closing the recommendation. This follow-up review report concluded that the Region conducted 25 reviews in 2009 and several additional reviews since then.

Although these reviews are considered to be more project specific as opposed to process related, the Region has agreed to enhance their reviews to be more programmatic in nature and will include process reviews of planning, design, contracting, construction,

and financial management. It is also planned for the Region to track the implementation status of the program review recommendations through IRRIS.

After reviewing the available documentation, we conclude that Recommendation 2 has been resolved and implemented.

**Recommendation 3:** Conduct periodic site visits to verify that completed projects were constructed in accordance with approved plans and specifications.

**Action Taken:** The BIA Chief, Division of Transportation provided us with trip reports and a preconstruction checklist. These reports demonstrate that Tribes are being visited to ensure that Roads Program funds are being administered in accordance with contract requirements and that projects are constructed in accordance with the plans and specifications. The BIA Alaska Regional Road Supervisor stated that site visits are dictated primarily by two factors: either the Tribe has an active construction project underway that must be inspected or the Tribe's program is failing and requires an on-site review. Tribes may also self-identify failure or an urgent need for technical assistance and request a site visit. According to the Road Supervisor, a construction tracking report is used to monitor construction, and a final onsite inspection is conducted before construction contracts are closed.

After reviewing the available documentation, we conclude that Recommendation 3 has been resolved and implemented.

**Recommendation 4:** Increase monitoring of overtime usage by staff during peak delivery cycles and develop overtime thresholds for early detection of potential fraud and abuse of overtime via detail logs, details of activities, or other evidence of overtime efforts.

**Action Taken:** According to the FHWA and BIA follow-up review from October 2011, the Region instituted procedures to avert any repetition of potential fraud or overtime abuse. An "Overtime and Compensatory Time" procedure is now in place for the Region, which requires three authorizing signatures and prior authorization of any overtime worked. The overtime for the entire Alaska Region Transportation Program has been reduced by over 55 percent over the past 2 years.

After reviewing the available documentation, we conclude that Recommendation 4 has been resolved and implemented.

**Recommendation 5:** Revisit management decisions and determine costs and benefits of using furlough positions since some of these wage-grade employees are being compensated 40 percent higher than GS-12s and 13s.

**Action Taken:** According to the FHWA and BIA follow-up review from October 2011, the Region no longer provides equipment for projects, and has donated the equipment to the Tribes according to Indian Affairs procedures, thereby eliminating the need for this

function. In addition, Regional transportation staff now monitor Tribal projects with point of contact engineers and technicians, rather than construction wage-grade employees.

Decommissioning the equipment pool and the cooperative construction program eliminated the furlough positions upon which this finding was primarily based. The decommissioning of the equipment pool commenced in January 2010 and was completed in July 2011.

After reviewing the available documentation, we conclude that Recommendation 5 has been resolved and implemented.

**Recommendation 6:** Initiate innovative recruitment efforts to fill existing vacancies.

**Action Taken:** PFM's September 30, 2010 memorandum to OIG reported that all vacancies were filled or selections had been made. During our verification review, we found that the Region is still unable to fill existing vacancies. The BIA Chief, Division of Transportation confirmed that all positions are not filled and that the Region continues to experience a high rate of turnover. Of the 30 current positions, 16 are filled and 16 people have departed in the previous 24 months. The FHWA program review reported that the staffing level is the prime issue remaining for the Region. Currently, the Region receives only enough Program Management and Oversight (PMO) funding to support 15 or 16 positions. The FHWA program review report stated that there remains a pressing need for an increase in funding for the Alaska Region Branch of Transportation to restore the optimum level of performance in fulfilling its responsibilities in managing the Roads Program.

The report suggested that the additional funding need may be accomplished in several ways. FHWA suggested increasing PMO amount provided to the Region, keeping in mind, however, that the total PMO for all of the BIA regions is limited legislatively and any increase to the Region will need to be offset by a decrease to other regions. Another suggestion was to get funding from internal BIA sources other than the Roads Program. Further, the report suggested marketing to Alaska Tribes for direct service work in which project-specific accounts using the Roads Program tribal shares are set up to supplement the PMO funding.

After reviewing available documentation and communicating with the BIA Alaska Regional Road Supervisor, we conclude that Recommendation 6 has been resolved and implemented. We suggest, however, the Region use some of the suggestions for funding mentioned in the FHWA and BIA report as it continues to find ways to increase its staffing level.

**Recommendation 7:** Carefully review the program before providing additional funding.

**Action Taken:** In a memorandum dated August 25, 2011, Indian Affairs reported that the BIA Director detailed a team of experienced Regional Road Engineers and Awarding Officials to the Region to identify corrective actions and implement changes to program

delivery. The team prepared a corrective action plan based on the findings in the 2008 DOT report and the 2009 OIG flash report. The Region also took actions beyond the recommendations in the flash report by hiring a management analyst and budget officer and developing a comprehensive database management system.

Although BIA collaborated with FHWA to conduct a follow-up review in July 2011 that verified these programmatic issues had been corrected, we were unable to determine how BIA considered this follow-up report as completely responsive to the recommendation.

A continuous systematic program monitoring plan with updates of all individual key processes and procedures is necessary to effectively study and determine the direction and emphasis of the program for the foreseeable future. This plan should institutionalize all these changes and perpetuate an environment of periodic program reassessment and improvement. Such a plan is still absent from the documentation provided and has not been developed by BIA. As such, we believe the actions completed to-date are insufficient to consider the recommendation resolved.

After reviewing the available documentation and contacting BIA officials, we conclude that Recommendation 7 has been resolved but not implemented and will be referred to PFM for tracking until the continuous systematic program monitoring plan is developed.

## **Conclusion**

We discussed the results of this review with BIA officials at an exit conference on May 3, 2012. BIA acknowledged our findings and concerns.

cc: Mike Black, Director, Bureau of Indian Affairs  
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