



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

**AUDIT OF CONTRACT NOS.
RI1AV60120 AND RI2AV60002
BETWEEN THE BUREAU OF
RECLAMATION AND THE CROW TRIBE**

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



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

Memorandum

To: Michael S. Black
Great Plains Regional Director, Bureau of Reclamation

From: Chris Stubbs *Chris Stubbs*
Director, Office of Financial and Contract Audits

Subject: Final Report – Audit of Contract Nos. R11AV60120 and R12AV60002 Between
the Bureau of Reclamation and the Crow Tribe
Report No. 2017-FIN-040

This memorandum transmits the results of our audit of the Crow Tribe's interim costs incurred on Contract Nos. R11AV60120 and R12AV60002 with the Bureau of Reclamation (USBR).

We found that the Tribe did not track and report its use of Federal funds in accordance with the contract terms, applicable Federal laws and regulations, and USBR guidelines, and that the USBR did not oversee the contracts in accordance with applicable Federal laws and regulations and USBR guidelines. These issues caused us to question \$12,808,434 in costs claimed under the contracts.

In its response to our draft report, the USBR concurred with 5 of our 12 recommendations. It also partially concurred with the remaining 7 recommendations, which require the Tribe to take some action. Based on the USBR's response, we consider all of our recommendations resolved but not implemented, and we will refer them to the Assistant Secretary for Policy, Management and Budget to track their implementation.

The legislation creating the Office of Inspector General requires that we report to Congress semiannually on all audit, inspection, and evaluation reports issued; actions taken to implement our recommendations; and recommendations that have not been implemented.

If you have any questions regarding this report, please call me at 202-208-5745.

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Results in Brief

We audited two contracts (Nos. R11AV60120 and R12AV60002) between the Crow Tribe and the Bureau of Reclamation (USBR) to determine whether (1) the Tribe tracked and reported its use of Federal funds in accordance with contract terms, applicable Federal laws and regulations, and USBR guidelines; and (2) the USBR oversaw the contracts in accordance with applicable Federal laws and regulations and USBR guidelines. The two contracts are intended to fund various projects and improvements to tribal water systems. For this audit, we tested \$13,835,511 of the \$20,999,510 in interim costs the Tribe claimed under the contracts between October 1, 2014, and March 31, 2017.

We determined that the Tribe did not track and report its use of Federal funds in accordance with contract terms, applicable Federal laws and regulations, and USBR guidelines. Specifically, the Tribe did not:

- Record the contracts' expenses accurately and submit these expenses to the USBR in timely, complete, and accurate quarterly Federal Financial Reports
- Submit the required single audit for the fiscal year ending September 30, 2016, by the deadline specified in Federal laws and regulations
- Track the equipment purchased under the contracts, some of which was discovered to be missing
- Track the claimed costs associated with the contracts

In addition, we determined that the USBR did not oversee the contracts in accordance with applicable Federal laws and regulations and USBR guidelines. The USBR did not verify, as it should have, the Tribe's process for transferring contract funds from the U.S. Treasury to the special tribal bank accounts established for the funds, and we determined that the Tribe had set up the transfers incorrectly. This enabled the Tribe to use designated contract funds for unallowable expenses.

As a result of these issues, we questioned \$12,808,434 in claimed costs that we determined were not allocable and allowable to the contracts. This amount comprised \$246,000 for missing equipment, \$7,790,434 in unsupported costs, and \$4,772,000 in unallowable costs.

We make 12 recommendations to help the USBR resolve the questioned costs and better oversee the contracts.

Introduction

Objectives

Our audit of two contracts (Contract Nos. R11AV60120 and R12AV60002) between the Crow Tribe and the Bureau of Reclamation (USBR) focused on two objectives:

1. Did the Tribe track and report its use of Federal funds in accordance with contract terms, applicable Federal laws and regulations, and USBR guidelines?
2. Did the USBR oversee the contracts in accordance with applicable Federal laws and regulations and USBR guidelines?

Appendix 1 includes the details of our audit scope and methodology.

