

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**EXPENSES INCURRED BY THE  
ROCKY BOY HEALTH BOARD  
WERE NOT ALWAYS  
ALLOWABLE OR  
ADEQUATELY SUPPORTED**

*Inquiries about this report may be addressed to the Office of Public Affairs at  
[Public.Affairs@oig.hhs.gov](mailto:Public.Affairs@oig.hhs.gov).*



Gloria L. Jarmon  
Deputy Inspector General  
for Audit Services

March 2016  
A-07-15-04221

# *Office of Inspector General*

<http://oig.hhs.gov/>

---

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

## *Office of Audit Services*

The Office of Audit Services (OAS) provides auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

## *Office of Evaluation and Inspections*

The Office of Evaluation and Inspections (OEI) conducts national evaluations to provide HHS, Congress, and the public with timely, useful, and reliable information on significant issues. These evaluations focus on preventing fraud, waste, or abuse and promoting economy, efficiency, and effectiveness of departmental programs. To promote impact, OEI reports also present practical recommendations for improving program operations.

## *Office of Investigations*

The Office of Investigations (OI) conducts criminal, civil, and administrative investigations of fraud and misconduct related to HHS programs, operations, and beneficiaries. With investigators working in all 50 States and the District of Columbia, OI utilizes its resources by actively coordinating with the Department of Justice and other Federal, State, and local law enforcement authorities. The investigative efforts of OI often lead to criminal convictions, administrative sanctions, and/or civil monetary penalties.

## *Office of Counsel to the Inspector General*

The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support for OIG's internal operations. OCIG represents OIG in all civil and administrative fraud and abuse cases involving HHS programs, including False Claims Act, program exclusion, and civil monetary penalty cases. In connection with these cases, OCIG also negotiates and monitors corporate integrity agreements. OCIG renders advisory opinions, issues compliance program guidance, publishes fraud alerts, and provides other guidance to the health care industry concerning the anti-kickback statute and other OIG enforcement authorities.

# *Notices*

---

**THIS REPORT IS AVAILABLE TO THE PUBLIC**  
at <http://oig.hhs.gov>

Section 8M of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site.

## **OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS**

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

## EXECUTIVE SUMMARY

***Rocky Boy claimed \$271,000 in salary and benefit expenses that were unallowable. In addition, Rocky Boy claimed \$37,000 in travel expenses that it did not adequately support.***

### WHY WE DID THIS REVIEW

The Rocky Boy Health Board (Rocky Boy) is a tribally chartered, not-for-profit corporation and a component unit of the Chippewa Cree Tribe of the Rocky Boy's Reservation (Tribe), located in Box Elder, Montana. The Tribe is a sovereign nation within the United States. Rocky Boy is governed by a nine-member Board of Directors appointed by and made up of members of the Chippewa Cree Tribal Council. Rocky Boy administers all health-related programs of and for the Tribe.

An Office of Inspector General (OIG) audit, which was initiated in response to a request from the OIG Office of Investigations, identified potential discrepancies in the processes through which Rocky Boy recorded its salary, benefit, and travel expenses. After analyzing the overall financial records, we selected salary and benefit information associated with several Rocky Boy employees, as well as travel expenses incurred by Rocky Boy and claimed for Federal reimbursement, for further review.

The objective of this review was to determine whether salary and benefit expenses that Rocky Boy incurred during Federal fiscal years (FYs) 2011 through 2013, and travel expenses that it incurred for FYs 2011 and 2012, were allowable in accordance with Federal requirements, the Tribe's policies, and Rocky Boy's policies.

### BACKGROUND

The Indian Health Service (IHS) is an agency within the U.S. Department of Health and Human Services (HHS) that delivers clinical and preventive health services to American Indians and Alaska Natives. Indian health care services are provided in more than 630 IHS and tribal health care facilities, including hospitals and outpatient clinics. An IHS facility can be operated by IHS, an Indian tribe, or a tribal organization.

In 1975, the Indian Self-Determination and Education Assistance Act (P.L. No. 93-638) was signed into law. On June 30, 1994, the Tribe entered into a Self-Governance Compact (Compact) with the Secretary of HHS (Secretary), in conformance to the authority granted by this legislation. A Self-Governance Compact enables a tribe, rather than IHS, to exercise responsibility for all health-related functions, services, and activities. The provisions of the Compact require the Tribe to maintain a recordkeeping system and provide reasonable access of records to the Secretary or an authorized representative of HHS.

This Compact authorized the Secretary to enter into annual funding agreements with the Tribe. To execute these agreements, the Secretary or authorized representative provides in advance to the Tribe the total amount of funds specified in the annual funding agreement. In administering

these Federal funds, a tribe that has entered into a Self-Governance Compact must apply the cost principles of the applicable Office of Management and Budget (OMB) circular, unless an exemption is granted by OMB (42 CFR § 137.167). OMB did not grant an exemption to Rocky Boy. The cost principles are designed to ensure that Federal awards bear their fair share of costs recognized or incurred under these principles.

For FYs 2011 through 2013, IHS awarded Rocky Boy \$42.5 million under the provisions of the Compact, of which \$22.5 million was for salary and benefit expenses. We reviewed \$1.6 million in salary and benefit payments that Rocky Boy made during FYs 2011 through 2013 and approximately \$56,454 in travel expenses that Rocky Boy incurred for FYs 2011 and 2012.

## WHAT WE FOUND

Not all of the salary and benefit expenses that Rocky Boy incurred during FYs 2011 through 2013 were allowable in accordance with Federal requirements, the Tribe’s policies, and Rocky Boy’s policies. During FYs 2011 through 2013, Rocky Boy incurred and paid unallowable salary and benefit expenses of \$270,982. The table below summarizes these unallowable expenses.

