



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

The Chemawa Indian School Did Not Account for Its Financial Resources, and the Bureau of Indian Education Did Not Provide Financial Oversight



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Memorandum

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To: Tony L. Dearman
Director, Bureau of Indian Education

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

Subject: Final Audit Report – *The Chemawa Indian School Did Not Account for Its Financial Resources, and the Bureau of Indian Education Did Not Provide Financial Oversight*
Report No. 2022–CR–012

This memorandum transmits our audit report on Chemawa Indian School’s accounting processes and the Bureau of Indian Education’s financial oversight.

We will track open recommendations for resolution and implementation. We will notify Congress about our findings, and we will report semiannually, as required by law, on actions you have taken to implement the recommendations and on recommendations that have not been implemented. We will also post a public version of this report on our website.

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

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Results in Brief

What We Audited

The Bureau of Indian Education (BIE) operates the Chemawa Indian School (CIS), which is a boarding school for grades 9 through 12 in Salem, Oregon, with an average of approximately 300 students from multiple Tribes. The CIS spent nearly \$32 million in Federal funding to operate the school during fiscal years (FYs) 2019 through 2021. In addition, at any given time it manages, on average, \$597,000 in non-Federal school collections associated with students' personal money, organizational fundraising, and donations. The CIS also receives money from businesses that hold leases for the use of its land.

We received a congressional request, and, after conducting our own independent analysis of the issue, we initiated this audit. In particular, we audited the CIS' accounting records and processes to determine if the CIS accurately accounted for and used its financial resources in accordance with laws and regulations. We also sought to determine if the BIE adequately performed financial oversight of the CIS.

What We Found

The CIS did not accurately account for or use financial resources in accordance with laws and regulations during FYs 2019 through 2021. We found that the CIS mismanaged the balance in its Student Enterprise account, which averaged approximately \$597,000 over 3 school years; purchased \$593,367 in inappropriate and potentially wasteful items with Federal funds; and improperly accounted for business leases for the use of its land. Accordingly, we are questioning \$593,367. We also found that the CIS did not appropriately manage its accountable system-controlled property¹ and property under \$5,000.

Notwithstanding the involvement of multiple BIE offices with responsibilities for the CIS' financial oversight, the BIE did not adequately perform this role. Specifically, the BIE did not audit the CIS' Student Enterprise account in accordance with Federal regulations and did not have adequate policies and procedures to ensure that the CIS appropriately accounted for and used financial resources. The BIE was also not aware of a program the CIS established without approval that had accumulated hundreds of thousands of dollars in expenditures.

Why This Matters

As a boarding school, the CIS is responsible for providing a safe and healthy living environment as well as adequate educational programs. Accordingly, the CIS must have appropriate internal controls to ensure that it accurately accounts for its financial resources. Without appropriate financial management, students may not receive appropriate resources and educational

¹ Accountable system-controlled property is sensitive personal property and personal property items of \$5,000 or more.

programs. In addition, the CIS runs the risk of mishandling students' extracurricular and personal money.

The CIS is one of 55 BIE-operated schools. As part of its overall trust obligations, the BIE has a particular responsibility to ensure appropriate financial management of all schools attended by students from the Tribes it serves. If the BIE was not aware of the inappropriate uses of financial resources and inadequate financial management at the CIS, we do not have assurance that the BIE has the oversight mechanisms in place to identify and address similar issues that may occur at other BIE-operated schools.

What We Recommend

We make 26 recommendations to address the identified findings and strengthen BIE and CIS internal controls for the financial management of school operations and non-Federal school monetary collections.

Introduction

Objective

Our objective was to determine if Chemawa Indian School (CIS) is accurately accounting for and using financial resources in accordance with laws and regulations and to determine to what extent the Bureau of Indian Education (BIE) is performing financial oversight of the CIS.²

See Appendix 1 for our audit scope and methodology.

Background

The CIS is a BIE-operated school located in Salem, Oregon. According to its website, it is the oldest continuously operating boarding school for Native American students in the United States, dating “to the 1870s when the U.S. Government authorized a school for Indian children in the Northwest.”³ By 1922, the school had grown to include 70 buildings on a 40-acre campus. The CIS’ roughly 117 staff members serve students in grades 9 through 12. For school years 2019 and 2020, average enrollment was 335 students; however, due to the COVID-19 pandemic, enrollment for the 2021 school year dropped to 198 students.

We have previously reported that the CIS has had a history of deficiencies, including oversight of student health and safety, academic shortcomings, and lack of financial transparency and oversight. Specifically, our previous work identified that the CIS did not have an adequate plan in place to ensure students’ educational achievement,⁴ and another report also recommended improvements to the CIS’ safety plan.⁵ There have also been a series of news reports raising questions regarding financial accountability at the school. Additionally, in May 2019, the congressional Subcommittee for Indigenous Peoples of the United States held a hearing to address concerns that the CIS was unable to properly care for the health and wellbeing of its students and to address school policies that were claimed to discourage transparency and accountability.⁶ Testimony from members of Congress and a former teacher indicated that the CIS had not been transparent with its finances and that it lacked financial oversight.

In August 2019, the BIE’s Division of Performance and Accountability issued a report detailing the results of its November 2016 fiscal and programmatic monitoring of the CIS. Specifically, the report identified 19 findings of noncompliance that were provided to the CIS for corrective action. As of June 2022, 12 of the 19 findings remained open and corrective actions had not been taken to address issues that were identified, including findings that the appropriate BIE

² The CIS provides education for students from multiple Tribes.

³ “Chemawa History,” <https://chemawa.bie.edu/history.html>.

⁴ *Review of Academic Achievement at the Chemawa Indian School*, Report No. CR-IS-BIE-0026-2014, issued July 2015.

⁵ *Review of Violence Prevention at the Chemawa Indian School*, Report No. C-IS-BIE-0025-2014, issued July 2015.

⁶ *Investigating the Health and Safety Risks of Native Children at BIE Boarding Schools: Hearing Before the Subcomm. for Indigenous Peoples of the U.S.*, 116th Cong., May 16, 2019. <https://democrats-naturalresources.house.gov/hearings/investigating-the-health-and-safety-risks-of-native-children-at-bie-boarding-schools>.

office did not review and approve the consolidated schoolwide budget and that there was no evidence to support that the CIS' Board of Directors approved the budget on a quarterly basis.

Funding Sources

The CIS receives and manages funds from Federal and non-Federal sources for educational programs, school operations, and maintenance.

Federal Funding

The BIE School Operations – Division of Budget and Finance provides funding to the CIS to operate its education programs. These funds are held in the Operation of Indian Education Programs (OIEP)⁷ account in the U.S. Treasury. The OIEP account includes the Indian School Equalization Program fund, which is the primary funding source for educational programs and is funded annually in accordance with the Indian School Equalization Formula.⁸ The OIEP account also includes Facilities Operations and Maintenance funds, which are for operational expenses such as utilities and custodial services as well as preventative, routine, and unscheduled maintenance.

The CIS also receives funding from Federal sources outside of the BIE. The U.S. Department of Education provides funds to educate and provide services to students attending BIE-funded schools. The BIE serves the same capacity as a State Education Agency and administers and oversees the Department of Education's programs for all BIE schools that receive funds. During our audit period, the primary funding that the CIS received from the Department of Education came from Title I, Part A,⁹ and the Individuals with Disabilities Education Act, Part B.¹⁰

Department of Education Funding

The purpose of **Title I, Part A – Education for the Disadvantaged**, is to provide all children significant opportunity to receive a fair, equitable, and high-quality education, and to close educational achievement gaps.

The purpose of the **Individuals with Disabilities Education Act, Part B**, is to ensure that all children with disabilities receive a free, appropriate education that provides special education and related services designed to meet their unique needs.

Additionally, during the COVID–19 pandemic, the CIS received funds pursuant to the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the Coronavirus Response

⁷ The OIEP is a new account that started in FY 2020. In FY 2019, these funds were included in the Bureau of Indian Affairs Operation of Indian Programs account.

⁸ The Indian School Equalization Formula is driven by student enrollment and a Weighted Student Unit (WSU) for each school. The WSU adjusts the student enrollment number for special services such as gifted programs and language development programs. Distribution of Indian School Equalization Program funding is based on a dollar amount per WSU.

⁹ Every Student Succeeds Act, Pub. L. No. 114–95, 129 Stat. 1814 (2015).

¹⁰ Individuals with Disabilities Education Act, Pub. L. No. 105–17, 111 Stat. 49 (1997).

and Relief Supplemental Appropriations Act (CRRSAA) to prevent, prepare for, and respond to COVID-19.

During fiscal years (FYs) 2019 through 2021, the CIS reported spending \$31,840,474 in Federal funding (see Figure 1).

Figure 1: Summary of Expenditures

FY	ISEP* (\$)	BIE† (\$)	Department of Ed (\$)	COVID-19 Funding‡ (\$)	Total§ (\$)
2019	6,510,937	3,365,335	1,594,670	-	11,470,942
2020	6,112,149	2,614,878	1,206,661	121,363	10,055,052
2021	5,475,058	2,187,809	1,171,118	1,480,494	10,314,480
Grand Total					\$31,840,474

* Indian School Equalization Program.

† BIE funding includes programs such as facilities maintenance and operations, food services, and transportation.

‡ COVID-19 funding includes funds received through the CARES Act and CRRSAA.

§ The FY 2020 and 2021 totals reflect a \$1 difference due to rounding.

Non-Federal School Collections

Student Enterprise

Bureau of Indian Affairs (BIA) policy allows junior and senior high schools enrolling 100 or more students to operate a school bank to safeguard student activity funds and students’ personal funds, as well as provide a learning experience for students.¹¹ Funds in the CIS school bank, also known as “Student Enterprise moneys,” include students’ personal money; student organizations’ fundraising money; donations to the school; and money raised at the student store, coffee shop, and snack bar.

To house its Student Enterprise moneys, the CIS established a commercial bank account at a local credit union (referred to as the “Student Enterprise account”). The CIS also operates its own central school bank¹² where it keeps cash on hand at the school. Students and personnel responsible for operating the school store, snack bar, coffee shop, and student organizations can deposit and withdraw money from the CIS school bank. Using commercial accounting software, CIS staff are responsible for managing the money by recording financial transactions in accounts for the students, donations, and each student organization.

¹¹ *Bureau of Indian Affairs Manual*, 62 *BIAM* 8, “Students’ Personal and Group Funds and School Banks.”

¹² The central school bank is run by school personnel and is not a branch of a commercial bank.

Business Leases

Federal regulations define specific processes and procedures to allow BIE-operated schools to lease facilities in exchange for funds.¹³ The CIS receives payments from businesses that lease its land for purposes such as cell towers, billboards, and a Christmas tree farm. The CIS then deposits these collections to the U.S. Treasury to be used for general school purposes.

Applicable Regulations and Agency Policies

As a BIE-operated school, CIS staff are all BIE employees and, as such, are required to follow Federal and BIE regulations and procedures. To accurately account for and use financial resources, the CIS must comply with the following:

- Federal regulations that address the oversight of student bank moneys, handling donations received, and managing leases held between third party entities and BIE-operated schools.
- The Federal Acquisition Regulation, which is the primary regulation for use by all executive agencies in their acquisition of supplies and services with appropriated funds.
- *Indian Affairs Manual (IAM)*, which is the current operational policies of Indian Affairs' programs. The manual contains requirements for accounting for the student bank moneys, handling donations received, and managing property.

CIS Financial Management

The CIS has no policy defining roles and responsibilities for financial management at the school. According to the CIS Principal and the Business Manager, they have assumed responsibility for many aspects of the school's financial management. These functions include:

- Performing annual assessments to determine school needs based on student, parent, and CIS staff input.
- Developing the schoolwide budget for each school year based on needs assessments and prior year expenditures.
- Conducting financial accounting of school operations including labor, purchasing, student travel, and transportation.
- Overseeing the management of the Student Enterprise moneys.
- Approving purchases using Government-issued purchase cards and contract awards.

¹³ 25 C.F.R. part 48, "Leases of Land or Facilities of Bureau-Operated Schools and Fundraising Activities at Bureau-Operated Schools."

- Managing the business leases on CIS land.
- Supervising the school’s business office employees, including the Student Enterprise Business Technician and Procurement Business Technician.

In addition, the Principal serves as the Custodial Property Officer, who is responsible for property management.

BIE Oversight

The BIE is responsible for overseeing the financial management of all BIE-operated schools. Financial oversight for the CIS is distributed among several BIE divisions and offices.

Phoenix Education Resource Center

The Phoenix Education Resource Center is responsible for direct oversight of the CIS, including providing technical assistance for school improvement, needs assessments, and schoolwide budgets. An Education Program Administrator from this office is assigned as the CIS Principal’s direct supervisor. This individual also participates in quarterly reviews of the CIS’ financial status, which includes reviewing budgeted amounts compared to actual expenditures. In addition, an Education Specialist from this office provides feedback to the school on the CIS’ annual needs assessments and is responsible for reviewing the school’s budget.

School Operations – Division of Budget and Finance

The School Operations – Division of Budget and Finance oversees and administers the BIE budget in addition to performing fiscal monitoring and assisting schools in improving funds management. A Financial Analyst from this office is assigned to the CIS to facilitate and conduct the school’s aforementioned quarterly financial reviews. Specifically, the Financial Analyst identifies how the CIS is spending its funds by comparing budgeted amounts to expenditures. The Financial Analyst is then responsible for meeting with a team of other BIE officials—such as the Education Program Administrator, Education Specialist, Management Analyst, and Education Program Specialist, as well as CIS staff—to discuss CIS spending. In addition, the Financial Analyst is responsible for ensuring funds are available for the CIS’ approved purchase requests. Personnel from this office also audit Government-issued purchase card transactions and distribute Federal funding to schools.

