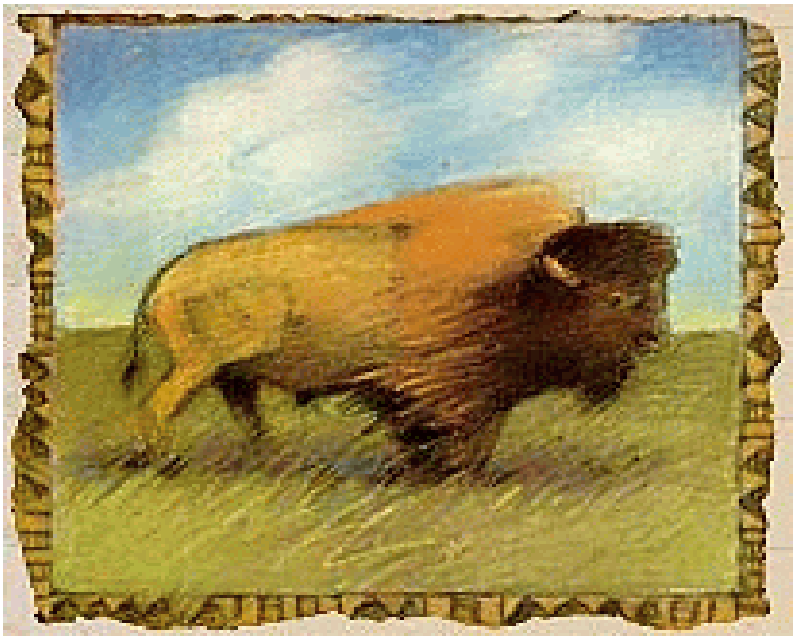
Office of Inspector General

Audit Report

EPA Grants Awarded to the Rosebud Sioux Tribe

Report No. 1000370-2002-1-00096 **March 19, 2002**



Inspector General Resource Center Conducting the Audit:	Central Audit and Evaluation Resource Center Denver, Colorado Office
EPA Region Covered:	Region 8
Program Offices Involved:	Tribal Assistance Program Grants, Audits, and Procurement Program
Audit Conducted by:	Larry Dare Chris Dunlap Thomas Herrod

Cover: The illustration is part of an EPA poster that depicts Tribes' sovereign right to protect the water, land, and air. The cover illustration represents air.

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
OFFICE OF INSPECTOR GENERAL
CENTRAL AUDIT AND EVALUATION RESOURCE CENTER
901 NORTH 5TH STREET
KANSAS CITY, KANSAS 66101
913-551-7878
FAX: 913-551-7837

BRANCH OFFICES:
1445 Ross Avenue, Suite 1200
Dallas, Texas 75202-2733
214-665-6621
FAX: 214-665-6589

999 18th Street Suite 300
Denver, Colorado 80202-2405
303-312-6872
FAX: 303-312-6063

April 11, 2002

MEMORANDUM

SUBJECT: EPA Grants Awarded to the Rosebud Sioux Tribe
Report No. 1000370-2002-1-00096

FROM: Jeff Hart
Branch Manager
Denver Office

TO: Jack McGraw
Acting Regional Administrator
Region 8

Attached is our report, *EPA Grants Awarded to the Rosebud Sioux Tribe*. This report includes our independent assessment of four Rosebud Sioux environmental grants and Rosebud Sioux's general management of its environmental program.

ACTION REQUIRED

In accordance with EPA Order 2750, you, as the action official, are required to provide our office with a proposed draft management decision specifying the Agency's position on our recommendation on costs questioned and other recommendations in this report. The draft management decision is due within 120 calendar days of the date of this transmittal memorandum.

Our report includes an assessment of your draft report comments. We also included your written comments as Appendix I.

If you have any questions, please call me at (303) 312-6169 or Larry Dare at (303) 312-6969. Please refer to report number 1000370-2002-1-00096 on any related correspondence.

