



Testimony

Before the Committee on Indian Affairs,
U.S. Senate

For Release on Delivery
Expected at 2:15 p.m. ET
Wednesday, May 13, 2015

INDIAN AFFAIRS

Further Actions on GAO Recommendations Needed to Address Systemic Management Challenges with Indian Education

Statement of Melissa Emrey-Arras, Director
Education, Workforce, and Income Security

GAO Highlights

Highlights of GAO-15-597T, a testimony before the Committee on Indian Affairs, U.S. Senate

Why GAO Did This Study

BIE is responsible for providing quality education opportunities to Indian students. It currently oversees 185 schools, serving about 41,000 students on or near Indian reservations. Poor student outcomes raise questions about how well BIE is achieving its mission. In September 2013, GAO reported that BIE student performance has been consistently below that of Indian students in public schools.

This testimony discusses Indian Affairs' management challenges in improving Indian education, including (1) its administration of schools, (2) staff capacity to address schools' needs, and (3) accountability for managing school construction and monitoring school spending.

This testimony is based on GAO reports issued in September 2013 and November 2014, as well as GAO's February 2015 testimony, which presents preliminary results from its ongoing review of BIE school facilities. A full report on school facilities will be issued later this year. GAO reviewed relevant federal laws and regulations; analyzed agency data; and conducted site visits to schools, which were selected based on their geographic diversity and other factors.

GAO has made several recommendations in its earlier reports; it is not making any new recommendations in this statement.

View GAO-15-597T. For more information, contact Melissa Emrey-Arras at (617) 788-0534 or emreyarrasm@gao.gov

May 13, 2015

INDIAN AFFAIRS

Further Actions on GAO Recommendations Needed to Address Systemic Management Challenges with Indian Education

What GAO Found

GAO has reported for several years on how systemic management challenges within the Department of the Interior's Office of the Assistant Secretary–Indian Affairs (Indian Affairs) continue to hamper efforts to improve Bureau of Indian Education (BIE) schools. Over the past 10 years, Indian Affairs has undergone several organizational realignments, resulting in multiple offices across different units being responsible for BIE schools' education and administrative functions. Indian Affairs' fragmented organization has been compounded by frequent turnover in its leadership over a 13-year period and its lack of a strategic plan for BIE. Further, fragmentation and poor communication among Indian Affairs offices has led to confusion among schools about whom to contact about problems, as well as delays in the delivery of key educational services and supplies, such as textbooks. Key practices for organizational change suggest that agencies develop a results-oriented framework, such as a strategic plan, to clearly establish and communicate performance goals and measure their progress toward them. In 2013, GAO recommended that Interior develop a strategic plan for BIE and a strategy for communicating with schools, among other recommendations. Indian Affairs agreed with and reported taking some steps to address the two recommendations. However, it has not fully implemented them.

Limited staff capacity poses another challenge to addressing BIE school needs. According to key principles for effective workforce planning, the appropriate deployment of employees enables organizations to have the right people, with the right skills, in the right places. However, Indian Affairs data indicate that about 40 percent of its regional facility positions, such as architects and engineers, are vacant. Similarly, in 2014 GAO reported that BIE had many vacancies in positions to oversee school spending. Further, remaining staff had limited financial expertise and training. Without adequate staff and training, Indian Affairs will continue to struggle in monitoring and supporting schools. GAO recommended that Interior revise its workforce plan so that employees are placed in the appropriate offices and have the requisite knowledge and skills to better support schools. Although Indian Affairs agreed with this recommendation, it has not yet implemented it.

Inconsistent accountability hampers management of BIE school construction and monitoring of school spending. Specifically, GAO has found that Indian Affairs did not consistently oversee some construction projects. For example, at one school GAO visited, Indian Affairs spent \$3.5 million to replace multiple roofs in 2010. The new roofs have leaked since their installation, causing mold and ceiling damage, and Indian Affairs has not yet adequately addressed the problems, resulting in continued leaks and damage to the structure. Inconsistent accountability also impairs BIE's monitoring of school spending. In 2014 GAO found that BIE does not adequately monitor school expenditures using written procedures or a risk-based monitoring approach, contrary to federal internal control standards. As a result, BIE failed to provide effective oversight of schools when they misspent millions of dollars in federal funds. GAO recommended that the agency develop written procedures and a risk-based approach to improve its monitoring. Indian Affairs agreed but has yet to implement these recommendations.

Chairman Barrasso, Vice Chairman Tester, and Members of the Committee:

I appreciate the opportunity to testify today to discuss systemic management challenges facing the Department of the Interior's (Interior) Bureau of Indian Education (BIE) schools. For the past several years, we have reported on a broad range of issues related to BIE's education programs and operations. Currently, BIE oversees 185 elementary and secondary schools that serve approximately 41,000 students on or near Indian reservations in 23 states, often in rural areas and small towns.¹ About two-thirds of these schools are operated by tribes (tribally-operated), primarily through federal grants, and about one-third are operated directly by BIE (BIE-operated). BIE's mission is to provide Indian students with quality education opportunities. Poor student outcomes, however, raise questions about how well BIE is achieving its mission. For example, in September 2013, we reported that student performance at BIE schools had been consistently below Indian students in public schools.² High school graduation rates for BIE schools were also lower than the national average. In addition, recent reports have raised concerns about the physical condition of school facilities and the effect these conditions may have on the educational outcomes of Indian students who attend them.³

My remarks today will focus on management challenges to improving Indian education, which is overseen by Interior's Office of the Assistant Secretary–Indian Affairs (Indian Affairs). Specifically, I will discuss Indian Affairs' (1) administration of schools, (2) staff capacity to address schools' needs, and (3) accountability for managing school construction and

¹For our analysis of BIE schools, we counted each school individually, including those schools that were co-located in the same building. Thus, the total number of BIE schools we present may appear differently in Interior documents.