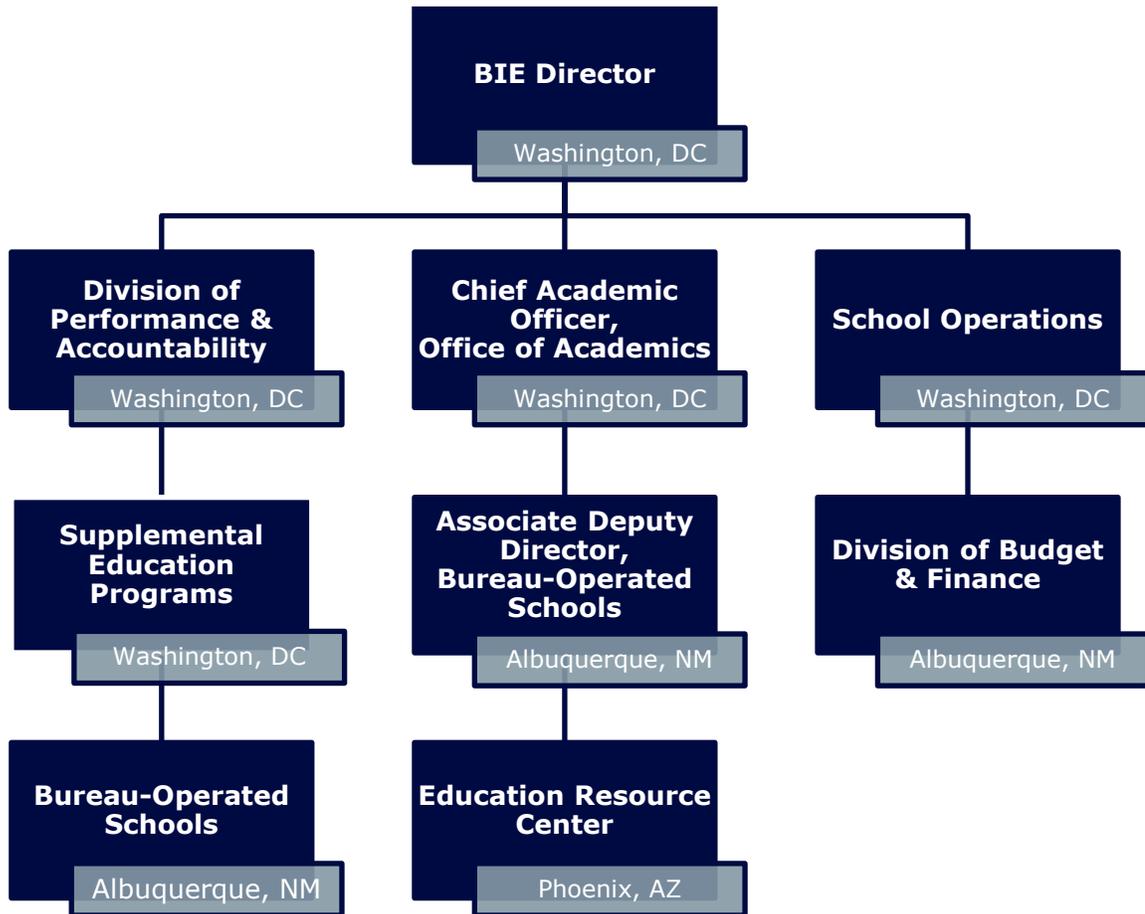
Division of Performance and Accountability

The Division of Performance and Accountability is responsible for providing oversight of BIE funds from the Department of Education, as well as supporting fiscal management and the provision of special education services. An Education Program Specialist from this division monitors the rate at which the CIS spends its budget. This individual is also responsible for

providing technical assistance to schools to ensure that the CIS spends the Department of Education funds in accordance with what is allowable under applicable regulations.

See Figure 2 for an organizational chart of these BIE divisions and offices.

Figure 2: BIE Oversight Organizational Chart



CIS Board of Directors

When active, the CIS Board of Directors comprises seven members representing the primary Tribal groups of the students enrolled at the school; however, the board has been inactive since 2019 because it does not have enough members for a quorum.¹⁴ According to the board’s bylaws, its mission is “to provide dynamic support of the School’s and BIE’s vision: providing American Indian and Alaska Native students the best educational programming possible as reflected in the School’s mission statement,” which is “to provide opportunities for every student to achieve success.”¹⁵ Its role is largely advisory, as the board is not involved with day-to-day school operations. The board’s specific objectives include ensuring that the

¹⁴ A quorum is the minimum number of members that must be present at meetings to make the proceedings of the meeting valid. The board does not have a quorum because [redacted] resigned, and [redacted] removed.

¹⁵ Chemawa Indian School – School Board By-Laws, May 2019.

educational programs offered at the CIS meet the individual, cultural, and education needs of Indian children. When active, the board approves the initial budget and the budget reconciliations, which include the amounts authorized compared to what the school plans for the funding.¹⁶ However, the board does not have decision making authority regarding financial oversight of the school.¹⁷ CIS officials typically notify the board when funds are available and when the school is eligible for new funding.

¹⁶ While the board is inactive, the Education Program Administrator at the BIE's Education Resource Center is responsible for performing some of the board's duties, including reviewing and approving the budget.

¹⁷ According to one board member, the budget approval is a "rubber stamp" on the school's expected use of funding and amounts authorized, but CIS officials do not inform the board of the specific results.

Results of Audit

We found that the CIS did not accurately account for and use financial resources in accordance with laws and regulations. Specifically, we found that the CIS:

- Mismanaged all student enterprise moneys averaging \$597,000 at a given time, including students' personal money, funds raised through student organizations, and donations to the school.
- Purchased \$593,367 in inappropriate and potentially wasteful items. We are accordingly questioning all of these expenditures. See Appendix 2 for a statement of monetary impact.
- Improperly accounted for business leases for the use of CIS land.
- Inappropriately managed property; both its accountable system-controlled property and its property under \$5,000.

Moreover, even though multiple BIE offices have responsibility for the CIS' financial oversight, the BIE did not adequately oversee the CIS' finances. In particular, the BIE did not audit the Student Enterprise account in accordance with Federal regulations and did not have adequate policies and procedures in place to ensure that the CIS appropriately accounted for and used financial resources.

Correcting the identified deficiencies and following established processes would improve the internal controls for the CIS' financial management and strengthen the BIE's financial oversight of the CIS. In addition, appropriate financial management and oversight would ensure that the school funds are being used to benefit the students.

The CIS Mismanaged Its Student Enterprise Account

We found that, over a 3-year period, the CIS mismanaged the balance in its Student Enterprise account, which averaged \$597,000 over 3 school years.¹⁸ Specifically, for school years 2019, 2020, and 2021, the CIS improperly accounted for funds held within this commercial bank account and did not appropriately segregate duties associated with managing the Student Enterprise account, such as performing reconciliations and recording transactions. In addition, the school did not handle donations it received in accordance with established policies and regulations.

These issues occurred primarily because the CIS did not follow established policies or procedures or internal control standards required by the *Standards for Internal Control in the Federal Government* (the "Green Book").¹⁹ The CIS also did not follow BIA policy

¹⁸ As noted previously, this is an account that includes students' personal as well as student organization money.

¹⁹ Green Book, Principle 10.03, "Design of Appropriate Types of Control Activities."

requirements related to reconciliations, proper accounting for replenishing cash on hand, or balancing accounts after the close of each business day.²⁰

Without proper accounting practices, reconciliations, and segregation of duties for the Student Enterprise account, the BIE has no assurance that the CIS has properly managed the funds in this account. Based on the volume of transactions that occurred during the 3-year period we reviewed, there is a high risk for fraud or mismanagement.²¹

The Student Enterprise Account Could Not Be Reconciled

Notwithstanding policy requirements, the CIS was unable to provide evidence of any reconciliations from the monthly bank statements to its Student Enterprise accounting records in its commercial accounting software. BIA policy states that the bank statement should be reconciled to the school accounts and approved by the official in charge.²² A reconciliation between the bank statement and school accounting system entails reviewing both sets of records for consistency and completeness. Put another way, ensuring that the two sets of records match signifies that all moneys are accounted for, thereby decreasing the risk of fraud or abuse.

Because the CIS did not reconcile the bank statements to its own accounting records, we attempted to complete this reconciliation ourselves. However, for school years 2019 through 2021, we were unable to do so and moreover found discrepancies associated with each school year as well as other accounting issues. For example:

- For school year 2019, we found that the CIS' accounting records showed deposits of \$319,188, but the deposits indicated on the commercial bank statements showed only \$219,582. The difference of nearly \$100,000 between the accounting records and the bank account could indicate poor recordkeeping practices, misappropriation, or both.
- During the scope period, we found material discrepancies within the CIS' accounting records totaling more than \$19,000. For example, one of the Student Enterprise subaccounts in the accounting records had a \$15,000 deficit between the ending balance of school year 2018 and the beginning balance of school year 2019. We also found four instances in which the daily records of starting cash on hand were lower than the ending cash from the prior day, totaling \$4,707. When asked, CIS officials were unable to provide us with a sufficient explanation for the differences. We also noted that the CIS did not balance its accounts daily to ensure the complete and accurate recording of transactions despite a requirement in BIA policy²³ for all accounts to be balanced after the close of each day's business. Unreconciled differences in cash on hand could indicate poor recordkeeping practices, misappropriation, or both.

²⁰ 62 *BIAM* 8.7G(9), "Balancing Accounts"; 62 *BIAM* 8.7G(10), "Reconciling School Bank Accounts to Depository Statement"; and 62 *BIAM* 8.7G(8), "Replenishing Cash on Hand."

²¹ We made a referral to our Office of Investigations based on concerns identified during the course of our audit fieldwork.

²² 62 *BIAM* 8.7G(10), "Reconciling School Bank Accounts to Depository Statement."

²³ 62 *BIAM* 8.7G(9) "Balancing Accounts."

- We also found that the CIS did not record individual transactions showing the movement of cash and its effect on each account. For example, in school year 2019, the CIS made 36 checks payable to cash, which totaled \$104,950, to replenish cash on hand at the school but did not properly account for the transactions. According to BIA policy, when replenishing cash on hand, the accounting records should show a decrease to cash in commercial banks and an increase to cash on hand accounts.²⁴ While the CIS recorded the increase in cash on hand, no record of the decrease of cash held in the commercial bank existed within the CIS’ accounting records.

Further compounding our concerns, the BIE did not appropriately oversee CIS’ Student Enterprise account. In accordance with Federal regulations,²⁵ all student activity accounts must be audited annually. While BIA policy²⁶ and Federal regulations do not specify the BIE office responsible for performing the audits, BIE officials stated that the responsible office was the Education Resource Center. The BIE Education Resource Center officials, however, could provide no explanation as to why the CIS had not been reviewed during our 3-year audit scope.

The CIS Did Not Segregate Duties

We identified that the CIS’ Student Enterprise functions were not appropriately segregated among different individuals. Key duties should be segregated to reduce the risk of error—including authorizing, processing, recording, and reviewing transactions—so that no one person controls all key aspects of a transaction.²⁷ If segregation of duties is not practical within an operational process because of limited personnel, management should design alternative control activities to address the risk of fraud, waste, or abuse, in the operational process.²⁸

At the CIS, however, a single individual—namely, the Student Enterprise Business Technician—was responsible for all the key functions of the Student Enterprise account, including performing banking duties, writing checks, stocking the on-campus safe with cash, and recording transactions. The Business Manager at the CIS who supervises the Student Enterprise Business Technician and is responsible for performing reconciliations on the Student Enterprise account also has the ability to perform banking duties and enter transactions into the CIS’ accounting system. Although BIE officials stated that the CIS does not have enough staff to segregate duties, neither the CIS nor the BIE established mitigating processes to reduce risk. For example, alternative control activities could include more frequent reviews of accounting records or multiple levels of review, but no such additional control activities existed at the CIS.

²⁴ 62 *BIAM* 8.7G(8), “Replenishing Cash on Hand.”

²⁵ 25 C.F.R § 36.43(g).

²⁶ 62 *BIAM* 8.7H, “Audits and Inspections.”

²⁷ Green Book, Principle 10.03, “Design of Appropriate Types of Control Activities.”

²⁸ Green Book, Principle 10.14, “Segregation of Duties.”

The CIS Did Not Handle Donations in Accordance with Policies and Regulations

We found that the CIS did not handle donations it received in accordance with policies and Federal regulations. We identified a variety of violations as summarized below.

First, immediately upon receiving a donation, the Principal must report the donated funds to the BIE Collection Officers in the School Operations – Division of Budget and Finance.²⁹ Additionally, Federal regulations³⁰ require BIE-operated schools to submit an annual report to the BIE Director with the list of donors, donation amounts, estimated values of goods and services, an accounting of all costs of fundraising activities,³¹ supporting documentation showing the donations were used for school purposes, and a report of the results achieved using donations.

During school years 2019 through 2021, the CIS’ accounting records showed the receipt of \$324,581 in donations (see Figure 3).

Figure 3: Summary of Donations Received

School Year	Amount (\$)
2019	128,417
2020	111,624
2021	84,540
Total	\$324,581

The responsible CIS staff, however, did not report the receipt of any donations to appropriate BIE officials, nor did they document in the mandatory annual report how donations were used. Furthermore, 13 of the individual donations that the CIS received exceeded \$5,000. According to 30 *IAM* 8, the BIE Director must review donations valued at \$5,000 or more to certify that donations comply with departmental policy, Federal regulations,³² and any applicable statute. The CIS could provide no evidence that any such review occurred.

The CIS also accepted donations without complying with relevant agency policies. In particular, 57 percent of the donations that the CIS identified in its records were from a non-Federal entity that solicits donations on behalf of the CIS. According to the *IAM*,³³ schools may not accept donations from non-Federal entities without a fundraising agreement. Such an agreement ensures the non-Federal entity is seeking resources for the BIE’s benefit, outlines the objective

²⁹ 30 *IAM* 8, “Donations Policy.”

³⁰ 25 C.F.R § 48.209.

³¹ According to 25 C.F.R. § 48.3, “Fundraising means requesting donations, selling items, or providing a service, activity, or event to raise funds.”

³² 25 C.F.R part 48, “Leases of Land or Facilities of Bureau-Operated Schools and Fundraising Activities at Bureau-Operated Schools.”

³³ 30 *IAM* 8 § 1.7B.

of the fundraising effort, and ensures that the fundraising complies with Indian Affairs policy. In addition, school Principals must obtain written approval from the BIE Director for all fundraising activities.³⁴ The CIS does not have a formal fundraising agreement with the non-Federal entity to solicit donations on its behalf and has not obtained BIE approval for these fundraising activities.

We also learned that the CIS Business Technician deposits all donations received in the Student Enterprise bank account. Federal regulations, however, require the BIE to “deposit all funds received as donations into the designated Treasury account.”³⁵ In addition, the *IAM*³⁶ states that the donations received must be forwarded to the BIE Collections Officer and that the Office of the Chief Financial Officer will deposit the donations.

The *IAM*³⁷ also requires the school Principal to submit a written request to the BIE to obligate donated funds, assuring that the obligations are allowable under the conditions of the donation, have been approved in the school’s budget, and will be recorded in the Financial and Business Management System before the end of the fiscal year. We found that the CIS Principal, however, has not received written approval from the BIE on how the CIS should use the donations, and the school’s operating budget does not include the donated funds.

CIS staff claimed they were not aware of the donation policy, the regulations, or handling requirements. Although one BIE official stated that BIE School Operations held a training program on the donation policy and the general donation collection process in which each school was required to attend, the BIE was unable to provide documentation of this program or that individual staff members had received that training. The BIE acknowledged that the CIS did not manage donations in accordance with policy. Without proper treatment of donations, the BIE cannot accurately account for donations and cannot ensure that donations are used appropriately.

³⁴ 30 *IAM* 8 § 1.5B.

³⁵ 25 C.F.R. § 48.208.

³⁶ 30 *IAM* 8 § 1.5 D and E.

³⁷ 30 *IAM* 8 § 1.5B.

