



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

# Semiannual Report to Congress



October 2014



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

**October 2014**

April 1, 2014 - September 30, 2014

# Contents

|  |     |
|--|-----|
| About DOI and OIG.....                                   | ii  |
| Message From the<br>Deputy Inspector General.....        | iii |
| OIG Operating Principles.....                            | v   |
| Summaries of Significant Reports and Investigations..... | 2   |
| Appendices.....  | 33  |

## About DOI and OIG

**The U.S. Department of the Interior (DOI)** is a large, decentralized agency with about 70,000 employees serving in approximately 2,400 operating locations across the United States, Puerto Rico, U.S. territories, and freely associated states. DOI is responsible for 500 million acres of America’s public land, or about one-fifth of the land in the United States, and 56 million acres of Indian Trust lands. DOI is also responsible for a variety of water and underwater resources, including hundreds of dams and reservoirs and thousands of oil and gas leases on millions of acres of the Outer Continental Shelf. Approximately 30 percent of the Nation’s energy production comes from projects on DOI-managed lands and offshore areas. DOI scientists conduct a wide range of research on biology, geology, and water to provide land and resource managers with critical information for sound decisionmaking. DOI lands also provide outstanding recreational and cultural opportunities to numerous visitors worldwide.

**The Office of Inspector General (OIG)** promotes excellence, integrity, and accountability in these DOI programs. With fewer than 280 full-time employees, the organization is driven by a keen sense of mission and is dedicated to providing products and services that impact DOI mission results.

## Message From the Deputy Inspector General



View of the Golden Gate Bridge from Golden Gate National Recreation Area.

In this semiannual report, I am pleased to submit a summary highlighting the Office of Inspector General's dedicated and successful work covering the 6-month period from April 1, 2014, through September 30, 2014. Our audit and investigative work focused on high-priority areas like energy, water, bribery and corruption, and theft of Government funds to promote excellence, integrity, and accountability within the programs, operations, and management of the U.S. Department of the Interior (DOI).

Our work in audits, inspections, and evaluations centered on programs related to energy, water, asset protection and preservation, and DOI operations. We report on DOI's onshore and offshore oil and gas programs; grants awarded to projects that contribute to DOI's water conservation goals; grants awarded to Mississippi under the Coastal Impact Assistance Program; DOI's accountability for reporting conference information; DOI's web hosting responsibilities; and billing and tax collection practices.

Our investigative accomplishments include investigations of corruption in Indian Country related to the Rocky Boy's/North Central Montana Regional Water System. In this ongoing investigation, a Federal grand jury indicted 14 individuals on various charges, including conspiracy to submit false claims, bribery, tax fraud, and theft of Government and tribal funds. As of September 30, four defendants had been sentenced to more than 4 years imprisonment and more than half a million dollars in restitution. The remaining defendants have either pleaded guilty and are awaiting sentencing or pleaded not guilty and are awaiting trial.

We also report on our investigation of the former Assistant Secretary for Insular Affairs, as well as several other investigations focused on employee misconduct, false statements, and theft of Federal and tribal funds.

We are proud of the work we completed in the second half of fiscal year 2014 that contributed to our mission to prevent fraud, waste, and mismanagement and improve the programs and operations of DOI. We have other high-priority work underway that will allow us to continue to provide objective and actionable reports to our customers and stakeholders.

A handwritten signature in black ink, appearing to read "Maupia Kendall". The signature is fluid and cursive, with the first name "Maupia" written in a larger, more prominent script than the last name "Kendall".

Deputy Inspector General

# OIG Operating Principles

## Mission

OIG's mission is to provide independent oversight and promote excellence, integrity, and accountability within the programs, operations, and management of the U.S. Department of the Interior.

## Values

OIG operates as an independent oversight organization responsible to the American people, DOI, and Congress. We abide by the highest ethical standards and have the courage to tell our customers and stakeholders what they need to know, not what they wish to hear. Our core values help us fulfill our mission and include—

- placing highest value on objectivity and independence to ensure integrity in our workforce and products;
- striving for continuous improvement; and
- believing in the limitless potential of our employees.

## Responsibilities

OIG is responsible for independently and objectively identifying risks and vulnerabilities that directly impact DOI's ability to accomplish its mission. We are required to keep the Secretary and Congress informed of problems and deficiencies relating to the administration of DOI programs and operations. As a result of OIG fulfilling these responsibilities, Americans can expect greater accountability and integrity in Government program administration.

## Activities

OIG accomplishes its mission by conducting audits, inspections, evaluations, and investigations relating to DOI programs and operations. Our activities are tied to major departmental responsibilities and assist DOI in developing solutions for its most serious management and program challenges. These activities are designed to ensure that we prioritize critical issues. Such prioritizing provides opportunities to influence key decisionmakers and increases the likelihood that we will achieve desired outcomes and results that benefit the public.

# Summaries of Significant Reports and Investigations



# Audits, Inspections, and Evaluations

## Offshore Oil and Gas Program Needs Consistent Overarching Policies and Procedures

After the *Deepwater Horizon* oil rig explosion in the Gulf of Mexico in April 2010, the Minerals Management Service, which approved the permit to drill in the Gulf, was shut down and oversight of offshore drilling was divided among three new agencies. One of those agencies, the Bureau of Safety and Environmental Enforcement (BSEE), was tasked with improving management, oversight, and accountability for offshore oil and gas permitting activities. We reviewed BSEE's accomplishments during the years since it was created, evaluated its progress toward meeting recommendations made by OIG following the Deepwater Horizon explosion, and evaluated its development of standards and regulations needed to accomplish its overarching mission.

BSEE regulates Outer Continental Shelf oil and gas exploration, development, and production. To promote safety, protect the environment, and conserve offshore resources is a significant responsibility for the Bureau. Our evaluation found that BSEE's regional offices, especially staff in its Gulf of Mexico Region, handle the permitting process without benefit of consistent policies and procedures issued from headquarters. This absence creates differences among regions, leaving each region (Gulf of Mexico, Alaska, and Pacific Outer Continental Shelf) to create its own policies or develop standard operating procedures in the absence of overarching headquarters guidance.

Specifically, even though BSEE headquarters had tasked several teams with creating a formal integrated process to update policies and procedures, this goal remains elusive. Instead, BSEE has used and discarded several online tracking systems to house and update policies and procedures. This situation has created inconsistency with permit reviews; after-hours tracking, reconciling, and documentation of applications for permits to drill; and other aspects of the program.

We also found discrepancies with training for BSEE engineers. After reviewing training records, we found that BSEE did not capture all training and all training hours in DOI's online training database. In addition, not all certificates included the number of hours trained. We learned that training hours were updated in several locations, but we found this ad hoc approach made it difficult to determine who met the training requirements.

We made 10 recommendations to help BSEE manage its permitting activities more effectively. We noted, however, that BSEE has made significant progress in the short years of its existence. Now it needs to integrate its achievements throughout its organization so that all employees have the tools to efficiently and consistently conduct the important work the Bureau was created to do.

## **BLM III-Equipped To Handle Cases of Oil and Gas Trespass and Drilling Without Approval on Federal Lands**

We inspected the Bureau of Land Management's (BLM) Federal onshore oil and gas management program to determine if BLM had policies and procedures to deter and detect trespass and drilling without approval (DWOA). These violations put the Federal Government at risk of not receiving royalty payments from well operators and bypasses environmental review, which could have adverse impacts on the environment.

Trespass of oil and gas occurs when an operator drills into unleased Federal minerals, or into Federal minerals leased to another entity without permission to operate the lease. DWOA occurs when an operator drills into Federal lands that it has leased or has rights to operate the lease but did not receive approval from BLM.

The potential for trespass or DWOA into Federal minerals is increasing because the oil and gas industry is expanding its use of horizontal drilling. Federal lands frequently neighbor private lands, and because the lateral portion of a horizontal well can reach up to 3 miles, operators of wells on private lands could potentially drill into the Federal mineral estate, either intentionally or unintentionally.

BLM manages 700 million subsurface acres of Federal mineral estate, including oil and gas. It has statutory authority to regulate oil and gas production on federally owned lands under several legislative acts. In the last several years, BLM's North Dakota Field Office identified about 10 cases of potential trespass and 70 cases of DWOA, and BLM's Oklahoma Field Office identified about 40 cases of DWOA.

Of the 80 cases of DWOA and trespass identified in North Dakota, the North Dakota State and Tribal Royalty Audit Committee estimated that approximately \$530,000 in royalties have not yet been paid. In addition, trespass and DWOA wells also pose environmental risks. Violators bypass Federal requirements that enforce environmental laws and standards. For example, in the Buffalo Field Office in Wyoming, a DWOA well did not comply with BLM's standards for casing the well. The casing is designed to protect aquifers (underground layers of permeable rock from which groundwater can be extracted). In another example, the Oklahoma Field Office reported that a DWOA well was located in a wetland, which most likely would not have been approved had they submitted an application for permit to drill. The U.S. Army Corps of Engineers, which has jurisdiction over wetlands, has subsequently required the company to mitigate damages at a cost of \$4 million.

Our evaluation found that BLM does not have nationwide policies and procedures to detect trespass and DWOA. Currently, BLM detects most instances of trespass and DWOA by chance.

In some cases, BLM learns of DWOA or trespass when a company acquires another company and self-reports a well that is in violation, or when the Office of Natural Resources Revenue, a separate DOI bureau, receives royalty payments for a well that has no record with the Federal Government. BLM can also discover a potential violation when it receives notices from companies that they are conducting various operations on a well that has no Federal record.

We also found that BLM has no nationwide policies to deter trespass. It does have regulations to impose penalties on violators that potentially trespass, but the regulations place a considerable burden on BLM to demonstrate that the trespass occurred knowingly and willfully. The regulations also do not clearly identify BLM's authority to process instances of trespass because BLM only has regulatory and contractual authority over lessees, and an operator in trespass is not a lessee.

In deterring DWOA, we found only one nationwide policy in BLM's Handbook for oil and gas inspection and enforcement that clarifies Federal regulations by distinguishing BLM's authority over surface disturbances for wells drilled on Federal and non-Federal lands. The Federal regulations and BLM policy allow BLM to assess a maximum of \$5,000 for DWOA. Considering that the average cost of drilling a well in North Dakota is \$10 million, BLM stated that the assessment is negligible. The BLM Oklahoma Field Office addressed the insufficient guidance by developing its own standard operating procedures for processing DWOA wells. It states that DWOAs have decreased in its jurisdiction, in part, due to these procedures.