²GAO, *Indian Affairs: Better Management and Accountability Needed to Improve Indian Education*, [GAO-13-774](#) (Washington, D.C.: Sept. 24, 2013).

³U.S. Department of the Interior, Office of Inspector General, *Inspector General's Statement Summarizing the Major Management and Performance Challenges Facing the U.S. Department of the Interior*, ER-SP-MOI-0008-2014 (Washington, D.C.: Oct. 20, 2014); Congressional Research Service, *Federal Indian Elementary-Secondary Education Programs: Background and Issues*, RL34205 (Washington, D.C.: Feb. 11, 2013); and No Child Left Behind School Facilities and Construction Negotiated Rulemaking Committee, *Broken Promises, Broken Schools* (Washington, D.C. Dec. 2011).

monitoring school spending. My statement is based on our prior reports on BIE's management of schools and its oversight of school spending, which were issued in September 2013 and November 2014,⁴ and on my February 2015 testimony on our ongoing work on the condition of BIE school facilities for the House Appropriations Subcommittee on Interior, Environment, and Related Agencies.⁵

To perform this work, we used multiple data collection methodologies. Specifically, we reviewed relevant federal laws and regulations; analyzed agency data and conducted site visits to schools, which were selected to reflect a mix of tribally-operated and BIE-operated schools, geographic diversity, and other factors. We also reviewed Indian Affairs' budget documents and the Department of Education's (Education) student performance data, and conducted interviews with agency officials. We determined that these data were sufficiently reliable for the purposes of our work. Further details on the scope and methodology are available within each of the previously published products. We expect to issue a final report later this year that will provide our complete results on the condition of BIE school facilities, as well as Indian Affairs' accountability for school construction and repair.

We conducted the work on which this statement is based 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.

Background

BIE's Indian education programs derive from the federal government's trust responsibility to Indian tribes, a responsibility established in federal

⁴[GAO-13-774](#), and GAO, *Indian Affairs: Bureau of Indian Education Needs to Improve Oversight of School Spending*, [GAO-15-121](#) (Washington, D.C.: Nov. 13, 2014).

⁵GAO, *Indian Affairs: Preliminary Results Show Continued Challenges to the Oversight and Support of Education Facilities*, [GAO-15-389T](#) (Washington, D.C.: Feb. 27, 2015).

statutes, treaties, court decisions, and executive actions.⁶ It is the policy of the United States to fulfill this trust responsibility for educating Indian children by working with tribes to ensure that education programs are of the highest quality, among other things.⁷ In accordance with this trust responsibility, Interior is responsible for providing a safe and healthy environment for students to learn. BIE's mission is to provide Indian students with quality education opportunities. Students attending BIE schools generally must be members of federally recognized Indian tribes, or descendants of members of such tribes, and reside on or near federal Indian reservations.⁸

All BIE schools—both tribally-operated and BIE-operated—receive almost all of their funding to operate from federal sources, namely, Interior and Education.⁹ Specifically, these elementary and secondary schools received approximately \$830 million in fiscal year 2014—including about 75 percent, or about \$622 million, from Interior and about 24 percent, or approximately \$197 million, from Education. BIE schools also received small amounts of funding from other federal agencies (about 1 percent), mainly the Department of Agriculture, which provides reduced-price or free school meals for eligible low-income children. (See fig. 1).

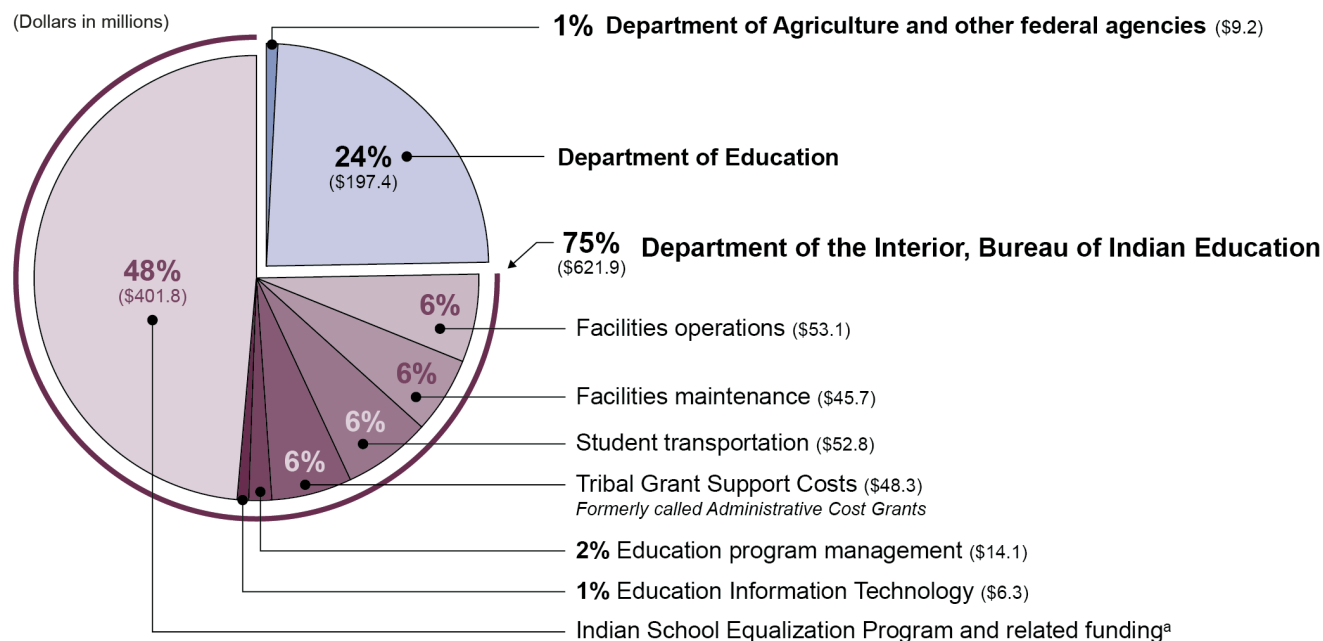
⁶The federal government recognizes Indian tribes as distinct, independent political communities that possess certain powers of self-government. Federal recognition confers specific legal status on a particular Native American group, establishes a government-to-government relationship between the United States and the tribe, imposes on the federal government a fiduciary trust relationship with the tribe and its members, and imposes specific obligations on the federal government to provide benefits and services to the tribe and its members.