**Table: Unallowable Salary and Benefit Expenses**

| <b>Category of Expense</b>              | <b>Unallowable Expenses</b> |
|---|-----------------------------|
| Duplicate salary payments               | \$82,175                    |
| Unsupported supplemental payments       | 61,886                      |
| Excessive retirement benefit payments   | 50,819                      |
| Unallowable exempt overtime payments    | 31,828                      |
| Unallowable nonexempt overtime payments | 17,363                      |
| Unallowable donated leave payments      | 12,933                      |
| Excessive annual leave payments         | 11,305                      |
| Unauthorized compensatory time payments | 2,673                       |
| <b>Total of Questioned Costs</b>        | <b>\$270,982</b>            |

In addition, Rocky Boy did not maintain adequate support for employee travel or for patients’ medical travel assistance expenses totaling \$37,259 that it incurred for FYs 2011 and 2012. We also found that \$5,380 in employee and medical travel assistance expenses were supported with receipts but were not in accordance with Tribal and Rocky Boy policies. We set aside these potentially unallowable expenses for adjudication by Rocky Boy and IHS.

The errors associated with these unallowable salary and benefit expenses, unallowable travel expenses, and potentially unallowable travel expenses occurred because Rocky Boy had inadequate internal controls, and the Rocky Boy staff was not adequately trained to ensure that Rocky Boy expended Federal funds in accordance with Federal requirements, the Tribe’s policies, and Rocky Boy’s policies.

## WHAT WE RECOMMEND

We recommend that Rocky Boy:

- refund to the Federal Government \$270,982 in overpaid salary and benefit expenses for FYs 2011 through 2013;
- refund to the Federal Government \$37,259 in overpaid travel expenses for FYs 2011 and 2012;
- work with IHS to determine the unallowable portion of the \$5,380 in travel expenses for FYs 2011 and 2012 and refund the unallowable portion to the Federal Government;
- develop and implement policies that prevent Rocky Boy from making salary and benefit advances to its employees except under special circumstances;
- implement formal policies and controls to detect and prevent any issuance of duplicate paychecks to the same employee and any provision of excessive retirement benefits to employees;
- develop a process for supplemental payments to ensure that work hours for additional duties above the prescribed duties in the job description are documented and verified;
- ensure that employees comply with the exempt overtime policies and furnish appropriate employee training, particularly to the payroll staff, regarding the exempt employee overtime policies;
- ensure that employees comply with the nonexempt overtime policies and furnish appropriate employee training, particularly to the payroll staff, regarding nonexempt employee overtime policies;
- furnish appropriate employee training to ensure that employees exhaust their annual and sick leave balances before they receive donated leave;
- develop an automated system to track earned and used annual leave;
- furnish appropriate employee training to ensure that employees receive compensatory time when properly authorized; and
- implement controls to enforce existing policies regarding maintenance of documentation in connection with employee travel expenses and medical travel assistance expenses for patients.

## **ROCKY BOY HEALTH BOARD COMMENTS AND OUR RESPONSE**

In written comments on our draft report, Rocky Boy did not directly address our recommendations, but it described corrective actions that it had taken or planned to take with respect to each of the categories of our findings. However, Rocky Boy did not directly mention the specific expenses associated with any of these findings, nor did it address our recommendations that it refund the overpayments to the Federal Government.

It appears that the corrective actions that Rocky Boy described, when fully implemented, would adequately implement our procedural recommendations. We commend Rocky Boy for its willingness to take corrective actions to prevent future occurrences of the errors discussed in this report. However, we continue to recommend that Rocky Boy refund \$308,241 in overpaid salary, benefit, and travel expenses.

## TABLE OF CONTENTS

|   |    |
|---|----|
| INTRODUCTION .....  | 1  |
| Why We Did This Review .....  | 1  |
| Objective .....   | 1  |
| Background .....  | 1  |
| Indian Health Service .....   | 1  |
| Self-Governance Compact .....   | 1  |
| Federal Cost Principles .....   | 2  |
| How We Conducted This Review .....  | 2  |
| FINDINGS .....  | 3  |
| Salary and Benefit Expenses Were Not Allowable or Adequately Supported .....                      | 3  |
| Rocky Boy Employees Received Duplicate Salary Payments .....                                      | 4  |
| Rocky Boy Employees Received Unsupported Supplemental<br>Payroll Payments .....                   | 4  |
| Rocky Boy Employees Received Excessive Retirement<br>Benefit Payments .....                       | 5  |
| Rocky Boy Exempt Employees Received Overtime Payments<br>to Which They Were Not Entitled .....    | 6  |
| Rocky Boy Nonexempt Employees Received Overtime<br>Payments to Which They Were Not Entitled ..... | 6  |
| Rocky Boy Employees Received Donated Leave While Having<br>Annual or Sick Leave Balances .....    | 7  |
| Rocky Boy Employees Received Excessive Annual Leave Benefits .....                                | 7  |
| Rocky Boy Employees Received Unauthorized Compensatory<br>Time in Lieu of Overtime .....          | 8  |
| Rocky Boy Did Not Always Maintain Adequate Supporting<br>Documentation .....                      | 8  |
| Unsupported Travel Expenses .....   | 9  |
| RECOMMENDATIONS .....   | 11 |
| ROCKY BOY HEALTH BOARD COMMENTS AND<br>OFFICE OF INSPECTOR GENERAL RESPONSE .....                 | 12 |



APPENDIXES

A: Audit Scope and Methodology .....13

B: Rocky Boy Health Board Comments .....15

## **INTRODUCTION**

### **WHY WE DID THIS REVIEW**

The Rocky Boy Health Board (Rocky Boy) is a tribally chartered, not-for-profit corporation and a component unit of the Chippewa Cree Tribe of the Rocky Boy's Reservation (Tribe), located in Box Elder, Montana. The Tribe is a sovereign nation within the United States. Rocky Boy is governed by a nine-member Board of Directors appointed by and made up of members of the Chippewa Cree Tribal Council. Rocky Boy administers all health-related programs of and for the Tribe.

An Office of Inspector General (OIG) audit, which was opened in response to a request from the OIG Office of Investigations, identified potential discrepancies in the processes through which Rocky Boy recorded its salary, benefit, and travel expenses. After analyzing the overall financial records, we selected salary and benefit information associated with several Rocky Boy employees, as well as travel expenses incurred by Rocky Boy and claimed for Federal reimbursement, for further review.