We offered recommendations to BLM that should improve onshore oil and gas management. The recommendations focus on developing nationwide policies and procedures to detect and deter trespass and DWOA, informing industry of these policies, and pursuing monetary fines for DWOA commensurate to the cost of drilling and completing a well.

## **Inefficient Review Process Adversely Affects Oil and Gas Development on Federal and Indian Land**

We evaluated the effectiveness and efficiency of the drilling permit process for oil and gas wells on Federal and Indian lands. We self-initiated this evaluation because we had not reviewed the issue for 10 years. We found that the Bureau of Land Management (BLM) approves thousands of Applications for Permit to Drill (APDs) each year, but due to various inefficiencies in its review process, application review times for approval average more than 7 months.

Oil and gas production is a major activity on Federal and Indian lands, with annual royalty revenues averaging \$3 billion since fiscal year 2011. About 92,000 oil and gas wells currently exist on Federal lands, and industry drills more than 3,000 new wells annually.

Prior to drilling a well on Federal or Indian land, an operator submits an APD to BLM. BLM has primary responsibility for reviewing and approving these applications, but coordinates with other appropriate Federal agencies when the proposed well site is under these agencies' jurisdiction. BLM receives about 5,000 new APDs each year, which it processes at 33 field offices located mostly in the Western States.

We found that BLM and operators cannot predict when a permit will be approved, which can negatively affect companies' operations. BLM rarely sets or enforces target dates for completion of individual APDs, and consequently, the review may continue indefinitely. In addition, most BLM field offices do not sufficiently supervise the process to ensure timely completion. BLM also does not have a results-oriented performance goal to address processing times. BLM identified budget, funding, and management challenges, and an inadequate oil and gas database for monitoring performance at the field office and national program levels as factors that contribute to processing delays. Operators also often fail to provide complete, necessary information on their application, thereby delaying the process by forcing BLM to ask for additional information.

Until recently, DOI has minimally addressed the APD process with an Instruction Memorandum in 2013, but the memorandum did not go far enough to improve the process significantly. We offered six recommendations focusing on establishing accountability and performance timelines and measures related to the APD process at the field-office level, modifying the oil and gas database to enable accurate and consistent data entry and APD tracking, and implementing best practices to streamline the review process. BLM agreed with five of our six recommendations and has already begun to address our concerns. We believe that full implementation of our recommendations will expedite the review process and facilitate proper development of our domestic energy resources.



Operational oil wells onsite near Silt, CO.

## **USBR Moving To Ensure Better Transparency and Fairness in WaterSMART Financial Assistance Agreements**

We evaluated three financial assistance programs under the WaterSMART (Sustain and Manage America's Resources for Tomorrow) Program for fiscal years 2011 through 2013. Specifically, we reviewed the selection, award, monitoring, and accomplishments of the Water and Energy Efficiency Grants, the Water Conservation Field Service Program, and the Title XVI Water Reclamation and Reuse Program. The types of projects funded through these financial assistance agreements cover agricultural, municipal, and industrial waters and contributed approximately 657,000 acre-feet toward DOI's water conservation goal to increase available water supplies by 730,000 acre-feet by the end of fiscal year 2013.

The Nation faces increased water resource challenges. The amount of fresh water available at any given place and time is determined by aging infrastructure, rapid population growth, depleting groundwater resources, impaired water quality, increased human and environmental uses, and climate change. Water shortages and water-use conflicts have become more commonplace in many areas of the United States. To meet these challenges, Congress passed legislation in 2009 directing DOI to develop a sustainable water management policy, and in February 2010, the Secretary of the Interior established the WaterSMART Program to work with States, tribes, local governments, and nongovernmental organizations to secure and stretch water supplies.

As DOI's main water management agency, the Bureau of Reclamation (USBR) is a key player in the WaterSMART Program by administering grants, cooperative agreements, scientific studies, and technical assistance and providing scientific expertise.

We concluded that, overall, USBR manages the WaterSMART Program well, but we identified several areas in which USBR could better ensure transparency and fairness in its financial assistance programs.

First, we found overlap between some grants. Specifically, we found that the water and energy efficiency grants and the water conservation field service grants were awarded for the same water use efficiency activities. This created an overlap between the two grant programs and an appearance that grantees received funds from different programs to complete the same or similar tasks.

Second, we found that guidance on funding limitations is inadequate. USBR awards Water Conservation Field Service Program grants for the purpose of water conservation planning and efficiency improvements. Grant applicants compete within their region or area for financial assistance. The documents we reviewed at three USBR regions provided no clear guidance for USBR staff to follow regarding the maximum award amount of Water Conservation Field Service Program grants.

Third, we found that USBR's financial assistance files did not document the steps USBR took to analyze and verify that the grant recipients' water conservation estimates were reasonable and supported. USBR has recently begun performing technical analysis on a limited number of WaterSMART grant projects each year to verify actual water savings reported toward meeting DOI's conservation goal.

Fourth, although USBR requires a final performance report from all recipients of a financial assistance agreement, we identified two instances in which grantees did not submit the required information on their final performance reports to USBR. The final performance report contains a brief comparison of actual accomplishments with the goals and objectives provided in the application.

Fifth, all three of the financial assistance programs we reviewed had a cost-share requirement, meaning that they had to be capable of sharing at least 50 percent or more of the total project costs with the Federal Government. We identified \$18,404.67 in ineligible costs resulting from a grantee that did not meet cost-share requirements.

Finally, we found that USBR uses the WaterSMART Program's Catalog of Federal Domestic Assistance number for water conservation activities that are not part of the WaterSMART Program. Although USBR officials informed us that the statutory authority used for WaterSMART grants can be used for other water conservation grants, we believe that this makes it more difficult for USBR to accurately report activities associated with each water program grant.

We offered six recommendations focused on improving and strengthening USBR's management of the WaterSMART Program. USBR generally concurred with our findings and recommendations and has started to address some of the issues we identified during our evaluation.

## **OIG Identified More Than \$14 Million in Questioned Costs in CIAP Grant Funds Awarded to Louisiana**

We audited the Coastal Impact Assistance Program (CIAP) grants awarded to the State of Louisiana from April 2008 through March 2013 to determine whether the State's use of the funds complied with Federal regulations. During our audit, we identified more than \$14 million in questioned costs and funds to be put to better use, and noted several areas of concern that the U.S. Fish and Wildlife Service (FWS) needs to address to safeguard Federal funds awarded under the program.

Created by the Energy Policy Act of 2005, CIAP provides grant funds derived from Federal offshore lease revenues to oil-producing States for the conservation, protection, or restoration of coastal areas, wildlife, and natural resources.

The Act authorized the Secretary of the Interior to disburse \$250 million in grants in each of the fiscal years 2007, 2008, 2009, and 2010 to eligible recipients in the coastal zone counties, parishes, or boroughs of Alabama, Alaska, California, Louisiana, Mississippi, and Texas. Oversight of these funds was delegated to the then-Minerals Management Service, and the responsibility for managing the ongoing grants and awarding the balance of the funds was later transferred to FWS.

The areas of concern we identified in Louisiana include ineffective grant monitoring by FWS, State procurement laws that do not require full and open competition, unallowable costs and mishandled accounting and financial issues, improper acquisitions of real property, ineligible drawdowns, and inappropriate changes in grant scope.



The Fringe Marsh Repair project in Plaquemines Parish will restore approximately 300 acres of wetland area.

We questioned \$9,878,964 in CIAP costs and identified \$4,343,765 in funds that could be put to better use. These questioned costs include—

- unused preaward costs;
- improper contracts;
- unauthorized preaward costs;
- unsupported payroll charges;
- mischarges to a grant;
- overallocated indirect charges;
- inadequate land appraisals;
- unreasonable interest costs; and
- failure to report program income despite raising revenue from grant activities.

We offered 30 recommendations focused on improving FWS' management and oversight of the CIAP grants awarded to Louisiana. FWS concurred or partially concurred with 23 of our recommendations and is working to implement or close them.

### **DOI Not Collecting, Tracking, or Posting Accurate Spending on Conferences Despite OMB Requirements**

Since 2011, Office of Management and Budget (OMB) has required agencies to provide their Inspectors General with timely information on conference planning and spending and to post such information on their public websites. To determine whether DOI complied, we completed an inspection that found DOI only posted estimated expenses on its website rather than actual expenses. We found, however, significant differences between estimated and actual expenses in 6 of the 10 conferences that we reviewed. We also learned that DOI does not track bureau conference costs and related travel expenses.

As a result, DOI has no accurate indicator of whether planned conferences are actually held and if expenses adhere to the OMB requirements. Accurate tracking takes on added importance because OMB directives require senior-level agency approval of all conferences estimated to exceed \$100,000 and public reporting of all conferences in which actual expenditures exceed \$100,000.

DOI requires each bureau at the beginning of the fiscal year to supply an annual plan including all conferences estimated to exceed \$20,000, the estimated conference expenses, the planned number of participants, and the required senior-level approvals. According to the Department's Chief Financial Officer, DOI has no way of knowing if the bureaus report all of the planned conferences as required. In addition, we found that DOI does not request or require the bureaus to provide actual conference expenses. Therefore, DOI cannot report publicly, as required by OMB, on the actual conference expenditures for conferences exceeding \$100,000.

As part of our inspection, we selected one conference from each DOI bureau that held any conference estimated to cost more than \$20,000 in fiscal year 2013. We also selected one joint or multiple-bureau conference, as well as conferences estimated by their respective bureaus to cost more than \$100,000. We reviewed conferences where the estimated expenses and number of participants varied widely from the bureau's actual figures provided to OIG. For example, the estimated cost of the Bureau of Indian Education's (BIE) "Professional Development – BIE Principal Leadership Academy" conference was \$113,656, but we found that the actual conference cost was \$185,630—nearly \$72,000 higher than the estimate. Despite estimated costs that exceeded \$100,000, the bureau only requested senior-level agency approval right before the conference was scheduled to begin.

We made two recommendations to improve DOI's ability to respond to OMB requirements: first, that DOI set up structures to collect actual conference expense data and, second, that DOI adhere to the OMB requirement to report actual conference expenses for conferences exceeding \$100,000 on its official website. We believe that DOI should be transparent with the information it provides to the public, especially considering the significant differences between estimated and actual expenses incurred.