Background

The USBR awarded these Indian Self-Determination and Education Assistance Act of 1975 (Pub. L. 93-638) contracts under the Water Rights Settlement (Pub. L. 111-291). The contracts were intended to fund projects to complete the rehabilitation of the Crow Irrigation Project (CIP) and the construction of a municipal, rural, and industrial (MR&I) water system. The USBR awarded the CIP contract (R11AV60120) for September 2011 through September 2021 and the MR&I contract (R12AV60002) for August 2012 through September 2022.

The USBR obligated \$99,467,657 for the CIP contract and \$161,955,713 for the MR&I contract. The contract terms state that each contract's funds are to be deposited into a special tribal bank account, from which they are to be transferred into the Tribe's operations account until they are needed for expenses incurred under the contracts.

The Tribe withdrew funds on a reimbursable basis (meaning the USBR reimbursed the Tribe for costs after they were incurred) until January 2014, when it requested and received advances of funds on both contracts per Pub. L. 93-638. As of March 2017 (the end of the period we reviewed for this audit), the Tribe had withdrawn \$23,693,228 for the CIP contract and \$11,488,505 for the MR&I contract.

Findings

We tested \$13,835,511 of the \$20,999,510 in interim costs the Tribe claimed under the contracts between October 1, 2014, and March 31, 2017, and determined that the Tribe did not track and report its use of Federal funds in accordance with contract terms, applicable Federal laws and regulations, and USBR guidelines. Specifically, the Tribe did not:

- Track the contracts' expenses accurately and submit these expenses to the USBR in timely, accurate, and complete quarterly Federal Financial Reports (Standard Form (SF) 425)
- Submit a completed single audit¹ for the fiscal year ending September 30, 2016 by the deadline specified in Federal laws and regulations
- Track the equipment purchased under the contracts
- Track the claimed costs associated with the contracts

In addition, we determined that the USBR did not oversee the contracts in accordance with applicable Federal laws and regulations and USBR guidelines. See Appendix 2 for a table showing the monetary impact of our findings.

Insufficient Tribal Tracking and Reporting of Federal Funds

We found that the Tribe did not consistently submit the reports required under the contract terms on time, and the reports it did submit were often incomplete or inaccurate. In addition, the Tribe's documentation of its equipment and expenses was often incomplete or missing altogether.

Timely, Complete, and Accurate SF-425 Reports Not Submitted

The contracts' reporting requirements state that SF-425s and reports on progress made under the contracts must be submitted to the USBR no later than 30 days after the end of each quarterly reporting period (reporting periods end on December 31, March 31, June 30, and September 30). The SF-425s must include sufficient supporting documents to reconcile the information being reported, and must serve as an accurate accounting of the expenses claimed.

For the period we reviewed, however, we found that most of the Tribe's SF-425s were submitted late or were incomplete. For example, in the SF-425s for September 30, 2016, December 31, 2016, and March 31, 2017, we found the following:

¹ A single audit is an annual audit by an outside organization of the Tribe's financial statements and compliance-related internal controls.

- The Tribe did not submit these SF-425s until May 9, 2017, past the 30-day deadline for each reporting period.
- The Tribe did not submit the proper supporting documentation, including the required progress reports, for these SF-425s.

In addition, we found that the SF-425s submitted to USBR were inaccurate. For example, the bank balance amounts listed in all three of these SF-425s differed from the amounts listed in other records in the Tribe’s accounting system. After reviewing and reconciling these SF-425s, the USBR noted discrepancies between the balances listed in the SF-425s, the balances shown in the Tribe’s general ledger, and the balances listed in the actual bank statements. We reconciled each SF-425 ourselves and noted the same discrepancies (Figure 1).

End of Quarterly Review Period	Balance From General Ledger	Balance From Bank Statements	Balance From SF 425
September 30, 2016	\$242,064,561	\$236,664,089	\$240,387,097
December 31, 2016	239,059,367	234,417,502	238,981,994
March 31, 2017	238,725,294	234,304,486	239,545,613

Figure 1. Bank account balances as listed in three tribal accounting records.