### **OBJECTIVE**

Our objective was to determine whether salary and benefit expenses that Rocky Boy incurred during Federal fiscal years (FYs) 2011 through 2013, and travel expenses that it incurred for FYs 2011 and 2012, were allowable in accordance with Federal requirements, the Tribe's policies, and Rocky Boy's policies.

### **BACKGROUND**

#### **Indian Health Service**

The Indian Health Service (IHS) is an agency within the Department of Health and Human Services (HHS) that delivers clinical and preventive health services to American Indians and Alaska Natives. Indian health care services are provided in more than 630 IHS and tribal health care facilities, including hospitals and outpatient clinics. An IHS facility can be operated by IHS, an Indian tribe, or a tribal organization.

#### **Self-Governance Compact**

In 1975, the Indian Self-Determination and Education Assistance Act (P.L. No. 93-638) was signed into law. On June 30, 1994, the Tribe entered into a Self-Governance Compact (Compact) with the Secretary of HHS (Secretary), in conformance to the authority granted by this legislation. A Self-Governance Compact enables a tribe, rather than IHS, to exercise responsibility for all health-related functions, services, and activities. The provisions of the Compact require the Tribe to maintain a recordkeeping system and provide reasonable access of records to the Secretary or an authorized representative of HHS.

This Compact authorized the Secretary to enter into annual funding agreements with the Tribe. To execute these agreements, the Secretary or authorized representative provides in advance to the Tribe the total amount of funds specified in the annual funding agreement.

## **Federal Cost Principles**

In administering these Federal funds, a tribe that has entered into a Self-Governance Compact must apply the cost principles of the applicable Office of Management and Budget (OMB) circular, unless an exemption is granted by OMB (42 CFR § 137.167). OMB did not grant an exemption to Rocky Boy. The cost principles are designed to ensure that Federal awards bear their fair share of costs recognized or incurred under these principles.

Federal cost principles establish principles and standards for determining allowable costs under Federal awards. OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* (2 CFR part 225), Appendix A, section C, “Basic Guidelines,” § C.1.a, states that for costs to be allowable under Federal awards, they must be necessary and reasonable for proper and efficient performance and administration of those awards, and § C.2.e states that costs must be reasonable and that one consideration for reasonableness is significant deviations from the established practices of the governmental unit that may unjustifiably increase the Federal award’s cost.<sup>1</sup>

For costs to be allowable under Federal awards, they must be adequately documented (2 CFR part 225, Appendix A, § C.1.j).

## **HOW WE CONDUCTED THIS REVIEW**

For FYs 2011 through 2013, IHS awarded Rocky Boy \$42.5 million under the provisions of the Compact, of which \$22.5 million was for salary and benefit expenses.<sup>2</sup> We reviewed \$1.6 million in salary and benefit payments made during FYs 2011 through 2013 to seven judgmentally selected Rocky Boy employees. We analyzed salary and benefit expenses to ensure that they had been authorized and approved in accordance with Federal regulations, the Tribe’s policies, and Rocky Boy’s policies.

For FYs 2011 and 2012, \$1.8 million of the funds that IHS awarded to Rocky Boy under the provisions of the Compact was for travel expenses. We reviewed \$56,454 in travel expenses, consisting of employee travel and medical travel assistance expenses for patients that Rocky Boy incurred for this timeframe.

We conducted this performance audit 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

---

<sup>1</sup> The circular was relocated to 2 CFR part 225. After our audit period, OMB consolidated and streamlined its guidance, which is now located at 2 CFR part 200.

<sup>2</sup> Rocky Boy had other sources of income, such as Medicaid Eligibility Determination funds. We reviewed only the funds associated with the Compact.

based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix A contains details of our audit scope and methodology.

## FINDINGS

Not all of the salary and benefit expenses that Rocky Boy incurred during FYs 2011 through 2013 were allowable in accordance with Federal requirements, the Tribe’s policies, and Rocky Boy’s policies. During FYs 2011 through 2013, Rocky Boy incurred and paid unallowable salary and benefit expenses of \$270,982. The table below summarizes these unallowable expenses.

**Table: Unallowable Salary and Benefit Expenses**

| Category of Expense                     | Unallowable Expenses |
|---|----------------------|
| Duplicate salary payments               | \$82,175             |
| Unsupported supplemental payments       | 61,886               |
| Excessive retirement benefit payments   | 50,819               |
| Unallowable exempt overtime payments    | 31,828               |
| Unallowable nonexempt overtime payments | 17,363               |
| Unallowable donated leave payments      | 12,933               |
| Excessive annual leave payments         | 11,305               |
| Unauthorized compensatory time payments | 2,673                |
| <b>Total of Questioned Costs</b>        | <b>\$270,982</b>     |

In addition, Rocky Boy did not maintain adequate support for employee travel or for patients’ medical travel assistance expenses totaling \$37,259 that it incurred for FYs 2011 and 2012. We also found that \$5,380 in employee and medical travel assistance expenses were supported with receipts but were not in accordance with Tribal and Rocky Boy policies. We set aside these potentially unallowable expenses for adjudication by Rocky Boy and IHS.

The errors associated with these unallowable salary and benefit expenses, unallowable travel expenses, and potentially unallowable travel expenses occurred because Rocky Boy had inadequate internal controls, and the Rocky Boy staff was not adequately trained, to ensure that Rocky Boy expended Federal funds in accordance with Federal requirements, the Tribe’s policies, and Rocky Boy’s policies.

### **SALARY AND BENEFIT EXPENSES WERE NOT ALLOWABLE OR ADEQUATELY SUPPORTED**

Of the \$1.6 million in salary and benefit expenses that Rocky Boy incurred during FYs 2011 through 2013 and that we reviewed, \$270,982 was not allowable or adequately supported in accordance with Federal requirements.