Recommendations

We recommend that the BIE:

1. Develop and provide training to Chemawa Indian School personnel on *Bureau of Indian Affairs Manual* part 62 chapter 8 to ensure proper Student Enterprise fund accounting, daily account balancing, and monthly reconciliations of the bank statements to the Student Enterprise accounting records that the Principal has approved.
2. Conduct and document annual audits of the Student Enterprise account at the Chemawa Indian School in accordance with 25 C.F.R. § 36.43.
3. Direct Chemawa Indian School to segregate the duties related to the Student Enterprise account or implement alternative controls.
4. Deposit accumulated donation money from Chemawa Indian School's commercial bank account into the designated Treasury account.
5. Develop and provide training to Chemawa Indian School personnel on *Indian Affairs Manual* part 30 chapter 8 to ensure the school reports any donated funds to the BIE Collections Officer.
6. Ensure that Chemawa Indian School enters into fundraising agreements with any non-Federal entities that solicit donations on behalf of the school.
7. Ensure that Chemawa Indian School obtains the appropriate approvals for expenditure of donated funds.
8. Develop and provide training to Chemawa Indian School personnel on Federal regulations to ensure the school provides any donations received to the BIE for deposit into a designated Treasury account and submits an annual report of donations received, including how the donations were used, to the BIE Director.

The CIS Made Inappropriate Purchases

We found that out of the items sampled, valued at \$2.2 million, the CIS made \$593,367—more than 25 percent—in inappropriate and potentially wasteful purchases in FYs 2020 and 2021. As a result, we question \$249,261 related to purchases using BIE – Operations and Maintenance funds. We also question \$344,106 in purchases using Indian School Equalization Program and Department of Education funds.

The CIS paid \$213,520 for excavating equipment and \$35,741 for maintenance vehicles without performing a required “lease or buy” analysis. The Federal Acquisition Regulation (FAR) requires agencies to acquire equipment using the method of acquisition most advantageous to the Government based on a cost analysis of whether to lease or buy the equipment.³⁸ The CIS did not perform this analysis before the purchase. Moreover, in response to our inquiries, the CIS provided documentation stating that it purchased the excavating equipment and vehicles to aid staff in completing projects around the school’s campus. The purchase request for the excavating equipment specifically stated that the purchase would eliminate the need to rent similar equipment in the future. When asked to provide documentation of how often the school officials rented excavation equipment in the past 5 years, the CIS provided evidence for only the one-time rental of a mini-excavator approximately 5 years ago. Had the CIS completed a cost analysis, it would have demonstrated that it was unnecessary to purchase excavation equipment. Accordingly, we question the expenditure of these resources.

The CIS also expended moneys for purposes that were not properly approved in advance. In particular, the CIS paid \$334,107 to construct a pole barn³⁹ (see Figure 4) and \$9,999 to acquire a horse trailer for its 4–H program.⁴⁰ However, the BIE Education Program Administrator told us that BIE management had not approved the 4–H program as part of the annual budgeting process through which the school conducts a needs assessment and develops program goals as well as a schoolwide plan and budget. Instead, CIS officials entered into a construction contract and purchased the horse trailer and pole barn without an established program plan, curriculum, instructor, or budget. The Education Program Administrator, who is responsible for approving the CIS’ schoolwide plan and budget, confirmed that the CIS had not sought or received approval for the 4–H program.

³⁸ FAR subpart 7.4, “Equipment Acquisition.”

³⁹ A large agricultural structure with no basement, a high ceiling, and wide-open spaces.

⁴⁰ The 4–H program provides students with hands-on science and agriculture projects.

Figure 4: Pole Barn Constructed Without Approval



Source: OIG.

We also found that the CIS inappropriately used \$85,743 of Department of Education Title I funds to pay for a portion of the pole barn. BIE officials with oversight responsibilities stated that Title I funds could not properly be used in this way. The main purpose of Title I funding is to improve academic performance and to ensure that all children have fair, equal, and significant opportunity to obtain a high-quality education. According to one BIE official responsible for oversight of Title I funds, using Title I funding for the 4-H program expenditures would not be consistent with these purposes because such programs are not considered an academic program. In addition, this official stated that the only way Title I funding could be used was if the school could demonstrate that the program improved the learning aptitude of drug-addicted and emotionally troubled students. The CIS made no such claim and did not attempt to demonstrate that the program served such a purpose. We note that we need not reach the ultimate question of whether these funds could properly have been used for these purposes because the CIS did not, in any event, attempt to justify these expenditures and did not follow BIE processes.

Figure 5 provides a summary of questioned costs.

Figure 5: Summary of Questioned Costs

Description	Funding Type	Questioned Amount (\$)
Excavating equipment	BIE – Operations and Maintenance	213,520
Maintenance vehicles	BIE – Operations and Maintenance	35,741
Pole barn	ISEP	248,364
Pole barn	Department of Education	85,743
Horse trailer	Department of Education	9,999
Total		\$593,367

These issues occurred, in part, because the BIE did not have an established purchase request approval policy or any related process that included officials with oversight responsibilities to ensure the CIS’ purchases were reasonable and that the funding sources used for purchases were allowable. The BIE Certifying Funds Approver in the Division of Budget and Finance was the only BIE official reviewing and approving the CIS’ purchase requests; she described her primary responsibility as ensuring the availability of funds. She further stated that she relied on CIS officials to determine if the school used the proper funding source and if the purchase was reasonable because the approver was not knowledgeable in those areas. Specifically, the approver stated that she would not know if a purchase was reasonable because she is not involved in developing the schoolwide plan and budget. The CIS’ Principal and the Education Program Administrator, the Principal’s supervisor, are involved in developing the schoolwide plan and budget; however, the Principal’s supervisor is not involved in the purchase request approval process. Thus, there is no BIE official approving purchases who would know if a purchase was reasonable.

BIE officials also explained that the Division of Budget and Finance officials have expertise on allowable purchases using different funding sources and that the Division of Performance and Accountability officials are experts on Title I funds. Notwithstanding this expertise, no one from these divisions is involved in the approval process, and no process exists that would bring these purchases to their attention.

According to various agency officials in the Office of the Assistant Secretary – Indian Affairs (AS–IA), the BIA, and the BIE, the CIS did not follow existing purchasing protocols when procuring the pole barn, excavation equipment, and vehicles. Although these expectations are not clearly defined in written policy, officials stated that the AS–IA’s Division of Facilities, Management, and Construction (DFMC) and Division of Safety and Risk Management should complete the design and execution of building construction. These officials expressed the belief that, by going directly to the BIE’s Division of Acquisitions to procure the pole barn, the CIS bypassed these controls. Additionally, the CIS used its operations and maintenance funds to purchase the excavation equipment and vehicles. However, according to AS–IA and BIE officials, any operations and maintenance purchases more than \$2,500 must be recorded in the

Indian Affairs Facility Management System. After this occurs, the Regional Office approves the item, and the DFMC prioritizes the maintenance for all schools and funds the item. Although not documented in a written policy specifically addressing the purchase of vehicles and equipment, had the CIS followed the proper purchasing protocols, these items may not have been purchased.

Management should document “in policies for each unit its responsibility for an operational process’s objectives and related risk, and control activity design, implementation, and operating effectiveness.”⁴¹ Without an adequate purchase request approval process and policies and procedures for following AS–IA protocols for constructing new buildings and using appropriated operations and maintenance funds, the BIE faces continuing risks that the CIS as well as other institutions may misuse school funds.

Recommendations

We recommend that the BIE:

9. Resolve the \$593,367 in questioned costs related to the inappropriate purchases.
10. Develop and provide procurement training to Chemawa Indian School on roles and responsibilities regarding the Federal Acquisition Regulation, including the required cost analysis for buying versus leasing equipment.
11. Develop and implement Budget and Finance policies and procedures that set forth requirements and approval processes for establishing new academic or extracurricular programs.
12. Develop and implement Budget and Finance policies and procedures that provide guidance regarding purchases that can be made with the different funding sources provided to the schools, including Title I funds.
13. Develop and implement Budget and Finance policies and procedures for approving purchase requests, including ensuring the appropriate officials certify that purchases are allowable and reasonable.
14. Develop and provide training to Chemawa Indian School on the newly established Budget and Finance policies and procedures for establishing new academic or extracurricular programs, defining types of purchases that can be made with the different funding sources, and approving purchase requests.

⁴¹ Green Book, Principle 12.03, “Documentation of Responsibilities through Policies.”

Recommendations

We recommend that the Assistant Secretary – Indian Affairs:

15. Develop documented procedures for following protocols when constructing new facilities and for making operations and maintenance purchases of more than \$2,500.

The CIS Did Not Account for Business Leases

We found that CIS and BIE officials allowed third parties to use school land for business activities without required written lease agreements. In the single instance where the CIS did enter into a lease agreement, it did not properly manage the agreement. In particular, we found that the CIS official responsible for collecting the lease payments logged and recorded the payments but did not ensure that the payments met the terms of the lease agreements.

During FYs 2019 through 2021, the CIS received recurring payments averaging approximately \$172,000 per year from six businesses that used the school's land for advertisements, cell towers, and a Christmas tree farm. However, CIS and BIE officials were unable to locate active lease agreements for five of the six business arrangements. In accordance with Federal regulations,⁴² only the BIE Director or the Director's designee may enter into a lease agreement; however, neither the current BIE Director nor any of the CIS staff were able to identify who established these five business arrangements or when they did so. Because lease agreements could not be provided for five of the six active arrangements, we were unable to verify that the third-party businesses paid appropriate amounts.

For the only active lease agreement the school was able to locate, we found that the CIS did not ensure that the payments received were correct and that the lease agreement contained all required provisions. Specifically, in July 2008, the CIS Principal (to whom the BIE Director did not formally designate authority for lease agreements) entered into a lease agreement with an advertising company to place three billboards on CIS land. For each billboard, the lease required a payment to the CIS for the base rent of \$1,000 per month or 25 percent of the revenues from the billboards, whichever was greater. During FYs 2019 through 2021, the payments the CIS received did not correlate with the payment terms of the lease agreement. For example, the CIS received five fixed payments per month even though there were only three billboards. In addition, two of the payments were under \$300—well below the minimum base rent of \$1,000. The lease agreement also required a 6-month accounting of the lessee's advertising revenues from the billboards in order to adjust the payment and comply with the 25-percent portion of the lease payment. Although we noted an adjustment payment occurred every 6 months, the payments did not include documentation to verify that the calculation was accurate. Federal regulations require that the lease agreement contain late payment charges and a provision stating that the lessee must comply with all applicable laws, ordinances, rules and

⁴² 25 C.F.R. § 48.101.

regulations, and other legal requirements.⁴³ These provisions were not included in the lease agreement.

In addition, Federal regulations require the Principal to provide an annual report to the BIE Director that includes a list of the leases, an accounting of the receipts from each lease, an accounting of all expenditures and supporting documentation showing that the expenditures were made for school purposes, and a certification that the terms of each lease were met.⁴⁴ The CIS Principal did not, however, provide required annual reports with this information for FYs 2019 through 2021. The CIS Principal stated that she had not been involved in the leases because they were established before she became the school's Principal.

These issues occurred in part because the BIE did not have policies and procedures in place for the establishment, management, and oversight of leases and the collection of lease payments. Federal regulations establish specific mechanisms and standards for leasing or renting BIE-operated facilities as well as for managing and using the funds received in consideration for the use of the land.⁴⁵ The BIE did not, however, develop policies and procedures to ensure BIE-operated schools properly implemented this regulation. As previously discussed, management should document "in policies for each unit its responsibility for an operational process's objectives and related risk, and control activity design, implementation, and operating effectiveness."⁴⁶ Such policies and procedures would communicate and define the roles and responsibilities related to the leases. Without such policies and procedures, the BIE cannot oversee the CIS appropriately, and the CIS is at increased risk of receiving incorrect lease payments and incurring loss, liability, and damages resulting from lessee activities.

Recommendations

We recommend that the BIE:

16. Locate or develop lease agreements with businesses using Chemawa Indian School land.
17. Verify that past and current lease payments are paid in accordance with the terms of the lease agreements.
18. Develop and disseminate policies and procedures to BIE-operated schools for establishing, managing, and overseeing leases that include, at a minimum, requirements and provisions outlined in 25 C.F.R. part 48, defined roles and responsibilities, and requirements for validating that lease payments are paid in accordance with the lease agreements.

⁴³ 25 C.F.R. § 48.105(a)(6), (b)(2).

⁴⁴ 25 C.F.R. § 48.115.

⁴⁵ 25 C.F.R. § 48.1.

⁴⁶ Green Book, Principle 12.03, "Documentation of Responsibilities through Policies."

The CIS Did Not Appropriately Manage School Property

We found that the CIS did not appropriately manage its accountable system-controlled property and property under \$5,000 in accordance with Indian Affairs policies and procedures. In addition, the BIA, which was responsible for overseeing property management at BIE-operated schools during the audit period, did not provide adequate oversight.⁴⁷

The CIS Did Not Properly Manage Accountable System-Controlled Property

The CIS did not properly manage its sensitive personal property and personal property items of \$5,000 or more.⁴⁸ Indian Affairs policy⁴⁹ requires that all personal property of \$5,000 or more and sensitive property (which includes laptops, tablets, and radios) regardless of cost be recorded and controlled in the Indian Affairs (IA) Financial and Business Management System (FBMS).⁵⁰ In order to independently verify the accuracy of the CIS' inventory, we selected 118 accountable system-controlled property items out of 1,178 items. We were unable to locate seven items, including a desktop computer, two laptops, and four hand-held radios. Additionally, 33 of the 118 accountable system-controlled property items were not inventoried in the IA FBMS, as required. For example, our sample included hand-held radios—which are sensitive items—and an \$8,500 scissor lift that were not listed in the IA FBMS.

This deficiency occurred at least in part because the CIS did not follow Indian Affairs property management and acquisition policies and procedures. The CIS Property Officer did not assign employees responsibility for any of the personal property items on the inventory listing. Specifically, the Property Officer distributed property to employees but did not have them sign a receipt of property form as required.⁵¹ For example, the school purchased 600 laptops, as well as moveable, locking charging stations that could each store approximately 24 or 30 laptops. Although these charging stations were placed in each classroom and dorm wing, the school did not assign responsibility to the respective teachers or dorm attendants. Additionally, even though the *IAM* required maintaining detailed accountability or property control records, there was no mechanism in place to track the location of these laptops or any other accountable property. When we asked the CIS Property Officer why he did not follow the *IAM*, he told us that he was aware of the manual but needed to read the policy in more depth. The CIS Property Officer also told us that he learned the job duties from the previous Property Officer at the school and continued to do his job the same way as the previous Property Officer.

