



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

The Bureau of Indian Education, the Bureau of Indian Affairs, and the Turtle Mountain Band of Chippewa Indians Need To Improve Accountability for Federal Funds

This is a revised version of the report prepared for public release.



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

SEP 29 2022

Memorandum

To: Tony Dearman
Director, Bureau of Indian Education

Bartholomew Stevens
Deputy Bureau Director-Field Operations, Bureau of Indian Affairs

From: Kathleen Sedney 
Assistant Inspector General for Audits, Inspections, and Evaluations

Subject: Final Audit Report – *The Bureau of Indian Education, the Bureau of Indian Affairs, and the Turtle Mountain Band of Chippewa Indians Need To Improve Accountability for Federal Funds*
Report No. 2020–CGD–001

This memorandum transmits our audit report on the three grant agreements between the Turtle Mountain Band of Chippewa Indians (TMBCI) and the Bureau of Indian Education (BIE) and the Bureau of Indian Affairs (BIA) between July 2017 and June 2019. Two of the grant agreements—Agreement Nos. A17AV00638 and A18AV00676—provided \$16 million to the TMBCI to operate the Turtle Mountain Community High School. The third, Agreement No. A14AV00789, provided \$4.3 million for school facilities improvement and repair. While the latter grant was open during our audit timeframe, no grant funds were expended during that period. We conducted this audit to determine whether agreement expenses were allowable and the TMBCI complied with applicable laws and regulations, BIE and BIA guidelines, and agreement terms and conditions.

The BIE responded to the report, but the BIA did not do so even after several extensions. We will refer Recommendations 1 through 4 to the Office of Policy, Management and Budget for resolution and implementation tracking and to report to us on their status. In addition, we will notify Congress about our findings, and we will report semiannually, as required by law, on actions you have taken to implement the recommendations and on recommendations that have not been implemented. We will also post a public version of this report on our website.

If you have any questions, please contact me at 202–208–5745.

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Results in Brief

What We Audited

The Bureau of Indian Education (BIE) awarded the Turtle Mountain Band of Chippewa Indians (TMBCI) \$16 million between July 2017 and June 2019 to operate the Turtle Mountain Community High School. Additionally, the Bureau of Indian Affairs (BIA) awarded the TMBCI \$4.3 million for facilities improvement and repair. We conducted this audit to determine whether expenses on three grant agreements between the TMBCI and the BIE and the BIA were allowable and whether the TMBCI complied with applicable laws and regulations, BIE and BIA guidelines, and agreement terms and conditions.

We reviewed \$1.6 million in costs charged to the BIE agreements. While the BIA agreement was open during our audit timeframe, no grant funds were expended during that period. We did, however, review a request to use excess funds from the BIA agreement.

What We Found

We found that the TMBCI did not fully comply with applicable laws and regulations. We also determined that the BIE did not consistently oversee the TMBCI agreements in accordance with applicable regulations and BIE and BIA guidelines and that the BIA was not responsive to requests from the TMBCI to find a use for excess funds.

Why This Matters

The TMBCI charged \$216,878 in unallowable costs to the agreements. The costs were unallowable because the funds the BIE provided can be used only for school operations. The TMBCI, however, used the funds for expenses such as information technology upgrades and Tribal Council members' salaries and could not provide support explaining how the charges supported school operations.

Separately, we identified a request to use \$120,943 in excess funds on an agreement; the funds remain unused due to delays and lack of communication between the TMBCI and the BIA.

What We Recommend

We make four recommendations to help the BIE and the BIA provide better oversight and ensure the TMBCI accounts for the funds it received from the Federal Government.

Introduction

Objective

We conducted this audit to determine whether agreement expenses were allowable and the Turtle Mountain Band of Chippewa Indians (TMBCI) complied with applicable laws and regulations, Bureau of Indian Education (BIE) and Bureau of Indian Affairs (BIA) guidelines, and agreement terms and conditions. We reviewed costs charged to Agreement Nos. A17AV00638 and A18AV00676 totaling \$1.6 million. We also reviewed a request to use excess funds on Agreement No. A14AV00789 (these funds do not expire, and the agreement remains open until funds are used or returned). See Appendix 1 for the audit scope and methodology.