## **Rocky Boy Employees Received Duplicate Salary Payments**

The provisions of 2 CFR part 225, Appendix A, § C.1.a, require that for costs to be allowable under Federal awards, they must be necessary and reasonable for proper and efficient performance and administration of those awards.

Rocky Boy's Chief Executive Officer (CEO) is responsible for approving each employee's annual salary. According to Rocky Boy's *Employee Orientation Handbook*, section F, Rocky Boy employees are paid on a biweekly basis, with 26 pay periods per year. The employees receive their pay either by paper checks or through direct deposit.

During FYs 2011 through 2013, Rocky Boy made duplicate salary payments totaling \$82,175 to seven employees. Specifically, on numerous occasions Rocky Boy granted employees' requests to be paid before the end of the pay period (advance pay). In keeping with the salary schedule set forth in the *Employee Orientation Handbook*, and to prevent employees from receiving a paycheck in addition to their advance pay, Rocky Boy's informal procedures were that the payroll clerk would not enter any work hours into the payroll system for the applicable pay period. However, in 40 instances Rocky Boy granted advance pay to an employee, *and* the payroll clerk entered the work hours for that employee and that pay period into the payroll system anyway, thereby generating a payroll check—that is, a duplicate salary payment.<sup>3</sup>

These errors occurred because Rocky Boy routinely advanced salary payments, which led to the employee receiving an advance salary payment and a regular salary payment for the same payroll period. Rocky Boy did not adequately monitor and provide oversight to ensure employees received only their authorized salary payments.

## **Rocky Boy Employees Received Unsupported Supplemental Payroll Payments**

The provisions of 2 CFR part 225, Appendix A, § C.1.j, require that to be allowable under Federal awards, costs must be adequately documented.

The Tribe's *Personnel Policies and Procedures*, section 5.7, states:

The Chippewa Cree Business Committee and Executive Director recognizes that circumstances may occur that require an employee to assume additional duties over and above the prescribed duties listed in the job description. Employees will document after-hours work and weekend work utilizing a check-in and check-out method, if work is completed at home, the employee must keep track of the hours worked, which can be verified by the job completion.

---

<sup>3</sup> One of the seven Rocky Boy employees who received duplicate salary payments during this period was Rocky Boy's finance manager. That individual was convicted of three counts of theft involving not only duplicate salary payments but also unsupported supplemental payroll payments, excessive retirement benefit payments, and overtime payments to which the finance manager was not entitled. The individual was sentenced to 12 months and 1 day in prison and ordered to pay restitution. (See discussions below of these other findings.)

The Tribe's policy thus requires that the time associated with the extra duties be documented before any payment is made.

During FYs 2011 through 2013, Rocky Boy paid the selected employees a total of \$61,886 in supplemental payments that were not supported by documentation reflecting after-hours and weekend work performed. The finance director requested, and Rocky Boy's CEO approved, that selected employees receive supplemental payments for performing extra duties. However, Rocky Boy did not develop a process for the employees to document the work performed or the hours spent performing the extra duties, and in this way it did not follow the Tribe's policy regarding the documentation of after-hours and weekend work. Accordingly, the extra duties (and associated work hours) above the prescribed duties in the job description could not be verified.

### **Rocky Boy Employees Received Excessive Retirement Benefit Payments**

The provisions of 2 CFR part 225, Appendix A, § C.1.a, require that for costs to be allowable under Federal awards, they must be necessary and reasonable for proper and efficient performance and administration of those awards.

Rocky Boy's *Supplemental Personnel Policies and Procedures Manual*, section 8.2, and its *Employee Orientation Handbook*, section J, state that Rocky Boy employees receive 11.5 percent of gross wages (8.5 percent effective June 28, 2013) as a retirement benefit. Funds are deposited in a financial institution of the employee's choice. Under these policies, Rocky Boy employees are not required to contribute any of their own money to their retirement benefits.

During FYs 2011 through 2013, Rocky Boy paid the selected employees a total of \$50,819 in excessive retirement benefits. In most cases, employees requested an advance on their retirement benefits before the benefit was deposited in their financial institution. Rocky Boy employees generally asked for advances on their retirement benefits for several consecutive pay periods. For example, one employee who earned \$82,493 in gross wages during FY 2012 was entitled to receive \$9,487 (11.5 percent of \$82,493) in retirement benefits for that year. Instead, the employee received \$22,771 in retirement benefit advances on paychecks for 61 pay periods (more than twice the number of pay periods in any year). In addition, this employee received \$1,593 of retirement funds that were deposited to a financial institution. Thus, the employee received a total of \$24,364 in these payments during FY 2012. This combined amount equated to \$14,877 in excessive retirement benefit payments made to this employee during FY 2012, which represented 29.5 percent of the employee's gross wages for that year, instead of the required 11.5 percent.

These errors occurred because Rocky Boy did not develop a process to ensure that employees received only their authorized amounts of retirement benefit payments. Specifically, Rocky Boy did not keep track of the number of times employees received advances on their retirement benefits and thus had no way to ensure that the employees did not receive more than the amounts to which they were entitled.

### **Rocky Boy Exempt Employees Received Overtime Payments to Which They Were Not Entitled**

The provisions of 2 CFR part 225, Appendix A, § C.1.a, require that for costs to be allowable under Federal awards, they must be necessary and reasonable for proper and efficient performance and administration of those awards.

Rocky Boy's *Employee Orientation Handbook*, section F, states: "non-exempt employees are eligible for overtime pay and exempt employees are not eligible for overtime pay." The Tribe's *Personnel Policies and Procedures*, section 5.6, states: "Exempt employees shall not be entitled to overtime pay for overtime hours worked."

During FYs 2011 through 2013, two exempt Rocky Boy employees received a total of \$31,828 in overtime payments to which they were not entitled. These errors occurred because Rocky Boy exempt employees did not comply with the overtime policy, and Rocky Boy did not furnish appropriate employee training, particularly to the payroll staff, on the exempt overtime policies to ensure that overtime payments were not made to exempt employees.