Furthermore, the CIS did not include accountable system-controlled property items in the IA FBMS inventory in part because the school acquired the items through Government-issued purchase cards rather than the formal contract acquisition process. This is inconsistent with

⁴⁷ In May 2022, the BIE took over some of these responsibilities. In particular, it took over the BIA's Regional Property Officer responsibilities to conduct an annual property inventory to account for and verify the accuracy of existing property records as well as to conduct unannounced visits to review and monitor the ongoing inventory process.

⁴⁸ 23 *IAM* 2 1.6(I) defines personal property as property of any kind except for real property, such as equipment, materials, and supplies.

⁴⁹ 23 *IAM* 2, "Property Accountability."

⁵⁰ We refer to this property as accountable system-controlled property in this report.

⁵¹ 23 *IAM* 2, "Property Accountability."

governing policies.⁵² Specifically, accountable system-controlled property items must be acquired through the formal contract acquisition process in order to create and add the property item in the IA FBMS inventory listing. However, the school purchased property using Government-issued purchase cards and those items accordingly were not included on the IA FBMS inventory listing. When we asked the CIS Property Officer why this occurred, he told us that he did not know the radios were sensitive property and said that the \$8,500 scissor lift purchase using the Government-issued purchase card was a mistake. He did not provide any explanation for the more general use of purchase cards in place of the formal contract acquisition process.

The deficiencies in the school's inventory process occurred in part because the BIA Division of Property Management did not adequately oversee the property management process at the CIS. Specifically, the acting BIA Regional Property Officer could not provide evidence that the BIA performed yearly unannounced onsite reviews to monitor the ongoing inventory process and verify the accuracy and completeness of the IA FBMS inventory, which is required in the Annual Property Inventory and Certification Procedures.⁵³ Had the BIA conducted these onsite reviews at the school, it could have identified and corrected deficiencies with school's inventory process. The acting BIA Regional Property Officer told us that the BIA did not perform the reviews because of staffing issues.

Failing to properly manage accountable system-controlled property items increases the risk of property items being lost, stolen, and misused. In addition, by circumventing inventory controls through acquiring items with Government-issued purchase cards, inventory items that should have been capitalized and depreciated are instead only being expensed.⁵⁴ If items are not appropriately capitalized and depreciated, this could cause misstatements in financial records.

The CIS Did Not Have Appropriate Controls To Manage Property Under \$5,000

We found that the CIS does not have appropriate controls in place to protect Government property costing less than \$5,000. Specifically, during FYs 2019 through 2021, the CIS purchased \$633,640 of equipment below the \$5,000 accountability threshold established in the *IAM*.⁵⁵ The manual requires the Custodial Property Officer at the school to "informally" control nonexpendable property⁵⁶ under \$5,000 by documenting the make, model, serial number, location, original acquisition cost, and the date the property was received. We tested \$117,930 of these purchases, which included equipment used in the school cafeteria and dormitories, such as exercise equipment, televisions, washing machines, and maintenance equipment. We identified a February 27, 2021 purchase for a \$4,789 treadmill, a \$2,080 chest press machine, and a \$2,080 back extension machine; we also identified an April 9, 2021 invoice for the

⁵² 22 *IAM* 3, "Purchase Request."

⁵³ Indian Affairs *Annual Property Inventory and Certification Procedures*, dated January 28, 2019.

⁵⁴ Capitalizing is recording a cost under the belief that benefits can be derived over the long term, whereas expensing a cost implies the benefits are short lived.

⁵⁵ 23 *IAM* 2, "Property Accountability."

⁵⁶ 23 *IAM* 2 1.6(G) defines nonexpendable property as "personal property that is defined as having a continuous use, is not consumed in use, is durable, has an expected service life of two plus years, may be sensitive property, or may not be charged to a GL [General Ledger] control account; and for which accountability or property control records are maintained."

purchase of two electrostatic machines for \$4,990 each. When we requested receiving reports or packing slips to obtain serial numbers to identify the purchased equipment to verify that the equipment existed, the Business Technician who was assigned responsibilities for property receiving and custody told us the CIS did not maintain these records. Although we were able to identify some items by description, there was no way to determine whether they were the specific items because the CIS did not maintain appropriate records, including serial numbers and other identifying information.

Under 23 *IAM* 2, the CIS is also required to tag nonexpendable property under \$5,000 with a “Property of U.S. BIA” label. None of the purchases we reviewed had been tagged as required. Therefore, we were unable to verify that the items purchased were the same items included in the invoice because the invoices did not list the serial numbers and the CIS did not follow property tagging requirements.

CIS officials responsible for accountability stated that they were not aware of the policies requiring the school to maintain a separate inventory of items or to tag nonexpendable property under the \$5,000 accountability threshold. In February 2022, the school’s Principal received a delegation letter from the BIA outlining her responsibilities as the CIS’ Custodial Property Officer, including accountability requirements for property under \$5,000. However, the Principal told us that she had never received any delegation prior to this date. Instead, before the February 2022 delegation letter, a Business Technician performed most of the responsibilities for property accountability at the school. This individual stated that he was unaware of the requirements and had not received training on the policy.

These control deficiencies occurred, in part, because the BIA did not provide oversight to ensure the CIS followed policy. The BIA Regional Property Officers are responsible for implementing and executing property management policies and the Personal Property Administrators work with the Regional Property Officers to protect the Government from waste, fraud, and abuse. These officials should have ensured that the CIS is appropriately controlling its property pursuant to Indian Affairs policy by providing advice and guidance on property matters.

We also note, however, that the requirements in the 23 *IAM* property policies are inconsistent. For example, although chapter 2 requires tagging and recordkeeping for expendable property,⁵⁷ chapter 6 specifically exempts expendable property from tagging requirements. Management should periodically review policies, procedures, and related control activities for continued relevance and effectiveness in achieving the entity’s objectives or addressing related risks.⁵⁸ Doing so in this instance would help ensure that the BIE and the BIA are able to appropriately oversee property and to provide clear guidance.

Without appropriate internal controls to protect Government property costing less than \$5,000, such as appropriate oversight and consistent policies, the CIS and the BIA cannot prevent unauthorized use or theft and cannot ensure adequate disposal of Government property.

⁵⁷ 23 *IAM* 2 1.6(E) defines expendable property as “non-sensitive property with an average life expectancy of less than two years, such as office supplies, printer cartridges, copy paper, etc.”

⁵⁸ Green Book, Principle 12.05, “Periodic Review of Control Activities.”

Recommendations

We recommend that the BIE:

19. Require Chemawa Indian School to add accountable system-controlled property items that were not included on the inventory listing to the Indian Affairs Financial and Business Management System.
20. Require Chemawa Indian School to assign responsibility for all accountable system-controlled property items by having employees sign a receipt of property form as required in *Indian Affairs Manual* part 23.
21. Require Chemawa Indian School to establish a mechanism to track the location of all accountable system-controlled property.
22. Require Chemawa Indian School to establish a mechanism to review Government-issued purchase card transactions monthly to ensure that cardholders are following the requirements in *Indian Affairs Manual* part 22 and are not using Government-issued purchase cards to purchase accountable system-controlled property items.
23. Conduct periodic unannounced, onsite reviews at Chemawa Indian School to monitor the ongoing inventory process and verify the accuracy and completeness of the Indian Affairs Financial and Business Management System inventory in keeping with Indian Affairs policy.
24. Revise *Indian Affairs Manual* part 23 to ensure consistency, including the requirements for expendable property tagging and recordkeeping.
25. Develop and provide training for Chemawa Indian School personnel on *Indian Affairs Manual* part 23 to ensure that Chemawa maintains an inventory of and tags nonexpendable property under \$5,000 and to ensure understanding of requirements for expendable property tagging and recordkeeping.
26. Conduct and document periodic reviews to ensure that Chemawa Indian School maintains receiving reports or packing slips to allow for specific identification of purchased items.

Conclusion and Recommendations

Conclusion

During FYs 2019 through 2021, CIS staff expended approximately \$10 million in funding from the BIE and Department of Education annually. The CIS also manages hundreds of thousands of dollars of students' personal money, donations, and money raised by student organizations. We found that the CIS does not have strong internal controls in place to ensure that it is appropriately accounting for financial resources and property.

The BIE is responsible for financial oversight of the CIS. Appropriate financial oversight requires policies and procedures to ensure that sufficient internal controls are in place. However, the BIE does not have adequate policies and procedures to appropriately oversee the CIS' use of financial resources. In addition, the BIE did not audit the CIS' Student Enterprise account in accordance with Federal regulations.

Without appropriate financial management, students may not receive appropriate resources and educational programs, and the CIS runs the risk of mishandling students' extracurricular and personal money. According to the BIE's website, the CIS is one of 55 BIE-operated schools. If the BIE was not aware of the inappropriate uses of financial resources and inadequate financial management at the CIS, we question whether the BIE has the oversight mechanisms in place to identify and address similar issues that may occur at other BIE-operated schools.

We make 26 recommendations to strengthen the CIS' internal controls to better manage its financial resources and to improve the BIE's oversight of the CIS.

Recommendations Summary

We provided a draft of this report to the BIE for review. The BIE concurred with 25 recommendations and did not concur with 1 recommendation. Recommendation 9 is unresolved, and Recommendation 10 is implemented. All remaining recommendations are resolved. Below we summarize the BIE's response to our recommendations, as well as our comments on its responses. See Appendix 3 for the full text of the BIE's response; Appendix 4 lists the status of each recommendation.

We recommend that the BIE:

1. Develop and provide training to Chemawa Indian School personnel on *Bureau of Indian Affairs Manual* part 62 chapter 8 to ensure proper Student Enterprise fund accounting, daily account balancing, and monthly reconciliations of the bank statements to the Student Enterprise accounting records that the Principal has approved.

BIE Response: The BIE concurred with the recommendation and stated that in February and March 2023, the BIE Division of Budget and Finance held two trainings for CIS personnel that covered content in 62 *BIAM* 8. Specifically, the BIE stated that the

trainings focused on the “Purchase Request Process” and the “Utility Invoice Process.” The BIE stated that it “established a reoccurring training schedule to support school personnel.” Further, the BIE stated that its Division of Budget and Finance plans to “meet with CIS personnel to review their Donation and Student Bank accounts and provide technical assistance on proper budget accounting controls and will assist in the development of a school-specific checklist for CIS daily Student Bank account activity review process.” The BIE said it will also provide training to CIS personnel on 62 *BIAM* 8 to ensure proper Student Enterprise fund oversight and stated that, although “it is not a formal recommendation, the BIE plans to update” 62 *BIAM* 8. The target implementation date is December 31, 2023.

OIG Comment: This recommendation is resolved. The intent of this recommendation is to ensure that the CIS properly accounts for its Student Enterprise funds, balances its accounts daily, and performs monthly reconciliation between the Student Enterprise accounting records and the bank statements in accordance with 62 *BIAM* 8. Accordingly, this recommendation will be implemented when the BIE demonstrates it has provided training on proper accounting and management of Student Enterprise funds.

2. Conduct and document annual audits of the Student Enterprise account at the Chemawa Indian School in accordance with 25 C.F.R. § 36.43.

BIE Response: The BIE concurred with the recommendation and stated that its “Division of Budget and Finance will contract a firm to conduct annual audits of CIS Student Enterprise accounts in accordance with 25 C.F.R. § 36.43.” The target implementation date is December 31, 2023.

OIG Comment: This recommendation is resolved. It will be implemented when we receive the results of the first annual audit.

3. Direct Chemawa Indian School to segregate the duties related to the Student Enterprise account or implement alternative controls.

BIE Response: The BIE concurred with the recommendation and stated that its “Division of Budget and Finance will direct CIS school personnel to implement and ensure proper segregation of duties in accordance with” 62 *BIAM* 8. The BIE also said that it will provide training to school officials “to ensure CIS has adequate staff, technical assistance, and support to maintain required internal controls for Student Enterprise accounts.” The target implementation date is September 30, 2023.

OIG Comment: This recommendation is resolved. It will be implemented when the BIE provides documentation demonstrating that the CIS has implemented segregation of duties.

4. Deposit accumulated donation money from Chemawa Indian School's commercial bank account into the designated Treasury account.

BIE Response: The BIE concurred with the recommendation and stated that its "Division of Budget and Finance will reconcile and verify school donation amounts to be transferred from CIS commercial bank account to a designated Treasury account." The target implementation date is September 30, 2023.

OIG Comment: This recommendation is resolved. We also modified the recommendation to refer to a "designated Treasury account" following additional communication with the BIE. The recommendation will be implemented when the BIE provides documentation showing that the accumulated donation money has been deposited into the designated Treasury account.

5. Develop and provide training to Chemawa Indian School personnel on *Indian Affairs Manual* part 30 chapter 8 to ensure the school reports any donated funds to the BIE Collections Officer.

BIE Response: The BIE concurred with the recommendation and said that it has already conducted onsite visits that began the week of April 5, 2023, to review CIS donation activity and provide compliance training in accordance with the existing policy in 30 *IAM* 8. The target implementation date for December 31, 2023.

OIG Comment: This recommendation is resolved. It will be implemented when the BIE provides documentation demonstrating that CIS personnel have been trained on 30 *IAM* 8.

6. Ensure that Chemawa Indian School enters into fundraising agreements with any non-Federal entities that solicit donations on behalf of the school.

BIE Response: The BIE concurred with the recommendation and stated that its "Division of Budget and Finance will ensure CIS enters into fundraising agreements with any non-Federal entities that solicit donations on behalf of the school." During the onsite visits at the CIS described in the response to Recommendation 5, "the BIE will provide compliance training on fundraising agreements in accordance with the existing policy" in 30 *IAM* 8. The target implementation date is September 30, 2023.

OIG Comment: This recommendation is resolved. It will be implemented when the BIE provides documentation demonstrating that a process has been put in place to ensure that the CIS enters into fundraising agreements when required and provides fundraising agreements for current non-Federal entities that solicit donations.

7. Ensure that Chemawa Indian School obtains the appropriate approvals for expenditure of donated funds.

BIE Response: The BIE concurred with the recommendation and stated that it will require the CIS to obtain “the appropriate approvals for expenditure of donated funds in accordance with” 30 *IAM* 8 and 25 C.F.R. part 48. The target implementation date is September 30, 2023.

OIG Comment: This recommendation is resolved. It will be implemented when the BIE provides documentation demonstrating that the CIS has included requests for expenditure of donated funds in its budget and obtained the appropriate approvals.

8. Develop and provide training to Chemawa Indian School personnel on Federal regulations to ensure the school provides any donations received to the BIE for deposit into a designated Treasury account and submits an annual report of donations received, including how the donations were used, to the BIE Director.

BIE Response: The BIE concurred with the recommendation and stated that its “Division of Budget and Finance will review CIS donation activity and provide training on appropriate processes for donations received by the BIE for deposit into a designated Treasury account and submit an annual report of donations received, including how the donations were used, to the BIE Director in accordance with school-level reporting requirements” in 30 *IAM* 8 and 25 C.F.R. part 48. The target implementation date is December 31, 2023.

