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RELEASED

DEC 6 1973

The Honorable Joseph M. Montoya
United States Senate

Dear Senator Montoya:

As you requested on December 27, 1972, we have reviewed Bureau of Indian Affairs (BIA) contracts for automatic data processing (ADP) management services and especially contracts awarded to the Colorado River Indian Tribes (the Tribes) for development of a management information system at the Colorado River Indian Reservation.

We reviewed:

- The nature of such contracts and contract services provided by the Tribes.
- The benefits derived by BIA and the Tribes from the management information system.
- The applicability of the system developed for the Colorado River Indian Reservation to other reservations.
- The possibility of BIA's implementing a similar system at other reservations.
- The efficiency and economy of the services provided by the Tribes compared to those which BIA's in-house staff would have provided.
- The identification and evaluation of other BIA contracts for computer services similar to the contracts awarded to the Tribes.

We made our review at BIA headquarters, Washington, D.C.; the Division of ADP Operations (formerly the Indian Affairs Data Center), Albuquerque; the BIA Area Office, Phoenix; and the BIA Agency Office and the Colorado River Indian tribal headquarters, Parker, Arizona. We reviewed BIA, tribal, and contractor records pertaining to a grant, a purchase order, and contracts for ADP management services, and we interviewed BIA, tribal, and contractor officials and other interested parties. BIA had awarded the grant, purchase order, and contracts to the Tribes in accordance with BIA's Indian involvement program which encourages Indian tribes to manage their own affairs. We also obtained information from BIA about other contracts for computer services similar to the contracts awarded to the Tribes.

The Tribes consists of members of 4 tribes--Mohave, Chemehueyi, Navajo, and Hopi--which are on the Colorado River Indian Reservation and which have a membership of about 2,100. Of the 2,100 tribal members, about 1,600 reside on or

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near the reservation. The reservation encompasses about 268,700 acres along the Colorado River in western Arizona and southeastern California. Most of the reservation is desert; however, water from the Colorado River is used for developing the land for agriculture, business, and homesites.

PLANS FOR IMPROVING MANAGEMENT
INFORMATION SYSTEMS

In 1968 and 1969 BIA headquarters personnel surveyed the data processing and information needs at the various BIA management levels. These surveys showed that BIA and tribal managers needed more timely, accurate information to better plan, manage, and evaluate BIA and tribal programs. The surveys further showed that the existing BIA information systems, which were principally manual systems, provided massive quantities of data but that the data was not in a form readily usable for program planning, management, evaluation, and budgeting.

On the basis of the needs identified during those surveys, BIA headquarters personnel proposed that a BIA-wide automated management information system be developed. As one of the initial steps in developing such a system, headquarters personnel proposed installing an Indian information system (IIS) at the reservation level. BIA officials said that IIS would enable tribal and BIA reservation managers to handle numerous individual transactions relating to reservation land, such as (1) the approval and renewal of leases, (2) the collection and distribution of lease income, (3) compliance with lease provisions, and (4) identification of property ownership interests.

IIS would also handle large volumes of data on individual tribal members for use in compiling tribal and voting rolls and resolving complicated multiple-land-ownership problems. Additionally, IIS would provide detailed data on soil and range inventories, housing development, and titles. For example, in fiscal year 1972 the Tribes had about 760 leases and 3,500 subleases which produced income of about \$1.4 million. BIA and the Tribes managers were responsible for collecting this income and for distributing it to individual landowners and to the Tribes. This responsibility was complicated because of the multiple ownership of reservation lands. BIA officials said that, because of the multiple ownership of lands covered by many of the leases, about 21,000 calculations were required to determine the income to be distributed among the landowners.

BIA planned to develop an IIS model on at least one reservation before expanding IIS nationwide. BIA stated that IIS could be applied to many reservations because there was some commonality of information requirements. BIA headquarters officials presented the plans for IIS at a meeting of BIA Area Directors early in 1970 and, after a discussion with the Superintendent, Colorado River Agency, selected the Colorado River Indian Reservation as the site for developing the IIS model.