### **Rocky Boy Nonexempt Employees Received Overtime Payments to Which They Were Not Entitled**

The provisions of 2 CFR part 225, Appendix A, § C.1.a, require that for costs to be allowable under Federal awards, they must be necessary and reasonable for proper and efficient performance and administration of those awards.

The Tribe's *Personnel Policies and Procedures*, section 5.5, specifies that nonexempt employees be paid at one and one-half times their hourly rate of compensation for all involuntary or permitted hours of work in excess of 40 hours per week. This section also states that overtime will not be granted for those employees taking annual leave or sick leave during the 40-hour workweek. Rocky Boy's *Employee Orientation Handbook*, section F, states that nonexempt employees are eligible for overtime pay only after they actually work in excess of 40 hours in a workweek.

During FYs 2011 and 2012, and contrary to the Tribe's and Rocky Boy's written policies, nonexempt Rocky Boy employees received a total of 546 overtime hours while using annual leave, sick leave, or both within the same pay periods. The employees did not actually work in excess of 40 hours in those workweeks. These unearned and unallowable overtime payments totaled \$17,363.

These errors occurred because Rocky Boy employees did not comply with the nonexempt overtime policy. In addition, Rocky Boy did not furnish appropriate employee training on the nonexempt overtime policies to ensure that overtime payments were made to employees who had worked in excess of 40 hours in a particular week.

## **Rocky Boy Employees Received Donated Leave While Having Annual or Sick Leave Balances**

The provisions of 2 CFR part 225, Appendix A, § C.1.a, require that for costs to be allowable under Federal awards, they must be necessary and reasonable for proper and efficient performance and administration of those awards.

The Tribe's *Personnel Policies and Procedures*, section 9.2, states that only 240 hours of unused annual leave may be carried over from one FY to the next. Any unused leave in excess of 240 hours will be forfeited.

The Tribe's *Personnel Policies and Procedures*, section 9.4, states that employees may donate leave to other employees as needed for emergency medical reasons, or for hospitalization for themselves and/or family members, as approved by the Personnel Officer. The Tribe's policies also state that the Personnel Officer should approve each request in order to prevent any misuse of this benefit. An employee must exhaust all other leave balances before he or she is authorized to receive donated leave.

During FYs 2011 and 2012, nonexempt employees received a total of 515 donated leave hours from other employees even though the recipients had annual and/or sick leave balances at the times in question. These errors occurred because Rocky Boy did not furnish adequate training to employees to ensure that employees were aware of the need to exhaust their annual and sick leave balances before they received donated leave. These improperly allocated donated leave hours equated to unallowable benefit payments totaling \$12,933.

## **Rocky Boy Employees Received Excessive Annual Leave Benefits**

Excessive annual leave benefits are not consistent with the provisions of 2 CFR part 225, Appendix A, § C.1.j, which require that to be allowable under Federal awards, costs must be adequately documented, and the provisions of 2 CFR part 225, § C.1.a, which require that for costs to be allowable under Federal awards, they must be necessary and reasonable for proper and efficient performance and administration of those awards.

The Tribe's *Personnel Policies and Procedures*, section 9.2, displays a schedule of the number of annual leave hours employees earn for each pay period. The number of hours each employee earns depends on his or her number of years of employment.

An employee must request approval to use earned annual leave hours. Informally, a Rocky Boy employee manually tracks the annual leave earned and used on each employee's timesheet.

During FYs 2011 and 2012, contrary to Federal requirements and to the Tribe's written policy, Rocky Boy awarded excessive annual leave hours to employees without any documentation to justify the excessive hours. This situation occurred because Rocky Boy used a manual system to track earned and used annual leave. As a result, Rocky Boy employees received and used 547.5 excessive annual leave hours, which equated to overpayments totaling \$11,305.



## **Rocky Boy Employees Received Unauthorized Compensatory Time in Lieu of Overtime**

The provisions of 2 CFR part 225, Appendix A, § C.1.j, require that to be allowable under Federal awards, costs must be adequately documented.

The Tribe's *Personnel Policies and Procedures*, section 5.6, states that an employee who has requested and received prior approval to earn compensatory time in lieu of overtime must complete the Compensatory Time Agreement Form, sign it, and obtain approval signatures from his or her supervisor and from Rocky Boy's Executive Director before any work is started.<sup>4</sup> The completed form is to be inserted into the appropriate employee's time and leave record maintained by the payroll department.

During FYs 2011 and 2012, nonexempt Rocky Boy employees received 129.5 hours of excessive compensatory time, equating to overpayments totaling \$2,673, which, contrary to the Tribe's policy, were not properly authorized by Rocky Boy's Executive Director. These errors occurred because Rocky Boy did not furnish appropriate training to ensure that employees seeking to take advantage of this policy did so only when properly authorized.

## **Rocky Boy Did Not Always Maintain Adequate Supporting Documentation**

For costs to be allowable under Federal awards, they must be adequately documented (2 CFR part 225, Appendix A, § C.1.j).

The findings detailed above, for which we are questioning the associated payments, repeatedly point to inadequate or even nonexistent internal controls as their cause. Further indications of those inadequate controls appear in related observations we made with respect to a frequent absence of supporting documentation. Although we are not questioning the payments associated with the deficiencies noted in these observations, we nevertheless point to them as indicators of a pattern of inadequate supporting documentation. Specifically, we noted:

- Rocky Boy did not maintain copies of 79 payroll checks totaling \$73,081 in salary payments to employees;
- 223 instances of variances greater than 2 hours between employee hours worked (1) as reflected in the time clock record, (2) as reflected in that employee's timesheet, and (3) 167 other instances in which the time clock records showed that employees did not clock in and clock out;
- 338 instances in which employees used leave hours for which there were no records of approval;

---

<sup>4</sup> The Board of Directors that governs Rocky Boy has designated its Executive Director as the approval authority for all compensatory time for Rocky Boy staff.

