

# Feds tighten grip on tribe's money amid investigations



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A crescent moon rises between lodges during the Kul Wicasa Pow Wow in Lower Brule, S.D.(Photo: Argus Leader file photo)Buy Photo

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The Bureau of Indian Affairs will slow the amount of money that it sends to the Lower Brule Sioux Tribe amid allegations that millions of dollars in federal aid went missing over the past several years.

The allegations first brought to light by a Human Rights Watch report have spurred multiple federal investigations over what happened to more than \$20 million that went to the tribe when it was controlled by longtime Chairman Michael Jandreau, who died in April. Both the Interior Department's Office of Inspector General and the Internal Revenue Service are investigating the tribe.

Indian tribes that contract with the federal government to run various social services and other programs typically receive their funding in a lump sum on Oct. 1, the beginning of the federal government's fiscal year. But Lower Brule will only receive money on a monthly basis.

In a letter explaining the decision, the BIA noted that the tribe had not filed a required audit report of federally funded programs following the last fiscal year.

"Moreover," the letter said, "the bureau reserves the right to impose additional sanctions, including withholding funds, if audits are not submitted in a timely matter."

A spokeswoman for the BIA did not return a message on Wednesday.

Jandreau and his supporters were fighting to maintain power when the Human Rights Watch report was released in January. Three Jandreau opponents who had called for more transparency in tribal government and other reforms had been elected to the six-member tribal council last year, and the tribal council had ceased meeting.

Jandreau repeatedly denied the wrongdoing alleged in the Human Rights Watch report. After he died, the reformers, led by Vice Chairman Kevin Wright, attempted to govern the tribe. But pro-Jandreau members have retained control, to the extent that Wright and the other two reformers on the council, who comprise a majority, have no oversight over tribal finances, Wright said Wednesday. Meanwhile, the BIA has repeatedly refused to resolve the impasse.

Wright also questioned why the BIA was sending any money at all because the tribal council hadn't approved any of the contracts funded by the federal government.

"We didn't authorize anything," he said.

Still, he added, it's wise for the BIA to send money in monthly installments rather than a lump sum until the federal investigations resolve whether there was wrongdoing.

The OIG investigation centers on what happened to a \$22.5 million BIA loan guarantee secured by a tribal economic development corporation overseen by Jandreau. The tribal corporation sold the loan guarantee to the Great American Insurance Group for \$20 million. The tribe used that money to buy a failing Wall Street brokerage firm called Westrock Group, which eventually went bankrupt. Millions of dollars from the loan guarantee paid off preferred stockholders of Westrock, which included tribal council members.

The IRS, meanwhile, is investigating a host of tribal functions, including payroll records, bank records and other financial functions. A key to the investigation, according to an IRS letter made public by Wright, was what happened to an \$18 million settlement the tribe received from the Interior Department. Less than \$3 million went to tribal members, but there is not proper accounting for where the rest of the money went, according to the letter.

Arvind Ganesan, the business and human rights division director for Human Rights Watch, praised the IRS, BIA and OIG for addressing issues at Lower Brule. Ganesan directed the Human Rights Watch investigation.

“But there are still millions of dollars that haven’t been accounted for and a minority of pro-Jandreau councilmembers are still trying to run government in secret,” he added by email. “Hopefully the federal investigations will get to the bottom of this and there will be more pressure for reforms.”