OIG Comment: This recommendation is resolved. It will be implemented when the BIE provides documentation demonstrating: (1) it has provided training on 25 C.F.R. part 48 for CIS personnel, and (2) it has submitted the first annual report to the BIE Director.

9. Resolve the \$593,367 in questioned costs related to the inappropriate purchases.

BIE Response: The BIE did not concur with the recommendation.

With respect to resolving the \$213,520 in questioned costs for the purchase of the excavating equipment, the BIE stated that “[e]vidence of past need or prior use is not one of the mandated considerations” in FAR subpart 7.4 when completing cost analysis. The BIE stated that it did not concur that our report provided “sufficient evidence to conclude that a cost analysis ‘would have demonstrated that it was unnecessary to purchase the excavation equipment.’” Although the BIE did not concur with the recommendation, it requested until October 31, 2023, to complete a cost analysis under FAR subpart 7.4 and submit the results to us. The BIE also agreed that the training on purchasing procedures will assist with ensuring that all staff are aware of existing protocols.

In reference to resolving the \$344,106 in questioned costs for the purchases of the pole barn and horse trailer, the BIE did not agree that the CIS expended Title I funds for purposes that were not allowable or properly approved in advance. The BIE stated that “Title I funds are not limited to ‘academic programs’ or to meet the needs of a particular subset of students.” The BIE quoted 25 U.S.C. § 2001(g), stating that the CIS may use Title I funds for “schoolwide projects to improve the educational program for all Indian students.” The BIE also quoted 20 U.S.C. § 6314, stating that these projects can include “counseling, school-based mental health programs, specialized instructional support services, mentoring services, and other strategies to improve students’ skills outside the academic subject areas” and “preparation for and awareness of opportunities for postsecondary education and the workforce.” The BIE stated that the purchase of the pole barn and horse trailer for the 4-H program are allowable Title I costs because they support allowable activities such as mental health support and preparation and awareness of postsecondary and workforce opportunities in veterinary science, biotechnology, raising and training animals, and forestry.

Additionally, the BIE stated that the pole barn and horse trailer were properly approved because they were identified in the CIS schoolwide plan and needs assessments for school years 2020–2021 and 2021–2022. According to the BIE, the CIS School Year 2020–2021 Schoolwide Program Plan stated that the school would make use of funding sources to support vocational opportunities, intervention and enrichment programming, and cultural engagement activities. The BIE also stated:

The CIS SY2020–2021 Needs Assessment and SMART GOALS identified the following relevant areas of need and overall programmatic priorities:

- Improve quantity and quality of vocational opportunities.
- Improve quantity and quality of behavioral support program.
- Intentional incorporation of culture across curriculum.
- Trauma based social emotional learning.

OIG Comment: We consider this recommendation unresolved. In reference to the excavation equipment, FAR subpart 7.4 mandates that an analysis include the “estimated length of the period the equipment is to be used and the extent of use within the period.” One way of addressing these requirements is with evidence of past need and prior use. Considering that the CIS’ rationale for purchasing the excavation equipment was to aid in completing projects around the school’s campus, including past need and prior use in the analysis is relevant to determining whether the CIS should have purchased or leased the equipment. If the school did not rent this equipment in the past, it would need to demonstrate how the equipment is needed in the future, including estimated costs and frequency of use. Evidence of prior use or estimated future use would demonstrate that the equipment was needed and that it would be more cost effective to purchase the equipment than to rent it. Without conducting such an analysis, the BIE cannot fully assess whether the costs were appropriately expended to purchase the equipment.

Regarding the use of Department of Education Title I funding, the information in the BIE's response conflicted with information we obtained in the course of our field work with respect to whether the purchase of the pole barn was an appropriate use of those funds. Regardless of the resolution of this issue, the basis for our recommendation was the absence of an adequate justification of the purchases. The BIE stated that a competitive bidding process was performed to ensure the reasonableness of the costs; however, we are questioning the actual purchase of the items, not whether the CIS received the best price.

We disagree with the contention that BIE officials had sufficient information to approve these costs because they were mentioned in the 2020–2021 Schoolwide Plan. As we note in the report, the pole barn and horse trailer for the 4–H program cost \$344,106, and there was no program plan, curriculum, instructor, or budget. Likewise, the nonexistence of any program plan, curriculum, instructor, or budget raises serious questions about the applicability of 25 U.S.C. § 2001(g) as justification for expending Title I funds in this manner because section 2001(g) permits expenditure of such funds only for the purpose of providing education or related services. The nonexistence of any such program suggests that the expenditure was, indeed, not a valid use of Federal funds. While the schoolwide plan states that the school would use funding to support vocational opportunities, intervention and enrichment programming, and cultural engagement activities, this would not provide sufficient information for BIE officials to constitute approval of these expenditures. Likewise, the generic descriptions in the School Year 2020–2021 Needs Assessment and SMART GOALS were not specific enough for the BIE to approve the purchases. We also note that the costs for purchases were not included in the schoolwide plan and budget. Lastly, during our audit, the Education Program Administrator confirmed that the 4–H program was not included in the schoolwide plan or budget, which includes the needs assessment the BIE referenced in its response.

The BIE should assess if the purchases in question—particularly the pole barn, horse trailer, maintenance vehicles, and excavating equipment—are justifiable and should be retained by the CIS. Specifically, the CIS should specifically identify and sufficiently demonstrate the pole barn and horse trailer purchases as a need within the school's needs assessment, SMART GOALS, and schoolwide plan. The BIE should also perform the cost analysis on the excavating equipment under FAR subpart 7.4, factoring in evidence of past need and prior use. In addition to the excavating equipment, the BIE should perform a cost analysis on the maintenance vehicles based on FAR subpart 7.4.

10. Develop and provide procurement training to Chemawa Indian School on roles and responsibilities regarding the Federal Acquisition Regulation, including the required cost analysis for buying versus leasing equipment.

BIE Response: The BIE concurred with the recommendation and stated that its Division of Acquisition Management will ensure the CIS attends previously developed training on the FAR. The BIE also stated the Division of Acquisition Management, in coordination with Property Management, will provide at least two training sessions on

buying versus leasing equipment. According to the BIE, the sessions will include the required cost analysis. The target implementation date was April 30, 2023.

OIG Comment: This recommendation is implemented. The BIE provided the training materials for the procurement training held on April 28, 2023, and documentation that Chemawa staff attended the training.

11. Develop and implement Budget and Finance policies and procedures that set forth requirements and approval processes for establishing new academic or extracurricular programs.

BIE Response: The BIE concurred with the recommendation and stated that its Division of Budget and Finance plans to “develop and implement budget and finance policies and procedures on approval processes for establishing new academic or extracurricular programs.” The target implementation date is June 30, 2024.

OIG Comment: This recommendation is resolved. It will be implemented when the BIE provides documentation demonstrating that it has developed and implemented policies and procedures for establishing new academic or extracurricular programs.

12. Develop and implement Budget and Finance policies and procedures that provide guidance regarding purchases that can be made with the different funding sources provided to the schools, including Title I funds.

BIE Response: The BIE concurred with the recommendation and stated that its Division of Budget and Finance plans to “develop and implement budget and finance policies and procedures that provide guidance regarding purchases that can be made with the different funding sources provided to the schools, including Title I funds.” The target implementation date is June 30, 2024.

OIG Comment: This recommendation is resolved. It will be implemented when the BIE provides documentation demonstrating that it has developed and implemented policies and procedures for purchases that can be made with different funding sources.

13. Develop and implement Budget and Finance policies and procedures for approving purchase requests, including ensuring the appropriate officials certify that purchases are allowable and reasonable.

BIE Response: The BIE concurred with the recommendation and stated that its Division of Budget and Finance plans to “develop and implement budget and finance policies and procedure for approving purchase requests, including ensuring the appropriate officials certify that purchases are allowable and reasonable.” The target implementation date is June 30, 2024.

OIG Comment: This recommendation is resolved. It will be implemented when the BIE provides documentation demonstrating that it has developed and implemented policies and procedures for approving purchase requests.

14. Develop and provide training to Chemawa Indian School on the newly established Budget and Finance policies and procedures for establishing new academic or extracurricular programs, defining types of purchases that can be made with the different funding sources, and approving purchase requests.

BIE Response: The BIE concurred with the recommendation and stated that its “Division of Budget and Finance will provide training to CIS on newly established Budget and Finance policies and procedures for establishing new academic or extracurricular programs, defining types of purchases that can be made with the different funding sources, and approving purchase requests.” The BIE also said that training on purchase requisitions—which includes financial system requisitions as well as roles and requisite responsibilities for supervisory approvers and certifying funds approvers—will be provided to the CIS. The target implementation date is June 30, 2024.

OIG Comment: This recommendation is resolved. It will be implemented when the BIE provides documentation demonstrating that it has provided CIS personnel with training on the new policies described in Recommendations 11 through 13.

We recommend that the Assistant Secretary – Indian Affairs:

15. Develop documented procedures for following protocols when constructing new facilities and for making operations and maintenance purchases of more than \$2,500.

AS-IA Response: The AS-IA concurred with the recommendation and stated that its Division of Facilities Management and Construction (DFMC) currently has “Space Expansion Guidelines to define the process for school locations seeking to expand.” The response also stated that the BIE’s Division of School Operations previously “developed the BIE Space Expansion Review Process for space expansion requests. [AS-IA] and BIE acknowledge that the communication, training and implementation of established policy and procedures can be improved,” and that “[t]he DFMC and BIE will work together to update existing policy, ensure procedures are clearly defined and applicable to school locations and improve the communication and implementation of the policies through training for all stakeholders.” The target implementation date is June 30, 2024.

OIG Comment: This recommendation is resolved. It will be implemented when the AS-IA provides documentation demonstrating it has developed and implemented procedures surrounding protocols regarding facility construction.

We recommend that the BIE:

16. Locate or develop lease agreements with businesses using Chemawa Indian School land.

BIE Response: The BIE concurred with the recommendation and stated that it “will locate lease agreements with businesses using Chemawa Indian School land.” The target implementation date is December 31, 2023.

OIG Comment: This recommendation is resolved based on the BIE’s concurrence; however, the described actions will not meet the intent of the recommendation. While we acknowledge that the BIE said that it will locate existing lease agreements, our report specifically stated that formal written agreements may not have existed for all business transactions in which the CIS entered for use of its land. The BIE should develop plans to account for any payment activity identified that does not correspond to a locatable lease to ensure that leases are developed as needed. The intent of this recommendation is to ensure that the CIS can accurately account for all business transactions—whether or not a formal lease agreement exists—and, if a lease agreement does not exist, to address and develop one. This recommendation will be implemented when the BIE can provide assurance that any payment the CIS receives for use of its land correlates to an active, written lease agreement.

17. Verify that past and current lease payments are paid in accordance with the terms of the lease agreements.

BIE Response: The BIE concurred with the recommendation and stated that “[t]he BIE, in partnership with Indian Affairs’ Office of Facilities, Property and Safety Management, will work with the CIS to verify past and current lease payments to ensure payments are made in accordance with the terms of the lease agreements. Furthermore, an annual report will be provided to the BIE Director to monitor the funds received from these leases.” The target implementation date is December 31, 2023.

OIG Comment: This recommendation is resolved. It will be implemented when the BIE provides documentation demonstrating that all CIS lease payments have been paid appropriately.

18. Develop and disseminate policies and procedures to BIE-operated schools for establishing, managing, and overseeing leases that include, at a minimum, requirements and provisions outlined in 25 C.F.R. part 48, defined roles and responsibilities, and requirements for validating that lease payments are paid in accordance with the lease agreements.

BIE Response: The BIE concurred with the recommendation and stated that it plans to “establish policies and procedures to BIE-operated schools that will keep the Director apprised of all leases, lease modifications, payments and accounting to implement the requirements of” 25 C.F.R. part 48. The target implementation date is September 30, 2024.

OIG Comment: This recommendation is resolved. It will be implemented when the BIE provides documentation demonstrating that it has developed and implemented policies and procedures for establishing, managing, and overseeing leases.

19. Require Chemawa Indian School to add accountable system-controlled property items that were not included on the inventory listing to the Indian Affairs Financial and Business Management System.

BIE Response: The BIE concurred with the recommendation and stated that its “Branch of Property Management will require CIS to add accountable system-controlled property items, that were not included in the inventory listing, to the FBMS property database tracking system.” The target implementation date is September 30, 2023.

OIG Comment: This recommendation is resolved. It will be implemented when the BIE provides documentation demonstrating that all CIS accountable system-controlled property items have been included in the IA FBMS.

20. Require Chemawa Indian School to assign responsibility for all accountable system-controlled property items by having employees sign a receipt of property form as required in *Indian Affairs Manual* part 23.

BIE Response: The BIE concurred with the recommendation and stated that its “Branch of Property Management will require CIS to assign responsibility for all accountable system-controlled property items, which include all accountable personal and real property assets within FBMS property database tracking system, and have employees sign a receipt of property form as required in” *IAM* part 23. The target implementation date is September 30, 2023.

OIG Comment: This recommendation is resolved. It will be implemented when the BIE provides documentation demonstrating that the CIS has appropriately assigned responsibility for accountable system-controlled property items.

21. Require Chemawa Indian School to establish a mechanism to track the location of all accountable system-controlled property.

BIE Response: The BIE concurred with the recommendation and stated that its Branch of Property Management will require training for the CIS on property classifications and enforcement of *IAM* part 23 property processes to ensure the CIS tracks the location of all accountable system-controlled property. The target implementation date is September 30, 2023.

OIG Comment: This recommendation is resolved. It will be implemented when the BIE provides documentation demonstrating that the CIS has established a mechanism to track accountable system-controlled property items.

22. Require Chemawa Indian School to establish a mechanism to review Government-issued purchase card transactions monthly to ensure that cardholders are following the requirements in *Indian Affairs Manual* part 22 and are not using Government-issued purchase cards to purchase accountable system-controlled property items.

BIE Response: The BIE concurred with the recommendation and stated that its Division of Budget and Finance, in coordination with the BIE Division of Acquisition Management, will provide training to the CIS to ensure it follows all relevant U.S. Department of the Interior policies, including prohibiting the procurement of accountable system-controlled property items with a Government-issued purchase card. In addition, “the BIE’s Division of Budget and Finance will coordinate to ensure all purchase transactions are reviewed and approved by an approving official in accordance with” the Department’s purchase card policy. The target implementation date is September 30, 2023.

OIG Comment: This recommendation is resolved. It will be implemented when the BIE provides documentation demonstrating that the CIS has established a mechanism to review purchase card transactions.

23. Conduct periodic unannounced, onsite reviews at Chemawa Indian School to monitor the ongoing inventory process and verify the accuracy and completeness of the Indian Affairs Financial and Business Management System inventory in keeping with Indian Affairs policy.