- 173 instances in which Rocky Boy employees took holiday leave for which, according to the Tribe’s policies, they were ineligible because there were no records of approval of annual or sick leave taken the day before or the day after the holiday;<sup>5</sup>
- 34 instances of discrepancies in the use of overtime hours as documented (i.e., overtime hours worked but not requested or authorized, overtime hours requested on nondesignated forms, overtime request forms completed after the fact, and overtime request forms not approved);
- 2 timesheets that were missing information such as employee’s name and days and hours worked; and
- several instances in which employee paychecks reflected no Federal income tax withheld, although the income tax withholding instructions (Forms W-4) on file indicated otherwise.

Rocky Boy did not comply with Federal regulations regarding documentation and did not furnish appropriate training, particularly to the payroll staff, to ensure that adequate documentation was maintained.

## **UNSUPPORTED TRAVEL EXPENSES**

For costs to be allowable under Federal awards, they must be adequately documented (2 CFR part 225, Appendix A, § C.1.j).

Rocky Boy’s *Travel and Procedures Manual* (for employees) states:

In-state travel advances must be submitted two weeks in advance. Out-of-state travel must be approved by the Rocky Boy Health Board of Directors and submitted to the CEO one month in advance. The Health Board shall authorize all out-of-state travel and reimbursable expenses for employees and members in advance. The employee will have the responsibility of attaching a copy of the agenda or conference with the travel advance. It is the traveler’s responsibility to file a travel claim within 5 working days. Receipts must be attached to the travel claim.

---

<sup>5</sup> This documentation finding is rooted in the fact that employees of Rocky Boy are sometimes required to work on holidays. According to Rocky Boy officials, provisions exist under which those employees may receive leave on alternate (nonholiday) days. However, the Tribe’s *Personnel Policies and Procedures*, section 8.6, designates tribal holidays and states that tribal employees will not be granted pay for those holidays if they were on unauthorized leave the day before or the day after the holiday. The 173 instances identified here dealt with cases in which (1) employees had taken annual or sick leave on the day preceding or following a designated holiday but (2) the Tribe could produce no documentation that these employees’ days of leave had been authorized.

Rocky Boy's *Emergency/Medical Travel Assistance Policy* (for patients) states:

The focus of the medical travel assistance program is to help actual patients with costs associated with attending referred appointments arranged through and by our medical/dental providers for services not available within our facilities. Patients must request assistance 48 hours in advance with a verifiable appointment slip. Low-income status (133 percent of Montana state low-income guidelines) must be verified.

Rocky Boy did not maintain adequate supporting documentation for employee travel or for medical travel assistance expenses for patients totaling \$37,259 that it incurred for FYs 2011 and 2012. For the 30 travel expenses reviewed during this period, 5 of the employee travel expenses did not contain adequate support, and 12 of the medical travel assistance expenses did not contain adequate support.

The inadequate support for employee travel expenses was reflected in the fact that Rocky Boy and its employees did not always comply with Rocky Boy's *Travel and Procedures Manual*. Employees did not always receive Board of Directors approval for out-of-State travel, did not always furnish documentation sufficient to allow approval authorities to determine the purpose of the trip, and did not always furnish receipts for claimed travel expenses.

In addition, Rocky Boy policy (the *Emergency/Medical Travel Assistance Policy*) requires patients requesting medical travel assistance to have obtained an approved referral to another health care facility. Patients did not receive the required approved referrals to other health care facilities.

This policy also requires documentation of each patient's low-income status by verifying his or her income before medical travel assistance for that patient is authorized. Rocky Boy did not verify the patient's income before it authorized the medical travel assistance.

We also found that \$5,380 in employee and medical travel assistance expenses were supported with receipts but were not in accordance with Tribal and Rocky Boy policies. We set aside these potentially unallowable expenses for adjudication by Rocky Boy and IHS. For 30 travel expenses reviewed during FYs 2011 and 2012, 3 of the employee travel expenses did not comply with Tribal and Rocky Boy policies. Employees did not always furnish the travel advance form 30 days before travel, did not always receive Rocky Boy Health Board of Directors approval for out-of-State travel, and did not always file travel claims within 5 working days. For 30 travel expenses reviewed for the same period, 1 medical travel assistance expense did not comply with Tribal and Rocky Boy policies. For patient travel, referrals to healthcare providers were not always available, and the patient's income was not always verified.

These inadequacies occurred because Rocky Boy did not furnish appropriate training to ensure that travel expenses complied with Federal regulations and Rocky Boy's policies.

## RECOMMENDATIONS

We recommend that Rocky Boy:

- refund to the Federal Government \$270,982 in overpaid salary and benefit expenses for FYs 2011 through 2013;
- refund to the Federal Government \$37,259 in overpaid travel expenses for FYs 2011 and 2012;
- work with IHS to determine the unallowable portion of the \$5,380 in travel expenses for FYs 2011 and 2012 and refund the unallowable portion to the Federal Government;
- develop and implement policies that prevent Rocky Boy from making salary and benefit advances to its employees except under special circumstances;
- implement formal policies and controls to detect and prevent any issuance of duplicate paychecks to the same employee and any provision of excessive retirement benefits to employees;
- develop a process for supplemental payments to ensure that work hours for additional duties above the prescribed duties in the job description are documented and verified;
- ensure that employees comply with the exempt overtime policies and furnish appropriate employee training, particularly to the payroll staff, regarding the exempt employee overtime policies;
- ensure that employees comply with the nonexempt overtime policies and furnish appropriate employee training, particularly to the payroll staff, regarding nonexempt employee overtime policies;
- furnish appropriate employee training to ensure that employees exhaust their annual and sick leave balances before they receive donated leave;
- develop an automated system to track earned and used annual leave;
- furnish appropriate employee training to ensure that employees receive compensatory time when properly authorized; and
- implement controls to enforce existing policies regarding maintenance of documentation in connection with employee travel expenses and medical travel assistance expenses for patients.