Attachment

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Independent Auditor's Report

We have examined the costs claimed on the final Financial Status Report (Form 269A) and Request for Advance or Reimbursement (Form 270) for each of the grants listed in the Scope and Methodology section submitted by the Rosebud Sioux Tribe, Rosebud, South Dakota (grantee). The preparation and certification of the claims are the responsibility of the grantee. Our responsibility was to express an opinion on the claims.

We conducted our examination in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the claims submitted by the grantee are free of material misstatement and are eligible under the grant agreements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the final claims. An audit also includes assessing the accounting principles used and significant estimates made by management in preparing the claims. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Exhibits A through E, the grantee received reimbursement for costs not adequately supported in the accounting records, ineligible under Environmental Protection Agency (EPA) regulations and grant requirements, or unreasonable. In most instances, the grantee inadequately supported costs because it did not properly document payroll.

In our opinion, because of the effects of the matters discussed in the preceding paragraph, the claimed costs referred to above and presented in Exhibits A through E do not present fairly costs claimed according to the law, regulations, grant requirements, and other applicable Federal guidance.

Jeff Hart
Branch Manager
Denver Office
Central Audit and Evaluation Resource Center
Office of Inspector General

Fieldwork End: March 5, 2002

Audit Results

In response to a December 7, 1999 allegation letter, we reviewed: (1) the legality of EPA Region 8's Tribal Assistance Program grants, (2) the Tribal Assistance Program's internal management, and (3) grantee management of environmental programs and expenditure of grant funds. We reported on the first two issues in our September 29, 2000 report, *Increased Focus on Grant Management and Internal Relationships Would Improve Region 8's Tribal Assistance Program*. To address the third issue, we conducted financial audits of four grantees. We judgmentally selected the four grantees based on their significant involvement with EPA programs, past performance, and the fact that each had several recently closed grants for which we expected to find complete financial records. This report provides our findings at one of those grantees – the Rosebud Sioux Tribe, Rosebud, South Dakota.

Objective

Our overall objective was to determine whether the grantee effectively managed its environmental grants. To accomplish this objective, we asked the following question: Were costs claimed for grants eligible, reasonable, and supported, and were the costs in compliance with grant terms and conditions as well as applicable Federal statutes and regulations? We did not determine whether the grantee accomplished all the objectives of the grants.

Scope and Methodology

EPA paid the grantee $452,175 under the following assistance agreements:

Program	Grant No.	Financial Status Report Form 269A	Amount
Water Section 106	I008541970	February 6, 2001	$175,746
General Assistance Program	NI998457010	August 17, 2000	199,429
Pesticides	E00827198	November 30, 1998	38,500
Pesticides	E00827199	December 16, 1999	38,500
		Total	$452,175

We selected these four grants to obtain a cross-section of the grantee's environmental program and because the grantee had received final payment from EPA for each grant. Grant I008541970 involved water quality projects from April 1997 through March 2000. Grant NI998457010 involved activities from August 1996 through March 2000 for increasing tribal capacity and

management capabilities. Grants E00827198 and E00827199 were for developing and enhancing comprehensive toxic substance enforcement programs during fiscal years 1998 and 1999, respectively. EPA was responsible for 100 percent of eligible costs associated with the NI998457010 grant and 95 percent of eligible costs for the other three grants. For those three grants, the grantee funded the remaining five percent. The cost for the four projects totaled $468,287, which included EPA payments of $452,175.

For each grant, the grantee certified on Standard Form 270, *Request for Advance or Reimbursement*, that the costs complied with grant terms. Subsequently, the grantee certified on Standard Form 269A, *Financial Status Report*, that all outlays and unliquidated obligations were for the purposes set forth in the grant documents.

We visited the Rosebud Sioux Reservation during the week of April 30, 2001. We reviewed the four grants, detailed expense ledgers, and accompanying receipts and other supporting documentation.

