

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**ADMINISTRATION FOR NATIVE
AMERICANS: A REVIEW OF THE SEDS
PROGRAM**



Richard P. Kusserow
INSPECTOR GENERAL

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EXECUTIVE SUMMARY

PURPOSE

This report examines (1) the extent to which projects receiving social and economic development strategies (SEDS) grants from the Administration for Native Americans (ANA) have met their goals, (2) the adequacy of ANA's grant monitoring, and (3) whether SEDS has contributed to the social, economic, and governmental self-sufficiency of Native American communities.

BACKGROUND

The Native American Programs Act of 1974 (P.L. 93-644, title VIII) authorized a program of financial and technical assistance to promote social and economic self-sufficiency for "American Indians, Alaskan Natives, Native Hawaiians, and Pacific Islanders." In the Administration for Children and Families (ACF), ANA is responsible for program administration. The ANA developed the SEDS funding approach in 1981 to allow Native American communities to determine their own strategy for achieving self-sufficiency.

The SEDS grants account for about \$25 million of ANA's annual \$30 million budget. Funding has remained constant for 10 years. The SEDS grants have three separate purposes: economic development, governance, and social development.

METHODOLOGY

Our review covered fiscal years 1986 through 1988. During this period, ANA awarded 560 SEDS grants totaling \$75 million. Ranging from \$5,000 to \$1.2 million, the average grant was \$134,000. We randomly selected 30 grants from each fiscal year. These grants funded 259 projects. We evaluated the long-term success of each project using information obtained from grant folder reviews, grantee interviews (including 23 site visits), and discussions with ANA officials.

FINDINGS

- ▶ One-quarter of projects did not meet their goals.
- ▶ Although ANA has grant monitoring procedures, compliance with procedures was not systematic.
- ▶ Progress toward self-sufficiency cannot be determined.
- ▶ Grantees view flexibility as the main strength of SEDS.
- ▶ Most grantees approved of ANA's management of grants.

RECOMMENDATIONS

The ANA should:

- ▶ Follow guidelines to target its grant monitoring to projects with the greatest risk of failure.
- ▶ Provide grant applicants with information on the results of previous projects.
- ▶ Require that each grantee have a clearly delineated strategy for promoting self-sufficiency.
- ▶ Develop standards to determine the adequacy and appropriateness of such strategies.
- ▶ Review SEDS grant applications to assure that grantee proposals will contribute to meeting established strategies and goals.
- ▶ Monitor grantee performance according to current guidelines and procedures to assure that activities reflect plans and commitments expressed in the grant proposal.

COMMENTS

We received comments from ACF and the Assistant Secretary for Planning and Evaluation (ASPE). The ACF concurred with all except two findings and all but one recommendation. They non-concurred with our finding concerning the number of successful projects. However, their non-concurrence focused on the distinction between the words "project" and "objective." The ACF disagreed with our finding that progress toward self-sufficiency cannot be determined. They also disagreed with our recommendation that ANA should develop standards to measure grantee progress toward self-sufficiency.

The ASPE generally agreed with our findings and recommendations.

We have addressed ACF's concerns about both findings in the body of the report. We continue to believe that ANA should develop standards which measure SEDS grants' contribution to grantee progress toward self-sufficiency. This is consistent with findings in an earlier study funded by ASPE.

The full text of comments appears in Appendix E.

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INTRODUCTION

PURPOSE

This report examines (1) the extent to which projects receiving social and economic development strategies (SEDS) grants from the Administration for Native Americans (ANA) have achieved their goals, (2) the adequacy of ANA grant monitoring activities, and (3) whether SEDS funding has contributed to the social, economic, and governmental self-sufficiency of Native American communities.

BACKGROUND

ANA's Legislative Mandate

In 1973 the then Department of Health, Education and Welfare established the Office of Native American Programs (ONAP). The Native American Programs Act of 1974 (P.L. 93-644, title VIII) authorized ONAP to provide financial and technical assistance to promote the goal of social and economic self-sufficiency for "American Indians, Alaskan Natives, Native Hawaiians, and Pacific Islanders."

In a 1977 departmental reorganization, ONAP became the Administration for Native Americans (ANA) in the Office of Human Development Services (OHDS). The ANA is now part of the recently formed Administration for Children and Families (ACF). Prior to 1981, ANA primarily funded administrative support and social services for tribes and Native American organizations. It sought to meet its legislative mandate through coordinating and evaluating programs serving Native Americans and administering grants.

Development of the SEDS Program

In 1978, an Office of Inspector General (OIG) review¹ suggested improvements to help ANA fulfill its legislative mandate. The ANA then worked with tribal and other Native American leaders to develop a new funding approach. They based their approach on three program goals:

- ▶ **economic development:** to foster the development of stable, diversified local economies and economic activities that provide jobs, promote economic well-being, and reduce dependency on welfare services by starting or attracting new businesses;²
- ▶ **governance:** to develop or strengthen tribal governments and Native American institutions and local leadership to assure local control and decision-making over all resources,³ such as funding to help the tribe in securing Federal recognition or the development of tax codes and land use ordinances; and

- ▶ **social development:** to support local access to and coordination of programs and services that safeguard the health and well-being of a community and its people.⁴ For example, these grants may develop employment skills, address housing needs, or reduce teenage pregnancy.

Since 1981, ANA has used SEDS as the primary channel to carry out its legislative mandate. The SEDS approach supports tribal governments and Native American organizations in developing and implementing community-based, long-term governance, social and economic development strategies.

The SEDS Grant Award Process

The ANA periodically solicits grant applications through the *Federal Register*. Outside panels of individual readers knowledgeable about Native American affairs review grant applications. Based on written criteria, these panels rate proposals to decide their likelihood of success. Applicants must state specific, measurable goals that are consistent with community needs and long-range social and economic strategies. The ANA staff make the final award determinations. Each grant consists of one or more objectives. The ANA awards approximately one grant for every three applications received.

The ANA's Funding Levels

The ANA's funding has changed little over the last 10 years. It has remained constant at slightly over 1 percent of total Federal Native American funding (See Appendix A). The ANA's funding reached its peak at \$41 million in Fiscal Year 1976. Funding subsequently declined to a low of \$27.7 million in Fiscal Year 1986. Since then, ANA's budget has remained constant at approximately \$30 million per year. The SEDS grants account for approximately \$25 million of ANA's annual budget.

Prior Reviews of ANA Activities

In addition to the 1978 OIG study, ANA was reviewed three times during the 1980s. Maximus, Inc., under OHDS contract, issued a report in December 1983 that found SEDS was returning \$3 to \$43 for each dollar invested. The review also found SEDS was making progress in overcoming serious social problems.

In 1983, the Assistant Secretary for Planning and Evaluation (ASPE) contracted with CSR Inc. to evaluate the implementation of the SEDS program. The study found that most grantees were achieving at least one project goal and recommended that ANA identify broad indicators of self-sufficiency.

A September 1989 OIG report concluded that a material internal control weakness existed in the monitoring of OHDS discretionary grants.⁵ The weakness pertained to insufficient documentation of monitoring activities.

METHODOLOGY

Sample Selection

Our review covered Fiscal Years 1986 through 1988. There were 560 SEDS grants totaling \$75.1 million awarded during this period. The grants ranged from \$5,000 to \$1.2 million, with an average of \$134,000. For the distribution of funding by grantee type, see Appendix B.

