



***U.S. Department of the Interior  
Office of Inspector General***

# **AUDIT REPORT**



**Bureau of Indian Affairs**

**Radio Communications Program**

***Report No. C-IN-BIA-0017-2005***

***January 2007***



# United States Department of the Interior

## OFFICE OF INSPECTOR GENERAL

Central Region

134 Union Blvd., Suite 510

Lakewood, Colorado 80228

January 31, 2007

### Memorandum

To: Assistant Secretary for Indian Affairs

From: Jack Rouch   
Regional Audit Manager

Subject: Final Audit Report, Bureau of Indian Affairs, Radio Communications Program (Audit No. C-IN-BIA-0017-2005)

This report presents the results of our audit to determine whether the Bureau of Indian Affairs (BIA) appropriately placed Office of Law Enforcement Services radio equipment in service and established appropriate inventory controls over this radio equipment.

Based on the response to the draft report, we consider all the recommendations to be resolved. We will refer the recommendations to the Assistant Secretary for Policy, Management and Budget for tracking of implementation.

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

We appreciate the cooperation shown by BIA staff during our review. A response to this report is not required. However, if you have any questions regarding this report, please call me at (303) 236-9243.

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# EXECUTIVE SUMMARY

**BIA MISMANAGED ITS OLES RADIO COMMUNICATIONS PROGRAM — WASTING RESOURCES AND CREATING AN ENVIRONMENT CONDUCTIVE TO FRAUD.**

## WHY WE DID THIS AUDIT

During our audit of the Department of the Interior's radio communications program, we identified issues related to BIA's purchase and storage of OLES radio equipment that merited additional audit work.

Our audit objectives were to determine whether BIA 1) appropriately placed OLES radio equipment in service and 2) established appropriate inventory controls over OLES radio equipment.

We expanded work to address contracting issues that came to our attention, including inadequate contract recordkeeping and inappropriate modifications of a task order.

## WHAT WE FOUND

The Bureau of Indian Affairs (BIA) mismanaged the radio communications program supporting its Office of Law Enforcement Services (OLES). The results of this audit demonstrate that BIA:

- purchased and stored an estimated \$3.6 million in radio equipment it could not use,
- lacked inventory controls over approximately \$6.2 million in radio equipment purchased since FY2000,
- maintained inadequate contract documentation supporting \$20 million expended on its conversion to narrowband radio technology, and
- improperly awarded at least \$5.5 million in sole source tasks to a contractor by inappropriately modifying an existing task order.

BIA started purchasing the equipment in FY2000 as part of its conversion to narrowband radio technology mandated by the Office of Chief Information Officer (OCIO). Due to unsafe and deteriorating conditions in BIA's radio communications infrastructure, the equipment could not be used. BIA did not have a plan to place the equipment in service prior to purchase. In the absence of a plan, BIA wasted valuable resources purchasing unusable equipment, and will continue to incur storage and maintenance costs, as well as extensive costs to upgrade, refurbish, replace, or dispose of the aging equipment. BIA also did not establish adequate property records and inventory controls over the equipment, resulting in greater potential for losses due to fraud, theft or negligence.

BIA did not maintain adequate records on its procurements supporting the narrowband conversion. BIA was unable to locate and provide any documentation for two contracts. Available documentation for other procurements was incomplete. Because procurement records were in such a state of disarray, BIA was unable to adequately account for \$20 million expended on the narrowband radio conversion.

We also concluded that BIA violated Federal Acquisition Regulation (FAR) by inappropriately modifying an existing task order with Mindbank Consulting Group (Mindbank), increasing its value from \$1.5 million to \$7.1 million and extending the period of performance by over 2 years. Overall, the modifications more than quadrupled the funding for the task order and nearly tripled the period of performance.

Our report describes an environment that lacks control and accountability over valuable BIA resources. This environment exposes BIA to an unacceptable risk of fraud. Our report provides six recommendations to address our findings.

Based on BIA's response to the draft report, included as Appendix 4, we consider all the recommendations to be resolved. BIA acknowledged that prior to 2003 its Land Mobile Radio program was managed in a decentralized manner. BIA stated that it implemented a reorganization that consolidated program management in the BIA OCIO and it has placed a great deal of the equipment since 2003. BIA also stated that it has now completed an inventory of the equipment and is in the process of reconciling discrepancies between the inventory and accounting records. After reviewing BIA's response, our findings and recommendations are unchanged from our draft report.