BIE Response: The BIE concurred with the recommendation and stated that its “Property Management Division will conduct unannounced onsite reviews at CIS to monitor the inventory process and verify accuracy and completeness of FBMS inventory in accordance with the IA Policy. More specifically, the BIE’s Property Management Division for Central and Phoenix Regional Offices will conduct an overall assessment to monitor the inventory process at CIS in April 2023.” The BIE stated that an unannounced visit will occur after the April assessment. The target implementation date is June 30, 2023.

OIG Comment: This recommendation is resolved based on the BIE’s concurrence; however, the described actions will not meet the intent of the recommendation. The BIE’s plans to conduct an assessment of the inventory process, in conjunction with an unannounced, onsite visit, are an appropriate starting point to address the concerns articulated in the report. However, our report specifically recommends “periodic reviews” rather than a single assessment and followup. The BIE should revise its approach to the recommendation to include that onsite reviews will occur periodically to ensure active monitoring. This recommendation will be implemented when the BIE provides evidence that it has established a process to conduct periodic, unannounced reviews.

24. Revise *Indian Affairs Manual* part 23 to ensure consistency, including the requirements for expendable property tagging and recordkeeping.

BIE Response: The BIE concurred with the recommendation and stated it will work in partnership with the Office of the AS–IA’s Deputy Assistant Secretary for Management to review *IAM* part 23 “to ensure consistency for the requirements for expendable property tagging and recordkeeping.” The target implementation date is September 30, 2023.

OIG Comment: This recommendation is resolved. It will be implemented when the BIE provides documentation demonstrating that *IAM* part 23 has been revised.

25. Develop and provide training for Chemawa Indian School personnel on *Indian Affairs Manual* part 23 to ensure that Chemawa maintains an inventory of and tags nonexpendable property under \$5,000 and to ensure understanding of requirements for expendable property tagging and recordkeeping.

BIE Response: The BIE concurred with the recommendation and stated that its Property Management Division will provide training for CIS personnel on *IAM* part 23 to ensure inventory and tagging for nonexpendable property under \$5,000 is recorded. The target implementation date is August 31, 2023.

OIG Comment: This recommendation is resolved. It will be implemented when the BIE provides documentation demonstrating that it has provided training to the CIS on inventory, tagging, and recordkeeping of nonexpendable property under \$5,000.

26. Conduct and document periodic reviews to ensure that Chemawa Indian School maintains receiving reports or packing slips to allow for specific identification of purchased items.

BIE Response: The BIE concurred with the recommendation and stated that its “Property Management Division will conduct and document periodic reviews to ensure that the Chemawa Indian School maintains receiving reports or packing slips to allow for specific identification of purchased items.” The target implementation date is August 31, 2023.

OIG Comment: This recommendation is resolved. It will be implemented when the BIE provides documentation demonstrating that it has implemented a process for conducting periodic reviews to ensure that the CIS is maintaining receiving reports and packing slips.

Appendix 1: Scope and Methodology

Scope

We performed our audit of the Chemawa Indian School's (CIS') financial management and oversight from December 2021 through August 2022. Our scope included examining the CIS' management of Student Enterprise account and business leases, as well as analyzing financial records including testing expenditures for fiscal years (FYs) 2019 through 2021.⁵⁹

Methodology

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

We assessed whether internal control was significant to the audit objectives. We determined that the CIS' control activities and the following related principles were significant to the audit objectives:

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

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

- Interviewing CIS employees.
- Interviewing Bureau of Indian Education (BIE) and Bureau of Indian Affairs officials.
- Reviewing policies and procedures.
- Analyzing and testing the CIS' procurement processes including contract awards and Government-issued purchase card transactions. We tested a sample of contract awards and Government-issued purchase card transactions to verify that the costs were adequately supported, reasonable, and allowable, and complied with BIE policy and Federal regulations.

⁵⁹ The scope for Student Enterprise account was school years 2019 through 2021 to reflect how the CIS tracks those costs.

- Analyzing and testing the CIS’ property management processes. We tested a sample of contract awards and Government-issued purchase card transactions to verify existence and ensure the CIS followed BIE property management policies.
- Analyzing and testing the financial management of the CIS’ Student Enterprise account. We analyzed the Student Enterprise accounting records to determine if the CIS followed Federal regulations and Indian Affairs policies on managing students’ personal moneys, school organization moneys, and donations received. We attempted to reconcile the Student Enterprise accounting records to bank statements. Lastly, based on the account analysis, we tested a sample of transactions within the accounting records to supporting documentation.

As set forth in the body of the report, we found deficiencies in internal control resulting in our four findings related to the Student Enterprise account, purchasing, business lease management, and property management.

We obtained, analyzed, and tested electronic Financial and Business Management System data and commercial software accounting records. We assessed the reliability of the data by (1) performing testing, (2) reviewing procedures, (3) observing the execution of financial processes, and (4) interviewing employees knowledgeable about the data. Although the data were not always reliable, we believe that the data used in conjunction with hardcopy source documentation and testimonial evidence supplied by CIS staff provide a reasonable basis for determining the deficiencies identified in the “Results of Audit” section of this report.

Based on the results of our initial assessments, we assigned a level of risk and selected samples for contract awards, Government-issued purchase cards, and property management for FYs 2019 through 2021 within the Financial and Business Management System data. We also selected a sample for the Student Enterprise account for school years 2019 through 2021 from the monthly bank statements.

- For the Student Enterprise account, our universe included the monthly bank statements in school years 2019 through 2021 for a total of 36 months. We initially judgmentally selected 10 months to reconcile accounting records to bank statements; however, we expanded the sample to the entire 36 months when we were unable to reconcile the initial 10 months.
- For contract awards, our universe included 89 awards valued at approximately \$6.6 million. We judgmentally selected 23 awards valued at \$2.2 million to analyze and test to supporting documentation. We selected the sample based on auditor judgment on transactions that appeared high risk such as potential inappropriate use of funds or excessive purchases.

- For Government-issued purchase cards, our universe included 10,070 transactions valued at \$4.1 million. We judgmentally selected 60 transactions valued at \$361,818 to test to supporting documentation. We selected the sample based on the highest charges made by the most active cardholders.
- For property management, our universe totaled 1,178 items—including 1,135 inventory listing items as of March 31, 2022, 30 items from the contract award testing that were not included on the inventory listing, and 13 items from the Government-issued purchase card testing that were not included on the inventory listing. We judgmentally selected 118 items that were considered sensitive or were more than \$5,000 to independently verify existence.

Our sample selections were not generated using statistical sampling, and therefore we did not project the results of our tests to the total population of transactions.

Appendix 2: Monetary Impact

Description	Questioned Costs (\$)
Excavating equipment	213,520
Maintenance vehicles	35,741
Pole barn	334,107
Horse trailer	9,999
Totals	\$593,367

Appendix 3: Response to Draft Report

The Bureau of Indian Education's response to our draft report follows on page 43.



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

To: Ms. Kathleen R. Sedney
 Assistant Inspector General for Audits, Inspection, and Evaluations
 U.S. Inspector General

From: Tony Dearman TONY DEARMAN Digitally signed by TONY DEARMAN
Date: 2023.04.17 15:00:06 -05'00'
 Director
 Bureau of Indian Education

Jason Freihage
 Deputy Assistant Secretary – Management
 Office of the Assistant Secretary for Indian Affairs

JASON FREIHAGE Digitally signed by JASON FREIHAGE
Date: 2023.04.17 15:52:05 -04'00'

Subject: Draft Audit Report – The Chemawa Indian School Did Not Account for Its Financial Resources and the Bureau of Indian Education Did Not Provide Financial Oversight Report No. 2022–CR–012

The Bureau of Indian Education (BIE) and Indian Affairs (IA) appreciate the opportunity to provide a response on the Office of Inspector General's (OIG) *Draft Audit Report – The Chemawa Indian School Did Not Account for Its Financial Resources and the Bureau of Indian Education Did Not Provide Financial Oversight Report No. 2022–CR–012*. On behalf of both the BIE and IA, we have carefully reviewed the OIG's evaluation of Chemawa Indian School's (CIS) finances and concur with the 26 recommendations identified in the Draft Audit Report.

Upon review of the draft audit report, the BIE was pleased to see an acknowledgement of the School Operations responsibilities transition from the Bureau of Indian Affairs (BIA) to the BIE. The BIA is transitioning the last remaining Divisions, to the BIE's Division of School Operations, and is working in partnership with BIA on the last phase of the transition. The OIG's recommendations in this report may have been exacerbated due to the reorganization and transition; however, moving forward the BIE and IA will work together to address the recommendations identified in this report to ensure accountability for CIS finances and resources. Please see the BIE's and IA's response and summary of actions taken to implement the OIG recommendations.

1. **Recommendation:** Develop and provide training to Chemawa Indian School (CIS) personnel on Bureau of Indian Affairs Manual (BIAM) Part 62 Chapter 8 to ensure proper Student Enterprise fund accounting, daily account balancing, and monthly reconciliations of the bank statements to the Student Enterprise accounting records that the Principal has approved.

Response: Concur

Beginning in 2023, the BIE's Division of Budget and Finance initiated training to CIS personnel on BIAM Part 62 Chapter 8. More specifically, two trainings for CIS personnel were held on February 22, 2023, and March 6, 2023. The trainings were on the "Purchase Request Process" and on the "Utility Invoice Process." In addition, the BIE's Division of Budget and Finance team established a reoccurring training schedule to support school personnel with required management oversight. In April 2023, the BIE Division of Budget and Finance will meet CIS personnel to review their Donation and Student Bank accounts and provide technical assistance on proper budget accounting controls and will assist in the development of a school-specific checklist for CIS daily Student Bank account activity review process.

The BIE will provide training to CIS Personnel on BIAM Part 62 Chapter 8 to ensure proper Student Enterprise Fund oversight. It should be noted, though it is not a formal recommendation, the BIE plans to update the BIAM Part 62 Chapter 8 Students' Personal and Group Fund and School Banks.

Responsible Official: Director, BIE

Target Date: December 31, 2023

2. **Recommendation:** Conduct and document annual audits of the Student Enterprise account at the Chemawa Indian School in accordance with 25 C.F.R. § 36.43.

Response: Concur

The BIE Division of Budget and Finance will contract a firm to conduct annual audits of CIS Student Enterprise accounts in accordance with 25 C.F.R. § 36.43. Before the first annual audit, the BIE Division of Budget and Finance will complete the review and provide training of Student Enterprise accounts as described in Recommendation 1.

Responsible Official: Director, BIE

Target Date: December 31, 2023

3. **Recommendation:** Direct Chemawa Indian School to segregate the duties related to the Student Enterprise account or implement alternative controls.

Response: Concur

The BIE's Division of Budget and Finance will direct CIS school personnel to implement and ensure proper segregation of duties in accordance with the BIAM Part 62 Chapter 8. Furthermore, the BIE will provide training to school officiations to ensure CIS has adequate staff, technical assistance, and support to maintain required internal controls for Student Enterprise accounts.

Responsible Official: Director, BIE

Target Date: September 30, 2023

4. **Recommendation:** Deposit accumulated donation money from Chemawa Indian School's commercial bank account into the Treasury.

Response: Concur

The BIE Division of Budget and Finance will reconcile and verify school donation amounts to be transferred from CIS commercial bank account to a designated Treasury account.

Responsible Official: Director, BIE

Target Date: September 30, 2023

5. **Recommendation:** Develop and provide training to Chemawa Indian School personnel on Indian Affairs Manual Part 30 Chapter 8 to ensure the school reports any donated funds to the BIE Collections Officer.

Response: Concur

The BIE's Division of Budget and Finance will conduct onsite visits starting the week of April 5, 2023, to review CIS donation activity and provide compliance training in accordance with the existing policy in IAM Part 30 Chapter 8, Education (Management) Donations Policy.

Responsible Official: Director, BIE

Target Date: December 31, 2023

6. **Recommendation:** Ensure that Chemawa Indian School enters into fundraising agreements with any non-Federal entities that solicit donations on behalf of the school (including the [REDACTED]).

Response: Concur

The BIE's Division of Budget and Finance will ensure CIS enters into fundraising agreements with any non-Federal entities that solicit donations on behalf of the school. As mentioned in recommendation 5, the Division of Budget and Finance will begin conducting onsite visits starting in April 2023. The site visit purpose is to provide the training and guidance to the CIS. To meet this specific recommendation, the BIE will provide compliance training on fundraising agreements in accordance with the existing policy in IAM Part 30 Chapter 8, Education Management, Donations Policy.

Responsible Official: Director, BIE

Target Date: September 30, 2023

7. **Recommendation:** Ensure that Chemawa Indian School obtains the appropriate approvals for expenditure of donated funds.

Response: Concur

The BIE’s Division of Budget and Finance will require CIS to obtain the appropriate approvals for expenditure of donated funds in accordance with IAM Part 30 Chapter 8, Education (Management) Donations and 25 C.F.R. § 48.

Responsible Official: Director, BIE

Target Date: September 30, 2023

8. **Recommendation:** Develop and provide training to Chemawa Indian School personnel on Federal regulations to ensure the school provides any donations received to the BIE for deposit into a designated Treasury account and submits an annual report of donations received, including how the donations were used, to the BIE Director.

Response: Concur

The BIE’s Division of Budget and Finance will review CIS donation activity and provide training on appropriate processes for donations received to by the BIE for deposit into a designated Treasury account and submit an annual report of donations received, including how the donations were used, to the BIE Director in accordance with school-level reporting requirements in IAM Part 30 Chapter 8, Education Management, Donations Policy and 25 C.F.R. § 48.

Responsible Official: Director, BIE

Target Date: December 31, 2023

9. **Recommendation:** Resolve the \$593,367 in questioned costs related to the inappropriate purchases.

Response: Non-Concur

Recommendation 9 includes the following questioned costs:

Figure 5: Summary of Questioned Costs

Description	Funding Type	Questioned Amount (\$)
Excavating equipment	BIE – Operations and Maintenance	213,520
Maintenance vehicles	BIE – Operations and Maintenance	35,741
Pole barn	ISEP	248,364
Pole barn	Department of Education	85,743
Horse trailer	Department of Education	9,999
Total		\$593,367

BIE-Operations and Maintenance Funds for Excavating Equipment and Maintenance Vehicles: \$249,261

The Draft Report concludes that "had the CIS completed a cost analysis, it would have demonstrated that it was unnecessary to purchase excavation equipment. Accordingly, we question the expenditure of these resources." Office of the Inspector General, *Draft Report No. 2022-CR-012* ("Draft Report"), at 16. The only support offered for this conclusion is that "[w]hen asked to provide documentation of how often the school officials rented excavation equipment in the past 5 years, the CIS provided evidence for only the one-time rental of a mini-excavator approximately 5 years ago." *Id.* BIE does not concur that this is sufficient evidence to conclude that a cost analysis "would have demonstrated that it was unnecessary to purchase excavation equipment." *Id.*

FAR 7.4 establishes a list of case-by-case considerations which a federal agency must use when completing the cost analysis. The factors to be compared in the analysis must include, at a minimum:

- (i) Estimated length of the period the equipment is to be used and the extent of use within that period;
- (ii) Financial and operating advantages of alternative types and makes of equipment;
- (iii) Cumulative rent, lease, or other periodic payments, however described, for the estimated period of use;
- (iv) Net purchase price;
- (v) Transportation, installation, and storage costs;
- (vi) Maintenance repair, and other service costs; and
- (vii) Potential obsolescence of the equipment because of imminent technological improvements.