Background

Belcourt School District No. 7 on the Turtle Mountain Reservation in Belcourt, ND, operates three schools (elementary, middle, and high). The BIE operates the elementary and middle schools, and the TMBCI operates the high school—Turtle Mountain Community High School—using grants from the BIE and the BIA for tribally controlled schools. The grant recipient is the TMBCI, which acts as a pass-through entity to provide funding to Belcourt School District No. 7. Our audit timeframe included the following agreements:

- Agreement No. A14AV00789 was issued to the TMBCI on July 23, 2014, for facilities improvement and repair for the Turtle Mountain community schools over multiple years.
- Agreement No. A17AV00638 was issued to the TMBCI on July 1, 2017, to operate the high school for the 2017–2018 school year (single-year funding).
- Agreement No. A18AV00676 was issued to the TMBCI on July 1, 2018, to operate the high school for the 2018–2019 school year (single-year funding).

The Belcourt community successfully initiated a petition for the North Dakota State Auditor’s Office rather than a private firm to complete the school district’s fiscal year 2019 single audit due to concerns about irregularities in how funds were spent. The North Dakota State Auditor’s Office completed the single audit on April 13, 2020. It identified a material weakness with possible conflicts of interest due to inadequate conflict of interest procedures, as well as material weaknesses with the school district’s purchasing policy and its lack of supporting documentation. In connection with these issues, we received a request from the then Chairman of the U.S. Senate Committee on Indian Affairs, who noted potential irregular bidding practices on a construction services contract and misappropriation of State funds and who raised concerns regarding Federal funds. We determined that no Federal funds were involved in these specific matters. Accordingly, we coordinated closely with State audit personnel, but we focused our review on Federal funding provided to the TMBCI from the BIE and the BIA.

Results of Audit

We found that the TMBCI charged \$216,878 in administrative costs to Agreement Nos. A17AV00638 and A18AV00676 to pay for TMBCI-specific expenses and information technology upgrades and 10 percent of each Tribal Council member's salary. The TMBCI did not provide support for how these expenditures related to the administration of Turtle Mountain Community High School. We also found that the TMBCI has \$120,943 in minor improvement and repair funds from Agreement No. A14AV00789 that it has been unable to use. See Appendix 2 for a summary of the monetary impact of these questioned costs.

The TMBCI Used Funds for Unrelated Costs—Questioned Costs of \$216,878

According to the plan of operations between the TMBCI and Belcourt School District No. 7, the TMBCI deposits, maintains, and disburses BIE and BIA funding in and from a TMBCI account earmarked for high school operations and tribal administrative costs.

From July 1, 2017, through June 30, 2019, the TMBCI charged \$1,855,811 for tribal administrative support costs to Agreement Nos. A17AV00638 and A18AV00676. The TMBCI is required to use administrative funds only for school operations—such as educational, residential, guidance and counseling purposes, or school-related administrative functions and support services.¹ However, we found that \$216,878 was used for TMBCI-specific expenses that did not benefit the Turtle Mountain Community High School, including information technology upgrades and repairs for the TMBCI finance office.

Additionally, the TMBCI charged 10 percent of each Tribal Council member's salary to the grant rather than charging the actual time the Tribal Council members spent on school administration. This occurred because the TMBCI had not implemented internal controls to ensure administrative costs claimed accurately recorded the time the Tribal Council spent on school operations.

Accordingly, as summarized in Figure 1, we question the \$216,878 as unallowable claimed costs.

¹ 25 U.S.C. § 2502(a)(3).

Figure 1: Tribal Administrative Costs Charged by the TMBCI

Use of Funds	Costs (\$) for A17AV00638	Costs (\$) for A18AV00676	Total Charged (\$)	Total Allowable (\$)	Total Unallowable (\$)
Retained by the TMBCI for:					
Tribal Council salaries	84,557	97,722	182,279	-	182,279
Equipment maintenance and repairs	-	15,079	15,079	-	15,079
Software maintenance and hosting	15,090	4,430	19,520	-	19,520
Audit and consultant fees	88,658	189,880	278,537	278,537	-
Passed Through to Belcourt School District No. 7 for:					
Administrative costs	667,327	693,068	1,360,395	1,360,395	-
Total	\$855,632	\$1,000,179	\$1,855,811	\$1,638,933	\$216,878

Recommendations
<p>We recommend that the BIE:</p> <ol style="list-style-type: none"> 1. Work with the Turtle Mountain Band of Chippewa Indians to resolve the questioned costs of \$216,878. 2. Require the Turtle Mountain Band of Chippewa Indians to develop and implement internal controls that will ensure administrative costs claimed support school operations.