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# TABLE OF CONTENTS

	PAGE
<b>INTRODUCTION.....</b>	<b>1</b>
BACKGROUND .....	1
<b>RESULTS OF AUDIT .....</b>	<b>3</b>
PURCHASE AND STORAGE OF UNUSABLE RADIO EQUIPMENT .....	3
INADEQUATE PROPERTY RECORDS AND INVENTORY CONTROLS OVER RADIO EQUIPMENT.....	5
POOR CONTRACTING RECORDS.....	8
IMPROPER TASK ORDER MODIFICATIONS .....	9
<b>RECOMMENDATIONS .....</b>	<b>11</b>
<b>APPENDICES</b>	
1. SCHEDULE OF MONETARY IMPACT.....	15
2. OBJECTIVES, SCOPE, AND METHODOLOGY.....	17
3. ACRONYMS AND ABBREVIATIONS .....	19
4. DOI’S RESPONSE TO DRAFT REPORT .....	21
5. STATUS OF AUDIT RECOMMENDATIONS.....	27

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## INTRODUCTION

This report presents the results of our audit of the Bureau of Indian Affairs' (BIA) radio communications program supporting its Office of Law Enforcement Services (OLES). The objectives of our audit were to determine whether BIA:

- appropriately placed OLES radio equipment in service, and
- established appropriate inventory controls over OLES radio equipment.

We expanded our scope of work to address contracting issues that came to our attention, including inadequate contract recordkeeping and inappropriate task order modifications.

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### BACKGROUND

During the course of our audit of the Department of the Interior's (DOI) Radio Communications Program (C-IN-MOA-0007-2005), we identified issues concerning BIA's purchase and storage of unused radio equipment that merited additional audit work specific to BIA. To address these issues, we initiated a separate audit.

In 1996, the Office of the Chief Information Officer (OCIO) directed bureaus to transition from analog wideband radio systems to digital narrowband operation by January 1, 2005. Our Department-wide radio communications program audit disclosed that unsafe and deteriorating infrastructure hampered BIA's implementation of this mandate.

Until 2003, BIA's radio communications were managed by two separate offices. OLES managed radios for all BIA law enforcement-related activities. The Office of Facilities Management and Construction (OFMC) managed radios for all other BIA activities. During our audit of the radio communications program, it came to our attention that OLES had purchased radio equipment from fiscal year 2000 to 2002 that had not been placed in service and remained in storage. In October 2003, the Office of Information Operations, Telecommunications Division (Telecommunications Division) assumed program management and operations of the OLES radio program.

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## RESULTS OF AUDIT

We concluded that BIA mismanaged the radio communications program supporting OLES. We found that BIA:

- purchased and stored an estimated \$3.6 million in radio equipment it could not use,
- lacked inventory controls over approximately \$6.2 million in radio equipment purchased since FY2000,
- maintained inadequate contract documentation supporting \$20 million expended on its conversion to narrowband radio technology, and
- improperly awarded at least \$5.5 million in sole source tasks to a contractor by inappropriately modifying an existing task order.

### **PURCHASE AND STORAGE OF UNUSABLE RADIO EQUIPMENT**

*BIA PURCHASED AN  
ESTIMATED \$3.6  
MILLION IN RADIO  
EQUIPMENT IT  
COULD NOT USE*

BIA started purchasing new radio equipment in FY2000 as part of its conversion to narrowband radio technology mandated by the OCIO. Due to unsafe and deteriorating conditions in BIA's radio communications infrastructure, the equipment could not be used. BIA did not have a plan to place the equipment in service prior to purchase. In the absence of a plan, BIA continued to purchase narrowband radio equipment it could not place in service for at least 2 years. We identified \$3.6 million in valuable resources that could have been better spent to improve its radio communications infrastructure. A BIA official stated that he pushed the purchase of equipment to ensure that funding did not expire. Additionally, BIA will continue to incur an estimated \$540,000 a year in storage and maintenance costs, as well as extensive costs to upgrade, refurbish, replace, or dispose of the aging equipment.

### **BIA STORED RADIO EQUIPMENT AT THREE LOCATIONS**

BIA stored unused radio equipment at the following three locations:

- **Denver Federal Center Warehouse:** This warehouse stored approximately 4,700 pieces of radio equipment valued at an estimated \$3.2 million. Equipment included portable and mobile radios, battery chargers, repeater stations, towers, cables, and hardware.



*Radio Equipment Stored in a Warehouse on the Denver Federal Center*

- **General Services Administration (GSA) Warehouse:** BIA stored approximately \$15,000 of radio accessories, computer software, and infrastructure equipment at a GSA warehouse in Albuquerque, New Mexico. Some of the equipment remained in its original packaging, unopened since its delivery in 2002.