These discrepancies totaled \$5,400,473 for the September 30 report; \$4,641,865 for the December 31 report; and \$4,420,808 for the March 31 report.

Our review of the SF-425 for the period ending March 31, 2017, also revealed that although the cumulative total costs claimed from October 1, 2014, through March 31, 2017 (the period of our audit), was listed as \$21,170,127, the Tribe’s general ledger listed costs of \$20,999,510—a difference of \$170,617. Tribal officials stated that they did not know why the amounts were different.

These issues demonstrate that the Tribe does not have the necessary internal controls to properly report its costs and to reconcile its records with the SF-425s. We conclude that the Tribe’s accounting system is unable to ensure that all program income and expenses are properly allocated. For example:

- The Tribe paid subcontractor and vendor invoices without documenting how the money was spent.
- The contract deliverables were not specified in the contracts.

- The Tribe did not segregate accounting duties; one employee was doing all of the financial reporting and entering all of the financial records in the accounting system.
- The Tribe’s personnel did not know how to reconcile the SF-425s with the accounting system.

Recommendations

We recommend that the USBR:

1. Ensure that the Tribe completes and submits timely, complete, and accurate SF-425s
2. Ensure that the Tribe implements an accounting system that tracks all program income and expenses and report them in an SF-425
3. Train the Tribe’s staff on how to reconcile SF-425s

Fiscal Year 2016 Single Audit Not Completed on Time

Pursuant to Office of Management and Budget (OMB) Circular A-133, as a recipient of funds under a contract with a Federal agency, the Tribe must submit a single audit every year to the OMB’s Federal Audit Clearinghouse within 9 months of the end of the tribal fiscal year (September 30). The Tribe should have submitted a single audit for the 2016 fiscal year by June 30, 2017, but it did not submit one until April 24, 2018.

Because the Tribe failed to submit its single audit for fiscal year 2016 on time and because internal control and material weaknesses were reported in single audits for previous years, the USBR designated the Tribe as a “high risk” funding recipient on September 14, 2017. The USBR has also stopped giving the Tribe its annual contract funds in advance; the disbursement of the funds is currently restricted to reimbursing the Tribe’s costs.

Recommendation

We recommend that the USBR:

4. Work with the Tribe to help it submit its single audits within the required timeframes

Equipment Not Tracked

The Tribe's *Finance Manual* states that the Tribe needs to record its assets in its accounting system so that the assets can be depreciated. We found, however, that the Tribe's inventory of equipment it purchased under the contracts was incomplete. The Tribe's inventory listed 28 pieces of equipment, including a semi-trailer truck, pickup trucks, SUVs, dump trucks, trailers, and ATVs. While onsite during our fieldwork, we did our own inventory and could not locate five pickup trucks, two trailers, and one SUV. Tribal employees stated that they did not know where the equipment was. We are therefore questioning the \$246,000 the Tribe claimed for the purchase of this equipment. The general ledger also lists eight other pieces of equipment, costing a total of \$697,406 (including \$246,772 for an excavator), that the Tribe paid for with contract funds but that were not listed in the Tribe's inventory.

In addition to requiring an equipment inventory, the *Finance Manual* states that when a Federal agency awards the Tribe a contract, the agency must give prior written approval for capital expenditures, including equipment purchases that exceed \$5,000. Despite this requirement, the Tribe did not ask the USBR to approve the purchase of all pieces of equipment that were listed in its general ledger and on the Tribe's inventory list.

Recommendations

We recommend that the USBR:

5. Ensure that the Tribe completes and maintains an accurate equipment listing
6. Ensure that the Tribe locates all missing equipment
7. Resolve the \$246,000 in questioned costs for the missing equipment
8. Ensure that the Tribe gets appropriate approval, per its *Finance Manual*, before making capital expenditures

Payments and Internal Transactions Unsupported

Unsupported payments are payments that do not have the required supporting documentation (such as detailed receipts or itemized invoices) describing the goods and services on which the money was spent. Although we requested supporting documentation numerous times during our two site visits and in emails to the Tribe's finance and legal departments and its chairperson, the Tribe could not provide any of the required supporting documentation for the payments it made to subcontractors and vendors. Therefore, we are questioning as unsupported the \$6,508,242 the Tribe paid to subcontractors and the \$1,030,382 it paid to vendors.