Findings

We Questioned 86 Percent of Costs Claimed

We questioned 86 percent, or $401,527, of all costs claimed under the four grants we audited. EPA's share of questioned costs is $387,621. The questioned costs primarily consist of unsupported payroll costs (salaries and fringe benefits) and related indirect costs. Specifically:

- We questioned $320,185 in payroll costs[1] because the grantee's documentation of payroll disbursements did not meet Office of Management and Budget Circular A-87 requirements.

- Because the grantee used payroll costs as the basis for indirect costs and, as noted, the method of charging salaries did not meet Office of Management and Budget requirements, we questioned $64,603 in indirect costs[2].

- The remaining questioned costs of $16,739 involved travel, vehicle expense, supplies, equipment, contracts, utilities, and match.

[1] The $320,185 in questioned payroll costs represents the sum of all four grants' payroll costs: $112,909 from the Water Grant (Exhibit B); $146,436 from the General Assistance Program Grant (Exhibit C); $29,312 from the 1998 Pesticides Grant (Exhibit D); and $31,528 from the 1999 Pesticides Grant (Exhibit E).

[2] The $64,603 in questioned indirect costs represents the sum of all four grants' indirect costs: $22,774 from the Water Grant (Exhibit B); $29,539 from the General Assistance Program Grant (Exhibit C); $5,921 from the 1998 Pesticides Grant (Exhibit D); and $6,369 from the 1999 Pesticides Grant (Exhibit E).

Exhibit A shows overall costs claimed and questioned while Exhibits B through E provide detailed summaries for each of the four grants.

Internal Controls Did Not Support Good Grant Management

The General Accounting Office's November 1999 *Standards for Internal Control in the Federal Government* (Standards) establish standards that should be part of any organization's management. According to the Standards, sufficient internal control helps provide reasonable assurance that an organization's operations are effective and efficient, financial reporting is reliable, and applicable laws and regulations are followed. A strong internal control structure includes five components: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communications, and (5) monitoring.

Even though our audit did not include a comprehensive review of the grantee's internal controls for managing its Federal grants, we observed two material weaknesses during our audit that raised serious concerns about the ability of the Rosebud Sioux Tribe to adequately manage environmental grants. Tribal leadership, management, and staff did not emphasize the importance of good internal controls and did not adequately communicate program or financial information.

Control Environment: Rosebud Sioux Tribe's leadership did not emphasize and, as a result, management and staff did not establish a positive control environment, the foundation for all other internal control standards. The Standards state that a positive control environment includes competent staff with high integrity and ethical values, strong management oversight of staff, clearly defined staff authority and responsibility, and strong human capital policies and practices. Management provided neither the discipline and structure nor the climate to positively influence the quality of internal controls. For example, management did not require staff to charge time to individual projects, nor did management ensure environmental staff complied with grant provisions. In addition, management did not establish an effective organizational structure and management did not implement effective oversight practices.

Information and Communications: Rosebud Sioux Tribe management did not adequately communicate program or financial information with either EPA or Tribal management. The Standards require pertinent information to be, " identified, captured, and distributed to the right people in sufficient detail and at the appropriate time to enable them to carry out their duties and responsibilities efficiently and effectively." Timely information should be available and in a form that allows Rosebud management and staff as well as EPA staff to ensure programs operate effectively and efficiently. Timely Financial Status Reports help EPA and Tribal managers determine whether funds are sufficient to complete required tasks and program progress reports highlight accomplishments and areas that need extra attention. However, Rosebud Sioux Tribe staff submitted Financial Status Reports and quarterly status reports late or not at all and, in many cases, could not locate accounting records necessary to support claimed costs.

Recommendations

We recommend that the Acting Regional Administrator, Region 8:

1. Recover $387,621 in payments made to the grantee for which we questioned costs.

2. Designate the grantee as high risk until the grantee develops and implements written procedures and controls to ensure that its:

   (a) financial management system can adequately account for and support all claimed costs; and

   (b) payroll system meets Office of Management and Budget Circular A-87 requirements.

3. Suspend all current and new grants if, after 6 months, the grantee has not made substantial progress toward meeting the requirements of recommendation 2.