*SOME OF THE  
EQUIPMENT AT THE  
GSA WAREHOUSE  
REMAINED IN ITS  
ORIGINAL  
PACKAGING,  
UNOPENED SINCE  
ITS DELIVERY IN  
2002.*



*Radio Equipment Stored in a GSA Warehouse in Albuquerque, New Mexico*

- **Albuquerque Vendor:** A vendor stored approximately \$383,000 of BIA's large radio infrastructure equipment. Items included radio towers communication buildings, and solar power units. More than half of the equipment was stored outside, in the vendor's lot underneath a freeway overpass.

*MORE THAN HALF OF THE EQUIPMENT AT ONE SITE WAS STORED OUTSIDE, IN THE VENDOR'S LOT UNDERNEATH A FREEWAY OVERPASS.*



*Radio Equipment Stored Under a Freeway in Albuquerque, New Mexico*

### **BIA INCURRING SIGNIFICANT COSTS RELATED TO THE UNUSED EQUIPMENT**

As a result of its poor planning, BIA continues to incur significant costs related to its unused equipment. We estimate that BIA has spent, and will continue to spend, approximately \$540,000 a year to store and maintain the equipment. Additionally, the radio equipment is now over 4 years old, increasing the risk that aging equipment will become obsolete before it can be placed into service. BIA will also incur extensive costs to upgrade, refurbish, replace or dispose of the equipment. The contractor responsible for maintaining equipment at the Denver Federal Center stated that without upgrades, the equipment will be of little to no use. The contractor did not provide an estimate of how much it would cost to upgrade, refurbish, replace, or dispose of that equipment. However, the Albuquerque vendor estimated that it would cost \$54,000 to refurbish the \$383,000 of equipment being stored underneath the freeway overpass.

### **INADEQUATE PROPERTY RECORDS AND INVENTORY CONTROLS OVER RADIO EQUIPMENT**

BIA did not establish adequate property records or inventory controls over approximately \$6.2 million in radio equipment purchased from FY2000 to FY2004. Specifically, BIA:

- did not record the receipt of radio equipment in a property management system,
- did not maintain all purchase and receipt documentation,
- did not maintain inventory listings or conduct physical inventory counts, and
- did not ensure adequate physical security over equipment stored in the Denver Federal Center warehouse.

As a result of poor property records and inventory controls, BIA:

- cannot determine the actual cost of the equipment in storage;
- cannot prevent or detect losses of equipment due to fraud, theft, or negligence; and
- risks wasting resources purchasing equipment that it already has in storage.

### **POOR INVENTORY RECORDKEEPING**

Of the \$6.2 million that BIA expended on radio equipment from FY2000 to FY2004, we found that an estimated \$3.6 million of that equipment remained in storage. BIA stated that additional equipment was purchased and placed in service; however, it could not provide documentation supporting this assertion.

BIA did not maintain adequate documentation of the purchase and receipt of radio equipment. For example, BIA was unable to provide an inventory or cost for the radio equipment stored at the Denver Federal Center because of the poor inventory records. Based on documentation available for 60 percent of the equipment, we estimated the total value of the equipment stored at the Center to be approximately \$3.2 million.

Department policy requires that accountable property records be established and maintained for all Government-owned property in the custody of a contractor, grantee, or other non-federal recipient. The majority of the unused radio equipment purchased by BIA was in the physical custody of non-federal entities. Therefore, BIA should have recorded the equipment in its property management system and maintained adequate inventory records.

*OVER A 4 YEAR PERIOD, BIA HAS MOVED ITS RADIO EQUIPMENT BETWEEN FOUR STORAGE FACILITIES, SUBSTANTIALLY INCREASING THE RISK OF LOSS.*

Inadequate inventory records and procedures could result in the loss of radio equipment due to theft or negligence. Over a 4 year period, BIA has moved its radio equipment between four storage facilities, substantially increasing the risk of loss. In 2002, all of the equipment was originally stored at the GSA warehouse in Albuquerque. In 2003, the majority of the equipment was moved to a contractor's warehouse in Colorado Springs, Colorado. That equipment was subsequently moved again to the Denver Federal Center in 2005. A portion of the equipment left at the GSA warehouse was transferred back to the original vendor for storage in 2005. During our review we found approximately \$15,000 of radio equipment at GSA's warehouse for which BIA had lost track. The responsible BIA official had no record of the equipment and was unaware that it was still being stored by GSA.