Payments to Subcontractors

We sampled 103 of 267 payments that the Tribe made to subcontractors for engineering and other work, for a total sample of \$10,190,929 in transactions. In that sample, we identified \$6,508,242 in unsupported costs.

Each invoice shows a total amount, or part of a total amount, paid to a subcontractor for completing a project or part of a project. None of the invoices, however, describe the projects' deliverables or purposes, nor do they indicate which contract a project is associated with (see Figure 2 for an example). We question all of these payments because they do not provide the necessary support for the expenditures.

BARTLETT & WEST		Invoice	
SERVICE. THE BARTLETT & WEST WAY.			
3466 East Century Avenue Bismarck, ND 58503-0737 701.258.1110 FAX 701.258.1111 F.E.I.N. 48-0770612			
[Redacted] Apsaalooke Crow Tribe P O Box 159 Bacheeitcha Avenue Crow Agency, MT 59022		August 11, 2015 Project No: 018191.034 Invoice No: 00730052450	
Project	018191.034	*Crow Tribe-CIP Wyola 400 Lateral-Design	
Professional Services from June 27, 2015 to July 24, 2015			
Fee			
Total Fee	147,175.00		
Percent Complete	46.883	Total Earned	69,000.00
		Previous Fee Billing	0.00
		Current Fee Billing	69,000.00
		Total Fee	69,000.00
Taxes			
TERO Tax		1.50 % of 69,000.00	1,035.00
Total Taxes			1,035.00
		Total this Invoice	\$70,035.00

Figure 2. Example subcontractor invoice from 2015, listing only "professional services."

Payments to Vendors

Out of \$2,008,049 the Tribe paid to vendors for goods and services under the contracts, we identified \$1,030,382 in unsupported costs. The invoices for these goods and services should have included the direct costs associated with the contract, and these costs should have been allowable, allocable, and reasonable.

The Tribe also had no supporting documentation for the remaining \$965,666 paid to vendors for capital expenditures associated with the contracts. We found that transactions of more than \$5,000 for major equipment and contractor services did not have any contracts in place, as required by the Tribe's *Finance Manual*. The *Finance Manual's* policies and procedures for the purchase of major equipment

and contractor services were established to ensure that the Tribe avoids purchasing unnecessary items and that it has, where appropriate, analyzed lease and purchase options to determine which would be most economical and practical for the Tribe. The *Finance Manual* also states that the Federal awarding agency must give prior written approval for capital expenditures of more than \$5,000 (such as the eight pieces of equipment we described earlier in this report), but the Tribe has not requested approval from the USBR for any of the capital expenditures listed in the questioned costs.

Unsupported Internal Transactions

Internal transactions are journal entries in the general ledger recording the transfer of expenses from one account to another. Unsupported internal transactions do not have corresponding documentation that show why they were made. The Tribe could not provide support for \$251,810 in internal transactions. Therefore, we are questioning these costs as well.

We found journal entries in the Tribe's general ledger that showed \$1,636,534 in internal transactions. Of that amount, the Tribe was unable to provide an original invoice or documents to support the \$251,810 of these transactions, which included direct and indirect costs (including payroll). As supporting documentation, the Tribe provided journal entries showing the direct and indirect costs that had been moved from one account to another. We do not consider these journal entries proper supporting documentation, however, because the original invoices (those that were charged to the original account) were not included to show why the expenses were transferred.

We found that the unsupported costs occurred because the Tribe did not manage the contracts due to internal control weaknesses in its finance department. We learned from tribal officials that the Tribe's administration hired a contractor to help fix longstanding problems with tribal accounting records; this contractor managed the finance department from December 2016 to July 2017, but the contract was terminated because the contractor did not know how to manage Federal contracts and the associated accounting records. After this, tribal officials explained, the Tribe had no staff with the expertise needed to properly record expenses and supporting documentation.