A BIA official advised us that the Colorado River Indian Reservation was selected because (1) the Tribes had been interested in the project and could support it administratively and (2) BIA needed to improve its management of the reservation's land resources. In March 1970 the tribal council passed a resolution agreeing to support the IIS project at the reservation.

NATURE OF THE CONTRACTS
AND SERVICES PROVIDED

As of June 1973 BIA had awarded about \$463,500 to the Tribes to develop and install IIS at the reservation. Because the Tribes did not have the technical expertise to carry out the project, it contracted with Centaur Management Consultants, Inc., for technical services to design, develop, and install IIS.

As of June 1973 the Tribes had contracted with Centaur for services totaling about \$381,500 and kept about \$82,000 of the funds BIA provided. Of this \$82,000, about \$29,000 was the Tribes' fee for administering the project, about \$29,000 was for salaries and expenses of the Tribes employees learning to operate and maintain IIS, and about \$24,000 was to be paid to Centaur under a letter of understanding for the salaries and expenses of the Centaur's employees assisting the Tribes in the collection of data and the creation of master data files for IIS.

Enclosure I shows the types, amounts, periods of performance, and purposes of the BIA awards to the Tribes, and enclosure II shows similar information on the contracts between the Tribes and Centaur.

On the basis of a project plan submitted to BIA by the Tribes, BIA, in April 1970, awarded the Tribes a \$94,278 grant to study the feasibility of developing IIS at the Colorado River Indian Reservation. The Tribes awarded an \$85,707 contract to Centaur to make the study. Centaur (1) identified the types of information BIA and the Tribes' managers needed to fulfill their responsibilities, (2) identified the data needed to provide such information, (3) determined the practicality of developing an automated system to meet the various information needs, and (4) wrote some of the basic computer programs necessary to implement IIS.

In February 1971 the Tribes submitted to BIA Centaur's feasibility report identifying the benefits to be derived from implementation of IIS at the reservation. On the basis of the feasibility study and a project plan submitted by the Tribes, BIA agreed to fund the IIS project during fiscal years 1971 and 1972. In March 1971 BIA issued a \$117,812 purchase order to the Tribes, for the period March to October 1971, to initiate development of IIS.

BIA continued supporting IIS with a \$131,870 contract to the Tribes to complete development and installation of IIS at the reservation between October 1971 and April 1972. Two subsequent contract modifications increased the

contract price to \$196,043, extended the contract through November 1972, and provided for training BIA and the Tribes employees in IIS operation and maintenance.

On the basis of expected BIA support for the project, the Tribes contracted with Centaur to develop and install IIS at the reservation. In March 1971 the Tribes awarded Centaur a \$189,112 fixed-price contract for March 1971 through March 1972. Three subsequent contract modifications increased the contract price to \$295,758, extended the contract period through November 1972, and funded (1) the training of BIA and the Tribes employees and (2) the purchase of computer time and keypunch services.

The Tribes retained responsibility for providing the overall management and administrative support, including furnishing BIA with progress reports and a final report. Centaur designed IIS, wrote the computer programs, and trained BIA and the Tribes employees.

In December 1972 BIA awarded the Tribes an additional contract for \$55,384 to collect data and create the master file for the IIS project. The Tribes employees did the work under this contract.

As of June 1973, IIS had been designed, the computer programs had been written, BIA and the Tribes employees had been trained, and data was being collected. In July 1973 BIA officials informed us that all contract requirements were completed and that IIS was fully operational.

Noncompliance with Federal Procurement Regulations

BIA did not comply with the Federal Procurement Regulations (FPRs) in contracting with the Tribes. BIA issued the Tribes a \$117,812 purchase order in March 1971 even though FPR 1-3.605-2(a) stated that a purchase order was designed primarily for purchases not exceeding \$2,500. FPR 1-3.811 specified that a record of negotiation be prepared at the conclusion of each negotiation of an initial, a revised, or a final contract price and that the record set forth the considerations and rationale for the price. BIA did not prepare a record of negotiation for the October 1971 or December 1972 contracts with the Tribes, contrary to FPR 1-3.811.