4. Discuss the importance of strong internal controls including meaningful, timely program performance reporting with Rosebud Sioux Tribe managers.

Agency Comments and OIG Evaluation

Region 8 officials generally agreed with the findings and recommendations. Regional staff provided comments to clarify portions of the report and we have incorporated these comments and modified the report as appropriate. We have included the Region's complete response in Appendix I.

We reviewed the documentation the grantee sent to the Region regarding questioned costs and agree with the Region that the materials the grantee provided support $12,413 of the costs questioned in our draft report. As a result we have changed recommendation 1 to read: “Recover $387,621 in payments made to the grantee for which we questioned costs.”

The Region agreed to designate the grantee as high risk and noted that the grantee has already made significant timekeeping changes to its payroll system that, if executed, will bring the grantee into compliance with Office of Management and Budget Circular A-87. However, in order to fully comply with EPA Order 2750, the Region must request from the grantee a corrective action plan describing how it will comply with recommendation 2. The grantee's corrective action plan should include milestone dates and specific actions it will take in order to correct the issues noted in recommendation 2.

The Region substantially agreed with recommendation 3. We agree that the Region should reevaluate the grantee's financial management system after 6 months to determine whether the grantee has made substantial progress correcting deficiencies. We also agree that if the grantee has fully complied the Region should remove the grantee's high risk designation. We believe however, that the Region should recognize that if the grantee has made little or no progress, the Region should withhold future grants until the grantee complies with Office of Management and Budget Circular A-87.

The Region did not agree that establishing a strategic or action plan to ensure future costs claimed are eligible, reasonable, and supported is practical. The Region pointed out that short of demanding full documentation for all future costs claimed, it could not ensure all costs were legitimately reimbursable. Because that recommendation applied to other Tribes in the Region as well, we removed that recommendation from this report and will include a similar recommendation in our report on Region 8 program performance issues.

The Region agreed that it would emphasize the importance of strong internal controls during its next visit to the Tribe.

Exhibit A

Summary of Balance Due EPA

Water Grant I008541970 (See Exhibit B) • $187,806 Claimed • $150,965 Questioned • $36,841 Total Allowable	EPA Payments as of 9/6/2000	$175,746
	EPA Share (95% of allowable)[1]	$34,999
	Balance Due EPA	**$140,747**
General Assistance Program Grant NI998457010 (See Exhibit C) • $199,429 Claimed • $176,783 Questioned • $22,646 Total Allowable	EPA Payments as of 4/25/2000	$199,429
	EPA Share (100% of allowable)	$22,646
	Balance Due EPA	**$176,783**
1998 Pesticides Grant E00827198 (See Exhibit D) • $40,526 Claimed • $36,018 Questioned • $4,508 Total Allowable	EPA Payments as of 6/28/1999	$38,500
	EPA Share (95% of allowable)	$4,282
	Balance Due EPA	**$34,218**
1999 Pesticides Grant E00827199 (See Exhibit E) • $40,526 Claimed • $37,761 Questioned • $2,765 Total Allowable	EPA Payments as of 3/27/2001	$38,500
	EPA Share (95% of allowable)	$2,627
	Balance Due EPA	**$35,873**

Total Costs Claimed:	$468,287
Total Costs Questioned:	$401,527
Total Allowable:	$ 66,760
Total EPA Payments Made:	$452,175
Total EPA Share Allowable:	$ 64,554
Balance Due EPA:	**$387,621**

Note

1. EPA share represents EPA's portion of allowable project cost.

Exhibit B

Summary of Audit Results for Water Grant I008541970

		Costs Questioned As:			
Categories	**Costs Claimed**	**Ineligible**	**Unreasonable**	**Unsupported**	**Total**
Payroll	$112,909			$112,909	$112,909 [1]
Travel	9,806			1,038	1,038 [2]
Vehicle Expense	4,594				
Supplies	9,561	$1,171			1,171 [3]
Contractual	11,615				
Equipment	1,624				
Utilities	2,862			1,011	1,011 [4]
Indirect Costs	22,774			22,774	22,774 [5]
Recipient Match	12,061			12,061	12,061 [6]
Total	$187,806	$1,171		$149,793	$150,965 [7]
Total Allowable (Claimed less Questioned)					$36,841