The BIA Missed Opportunities To Reprogram Unused Funds—Funds To Put To Better Use of \$120,943

The TMBCI has \$120,943 in excess minor improvement and repair funds from Agreement No. A14AV00789 it has been unable to use because of processing delays and lack of communication between the TMBCI and the BIA. The BIA has not responded to requests from the TMBCI to use the excess funds, and the TMBCI has not updated its list of projects to reflect completion. These funds have gone unused for 7 years.

The BIA provides minor improvement and repair funds that can be used only to correct urgent deficiencies that cost less than \$250,000 at education, public safety, and justice facilities. When the tribes complete a project, excess funds can be used for other projects on the minor improvement and repair list with BIA approval. In providing these funds, the BIA Division of Facilities Management and Construction uses the Indian Affairs facilities management system (MAXIMO), which contains a current project list. To help administer this program, the MAXIMO system tracks projects costing between \$2,500 and \$250,000. The BIA conducts an annual safety inspection to identify and add eligible minor improvement and repair projects to the current project list. The BIA is responsible for ensuring data is accurate in the MAXIMO system.

The BIA provided \$120,943 to the TMBCI on July 23, 2014, to “change sprinkler system project and replace with vaporizer system project for the Ojibwa Indian School and replace sprinkler system heads through Turtle Mountain Middle School.” The TMBCI used other funds to pay for the sprinkler system project, and on October 3, 2016, the TMBCI identified the \$120,943 as excess funds and submitted a letter to the BIA requesting authorization to use the funds on various security door projects at the Turtle Mountain elementary and high schools. The BIA did not respond to this letter, and on January 24, 2018, the TMBCI asked the BIA to reprogram these funds to pay for generators for the elementary and high schools, an open project on the school’s current project list. The BIA did not respond to this request and instead funded the generator project with different funds in 2019. BIA officials told us they believed the inquiry represented a request for an example of a scope of work to use for a formal request.

When we asked why the BIA did not respond to the tribe’s requests and why the current project list had not been updated, the BIA told us that the TMBCI had not consistently notified the BIA when projects were complete or updated the MAXIMO system to reflect the project’s completion. As of January 25, 2022, although funded and completed, the generator project was listed as ongoing in the MAXIMO system, when it should be identified as completed. The excess funds held by the TMBCI (and identified in 2016) remain unused and could be put to better use on another project in the school’s current project list.

Recommendations
<p>We recommend that the BIA Division of Facilities Management and Construction:</p> <ol style="list-style-type: none">3. Work with the Turtle Mountain Band of Chippewa Indians to identify potential uses for the unspent \$120,943.4. Work with the Turtle Mountain Band of Chippewa Indians to update the current project list in the MAXIMO system.

Conclusion and Recommendations

Conclusion

We found the TMBCI claimed costs on two BIE and BIA agreements for which it was unable to provide support that the expenses were directly related to school operations, resulting in \$216,878 in questioned costs. This occurred because the TMBCI had not implemented internal controls to ensure administrative costs claimed accurately recorded the time the Tribal Council spent on school operations.

In addition, the BIA was not responsive to requests from the TMBCI to find a use for excess funds, resulting in \$120,943 in funds that could be put to better use (because they have gone unused). The TMBCI has been unable to use these funds because of processing delays and lack of communication between the TMBCI and the BIA.

We make four recommendations to help the BIE and the BIA provide better oversight and ensure the TMBCI accounts for the funds it received from the Federal Government.

Recommendations Summary

We provided a draft of this report to the BIE and the BIA for review. The BIE concurred with Recommendations 1 and 2, and we consider both recommendations resolved but not implemented. See Appendix 3 for the full text of the BIE's response. The BIA did not provide a response to the draft report by our original due date or after we granted the BIA's requests for extensions. Therefore, we consider Recommendations 3 and 4 unresolved. Appendix 4 lists the status of each recommendation.