Similar instances of noncompliance with FPRs had been brought to BIA's attention previously in audit reports issued by the Department of the Interior's Office of Survey and Review. In an August 25, 1971, memorandum, responding to an Office of Survey and Review report on the headquarters' contracting procedures, the BIA Deputy Commissioner stated that BIA had recognized that there were some deficiencies in its contracting procedures. The Deputy Commissioner also stated that BIA had taken the following actions.

- A separate contracting team had been organized and had been given the responsibility for negotiating all Headquarters Indian involvement contracts.
- A contracting seminar had been conducted for all BIA contracting officers and Assistant Area Directors for Administration.
- BIA had released the first five parts of the Indian involvement program manual which implemented FPRs concerning contracts negotiated with Indian groups and which was to insure uniformity in contracting procedures throughout BIA.

BIA's noncompliance with FPRs in awarding the Tribes the October 1971 and December 1972 contracts occurred after the Deputy Commissioner's August 1971 memorandum. Although the steps BIA took should improve its contracting procedures, monitoring of contract administration by the Department of the Interior and BIA is necessary to help insure that procurements comply with FPRs.

BENEFITS DERIVED FROM
IIS BY BIA AND TRIBES

IIS was designed to provide information on individual members of the Tribes and reservation land resources. The part of IIS for reporting on Tribal members became operational late in 1971 and the part for reservation land resources became operational in July 1973. At the time of our review, BIA and tribal officials stated that IIS had provided some benefits and that they expected it would satisfy their information needs concerning tribal members and land resources.

The IIS reports on individual tribal members provide information, such as name, address, sex, age, Indian blood quantum, family size, and tribal affiliation, needed by BIA and the Tribes to establish tribal membership and eligibility for Federal and tribal benefits. Before implementing this part of IIS, the Tribes had no official roll listing tribal members and their pertinent biographic data. Such information had been obtained previously from the reservation hospital's manual records and the memories of tribal members. The Tribes now uses IIS to maintain a tribal roll. The Tribes also has used IIS to identify tribal members eligible to participate in a senior citizen program.

BIA and the Tribes officials stated that the IIS reservation land resources reports would provide information needed by BIA to effectively manage and plan for future development of the Tribes' lands. IIS would provide data on reservation land ownership and use patterns; the acreage, status, and rental rate for each lease; lease income distribution; and water allocation and use. The system would also provide summary data on real property management for BIA reports to the Phoenix Area Office and headquarters.

The Tribes is financially dependent on income from leasing land for agriculture, business, and homesites. BIA officials stated that its effectiveness in managing and developing the Tribes' lands had been impaired because its manual reporting system did not provide timely and adequate data. Tribal officials told us that they believed the land resources part of IIS would be a valuable tool in managing tribal land resources. These officials said that BIA had agreed to train the Tribes employees in real property management and that the Tribes planned to eventually assume responsibility for managing reservation lands.

APPLICABILITY OF IIS
TO OTHER RESERVATIONS

BIA officials believe that the IIS developed at the Colorado River Indian Reservation can be applied to other reservations, although it may require expansion or modification to meet the other reservations' particular information needs. BIA planned to use the system developed for the Colorado River Indian Reservation as a model for systems to be installed at other reservations; however, at the time of our review the IIS had not been installed at any other reservation.

In April 1972 BIA solicited proposals for a study of the management information requirements at the Blackfeet and Fort Belknap Indian Reservations in Montana. Four firms submitted proposals for the study. A panel of three BIA officials reviewed and evaluated the technical aspects of the proposals and recommended two of the proposals for further consideration. BIA Billings Area Office officials reviewed the panel's recommendations and selected the lower of the two proposals. The firm selected for the study was Centaur, the same firm that had developed the IIS at the Colorado River Indian Reservation. In May 1972 BIA awarded Centaur a \$13,300 fixed-price contract to perform the study at the Blackfeet and Fort Belknap Reservations.

The principal objectives of the study were to determine the feasibility of installing IIS at the two reservations and to devise a plan for improving services to Indian landowners by reducing paperwork, inefficiency, and duplication in BIA's land management activities. The contract was later modified to extend the contract period and to provide \$1,800 more for a series of briefings to explain IIS to tribal and BIA area officials.