## **INADEQUATE PHYSICAL SECURITY AT THE DENVER FEDERAL CENTER WAREHOUSE**

BIA lacked adequate security over radio equipment stored at the Denver Federal Center. During our visit in June 2005, we found:

- loading dock and interior access doors propped open,
- equipment stored on open shelves accessible to anyone in the warehouse, and
- no contract employees who could see public access points from their work areas.

The equipment was especially at risk of theft because there was public access to this warehouse when the Department of Treasury held excess equipment auctions.

We notified the Department of physical security problems. When we revisited the warehouse in February 2006, BIA had installed a fence in the warehouse and it now appears there are adequate physical safeguards over the equipment.



*Fencing Installed to Secure Radio Equipment as a Result of Our Audit*

**POOR  
CONTRACTING  
RECORDS**

BIA did not maintain adequate records on its contracting activity supporting the narrowband conversion. Because procurement records were in such a state of disarray, BIA was unable to locate and provide adequate records associated with the \$20 million expended on the narrowband radio conversion through the end of FY2005.

*BIA COULD NOT LOCATE FILES FOR TWO TECHNICAL SERVICES CONTRACTS. FILES THAT IT WAS ABLE TO PROVIDE WERE OFTEN MISSING CRITICAL INFORMATION.*

We found that BIA was unable to locate and provide adequate documentation supporting its technical service contracts and task orders. Specifically, BIA was unable to locate and provide any contractual documentation related to either the FY1998 contract with Arrowhead Space and Technology or the FY2000 contract with TRW. When BIA was able to provide contract files related to technical services contracts/task orders, they were often missing critical information necessary to constitute a complete history of the transaction, such as:

- modifications,
- statements of work,
- inspection and acceptance criteria,
- deliverables by the contractor, and
- special contract requirements.

As previously discussed, BIA was also unable to provide adequate purchase and receipt documentation supporting equipment purchases. In addition to supporting good inventory controls, this documentation is considered contracting records required to be maintained under Federal Acquisition Regulation (FAR).

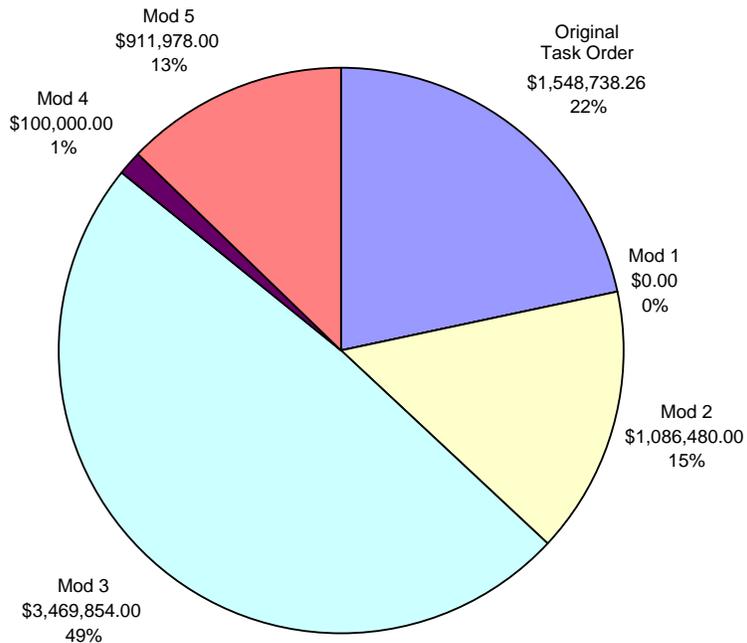
According to FAR, contracting offices are required to establish files containing the records of all contract actions. The documentation must be “sufficient to constitute a complete history of the transaction” including purchase request, acquisition planning information, the entire original signed contract, all contract modifications, and any additional documentation on actions taken by the contracting office.

Poor contract recordkeeping prevents BIA from holding contractors accountable to the terms of their contracts and also exposes BIA to a high risk of procurement fraud.

## Improper Task Order Modifications

We concluded that BIA violated FAR by inappropriately modifying an existing task order with Mindbank Consulting Group (Mindbank). BIA made five modifications to the task order as of July 2006, increasing its value from \$1.5 million to \$7.1 million and extending the period of performance by over 2 years. Overall, the modifications more than quadrupled the funding for the task order and nearly tripled the period of performance. We determined that at least three of the modifications, totaling approximately \$5.5 million, inappropriately altered the scope of the task order, added significant additional work and funding, and/or substantially extended the period of performance. These modifications resulted in improper sole source awards of additional work to Mindbank in violation of FAR. Figure 1 illustrates the increase in value resulting from the five modifications.