Summary of Balance Due EPA	
EPA Payments as of 9/6/2000	$175,746
EPA Share (95% of allowable)	34,999
Balance Due EPA	**$140,747**

Notes

1. We questioned $112,909 of salaries and related fringe benefit costs as unsupported because the grantee did not use an acceptable basis for charging salaries. The grantee neither maintained an after-the-fact accounting of time charges nor certified that any employees worked solely on the water grant. Office of Management and Budget Circular A-87 requires that when employees work on more than one activity or cost objective, their salary or wage distribution must be supported by documentation that reflects an after-the-fact distribution of the actual activity of each employee. Specifically, Office of Management and Budget Circular A-87 provides that, "Budget

estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards . . ." The Circular further requires that when employees expect to work solely on a single Federal award, "charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification . . ." Certifications must be prepared at least semi-annually and signed by the employee or a supervisor having first-hand knowledge of the work performed. Office of Management and Budget Circular A-87 provides that "substitute systems," such as quantifiable measures of employee effort, may be used instead of an after-the-fact distribution of an employee's actual activity.

2. We questioned $1,038 of travel costs as unsupported because of insufficient information provided to evaluate the eligibility of reimbursed costs.

3. We questioned $1,171 of supply costs as ineligible because the grantee incurred the costs before the beginning of the grant period. 40 CFR §30.28 provides that where a funding period is specified, a recipient may charge to the grant only allowable costs resulting from obligations incurred during the funding period and any pre-award costs specifically authorized by EPA.

4. We questioned $1,011 of utility costs as unsupported because of insufficient information provided to evaluate eligibility. Specifically, the grantee did not provide us a copy of either a vendor's invoice or evidence of disbursement made to a vendor.

5. We questioned $22,774 of indirect costs as unsupported because we questioned all of the payroll costs (salary and fringe benefits), as discussed in Note 1, and because the grantee used salaries as the basis for indirect costs. Even if the grantee supported all salaries and fringe benefits, we would still question the eligibility of $1,329 of indirect costs because the grantee did not apply the indirect cost rate in effect during the applicable time period. Had the grantee applied the correct rate, it would have claimed $1,329 less than it did under this grant.

6. We questioned $12,061 of recipient match costs as unsupported because the grantee provided inadequate documentation to support the match amount to enable the auditors to determine cost eligibility.

7. Does not add due to rounding.

Exhibit C

Summary of Audit Results for General Assistance Program Grant NI998457010

		Costs Questioned As:			
Categories	**Costs Claimed**	**Ineligible**	**Unreasonable**	**Unsupported**	**Total**
Payroll	$146,436	$7,607		$138,829	$146,436 [1]
Travel	11,299		$64	100	164 [2]
Vehicle Expense	603			289	289 [3]
Supplies	6,190	85			85 [4]
Contractual	1,993	270			270 [5]
Utilities	3,369				
Indirect Costs	29,539	3,015		26,524	29,539 [6]
Total	$199,429	$10,977	$64	$165,742	$176,783
Total Allowable (Claimed less Questioned)					$22,646

Summary of Balance Due EPA	
EPA Payments as of 04/25/2000	$199,429
EPA Share (100% of allowable)	22,646
Balance Due EPA	**$176,783**

Notes

1. We questioned $138,829 of salaries and related fringe benefit costs as unsupported because the grantee did not use an acceptable basis (as outlined in Office of Management and Budget Circular A-87) for charging salaries. See Exhibit B, Note 1. In addition, we questioned $7,607 in salary and related fringe costs as ineligible. The grantee's requisition/order form stated that the $7,607 was part of a charge to the grant, "To cover amount over expended as (the Lead) Grant ended 9/30/98 and the Water Res Secy did not submit a Personnel Action to end . . . salary and supplement resulting in an over expended of Sal/Frng & Indirect Cost = $9,144.20." The program monitor explained that this charge resulted from cuts in the lead program's funding and compensation owed the director of the lead program for work done after that grant

expired. Office of Management and Budget Circular A-87 requires that, "Any cost allocable to a particular Federal award or cost objective under the principles provided for in this Circular may not be charged to other Federal awards to overcome *fund deficiencies* (emphasis added), to avoid restrictions imposed by law or terms of the Federal awards, or for other reasons."