Recommendation

We recommend that the USBR:

9. Require that the Tribe maintain supporting documentation for claimed costs
10. Resolve the \$7,790,434 in questioned costs for unsupported transactions

Insufficient USBR Oversight of Federal Funds

The USBR did not oversee the contracts in accordance with applicable Federal laws and regulations and USBR guidelines. Specifically, the USBR did not verify that the contract funds were being transferred correctly from the U.S. Treasury to the special tribal bank accounts established for the funds.

As we stated previously, the USBR obligated \$99,467,657 and \$161,955,713 for the CIP and MR&I contracts, respectively. Under the contract terms, the annual funds for each contract were supposed to be deposited via wire transfer from the Treasury into special tribal bank accounts, where they would earn interest that the Tribe could use to pay contract project costs. To ensure that the funds would stay in the special tribal accounts earning interest until needed, the USBR and the Tribe executed a joint agreement requiring signatures from both parties to withdraw funds from the accounts. When the Tribe needed funding for a project under one of the contracts, it was to submit a request to the USBR; the USBR was to then authorize the release of funds from the relevant contract's special tribal account to the Tribe's operations account, where the funds would remain under the Tribe's sole control until they were spent on project costs.

Instead of setting up the Treasury's electronic payment system so that funds would be transferred directly into the special tribal bank accounts as required, the Tribe set up the transfers to go into its operations account. From that account it could transfer money into the special tribal bank accounts without USBR approval. The funds had been transferred in this way since the Tribe set up the transfers in 2011 and 2012, but the USBR never discovered the error because it never reviewed the transfers to verify that they were set up correctly.

During our audit, the USBR informed us that the Treasury had sent the Tribe its 2017 annual funding for the contracts—\$12,772,000—but the Tribe transferred only \$8,000,000 from its operations account to the special tribal bank accounts. It kept the remaining \$4,772,000 in the operations account and used it to pay business expenses unrelated to the contracts. This was a misuse of the funds, as the Tribe spent them without first modifying the contracts to include the business expenses. Therefore, we are questioning this \$4,772,000 as unallowable.

The USBR asked the Tribe to transfer the \$4,772,000 into the special tribal bank accounts, but the Tribe stated that it had spent the money and it did not have any money of its own to transfer into the accounts. The Tribe asked instead to be put on a repayment plan, and it is currently discussing with the USBR how to repay the money. The USBR is also working with the Tribe's finance department to ensure that annual funding is transferred directly into the special tribal bank accounts in the future.

Recommendation

We recommend that the USBR:

- I 1. Require the Tribe to set up the Treasury's electronic payment to be transferred directly into the Tribe's special tribal bank accounts
- I 2. Resolve the \$4,772,000 in unallowable costs

Conclusion and Recommendations

Conclusion

When entering into a contract with the Government, a contractor must have accounting systems and procedures in place to ensure that contract funds are protected and that contract expenses are allowable, allocable, and reasonable. If the contractor does not have such systems and procedures in place, contract costs cannot be tracked and the Government risks misuse and loss of funds.

Our review of costs the Crow Tribe claimed under Contract Nos. R11AV60120 and R12AV60002 revealed that the Tribe did not track and report its use of Federal funds in accordance with contract terms, applicable Federal laws and regulations, and USBR guidelines, and that the USBR did not oversee the contracts in accordance with applicable Federal laws and regulations. As a result, the Tribe could not support expenses claimed under the contracts, could not locate equipment purchased with contract funds, and spent contract funds on unallowable expenses.

The recommendations we make in this report will help the USBR provide better oversight for the Tribe, improve the accuracy of the Tribe's required reports, and help the Tribe track project costs and meet its other contract requirements.