*MODIFICATIONS MORE THAN QUADRUPLED THE FUNDING FOR THE TASK ORDER*



*Figure 1 - Percentage of Costs Associated with the Task Order*

The original task order was awarded under the General Services Administration Multiple Award Schedule (GSA Schedule) contract. Modifications to task orders are generally made to either correct oversights or address changes in conditions from the original task order.

Modifications are appropriate to change administrative information and may be appropriate to add a limited amount of new work to an existing task order. However, if the proposed modification alters the scope of the task order, adds significant additional work or funding, substantially extends the period of performance, or incorporates other major changes, then a determination must be made by the contracting officer whether a proposed change can be processed as a modification or whether the issuance of a separate task order is required. Specifically, the contracting officer must justify in writing, with approval by the competition advocate or an official serving in a position higher than GS-15, that:

- only one source is capable of responding due to the unique or specialized nature of the work,
- the new work is a logical follow-on to the existing order (providing the original order was placed in accordance with FAR 8.405-1 or 8.405-2),
- the item is peculiar to one manufacturer, or
- an urgent and compelling need exists, and following the ordering procedures would result in an unacceptable delay.

*THESE  
MODIFICATIONS  
EFFECTIVELY  
RESULTED IN BIA  
AWARDING  
IMPROPER SOLE  
SOURCE TASK  
ORDERS UNDER THE  
GUISE OF TASK  
ORDER  
MODIFICATIONS.*

We reviewed four of the five modifications. We were unable to evaluate Modification 4 because BIA could not provide the modification for our review. We concluded that Modifications 2, 3, and 5 resulted in substantial changes to the scope of the task order, added significant additional work or funding, and substantially extended the period of performance. In all cases, we found that the contracting officer did not prepare the required justification to support the modifications. In our opinion, these modifications did not meet any of the allowable justification requirements and should have been awarded as separate task orders. These modifications effectively resulted in BIA awarding improper sole source task orders under the guise of task order modifications.

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## **RECOMMENDATIONS**

**We recommend that the Director, Bureau of Indian Affairs:**

- 1. Direct the Telecommunications Division to inventory all radio equipment, record the items in appropriate inventory records, and implement inventory controls over the equipment.**

**BIA's Response to the Recommendation:**

BIA concurred with this recommendation. BIA stated that it conducted an on-site physical inventory and reconciled this inventory against the accounting system's Fixed Asset module. Research is on-going to resolve discrepancies. The target completion date is March 30, 2007. BIA will remind staff of the requirement to follow existing inventory control policies and procedures.

**OIG's Analysis of BIA's Response:**

We consider the recommendation to be resolved, but not implemented.

- 2. Direct the Telecommunications Division to develop and implement a plan to place usable equipment in service and dispose of unusable equipment.**

**BIA's Response to the Recommendation:**

BIA concurred with this recommendation. BIA's Office of the Chief Information Officer, as part of its overall planning for the Radio Communication Program, is developing a plan to use the serviceable equipment stored at the Denver Service Center and the vendor site in Albuquerque, NM. The plan will address the disposal of equipment that no longer meets BIA's requirements.

**OIG's Analysis of BIA's Response:**

We consider the recommendation to be resolved, but not implemented.

- 3. Request an opinion from the Office of the Solicitor as to the legality of the modifications to the Mindbank task order and take appropriate actions recommended by the Office of the Solicitor.**

**DOI's Response to the Recommendation:**

BIA concurred with this recommendation. BIA requested that the Office of the Solicitor review both the base task order and modification for legality in light of our report findings. In addition, BIA requested that the Office of Solicitor provide

any additional comments and/or recommendations based on the OIG's report.

**OIG's Analysis of BIA's Response:**

We consider the recommendation to be resolved, but not implemented.

- 4. Direct the contracting office to implement controls to ensure that contracting officers modify contracts and task orders appropriately, especially when modifications require full and open competition under FAR.**

**DOI's Response to the Recommendation:**

BIA agreed with us regarding the importance of internal controls within the procurement process. However, it believes that sufficient controls are in place to ensure that contracting officers modify contracts and task orders in accordance with the FAR. In addition to the annual financial statement audit and annual A-123 reviews, which examine and test procurement internal controls, BIA conducts annual Quality in Contracting Reviews to verify compliance with internal controls. BIA will continue to conduct these reviews and make any necessary changes based on the Office of the Solicitor comments.

**OIG Analysis of DOI Response:**

BIA believes there are sufficient internal controls already in place. In our opinion, if there were sufficient internal controls already in place, we would not have identified the problem during our audit. However, the fact that BIA will make any necessary changes to the internal controls based on the Office of the Solicitor comments meets the intent of our recommendation. Therefore, we consider BIA's comments responsive and consider the recommendation resolved but not implemented.