We randomly selected 30 grants from each fiscal year for a total of 90 grants. The 90 grants consisted of 349 objectives. For the purpose of our analysis, we divided the 349 objectives into two categories.

- ▶ One category contained 123 objectives. We grouped objectives linked by a common purpose into one project. The 123 objectives formed 33 projects. A grant awarded to establish a Native American Arts Center illustrates this process. The grant had three objectives: development of a business plan; acquisition of location, supplies and commencement of operations; and implementation of a review and evaluation plan. These three objectives represented one project, the establishment of an arts center.
- ▶ A second category included 226 objectives. Each of these objectives represented a distinct project. There were 226 projects in this category.

The projects from both categories totaled 259. Our analysis and findings are based on these 259 projects (See Appendix C).

Grants awarded in Fiscal Years 1986-88 were chosen to assure that the projects were finished at the time of our review. This enabled us to assess the grants' final results and any ongoing impact they had on self-sufficiency. Three years of data allowed for an objective review if any abnormalities appeared in a particular year. Two grants were still ongoing and incomplete at the time of our review.

Review Process

We reviewed written grant monitoring policies and procedures. Through review of the official grant administration folders, we identified project goals and determined compliance with monitoring procedures. We reviewed ANA literature to identify a definition of self-sufficiency and standards to measure it.

We conducted structured interviews with grantees, including 23 in person and 66 by phone (one grantee had disbanded and could not be contacted). These interviews provided us with information on project achievements, ANA's monitoring, grantee self-sufficiency, and suggestions for improvements in the grant process. We also reviewed documentation supplied by grantees to support their responses.

In order to assess the impact of SEDS grants, we determined whether project goals had been met. We were able to examine the long-term accomplishments of projects after grant funds ended. For example, one grant was awarded to raise a crop that would earn enough money to raise more crops the next year and eventually become a self-supporting farming operation. Although the grantee raised and sold a crop, the profit was less than half what had been projected and the project ended after one year. Therefore, we concluded that the project goal had not been met.

By dividing grants into individual projects we were able to acknowledge the achievements of some projects even if others under the same grant were not successful. In one case, a grantee was awarded funding to (1) develop codes and ordinances for tribal administration and development, (2) operate two power plants, (3) open a factory, (4) establish a five-store shopping center, and (5) develop two support industries for fuel production. The goal of the first project was met but those of the remaining four were not. The fact that most of this grant's projects did not meet their goals does not reduce or negate the contribution of the one that did.

Other projects consisted of several objectives with a common purpose. We first established a project goal. We then based our finding on the achievement of that goal. We could have deemed a project unsuccessful even if a majority of project objectives were completed. For example, one grantee received funding for a project to develop a cannery. The grantee met two of the project's three objectives, developing a business plan and training tribe members in new processing techniques. However, the overall project goal was not met because the cannery was not in operation.

We reviewed 83 of the 90 grant casefolders. Two grant folders were unavailable because the grants were still active at the time of our review. Five other grant folders were misplaced during a move and were not available. We were able to learn the nature of the projects but not ANA's monitoring activities for these five. We spoke to all of the groups for whom we had no grant folders. We had a folder for the one group which had ceased functioning and could not be contacted.

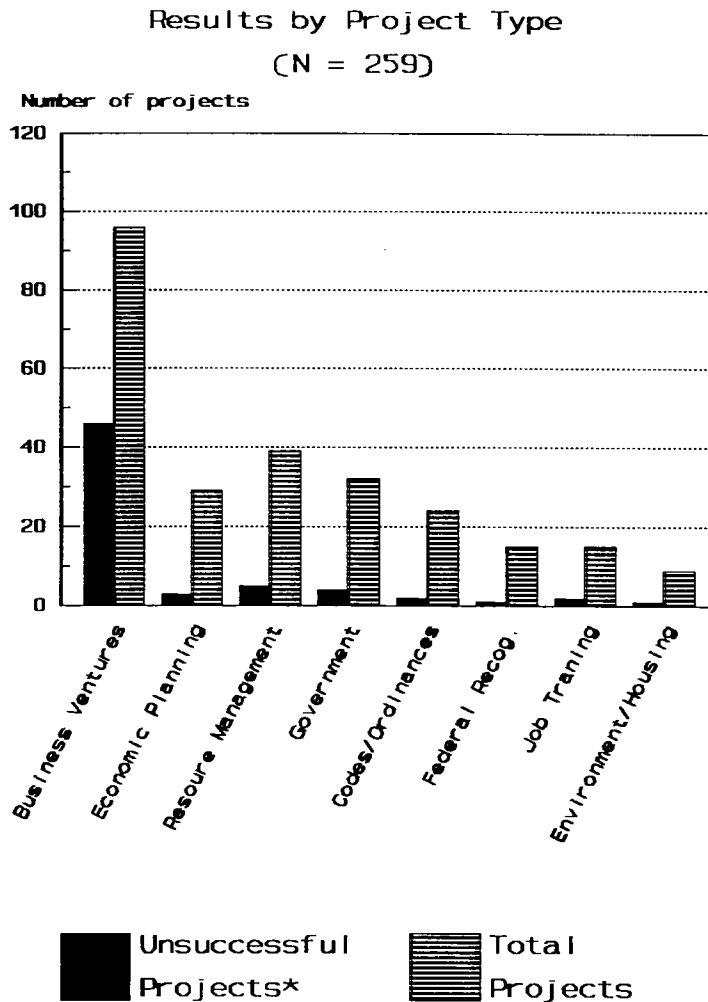
We did not review the grant application process. Any information concerning the application process arose from our conversations with grantees or our analysis of project achievement.

FINDINGS

ONE-QUARTER OF PROJECTS DID NOT MEET THEIR GOALS.

Sixty-two of 259 projects (24 percent) did not meet the grantees' stated goals (See Appendix D for a detailed analysis of these projects). The number of projects that did not meet their goals could rise to 87 (34 percent) projects if another 25 of the 259 projects currently delayed in litigation or in the regulatory process do not meet their goals. Such projects involved water rights, land claims, and Federal recognition cases. These delays were beyond the grantees' control and were not included in our calculation of project success.

The chart below depicts goal achievement by project type:



* This does not include the 25 projects delayed by litigation or the regulatory process.

Business ventures account for most projects not meeting their goals.

Business ventures account for over two-thirds of the unsuccessful projects. Forty-four of 97 (45 percent) Native American business ventures failed. According to the Small Business Administration (SBA), the estimated rate of failure for projects that received SBA loans between 1986 and 1988 is between 15 and 20 percent. This information is intended as a point of reference, not for direct comparison with ANA grantees' business failure rate.

One example of a business venture failure involved a 3-year grant to expand a feed production company and produce a unique type of feed. The company went out of business after 3 years due to changes in technology which the tribe could not match. The tribe made some attempts to use the equipment. However, it currently sits in storage.

Lack of planning and management was cited as the most common cause of problems.

Respondents described problems that prevented them from meeting their goals. We categorized these responses to learn the most common reasons projects were not successful. Lack of planning and management was the reason almost half (30 of 62) of projects did not meet their goals. For example, some grantees mentioned inadequate market research and premature expansion as problems.