2. We questioned $164 of travel costs. Specifically, we questioned $100 as unsupported. We questioned $64 as unreasonable because the traveler stayed an extra 2 days at the destination with no justification.

3. We questioned $289 of vehicle costs as unsupported because the documentation did not relate vehicle usage to the purpose of the grant.

4. We questioned $85 of supply costs as ineligible because the purchases (a $25 charge for business cards and $60 for a beaded nameplate and matching pen) did not support the purpose of the grant.

5. We questioned $270 of contractual costs to pay for water samples due to the ineligibility of implementation activities under the General Assistance Program. Water sample costs should be paid from the grantee's water grant.

6. We questioned $26,524 of indirect costs as unsupported because we questioned $138,829 of salaries, as discussed in Note 1, and the grantee used salaries and fringe benefits as the basis for indirect costs. In addition, even if the grantee supported all salaries, we would still question the eligibility of $3,015. Specifically, we questioned $1,537 based on ineligible payroll and fringe benefit costs (see Note 1), and $1,478 because the grantee did not apply the correct indirect cost rate in effect during the grant period.

Exhibit D

Summary of Audit Results for Pesticides Grant E00827198

		Costs Questioned As:			
Categories	**Costs Claimed**	**Ineligible**	**Unreasonable**	**Unsupported**	**Total**
Payroll	$29,312			$29,312	$29,312 [1]
Travel	1,516				(3) [2]
Vehicle Expense	1,377				
Supplies	744				
Utilities	908			40	40 [3]
Indirect Costs	5,921			5,921	5,921 [4]
Unidentified	748			748	748 [5]
Total	$40,526			$36,018	$36,018
Total Allowable (Claimed less Questioned)					$4,508

Summary of Balance Due EPA	
EPA Payments as of 06/28/1999	$38,500
EPA Share (95% of allowable)	4,282
Balance Due EPA	**$34,218**

Notes

1. We questioned $29,312 of salaries and related fringe benefit costs as unsupported because the grantee did not use an acceptable basis (as outlined in Office of Management and Budget Circular A-87) for charging salaries. See Exhibit B, Note 1.

2. The grantee expended $3 more than it claimed for travel. As a result, we added $3 to its reimbursable amount.

3. We questioned $40 of utility costs as unsupported because the grantee provided insufficient documentation to evaluate the eligibility of costs.

4. Because we questioned all salary and fringe benefits, as discussed in Note 1, and the grantee used salaries and fringe benefits as the basis for indirect costs, we questioned $5,921 of indirect costs as unsupported.

5. This $748 represents the difference between total outlays reported on the final Financial Status Report and the grantee's accounting records. Therefore, since the grantee could not account for this amount, we questioned the $748 as unsupported.

Exhibit E

Summary of Audit Results for Pesticides Grant E00827199

		Costs Questioned As:			
Categories	**Costs Claimed**	**Ineligible**	**Unreasonable**	**Unsupported**	**Total**
Payroll	$31,528			$31,528	$31,528 [1]
Travel	546				
Vehicle Expense	1,286				
Supplies	784				
Equipment	99				
Utilities	51				
Indirect Costs	6,369			6,369	6,369 [2]
Unclaimed Cost	(136)			(136)	(136) [3]
Total	$40,526[4]			$37,761	$37,761
Total Allowable (Claimed less Questioned)					$2,765

Summary of Balance Due EPA	
EPA Payments as of 03/27/2001	$38,500
EPA Share (95% of allowable)	2,627
Balance Due EPA	**$35,873**

Notes

1. We questioned $31,528 of salaries and related fringe benefit costs as unsupported because the grantee did not use an acceptable basis (as outlined in Office of Management and Budget Circular A-87) for charging salaries. See Exhibit B, Note 1.