⁷25 U.S.C. § 2000.

⁸Certain students who are not Indian may attend BIE schools, for example, children of school staff may generally attend BIE schools.

⁹According to BIE officials, very little funding for BIE schools comes from tribes and other sources.

Figure 1: Federal Funds to Operate Programs at Bureau of Indian Education (BIE) Schools for Grades K-12, Fiscal Year 2014



Source: GAO analysis of Interior budget documents and Education data in GAO-15-121. | GAO-15-597T

Note: The funding amount for the Department of Agriculture and other federal agencies is an estimate based on the amount from the prior year. Funding for capital, debt service, and related programs are not shown because they are not considered as funding for ongoing operations.

^aInterior's Indian School Equalization Program provides funding for basic and supplementary instruction and staffing to oversee student dormitories, among other services.

While BIE schools are primarily funded through Interior, they receive annual formula grants from Education, similar to public schools. Specifically, schools receive Education funds under Title I, Part A of the Elementary and Secondary Education Act (ESEA) of 1965, as amended, and the Individuals with Disabilities Education Act. Title I—the largest funding source for kindergarten through grade 12 under ESEA—provides funding to expand and improve educational programs in schools with students from low-income families and may be used for supplemental services to improve student achievement, such as instruction in reading and mathematics. An Education study published in 2012 found that all BIE schools were eligible for Title I funding on a school-wide basis because they all had at least 40 percent of children from low-income

households in school year 2009-10.¹⁰ Further, BIE schools receive Individuals with Disabilities Education Act funding for special education and related services, such as physical therapy or speech therapy. BIE schools tend to have a higher percent of students with special needs than students in public schools nationally.¹¹

BIE schools' educational functions are primarily the responsibility of BIE, while their administrative functions are divided mainly between two other Interior offices.

- **The Bureau of Indian Education** develops educational policies and procedures, supervises program activities, and approves schools' expenditures. Three Associate Deputy Directors are responsible for overseeing multiple BIE local education offices that work directly with schools to provide technical assistance. Some BIE local offices also have their own facility managers that serve schools overseen by the office.
- **The Office of the Deputy Assistant Secretary of Management** oversees many of BIE's administrative functions, including acquisitions and contract services, financial management, budget formulation, and property management. This office is also responsible for developing policies and procedures and providing technical assistance and funding to Bureau of Indian Affairs (BIA) regions and BIE schools to address their facility needs. Professional staff in this division—including engineers, architects, facility managers, and support personnel—are tasked with providing expertise in all facets of the facility management process.
- **The Bureau of Indian Affairs** administers a broad array of social services and other supports to tribes at the regional level. Regarding school facility management, BIA oversees the day-to-day implementation and administration of school facility construction and repair projects through its regional field offices. Currently there are 12 regional offices, and 9 of them have facility management

¹⁰U.S. Department of Education, National Center on Education Statistics, *Documentation to the NCES Common Core of Data Public Elementary/ Secondary School Universe Survey: School Year 2009–10*. (Washington, D.C.: August 2012).

¹¹For example, in school year 2009-10, about 18 percent of students in BIE schools were in special education, as compared to 13 percent in public schools. [GAO-15-121](#).

responsibilities.¹² These responsibilities include performing school health and safety inspections to ensure compliance with relevant requirements and providing technical assistance to BIE schools on facility issues.

In September 2013, we reported that BIE student performance on national and state assessments¹³ and graduation rates were below those of Indian students in public schools.¹⁴ For example, in 2011, 4th grade estimated average reading scores were 22 points lower for BIE students than for Indian students in public schools. That same year, in 4th grade mathematics, BIE students scored 14 points lower, on average, than Indian students in public schools. (See fig. 2.) We also reported that 8th grade students in 2011 had consistently lower scores on average than Indian students in public schools.

¹²The remaining three regions do not have facility management responsibilities. Two regions receive facility support from another region or a tribally-operated nonprofit, and one region does not have BIE facilities.

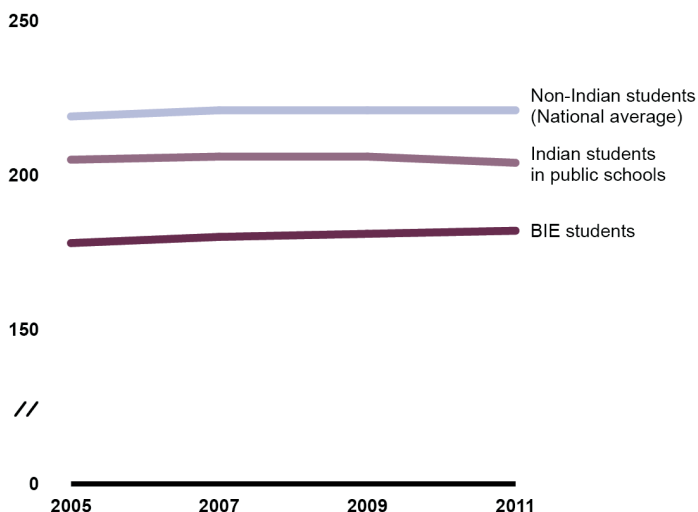
¹³To determine how student performance at BIE schools compares to that of public school students, we reviewed data on student performance for 4th and 8th grades at BIE and public schools for 2005 to 2011 using data from the National Assessment of Educational Progress, a project of Education. Since 1969, these assessments have been conducted periodically in various subjects, including reading and mathematics. Further, these assessments are administered uniformly across the nation, and the results serve as a common metric for all states and selected urban districts.