## **Inspection Identified Several Deficiencies With DOI and OIG Web-Hosting Services**

In early January 2014, the DOI and OIG websites experienced an extended outage of 7 days. We initiated an inspection to determine the cause of the outage and whether the length of the recovery was appropriate. These websites, which are hosted by the National Park Service (NPS), provide critical information to the general public, and their availability contributes to the missions of both DOI and OIG.

Under a 2009 verbal agreement, NPS agreed to host DOI's website. In 2012, OIG verbally accepted DOI's offer to share web hosting, thus migrating OIG's website to NPS, but NPS was not informed of this decision. On January 1, 2014, the NPS data center experienced a power outage, leaving the DOI and OIG websites unavailable between January 1 and January 7, 2014.

We identified three major issues contributing to the outage. First, we found that the information system that contains the web-hosting services had not been properly authorized to operate because NPS inadequately assessed the system and the data it hosts. Second, we found that NPS did not have an appropriate contingency plan in place to efficiently respond to and minimize damage and downtime from the outage. Third, we found that NPS, DOI, and OIG did not have written agreements for website hosting, system ownership, support to contingency planning, recovery timeframes, or funding. Neither NPS nor DOI staff knew the terms of the 2009 verbal agreement, and, because of the verbal agreement between DOI and OIG, OIG did not know that NPS hosted either the DOI or OIG website.

We offered 14 recommendations in total, 5 to DOI and 9 to NPS, focusing on establishing processes to assess system risk and properly authorize systems to operate, maintaining accurate and up-to-date documentation and contingency plans, and documenting service level agreements that assign roles and responsibilities to all entities involved in web-hosting services.

## **NPS' Billing Practices at the Presidio of San Francisco Violate Appropriations Law and Impede Compensation Collection**

We evaluated the interagency agreements between Presidio Trust (Trust) and the National Park Service's (NPS) U.S. Park Police (USPP) for law enforcement services that USPP provides at the Presidio of San Francisco. We sought to identify NPS' criterion and methodology for funding these law enforcement services and the extent to which USPP is billing the Trust for the full costs associated with its activities. We concluded that NPS' current practices for funding USPP's services at the Presidio violate appropriations law. In addition, while USPP tries to get full compensation for all services provided to the Presidio, its own billing practices impede collection.

The Presidio of San Francisco, established in 1776, served as a military outpost for Spain and then Mexico until the U.S. Army took over in 1846. When the Presidio ceased to be an active military post in 1994, the U.S. Congress incorporated it into the Golden Gate National Recreational Area and made NPS responsible for converting the Presidio to public use and preserving the land as a national historic landmark.

In 1996, the Presidio Trust Act created the Trust and required the Trust to enter into a memorandum of agreement with the Interior Secretary for law enforcement activities and services to be provided by USPP. The Trust and USPP entered into four interagency agreements to provide services for law enforcement, communications, special events, and parking enforcement. The law enforcement agreement is the largest, with the Trust paying USPP just under \$4 million annually.

Our evaluation found that NPS violates appropriations law by using its construction account to temporarily fund the services that USPP provides to the Trust. The construction account is intended for building, improving, or repairing facilities within NPS, not for such expenses as USPP salaries, equipment, and administrative costs of providing law enforcement services at the Presidio. Using the construction account in this way violates Federal law, which states that an appropriation's funds may be applied only to the appropriation's purpose unless otherwise provided by law. The expenses for these services better align with the Operation of National Park System (ONPS) appropriation, which is meant for the management, operation, and maintenance of NPS-administered areas and facilities.

We also found three issues with USPP billing practices that impede its ability to collect full reimbursement for the services it provides at the Presidio. First, USPP does not bill the Trust on time for the work completed. Second, USPP and the Trust have reported different amounts left to be paid on the interagency agreements. For example, in January 2014, USPP sent a payment status report to the Trust that did not include \$1.1 million left to be billed on the agreements. Finally, USPP has no policy or practice in place for regularly verifying the accuracy of the rates that it charges the Trust for the law enforcement agreement. Without regular verification, USPP may not be realizing full reimbursement for actual costs of services provided.

We offered six recommendations to help ensure a continued beneficial relationship between the Trust and USPP. We recommended that NPS change its current practice for funding USPP activities at the Presidio and that USPP update its billing practices. NPS did not agree with our recommendations regarding appropriations law, but it agreed with three of our six recommendations and is working to implement them.



View of the Presidio of San Francisco.

## **Guam Needs Continued Improvement in Collecting Business Privilege Taxes**

We evaluated the Government of Guam's (GovGuam) Department of Revenue and Taxation (DRT) to determine its ability to collect the Business Privilege Tax (BPT) from Federal contractors. This 4 percent tax applies to all persons or contractors doing work on Guam whether or not their business is located on the island. We found that DRT's procedure is inadequate for both identifying Federal contractors who are subject to the BPT and for collecting the tax. As a result, GovGuam may be missing out on significant potential revenue used to provide programs and services to its citizens.

Tax revenues account for more than half of GovGuam's revenue sources, and the BPT made up 35 percent of Guam's tax revenue in fiscal year 2012. Any business that contracts with the Federal Government on Guam is subject to the tax, including the U.S. Department of Defense, which awards hundreds of contracts per year for projects on Guam. With more than 6,000 U.S. Marines and their dependents expected to relocate to the island in 2020, the number of contracts may increase in order to build the infrastructure necessary to accommodate this increased U.S. military presence, greatly increasing tax revenue due to GovGuam.

Our evaluation found that DRT does not have a complete policy for identifying Federal contractors who are subject to the BPT. Consequently, GovGuam may not be collecting taxes that it is owed. In our sample of 40 contracts totaling \$117 million, we found that DRT did not collect taxes from 6 contracts. If DRT had collected the 4 percent BPT on these contracts, it would have collected an additional \$414,414 in revenue.

In addition, we learned that DRT does not use a complete list of Federal contractors when identifying who could be subject to the BPT. DRT currently uses the Military Contracts Awards report to identify contractors who may be subject to the BPT. This list, however, only lists contracts from the U.S. Department of the Navy and Air Force. In our USASpending report sample of 54 contractors from fiscal year 2010, we found 47 Federal contractors who were not listed in the Military Contract Awards report. The USASpending report lists all Federal awards, including awards from other agencies that may be subject to the BPT. This report can be generated at no cost to DRT from a searchable website established by the U.S. Office of Management and Budget.

We offered three recommendations to improve GovGuam's BPT collection process for Federal contractors. Our recommendations focused on determining whether GovGuam is owed the \$414,414 in taxes, developing a collection procedure that monitors and records all tax actions, and expanding data sources to identify all contractors subject to the BPT. In response, the governor of Guam stated that Guam has made significant progress in the collection of taxes, and he has introduced legislation to hire counsel to pursue companies not paying taxes.

## **OIG Found Internal Control Deficiencies in BLM's Wildland Fire Program**

We reviewed the Bureau of Land Management's (BLM) wildland fire program to evaluate the effectiveness of the program's internal controls over fire suppression. We conducted our evaluation of the program budget, focusing on preparedness and fire suppression funding in fiscal years 2010, 2011, and 2012; the controls over those funds; and the uses of those funds. Overall, we determined that the wildland fire program does not have adequate internal controls. It also does not consistently monitor those controls it already has in place.

BLM is responsible for sustaining the health, diversity, and productivity of America's public lands for the use and enjoyment of present and future generations. It administers more than 245 million acres, most of it located in 12 Western States subject to dry conditions and thus susceptible to fire. These public land responsibilities make BLM a leader in our Nation's wildland fire management efforts. The program's 2013 allotment of more than \$250 million demonstrates the fiscal scale of its fire management responsibilities. Without compromising public safety, these dollars must be managed prudently.

Our evaluation found that ineffective controls have resulted in improper charges to fire suppression accounts. While we were unable to project the full extent of improper charges, we noted that BLM officials are taking steps to strengthen their monitoring of program spending and to address the control deficiencies that we identified.

To encourage improved accountability over program resources, as well as more accurate reporting and recordkeeping, we focused on four internal control areas needing improvement: fire codes, purchase cards, property, and payroll. For example, inaccurate fire codes may leave BLM unable to recoup the total cost of a fire in a trespass or arson case. If BLM seeks restitution in cases of wildland fire caused by human activity, inaccurate cost coding may leave it unable to recoup the full cost of fighting the fire. Similarly, without proper review, purchase cards are vulnerable to misuse. Full documentation of transactions, including orders, receipts, and authorizing signatures, help ensure that purchases have been approved and conducted appropriately.

We made 11 recommendations to strengthen the fire program and believe that such improvements will benefit program transparency and facilitate better use of taxpayer dollars, helping to reduce the vulnerability of the program overall and improving accountability for fiscal resources.

## Office of Investigations

### **OIG Investigations Led to Guilty Pleas in Corruption Cases Involving Contracts Issued by the Chippewa Cree Tribe of Indians**

In our April 2014 Semiannual Report to Congress, we reported on several criminal investigations into allegations involving several tribal contractors and officials of the Chippewa Cree Tribe of Indians that resulted in indictments of those contractors and their respective individual owners for multiple counts of bribery; theft of tribal funds; conspiracy to submit false claims; money laundering; and wire, bank, bankruptcy, and Federal income tax fraud. The majority of these cases involved subcontracts awarded by the Chippewa Cree Construction Corporation for the Rocky Boy's/North Central Montana Regional Water System, a federally funded construction project awarded to the Tribe by the Bureau of Reclamation (USBR). This project was partially funded with \$27 million from the American Recovery and Reinvestment Act. The following cases were developed from our investigation of Chippewa Cree Construction Corporation.

#### *Tony and Hailey Belcourt*

As we previously reported, a Federal grand jury in Billings, MT, indicted Tony Belcourt, who served as the Chippewa Cree Construction Corporation chief executive officer and contracting officer, and his wife, Hailey Belcourt, for conspiracy, theft of tribal funds, bribery, bank fraud, money laundering, and tax fraud in connection with \$667,000 in cash they received from four contractors doing business with the Chippewa Cree Construction Corporation: T Leischner Consulting; Hunter Burns Construction, LLC; TMP Services; and K&N Consulting.

On April 2, 2014, Tony Belcourt appeared in U.S. District Court in Great Falls, MT, and pleaded guilty to two counts of accepting a bribe, theft from a tribal government, and tax fraud. Hailey Belcourt pleaded guilty on April 3, 2014, to accepting a bribe, tax fraud, and bank fraud.

