

## Chairman's Letter to the People - June 2017

Greetings, members of the Kul Wicasa Oyate, I pray that this letter finds you all in good health and spirits.

To begin, I would like to give an update on the following audit reports:

*IRS- Internal Revenue Service- After three years of providing thousands of requested documents and answering numerous questions, on May 15, 2017 I received a letter from Linda Gordon ITG Specialist with the IRS that stated "We are pleased to tell you that after further review of your tax returns for the above periods" (September 2012 through September 2014) "We have accepted them as filed."*

*BOR- Bureau of Reclamation (Rural Water)- The following is a Final Report Summary via Department of Interior Office of Inspector General, Re: BOR "On May 15, 2017 the BOR issued their final report regarding the DOI-OIG Report No. 2015-ER-0069, Audit of Cooperative Agreement No. R95AV60020 between the BOR and the LBST that satisfied \$1,386,558 out of \$1,440,748 in questioned costs leaving a balance of \$54,190 in disallowed costs, which less than 1% of the \$6,403,851 in total funding received. The disallowed costs were due to a \$48,648 duplicate payment, a \$32 service charge, a \$3,492 payment for promotional materials, and a \$2,017.60 charge for a staff meeting/Christmas party between October 2012 and March 2015. All Funds were accounted for. It was determined there were no missing taxpayer funds."*

*BIA- Bureau of Indian Affairs (contract funding) -The following is a Final Report Summary via Department of Interior Office of Inspector General, Re: BIA "On June 1, 2017 the BIA issued their final report regarding the DOI Office of Inspector General Report No. 2015-ER-0069-A, Audit of Contract Nos. A13AV00621 and A12AV00769/A15AV00265 between the BIA and the LBST that satisfied \$362,331.81 out of \$385,127 in questioned costs leaving a balance of \$22,794.19 in disallowed costs, which is less than 1% of the \$2,974,507 in total funding received. The disallowed costs were due to missing invoices for materials and labor expenses between October 2012 and March 2015 for maintenance on BIA buildings. All funds were accounted for."*

*The DOJ -Department of Justice (court systems) The following is a statement via Department of Justice Office of Inspector General: "As of May 10, 2017, the LBST has remedied six of the DOJ-OIG audit findings, but is still working with several of the Program Specialists to remedy the one remaining open audit recommendations."*

*West Rock- The following article can be found on the Office of Inspector General, U.S. Department of the Interior website at: <https://www.doi.oig.gov/reports/summary-guaranteed-loan-lower-brule-ignored-risk-factors>*

### **Summary: Guaranteed Loan to Lower Brule Ignored Risk Factors**

#### **Create Date:**

Thursday, April 27, 2017

#### **Report Date:**

Tuesday, March 28, 2017

We investigated a complaint from members of the Lower Brule Sioux Tribe (Tribe), who questioned a loan guarantee issued by the Office of Indian Energy and Economic Development (IEED), a component of Indian Affairs at the Department of the Interior. The Tribe received a 90-percent guarantee from IEED's Division of Capital Investment (DCI) on a loan of more than \$22 million to purchase a New York City-based financial services company.

We found that DCI ignored multiple negative indicators that suggested the loan might be too risky for DCI to approve. First, the tribal subsidiary involved in the transaction was a new lender without extensive experience. Second, the borrower included intangible assets as part of its portfolio, which are considered less reliable than tangible assets. Finally, the company's business plan relied on an expectation of a favorable tax ruling from the Internal Revenue Service, which it did not receive.

The Tribe ultimately sold the guaranteed loan on the secondary market, using most of the funds to reduce shareholder debt. Soon after the sale, the Tribe defaulted on the loan. The purchaser of the loan filed a claim for loss to DCI, which is currently in litigation.

We found no criminal violation, but we did find that DCI exposed itself to significant financial risk because it failed to adhere to its own guidelines and heed negative indicators. While we did not find the Tribe suffered a significant financial loss from the transaction, the absence of transparency exacerbated long-standing distrust between tribal members and the tribal council.

I would like to also include that there are only 5 outstanding bills from 2015 left to be paid and we are chipping away at the 2016 bills that were neglected by the past administration. I would like to commend our newly elected officials who are taking the reputation of the Tribe serious and have taken on past debts and made them a priority.

After the completion of these audits we have gained a valuable perspective of our strengths and weaknesses within our finance department. We have begun the process needed to repair any shortfalls discovered within the audit processes. We are committed to a transparent and accountable financial process, helping to ensure satisfactory audit reports now and into the future.

To summarize, the Council has been in the process of paying old bills, completing the audits and trying to operate the Tribe to a point of normalcy with the limited funds available. With the assessments and improvements we've begun making, I believe we can now begin to concentrate on more important issues. Although things such as job creation, community development and other various and seasonal program opportunities for our members have been interrupted while repairing damages to our Tribe & reputation, we are eager to express that progress is being made in these areas.

On a positive note I would like to thank our facilities management and school system for hiring some of our youth to improve the appearance of our community and schools. I also would like to thank the workers for the pride they take in beautifying our community throughout the summer.


I would like to report that the transit program will be up and running soon under the name of the Red Tail Express. It is a much needed service to our members.

The tribe has put a significant effort in the enrollment of our Lower Brule members. Chris Skunk (the temporary Enrollment Clerk Intern) and the enrollment committee have taken our initiative to make the enrollment process a priority, so the membership will be better served.

I want to also thank the Lower Brule Farm Corporation for purchasing and donating the fireworks for the 2017 fireworks display for the community. The Farm has done a lot of positive things for the Tribe and I will elaborate on them more in the future.

In closing, I would like to wish you all a fun and safe 4<sup>th</sup> of July holiday.

Sincerely,



Boyd Gourneau, Chairman  
Lower Brule Sioux Tribe