Recommendations Summary

We recommend that the USBR:

1. Ensure that the Tribe completes and submits timely, complete, and accurate SF 425s
2. Ensure that the Tribe implements an accounting system that tracks all program income and expenses and report them in an SF-425
3. Train the Tribe's staff on how to reconcile SF-425s
4. Work with the Tribe to help it submit its single audits within the required timeframes
5. Ensure that the Tribe completes and maintains an accurate equipment listing
6. Ensure that the Tribe locates all missing equipment
7. Resolve the \$246,000 in questioned costs for the missing equipment
8. Ensure that the Tribe gets appropriate approval, per its *Finance Manual*, before making capital expenditures

9. Require that the Tribe maintain supporting documentation for claimed costs
10. Resolve the \$7,790,434 in questioned costs for unsupported transactions
11. Require the Tribe to set up the Treasury's electronic payment to be transferred directly into the Tribe's special tribal bank accounts
12. Resolve the \$4,772,000 in unallowable costs

We provided the USBR a draft version of this report to review and respond to our recommendations. In its response, the USBR partially concurred with Recommendation Nos. 1, 2, 5, 6, and 8—all of which required the Crow Tribe to take some action—and concurred with 3, 4, 7, and 9 through 12. It also explained the actions it had already taken or planned to implement the recommendations and provided its deadlines and the name of the official responsible for the implementation. We have included the USBR's response as Appendix 3 of this report.

Based on the response, we determined that all 12 recommendations are resolved but not implemented. A table showing their status is included as Appendix 4.

Appendix I: Scope and Methodology

Scope

We focused on the Crow Tribe's claimed costs incurred under Contract Nos. R11AV60120 and R12AV60002 with the Bureau of Reclamation (USBR). We reviewed costs claimed by the Tribe from October 1, 2014, through March 31, 2017. As part of our audit, we reviewed the Tribe's compliance with contract terms and conditions, applicable Federal regulations, and USBR policies and procedures. We conducted our fieldwork from April 2017 through October 2017.

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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. To accomplish our objectives, we:

- Interviewed the USBR awarding official's technical representative
- Interviewed the Tribe's employees and other appropriate individuals
- Reviewed required reports and cash management practices
- Reviewed the Code of Federal Regulations pertaining to claimed costs
- Reviewed support for the Tribe's claimed costs, including direct costs, indirect costs (overhead), and general and administrative expenses
- Reviewed the Tribe's three most recent Office of Management and Budget single audit reports
- Reviewed the contracts for compliance requirements
- Reviewed the supporting documentation related to the Tribe's compliance
- Reviewed the Tribe's policies and procedures for its management and accounting system
- Visited the Crow Indian Reservation, headquartered in Crow Agency, MT

We also evaluated the internal controls over transactions recorded in the Tribe's accounting and payroll systems and tested the systems' operation and reliability.

We did not project the results of the tests to the total population of recorded transactions.

To test the accuracy of the computer-generated general ledger provided by the Tribe, we performed several analytical tests on the data. We relied on computer-generated data to verify expenditures the Tribe made.

Appendix 2: Monetary Impact

Description	Claimed Costs Sampled	Questioned Costs	Revised Claimed Costs
Missing Equipment			
Equipment Inventory	\$1,344,000	\$246,000	\$1,098,000
Subtotal	\$1,344,00	\$246,000	\$1,098,000
Unsupported Payments			
Subcontractors	\$10,190,929	\$6,508,242	\$3,682,687
Vendors	2,008,049	1,030,382	977,667
Subtotal	\$12,198,977	\$7,538,624	\$4,660,354
Unsupported Internal Transactions			
Adjusted journal entries	\$1,606,032	\$245,716	\$1,360,316
Payroll	30,502	6,094	24,408
Subtotal	\$1,636,534	\$251,810	\$1,384,724
Unallowable Costs			
Unallowable costs	\$4,772,000	\$4,772,000	\$0
Subtotal	\$4,772,000	\$4,772,000	\$0
Total Cost to USBR	\$19,951,511	\$12,808,434	\$7,143,078
Total Questioned Costs		\$12,808,434	

Appendix 3: Bureau's Response

The Bureau of Reclamation's response to our draft report follows on page 17.