We recommend that the BIE:

1. Work with the Turtle Mountain Band of Chippewa Indians to resolve the questioned costs of \$216,878.

BIE Response: The BIE concurred with the recommendation and stated its budget and finance staff will engage with the TMBCI to resolve the questioned costs.

OIG Comment: Based on the BIE response, we consider Recommendation 1 resolved but not implemented. We note that the BIE did not provide a target date for implementation, and the BIE should work with the Office of Policy, Management and Budget (PMB) to establish target dates as appropriate.

2. Require the Turtle Mountain Band of Chippewa Indians to develop and implement internal controls that will ensure administrative costs claimed support school operations.

BIE Response: The BIE concurred with the recommendation and stated its budget and finance staff will engage with the TMBCI to develop and implement internal controls to ensure BIE funds are appropriately expended.

OIG Comment: Based on the BIE response, we consider Recommendation 2 resolved but not implemented. We note that the BIE did not provide a target date for implementation, and the BIE should work with the PMB to establish target dates as appropriate.

We recommend that the BIA Division of Facilities Management and Construction:

3. Work with the Turtle Mountain Band of Chippewa Indians to identify potential uses for the unspent \$120,943.

BIA Response: The BIA did not respond to the recommendation.

OIG Comment: We consider Recommendation 3 unresolved.

4. Work with the Turtle Mountain Band of Chippewa Indians to update the current project list in the MAXIMO system.

BIA Response: The BIA did not respond to the recommendation.

OIG Comment: We consider Recommendation 4 unresolved.

Appendix 1: Scope and Methodology

Scope

Our audit scope included \$13.86 million in costs claimed by the Turtle Mountain Band of Chippewa Indians (TMBCI) and Belcourt School District No. 7, under two separate agreements—Nos. A17AV00638 and A18AV00676—with the Bureau of Indian Education (BIE) and the Bureau of Indian Affairs (BIA) between July 1, 2017, and June 30, 2019. We also reviewed a reprogramming request on Agreement No. A14AV00789, but no funds were spent during the period reviewed. We reviewed 389 transactions charged to Agreements Nos. A17AV00638 and A18AV00676 totaling \$1.6 million. No costs were incurred for Agreement No. A14AV00789 during our audit timeframe. As part of our audit, we reviewed the TMBCI's and Belcourt School District No. 7's compliance with applicable laws and regulations, BIE and BIA guidelines, and agreement terms and conditions.

Methodology

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We assessed whether internal control was significant to the audit objective. We determined that the TMBCI's and Belcourt School District No. 7's control activities and the following principles were significant to the audit objectives:

- Principle 10: Management should design control activities to achieve objectives and respond to risks.
- Principle 12: Management should implement control activities through policies.

We tested the operation and reliability of internal controls over activities related to our audit objectives. Our tests and procedures included:

- Reviewing the *Standards for Internal Control in the Federal Government's* 5 components and 17 principles of an effective internal control system.
- Reviewing the Code of Federal Regulations pertaining to claimed costs (2 C.F.R. § 200).
- Reviewing the terms and conditions for Agreement Nos. A17AV00638, A18AV00676, and A14AV00789 and Belcourt School District No. 7's policies and procedures.

- Reviewing the TMBCI's and Belcourt School District No. 7's single audit reports for fiscal years 2017 and 2018.
- Gathering background information on the TMBCI's and Belcourt School District No. 7's work and mission.
- Interviewing officials, including BIE, BIA, and TMBCI and Belcourt School District No. 7 management and staff.
- Reviewing evidence that supports selected expenditures charged to the agreements.

We found deficiencies in internal control resulting in two findings related to unallowable charges and unused funds.

We relied on computer-generated data from the TMBCI's and Belcourt School District No. 7's accounting systems for cost information and to select audit samples of payroll and other direct costs.

To assess the reliability of computer-generated data, we obtained copies of Belcourt School District No. 7's general ledger from its accounting system and compared the dates and figures in the ledger to source documents. We also reviewed the source documents against information in the general ledger to determine whether facts, dates, and figures were accurate and complete. We also interviewed responsible parties at the TMBCI, Belcourt School District No. 7, the BIE, and the BIA to determine whether the information reviewed to answer our audit objective and report on our audit findings was reliable.