On August 14, 2014, Tony Belcourt was sentenced to 90 months of incarceration, 36 months of supervised release, and ordered to pay a \$300 assessment to the Victim of Crime Fund. He was also ordered to pay \$667,183 in restitution, jointly and severally, to the Chippewa Cree Tribe and the Internal Revenue Service, fulfill all tax obligations, and not engage in any gambling or wagering or visit any establishment where that is the primary business. Lastly, he was debarred from any employment or contracts involving federally funded grants, contracts, or programs during the period of his supervised release.

In addition, the court ordered the criminal forfeiture of \$311,000 for money and property obtained as a result of Tony Belcourt's criminal offense including cash, a residence, and 2 acres of land located in Box Elder, MT, and his ownership interests of a business located in Billings, MT, called MT Waterworks.

On August 14, 2014, Hailey Belcourt was sentenced to 2 months of incarceration and 36 months of supervised release and ordered to pay a \$300 assessment to the Victim of Crime Fund. She was also ordered to pay \$156,183 in restitution, jointly and severally, to the Chippewa Cree Tribe and the Internal Revenue Service, fulfill all tax obligations, and not engage in any gambling or wagering or visit any establishment where that is the primary business.

*Tammy Leischner*

We last reported that Tammy Leischner, the owner of T Leischner Consulting, was indicted by a Federal grand jury in Billings, MT, for her role in providing a \$163,000 bribe to Tony Belcourt in connection with an overpayment to Leischner's company for a contract to ship steel pipe from Denver, CO, to the Rocky Boy's/North Central Montana Regional Water System job site.

On May 8, 2014, Leischner pleaded guilty to aiding and abetting theft from a tribal government. Her sentencing hearing is scheduled for December 17, 2014.

*James H. Eastlick, Sr.*

James H. Eastlick, Sr., Tammy Leischner's father, was indicted along with his daughter for his role in bribing Tony Belcourt.

On April 21, 2014, Eastlick, Sr. pleaded guilty in U.S. District Court in Great Falls, MT, to aiding and abetting theft from a tribal government. He was sentenced on September 25, 2014, to 12 months of incarceration followed by 12 months of supervised release. He was also ordered to pay \$311,000 in restitution, jointly and severally, to the Chippewa Cree Tribe for the Rocky Boy's/North Central Montana Regional Water System.

*Shad Huston*

In our April 2014 Semiannual Report to Congress, we reported that in February 2014, Huston and his two companies, K&N Consulting and TMP Services, were charged in a 14-count indictment that alleged a criminal conspiracy to embezzle Federal and tribal funds from the Tribe and bribery in connection with \$322,500 in payments made to Tony and Hailey Belcourt.

On August 25, 2014, Huston appeared in U.S. District Court in Great Falls, MT, and pleaded guilty to bribery, theft from an Indian tribal organization, and failure to file a currency transaction report. He also pleaded guilty to theft from an Indian tribal organization on behalf of K&N Consulting. Huston's sentencing hearing is scheduled for November 24, 2014.

### *Hunter Burns Construction*

As we reported in our April 2014 Semiannual Report to Congress, James Eastlick, Jr., Tammy Leischner's brother and co-owner of Hunter Burns Construction, LLC, was indicted by a Federal grand jury in Billings, MT, in September 2013 on charges of theft and bribery in connection with \$135,000 in payments from Hunter Burns Construction for the benefit of Tony Belcourt in exchange for the award of four construction contracts that USBR awarded to the Chippewa Cree Tribe for the Rocky Boy's/North Central Montana Regional Water System.

Eastlick, Jr., Hunter Burns Construction, and the company's other co-owner, Hunter Burns, were also indicted in October 2013 for the submission of a false claim and theft of Federal program funds in connection with a \$100,000 claim submitted by Hunter Burns Construction and approved by Tony Belcourt in April 2010 in connection with a \$1.7 million contract that Belcourt awarded to the company for a project involving the Rocky Boy's/North Central Montana Regional Water System.

Pursuant to a plea agreement with the U. S. Attorney's Office, Burns pleaded guilty in U.S. District Court in Great Falls, MT, on April 2, 2014, to conspiracy to submit a false claim on behalf of himself and his company.

On July 10, 2014, Burns was sentenced to 6 months of confinement and 36 months of supervised release, fined \$125,000 jointly with Hunter Burns Construction, and assessed \$100 payable to the Victim of Crime Fund. In addition, Hunter Burns Construction was sentenced to 42 months of probation and assessed \$400 payable to the Victim of Crime Fund. The U.S. Attorney's Office dismissed the false claim and theft of Federal program funds charges against Eastlick, Jr.



Construction on the Rocky Boy's/North Central Montana Regional Water System.

## **Further Investigation of Chippewa Cree Tribe of Indians Officials and Contractors Led to Additional Indictments and Guilty Pleas**

Our investigation of the Belcourts, Leischners, Eastlick, Jr., and Huston spawned additional investigations and indictments of companies and their respective owners in connection with criminal offenses related to the Chippewa Cree Tribe of Indians.

### *Hunter Burns Construction*

In April 2014, Eastlick, Jr. was named in two more indictments on charges of tax fraud and bribery in connection with payments he authorized from Hunter Burns Construction, LLC, totaling \$258,000 for the benefit of John Houle, vice chairman of the Chippewa Cree Tribe, who also served on the Chippewa Cree Construction Corporation Board of Directors.

Pursuant to a plea agreement with the U.S. Attorney's Office, on May 1, 2014, Eastlick, Jr. pleaded guilty to two counts of bribery and one count of tax fraud. His sentencing hearing is scheduled for December 17, 2014.

### *John Houle, Wade Colliflower, and Mark Leischner*

We also investigated Houle, Wade Colliflower, and contractor Mark Leischner for theft of tribal funds in connection with contracts awarded for Chippewa Cree Tribe Rodeo and Pow Wow events between 2009 and 2012. As a result of our investigation, in June 2014, a Federal grand jury in Billings, MT, issued two indictments against Houle, who also served as the president of the Chippewa Cree Tribe Rodeo Association, Colliflower, and Leischner.

The first indictment charged Houle, Colliflower, and Leischner with theft of tribal funds in 2009 and 2010. We found that Leischner received two contracts from Houle and the Chippewa Cree Tribe Rodeo Association in 2009 for \$135,000 and two more contracts in 2010 for \$133,000. Leischner, however, performed only minimal tasks against these four contracts and then split the excess funds with Houle. Houle and Leischner were also charged with two counts of obstruction of justice for creating and submitting false documentary evidence to the Federal grand jury in response to a subpoena for business records from Leischner's company.

The second indictment charged Houle and Colliflower with theft of tribal funds from 2010 through 2012. During that time frame, Colliflower served as the President of the Bear Paw Indian Rodeo Association, a tribal subsidiary rodeo association that received funds directly from Houle and the Chippewa Cree Tribe Rodeo Association. Our investigation revealed that Colliflower returned \$76,500 of these funds directly for the personal benefit and use of Houle.

We arrested Houle on June 24, 2014. His trial on the first indictment is scheduled to begin on December 8, 2014, and his trial on the second indictment is scheduled to begin January 20, 2015. Colliflower's trial is also scheduled for January 20, 2015.

Leischner pleaded guilty to theft from an Indian tribal organization and obstruction of justice – impeding a Federal grand jury pursuant to a plea agreement with the U.S. Attorney’s Office. Sentencing in this matter is scheduled for December 17, 2014.

*Melody and Frank Henry*

We investigated Melody Henry, former president of Stone Child College in Box Elder, MT, and her husband, Frank Henry, former facilities department manager of Stone Child College, for allegations of theft from the college, which is a Chippewa Cree Tribe college. Our investigation revealed that between 2010 and 2013, Stone Child College received \$9.3 million in direct Federal funding from DOI. We found that Melody Henry awarded more than \$530,000 between September 2010 and December 2012 in construction contracts to Hunter Burns Construction, LLC. During that timeframe, the Henrys solicited and received more than \$242,000 in direct payments from Hunter Burns Construction for their own personal use, benefit, and unjust enrichment.

On August 22, 2014, a Federal grand jury in Billings, MT, indicted the Henrys on charges of bribery and a criminal conspiracy to embezzle tribal funds from Stone Child College. Both defendants pleaded not guilty at their arraignments in U.S. District Court on September 22, 2014. Their trial is scheduled for February 17, 2015.

*Tammy, Mark, and Brenden Leischner*

As part of our comprehensive investigation into T Leischner Consulting, in April 2014, Tammy Leischner; her husband, Mark Leischner; and their son, Brenden Leischner, were indicted on charges of conspiracy, false statements, identity theft, and theft of Federal funds that they obtained in connection with student loans and financial aid. During the 4-year period of the indictment, Brenden Leischner was a full-time student enrolled at the University of Great Falls in Montana seeking a bachelor’s degree in criminal justice.

The indictment charged the Leischners with failing to disclose all of the income that they received from the shipping contract for the Rocky Boy’s/North Central Montana Regional Water System and from four tribal contracts awarded to Mark Leischner in connection with the Chippewa Cree Tribe annual rodeo and pow wow events on the financial aid applications that they submitted annually to the U.S. Department of Education between July 2010 and May 2013. In addition, the indictment accused both Mark and Brenden Leischner of aggravated identity theft for an application that they submitted in September 2012 for a loan issued in Mark Leischner’s name that was purportedly cosigned by a third party.

On September 30, 2014, Tammy and Brenden Leischner appeared in U.S. District Court where they pleaded guilty to conspiracy and false statements, and Federal student loan fraud, respectively. Mark Leischner pleaded guilty to conspiracy to defraud the United States. The U.S. Attorney’s Office dismissed the remaining charges against him in this case. Sentencing for all three defendants is scheduled for December 17, 2014.

### *Bruce Sunchild*

We also investigated Shad Huston and former Chippewa Cree Tribe Chairman Bruce Harold Sunchild for allegations of bribery and embezzlement of Federal and tribal funds.

We found that Huston gave Sunchild a Chevrolet Suburban in connection with a \$300,000 payment that Huston's company, K&N Consulting, received in December 2011 from the Tribe. We also found that Huston submitted a false invoice for \$27,200 from his other company, TMP Services, to the Chippewa Cree Construction Corporation in October 2012. Sunchild, who also served as chairman of the Board of Directors for the Chippewa Cree Construction Corporation, received a \$15,000 cashier's check from Huston and K&N Consulting the day after the false invoice was paid.