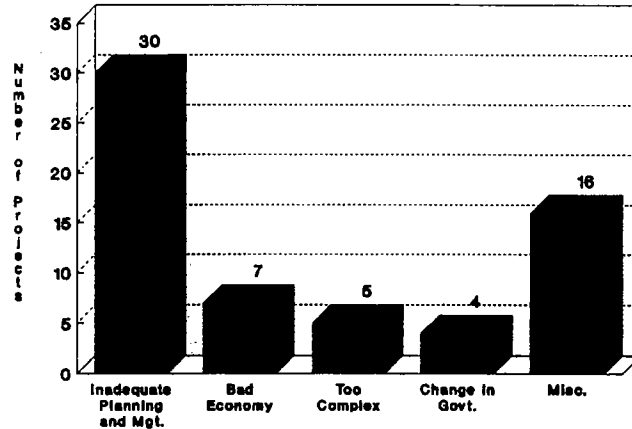
Other projects did not meet their goals due to economic problems, project complexity, and changes in the tribal government.

Problems similar to those mentioned above were cited in a 1983 study funded by ASPE. The report noted difficulties with administrative skills, organizational structure, and social and economic conditions as factors which impeded the implementation of the SEDS program. The study also found that a comprehensive planning system could facilitate the successful implementation of SEDS.

Grantees mentioned a variety of other problems as impediments to project success. Since there was no common link, we grouped these into a miscellaneous category. Two cases illustrate this. One grantee felt racism toward Native Americans prevented his tribe from getting a foothold in the marketplace. Another grantee cited union problems as the cause for failure.

The major reasons given as to why project goals were not met are shown in the following chart and in Appendix D.

Reasons Goals Were Not Met*



*N = 62 (This does not include the 25 projects delayed by litigation or the regulatory process.)

ALTHOUGH ANA HAS GRANT MONITORING PROCEDURES, COMPLIANCE WITH PROCEDURES WAS NOT SYSTEMATIC.

Grant monitoring procedures are described in two different documents.

The *OHDS Grants Administration Staff Manual* (HDSM) sets forth policies and procedures covering all grants in our sample. The HDSM has been periodically updated since it was published in 1978. This document was the primary guide in our analysis of ANA compliance with monitoring procedures.

The *ANA Operations Guide* establishes ANA guidelines within the HDSM requirements. First published in August 1988, the *Operations Guide* combined existing regulations into one document. The provisions of the *Operations Guide* covered only 7 of the 90 grants in our sample because 83 grants were awarded prior to August 1988.

The ANA expanded Part IV of the Guide in April 1990 into a separate *Monitoring Guide*. This addressed the material internal control weakness in OHDS grant monitoring cited by the OIG. A revised *Operations Guide*, produced in 1991, consolidates the *Operations and Monitoring Guides*.

The ANA does not meet all of the grant monitoring requirements.

Although ANA is responsible for many grant monitoring activities, we reviewed the three areas where ANA focuses its monitoring efforts: (1) progress reports, (2) site visits, and (3) certification of completion of program requirements.

According to the HDSM, site visits should be targeted toward grantees with highest risk of failure. Other monitoring activities are the same for all grantees.

► **Progress report submission and review was sporadic.**

Grantees did not submit almost half of all required progress reports and final evaluation reports. We also found no documentation that program specialists had reviewed submitted progress reports. This corroborates the previously noted internal control weakness finding in the September 1989 OIG report.

Regulations concerning progress report submission were recently revised. The HDSM requires program officials to review all progress reports, but does not specify the form of review. Since August 1988, ANA has required quarterly Program Specialist Reports. This provision applies to only seven grants in our sample. None of the seven files contained program specialist reviews. In December 1989, ANA developed a standardized Grantee Status Review Form. They took this action in response to the OIG finding on OHDS grant monitoring.

► **Site visits were infrequent.**

There was little documentation concerning site visits to grantees in our sample. The information provided by ANA revealed that they had visited 10 of the 90 grantees (11 percent) in our sample. However, we received site visit trip reports for only two grantees. Trip reports for three other grantees in our sample showed that ANA visited them to review different grants than those we had studied. There were no trip reports for the remaining five grantees. Consequently, we were unable to determine whether ANA visited them to monitor the grants in our review.

We contacted grantees for more information concerning site visits. According to grantees, program office representatives had visited 27 of the 90 project sites (30 percent) over the 3 years of our review.

The ANA was unable to provide specific written criteria for choosing grantees for site visits. Annual site visits by Program Specialists are "strongly encouraged" in the HDSM to review the grantees' capabilities and practices. Priority should be given to "high risk" grantees, grantees having known problems, and new grantees.

According to ANA officials, budget constraints have reduced travel funds in recent years. In its comments on the draft report, ANA indicated that it intends to monitor "100 percent of a grantee base of 248 by the end of Fiscal Year 1993."

Program Specialists did not follow grant closeout procedures.

Thirty-four of the 83 grant folders (41 percent) reviewed did not contain the required certification of completion of program requirements. At the end of the grant period, the ANA Program Specialist is to complete a certification of completion of program requirements. This assures that the grantee has met all program requirements of the grant.

We found no direct connection between grant monitoring and project success.

For the projects we reviewed, we found no connection between grant monitoring and project success. Grantees who received more monitoring did not have a much higher rate of success than grantees who received little monitoring. We focused our review on three monitoring activities: progress reports, site visits, and certification of completion of program requirements.

Revised regulations concerning progress report review, phone contact, and site visit documentation were not applicable at the time of our review.

PROGRESS TOWARD SELF-SUFFICIENCY CANNOT BE DETERMINED.

The impact of SEDS grants on grantees' progress toward self-sufficiency cannot be measured.

Even though the 1988 amendments to the Native American Programs Act require the development and publication of general standards for evaluation of program and project effectiveness, we found no such standards. Furthermore, we found no indicators, through document review, discussions with ANA officials, or information provided by grantees, which could be used to measure the extent to which individual SEDS grants are contributing to grantee self-sufficiency. The impact of SEDS grants on self-sufficiency cannot be measured without such standards.

Although our review found that three-quarters of projects met their goals, no standards exist which would enable ANA to equate successful projects with grantee progress toward self-sufficiency.

Lack of standards for the SEDS program is not a new issue. The ASPE raised the same concern over measuring progress in a report it funded in 1983. That report states, "As the [SEDS] approach develops, there is a need to identify indicators of self-sufficiency . . . Unless steps are taken to develop some uniform definitions and measurable indicators of self-sufficiency, it will not be possible to conduct an impact evaluation of SEDS."⁶ This concern has still not been addressed.

In its comments on the draft report, ACF noted that there are ways to measure grantee progress toward self-sufficiency. According to ACF, "progress is what [grantees] are accomplishing." However, as noted above, ANA has no written standards or methods to systematically measure progress toward self-sufficiency.

Examples of possible standards include reduced levels of dependence on Federal support, increased employment, increased levels of education, higher average incomes, lower poverty rates, the development of economic plans, and increased tribal revenues.

Such standards could be produced through a joint ANA-Native American effort. The ASPE's earlier recommendations corroborate the feasibility of this approach.⁷

Over one-third of grantees did not have a strategy for achieving self-sufficiency.

Discussions with grantees revealed that a significant number are not pursuing a long-range self-sufficiency strategy. Forty percent (36 of 90) said they did not have any long-range self-sufficiency strategy at the time of their grant award. Few grantees even mentioned self-sufficiency as a benefit of the SEDS program.