- 5. Direct the contracting office to locate, organize and appropriately file all existing contracting records associated with the narrowband conversion and implement controls to ensure records are adequately maintained in the future.**

**DOI's Response to the Recommendation:**

BIA concurred with this recommendation. BIA requested from the records center all existing records related to the Mindbank, TRW and Arrowhead contracts and task orders. BIA will review the Federal Finance System to identify all financial transactions for the radio program and reconcile the property records. BIA contracting officers were reminded of the need to maintain adequate contracting files and ensure all regulations, policies and procedures were followed. This requirement will be emphasized during the Quality in Contracting reviews performed in FY 2007 to ensure that records are being adequately maintained.

**OIG's Analysis of BIA's Response:**

We consider the recommendation to be resolved, but not implemented.

**6. Take appropriate administrative actions to hold responsible officials accountable.**

**DOI's Response to the Recommendation:**

BIA agreed to analyze the program management process to determine where and why breakdowns occurred, identify the responsible personnel, and take action where appropriate. However, because these events took place several years ago the responsible personnel may no longer work for BIA. BIA will ensure the lessons are not lost with current personnel.

**OIG Analysis of DOI Response:**

We consider the recommendation to be resolved, but not implemented.

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## SCHEDULE OF MONETARY IMPACT

<u>Issue</u>	<u>Wasted Funds*</u>	<u>Funds To Be Put To Better Use**</u>
Estimated Costs of Unused Equipment in Storage	\$ 3,643,685	
Costs Already Incurred to Store and Manage Equipment	\$ 257,021	
Future Costs of Storage and Maintenance of Unused Equipment		\$ 540,000
<b>TOTAL</b>	<b><u>\$ 3,900,706</u></b>	<b><u>\$ 540,000</u></b>

\* Wasted Funds are those funds which cannot be recovered.

\*\* Funds To Be Put To Better Use are those funds which could be saved if the recommendations are implemented.

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## OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of our audit were to determine whether BIA adequately safeguarded and accounted for stored radio equipment. Specifically, we determined whether BIA:

- appropriately placed OLES radio equipment in service and
- established appropriate inventory controls over OLES radio equipment.

We expanded our scope of work to address contracting issues that came to our attention, including inadequate contract recordkeeping and inappropriate task order modifications.

To meet these objectives, we:

- interviewed appropriate BIA, OLES, and Telecommunications Division officials;
- requested copies of all contracts related to the OLES radio conversion;
- inspected all locations where OLES radio equipment was being stored;
- reviewed relevant contracts, task orders, or reports documenting the condition of the radio infrastructure;
- reviewed Departmental requirements for maintaining records on accountable property and determined whether BIA had complied with those requirements; and
- reviewed Federal Acquisition Regulation (FAR) requirements for methods of contracting and ordering and determined whether BIA had complied with those requirements.

Our estimates of continuing storage and maintenance costs were based on both costs incurred by BIA and costs provided by the contractor for specific periods of time in FY2005 and FY2006 for which we could locate documentation. We estimated an annual cost of approximately \$540,000 a year as follows:

- Denver Federal Center Warehouse: We estimated storage and maintenance cost for this facility as approximately \$528,000 a year. This estimate was based on BIA spending \$66,536 to lease warehouse space from June 2005 to January 2006 and costs of \$178,485 to manage the inventory from October 2005 to February 2006. Management charges included preventative maintenance, inventory software development, and labor.
- GSA Warehouse: GSA was not charging for storage.
- Albuquerque Vendor: Our estimate of continuing storage at the Albuquerque vendor was based on the previous year's cost of \$12,000.

Audit work was performed from August 2005 to November 2006. Preliminary fieldwork was conducted beginning in February 2005 as part of our radio communications audit. Our audit was performed in accordance with the *Government Auditing Standards*, issued by the Comptroller General of the United States.