On June 19, 2014, a Federal grand jury in Billings, MT, indicted Huston and Sunchild on charges of bribery, theft from a tribal government and a tribal organization, and a criminal conspiracy to embezzle tribal funds from the Tribe. We arrested Sunchild on June 24, 2014.

On August 25, 2014, Huston appeared in U.S. District Court in Great Falls, MT, and pleaded guilty to bribery, theft from an Indian tribal organization, and failure to file a currency transaction report. On that same day, Huston pleaded guilty to theft from an Indian tribal organization on behalf of K&N Consulting. Huston's sentencing hearing was scheduled for November 24, 2014.

Sunchild was scheduled to plead guilty to theft from an Indian tribal organization and bribery of a tribal government official on November 10, 2014, in the U.S. District Court in Great Falls, MT.

### **Former Assistant Secretary Directed Award of OIA Grants**

OIG completed an investigation into allegations that former Assistant Secretary for Insular Affairs Anthony Babauta directed Federal awards to friends, mistreated employees through discrimination and sexual harassment, misused Government equipment and personnel, and took personal trips under the guise of official business.

Our investigation found that, against the advice of his staff and grant specialists, Babauta directed the award of two Office of Insular Affairs (OIA) grants to the University of Guam (UOG) to support the Micronesian Center for a Sustainable Future (MCSF). We found that Babauta's former employer was a senior official at UOG, and that UOG subsequently hired Babauta's friend as the MCSF project coordinator. We also determined that UOG allowed the MCSF project coordinator to spend \$32,636.34 in grant funds on unallowable expenses, many of which were of personal benefit to the MCSF project coordinator.

Our investigation also supported the allegations that Babauta made inappropriate comments to employees and conducted himself unprofessionally. Through interviews with current and former OIA employees, we discovered that Babauta had one employee perform work outside the scope of his Government duties and that Babauta resided at the guest house of another employee for several months without providing compensation. We did not find any evidence to confirm that Babauta used Government travel for personal gain, but we identified certain trips for Government business in which he appeared to personally benefit.

Babauta officially resigned from his position on January 24, 2013; he had served in the position since 2009. In addition, OIA reported the results of our investigative findings to UOG in a July 2013 memorandum from Acting Assistant Secretary for Insular Affairs Eileen Sobeck. Sobeck informed UOG that OIA was terminating the grants and that the remaining funds—approximately \$378,818—were being deobligated and returned to the Federal Government.

### **OIG Investigated Allegation That OSM Pressured Contractors To Lower Job-Loss Estimates**

We investigated the Office of Surface Mining Reclamation and Enforcement (OSM) after news outlets reported that OSM officials pressured contractors working on an environmental impact statement (EIS) for a proposed rule to protect streams located near coal mines to lower their estimate of the number of potential job losses associated with the rule. According to the news reports, OSM allegedly ended the contract when the contractors refused to change their estimate. We also examined the process that led to the calculation of a figure showing that some 7,000 jobs would be lost if the proposed rule was implemented.

If adopted, OSM's proposed Stream Protection Rule would place additional, stricter requirements on coal mining companies to protect streams near mine sites from the environmental effects of mining. OSM hired engineering and environmental firms as contractors to work on the EIS, which examined the environmental benefits of the proposed rule as well as potential socioeconomic effects, including costs to the coal mining industry and job losses.

We found that OSM first told the contractors to use one set of criteria to estimate production and job losses associated with the proposed rule. After the contractors' calculations showed high costs to industry and significant job losses, other OSM employees asked the contractors to change a variable in the assessment. These employees said they knew when they made the change that this would result in a lower job-loss estimate, but they felt strongly that the change was correct. All of the contractors we interviewed, however, disagreed with the proposed change.

While we found that OSM only began to seriously consider terminating the EIS contract after the media reported the predicted number of job losses, OSM employees and internal communications indicated that OSM's dissatisfaction with the contractors' work product and overall performance occurred well before then. Rather than terminate the contract, OSM decided simply not to renew it.

We were unable to determine whether the 7,000 job losses estimated in the EIS was an appropriate prediction. While the OSM Director testified before Congress that the contractors' calculations were mere "placeholders," the contractor who made the estimate said the numbers that went into that figure were not fabricated; they were based on the contractors' knowledge. Some OSM employees questioned aspects of the contractors' methods of analysis, however, and the contractors themselves acknowledged that because of the project's rushed schedule, they could not conduct the full analysis they would have preferred.

We provided this report to the Principal Deputy Assistant Secretary for Land and Minerals Management for any action deemed appropriate.

### **USBR Awarded Interim Concession Contract in Accordance With Federal Regulations**

We investigated an anonymous complaint that the Bureau of Reclamation (USBR) intended to award a noncompetitive 30-year concession contract to John and Linda Frazier of Winters, CA, to operate Markley Cove Marina on Lake Berryessa in Napa Valley County, CA. The complainant alleged that awarding this contract would potentially violate USBR and U.S. Department of the Interior (DOI) regulations. The complainant also alleged that USBR's former director of the Mid-Pacific Region may have arranged this contract and that high-level USBR and DOI executives may also have been involved. We did not find any evidence to substantiate these allegations.



Lake Berryessa near Napa, CA.

At the time of our investigation, the Fraziers were operating Markley Cove Marina under a short-term interim contract awarded to them by USBR on May 1, 2013, for a term of 19 months, with two optional 1-year extensions. The interim contract was intended to ensure that the Marina would continue to provide uninterrupted public services on Lake Berryessa after USBR terminated a contract with another concessionaire for failure to perform. We found that USBR awarded the interim contract in accordance with its directives and standards.

The USBR officials we interviewed stated that USBR intended to open the bidding process for a competitive contract when the Fraziers' interim contract ended. We did not find evidence of any mismanagement or unlawful involvement by the former director or any other USBR or DOI executives or officials.

### **Former Mississippi State Official and Son Sentenced to Time in Prison**

Subsequent to our audit of Coastal Impact Assistance Program funds awarded to the State of Mississippi, OIG and the FBI initiated a joint investigation to determine if issues found during the audit violated Federal law.

We found that Mississippi Department of Marine Resources (DMR) employees, including DMR Executive Director William Walker, Chief of Staff Joseph Zeigler, Coastal Management and Planning Director Sheila "Tina" Shumate, and Walker's son, Scott, conspired to deposit Federal funds into the bank account of the Mississippi Marine Resources Foundation—a private, nonprofit corporation created by William Walker—and then used those funds for personal gains, such as real estate transactions.

On November 5, 2013, a Southern District of Mississippi Grand Jury indicted William Walker, Scott Walker, and Shumate on one count of theft concerning programs receiving Federal funds and one count of conspiracy to commit such theft. William Walker, Scott Walker, and Zeigler were also indicted on multiple counts of mail fraud and conspiracy to commit mail fraud. On February 20, 2014, Scott Walker pleaded guilty to one count of theft and one count of conspiracy. William Walker pleaded guilty on March 10, 2014, to one count of conspiracy.

On June 16, 2014, the U.S. District Court for the Southern District of Mississippi sentenced William Walker to 5 years in Federal prison and 3 years of post-release supervision for conspiracy to defraud the United States. The court also ordered him to pay a \$125,000 fine and restitution of \$572,689 to the National Park Service (NPS), the National Oceanic and Atmospheric Administration (NOAA), and the State of Mississippi.

On July 23, 2014, the same court sentenced Scott Walker to two concurrent 18-month sentences in Federal prison for theft concerning programs receiving Federal funds and conspiracy to defraud the United States. The imprisonment will be followed by 3 years post-release supervision.

He was also ordered to pay a total of \$390,000 in restitution to NPS, NOAA, and the City of D'Iberville, MS. The case against Shumate was dismissed, and the case against Zeigler is ongoing.

## **Federal Contractors Indicted For Fraud Related to 8(a) Contracts**

We investigated Yogesh Patel and Wesley Burnett for conspiring to defraud the Federal Government by using United Native Technologies, a company owned by Patel and registered as a socially disadvantaged-owned business, to bid on \$1,873,199 in 8(a) set-aside contracts to install security barriers and gates at military bases and Federal buildings.

Our investigation determined that Burnett's company, Total Barrier Works, performed the work, and Patel and Burnett made it appear that Patel's company performed at least 51 percent of the work. It did not, however, and Patel only received 4.5 percent of contract funds.

On May 1, 2014, the grand jury for the District of Maryland indicted Patel and Burnett for conspiring to defraud the Federal Government. On September 24, 2014, the grand jury returned a six-count superseding indictment seeking property forfeiture and charging Patel and Burnett with various crimes including conspiracy to commit wire fraud, aggravated identity theft, witness tampering, and obstruction of justice.

Patel entered into a plea agreement with the U.S. Attorney in which he agreed to plead guilty to one count of conspiracy to commit wire fraud. Sentencing of Patel is scheduled for January 20, 2015.

Burnett entered into a plea agreement with the U.S. Attorney in which he agreed to plead guilty to one count of conspiracy to commit wire fraud, one count of aggravated identity theft, and one count of witness tampering. Burnett will be sentenced in February.

## **Small Business Owners Indicted For Fraud Against the United States**

We worked a joint investigation with the Department of Veterans Affairs Office of Inspector General and the Small Business Administration Office of Inspector General into Ricky Anthony Lanier, Katrina Reshina Lanier, Latoya Montrevette Speight, and Emanuel Louis Hill after receiving allegations that a small business owned by Hill fraudulently received Government contracts.

The specific allegation was that Kylee Construction, a firm that purported to be a small business based in Louisville, KY, and owned by Hill, a service disabled veteran, was actually operated from North Carolina by Ricky Lanier and used as a mere pass-through to fraudulently obtain contracts reserved for veteran-owned small businesses.

It was also alleged that Lanier operated another entity, JMR Investments, that improperly received contracts for which it did not qualify under the Small Business Administration's 8(a) program, which helps small and disadvantaged businesses compete.

The investigation determined that Kylee Construction received many contracts by deceiving the Government, and a Federal grand jury indicted Lanier and Hill, along with their associates, Katrina Reshina Lanier and Speight, for multiple counts of wire fraud, conspiracy to commit wire fraud, and major fraud against the United States. The trial for this case is scheduled to begin in May 2015.