In its response to the draft report, ACF noted that grantees are required to have

"Strategies that enable them to get to the level of development at which a Native American [community] can control and internally generate resources to provide for the needs of its members and meet its own short and long-range social and economic goal which is self-sufficiency."

Aspects of these long-range strategies which support and justify proposed projects are to be included in the grant application. However, we did not review grant applications and cannot say whether such strategies were addressed.

GRANTEES VIEW FLEXIBILITY AS THE MAIN STRENGTH OF SEDS.

Grantees saw SEDS' ability to respond to their dissimilar needs as its greatest strength. More than one-quarter of the grantees interviewed mentioned the broad scope of projects that could be funded by ANA as a strong point of the program. This allows these grantees to pursue developmental activities not funded by any other agency.

Two examples illustrate the divergent nature of SEDS grants. One grantee used a 3-year grant to promote tourism, increasing revenues by \$150,000. With its grant, another tribe expanded its packaging industry. It now generates an annual income of \$260,000 and teaches job skills to tribe members. It was also able to purchase, remodel, and resell three homes to low-income Native American families. The tribe placed three families in these homes and provided construction training to six Native Americans. Both of these efforts have been a long-term success.

Several mentioned that other funding agencies dictate the use of their funds, whereas ANA allows grantees the flexibility to determine their own needs.

MOST GRANTEES APPROVED OF ANA'S MANAGEMENT OF GRANTS.

Seventy of the 90 grantees (78 percent) had no problems with the way ANA managed their grants. Eighteen of the 70 grantees noted that ANA was very helpful in providing assistance when needed and they characterized their relationship with ANA as good. However, 26 of 90 grantees noted that the grant process could be improved if there was more direct contact with ANA through either technical assistance or on-site monitoring.

Suggestions for technical assistance focused on training for grant writing and ANA's post-award requirements. Grantees wanted more site visits to give program specialists a better understanding of their circumstances. For those grantees visited, most had positive comments and strongly urged future visits. Some grantees suggested that ANA provide them with information on the results of other grantees' projects. This would enable them to model proposals on successful projects and would prevent grantees from duplicating unsuccessful projects.

Twenty-two grantees appreciated the personal contact they had with ANA. According to these respondents, they received personal attention from ANA, whereas with larger agencies they tend to get lost in the bureaucracy.

Note: We shared the full list of grantee suggestions with ANA. Neither grantees nor individuals were identified on this list.

RECOMMENDATIONS

Our respondents believe that SEDS can be an effective tool in promoting Native American self-sufficiency, in spite of its limited funding.

To improve the project achievement rate, the ANA should:

- ▶ **Follow guidelines to target its grant monitoring to projects with the greatest risk of failure.** Grants for business ventures should be watched closely since these projects are the least likely to meet their goals.
- ▶ **Provide grant applicants with information on the results of previous projects.** A summary of project outcomes could be included in the application package.

To further their role in helping grantees become more self-sufficient, ANA should:

- ▶ **Require that each grantee have a clearly delineated strategy for promoting self-sufficiency.**
- ▶ **Develop standards to determine the adequacy and appropriateness of such strategies.**
- ▶ **Review SEDS grant applications** to assure that grantee proposals will contribute to meeting established strategies and goals.
- ▶ **Monitor grantee performance** according to current guidelines and procedures to assure that activities reflect plans and commitments expressed in the grant proposal.

SUMMARY OF AGENCY COMMENTS AND OIG RESPONSE

Administration for Children and Families (ACF)

The ACF concurred with all except two findings and all but one recommendation. They did not agree that one-quarter of projects did not meet their goals and that progress toward self-sufficiency cannot be determined. They also disagreed with our recommendation that ANA should develop standards to measure grantee progress toward self-sufficiency.

The ACF non-concurred with our finding concerning the number of successful projects. However, this non-concurrence focused on the distinction between the words "project" and "objective." We addressed their concerns about terminology in the body of the report.

Concerning our finding on the frequency of site visits, ACF asked that we change the number of trip reports received from 14 to 50. The ANA provided us with a list of grantees visited from Fiscal Year 1987 through 1990 and trip reports documenting visits to these grantees.

Our review of ANA's list revealed that 10 of the 90 grantees in our sample had been visited. However, we received site visit trip reports for only two of these. Trip reports for three other grantees in our sample showed that ANA visited them to review different grants than those we had studied. There was no documentation of site visits to the five remaining grantees. Consequently, we were unable to determine whether ANA visited them to monitor the grants in our review.

The ACF disagreed with our finding that progress toward self-sufficiency cannot be determined. However, our review did not reveal standards to measure the impact of SEDS grants on grantees' progress toward self-sufficiency. This is true despite 1988 amendments to the Native American Programs Act requiring such standards.

The ACF also disagreed with our statement that over one-third of grantees did not have a strategy for achieving self-sufficiency. According to ACF, the grant application requires grantees to relate proposed projects to relevant aspects of their long-range development strategies. However, a significant number of grantees revealed that they do not have long-range strategies for pursuing self-sufficiency.

The ACF questioned our recommendation concerning the development of standards to measure grantees' progress toward self-sufficiency. They believe that locally determined standards can be used instead of uniform national standards. We agree that the basis for determining the success of each grantee's efforts should be its own strategy for promoting self-sufficiency. However, without standards, ACF cannot determine the adequacy of such strategies. Examples of possible standards include reduced levels of dependence on Federal support, increased employment, increased levels of education, higher average incomes, lower poverty rates, the development of economic plans, and increased tribal revenues. We have modified our recommendation to reflect this approach.

We recognize the steps ACF has taken to improve the administration of the SEDS program, despite reduced resources. We hope that ACF will use this report as a constructive tool to further enhance the condition of Native Americans.

Assistant Secretary for Planning and Evaluation (ASPE)

The ASPE generally concurred with our findings and recommendations. They believe this report should be useful in improving ANA's programs. They suggested that standards specifically focus on the impact of SEDS grants on self-sufficiency.

The ASPE questioned the inclusion of small business failure data from the Small Business Administration (SBA). The ANA suggested that we look at this data. It is included as a general point of reference, not for direct comparison with ANA grantees' business failure rate.

The ASPE also stressed the need for increased technical assistance, as a means to increase grantee success rate. We agree with the value of increased technical assistance and point out its importance to grantees in the body of the report.

The full text of comments appears in Appendix E.

ENDNOTES

1. Department of Health, Education, and Welfare, *Review of Implementation of Native American Programs Act of 1974 - Office of Human Development Services* (1978), Audit Control Number 14-81300.
2. U.S. General Services Administration, *1990 Catalog of Federal Domestic Assistance*, p. 340.
3. Department of Health and Human Services, *Commitment to Self-Sufficiency: Social and Economic Development Strategies of Native American Communities* (1987), p. 8.
4. Ibid., p.8..
5. Department of Health and Human Services, *Awarding and Monitoring Discretionary Grants*, Office of Human Development Services (1983), Audit Control Number 12-89-00142. Included in this review were grants and cooperative agreements made under the OHDS Coordinated Discretionary Funds Program (CDP). Our inspection concerns SEDS grants, not CDP grants. The ANA follows the same procedures for both types of grants.
6. Assistant Secretary for Planning and Evaluation (ASPE), *A Short Term Evaluation of the Initial Implementation of the Social and Economic Development Strategies of The Administration for Native Americans*, 1983, Contract Number HS-100-82-0028, p. iv.
7. Ibid., p.30.