United States Department of the Interior
BUREAU OF RECLAMATION
Washington, DC 20240

IN REPLY REFER TO:
84-27410
4.4.13

VIA ELECTRONIC MAIL ONLY

MEMORANDUM

To: Office of the Inspector General
Attn: Assistant Inspector General for Audits,
Inspections, and Evaluations

Through: Timothy R. Petty, Ph.D.
Assistant Secretary
for Water and Science

AUG 14 2018

From: Brenda Burman
Acting For Commissioner

AUG 14 2018

Subject: The Bureau of Reclamation's Response to the Office of Inspector General (OIG)
Audit of Contract Nos. R11AV60120 and R12AV60002 Between the Bureau of
Reclamation and the Crow Tribe, Report No. 2017-FIN-040

The OIG, in its June 27, 2018, Draft Report – Audit of Contract Nos. R11AV60120 and R12AV60002 between the Bureau of Reclamation and the Crow Tribe, Report No. 2017-FIN-040, requested Reclamation inform the OIG of the planned course of action to address and implement the recommendations in the subject report. The requested information is attached.

If you have any questions or require additional information, please contact Ms. Elizabeth Cordova-Harrison, Director, Mission Support Organization, at [REDACTED].

Attachment

cc: ASWS

Attn: Kerry Rae, Travis Yonts
94-00000 (GPayne, AShepet), 96-00000 (MMAucieri, DPalumbo), 96-43200 (KTitensor)
84-27000 (SDeMarco), 84-27400 (reading file), 84-27410 (BAIberty, PClemens, AHartman),
84-27820 (HHirshman, ASkerl), 86-43200 (VCook)
GP-3300 (PRohde, MScanson)
(w/att to each)

Bureau of Reclamation's Response to
Office of Inspector General (OIG) Draft Report
*Audit of Contract Nos. R11AV60120 and R12AV60002 Between
The Bureau of Reclamation and the Crow Tribe*
Report No. 2017-FIN-040

July 2018

General Comments: At this time, as evidenced by the FY2016 audit report and information obtained from the Tribe's Certified Public Accountants (CPA) firm indicates there are numerous fiscal year (FY) 2016 corrections and adjusting entries outstanding that would have a negative impact on the accuracy of reports produced until those entries are completed. As of June 30, 2018, the entries had not yet been made to the accounting system. The FY 2017 single audit has not been conducted as the Tribe has three (3) proposals for CPA firms outstanding, but has not made a selection to date. Reclamation will continue to monitor the situation and will work with the Tribe's staff, as requested, when reliable data becomes available.

Response to OIG Recommendations

Recommendation 1: Ensure that the Tribe completes and submits timely, complete, and accurate SF-425s.

Reclamation's Response: Partially concur. Reclamation will monitor the submission of SF-425s and provide technical assistance in preparing the reports, as requested by the Tribe, when accounting data has been made current. Due to significant delinquency in the financial status reporting, Reclamation is currently delaying payments to the Tribe under the applicable contractual clauses.

Responsible Official: Michael S. Black, Great Plains Regional Director

Target Implementation Date: March 31, 2019

Recommendation 2: Ensure that the Tribe implements an accounting system that tracks all program income and expenses and report them in an SF-425.

Reclamation's Response: Partially concur. The accounting system in use with the Crow Water Rights Settlement Act (Settlement) projects is a centralized system to the Tribal government. Reclamation's authority to require changes to the system is limited. Reclamation will work with the Tribe to identify program income and expenses and to report them appropriately.

Responsible Official: Michael S. Black, Great Plains Regional Director

Target Implementation Date: March 31, 2019

Recommendation 3: Train the Tribe's staff on how to reconcile SF-425s.

Reclamation's Response: Concur. Reclamation has offered, and will continue to offer, technical assistance with administration and financial management of the Settlement projects.

Responsible Official: Michael S. Black, Great Plains Regional Director

Target Implementation Date: March 31, 2019

Recommendation 4: Work with the Tribe to help it submit its single audits within the required timeframes.

Reclamation's Response: Concur. Reclamation will continue to monitor this situation and remind the Tribe periodically of the need to complete the audit. Due to significant delinquency in the single audit submission and financial status reporting, Reclamation is currently delaying payments to the Tribe under the applicable contractual clauses.