### **BLM State Director and Deputy State Director Indicted For Fraud, Theft, and False Statements**

OIG investigated Bureau of Land Management (BLM) Eastern States Director John Grimson Lyon and Deputy State Director for Natural Resources Larry Ray Denny after receiving information that Denny had moved from Virginia to Montana in July 2012 and was still receiving his Federal salary although he never returned to the BLM office in Springfield, VA.

Our investigation confirmed that although Denny had vacated his BLM position, from July 2012 through March 23, 2013, he was compensated for 550 hours of regular hours worked, 461 hours of sick leave, 389 hours of annual leave and 72 hours for Federal holidays. We also found that Lyon, Denny's supervisor, knowingly concealed Denny's absence by approving and submitting false documents, such as timesheets and leave requests, and lying to subordinates regarding Denny's whereabouts.

We also found that in January 2012, Denny negotiated a contract with the Chippewa Cree Tribe for drilling services and received \$67,243; Denny received \$49,070 from this contract in 2012 and did not disclose it to BLM.

A Federal grand jury for the U.S. District Court for the District of Montana indicted Denny and Lyon for wire fraud, false claims, theft of Government property, and providing false statements related to outside income. Both Denny and Lyon have been arraigned and their trials are scheduled to begin January 12, 2015.

### **Crow Tribe Employees Guilty of Multiple Charges of Theft and Defrauding the Government**

In a joint investigation with the FBI and the Internal Revenue Service (IRS) Criminal Investigation Division, OIG substantiated information that Crow Tribe Historic Preservation Office (THPO) employees received payment for cultural monitoring duties directly from the companies for whom the work was performed.

Tribe officials indicated this improper practice circumvented the procedure requiring the Tribe's financial office to submit invoices to companies for the cultural monitoring work performed, and the companies to remit payment to the Tribe for those services. In this long-standing case, three THPO employees received court sentences, and two THPO employees had their sentences amended.

The investigation determined that former THPO Director Dale Drew Old Horn told companies to pay the THPO employees directly for their cultural monitoring duties. The investigation also determined that the majority of individuals who received direct payments were relatives of Dale Drew Old Horn. In addition, we found that only two individuals were properly trained to conduct cultural monitoring, and that two other individuals who claimed to be THPO employees were paid for cultural monitoring duties but were never employed by THPO.

Between July 17, 2009, and November 21, 2011, Dale Drew Old Horn, Allen Old Horn, Danelle Old Horn, Martin Old Horn, Shawn Danforth, Larkin Chandler, Mark Denny, and Frederick Deputee, Jr. received direct payments totaling more than \$500,000 from companies for performing cultural monitoring duties on behalf of THPO.

On November 14, 2012, a Federal Grand Jury in Billings, MT, indicted all eight individuals involved in the scheme of conspiracy to defraud the Crow Tribe, mail fraud, and theft from an Indian tribal organization. The Grand Jury also indicted Dale Drew Old Horn, Danelle Old Horn, Allen Old Horn, Danforth, Chandler, and Denny on counts of theft from a program receiving Federal funding, and Allen Old Horn on counts of extortion involving a federally funded program and Federal income tax fraud.

Danelle Old Horn passed away on December 5, 2012, and all charges against her were subsequently dismissed. On January 29, 2013, Denny, Deputee, Jr., and Chandler pleaded guilty in U.S. District Court for the District of Montana. Denny and Chandler pleaded guilty to one count of theft from a program receiving Federal funding, and Deputee, Jr. pleaded guilty to larceny. On May 1, 2013, Denny was sentenced to 5 years of probation and ordered to pay \$73,045 in restitution, Chandler was sentenced to 5 years of probation and ordered to pay \$44,546 in restitution, and Deputee, Jr. was sentenced to 5 years of probation and ordered to pay \$6,130 in restitution. On May 13, 2014, Deputee pleaded guilty to violating the terms of his probation and was sentenced to 5 months in prison followed by 31 months of supervised release.

On April 18, 2013, a Federal Grand Jury in Billings, MT, indicted Martin Old Horn for wire fraud, false statements, mail fraud, and larceny. The charges were filed because of a false Federal Application for Student Aid (FAFSA) that Martin Old Horn filed in October 2011 and payments he received from companies for purportedly performing services as a THPO tribal monitor. He pleaded guilty on May 21, 2013, to false statements in connection with FAFSA fraud and to mail fraud. On September 10 and September 11, 2013, Martin Old Horn was sentenced to serve two concurrent 6-month terms in Federal prison followed by 3 years of supervised release and ordered to pay \$21,830 in restitution.

On August 16, 2013, a jury found Dale Drew Old Horn, Allen Old Horn, and Danforth guilty of all counts in the indictment.

On June 11, 2014, the court sentenced Dale Drew Old Horn, Allen Old Horn, and Danforth. Dale Drew Old Horn and Allen Old Horn were both sentenced to 7 days in prison (time served) and 3 years of supervised release, including 4 months of monitored home confinement, and ordered to pay \$48,370.40 in restitution to the Crow Tribe jointly and severally. Allen Old Horn was also ordered to pay \$14,973.63 in restitution to the IRS. Danforth was sentenced to 5 years of probation and ordered to pay \$8,560 in restitution to the Crow Tribe jointly with Dale Drew Old Horn and Allen Old Horn.

Also on June 11, 2014, the court amended Denny's and Chandler's original sentences, by reducing the amount of restitution they owed to the Crow Tribe jointly with Dale Drew Old Horn and Allen Old Horn to \$1,408 and \$5,280, respectively.

### **California Department of Forestry and Fire Protection Agrees To Pay \$250,000 Settlement**

We received a complaint in 2010 alleging that managers for the California Department of Forestry and Fire Protection (CAL FIRE) did not notify DOI officials or correct inadvertent errors with the accounting system that calculated contract labor rates and generated billing invoices for several DOI bureaus. CAL FIRE provided fire suppression services for California wildfires for DOI's Bureau of Land Management, U.S. Fish and Wildlife Service, and National Park Service. Our Office of Investigations collaborated with our Office of Audits, Inspections, and Evaluations to evaluate the inconsistent billing practices.

CAL FIRE's billing system errors created both under- and over-billing to occur from 2001 through 2007. None of the appropriate DOI representatives were notified of the billing errors when they were discovered by CAL FIRE employees as early as 2005, and evidence from our investigation suggests that CAL FIRE management deliberately chose not to alert affected parties unless an invoice was questioned.

We referred our findings to the United States Attorney's Office for the Eastern District of California, who negotiated a mutual settlement agreement on behalf of the Federal Government. On April 7, 2014, CAL FIRE representatives agreed to pay a \$250,000 settlement to the Federal Government.

### **BIA Firefighter Sentenced For Theft of Government Property**

We investigated several Bureau of Indian Affairs (BIA) wildland firefighters at Pine Ridge Agency (PRA) in Pine Ridge, SD, for working unnecessary overtime hours and falsifying official records on firefighter physical fitness tests in 2009.

Our investigation found that PRA Deputy Superintendent Harold Compton was required to pass the arduous duty pack test—which requires firefighters to carry a 45-pound backpack and walk 3 miles in less than 45 minutes—in order to serve and collect pay in 2009 as a collateral duty wildland firefighter. In an interview with OIG investigators, PRA Supervisory Wildland Fire Operations Specialist Michael Twiss knowingly provided false information when he said that he administered the test to Compton in 2009 when in fact he had not. We further determined that, at the request of PRA Fire Management Officer Daigre Douville, Twiss entered false test results for Compton in the Incident Qualification Certification System, an electronic system that shares firefighter training certification data with all Federal wildland firefighting agencies.

In addition, we identified overtime hours claimed in 2009 by Twiss, Douville, and Compton in which they received \$29,000; \$56,000; and \$30,000, respectively, and found that they did not need to work at least 50 percent and as much as 80 percent of the overtime for which BIA paid them.

On November 19, 2013, a Federal grand jury in the U.S. District Court for the District of South Dakota charged Twiss with one count of theft of Government property and one count of false statements. A superseding indictment filed on February 19, 2014, amended the false statement charges filed against Twiss. On December 17, 2013, a Federal grand jury charged Douville with one count of theft of Government property, and a superseding indictment filed on March 18, 2014, added one false statement count. Also on March 18, 2014, a Federal grand jury charged Compton with one count of theft of Government property.



Smokejumpers firefighter uniform.

On April 11, 2014, Twiss pleaded guilty in U.S. District Court for the District of South Dakota to theft of Government property. The court dismissed the count charging him with false statements. On July 22, 2014, the court sentenced Twiss to 5 years of probation and ordered him to pay \$16,800 in restitution.

Douville's trial is set to begin December 9, 2014, and Compton's trial is set to begin January 5, 2015.

### **Tribal Official Indicted For Theft and Embezzlement**

We initiated a joint investigation with the FBI into JoAnn Polston, First Chief of the federally recognized Alaskan tribal organization Healy Lake Village, after receiving allegations that she misappropriated Federal funds provided to the Village by the Bureau of Indian Affairs (BIA). Our investigation revealed that Polston embezzled approximately \$4,500 in per diem payments that BIA provided to the Village and approximately \$15,000 in tribal funds via checks and transfers from the Village's bank accounts.

The United States Attorney's Office in Anchorage, AK, accepted the case for prosecution, and on May 22, 2014, a Federal grand jury indicted Polston for theft of Government funds and embezzlement and theft from an Indian tribal organization. On June 27, 2014, Polston was arraigned and pleaded not guilty on both counts. Her trial is currently scheduled for January 20, 2015.

### **Former Director of Tribe Forestry Sentenced For Embezzlement; Biological Consulting Firm Debarred by DOI**

OIG, with the FBI and the Del Norte County District Attorney's Office in Crescent City, CA, jointly investigated Roland Raymond, the former director of the Yurok Tribe Forestry for embezzling from the Tribe by submitting false invoices through Mad River Biologists, a biological consulting firm contracted by the Tribe to conduct scientific assessments and environmental projects in support of Endangered Species Act projects.

The U.S. Attorney's Office for the Northern District of California charged Raymond on January 11, 2013, with conspiracy to commit embezzlement and theft from an Indian tribal organization. On May 21, 2013, Raymond pleaded guilty to embezzling approximately \$850,000 in funds that the Bureau of Indian Affairs had awarded to the Yurok Tribe for scientific and environmental contracts. Raymond admitted to conspiring with Mad River Biologists' owner, Ronald LeValley, to steal the Tribe's funds by creating false invoices for work that was unnecessary or never performed.