2. We questioned $6,369 of indirect costs as unsupported because we questioned all of the salary and fringe benefits, as discussed in Note 1, and the grantee used salaries as the basis for indirect costs.

3. This amount represents the difference between total outlays reported on the final Financial Status Report of $40,526 and the grantee's accounting records in the amount of $40,662. Since the grantee expended $136 more in allowable unclaimed costs than it reported on its Financial Status Report, this amount should be added to the grantee's reimbursable costs.

4. Total does not add due to rounding.

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Appendix I

Region 8 Response

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 8
999 18TH STREET - SUITE 300
DENVER, CO 80202-2466
Phone 800-227-8917
http://www.epa.gov/region08

DEC 27 2001

Ref: 8TMS-G

MEMORANDUM

SUBJECT: Audit of Rosebud Sioux Tribe
Audit No. 2001-08-000370

FROM: Jack McGraw
Acting Regional Administrator

TO: Jeff Hart
Branch Manager
Denver Office

This draft audit report of four Rosebud Sioux Tribe grants recommends disallowing a large amount of costs. The Tribe has provided materials to us that we have reviewed, and which appear to adequately document $11,359.91 of costs questioned in the draft report. We will provide these documents to you for your consideration. As a result, we believe recommendation #1 should read: Recover $388,245 of questioned costs.

The Region agrees with the recommendation to designate the Rosebud Sioux Tribe as a "high risk" grantee. We have previously used such a designation for a grantee that had serious problems complying with grant requirements. The Tribe will need to take strong action to address their financial management and payroll system deficiencies, including the development of procedures to track and support all costs claimed and ensure Rosebud's payroll system meets OMB requirements. Rosebud has already made significant timekeeping changes to its payroll system that, if carried out, will bring it into compliance with OMB Circular A-87 requirements.

While we substantially agree with recommendation #3, we would prefer to reevaluate Rosebud's financial management system after six months and, if they are making substantial progress to comply with recommendations #2(a) and #2(b), continue to work with them to ensure compliance. If they have fully complied, we would remove their "high risk" designation.

The Region does not agree with the need for Recommendation #4, "Require Region 8 staff, working with the grantee and EPA headquarters staff, to develop a strategic, action plan to

Appendix I

Region 8 Response (continued)

ensure future costs claimed are eligible, reasonable, and supported, and that the grantee complies with all grant requirements and applicable Federal statutes and regulations." The Tribe has serious financial and payroll system deficiencies that must be addressed, and my staff is committed to providing the Tribe with technical assistance. Once the Tribe's systems have been adequately upgraded, we will periodically ask for documentation that will allow us to assess how effectively the improvements have been made. We may also consider a site visit at some future date to review their records, and the Tribe will have to continue to perform annual single audits. Your recommendation #4 implies something substantially greater than this, as far as "to ensure future costs claimed are eligible, reasonable and supported ....." Short of demanding full documentation for all the Tribe's costs under EPA grants, we could not ensure such a result. Again, we agree with your other recommendations, that the Tribe be designated "high risk," that they upgrade their procedures and controls, and that they put in place financial management and payroll systems that meet Federal grant requirements. By agreeing to take the steps outlined in your recommendations we believe we have, in essence, agreed to an action plan to help Rosebud comply with EPA and other Federal financial management requirements. Recommendation #4 is unclear and unnecessary, in our viewpoint.

Finally, we agree with Recommendation #5 and will reiterate the importance of strong internal controls during our next site visit with Rosebud management and financial staff.

Thank you for the opportunity to review and comment on this draft audit report. We look forward to working with your office to resolve these important financial management issues.

Appendix II

Distribution

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