¹⁴Additionally, Indian students attending BIE and public schools have consistently scored lower on average than the national average for non-Indian students. Some of the difference in performance levels between Indian students and non-Indian students may be explained by factors like poverty and parents' educational backgrounds.

Figure 2: Fourth Grade Estimated Average Scores on the National Assessment of Educational Progress (NAEP) for Students in BIE Schools Compared to Indian Students in Public Schools and Non-Indian National Average, 2005 to 2011

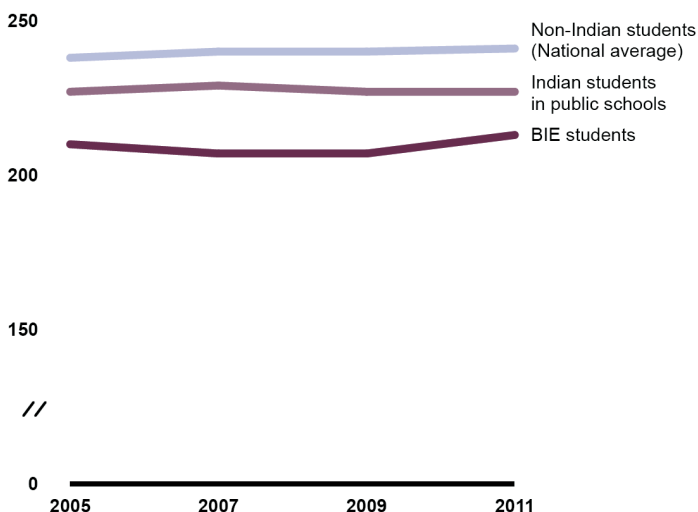
Reading

Average score (out of 500 maximum)



Math

Average score (out of 500 maximum)



Source: National Assessment of Educational Progress. | GAO-15-597T

Notes: The category “Non-Indian students (National average)” includes students in public, private, and Department of Defense schools. All score estimates from NAEP assessments have margins of error at the 95 percent confidence level of plus or minus 9 points or less.

Furthermore, students in BIE schools had relatively low rates of graduation from high school compared to Indian students in public schools in the 2011-12 school year. Specifically, the graduation rate for BIE students for that year was 53 percent, compared to 67 percent of American Indian students¹⁵ in public schools according to a 2014 Education report.¹⁶

As we have previously reported, BIE schools tend to be located in more isolated areas and have more extensive infrastructure responsibilities than most public schools—including operating their own water and sewer systems, electric utilities, and other important services that are generally provided to public schools by municipalities—and maintaining them can

¹⁵ This group includes Alaska Native students.

¹⁶ U.S. Department of Education, National Center for Education Statistics, Common Core of Data (CCD), *NCES Common Core of Data State Dropout and Graduation Rate Data file, School Year 2011–12*, Preliminary Version 1a, (Washington, D.C.: April 2014).

be a considerable drain on schools' resources.¹⁷ We have also reported that some schools faced challenges with aging facilities and related systems.¹⁸ For example, at one school built in 1959 that we visited, school officials told us two of their boilers were old, unreliable, and costly to maintain. They also told us that sometimes it was necessary to close the school when the boilers fail to provide enough heat. School and regional BIA officials considered the boilers to be safe, but a BIE school safety specialist reported that the conditions of the school's boilers were a major health and safety concern. (See fig. 3.)

Figure 3: Aging Boiler Systems at a Bureau of Indian Affairs-Operated School Built in 1959



Source: GAO. | GAO-15-597T

¹⁷[GAO-15-121](#), and GAO, *BIA and DOD Schools: Student Achievement and Other Characteristics Often Differ from Public Schools*, [GAO-01-934](#) (Washington, D.C.: Sept. 28, 2001).

¹⁸[GAO-15-389T](#).