On January 13, 2014, the U.S. District Court for the Northern District of California sentenced Raymond to 37 months in prison and 3 years of supervision following his release. Raymond was also ordered to pay a \$100 felony assessment, restitution in the amount of \$752,000 to the Yurok Tribe, and \$100,000 to the Great American Insurance Group Company, which insured Yurok Tribe's fidelity and crime policy and its dishonesty claim as a result of Raymond's negligence.

On February 11, 2014, LeValley pleaded guilty to one count of conspiracy to commit embezzlement and theft from Indian tribal organizations. LeValley admitted that he conspired with Raymond by inflating invoices submitted to the Yurok Tribe for his employees' bonuses and billed the Tribe for biological fieldwork that his company never actually performed.

On May 20, 2014, LeValley was sentenced to 10 months in prison, 3 years of supervised release, and 100 hours of community service; he was also ordered to make restitution of the amounts assessed against Raymond.

In addition, DOI suspended and debarred Raymond from conducting business with the Federal Government for 3 years effective May 7, 2014. On July 25, 2014, DOI debarred LeValley and Mad River Biologists. Both respondents are debarred for a period of 3 years from the date of issuance of the determination. DOI also debarred Mad River Biologists' affiliated nonprofit organization company, MRB Research Inc., on September 9, 2014, until July 24, 2017.

### **Former IBC Employee Guilty of Sexual Exploitation of a Child, Stalking, and Identity Theft**

In conjunction with investigators from the Jefferson County District Attorney's Office in Golden, CO, OIG special agents investigated an information technology (IT) specialist for DOI's Interior Business Center (IBC) in Lakewood, CO, who was allegedly involved in an identity theft scheme that possibly involved his position at IBC.

During the investigation, Jefferson County investigators seized approximately 92 Direct Deposit Sign-Up Forms from the IT specialist's residence that contained personally identifiable information (PII) belonging to numerous Federal employees of various agencies. Investigators also seized a thumb drive that contained PII belonging to an additional 300 current or former Federal employees. The PII consisted of employees' names, addresses, bank account numbers, and social security numbers. In addition, the investigation further determined that the IT specialist, through his position at IBC, had access to PII of over 300,000 Federal employees in 42 different agencies. After thorough examination of this issue, we found no evidence of criminal wrongdoing associated with the IT specialist's access to and possession of the PII. This was a direct violation, however, of IBC policy regarding the removal of PII and therefore subject to administrative action.

The Jefferson County investigators had arrested the IT Specialist in August 2013 for multiple felony and misdemeanor charges, including child pornography and identity theft involving family members. He was subsequently held at the Jefferson County Detention Facility in Golden, CO, on \$100,000 bail.

As a result of the Jefferson County investigation, in May 2014, he pleaded guilty to multiple felony charges, including witness/victim retaliation, sexual exploitation of a child, contributing to the delinquency of a minor, violation of bail, public servant-attempt to influence, stalking, and identity theft. In August 2014, he was sentenced to 32 years in the Colorado Department of Corrections and \$2,327.63 in restitution.

IBC officials pursued administrative removal of the IT Specialist for various misconduct issues, and in January 2014, he resigned from Federal service in lieu of termination. As a result of our work and coordination with IBC officials, IBC offered free credit monitoring to current and previous employees whose PII had been accessed by the IT specialist.

## **Mining Company Owner Pleaded Guilty to False Statements**

We investigated Kimberly Onuma, the owner of Sunset Valley Mining Company, after receiving information from the Bureau of Land Management (BLM) that Onuma submitted fraudulent waivers for the annual maintenance fee for mining claims filed with the Montana State Office.

According to BLM, Onuma sent copies of Limited Power of Attorney documents listing herself as the registered agent of various companies to the Montana State Office. A BLM Land Law Examiner confirmed that at least one of the Limited Power of Attorney documents submitted by Onuma was a fraudulent document.

We substantiated the allegation that Onuma submitted at least one fraudulent Limited Power of Attorney document to the Montana State Office in connection with maintenance fee waiver certifications. In addition, we found that Onuma submitted nine of these fraudulent documents to the California State Office. In August 2010, Onuma filed waiver certifications totaling \$6,720 to the Montana State Office and \$6,860 to the California State Office. BLM denied all waivers.

We found that in 2011, Onuma submitted additional fraudulent documents to both the Montana and California State Offices and the Oregon State Office in connection with mining claim location notices. A Federal grand jury in Billings, MT, indicted Onuma on September 20, 2013, on seven counts of false statements for misrepresenting herself on the documents submitted and one count of aggravated identity theft for forging signatures on the documents. On January 21, 2014, Onuma pleaded guilty to one count of false statements, and pursuant to the agreement with the U.S. Attorney's Office, all other counts were dismissed.

On April 16, 2014, the U.S. District Court for the District of Montana sentenced Kimberly Onuma to 18 months of probation and ordered her to pay a \$100 special assessment.

# Appendices



## Investigations Statistical Highlights

### April 1, 2014 - September 30, 2014

#### Investigative Activities

|   |     |
|---|-----|
| Cases Closed.....                         | 312 |
| Cases Opened.....                         | 347 |
| Complaints Received From All Sources..... | 450 |

#### Criminal Prosecution Activities

|  |             |
|--|-------------|
| Indictments/Informations.....                  | 25          |
| Convictions.....                               | 22          |
| Sentencings.....                               | 21          |
| Jail.....                                      | 415 months  |
| Community Service.....                         | 100 hours   |
| Probation.....                                 | 756 months  |
| Criminal Penalties.....                        | \$2,798,330 |
| Criminal Matters Referred for Prosecution..... | 32          |
| Criminal Matters Declined This Period.....     | 7           |

#### Civil Investigative Activities

|                         |              |
|-------------------------|--------------|
| Civil Referrals.....    | 5            |
| Civil Declinations..... | 4            |
| Civil Settlements.....  | 1: \$250,000 |

#### Administrative Investigative Activities

|   |            |
|---|------------|
| Personnel Suspensions.....                | 2: 17 days |
| Reprimands/Counseling.....                | 7          |
| Resignations.....                         | 3          |
| General Policy Actions.....               | 26         |
| Contractor Suspensions.....               | 13         |
| Contractor Debarments.....                | 25         |
| Administrative Compliance Agreements..... | 3          |

# Audits, Inspections, and Evaluations Statistical Highlights

April 1, 2014 - September 30, 2014

## Audit, Inspection, and Evaluation Activities

|  |    |
|--|----|
| Reports Issued.....  | 34 |
| Performance Audits, Financial Audits, Evaluations, Inspections, and Verifications..... | 26 |
| Contract and Grant Audits.....   | 4  |
| Single Audit Quality Control Reviews.....  | 4  |

## Audit, Inspection, and Evaluation Impacts

|   |              |
|---|--------------|
| Total Monetary Impacts.....                                   | \$15,735,716 |
| Questioned Costs (includes unsupported costs).....            | \$11,391,701 |
| Recommendations That Funds Be Put to Better Use.....          | \$4,344,015  |
| <br>  |              |
| Audit, Inspection, and Evaluation Recommendations Made.....   | 126          |
| Audit, Inspection, and Evaluation Recommendations Closed..... | 208          |

## Reports Issued During the 6-Month Reporting Period

This listing includes all audit, inspection, and evaluation reports issued during the 6-month period that ended September 30, 2014. It provides report number, title, issue date, and monetary amounts identified in each report (\* Funds To Be Put to Better Use, \*\* Questioned Costs, and \*\*\* Unsupported Costs).

### Audits, Inspections, and Evaluations

#### Bureau of Land Management

**WR-EV-BLM-0025-2013**

Closeout Memorandum - Evaluation of Red Rock Canyon National Conservation Area Recreation Fee Collection, Bureau of Land Management  
(05/06/2014)

**WR-VS-BLM-0004-2014**

Verification Review of Recommendations for the Joint Evaluation/Investigation Report "Immediate Action Needed to Stop the Inappropriate Use of Cooperative Agreements in BLM's Helium Program"  
(WR-IV-BLM-0003-2008/01-C0-07-0206-1)  
(08/05/2014)

**CR-VS-BLM-0042-2014**

Verification Review of Recommendations for the Report "Bureau of Land Management's Oil and Gas Lease Auction Process" (CR-EV-BLM-0002-2009)  
(09/12/2014)

**CR-IS-BLM-0004-2014**

BLM Federal Onshore Oil and Gas Trespass and Drilling Without Approval  
(09/29/2014)

**C-EV-BLM-0003-2012**

Bureau of Land Management's Wildland Fire Program  
(09/30/2014)

## **Bureau of Reclamation**

### **ISD-IS-BOR-0002-2013**

IT Security of the Shasta and Folsom Dams Supervisory Control and Data Acquisition System  
(04/10/2014)

### **ISD-IS-BOR-0003-2013**

IT Security of the Grand Coulee Dam Supervisory Control and Data Acquisition System  
(04/10/2014)

### **WR-EV-BOR-0026-2013**

Bureau of Reclamation's Sustainable Water Management Programs and Activities  
(09/30/2014)  
\*\*\$18,405

## **Bureau of Safety and Environmental Enforcement**

### **CR-EV-BSEE-0006-2013**

Offshore Oil and Gas Permitting, U.S. Department of the Interior  
(09/30/2014)

## **Insular Area Reports**

### **HI-EV-GUA-0001-2013**

Guam's Business Privilege Tax<sup>1</sup>  
(09/24/2014)  
\*\*\$414,414

## **Multi-Office Assignments**

### **CR-EV-MOA-0003-2013**

Onshore Oil and Gas Permitting, U.S. Department of the Interior  
(06/26/2014)

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<sup>1</sup> Non-Federal funds

**ER-VS-MOA-0011-2014**

Verification Review of Recommendations for the Report “Bureau of Land Management and Bureau of Indian Affairs Bridge Safety Programs”  
(ER-EV-MOA-0002-2011)  
(08/22/2014)

**CR-VS-MOA-0010-2014**

Verification Review of Recommendations for the Report “Oil and Gas Production on Federal Leases: No Simple Answer”  
(C-EV-MOA-0009-2008)  
(08/25/2014)

**ZZ-IS-MOI-0003-2014**

DOI Conference Planning, Tracking, and Spending  
(08/28/2014)