**ROCKY BOY HEALTH BOARD COMMENTS AND  
OFFICE OF INSPECTOR GENERAL RESPONSE**

In written comments on our draft report, Rocky Boy did not directly address our recommendations, but it described corrective actions that it had taken or planned to take with respect to each of the categories of our findings. However, Rocky Boy did not directly mention the specific expenses associated with any of these findings, nor did it address our recommendations that it refund the overpayments to the Federal Government. Rocky Boy's comments appear in their entirety as Appendix B.

It appears that the corrective actions that Rocky Boy described, when fully implemented, would adequately implement our procedural recommendations. We commend Rocky Boy for its willingness to take corrective actions to prevent future occurrences of the errors discussed in this report. However, we continue to recommend that Rocky Boy refund \$308,241 in overpaid salary, benefit, and travel expenses.

## **APPENDIX A: AUDIT SCOPE AND METHODOLOGY**

### **SCOPE**

For FYs 2011 through 2013, IHS awarded Rocky Boy a total of \$42.5 million under the provisions of the Compact. Our audit period covered salary and benefit expenses paid to Rocky Boy under the Compact during FYs 2011 through 2013. We reviewed salary and benefit expenses for selected Rocky Boy employees as well as selected travel expenses, for both employee travel and medical travel assistance for patients, for FYs 2011 and 2012.

Specifically, we analyzed salary and benefit expenses to ensure that they had been authorized and approved. Of the \$42.5 million that IHS awarded to Rocky Boy under the provisions of the Compact during FYs 2011 through 2013, Rocky Boy paid \$22.5 million in salaries and benefits during that timeframe. We reviewed \$1.6 million in salary and benefit payments made during this timeframe to seven judgmentally selected Rocky Boy employees. We analyzed salary and benefit expenses to ensure that they had been authorized and approved in accordance with Federal regulations, the Tribe's policies, and Rocky Boy's policies.

For FYs 2011 and 2012, \$1.8 million of the funds that IHS awarded to Rocky Boy under the provisions of the Compact was for travel expenses. We reviewed 30 travel claims and \$56,454 in associated travel expenses, consisting of employee travel and medical travel assistance expenses for patients that Rocky Boy incurred for this timeframe.

We limited our review of Rocky Boy's internal controls to those applicable to salaries, benefits, and travel expenses.

We conducted this review from September 2013 through June 2014 at the Rocky Boy Finance Office in Box Elder, Montana.

### **METHODOLOGY**

To accomplish our objective, we:

- interviewed IHS staff and staff at Rocky Boy who were familiar with the provisions and implementation of the Compact, to gain a basic understanding of the Compact and its requirements;
- obtained and reviewed the Compact general ledgers for the audit period;
- reviewed annual financial statement audit reports related to Rocky Boy for FYs 2011 through 2012;
- judgmentally selected documentation associated with salary and benefit payments made to seven Rocky Boy employees for further review;

- compared, for each of the seven selected employees, the actual salary and benefit payments to (1) the approved salaries as reflected in their personnel files, (2) the employees' timesheets and the time clock, and (3) the relevant provisions of both the Tribe's and Rocky Boy's policies and procedures;
- judgmentally selected 20 large travel expense payments to businesses and individuals and judgmentally selected 10 travel expenses based on the destination;
- obtained and reviewed travel receipts, travel requests, and travel claims for FYs 2011 and 2012; and
- discussed the results of our audit with Rocky Boy officials.

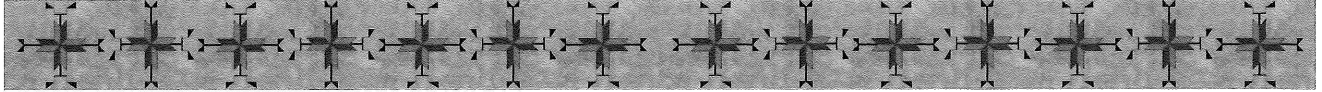
We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



# Rocky Boy Health Board

RR1 Box 664 ♦ Box Elder, Montana 59521

AAAHC, COLA Accredited



CHIPPEWA CREE HEALTH CENTER (406) 395-4486, (406) 352-3003, 1-877-520-8764

WHITE SKY HOPE CENTER (406) 395-4818 ♦ Utilities Commission (406) 395-4060

Finance (406) 395-5008 ♦ Planning (406) 395-4064 ♦ Environmental Health (406) 395-4490

## ROCKY BOY HEALTH BOARD'S WRITTEN RESPONSE TO THE OFFICE OF INSPECTOR GENERAL REPORT- A-07-15-04221

### **Health Board Finance Department Employees Received Duplicate Salary Payments**

The payroll period as of August 1, 2015 was changed to allow our payroll clerk time to review the timesheets and leave requests prior to issuing checks. We stopped early checks with the exception of death in the family and medical emergency. In addition, early checks are issued only for hours worked. With the next twelve months, the intent is to edit, create, and generate internal controls, policies, procedures, and documentation through the use of an external consultant to eliminate duplicate salary payments and ensure that employees were paid the authorized amounts. In February 2016, two (2) payroll staff members will be attending payroll law training.

### **Rocky Boy Employees Received Unsupported Supplemental Payroll Payments**

Currently we have one (1) employee who receives supplemental quarterly payroll payments. Supplemental payment is received in accordance to contract management. Per Tribe's personnel policy and procedure, the employee is documenting in detail the management performed in relation to the contract. Employee records reflect identification and tracking of hourly work performed, as well as detail of work tasks and completion.

### **Health Board Finance Department Employees Received Excessive Retirement Benefit Payments**

Effective March 2015, employees were no longer allowed retirement advances through the Rocky Boy Health Board All IRA (retirement benefit) are paid directly to a qualified third party retirement financial institution. In June of 2015 the Board suspended the I.R.A. (retirement benefit) advance policy.

### **Rocky Boy Exempt Employees Received Overtime Payments To Which They Were Not Entitled**

Per section 5.6 of the Chippewa Cree Tribe policies and procedures, exempt employees are allowed to accrued compensatory time if they are incurring substantial overtime (8 hours or more per week). They are required to inform their supervisor who shall inform the Executive Director of such need. Time off will be compensated at the rate of one hour off per one hour of overtime worked. Exempt employees shall not be entitled to overtime pay for overtime hours worked. In



addition, correct reclassification for exempt and non-exempt will be applied to all staff, including management, supervisors, and alike. The reclassification will be completed by May 1, 2016.