FAR 7.401(b).

Evidence of past need or prior use is not one of the mandated considerations and, nonetheless, all of the listed considerations must be factored into the analysis. The only way to determine the allowability of the costs is to complete a cost analysis. Accordingly, BIE does not concur with this finding and requests until October 31, 2023 to complete a cost analysis under FAR 7.4 and to submit the results to OIG.

ISEP and Title I Funds for Pole Barn and Horse Trailer: \$344,106

BIE does not concur with OIG's finding that CIS expended Indian School Equalization Program ("ISEP") and Title I of the Elementary and Secondary Education Act ("Title I") funds for purposes that were not allowable or properly approved in advance.

The Draft Report does not include any legal citations for questioning these costs. Instead, the Draft Report includes the following justifications:

1. **The costs were unallowable under Title I:** CIS inappropriately used \$85,743 of Title I funds to pay for a portion of the pole barn. BIE officials stated that Title I funds “could not properly be used in this way” and that Title I funding for 4-H program expenditures would not be consistent with the purpose of Title I because such programs are “not considered an academic program.” And that the only way Title I funds could be used was for improving the learning “aptitude of drug-addicted and emotionally troubled students.” Draft Report at 17.
2. **The costs were unapproved:** CIS “expended moneys for purposes that were not properly approved in advance. In particular, the CIS paid \$334,107 to construct a pole barn and \$9,999 to acquire a horse trailer for its 4-H program. However, BIE management had not approved the 4-H program as part of the annual budgeting process through which the school conducts a needs assessment and develops program goals as well as a schoolwide plan and budget.” Draft Report at 16.
3. **The costs for the pole barn and Trailer are not allowable:** The above issues occurred, in part, “because BIE did not have an established purchase request approval policy or any related process to ensure CIS purchases were reasonable and that the funding sources used for purchases were allowable.” Draft Report at 18.

Contrary to the Draft Report’s findings, (1) Title I funds are not limited to “academic programs” or to meet the needs of a particular subset of students, and costs for the pole barn and horse trailer were allowable Title I expenditures; (2) The program needs for the pole barn and horse trailer were identified in CIS’ 2020-2021 and 2021-2022 Needs Assessments and Schoolwide Plans; (3) BIE used a competitive bidding process consistent with the FAR to ensure the costs of the pole barn and horse trailer were reasonable.

Title I funds are not limited to “academic programs” or to meet the needs of a particular subset of students, and costs for the pole barn and horse trailer were allowable Title I expenditures.

CIS operates a Title I, Part A schoolwide program under the Elementary and Secondary Education Act (“ESEA”). *See* 20 U.S.C. 6314 (ESEA Schoolwide Programs). Contrary to the Draft Report’s conclusions, a school which operates a schoolwide program does not need to identify particular students as eligible to participate in programs, and may operate a program, which benefits the entire school population. *See* 20 U.S.C. § 6314(a)(2)(A) (“Identification of students not required. In general. No school participating in a schoolwide program shall be required to identify—(i) particular children under this part [] as eligible to participate in a schoolwide program; or (ii) individual services as supplementary.”).

There is no legal requirement that Title I program funds may only be used for academic instruction and for improving “the learning aptitude of drug-addicted and emotionally troubled students.” Draft Report at 17. In fact, Title I expressly directs schools operating a schoolwide program, such as CIS, to include in its schoolwide plan how it will use Title I funds to address the needs of *all* children in the school through activities which may include “counseling, school-based mental health programs, specialized instructional support services, mentoring services, and

other strategies to improve students’ skills outside the academic subject areas” and “preparation for and awareness of opportunities for postsecondary education and the workforce” 20 U.S.C. § 6314(a)(7)(A)(i)-(iii)).

In addition to the Title I provisions cited above which permit CIS’ use of Title I funds for the benefit of all children in the program, BIE has separate statutory authority, specific to BIE, to use U.S. Department of Education funding to benefit all students. The basic education statutory requirements for BIE funded schools, including CIS, are found at 25 U.S.C. 2001, which provides the following:

Funds received by Bureau-funded schools from the Bureau of Indian Affairs, and under any program from the Department of Education or any other Federal agency, for the purpose of providing education or related services may be used for schoolwide projects to improve the educational program for all Indian students.

25 U.S.C. § 2001(g)

Funding under Title I constitutes funding “from the Department of Education” which is “for the purpose of providing education or related services.” *See* 20 U.S.C. § 6301, “[t]he purpose of [Title I] is to provide all children significant opportunity to receive a fair, equitable, and high-quality education, and to close educational achievement gaps.” Accordingly, any Bureau-funded school, including CIS, may use Title I funds for “schoolwide projects to improve the educational program for all Indian students.” 25 U.S.C. § 2001(g). And these projects can include “counseling, school-based mental health programs, specialized instructional support services, mentoring services, and other strategies to improve students’ skills outside the academic subject areas” and “preparation for and awareness of opportunities for postsecondary education and the workforce” 20 U.S.C. § 6314(a)(7)(A)(i)-(iii)). The purchases of the pole barn and horse trailer for the 4-H program support these activities and are allowable uses of Title I funds.

The 4-H program is a U.S. based organization administered by the National Institute of Food and Agriculture (“NIFA”) of the United States Department of Agriculture (“USDA”), which enables children and teens to complete hands-on project in areas such as health, science, agriculture and civic engagement under the guidance of adult mentors through in-school and after-school programs, school and community clubs. USDA, “4-H and Positive Youth Development,” <https://www.nifa.usda.gov/grants/programs/4-h-positive-youth-development>.

A stated goal of 4-H agricultural program is to “engage and excite young people in agricultural topics such as veterinary science, biotechnology, raising and training animals and forestry.” 4-H.org, “Agriculture Programs,” <https://4-h.org/programs/agriculture/>. Further, the USDA endorses 4-H and related programs in tribal communities through its Tribal College Extension Grant Program and Federally-Recognized Tribes Extension Program, which identify and support tribal needs for positive youth development, Native farmer and rancher development, and incorporation of traditional ecological and agricultural activities into youth programs to preserve

knowledge of Indigenous cultures about the environment or cultural practices. *See* NIFA, Federally-Recognized Tribes Extension Program, last visited April 6, 2023, <https://www.nifa.usda.gov/grants/programs/nifa-tribal-programs/federally-recognized-tribes-extension-program>.

The purchase of the pole barn and horse trailer for the 4-H program are allowable Title I costs because they support allowable activities such as mental health support and preparation and awareness of postsecondary and workforce opportunities in veterinary science, biotechnology, raising and training animals, and forestry. These activities serve to improve the educational program and opportunities for all Indian students at CIS. *See* 20 U.S.C. § 6314(a)(7)(A)(i)-(iii); 25 U.S.C. § 2001(g).

The 2020-2021 and 2021-2022 CIS Needs Assessments and Schoolwide Plans identify the program needs for the pole barn and horse trailer.

There are three required components to implement a schoolwide Title I program: conducting a comprehensive needs assessment, 20 U.S.C. § 6314(b)(6); preparing a comprehensive schoolwide plan, 20 U.S.C. § 6314(b)(1-7); and annually reviewing and revising, as necessary, the schoolwide plan, 20 U.S.C. § 6314(b)(3). The comprehensive needs assessment examines the needs of the entire school and “takes into account information on the academic achievement of children in relation to the challenging State academic standards, particularly,” but not exclusively, “the needs of those children who are failing, or are at-risk of failing.” 20 U.S.C. § 6314(b)(6). The schoolwide plan must include a description of “the strategies the school will be implementing to address school needs, including a description of how such strategies will deliver the opportunities and activities described in 20 U.S.C. § 6314(b)(7)(A)(i-iii). These activities are those discussed in the section above on allowability.

CIS complied with the necessary components of (i) conducting a comprehensive needs assessment and (ii) review and revision of the schoolwide plan to implement a schoolwide program. *See* CIS Schoolwide Program Plan (SY20-21), December 15, 2020; CIS Schoolwide Program Plan (SY21-22), October 13, 2021; 20 U.S.C. § 6314(b)(1-7). The school’s use of Title I funds for construction of a pole barn and purchase of a horse trailer is supported by the identified needs and activities in the school’s SY2020-2021 and SY2021-2022 Schoolwide Program Plans and Needs Assessments.

The CIS SY2020-2021 Schoolwide Program Plan states that the school will make use of funding sources to support “vocational opportunities, “intervention and enrichment programming,” and “cultural engagement activities.” CIS Schoolwide Program Plan (SY20-21), December 15, 2020 at 9. *See also* CIS Schoolwide Program Plan (SY21-22), October 13, 2021 at 9 (Title I funds to be used to support “intervention and enrichment programming,” “vocational opportunities,” and “vocational and cultural engagement activities.”). The CIS SY2020-2021 Needs Assessment and SMART GOALS identified the following relevant areas of need and overall programmatic priorities:

- Improve quantity and quality of vocational opportunities.

- Improve quantity and quality of behavioral support program.
- Intentional incorporation of culture across curriculum.
- Trauma based social emotional learning.

See CIS Needs Assessment (SY20-21), December 15, 2020 at 3-5.

The CIS SY2021-2022 Needs Assessment and SMART GOALS identified the following relevant areas of need and overall programmatic priorities:

- Supporting students through social-emotional issues that have been created or exacerbated by the nationwide pandemic.
- Updated cultural and vocational opportunities.
- Additional trauma-based, special needs/population and understanding training.
- Intentional incorporation of culture across the curriculum.
- Trauma-based social-emotional learning across the curriculum and embedded into core content areas.

See CIS Needs Assessment (SY21-22), October 13, 2021 at 3,5.

The construction contract Statement of Work for the CIS program’s barn state the projects are for “the 4-H program at the school” and “to provide care to the animals within the program.” Statement of Work, Contract No. 140A23321C0034, issued August 24, 2021 at 6. The priorities identified in CIS’ approved Schoolwide Plan and Needs Assessment are met through CIS’ adoption of the 4-H program. As discussed in the section above, the 4-H program provides vocational and cultural engagement activities and opportunities. *See e.g.*, 4-H.org, “Agriculture Programs,” <https://4-h.org/programs/agriculture/>. *See also* CIS Schoolwide Program Plan (SY20-21), December 15, 2020, at 9; CIS Schoolwide Program Plan (SY21-22), October 13, 2021 at 9; CIS Needs Assessment (SY20-21), December 15, 2020 at 4; CIS Needs Assessment (SY21-22), October 13, 2021 at 3.

The construction of the barn and purchase of the trailer also support CIS’ need for “intervention and enrichment programming” and “trauma-based social-emotional learning across the curriculum.” CIS Schoolwide Program Plan (SY20-21), December 15, 2020, at 9; CIS Schoolwide Program Plan (SY21-22), October 13, 2021 at 9; CIS Needs Assessment (SY20-21), December 15, 2020 at 4; CIS Needs Assessment (SY21-22), October 13, 2021 at 3. *See, e.g.*,

For example, CIS uses the animals housed in the pole barn to provide trauma-based and social-emotional therapy to students with and without disabilities.

Contrary to Finding 9, the 4-H program activities were properly identified in the SY2020-2021 and SY2021-2022 Schoolwide Plans and Needs Assessments.

BIE used a competitive bidding process consistent with the FAR to ensure the costs of the pole barn and horse trailer were reasonable.

The draft report concludes that “BIE did not have an established purchase request approval policy or any related process to ensure CIS purchases were reasonable and that the funding sources used for purchases were allowable.” Draft Report at 18. However, BIE used a competitive bidding process consistent with the FAR to ensure the costs of the pole barn and horse trailer were reasonable.

In May of 2021, the BIE Office of Acquisition sent a pre-solicitation notice announcement seeking potential small business sources who would be interested in constructing a pole barn at CIS “to be used by the 4-H Club at [CIS].” BIE Division of Acquisition, Pre-Solicitation Announcement re: Chemawa Indian School, May 25, 2021.

BIE Division of Acquisitions (“DOA”) received pre-solicitation responses from the following entities:

QUOTERS
[REDACTED]

The project was assigned solicitation No. 140A2321Q0337 and the response time was later amended from closing May 11, 2021, to opening May 25, 2021 and closing June 29, 2021, with a period of performance given of June 7, 2021 to August 9, 2021. Amendment of Solicitation/Modification of Contract No. 140A2321Q0337, May 25, 2021.

After the closing date, only one contractor responded to the solicitation: See [REDACTED] [REDACTED] Revised Price Proposal, July 20, 2021, for the Construction of a pole barn and Concrete Pad Installation for Pull Barn for Chemawa Indian School, (on file with BIE).

QUOTATION ABSTRACT	
Contractor	Total Price (base plus options)
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

The contract was awarded to [REDACTED] and signed by the Contracting Officer on August 24, 2021, with a total price schedule of \$334,106.94. Contract No. 140A23321C0034, issued August 24, 2021 at 6.

BIE DOA's procurement process for the barn complied with the requirements of FAR. Under 48 C.F.R. § 36.213-2(a), "the contracting officer shall issue pre-solicitation notices on any construction requirement when the proposed contract is expected to exceed the simplified acquisition threshold." The "simplified acquisition threshold" under FAR is \$250,000. Based on the simplified acquisition threshold, BIE DOA properly sent a pre-solicitation notice for the barn construction which contained all necessary provisions. BIE's use of procedures for full and open competition by issuing a pre-solicitation notice, gathering multiple responses, and finally issuing a solicitation notice which resulted in a single bid for the barn construction demonstrate the \$593,367 in questioned costs were reasonable and complied with FAR requirements for full and open competition. *See* 48 C.F.R. § 6.102 (requirements for "full and open competition" may include" requesting competitive proposals).

For the reasons discussed above BIE does not concur with the Draft Report's recommendation 9 and asserts that the costs of the pole barn and Horse Trailer are allowable and reasonable. However, notwithstanding BIE's assertion that the identified costs are allowable and reasonable, BIE agrees that the training on purchasing procedures will assist with ensuring that all staff are aware of existing protocols.

10. **Recommendation:** Develop and provide procurement training to Chemawa Indian School on roles and responsibilities regarding the Federal Acquisition Regulation (FAR), including the required cost analysis for buying versus leasing equipment.

Response: Concur

The BIE's Division of Acquisition Management has developed and provided training on the roles and responsibilities pertaining to procurements subject to the Federal Acquisition Regulation (FAR) process that have been provided to bureau-funded schools since the 2021 fiscal year. The BIE will ensure CIS attends upcoming scheduled trainings on the FAR. Furthermore, the Division of Acquisition Management, in coordination with Property Management, will provide buying versus leasing equipment procurement training to include required cost analysis. The BIE anticipates offering no less than two training sessions on this topic before April 30, 2023.