APPENDIX A

BUDGET COMPARISON - ANA VS. OVERALL FEDERAL
NATIVE AMERICAN FUNDING FY 1975 - 1990
(DOLLAR AMOUNTS IN THOUSANDS)

FISCAL YEAR	ANA	OVERALL FEDERAL	PERCENTAGE
1975	\$32,000	\$1,105,373	2.9
1976	41,000	1,756,276	2.3
1977	33,000	1,386,626	2.4
1978	33,000	2,200,639	1.5
1979	33,100	2,579,483	1.3
1980	33,800	2,572,698	1.3
1981	33,800	2,555,189	1.3
1982	28,000	2,246,669	1.2
1983	28,000	2,340,603	1.2
1984	29,000	2,255,189	1.3
1985	29,000	2,268,218	1.3
1986	27,742	2,254,299	1.2
1987	29,989	2,315,028	1.3
1988	29,679	2,421,937	1.2
1989	29,975	2,409,186	1.2
1990	31,711	2,850,120	1.1

SOURCE: Budget Views and Estimates for Fiscal Year 1991 for
Indian Programs Under the Jurisdiction of the Senate Select
Committee on Indian Affairs, March 1990, p. 59.

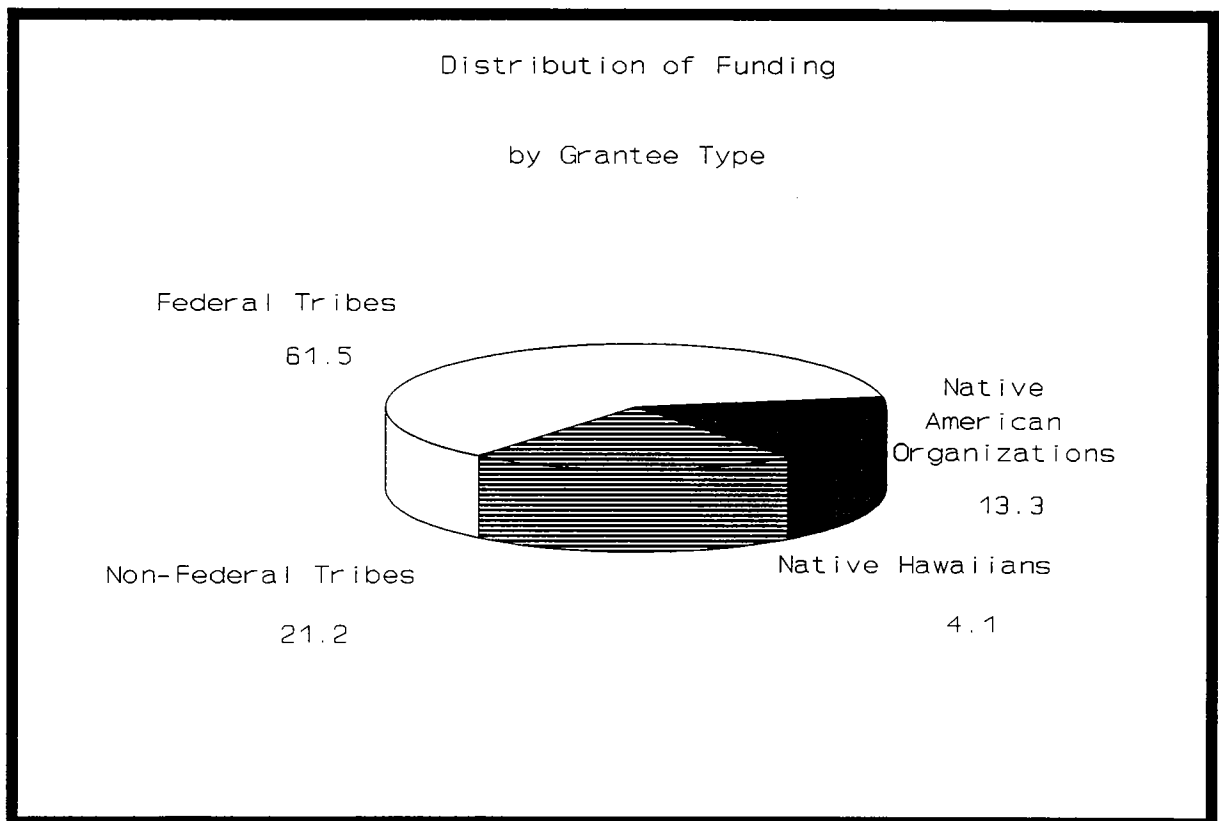
APPENDIX B

PERCENTAGE OF FUNDING BY GRANTEE TYPE

The SEDS program funds four groups:

- (1) Federally recognized tribes, Alaskans, and Native Americans served through consortia arrangements;
- (2) Non-federally recognized tribes, urban groups, and rural groups;
- (3) Native Hawaiians; and
- (4) Other special grantees or organizations representing Native Americans not included in these first three groups.

The chart below illustrates the distribution of funds (figures are in percentages) by grantee for Fiscal Years 1986 - 1988:



APPENDIX C

DISTRIBUTION BY PROJECT TYPE

The 259 projects in our sample are divided into nine types of projects:

Economic Development Projects:

- ▶ Business ventures: 97 projects (37 percent). Examples: sale of tribal crafts, the operation of a fishery.
- ▶ Economic planning: 28 projects (11 percent). Example: conducting a feasibility study into the expansion of the tribal print shop.

Governance Projects:

- ▶ Natural resource management: 39 projects (15 percent). Examples: conducting land use studies, helping in water rights claims.
- ▶ Government: 32 projects (12 percent). Examples: deciding the best form of tribal government, setting up a tribal court system.
- ▶ Codes/Ordinances: 24 projects (9 percent). Laws and regulations that govern tribes or Native American organizations.
- ▶ Federal Recognition: 15 projects (6 percent). During this process, the tribe acquires rights and responsibilities of a separate nation whose government is recognized by the U.S. government.

Social Development Projects:

- ▶ Job training and placement: 15 projects (6 percent). Examples: providing training to develop marketable skills, establishing an employment service.
- ▶ Housing: six projects (2 percent). Examples: building low income housing, developing options to conventional mortgages.
- ▶ Environmental protection: three projects (1 percent). Examples: developing a plan to remove hazardous waste on tribal grounds, agreeing to protect wildlife.

Note: Percentages total 99 due to rounding. The common denominator for all computations is 259.

APPENDIX D

ANALYSIS OF PROJECTS NOT MEETING GOALS

I. Economic Development - Business Ventures (44)

Sample

<u>No.</u>	<u>Description of Project/Reason Goal Was Not Met (Reason Category)</u>
4	Develop a winter tourism industry/Trying to resolve land issues (planning and management).
6	Develop a community dock facility/Legal liability problems (planning and management).
8	Develop (fishing) cannery enterprise/Problem finding a company to run the cannery (planning and management).
9	Develop fishing industry/Resistance from community to Native Americans (miscellaneous).
17	Establish a self-sustaining tribal arts enterprise/Losing money due to overstaffing (planning and management).
18	Market gift baskets/The manufacturer who supplied baskets went out of business (planning and management).
23	Develop a new invention - "jet-a-boat" propulsion device/Looking for capital (planning and management).
24	Create a subsidiary for-profit corporation/Put on hold due to change in government (change in tribal government).
27	Establish a Native American for-profit contractor/Project abandoned when it felt it was not attainable (planning and management).
32	Clear land, plant and raise crops for expected resale of \$150,000/Ran for only one year with sales of \$60,000. Currently lease the land. Affected by drought and equipment vandalism. Also had problems with turnover in tribal government (miscellaneous).
34	Start a tribal business (undisclosed nature)/Ran out of time, will try to set up without ANA funds (planning and management).