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## ACRONYMS AND ABBREVIATIONS

BIA	Bureau of Indian Affairs
DOI	Department of the Interior
FAR	Federal Acquisition Regulation
FY	fiscal year
GAO	Government Accountability Office
GSA	General Services Administration
GSA Schedule	General Services Administration Multiple Award Schedule
OCIO	Office of the Chief Information Officer
OFMC	Office of Facilities Management and Construction
OIG	Office of Inspector General
OLES	Office of Law Enforcement Services

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## DOI'S RESPONSE TO DRAFT REPORT



THE ASSOCIATE DEPUTY SECRETARY OF THE INTERIOR  
WASHINGTON, D.C. 20240

JAN 12 2007

### Memorandum

To: Assistant Inspector General for Audits  
Office of Inspector General

From: Associate Deputy Secretary *James E. Casan*

Subject: Office of Inspector General Draft Audit Report on the Bureau of Indian Affairs, Radio Communications Program (Audit No. C-IN-BIA-0017-2005)

The Bureau of Indian Affairs appreciates the opportunity to comment on the Office of Inspector (OIG) draft audit report, *Bureau of Indian Affairs, Radio Communications Program*.

Indian Affairs offers the following comments on the draft audit report.

Prior to 2003, the Bureau of Indian Affairs (BIA) Land Mobile Radio (LMR) program was managed in a decentralized manner. Subsequently, Indian Affairs implemented a reorganization that consolidated program management in the Office of the Chief Information Officer (OCIO). The OCIO moved all LMR inventory to a centralized warehouse facility located at the Denver Federal Center in Denver, CO. Equipment that was too large to store in the Denver warehouse is located at a vendor's facilities in Albuquerque, NM. The equipment was inventoried by Indian Affairs property management staff in 2006.

Since 2003, a great deal of the equipment has been utilized. The OCIO has completely retrofitted nine sites in Arizona and New Mexico using towers, power sleds, Orbacom consoles and other equipment. Additionally, as part of a joint effort with the Department, the OCIO has finalized a commitment for transferring equipment to a joint dispatch center in Lake Mead, NV. This equipment will be used to support multiple law enforcement and fire operations within the Department of the Interior.

Indian Affairs offers the following specific comments on the recommendations:

Recommendation 1. Direct the Telecommunications Division to inventory all radio equipment, record the items in appropriate inventory records and implement inventory controls over the equipment.

Corrective Actions. Indian Affairs concurs with this recommendation.

Indian Affairs conducted an on-site physical inventory and reconciled this inventory against the accounting systems Fixed Asset module. Research is on-going to resolve discrepancies. Indian Affairs will remind staff of the requirement to follow existing inventory control policies and procedures.

Target Completion Date: March 30, 2007  
Responsible Official: Chief Financial Officer and Chief Information Officer

Recommendation 2. Direct the Telecommunications Division to develop and implement a plan to place usable equipment in service and dispose of unusable equipment.

Corrective Actions. Indian Affairs concurs with this recommendation.

The OCIO, as part of its overall planning for the Radio Communication Program, is developing a plan to use the serviceable equipment stored at the Denver Service Center and the vendor site in Albuquerque, NM. The plan will address the use/reuse of the Radio Towers and Orbacom switches and consoles. The plan will also include the upgrade and deployment of the power sleds. In addition, the plan will address the disposal of equipment that no longer meets Indian Affairs requirements.

Target Completion Date of Plan: March 30, 2007  
Target Completion Date of Implementation: September 30, 2007  
Responsible Official: Chief Information Officer

Recommendation 3. Request an opinion from the Office of the Solicitor as to the legality of the modifications to the Mindbank task order and take appropriate actions recommended by the Office of the Solicitor.

Corrective Actions. Indian Affairs concurs with this recommendation.

The Office of Solicitor, Division of General Law, was requested (see Attachment) to review both the base task order and modification for legality in light of the OIG's report, including, but not limited to, increases in quantity (additional locations), extension of the period of performance, and applicability of General Services Administration and other relevant clauses. In addition, the SOL was requested to provide any additional comments and/or recommendations based on the OIG's report.

Target Completion Date: February 28, 2007  
Responsible Official: Associate Solicitor and Chief Financial Officer

Recommendation 4. Direct the contracting office to implement controls to ensure that contracting officers modify contracts and task orders appropriately, especially when modifications require full and open competition under Federal Acquisition Regulations (FAR).

Corrective Actions. Indian Affairs concurs with the OIG regarding the importance of internal controls within the procurement process. Indian Affairs believes that sufficient controls are in place to ensure that contracting officers modify contracts and task orders in accordance with the FAR. In addition to Indian Affairs annual financial statement audit and annual A-123 reviews, which examine and test procurement internal controls, Indian Affairs conducts annual Quality in Contracting Reviews (QUiC) to verify compliance with internal controls. Indian Affairs will continue to conduct these reviews and make any necessary changes based on the Office of the Solicitor comments.

Target Completion Date: April 30, 2007  
Responsible Official: Chief Financial Officer

Recommendation 5. Direct the contracting office to locate, organize and appropriately file all existing contracting records associated with the narrowband conversion and implement controls to ensure records are adequately maintained in the future.