In an August 1972 study report, Centaur concluded that IIS, as developed at the Colorado River Indian Reservation, would be responsive to the Blackfeet and Fort Belknap Indian Reservations' management information needs. Centaur recommended combining IIS and a system, developed by BIA's Division of ADP Operations, which contained land ownership information. This combined BIA-IIS system would replace manual systems in use at the reservations.

Centaur further recommended that BIA contract with a private firm to install the BIA-IIS system at the Blackfeet and Fort Belknap Indian Reservations

and train BIA and tribal personnel to operate and maintain the systems. Centaur estimated that it would take a contractor about 1-1/2 years to install the BIA-IIS system at the two reservations and to train the tribal personnel. Centaur also estimated that the Division of ADP Operations would have to provide about 2 man-years of computer programming and 400 computer hours and that it would take about 13 man-years for BIA and the tribes to collect data for the system.

BIA informed us that BIA had accepted Centaur's recommendations. In February 1973 BIA requested 15 firms to submit proposals for installing the BIA-IIS system at the Blackfeet and Fort Belknap Indian Reservations. Only Centaur submitted a formal proposal, although four other firms expressed interest in the request for proposals.

Of the four firms, two stated that they could have done the work but that they did not feel that their proposals would have been competitive. The third firm stated that it was interested only in providing programs for the system and operating the system on its computers and that it was not interested in installing the system on BIA computers. The fourth firm stated that it did not have the capability to do the work.

Centaur proposed installing the BIA-IIS system at the reservations over a 14-month period at a cost of \$196,041. BIA informed us that it planned to accept the proposal, however, it did not plan to issue a contract until a task force evaluated the firm's performance at the Colorado River Indian Reservation and the results achieved by IIS. On July 2, 1973, the BIA Acting Director, Office of Administration, appointed a four-man task force to make the evaluations.

A headquarters official told us that, because of budget limitations and a low priority for management information systems, there were no plans for immediate BIA-wide implementation of IIS. He said that, when conditions on a particular reservation indicated a need for improved management information services, a feasibility study would be made to determine the best and most economical system for that reservation. If the feasibility study shows that IIS is the best method, it would be installed by the Division of ADP Operations, if staff is available, or through contracts with private firms. The official also said that BIA would contract with an Indian group to install IIS only if the Indian group had the financial and technical capability to carry out the project.

DEVELOPMENT OF INFORMATION SYSTEMS
BY THE DIVISION OF ADP OPERATIONS

The Division of ADP Operations is responsible for providing centralized data processing services, including designing and implementing management information systems, for BIA and Indian tribes. However, the Division was not

assigned responsibility for the IIS projects at the Colorado River, Blackfeet, and Fort Belknap Indian Reservations.

Headquarters and Division officials told us that, because the Division was scheduled for higher priority work when IIS plans were finalized, it was not assigned responsibility for the projects. When IIS projects were being planned late in 1969, the Division's computers were operating at near capacity. In addition, virtually all program development work on systems other than payroll, finance, and plant management systems had been suspended and all available computer programmers and analysts were assigned to the finance and payroll systems. BIA officials said that, because the Division could not assume the workload for the IIS projects, they made no estimate, for comparative purposes, of the costs to do the projects in-house.

Beginning in October 1971 the Division provided two programmers to write some of the IIS specifications and programs. These programmers also participated in an orientation program concerning the day-to-day operations of the reservation to better understand and respond to any problems or requests for changes in IIS after it became operational. The Division provided computer time and keypunching services for data collection and report processing, because IIS was intended to operate on the Division's equipment. We estimated the cost of the Division's support for the Tribes' IIS project at about \$31,000 as of February 1973. BIA plans to continue processing IIS reports and providing a programmer to help solve operating problems and make necessary program modifications.

We noted some overlap in capabilities between IIS and management information systems developed by the Division. We believe, however, that the extent of overlap is limited and that IIS is more responsive to BIA and tribal needs than are the existing systems at the Division. IIS can provide BIA and tribal managers with reports or analyses which are not available from systems developed by the Division or which require extensive manual efforts.

A BIA official informed us that, before authorizing development of IIS, BIA considered modifying existing Division systems to be more responsive to BIA and tribal needs. He stated that this was ruled out because the resulting systems would have been more expensive than IIS and not as responsive to BIA and tribal needs. The official could not provide us with documentation for this conclusion.