- 35 Increase annual tribal revenues by \$250,000 through Regional Fisheries Development Program/Expanded too quickly, currently in debt and behind in taxes (planning and management).
- 38 Develop a business around tribal campground/Problem in land acquisition. Business has yet to develop (planning and management).
- 40 Start lumber sawmill business (40 employees)/Could not obtain financing (planning and management).
- 41 Set up furniture manufacturing company on reservation/ Carpentry school on reservation was discontinued, school was to have evolved into business (planning and management).
- 42 Establish birchbark basket project/Inability to market, little hope for future sales (planning and management)
- 44 Create another 75 jobs in an industrial plant/Plant opened eight months late. Originally hired 55, few still employed. Demand for product has declined due to changes in the industry. No longer making money (bad economy).
- 48 Increase level of production and number of employees at doll cottage industry/Could not manufacture a product at a cost to make a profit (planning and management).
- 48 Expand aquaculture project/90 percent of fish died, no profits expected for 5-7 years (planning and management).
- 48 Establish a parts assembly workshop train and employ five/Workshop unable to get any contracts, now closed down (bad economy).
- 51 Expand aquaculture business/Still being developed, seeking private funds (planning and management).
- 53 Establish mini-mall/Could not get additional funding (planning and management).
- 53 Establish commercial canning operation/Water lines not large enough to handle commercial canning operation (planning and management).
- 53 Establish ethanol production facility/Federal subsidy expired 1990. Without subsidy, would operate at a loss (planning and management).
- 53 Operate hydroelectric installation at two sites/Study showed silt from river would damage the turbines, project abandoned (planning and management).

- 56 Develop a marketing center for Pueblo crafts/**Marketing center was not established following delays which included the deobligation of part of the project's funding (miscellaneous).**
- 57 Establish a joint venture to operate sand and gravel business/**Tribe was not prepared to finance or manage the operation (planning and management).**
- 61 Produce graphite composition parts for aerospace industry/**Business operated for 3 years with 10-15 employees, no longer operating due to lack of revenue. Too small to compete for contracts (bad economy).**
- 61 Establish cut and sew operation for Defense Department/**Business never established, reasons unknown (miscellaneous).**
- 63 Generate \$400,000 in annual sales from ice cream franchise/**Business losing money due to lack of road traffic and slow growth of area (bad economy).**
- 65 Establish "denturism" lab/**Lab project ended due to lack of space in building (planning and management).**
- 65 Establish convenience store/**Plans for convenience store delayed by tribal elections (change in tribal government).**
- 65 Establish training track for horses/**Training track not developed due to lack of investor interest (planning and management).**
- 66 Establish manufacturing plant on tribal land/**Thwarted by union problems and economic factors (miscellaneous).**
- 67 Establish a plastics plant with neighboring city and a private company/**Do not have the infrastructure in place, objective too ambitious. Used money to support tribe (too complex).**
- 67 Establish joint oil and gas business with private drilling company and a local bank/**Do not have the infrastructure in place, objective too ambitious. Used money to support tribe (too complex).**
- 75 Establish a mortgage company/**Mortgage company not established, no investors (planning and management).**
- 77 Establish a profitable sign company/**Business operated for 3-4 years, then went out of business (miscellaneous).**
- 78 Establish a non-profit co-op to market Native American goods/**Discontinued (miscellaneous).**

- 80 Develop fisheries resources, provide four jobs/Terminated project due to loss of market for product and economic distress (bad economy).
- 83 Create trading company with China/Unstable relationship with Chinese government (too complex).
- 83 Establish graphite manufacturing enterprise/Project has been put on hold (too complex).
- 83 Establish profitable convenience store/No measurable return (bad economy).
- 83 Manufacture container components/Employed 25-30 people at one time, now defunct (miscellaneous).

I. Economic Development - Economic Planning (3)

- 16 Develop a 10-year management plan for tribe's restaurant and hotel/Not yet developed (planning and management).
- 47 Attract business to industrial building/Did not succeed due to remoteness of area (planning and management).
- 61 Develop and utilize data base for business opportunities/Data base created but not utilized due to a turnover in tribal government (change in tribal government).

II. Governance - Resource Management (5)

- 14 Provide training to tribal communities on how to conduct land transfers/Training was not undertaken (miscellaneous).
- 28 Negotiate settlement to land claim/Did not begin due to a disagreement over which parties should participate (miscellaneous).
- 28 Negotiate settlement to land claim/Grantee no longer representing this tribe (miscellaneous).
- 28 Establish legal title to water rights/Grantee did some preliminary work, now handled by another attorney (miscellaneous).
- 40 Extend water and sewer service/EPA unable to provide funding (planning and management).

II. Governance - Government (4)

- 11 Set up tribal courts in five villages/Initial efforts abandoned (too complex).
- 57 Establish Tribal Enterprise Board/Defunct, administration turned over (change in tribal government).
- 68 Establish an Economic Development Authority/Defunct, funding subsequently withdrawn (planning and management).
- 77 Develop staff through management training/Staff has left (miscellaneous).

II. Governance - Codes/Ordinances (2)

- 28 Establish tribal court to enforce regulations concerning the taking of marine mammals/Not able to establish, ran out of money (planning and management).
- 68 Develop zoning ordinance/No ordinances developed (miscellaneous).

II. Governance - Federal Recognition (1)

- 43 Obtain Federal recognition/Tribe is now defunct, process discontinued (miscellaneous).

III. Social Development - Jobs Training (2)

- 7 Place 30 residents in jobs/Not completed due to slowdown in economy (bad economy).
- 50 Employ six youths through youth cooperative which will operate concessions at summer drama project/No longer operating, currently looking for funding (planning and management).

III. Social Development - Environmental Protection (1)

- 28 Serve as legal consultant to ensure that the Native American exemption from the general moratorium on taking marine mammals remains in place/Grantee did some preliminary work, now handled by another attorney (miscellaneous).

APPENDIX E

AGENCY COMMENTS



ADMINISTRATION FOR CHILDREN AND FAMILIE
Office of the Assistant Secretary, Suite 600
370 L'Enfant Promenade, S.W.
Washington, D.C. 20447

September 5, 1991

TO: Richard P. Kusserow
Inspector General
Department of Health and Human Services

FROM: *Jo Anne B. Barnhart*
Jo Anne B. Barnhart
Assistant Secretary
for Children and Families

SUBJECT: Response to the Office of Inspector General Draft
Report: "Administration for Native Americans: A
Review of the SEDS Program," OEI-03-90-00390

Thank you for the opportunity to review and comment on your draft report entitled: "Administration for Native Americans: A Review of the SEDS Program." The report contains five major findings and six recommendations. Following are our general comments on the report, our responses to the findings and recommendations, and our technical comments on specific parts of the report. To supplement our response we have attached a discussion paper, developed by ANA staff, on the fundamental policy and program bases employed by ANA when it funds Native American communities to carry out its legislative mandate.