Responsible Official: Michael S. Black, Great Plains Regional Director

Target Implementation Date: March 31, 2019

Recommendation 5: Ensure that the Tribe completes and maintains an accurate equipment listing.

Reclamation's Response: Partially concur. Recent meetings with the Tribal Chairman indicated the Property Office is the focus of current reorganization efforts. Part of the effort involves recreating records missing from the Property Office. To the extent possible, Reclamation will provide technical assistance in locating records and performing a physical inventory to update Settlement project equipment listings.

Responsible Official: Michael S. Black, Great Plains Regional Director

Target Implementation Date: March 31, 2019

Recommendation 6: Ensure that the Tribe locates all missing equipment.

Reclamation's Response: Partially concur. To the extent possible, Reclamation will assist the Crow Tribe Water Resources Department (CTWRD) in locating missing equipment or completing the necessary documentation for items which cannot be accounted.

Responsible Official: Michael S. Black, Great Plains Regional Director

Target Implementation Date: March 31, 2019

Recommendation 7: Resolve the \$246,000 in questioned costs for the missing equipment.

Reclamation's Response: Concur. Following reconciliation of the physical inventory, any equipment for which the Tribe cannot account will be disallowed from project costs.

Responsible Official: Michael S. Black, Great Plains Regional Director

Target Implementation Date: June 30, 2019

Recommendation 8: Ensure that the Tribe gets appropriate approval, per its *Finance Manual*, before making capital expenditures.

Reclamation's Response: Partially concur. Reclamation will provide information to the CTWRD staff regarding requirements for making capital purchases under existing laws, regulations, and policies.

Responsible Official: Michael S. Black, Great Plains Regional Director

Target Implementation Date: March 31, 2019

Recommendation 9: Require that the Tribe maintain supporting documentation for claimed costs.

Reclamation's Response: Concur. Under current regulations and contracts, the Tribe is responsible for maintaining construction project and other relevant records. Reclamation will provide information to the CTWRD staff regarding those requirements.

Responsible Official: Michael S. Black, Great Plains Regional Director

Target Implementation Date: March 31, 2019

Recommendation 10: Resolve the \$7,790,434 in questioned costs for unsupported transactions.

Reclamation's Response: Concur. Reclamation has established a negotiation team to discuss resolution of the unsupported costs with the Tribe. The negotiation team, also tasked with resolving Recommendation 12, below, will initiate discussions with the Tribe upon issuance of the final audit report.

Responsible Official: Michael S. Black, Great Plains Regional Director

Target Implementation Date: June 30, 2019

Recommendation 11: Require the Tribe to set up the Treasury's electronic payment to be transferred directly into the Tribe's special tribal bank accounts.

Reclamation's Response: Concur. In September 2017, Reclamation assisted the Tribal Finance Officer with updating the Treasury payment system information to transfer future appropriations directly into the Tribe's special tribal bank accounts. The FY 2018 appropriations will be the first transfer taking place since that change was made. Reclamation will verify the FY 2018 funds, and future deposits, are made to the appropriate bank account(s).

Responsible Official: Michael S. Black, Great Plains Regional Director

Target Implementation Date: March 31, 2019

Recommendation 12: Resolve the \$4,772,000 in unallowable costs.

Reclamation's Response: Concur. Reclamation has established a negotiation team to discuss with the Tribe repayment of the unallowable costs to the Settlement project accounts.

Responsible Official: Michael S. Black, Great Plains Regional Director

Target Implementation Date: June 30, 2019

Appendix 4: Status of Recommendations

In its response to our draft report, the USBR partially concurred or concurred with all 12 recommendations and provided the name of the official responsible for implementation and the target completion dates. Based on this response, we consider all 12 recommendations resolved and not implemented. We will forward them to the Office of Policy, Management and Budget for implementation and resolution.

Recommendation	Status	Action Required
1 – 12	Resolved but not implemented	We will refer these recommendations to the Assistant Secretary for Policy, Management and Budget to track their implementation.

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