OTHER BIA CONTRACTS FOR SIMILAR COMPUTER SERVICES

The contracts for the Colorado River Indian Reservation's IIS project and for the Blackfeet and Fort Belknap Indian Reservations' feasibility study were the only ones awarded during fiscal years 1972 and 1973 for automatic data processing management services.

AGENCY COMMENTS

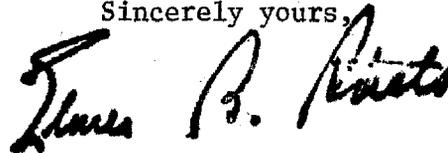
In commenting on our report on September 24, 1973 (see enc. III), the Department of the Interior said that it found the report generally factual concerning the development of a management information system on the Colorado River Indian Reservation and the later efforts for expanding the utilization of the IIS for the Blackfeet and Fort Belknap Indian Reservations.

The Department stated that it was aware of the improper procurement procedures involved in the Colorado River Indian Tribes situation and had implemented corrective action. The Department further stated that it recognized the need to continually monitor contracting procedures and contract administration and that it was working with BIA officials to improve contracting procedures and to comply with procurement regulations.

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We do not plan to distribute this report further unless you agree or publicly announce its contents.

Sincerely yours,



Comptroller General
of the United States

Enclosures - 3

BIA AWARDS TO COLORADO RIVER INDIAN TRIBES

<u>Type of award</u>	<u>Amount</u>	<u>Period of performance</u>	<u>Nature of services</u>	
Grant	\$ 94,278	4-70 to 2-71	Study feasibility of developing IIS	
Purchase order	117,812	3-71 to 10-71	Initiate development of IIS	
Fixed-price contract	\$131,870	10-71 to 4-72	Complete development of IIS model at Colorado River Indian Reservation	
Modification 1	30,678	4-72 to 8-72	General training for BIA and the Tribes employees	
Modification 2	<u>33,495</u>	196,043	8-72 to 11-72	Advanced training for BIA and the Tribes employees who would operate and maintain IIS
Fixed-price contract	<u>55,384</u>	12-72 to 6-73	Collect data and create master file to complete installation of IIS	
	<u>\$463,517</u>			

COLORADO RIVER INDIAN TRIBES
AWARDS TO CENTAUR MANAGEMENT CONSULTANTS, INC.

<u>Type of award</u>	<u>Amount</u>	<u>Period of performance</u>	<u>Nature of services</u>	
Fixed-price contract	\$ 85,707	4-70 to 2-71	Study feasibility of developing IIS	
Fixed-price contract	\$189,112	3-71 to 3-72	Develop IIS model at the Colorado River Indian Reservation	
Modification 1	42,473	3-72 to 4-72	Extend period of performance and provide funds for purchase of computer time and keypunch service	
Modification 2	30,678	4-72 to 7-72	General training for BIA and the Tribes employees	
Modification 3	<u>33,495</u>	295,758	7-72 to 11-72	Advanced training for BIA and the Tribes employees who would operate and maintain IIS
Letter of understanding	(note a)		Provide management consulting services in connection with collection of data and creation of master data files to complete installation of IIS.	

^aThe Tribes is to be billed monthly.



UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

SEP 24 1973

Max Hirschhorn
Deputy Director
Resources and Economic
Development Division
General Accounting Office
Washington, D. C. 20548

Dear Mr. Hirschhorn:

The Department has reviewed the draft report entitled, "Review of Bureau of Indian Affairs Contracts for Automatic Data Processing Management Services." We find the report generally is factual in the documentation of the grant to the Colorado River Indian Tribes (CRIT) for the development of a management information system on their reservation and the later efforts for expanding the utilization of the Indian Information System for the Blackfeet and Fort Belknap Indian Reservations. The Department was aware of the improper procurement procedures involved in the CRIT situation. As noted in your report, we have implemented corrective action. We recognize the need to continually monitor the contracting procedures and contract administration. We are working with BIA officials to achieve further improvements in contracting procedures and compliance with procurement regulations.

We appreciate the opportunity to review this report in draft.

Sincerely yours,


Allan L. Reynolds