General Comments

The Report contains some important and interesting discussions about the social and economic development strategies employed by American Indian Tribes, Alaska Native Village governments, and other Native American organizations, however it has some structural flaws that should be corrected to preserve the integrity of the discussions. There are also some basic study conclusions with which we disagree and terminology that should be clarified.

The terms "project," "grant," and "objective" are used inconsistently throughout the report and create confusion for the reader. We believe that clarification of the terms is critical to a complete response, therefore, we suggest that the following definitions be added to the report:

- o A "grant" is a reward of financial assistance in the form of money, or property in lieu of money, by the Federal Government to an eligible recipient.

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Page 2 - Richard P. Kusserow

- o A "project" is the identified activity funded by a grant which carries out the purposes of the authorizing legislation.
- o Each project has one or more "objectives" to be achieved. For the projects sampled in this study, the number of objectives per project ranged from 1 to 32.

OIG Finding

ONE-QUARTER OF PROJECTS DID NOT MEET THEIR OBJECTIVES.

ACF Response

We do not concur with this finding. The statements in this finding on page 4 refer to each project objective as a "project," resulting in 264 projects instead of 90 projects. We recommend that the phrase: "264 projects" in this finding be changed to "264 objectives." We further suggest that this change be made throughout the report.

OIG Finding

THE ANA HAS GRANT MONITORING PROCEDURES. HOWEVER, COMPLIANCE WITH PROCEDURES WAS NOT SYSTEMATIC.

- o Progress report submission and review was sporadic.

ACF Response

We concur with this finding. It should be noted that this OIG finding applied to OHDS-wide, not just ANA. During the period covered by this review (1986-1988) ANA Program Specialists kept their notes on grantees' progress in working files. In 1989, a system was established that transmits the notes to the official files. Further, in April 1990 ANA instituted a series of enhancements of procedures and systems to assure that all ANA support office, and grantee requirements are met on a timely basis:

- o ANA now holds periodic working meetings with the support office charged with fiscal and administrative oversight of ANA grantees to assure all reports are received and placed in the official files.
- o A system for tracking all grantee reports transmitted to the support office for the official files and documenting their receipt in ANA working files.
- o A computerized procedure to track all grantee report due dates and to follow up on missing or incomplete reports.

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- o Introduction of an early warning system enabling program staff, working with their assigned grantees, to routinely identify significant problems or issues, including compliance with grant requirements.

Other corrective actions taken by ACF since this OIG review to improve grant monitoring are as follows:

- o The Office of Management Services developed a "Grant Monitoring Statement" for use by project officers to ensure that program progress reviews were made of performance reports and that the results of such reviews were documented in writing. A "Project Officer Certification" form was also developed to be used for all continuation awards and grant closeouts. These documents were sent to all Central and Regional Office staff by transmittal memorandum signed by the Director of Management Services, dated May 1, 1990.

OIG Finding

- o Site visits were infrequent.

ACF Response

We concur with this finding. ACF strongly agrees that annual site visits should be made. We also agree that priority should be given to "high risk" grantees, grantees with known problems, and new grantees. However, this can only be accomplished if travel funds and staff are made available. In the last six-seven years, travel funds have been severely curtailed for the entire agency. The general criteria for site visits are in the Grants Administration Manual. ANA has gone further than this with additional guidance for managers and staff.

The Report is silent on a couple of very important factors in this regard--how the staffing level and travel funds affect ANA's on-site monitoring capacity. The number of ANA staff is almost half what it was in FY 80-82. Grant loads per persons are substantial and additional tasks and requirements continue to accrue as staff cuts also continue. To not take this into consideration in an analysis of the program diminishes the validity of the findings.

Finally, two statements under this finding should be corrected:

- o In the discussion on trip reports provided by ANA, (page 7, para. 1) "14 grantees" should be changed to "50 grantees."

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- o In para. 4, the statement: "They intend to visit each grantee at least once every 3 years." should be corrected to read as follows: "ANA will have monitored 100% of a grantee base of 248 by the end of fiscal year 1993."

OIG Finding

- o Program Specialists did not follow grant closeout procedures.

ACF Response

We concur with this finding. Follow-up to obtain certifications by the Grants Management staff has not always been successful. Oftentimes the project officer was no longer employed by ANA. ANA agrees that closeout procedures must be instituted for all grants that have been completed. There is a specified time period after a grant is over for a number of things to occur or be completed, including audits.

OIG Finding

- o We found no direct connection between grant monitoring and project success.

ACF Response

We concur with this finding. Revised ANA and OMS procedures for documenting receipt of grantee progress reports and their review, telephone contacts, and site visits, are now in place to alleviate this deficiency.

OIG Finding

PROGRESS TOWARD SELF-SUFFICIENCY CANNOT BE DETERMINED

- o Although ANA has defined self-sufficiency, the definition is not realistic given the size and scope of the SEDS program.

ACF Response

We do not concur with this finding. The ANA definition of self-sufficiency is not based on the size and scope of the ANA program, but rather on what the attainment of it should be for Native Americans (and parenthetically for States, counties, and municipalities.) To limit or constrict the definition of social and economic self-sufficiency of Native Americans to the budget limitations of one Federal program would be shortsighted.

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The ANA definition of self-sufficiency is the goal that ANA promotes and which Native American entities work toward. All of the examples in the Report of what grantees are accomplishing with ANA grants show progress toward self-sufficiency.

On the one hand the study infers that grantee accomplishments such as jobs, businesses, the development of community social, economic and governance infrastructures and other very important basic developmental accomplishments are not ascertainable as progress toward self-sufficiency, and on the other it categorically states that "...SEDS projects may be too insignificant to have a major impact on self-sufficiency." This raises questions about the analysis bases, the structure of the study design and the OIG measures for determining progress and significance. The study is silent on these issues.

For ANA to expect that one-to-three year projects, averaging \$134,000, could achieve total social and economic self-sufficiency for Native Americans would imply that it does not have a realistic programmatic and Native American knowledge base.

OIG Finding

- o Over one-third of grantees did not have a strategy for achieving self-sufficiency.

ACF Response

We do not concur with this finding. The ANA Program Announcements and application documents are clear about the locally-determined SEDS strategies under the ANA social, economic and governance goals. ANA does not request or require a long-range "self-sufficiency strategy," but rather those social and economic development strategies that enable them to get to the level of development at which a Native American can control and internally generate resources to provide for the needs of its members and meet its own short and long range social and economic goal which is "self-sufficiency." To the extent that there is a long range SEDS strategy, we concur that it should be part of the application.

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OIG Finding

GRANTEES VIEW FLEXIBILITY AS THE MAIN STRENGTH OF SEDS.

ACF Response

We concur with this finding. The statements and examples in this section present an excellent portrayal of social and economic self-sufficiency for Native Americans. This flexibility, which allows ANA grantees to pursue developmental activities not funded elsewhere by any other agency, is a strength of the SEDS program.

OIG Finding

GRANTEES APPRECIATED PERSONAL CONTACT WITH ANA

ACF Response

We concur with this finding.