Responsible Official: Director, BIE

Target Date: April 30, 2023

11. **Recommendation:** Develop and implement Budget and Finance policies and procedures that set forth requirements and approval processes for establishing new academic or extracurricular programs.

Response: Concur

The BIE's Division of Budget and Finance will develop and implement budget and finance policies and procedures on approval processes for establishing new academic or extracurricular programs.

Responsible Official: Director, BIE

Target Date: June 30, 2024

12. Recommendation: Develop and implement Budget and Finance policies and procedures that provide guidance regarding purchases that can be made with the different funding sources provided to the schools, including Title I funds.

Response: Concur

The BIE's Division of Budget and Finance develop and implement budget and finance policies and procedures that provide guidance regarding purchases that can be made with the different funding sources provided to the schools, including Title I funds.

Responsible Official: Director, BIE

Target Date: June 30, 2024

13. Recommendation: Develop and implement Budget and Finance policies and procedures for approving purchase requests, including ensuring the appropriate officials certify that purchases are allowable and reasonable.

Response: Concur

The BIE's Division of Budget and Finance develop and implement budget and finance policies and procedure for approving purchase requests, including ensuring the appropriate officials certify that purchases are allowable and reasonable.

Responsible Official: Director, BIE

Target Date: June 30, 2024

14. Recommendation: Develop and provide training to Chemawa Indian School on the newly established Budget and Finance policies and procedures for establishing new academic or extracurricular programs, defining types of purchases that can be made with the different funding sources, and approving purchase requests.

Response: Concur

The BIE's Division of Budget and Finance will provide training to CIS on newly established Budget and Finance policies and procedures for establishing new academic or extracurricular programs, defining types of purchases that can be made with the different funding sources, and approving purchase requests. In conjunction, training will be provided to CIS on purchase requisitions which include financial system requisitions, supervisory approver and certifying

funds approver roles and requisite responsibilities. Overall, BIE will provide training on the Financial Business Management System and purchase requisition processes to ensure program funding lines of accounting are allowable and appropriate funding sources.

Responsible Official: Director, BIE

Target Date: June 30, 2024

Assistant Secretary – Indian Affairs:

15. **Recommendation:** Develop documented procedures for following protocols when constructing new facilities and for making operations and maintenance purchases of more than \$2,500.

Response: Concur

The Division of Facilities Management and Construction (DFMC) has established Space Expansion Guidelines to define the process for school locations seeking to expand. In addition, the BIE's Division of School Operations developed the BIE Space Expansion Review Process for space expansion requests. IA and BIE acknowledge that the communication, training and implementation of established policy and procedures can be improved. The DFMC and BIE will work together to update existing policy, ensure procedures are clearly defined and applicable to school locations and improve the communication and implementation of the policies through training for all stakeholders.

In addition, 80 Indian Affairs Manual (IAM) Chapter 3 – Operations and Maintenance Program defines allowable uses of operations and maintenance funds. The DFMC and BIE will work together to update existing policy, further define allowable uses, and improve the communication and implementation of policy through training for all stakeholders.

Responsible Official: BIE Director; Deputy Assistant Secretary – Management Office of Facilities, Property and Safety Management - Division of Facilities Management and Construction

Target Date: June 30, 2024

16. **Recommendation:** Locate or develop lease agreements with businesses using Chemawa Indian School land.

Response: Concur

The BIE will locate lease agreements with businesses using Chemawa Indian School land.

Responsible Official: Director, BIE

Target Date: December 31, 2023

17. **Recommendation:** Verify that past and current lease payments are paid in accordance with the terms of the lease agreements.

Response: Concur

The BIE, in partnership with Indian Affairs' Office of Facilities, Property and Safety Management, will work with the CIS to verify past and current lease payments to ensure payments are made in accordance with the terms of the lease agreements. Furthermore, an annual report will be provided to the BIE Director to monitor the funds received from these leases.

Responsible Official: Director, BIE; Office of Facilities, Property and Safety Management

Target Date: December 31, 2023

18. **Recommendation:** Develop and disseminate policies and procedures to BIE-operated schools for establishing, managing, and overseeing leases that include, at a minimum, requirements and provisions outlined in 25 C.F.R. § 48, defined roles and responsibilities, and requirements for validating that lease payments are paid in accordance with the lease agreements.

Response: Concur

The BIE will establish policies and procedures to BIE-operated schools that will keep the Director apprised of all leases, lease modifications, payments and accounting to implement the requirements of 25 C.F.R. Part 48.

Responsible Official: Director, BIE

Target Date: September 30, 2024

19. **Recommendation:** Require Chemawa Indian School to add accountable system-controlled property items that were not included on the inventory listing to the Indian Affairs Financial and Business Management System (FBMS).

Response: Concur

The BIE's Branch of Property Management will require CIS to add accountable system-controlled property items, that were not included in the inventory listing, to the FBMS property database tracking system.

Responsible Official: Director, BIE

Target Date: September 30, 2023

20. **Recommendation:** Require Chemawa Indian School to assign responsibility for all accountable system-controlled property items by having employees sign a receipt of property form as required in Indian Affairs Manual (IAM) part 23.

Response: Concur

The BIE's Branch of Property Management will require CIS to assign responsibility for all accountable system-controlled property items, which include all accountable personal and real

property assets within FBMS property database tracking system, and have employees sign a receipt of property form as required in IAM Part 23.

Responsible Official: Director, BIE

Target Date: September 30, 2023

21. **Recommendation:** Require Chemawa Indian School to establish a mechanism to track the location of all accountable system-controlled property.

Response: Concur

The BIE's Branch of Property Management will require training for CIS on property classifications and enforcement of IAM Part 23 Property processes to ensure CIS tracks the location of all accountable system-controlled property.

Responsible Official: Director, BIE

Target Date: September 30, 2023

22. **Recommendation:** Require Chemawa Indian School to establish a mechanism to review Government-issued purchase card transactions monthly to ensure that cardholders are following the requirements in the Indian Affairs Manual part 22 and are not using Government-issued purchase cards to purchase accountable system-controlled property items.

Response: Concur

The BIE Division of Budget and Finance, in coordination with BIE Division of Acquisition Management, will provide training to CIS to ensure school follows and follows the U.S. Department of Interior Purchase Card Policy and IAM Part 22, Chapter 3 (C), to ensure Government-issued purchase cards are not used to procure accountable-system controlled property items. Furthermore, the BIE's Division of Budget and Finance will coordinate to ensure all purchase transactions are reviewed and approved by an approving official in accordance with U.S. Department of Interior Purchase Card Policy (Section XI: Review and Approve) - monthly charge card certification process.

Responsible Official: Director, BIE

Target Date: September 30, 2023

23. **Recommendation:** Conduct periodic unannounced, onsite reviews at Chemawa Indian School to monitor the ongoing inventory process and verify the accuracy and completeness of the Indian Affairs Financial and Business Management System inventory in keeping with Indian Affairs Policy.

Response: Concur

The BIE's Property Management Division will conduct unannounced onsite reviews at CIS to monitor the inventory process and verify accuracy and completions of FBMS inventory in accordance with the IA Policy. More specifically, the BIE's Property Management Division for Central and Phoenix Regional Offices will conduct an overall assessment to monitor the inventory process at CIS in April 2023. An unannounced visit by Phoenix Regional Office team will be conducted after the assessment within the identified target date.

Responsible Official: Director, BIE

Target Date: June 30, 2023

24. **Recommendation:** Revise Indian Affairs Manual (IAM) part 23 to ensure consistency, including the requirements for expendable property tagging and recordkeeping.

Response: Concur

The BIE and the Deputy Assistant Secretary Indian Affairs - (Management) (DASM) will work in partnership to review the IAM part 23 to ensure consistency for the requirements for expendable property tagging and recordkeeping.

Responsible Official: Director, BIE; Deputy Assistant Secretary – Management

Target Date: September 30, 2023

25. **Recommendation:** Develop and provide training for Chemawa Indian School personnel on Indian Affairs Manual part 23 to ensure that Chemawa maintains an inventory of and tags nonexpendable property under \$5,000 and to ensure understanding of requirements for expendable property tagging and recordkeeping.

Response: Concur

The BIE's Property Management Division will provide training for CIS personnel on IAM Part 23 to ensure inventory and tagging for nonexpendable property under \$5,000 is recorded. As stated in recommendation 23, the BIE's Property Management Division for Central and Phoenix Regional Offices will conduct an overall assessment to monitor the inventory process at CIS in April 2023.

Responsible Official: Director, BIE

Target Date: August 31, 2023

26. **Recommendation:** Conduct and document periodic reviews to ensure that the Chemawa Indian School maintains receiving reports or packing slips to allow for specific identification of purchased items.

Response: Concur

The BIE's Property Management Division will conduct and document periodic reviews to ensure that the Chemawa Indian School maintains receiving reports or packing slips to allow for specific identification of purchased items.

Responsible Official: Director, BIE

Target Date: August 31, 2023

Appendix 4: Status of Recommendations

Recommendation	Status	Action Required
2022-CR-012-01 We recommend that the BIE develop and provide training to Chemawa Indian School personnel on <i>Bureau of Indian Affairs Manual</i> part 62 chapter 8 to ensure proper Student Enterprise fund accounting, daily account balancing, and monthly reconciliations of the bank statements to the Student Enterprise accounting records that the Principal has approved.		
2022-CR-012-02 We recommend that the BIE conduct and document annual audits of the Student Enterprise account at the Chemawa Indian School in accordance with 25 C.F.R. § 36.43.		
2022-CR-012-03 We recommend that the BIE direct Chemawa Indian School to segregate the duties related to the Student Enterprise account or implement alternative controls.		
2022-CR-012-04 We recommend that the BIE deposit accumulated donation money from Chemawa Indian School's commercial bank account into the designated Treasury account.	Resolved	We will track implementation.
2022-CR-012-05 We recommend that the BIE develop and provide training to Chemawa Indian School personnel on <i>Indian Affairs Manual</i> part 30 chapter 8 to ensure the school reports any donated funds to the BIE Collections Officer.		
2022-CR-012-06 We recommend that the BIE ensure that Chemawa Indian School enters into fundraising agreements with any non-Federal entities that solicit donations on behalf of the school.		
2022-CR-012-07 We recommend that the BIE ensure that Chemawa Indian School obtains the appropriate approvals for expenditure of donated funds.		

Recommendation	Status	Action Required
<p>2022-CR-012-08 We recommend that the BIE develop and provide training to Chemawa Indian School personnel on Federal regulations to ensure the school provides any donations received to the BIE for deposit into a designated Treasury account and submits an annual report of donations received, including how the donations were used, to the BIE Director.</p>	Resolved	We will track implementation.
<p>2022-CR-012-09 We recommend that the BIE resolve the \$593,367 in questioned costs related to the inappropriate purchases.</p>	Unresolved	We will meet with the BIE to discuss the recommendation.
<p>2022-CR-012-10 We recommend that the BIE Develop and provide procurement training to Chemawa Indian School on roles and responsibilities regarding the Federal Acquisition Regulation, including the required cost analysis for buying versus leasing equipment.</p>	Implemented	No action is required.
<p>2022-CR-012-11 We recommend that the BIE develop and implement Budget and Finance policies and procedures that set forth requirements and approval processes for establishing new academic or extracurricular programs.</p>		
<p>2022-CR-012-12 We recommend that the BIE develop and implement Budget and Finance policies and procedures that provide guidance regarding purchases that can be made with the different funding sources provided to the schools, including Title I funds.</p>	Resolved	We will track implementation.
<p>2022-CR-012-13 We recommend that the BIE develop and implement Budget and Finance policies and procedures for approving purchase requests, including ensuring the appropriate officials certify that purchases are allowable and reasonable.</p>		

Recommendation	Status	Action Required
<p>2022-CR-012-14 We recommend that the BIE develop and provide training to Chemawa Indian School on the newly established Budget and Finance policies and procedures for establishing new academic or extracurricular programs, defining types of purchases that can be made with the different funding sources, and approving purchase requests.</p>		
<p>2022-CR-012-15 We recommend that the Assistant Secretary – Indian Affairs develop documented procedures for following protocols when constructing new facilities and for making operations and maintenance purchases of more than \$2,500.</p>		
<p>2022-CR-012-16 We recommend that the BIE locate or develop lease agreements with businesses using Chemawa Indian School land.</p>		
<p>2022-CR-012-17 We recommend that the BIE verify that past and current lease payments are paid in accordance with the terms of the lease agreements.</p>	Resolved	We will track implementation.
<p>2022-CR-012-18 We recommend that the BIE develop and disseminate policies and procedures to BIE-operated schools for establishing, managing, and overseeing leases that include, at a minimum, requirements and provisions outlined in 25 C.F.R. part 48, defined roles and responsibilities, and requirements for validating that lease payments are paid in accordance with the lease agreements.</p>		
<p>2022-CR-012-19 We recommend that the BIE require Chemawa Indian School to add accountable system-controlled property items that were not included on the inventory listing to the Indian Affairs Financial and Business Management System.</p>		
<p>2022-CR-012-20 We recommend that the BIE require Chemawa Indian School to assign responsibility for all accountable system-controlled property items by having employees sign a receipt of property form as required in <i>Indian Affairs Manual</i> part 23.</p>		

Recommendation	Status	Action Required
<p>2022-CR-012-21 We recommend that the BIE require Chemawa Indian School to establish a mechanism to track the location of all accountable system-controlled property.</p>		
<p>2022-CR-012-22 We recommend that the BIE require Chemawa Indian School to establish a mechanism to review Government-issued purchase card transactions monthly to ensure that cardholders are following the requirements in <i>Indian Affairs Manual</i> part 22 and are not using Government-issued purchase cards to purchase accountable system-controlled property items.</p>		
<p>2022-CR-012-23 We recommend that the BIE conduct periodic unannounced, onsite reviews at Chemawa Indian School to monitor the ongoing inventory process and verify the accuracy and completeness of the Indian Affairs Financial and Business Management System inventory in keeping with Indian Affairs policy.</p>	Resolved	We will track implementation.
<p>2022-CR-012-24 We recommend that the BIE revise <i>Indian Affairs Manual</i> part 23 to ensure consistency, including the requirements for expendable property tagging and recordkeeping.</p>		
<p>2022-CR-012-25 We recommend that the BIE develop and provide training for Chemawa Indian School personnel on <i>Indian Affairs Manual</i> part 23 to ensure that Chemawa maintains an inventory of and tags nonexpendable property under \$5,000 and to ensure understanding of requirements for expendable property tagging and recordkeeping.</p>		
<p>2022-CR-012-26 We recommend that the BIE conduct and document periodic reviews to ensure that Chemawa Indian School maintains receiving reports or packing slips to allow for specific identification of purchased items.</p>		



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