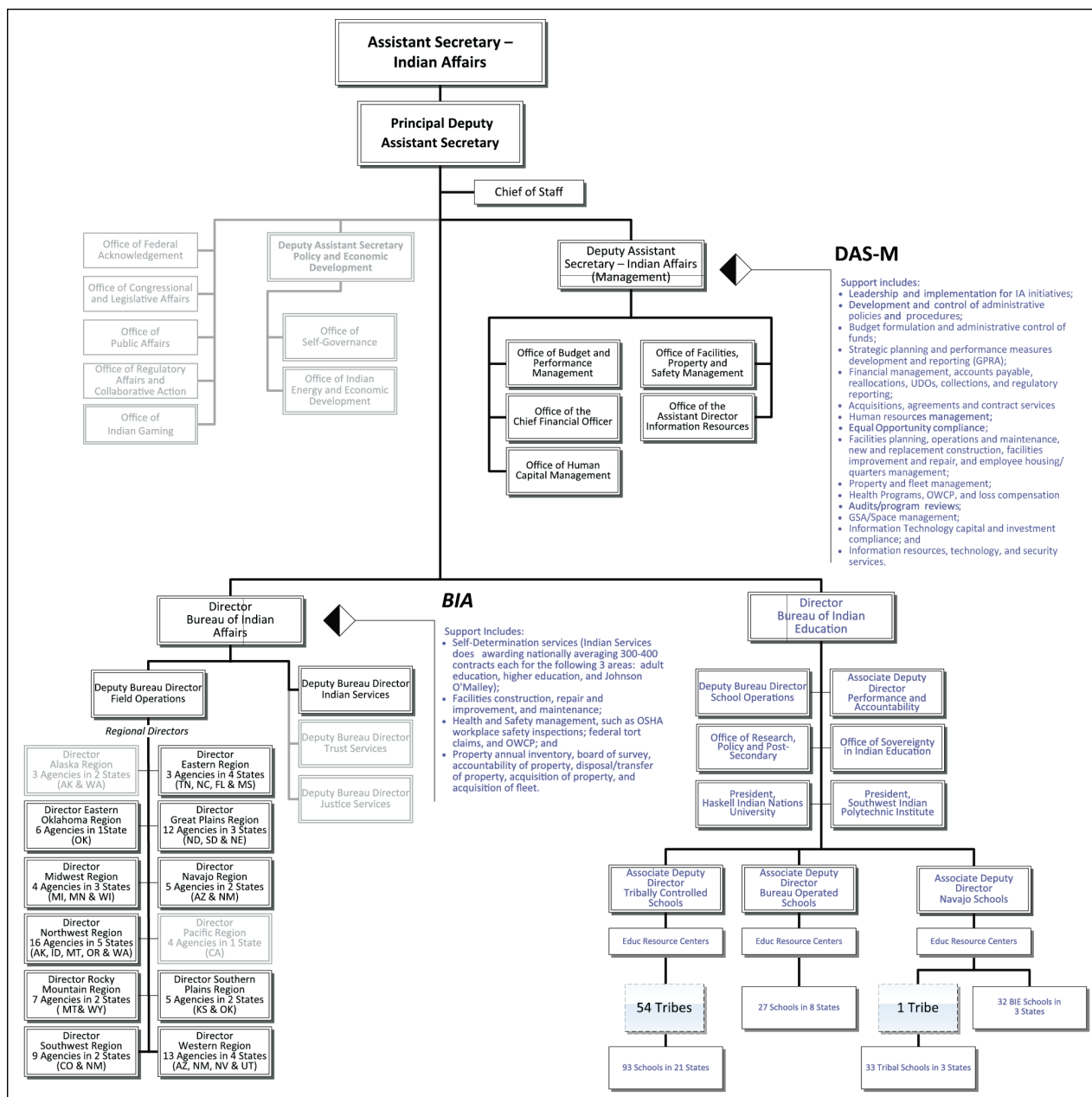
Organizational Fragmentation and Poor Communication Undermine Indian Affairs' Administration of BIE Schools

Indian Affairs' administration of BIE schools—which has undergone multiple realignments over the past 10 years—is fragmented.¹⁹ In addition to BIE, multiple offices within BIA and the Office of the Deputy Assistant Secretary of Management have responsibilities for educational and administrative functions for BIE schools. Notably, when the Assistant Secretary for Indian Affairs was asked at a February 2015 hearing to clarify the responsibilities that various offices have over BIE schools, he responded that the current structure is “a big part of the problem” and that the agency is currently in the process of realigning the responsibilities various entities have with regard to Indian education, adding that it is a challenging and evolving process.²⁰ Indian Affairs provided us with a chart on offices with a role in supporting and overseeing just BIE school facilities that shows numerous offices across three organizational divisions. (See fig. 4.)

¹⁹GAO-13-774.

²⁰Bureau of Indian Affairs and Bureau of Indian Education Budget Requests for FY 2016: Hearing Before the Subcommittee on Interior, Environment, and Related Agencies of the H. Comm. on Appropriations, February 27, 2015.

Figure 4: Indian Affairs Chart on Offices with a Role in Supporting and Overseeing BIE School Facilities



Source: Department of the Interior. | GAO-15-597T

Notes: DAS-M stands for the Office of the Deputy Assistant Secretary of Management.

Shaded boxes indicate offices without a role in supporting or overseeing BIE school facilities.

The administration of BIE schools has undergone several reorganizations over the years to address persistent concerns with operational effectiveness and efficiency. In our 2013 report, we noted that for a brief period from 2002 to 2003, BIE was responsible for its own administrative functions, according to BIE officials.²¹ However, in 2004 its administrative functions were centralized under the Office of the Deputy Assistant Secretary for Management. More recently, in 2013 Indian Affairs implemented a plan to decentralize some administrative responsibilities for schools, delegating certain functions to BIA regions. Further, in June 2014, the Secretary of the Interior issued an order to restructure BIE by the start of school year 2014-15 to centralize the administration of schools, decentralize services to schools, and increase the capacity of tribes to directly operate them, among other goals. Currently, Indian Affairs' restructuring of BIE is ongoing.

In our 2013 report, we found that the challenges associated with the fragmented administration of BIE schools were compounded by repeated turnover in leadership over the years, including frequent changes in the tenure of acting and permanent assistant secretaries of Indian Affairs from 2000 through 2013. We also noted that frequent leadership changes may complicate efforts to improve student achievement and negatively affect an agency's ability to sustain focus on key initiatives.

Indian Affairs' administration of BIE schools has also been undermined by the lack of a strategic plan for guiding its restructuring of BIE's administrative functions and carrying out BIE's mission to improve education for Indian students. We previously found that key practices for organizational change suggest that effective implementation of a results-oriented framework, such as a strategic plan, requires agencies to clearly establish and communicate performance goals, measure progress toward those goals, determine strategies and resources to effectively accomplish the goals, and use performance information to make the decisions necessary to improve performance.²² We noted in our 2013 report that BIE officials said that developing a strategic plan would help its leadership and staff pursue goals and collaborate effectively to achieve them. Indian Affairs agreed with our recommendation to develop such a plan and

²¹[GAO-13-774](#).

²²GAO, *Results-Oriented Cultures: Implementation Steps to Assist Merger and Organizational Transformations*, [GAO-03-669](#) (Washington, D.C.: July 2, 2003).

recently reported it had taken steps to do so. However, the plan has yet to be finalized.