OIG Recommendation

To improve the project achievement rate, the ANA should follow guidelines to target grant monitoring projects with the greatest risk of failure. Grants for business ventures should be watched closely since these projects are the least likely to meet their objectives.

ACF Response

We concur with this recommendation. It should be noted in the report that the review covered the period of 1986-1988; since that time, procedures have been instituted to ensure that grants are being monitored properly.

OIG Recommendation

To improve the project achievement rate, the ANA should provide grant applicants with information on the results of previous projects. A summary of project outcomes could be included in the application package.

ACF Response

We concur with this recommendation. ANA has plans to make successful project information available to grant applicants in the near future. The idea to put this information in the ANA application kits is a good one.

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OIG Recommendation

To further their role in helping grantees become more self-sufficient, ANA should develop standards which measure overall grantee progress toward self-sufficiency.

ACF Response

We do not concur with this recommendation. The implication is that merely setting standards for social and economic self-sufficiency is the way to measure grantee progress. ANA is a competitive grant program. In any given year, only about a third of the eligible applicants successfully compete for funding. This conclusion is also an assumption that standards for social and economic self-sufficiency should be based upon a uniform set of Federal guidelines.

ANA does not agree with the statement on page 8, para. 5: "Without any standards, the success of the SEDS program cannot be determined." There are other measures that can be and are used to make this assessment. For this universe, the progress is what they are accomplishing.

It should be emphasized that a policy based on locally-determined standards of self-sufficiency is not at all a policy of "no standards." The applicant for an ANA grant must rigorously define its project goals and objectives if it hopes to be funded in ANA's highly competitive process.

And while there are no Federally-imposed standards for self sufficiency--nor should there be given the sovereign status and enormous breath of diversity of these communities--it must be understood that the ANA grant competition process is predicated on funding only proposed projects with carefully planned, fully documented and locally-determined strategies.

OIG Recommendation

ANA should require that potential grantees have a clearly delineated strategy for promoting self-sufficiency.

ACF Response

We concur with this recommendation. The entire ANA grant competition process, which was not reviewed by the OIG Team, is predicated on funding only projects with a carefully planned, fully documented, and locally determined strategy (action) for social, economic or governance self-sufficiency.

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The ANA Commissioner makes the final funding determination after reviewing an independent assessment from program staff. He places great emphasis on the degree to which the applicant has developed a strategy which moves the community toward greater self-sufficiency.

OIG Recommendation

The ANA should monitor grantee performance in accordance with current guidelines and procedures to assure that activities reflect objectives described in the grant proposal.

ACF Response

We concur with this recommendation. It should be noted in the report that the review covered fiscal years 1986 through 1988; since that time, procedures have been instituted to ensure that grants are being monitored properly.

Technical Comments

1. In the discussion on page 8 about the definition for self-sufficiency it is stated: "Defined in this way, SEDS projects may be too insignificant to have a major impact on self-sufficiency." The Report does not state what a major impact would be or how project "insignificance" would be determined.
2. In the chart on page 4: "Environment & Housing" should be changed to "Environmental protection" in order to be consistent with usage of the term on pages C-2 and D-6.
3. On page 5 under the discussion on the reasons objectives were not met: "inadequate planning and management" is used in the text and "lack of planning and management" is used in the chart. The term "inadequate" is not synonymous with the term "lack of." We further suggest that "planning" and "management" not be lumped together, as they are two distinct functions. Planning usually occurs prior to a grant award and management occurs during the project period.
4. In the chart on page 5 and on page D-1 (sample no. 24) the term "unstable" Tribal government is used. Even if used by the interviewees, the use of this term for Tribes is inappropriate in the sense that all governments, including the U.S. Government change administrations after elections at specified times, as do the Tribes and Native American Boards of Directors. Problems are experienced and projects

Page 9 - Richard P. Kusserow

are canceled or put on hold at all levels--Federal, State and local when there is a change of administration, but they are not called "unstable." Therefore, we recommend that the insensitive use of this term for Tribes be deleted from pages 5 and D-1 of the report.

5. The first sentence on page 8 should be corrected to reflect the ANA mission: "...to promote the goal of social and economic self-sufficiency."

We look forward to the opportunity to discuss this report with you. If I may be of further assistance, please do not hesitate to contact me.

Attachment:

ANA Discussion Paper



DEPARTMENT OF HEALTH & HUMAN SERVICES

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AUG 20 1991

Reg III Washington, D.C. 20201

TO: Richard P. Kusserow
Inspector General

FROM: Assistant Secretary for
Planning and Evaluation

SUBJECT: Comments on "Administration for Native Americans:
Review of the SEDS Program" *DE-03-91-00390*

IG	<input checked="" type="checkbox"/>
PDIG	<input checked="" type="checkbox"/>
DIG-AS	<input type="checkbox"/>
DIG-EI	<input checked="" type="checkbox"/>
DIG-OI	<input type="checkbox"/>
AIG-MP	<input checked="" type="checkbox"/>
OGC/IG	<input type="checkbox"/>
EX SEC	<input checked="" type="checkbox"/>
DATE SENT	8/21

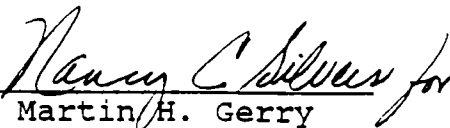
This memorandum is to provide ASPE comments on the IG report entitled "Administration on Native Americans (ANA): Review of the SEDS Program." Generally, I believe that the findings should be useful in improving ANA's programs, but I do have a number of comments:

- Given that this inspection deals expressly with the SEDS program, and that SEDS funding is only a small part of federal funding for Native Americans, the recommendations relating to self sufficiency objectives should be targeted specifically to the SEDS projects. For example, the third and fourth recommendation should be revised to read as follows:
 - "Develop objective standards which help measure the contribution of the SEDS grant to grantee progress in achieving self-sufficiency.
 - Require that potential grantees clearly delineate how the SEDS grant will promote long-term increased tribal self-sufficiency."
- Given the rate and type of project failure, the IG should consider recommending that ANA use feasibility or capacity building grants that include the provision of technical assistance as a precursor to multi-year development grants.
- In 1983, ASPE conducted a short-term evaluation of the SEDS program under task order contract with CSR, Inc. The CSR study examined many of the same issues as the OIG inspection and their recommendations also deal with grantees in developing measurable and sound strategies to achieve self sufficiency. Judging by the nature of SEDS projects, it seems that technical assistance should focus on economic and housing development. A copy of this study's executive summary is attached. A full copy of the report is available through our Policy Information Center (PIC).

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- On page 4 of the report, a comparison is made between the Native American business venture failure rates and failure rates for programs funded by the Small Business Administrative (SBA). While interesting, it is unclear whether this is an appropriate comparison. SEDS failure rates may be attributable to undercapitalization and the lack of continuation of funding after a three year grant period. They may also be attributable to lack of community resources and readily available markets. This finding may warrant further analysis or explanation.
- There is an inherent assumption made regarding grant monitoring--that increased monitoring will lead to increased project success. As a matter of federal responsibility, all grants should be monitored. However, increased monitoring may not lead to increased project success, rather provision of technical assistance might increase their chances.

If you have any question concerning this memorandum, please call me (245-1858) or Bob Raymond on my staff (245-7316).


Martin H. Gerry

Attachment