### **Rocky Boy Nonexempt Employees Received Overtime Payments to Which They Were Not Entitled**

In accordance to the Tribe's personnel policy, overtime for non-exempt employees needs to be preapproved by their supervisor. For FY2015, overtime is currently being reviewed by the Finance office to determine if annual, sick, or other permitted leave has been taken in the same period. If miscalculations and/or inaccurate time sheets reflecting O.T. resulting in incorrect employee pay, the proposed correction will be to request employee payback. In February 2016, two (2) payroll staff members will be attending payroll law training. By April, 2016, a new time keeping system will be installed. Time keeping training will be provided for the timekeepers, payroll staff, supervisors, and employees. By March, 2016, personnel assistant will be receiving Tribal human resources professional certification training, including employment and payroll law training.

### **Rocky Boy Employees Received Donated Leave While Having Annual or Sick Leave Balances**

In FY2015, all leave was internally audited. The corrected balances were integrated into the MIP Accounting software for regular maintenance, administration, and monitoring. Bi-weekly leave reports are provided to Division Chiefs, Personnel, and RBHB Management (CEO/COO). All leave is currently printed on employee paychecks. Prior to current RBHB management signing off on a request for donated leave, medical slips must be attached to the employee's donated leave and FMLA form. All employees received a reminder communication of the RBHB Family Medical Leave Act (FMLA) and donated leave policy on February 1, 2016.

### **Rocky Boy Employees Received Excessive Annual Leave Benefits**

In FY2015, all leave was internally audited. The corrected balances were integrated into the MIP Accounting software for regular maintenance, administration, and monitoring. Bi-weekly leave reports are provided to Division Chiefs, Personnel, and RBHB Management (CEO/COO). All leave is currently printed on employee paychecks. Per section 8.6 of the Personnel Policies and Procedures, the Chippewa Cree Business Committee reserves the right to designate any other day as a holiday by the official order of the Chippewa Cree Business Committee. If there is a formal "Tribal" holiday that the Clinic cannot take off, the Clinic can accrue this holiday time. RBHB requires the Tribal Holiday Memo is attached to the employee's timesheet for the appropriate pay period in which the Tribal Holiday was granted. The current MIP system has a code for Tribal Holiday for tracking and reporting. By April, 2016, a new time keeping system will be installed and will allow for tracking of additional Tribal Holidays.

### **Rocky Boy Employees Received Unauthorized Compensatory Time in Lieu of Overtime**

Per section 5.6 of the Personnel Policies and Procedures, RBHB employees must complete Compensatory Time Agreement form prior to receiving compensatory time in lieu of overtime. All approval signatures must be obtained from the employee, supervisor, division chief, and

chief executive officer before any work is started. After comp-time is earned the form needs to be completed and verified by the supervisor, division chief and the executive officer. Controls are currently in place to verify that all items are signed and verified, before the finance director updates the MIP software to include the comp time. By April, 2016, a new time keeping system will be installed and will allow for tracking of employee compensatory time.

### **Rocky Boy Did Not Always Maintain Adequate Supporting Documentation**

The payroll period as of August 1, 2015 was changed to allow our payroll clerk time to review the timesheets and leave requests prior to issuing checks.

With the next twelve months, the intent is to edit, create, and generate internal controls, policies, procedures, and documentation through the use of an external consultant to eliminate duplicate salary payments and ensure that employees were paid the authorized amounts.

Per section 8.6 of the Personnel Policies and Procedures, the Chippewa Cree Business Committee reserves the right to designate any other day as a holiday by the official order of the Chippewa Cree Business Committee. If there is a formal "Tribal" holiday that the Clinic cannot take off, the Clinic can accrue this holiday time. RBHB requires the Tribal Holiday Memo is attached to the employee's timesheet for the appropriate pay period in which the Tribal Holiday was granted.

Per section 5.6 of the Personnel Policies and Procedures, RBHB employees must complete Compensatory Time Agreement form prior to receiving compensatory time in lieu of overtime. All approval signatures must be obtained from the employee, supervisor, division chief, and chief executive officer before any work is started. After comp-time is earned the form needs to be completed and verified by the supervisor, division chief and the executive officer.

In accordance to the Tribe's personnel policy, overtime for non-exempt employees needs to be preapproved by their supervisor. For FY2015, overtime is currently being reviewed by the Finance office to determine if annual, sick, or other permitted leave has been taken in the same period. If miscalculations and/or inaccurate time sheets reflecting O.T. resulting in incorrect employee pay, the proposed correction will be to request employee payback.

By March, 2016, personnel assistant will be receiving Tribal human resources professional certification training, including employment and payroll law training.

By April, 2016, a new time keeping system will be installed. Time keeping training will be provided for the timekeepers, payroll staff, supervisors, and employees.

In February, 2016, all employees were required to complete a new W-4.

### **Unsupported Travel Expenses**

Currently, the Emergency/Medical Travel Assistance Program (EMTAP) is funded by the RBHB third-party billing. By March, 2016, the EMTAP Policy will be updated and provided to

incoming patients (requestors). All EMTAP applications require complete documentation, including income status verification (if applicable).

The travel request requires appropriate documentation as to purpose of travel, including cost estimate. The initial request must contain all reference documentation and all required approving signatures. The approved initial request serves as the basis for final report and corresponding cost submission. The final submission requires all back-up support, documentation, trip report, and certificate of completion, if applicable, within five (5) days of travel. The Rocky Boy Health Board (RBHB) must approve all out of state travel 30 days prior to traveling. Documentation of approval can be found within the RBHB monthly meeting minutes.

All Chief Executive Officer (CEO) in or out of state travel must be approved by the RBHB.

Respectfully Submitted,



Beau Mitchell,  
Chairman of the Rocky Boy Health Board

2-9-16

Date