**ER-EV-MOA-0006-2014**

Closeout Memorandum - Evaluation of the U.S. Department of the Interior’s Sustainable-Buildings Initiative  
(09/08/2014)

**CR-VS-MOA-0009-2014**

Verification Review of Recommendations for the Report “Geothermal Royalties”  
(C-IN-MOA-0004-2009)  
(09/12/2014)

**National Park Service**

**WR-IS-NPS-0001-2014**

National Park Service Lockup Facility Management  
(05/08/2014)

**ER-VS-NPS-0012-2014**

Verification Review of Recommendations for the Report “National Park Service Visitor Donation Boxes”  
(ER-IS-NPS-0011-2014)  
(09/10/2014)

**C-VS-NPS-0040-2014**

Verification Review of Recommendations for the Report “National Park Service: Climate Friendly Parks Initiative”

(HI-EV-NPS-0001-2010)

(09/17/2014)

**WR-EV-NPS-0022-2013**

U.S. Park Police Law Enforcement Services for the Presidio Trust

(09/30/2014)

**Office of Insular Affairs**

**HI-EV-OIA-0055-2014**

Guam’s Business Privilege Tax

(09/24/2014)

**Office of the Secretary**

**X-EV-OSS-0004-2014**

U.S. Department of the Interior’s Compliance With the Improper Payments Elimination and Recovery Act of 2010 in the Fiscal Year 2013 “Agency Financial Report”

(04/15/2014)

**ISD-IS-OCIO-0001-2014**

U.S. Department of the Interior Web Hosting Services

(06/04/2014)

**WR-VS-OSS-0005-2014**

Verification Review of Recommendations for the Report, “Hazardous Fuels Reduction Program, Department of the Interior”

(W-IN-MOA-0002-2005)

(08/11/2014)

## U.S. Fish and Wildlife Service

### ER-IN-FWS-0010-2013

Management of the Coastal Impact Assistance Program in the State of Louisiana  
(09/30/2014)

\*\$4,344,015 \*\*\$9,754,492 \*\*\*\$124,472

## Non-Interior

### C-FL-UDF-0041-2014

Follow-Up on Internal Controls at the Morris K. Udall and Stewart L. Udall  
Foundation

(09/24/2014)

## Contract and Grant Audits

## U.S. Fish and Wildlife Service

### R-GR-FWS-0012-2013

U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program  
Grants Awarded to the State of Idaho, Department of Fish and Game, From  
July 1, 2010, Through June 30, 2012

(05/19/2014)

\*\*\*\$564,627

### R-GR-FWS-0014-2013

U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program  
Grants Awarded to the State of Vermont, Agency of Natural Resources,  
Department of Fish and Wildlife, From July 1, 2010, Through June 30, 2012

(08/01/2014)

\*\*\$13,087 \*\*\*\$44,410

### R-GR-FWS-0004-2014

U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program  
Grants Awarded to the State of New Hampshire, Fish and Game Department,  
From July 1, 2011, through June 30, 2013

(09/08/2014)

**R-GR-FWS-0006-2014**

U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program  
Grants Awarded to the State of Wisconsin, Department of Natural Resources,  
From July 1, 2011, Through June 30, 2013  
(09/15/2014)  
\*\*\*\$457,794

**Single Audit Quality Control Reviews**

**B-QC-MOA-0006-2013**

Piltz, Williams, LaRosa & Company Audit of The Institute for Marine Mammal  
Studies, Inc., for the Fiscal Year Ended July 31, 2011  
(04/01/2014)

**B-QC-MOA-0003-2014**

Grant Thornton LLP Audit of National Fish and Wildlife Foundation for the Fiscal  
Year Ended September 30, 2013  
(09/24/2014)

**B-QC-MOA-0004-2014**

Kafoury Armstrong & Co. Audit of Clark County for the Fiscal Year Ended  
June 30, 2013  
(09/29/2014)

**B-QC-MOA-0005-2014**

REDW LLP Audit of Confederated Salish and Kootenai Tribes of the Flathead  
Nation for Fiscal Year Ended September 30, 2013  
(09/29/2014)

## Monetary Resolution Activities

**Table 1: Inspector General Reports With Questioned Costs\***

|  | Number of Reports | Questioned Costs* | Unsupported Costs |
|--|-------------------|-------------------|-------------------|
| A. For which no management decision has been made by the commencement of the reporting period. | 6                 | \$21,550,946      | \$19,852,714      |
| B. Which were issued during the reporting period.  | 5                 | \$10,977,287      | \$1,191,303       |
| Total (A+B)  | 11                | \$32,528,233      | \$21,044,017      |
| C. For which a management decision was made during the reporting period.**                     | 10                | \$29,075,312      | \$20,479,390      |
| (i) Dollar value of costs disallowed.  |                   | \$24,364,871      | \$16,359,736      |
| (ii) Dollar value of costs allowed.  |                   | \$4,710,441       | \$4,119,654       |
| D. For which no management decision had been made by the end of the reporting period.**        | 2                 | \$3,452,921       | \$564,627         |

\*Does not include non-Federal funds.

\*\*Report No. ER-IN-FWS-0010-2013 contains monetary amounts for which a management decision has been made and monetary amounts for which no management decision has been made.

## Monetary Resolution Activities

**Table II: Inspector General 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                 | \$8,504      |
| B. Which were issued during the reporting period.  | 1                 | \$4,344,015  |
| Total (A+B)  | 2                 | \$4,352,519  |
| C. For which a management decision was made during the reporting period.**                     | 2                 | \$3,944,075  |
| (i) Dollar value of recommendations that were agreed to by management.                         |                   | \$3,935,571  |
| (ii) Dollar value of recommendations that were not agreed to by management.                    |                   | \$8,504      |
| D. For which no management decision had been made by the end of the reporting period.**        | 1                 | \$408,444    |

\*Does not include non-Federal funds.

\*\*Report No. ER-IN-FWS-0010-2013 contains monetary amounts for which a management decision has been made and monetary amounts for which no management decision has been made.

## Summary of Reports More Than 6 Months Old Pending Management Decision

This listing includes a summary of audit, inspection, and evaluation reports that were more than 6 months old on September 30, 2014, and still pending a management decision. It provides report number, title, issue date, and number of unresolved recommendations.

### Audits, Inspections, and Evaluations

#### Indian Affairs

**CR-EV-BIA-0001-2011**

Oil and Gas Leasing in Indian Country: An Opportunity for Economic  
Development  
(09/24/2012)  
1 Recommendation

#### U.S. Fish and Wildlife Service

**CR-EV-MOA-0006-2012**

U.S. Department of the Interior's Underground Injection Control Activities  
(03/31/2014)  
1 Recommendation

## Peer Reviews of OIG Operations

### Audits, Inspections, and Evaluations

Peer reviews are conducted of an OIG audit organization's system of quality control on a 3-year cycle in accordance with the Council of the Inspectors General on Integrity and Efficiency's (CIGIE) "Guide for Conducting External Peer Reviews of the Audit Organizations of Federal Offices of Inspector General," based on requirements in the "Government Auditing Standards." Federal audit organizations can receive a rating of pass, pass with deficiencies, or fail.

During this semiannual reporting period, the National Railroad Passenger Corporation (AMTRAK) OIG reviewed the system of quality control for our Office of Audits, Inspections, and Evaluations (AIE). Based on its review, AMTRAK determined that AIE's system of quality control in effect for the year ending September 30, 2013, provided reasonable assurance that AIE conforms to applicable professional standards in all material respects. AIE received a peer review rating of pass.

The report's accompanying letter of comment contained four recommendations that, while not affecting the overall opinion, were offered to further strengthen our system of quality control over independence, planning, audit documentation, competence, and reporting. We have implemented all four recommendations.

### Investigations

In accordance with the 3-year schedule established by CIGIE, the U.S. Department of Transportation (DOT) OIG conducted a peer review of our investigative operations in December 2013. DOT OIG found that our Office of Investigations fully complied with our internal safeguards and management procedures, and it did not make any recommendations.

We conducted a peer review of the system of internal safeguards and management procedures for the investigative function of the Small Business Administration (SBA) OIG between September 4 and September 15, 2014, in conformity with CIGIE's "Quality Standards for Investigations" and "Qualitative Assessment Review Guidelines." We provided a draft of our report to SBA OIG, and we will issue our final report during the next reporting period.

## Cross-References to the Inspector General Act

|                  |  | Page  |
|------------------|--|-------|
| Section 4(a)(2)  | Review of Legislation and Regulations  | N/A*  |
| Section 5(a)(1)  | Significant Problems, Abuses, and Deficiencies   | 2-31  |
| Section 5(a)(2)  | Recommendations for Corrective Action With Respect to Significant Problems, Abuses, and Deficiencies                           | 2-31  |
| Section 5(a)(3)  | Significant Recommendations From Agency's Previous Reports on Which Corrective Action Has Not Been Completed                   | 43    |
| Section 5(a)(4)  | Matters Referred to Prosecutive Authorities and Resulting Convictions  | 33    |
| Section 5(a)(5)  | Matters Reported to the Head of the Agency   | N/A   |
| Section 5(a)(6)  | Audit Reports Issued During the Reporting Period   | 35-40 |
| Section 5(a)(7)  | Summary of Significant Reports   | 2-31  |
| Section 5(a)(8)  | Statistical Table: Questioned Costs  | 41    |
| Section 5(a)(9)  | Statistical Table: Recommendations That Funds Be Put to Better Use   | 42    |
| Section 5(a)(10) | Summary of Audit Reports Issued Before the Commencement of the Reporting Period for Which No Management Decision Has Been Made | 43    |
| 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 804(b) of the Federal Financial Management Improvement Act of 1996                         | N/A   |

\*N/A: Not applicable to this reporting period.

## Cross-References to the Inspector General Act

|               |  | Page |
|---------------|--|------|
| Section 14(A) | Results of Peer Reviews Conducted by Another Office of Inspector General During the Reporting Period   | 44   |
| Section 14(B) | Most Recent Peer Review Conducted by Another Office of Inspector General   | 44   |
| Section 15    | Outstanding Recommendations From Any Peer Review Conducted by Another Office of Inspector General  | N/A* |
| Section 16    | Peer Reviews Completed of Another Office of Inspector General During the Reporting Period or Previous Recommendations That Have Not Been Fully Implemented | 44   |

\*N/A: Not applicable to this reporting period.



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