Fragmented administration of schools may also contribute to delays in providing materials and services to schools. For example, our previous work found that the Office of the Deputy Assistant Secretary for Management's lack of knowledge about the schools' needs and expertise in relevant education laws and regulations resulted in critical delays in procuring and delivering school materials and supplies, such as textbooks. In another instance, we found that the Office of the Deputy Assistant Secretary for Management's processes led to an experienced speech therapist's contract being terminated at a BIE school in favor of a less expensive contract with another therapist. However, because the new therapist was located in a different state and could not travel to the school, the school was unable to fully implement students' individualized education programs in the timeframe required by the Individuals with Disabilities Education Act. In addition, although BIE accounted for approximately 34 percent of Indian Affairs' budget, several BIE officials reported that improving student performance was often overshadowed by other agency priorities. This hindered Indian Affairs' staff from seeking and acquiring expertise in education issues.

In our 2013 report, we also found that poor communication among Indian Affairs offices and with schools about educational services and facilities undermines administration of BIE schools. According to school officials we interviewed, communication between Indian Affairs' leadership and BIE is weak, resulting in confusion about policies and procedures. We have reported that working relations between BIE and the Office of the Deputy Assistant Secretary for Management's leadership are informal and sporadic, and BIE officials noted having difficulty obtaining timely updates from the Office of the Deputy Assistant Secretary for Management on its responses to requests for services from schools. In addition, there is a lack of communication between Indian Affairs' leadership and schools. BIE and school officials in all four states we visited reported that they were unable to obtain definitive answers to policy or administrative questions from BIE's leadership in Washington, D.C. and Albuquerque, NM.²³ For example, school officials in one state we visited reported that they requested information from BIE's

²³Indian Affairs, including BIE, has a major field service center in Albuquerque, NM.

Albuquerque office in the 2012-13 school year about the amount of Individuals with Disabilities Education Act funds they were to receive. The Albuquerque office subsequently provided them three different dollar amounts. The school officials were eventually able to obtain the correct amount of funding from their local BIE office. Similarly, BIE and school officials in three states reported that they often do not receive responses from BIE's Washington, D.C. and Albuquerque offices to questions they pose via e-mail or phone. Further, one BIE official stated that meetings with BIE leadership are venues for conveying information from management to the field, rather than opportunities for a two-way dialogue.

We testified recently that poor communication has also led to confusion among some BIE schools about the roles and responsibilities of the various Indian Affairs' offices responsible for facility issues.²⁴ For example, the offices involved in facility matters continue to change, due partly to two re-organizations of BIE, BIA, and the Office of the Deputy Assistant Secretary for Management over the past 2 years. BIE and tribal officials at some schools we visited said they were unclear about what office they should contact about facility problems or to elevate problems that are not addressed. At one school we visited, a BIE school facility manager submitted a request in February 2014 to replace a water heater so that students and staff would have hot water in the elementary school. However, the school did not designate this repair as an emergency. Therefore, BIA facility officials told us that they were not aware of this request until we brought it to their attention during our site visit in December 2014. Even after we did so, it took BIE and BIA officials over a month to approve the purchase of a new water heater, which cost about \$7,500. As a result, students and staff at the elementary school went without hot water for about a year.

We have observed difficulties in providing support for the most basic communications, such as the availability of up-to-date contact information for BIE and its schools. For example, BIE schools and BIA regions use an outdated national directory with contact information for BIE and school officials, which was last published in 2011.²⁵ This may impair

²⁴[GAO-15-389T](#).

²⁵Indian Affairs recently reported that it drafted an updated BIE national directory. However, as of May 8, 2015, two hyperlinks to the directory on BIE's website either did not work or pointed to a version of the directory updated in 2011.

communications, especially given significant turnover of BIE and school staff. It may also hamper the ability of schools and BIA officials to share timely information with one another about funding and repair priorities. In one BIA region we visited, officials have experienced difficulty reaching certain schools by email and sometimes rely on sending messages by fax to obtain schools' priorities for repairs. This situation is inconsistent with federal internal control standards that call for effective internal communication throughout an agency.²⁶ In 2013, we recommended that Interior develop a communication strategy for BIE to update its schools and key stakeholders of critical developments. We also recommended that Interior include a communication strategy—as part of an overall strategic plan for BIE—to improve communication within Indian Affairs and between Indian Affairs and BIE staff. Indian Affairs agreed to these two recommendations and recently reported taking some steps to address them. However, it did not provide us with documentation that shows it has fully implemented the recommendations.

Staff Capacity to Support Schools Is Limited

Limited staff capacity poses another challenge to addressing BIE school needs. According to key principles of strategic workforce planning, the appropriate geographic and organizational deployment of employees can further support organizational goals and strategies and enable an organization to have the right people with the right skills in the right place.²⁷ In 2013 we reported that staffing levels at BIA regional offices were not adjusted to meet the needs of BIE schools in regions with varying numbers of schools, ranging from 2 to 65. Therefore, we noted that it is important to ensure that each BIA regional office has an appropriate number of staff who are familiar with education laws and regulations and school-related needs to support the BIE schools in its region.²⁸ Consequently, in 2013 we recommended that Indian Affairs

²⁶GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999).

²⁷GAO, *A Model of Strategic Human Capital Management*, [GAO-02-373SP](#) (Washington, D.C.: Mar. 15, 2002). This report describes a human capital model we developed that identifies eight critical success factors for managing human capital strategically. In developing this model, we built upon GAO's *Human Capital: A Self-Assessment Checklist for Agency Leaders*, [GAO/OCG-00-14G](#) (Washington, D.C.: September 2000). Among other steps, we also considered lessons learned from GAO reports on public and private organizations that are viewed as leaders in strategic human capital management and managing for results.

²⁸[GAO-13-774](#).

revise its strategic workforce plan to ensure that its employees providing administrative support to BIE have the requisite knowledge and skills to help BIE achieve its mission and are placed in the appropriate offices to ensure that regions with a large number of schools have sufficient support. Indian Affairs agreed to implement the recommendation but has not yet done so.