Corrective Actions. Indian Affairs concurs with this recommendation.

Indian Affairs has requested from the records center all existing contract records related to the Mindbanks, TRW and Arrowhead contracts and task orders, which were sent to the records center when the contract was closed. In addition, Indian Affairs will review the Federal Finance System to identify all financial transactions for the LMR program and reconcile to the property records. Indian Affairs contracting officers were reminded of the need to maintain adequate contracting files and ensure all regulations, policies and procedures are followed. This requirement will be emphasized during the QUiC reviews performed in FY 2007 to ensure that records are being adequately maintained.

Target Completion Date: March 30, 2007  
Responsible Official: Chief Financial Officer

Recommendation 6. Take appropriate administrative actions to hold responsible officials accountable.

Corrective Actions. Indian Affairs agrees in principle. However, the OIG report does not provide Indian Affairs with the specific information necessary to take appropriate administrative action. Indian Affairs will analyze the program management process to determine where and why breakdowns occurred. We will identify the responsible personnel and take action where appropriate. Because these events took place several years ago the responsible personnel may no longer work for Indian Affairs. Indian Affairs will ensure the lessons are not lost with current personnel.

Target Completion Date: June 29, 2007  
Responsible Official: Deputy Assistant Secretary-Management

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## United States Department of the Interior

OFFICE OF THE SECRETARY

Washington, D.C. 20240

DEC 07 2006

### Memorandum

To: Chief, Division of General Law  
Branch of Intellectual Property and Contract Law  
Office of the Solicitor

From: Chief Financial Officer - Indian Affairs *A Payne*

Subject: Office of Inspector General Draft Audit Report on Indian Affairs,  
Radio Communications Program (Audit No. C-IN-BIA-0017-2005)

Indian Affairs requests a Solicitor's review and a written response pertaining to Recommendation 3 of the Office of Inspector General Draft Audit Report on Indian Affairs, Radio Communications Program (Audit No. C-IN-BIA-0017-2005).

The Office of Solicitor, Division of General Law, is requested to review all documentation provided or to be provided to ascertain the legality of both the base task order and modifications in light of the OIG's report, including, but not limited to, increases in quantity (additional locations), extension of the period of performance, and applicability of GSA and other relevant clauses. In addition, the SOL is requested to provide any additional comments and/or recommendations based on the OIG's report.

As of this date, Indian Affairs is providing a copy of the Office of Inspector General Draft Audit Report Indian Affairs, Radio Communications Program (Audit No. C-IN-BIA-0017-2005) so that the Office of the Solicitor can begin its review. In the near future, the Office of the Solicitor will be provided the following documents to enable a more in-depth review:

1. OIG Draft Audit Report on the Bureau of Indian Affairs Radio Communications Program Report (Attached)
2. Base task order for Mindbank, which was based on GSA Multiple Award Schedule Contract GS-35F-5283H
3. Modifications 1 through 5 to the Mindbank task order
4. Mindbank GSA Multiple Award Schedule Contract GS-35F-5283H
5. Contracting Officer's Determination
6. Arrowhead Space and Technology (aka Arrowhead Global Solutions) GSA Multiple Award Schedule Contract GS-35F-5497H
7. Research on TRW (aka Northrop Grumman - TRW).
8. All of the consolidated Mindbank Original Contract files

Indian Affairs believes that the Mindbank contract/task order was utilized and entered into properly utilizing GSA Multiple Award Schedule Contract GS-35F-5283H. The base GSA contract contains all appropriate clauses required by the Federal Acquisition Regulations (FAR), including the Changes clause, as authorized by FAR Part 43.205. In general, modification of a contract or task order is allowable under the provisions of FAR Part 43, including FAR 43.103(a), addressing bilateral modifications. Unless it is out-of-scope, modification of a contract or task order does not require reopening competition. See FAR 5.202(a) (11).

Pursuant to the Office of the Inspector General Report Recommendation 3, this Memorandum serves as an Official request. The Office of Solicitor, Division of General Law, is requested to respond to this request for review and comment by February 16, 2007.

The Bureau of Indian Affairs Point of Contact for this request is Mr. B.J. Greene, Acting Director, Office of Acquisition and Property Management, telephone number 703-309-6491.

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## STATUS OF AUDIT RECOMMENDATIONS

<b>Recommendations</b>	<b>Status</b>	<b>Action Required</b>
1, 2, 3, 4, 5, 6	Resolved – Not Implemented	No further response to the Office of Inspector General is required. The recommendations will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation.

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