To test payroll costs and nonpayroll direct costs, we selected a judgmental sample of 389 transactions totaling \$1.6 million claimed by the TMBCI and Belcourt School District No. 7 under Agreement Nos. A17AV00638 and A18AV00676. These expenditures represented 9.8 percent of the total amount provided by the agreements as of June 30, 2019. For the two agreements, using a statistical information system, we randomly selected a sample of transactions from the highest percentage of expense categories. We then reviewed source documents supporting the transactions, including paystubs, vendor invoices and receipts, and purchase orders. Because we selected audit samples for testing on a judgmental rather than statistical basis, we did not project the results of our testing to the total population of recorded transactions. The figure on the next page summarizes what we reviewed for each agreement.

**Number and Value of Transactions for Each Agreement and
Number and Value of Sample Selected From Each Agreement**

Agreement No.	Universe		Sample		OIG Reviewed	
	Transactions	Value (\$)	Transactions	Value (\$)	% of Transactions	% of Value
A18AV00676	2,193	8.01 million	146	0.6 million	6.7	7.7
A17AV00638	3,359	7.95 million	243	1 million	7.2	11.8
Totals	5,552	\$16 million	389	\$1.6 million	6.9%	9.8%

Appendix 2: Monetary Impact

The audit period included \$13.86 million in costs claimed under two separate agreements—Nos. A17AV00638 and A18AV00676—between July 1, 2017, and June 30, 2019. While Agreement No. A14AV0079 was open during our audit timeframe, no grant funds were expended during that period. We questioned \$216,878 as unallowable costs and identified \$120,943 as funds that could be put to better use.

Grant No.	Questioned Costs Unallowable (\$)	Funds To Be Put To Better Use (\$)
A18AV00676	99,647	-
A17AV00638	117,231	-
A14AV00789	-	120,943
Totals	\$216,878	\$120,943

Appendix 3: Response to Draft Report

The Bureau of Indian Education's response to our draft report follows on page 13. As noted previously, the Bureau of Indian Affairs did not respond.



UNITED STATES DEPARTMENT OF THE INTERIOR
 Bureau of Indian Education
 1849 C Street NW, MIB-3610
 Washington, DC 20240

August 19, 2022

Ms. Kathleen R. Sedney
 Assistant Inspector General for Audits, Inspections, and Evaluations

Dear Ms. Sedney,

Thank you for providing the Bureau of Indian Education (BIE) the opportunity to review and BIEEducation, *The Bureau of Indian Affairs, and the Turtle Mountain Band of Chippewa Indians Need to Improve Accountability for Federal Funds (2020-CGD-001)*. We appreciate OIG's evaluation of the BIE's administration of federal funds with the Turtle Mountain Band of Chippewa Indians (TMBCI).

In the report the OIG issues two recommendations to the BIE as part of its findings to improve the administration and oversight of TMBCI's education funding. Below is a summary of the BIE's concurrence with both recommendations, as well as a brief summary of planned actions to implement each.

Recommendation 1: Work with the Turtle Mountain Band of Chippewa Indians to resolve the questioned costs of \$216,878.

Response: Concur

BIE budget and finance staff within the School Operations Division will engage with TMBCI to resolve the \$216,878 in questioned costs.

Recommendation 2: Require the Turtle Mountain Band of Chippewa Indians to develop and implement internal controls that will ensure administrative costs claimed support school operations.

Response: Concur

BIE budget and finance staff within the School Operations Division will engage with TMBCI to develop and implement a comprehensive set of internal controls designed to ensure that BIE funds are appropriately expended.

If you have any questions, or need additional information, please contact Ms. Ventura Lovato, BIE Chief Performance Officer (Acting) at [REDACTED].

TONY DEARMAN Digitally signed by TONY
DEARMAN
Date: 2022.08.19 12:57:33 -04'00'

Tony L. Dearman
Director
Bureau of Indian Education

Appendix 4: Status of Recommendations

Recommendation	Status	Action Required
1-2	Resolved but not implemented	We will refer these recommendations to the Assistant Secretary for Policy, Management and Budget (PMB) to track implementation.
3-4	Unresolved	We will refer these recommendations to the PMB for resolution.



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