BIA regional offices also have limited staff capacity for addressing BIE school facility needs due to steady declines in staffing levels for over a decade, gaps in technical expertise, and limited institutional knowledge. For example, our preliminary analysis of Indian Affairs data shows that about 40 percent of BIA regional facility positions are currently vacant, including regional facility managers, architects, and engineers who typically serve as project managers for school construction and provide technical expertise. Our work and other studies have cited the lack of capacity of Indian Affairs' facility staff as a longstanding agency challenge.²⁹ Further, officials at several schools we visited said they face similar staff capacity challenges. For example, at one elementary school we visited, the number of maintenance employees has decreased over the past decade from six employees to one full-time employee and a part-time assistant, according to school officials. As a result of the staffing declines, school officials said that facility maintenance staff may sometimes defer needed maintenance.³⁰

Within BIE, we also found limited staff capacity in another area of school operations—oversight of school expenditures.³¹ As we reported in November 2014, the number of key local BIE officials monitoring these expenditures had decreased from 22 in 2011 to 13, due partly to budget cuts. These officials had many additional responsibilities for BIE schools similar to school district superintendents of public schools, such as providing academic guidance. As a result, the remaining 13 officials had an increased workload, making it challenging for them to effectively oversee schools. For example, we found that one BIE official in North

²⁹GAO, *Bureau of Indian Affairs Schools: New Facilities Management Information System Promising, but Improved Data Accuracy Needed*, [GAO-03-692](#) (Washington, D.C.: July 31, 2003) and National Academy of Public Administration, *A Study of Management and Administration: The Bureau of Indian Affairs* (Washington, D.C.: Aug. 1999).

³⁰[GAO-15-389T](#).

³¹[GAO-15-121](#).

Dakota was also serving in an acting capacity for an office in Tennessee and was responsible for overseeing and providing technical assistance to schools in five other states—Florida, Louisiana, Maine, Mississippi, and North Carolina.

Further, we reported that the challenges BIE officials confront in overseeing school expenditures are exacerbated by a lack of financial expertise and training. For example, although key local BIE officials are responsible for making important decisions about annual audit findings, such as whether school funds are being spent appropriately, they are not auditors or accountants. Additionally, as we reported in November 2014, some of these BIE officials had not received recent training on financial oversight. Without adequate staff and training, we reported that BIE will continue struggling to adequately monitor school expenses. Consequently, we recommended in 2014 that Indian Affairs develop a comprehensive workforce plan to ensure that BIE has an adequate number of staff with the requisite knowledge and skills to effectively oversee BIE school expenditures. Indian Affairs agreed with our recommendation but has not yet taken any action.

Inconsistent Accountability Hampers Management of School Construction and Monitoring of School Spending

Our work has shown that another management challenge, inconsistent accountability, hinders Indian Affairs in the areas of (1) managing school construction and (2) monitoring overall school expenditures. Specifically, this challenge hinders its ability to ensure that Indian students receive a quality education in a safe environment that is conducive to learning.

Inconsistent Accountability for School Construction

In our February 2015 testimony on BIE school facilities, we reported that Indian Affairs had not provided consistent accountability on some recent school construction projects.³² According to agency and school officials

³²Once funding for school construction and repair is approved, Indian Affairs offers three main project management options. Tribes and/or schools may choose to (1) have Indian Affairs manage the project, (2) manage the project based on a contract received from Indian Affairs, or (3) in the case of tribally-operated schools, manage the project based on a grant received from Indian Affairs.

we interviewed, some recent construction projects, including new roofs and buildings, went relatively well, while others faced numerous problems. The problems we found with construction projects at some schools suggest that Indian Affairs is not fully or consistently using management practices to ensure contractors perform as intended. For example, officials at three schools said they encountered leaks with roofs installed within the past 11 years. At one BIE-operated school we visited, Indian Affairs managed a project in which a contractor completed a \$3.5 million project to replace roofs in 2010, but the roofs have leaked since their installation, according to agency documents. These leaks have led to mold in some classrooms and numerous ceiling tiles having to be removed throughout the school. (See fig. 5.) In 2011 this issue was elevated to a senior official within Indian Affairs, who was responsible for facilities and construction. He stated that the situation was unacceptable and called for more forceful action by the agency. Despite numerous subsequent repairs of these roofs, school officials and regional Indian Affairs officials told us in late 2014 that the leaks and damage to the structure continue. They also said that they were not sure what further steps, if any, Indian Affairs would take to resolve the leaks or hold the contractors or suppliers accountable, such as filing legal claims against the contractor or supplier if appropriate.

Figure 5: Damaged or Removed Classroom Ceiling Tiles Due to Leaks in Recently-Installed Roofs



Source: GAO. | GAO-15-597T

In South Dakota, a school we visited recently encountered problems constructing a \$1.5 million building for bus maintenance and storage

using federal funds. According to Indian Affairs and school officials, although the project was nearly finished at the time of our visit in December 2014, Indian Affairs, the school, and the contractor still had not resolved various issues, including drainage and heating problems. Further, part of the new building for bus maintenance has one hydraulic lift, but the size of the building does not allow a large school bus to fit on the lift when the exterior door is closed because the building is not long enough. Thus, staff using the lift would need to maintain or repair a large bus with the door open, which is not practical in the cold South Dakota winters. (See fig. 6.)

