

Audit of Lower Brule Tribe raises red flags

JONATHAN ELLIS' BLOG ([//WWW.ARGUSLEADER.COM/BLOG/JONATHANELLIS/](http://WWW.ARGUSLEADER.COM/BLOG/JONATHANELLIS/))

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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)

The Lower Brule Sioux Tribe failed to comply with the requirements of several federal grants, leading to nearly \$1 million in unallowable costs, according to a federal audit released Wednesday.

The seven grants audited by the Department of Justice Office of Inspector General totaled nearly \$2.7 million and were awarded to the tribe between 2009 and 2012. The grants were awarded by the Department of Justice to help support programs that included assistance to child abuse victims, gang reduction activities, a web-based case management system and a program to reduce youth delinquency.

But the tribe failed to comply with federal grant requirements in several areas, according to the audit.

"Specifically, we found that LBST expended funds without prior approval, paid for unbudgeted positions with federal funds, exceeded the allowable indirect cost rates, exceeded allowable thresholds for budget transfers without the required approval, and used federal funds to pay for unallowable and unsupported transactions," according to a press release announcing the findings.

The audit called on the Department of Justice to "remedy" the unallowable costs, which included hundreds of thousands of dollars in premature spending and unbudgeted personnel salaries. In its response to the audit, the Department of Justice agreed to work with the tribe to account for the money, which could require the tribe to provide paperwork to support the spending or even to require the tribe pay back missing money.

In its response to the audit, the tribe concurred with almost all of the audit's findings. The tribe indicated that a new project director took over administration of the grants without prior experience.

"The LBST readily admits it was unable to provide the project director with assistance requested due to a rapid drain of institutional grant management knowledge with the retirement of key finance staff with over 74 years of combined grant management experience for LBST," the tribe's response said.

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Wednesday's audit might not be the last bit of bad news for the tribe. In June, federal investigators from several agencies descended on Lower Brule to investigate grant spending, payroll records, taxes and other records after an extensive report from Human Rights Watch accused the former tribal leadership of misappropriating millions in federal tax dollars.

The tribe, in its response, said it had been "hampered significantly" by the demands for thousands of pages of documents from federal agencies.

"This included audits by the Internal Revenue Service, the Department of Interior-Office of Inspector General, Bureau of Indian Affairs, not to mention our own annual single audit," the tribe replied. "The expansive demands of these audits have been so great, in fact, that some remain to be completed as of the date of this response."

The Human Rights Watch report alleged that millions of dollars meant for social service programs, water and other services was redirected or misappropriated. The report detailed the tribe's use of a \$22.5 million Bureau of Indian Affairs loan guarantee to buy Westrock, Advisors Inc., a Wall Street brokerage that went bankrupt shortly after its purchase by the tribe.



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Arvind Ganesan, the director of Human Rights Watch's Business and Human Rights Division, welcomed Wednesday's audit report.

"This is another step by OIG and the government to bring some much needed accountability to Lower Brule," he said. "There is still much more to go, like a full investigation into Westrock, but today's investigation is a step in the right direction."

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