Figure 6: Exterior and Interior of Recently-Constructed Bus Maintenance Building Where Door Does Not Close When a Large School Bus Is on Hydraulic Lift



Source: GAO. | GAO-15-597T

According to Indian Affairs officials, part of the difficulty with this federally-funded project resulted from the school's use of a contractor responsible for both the design and construction of the project, which limited Indian Affairs' ability to oversee it. Indian Affairs officials said that this arrangement, known as "design-build," may sometimes have advantages, such as faster project completion times, but may also give greater discretion to the contractor responsible for both the design and construction of the building.³³ For example, Indian Affairs initially raised

³³The design-build project delivery method combines design and construction in a single contract.

questions about the size of the building to store and maintain buses. However, agency officials noted that the contractor was not required to incorporate Indian Affairs' comments on the building's design or obtain its approval for the project's design, partly because Indian Affairs' policy does not appear to address approval of the design in a "design-build" project. Further, neither the school nor Indian Affairs used particular financial incentives to ensure satisfactory performance by the contractor. Specifically, the school already paid the firm nearly the full amount of the project before final completion, according to school officials, leaving it little financial leverage over the contractor. We will continue to monitor such issues as we complete our ongoing work on BIE school facilities and consider any recommendations that may be needed to address these issues.

Uneven Accountability for School Spending

In our 2014 report on BIE school spending, we found that BIE's oversight did not ensure that school funds were spent appropriately on educational services, although external auditors had determined that there were serious financial management issues at some schools.³⁴ Specifically, auditors identified \$13.8 million in unallowable spending by 24 BIE schools as of July 2014. Additionally, in one case, an annual audit found that a school lost about \$1.2 million in federal funds that were illegally transferred to an offshore bank account.³⁵ The same school had accumulated at least another \$6 million in federal funds in a U.S. bank account. As of June 2014, BIE had not determined how the school accrued that much in unspent federal funds.

Further, instead of using a risk-based approach to its monitoring efforts, BIE indicated that it relies primarily on ad hoc suggestions by staff regarding which schools to target for greater oversight. For example, BIE failed to increase its oversight of expenditures at one school where auditors found that the school's financial statements had to be adjusted by about \$1.9 million. The same auditors also found unreliable accounting of federal funds during a 3-year period we reviewed. We recommended

³⁴[GAO-15-121](#).

³⁵Interior stated in October 2014 that the incident was "a result of cybercrimes committed by computer hackers and/or other causes" and was under investigation. Nevertheless, the school's annual audit stated that the school's inadequate cash management and risk assessment procedures contributed to the incident and stated that the school must strengthen these procedures.

that Indian Affairs develop a risk-based approach to oversee school expenditures to focus BIE's monitoring activities on schools that auditors have found to be at the greatest risk of misusing federal funds. While Indian Affairs agreed, it has not yet implemented this recommendation.

In addition, we found that BIE did not use written procedures to monitor schools' use of Indian School Equalization Program funds, which accounted for almost half of their total operating funding in fiscal year 2014.³⁶ In 2014 we recommended that Indian Affairs develop written procedures, including for Interior's Indian School Equalization Program, to consistently document their monitoring activities and actions they have taken to resolve financial weaknesses identified at schools. While Indian Affairs generally agreed, it has not yet taken this action. Without a risk-based approach and written procedures to overseeing school spending—both integral to federal internal control standards—there is little assurance that federal funds are being used for their intended purpose to provide BIE students with needed instructional and other educational services.³⁷

In conclusion, Indian Affairs has been hampered by systemic management challenges related to BIE's programs and operations that undermine its mission to provide Indian students with quality education opportunities and safe environments that are conducive to learning. In light of these management challenges, we have recommended several improvements to Indian Affairs on its management of BIE schools. While Indian Affairs has generally agreed with these recommendations and reported taking some steps to address them, it has not yet fully implemented them. Unless steps are promptly taken to address these challenges to Indian education, it will be difficult for Indian Affairs to ensure the long-term success of a generation of students. We will continue to monitor these issues as we complete our ongoing work and consider any additional recommendations that may be needed to address these issues.

³⁶Interior's Indian School Equalization Program provides funding for basic and supplemental instruction, among other things.

³⁷[GAO/AIMD-00-21.3.1](#).

Chairman Barrasso, Vice Chairman Tester, and Members of the Committee, this concludes my prepared statement. I will be pleased to answer any questions that you may have.

GAO Contact and Staff Acknowledgments

For future contact regarding this testimony, please contact Melissa Emrey-Arras at (617) 788-0534 or emreyarrasm@gao.gov. Key contributors to this testimony were Elizabeth Sirois (Assistant Director), Edward Bodine, Matthew Saradjian, and Ashanta Williams. Also, providing legal or technical assistance were James Bennett, David Chrisinger, Jean McSween, Jon Melhus, Sheila McCoy, and James Rebbe.

This is a work of the U.S. government and is not subject to copyright protection in the United States. The published product may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.

GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's website (<http://www.gao.gov>). Each weekday afternoon, GAO posts on its website newly released reports, testimony, and correspondence. To have GAO e-mail you a list of newly posted products, go to <http://www.gao.gov> and select "E-mail Updates."

Order by Phone

The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's website, <http://www.gao.gov/ordering.htm>.

Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537.

Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.

Connect with GAO

Connect with GAO on [Facebook](#), [Flickr](#), [Twitter](#), and [YouTube](#). Subscribe to our [RSS Feeds](#) or [E-mail Updates](#). Listen to our [Podcasts](#). Visit GAO on the web at www.gao.gov.

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Website: <http://www.gao.gov/fraudnet/fraudnet.htm>

E-mail: fraudnet@gao.gov

Automated answering system: (800) 424-5454 or (202) 512-7470

Congressional Relations

Katherine Siggerud, Managing Director, siggerudk@gao.gov, (202) 512-4400, U.S. Government Accountability Office, 441 G Street NW, Room 7125, Washington, DC 20548

Public Affairs

Chuck Young, Managing Director, youngc1@gao.gov, (202) 512-4800, U.S. Government Accountability Office, 441 G Street NW, Room 7149, Washington, DC 20548



Please Print on Recycled Paper.