Department of Health and Human Services
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September 2026 | OAS-25-05-078

Snapshot of Indian Health Service Sanitation Facilities Construction Projects Funded Under the Infrastructure Investment and Jobs Act

REPORT HIGHLIGHTS

September 2026 | OAS-25-05-078

Snapshot of Indian Health Service Sanitation Facilities Construction Projects Funded Under the Infrastructure Investment and Jobs Act

Why OIG Did This Data Brief

- In November 2021, Congress appropriated to the IHS through the Infrastructure Investment and Jobs Act (IIJA) $700 million each year from fiscal year (FY) 2022 to FY 2026, for a total of $3.5 billion in no-year funds for the IHS Sanitation Facilities Construction (SFC) Program.
- The SFC Program provides essential water supply, sewage, and solid waste disposal facilities for American Indian and Alaska Native (AI/AN) homes and communities. As of December 31, 2021, IHS had 1,513 SFC Program projects totaling approximately $3.4 billion in its sanitation deficiency projects database.
- We conducted this audit to: (1) provide a national snapshot of how IHS used funds received under the IIJA for its SFC Program and (2) identify any challenges that IHS faced to administer SFC Program projects and actions taken to address those challenges.

What OIG Found

For FYs 2022 through 2025, IHS allocated IIJA funding for 702 Tier 1 projects and 233 Tier 2 or Tier 3 projects. (Tier 1 projects are categorized as ready to fund for design and construction. Tiers 2 and 3 projects are those that need additional planning.) The funding allocated to these projects totaled $2.6 billion of the $3.5 billion that the IIJA appropriated to the IHS SFC Program.

- IHS is using IIJA funding to address sanitation deficiencies in AI/AN homes and communities, such that when current SFC projects are completed, IHS will have reduced, by more than half, the number of previously unfunded projects for communities with severe sanitation deficiencies that lack a safe water supply and a sewage disposal system.
- Although the total number of projects to address sanitation deficiencies has been reduced, costs have increased, and the FY 2026 IIJA funding will not be sufficient for IHS to address the remaining deficiencies.
- IHS Area Offices and Tribes face staffing and contracting challenges in delivering SFC projects, many of which deliver services and facilities to geographically isolated communities.

This data brief does not contain recommendations to IHS. However, information in this data brief, including details on challenges faced and approaches taken by Area Offices and Tribes to mitigate those challenges, may help IHS strengthen its management and oversight of IIJA-funded sanitation projects.

U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL

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Snapshot of Indian Health Service Sanitation Facilities Construction Projects Funded Under the Infrastructure Investment and Jobs Act

Key Takeaways:

- IHS is using IIJA funding to address sanitation deficiencies in AI/AN homes and communities, such that when current SFC projects are completed, IHS will have reduced, by more than half, the number of previously unfunded projects for communities that lack a safe water supply and a sewage disposal system.
- Although the total number of projects to address sanitation deficiencies has been reduced, costs have increased, and the remaining IIJA funding will not be sufficient for IHS to address the remaining deficiencies.
- IHS Area Offices and Tribes face staffing and contracting challenges in delivering SFC projects, many of which provide services and facilities to geographically isolated communities.
- This data brief may help IHS strengthen its management and oversight of IIJA-funded sanitation projects.

Purpose of This Data Brief

In November 2021, Congress appropriated to the Indian Health Service (IHS) through the Infrastructure Investment and Jobs Act (IIJA) $700 million each year from fiscal year (FY) 2022 to FY 2026, for a total of $3.5 billion in no-year funds for the IHS Sanitation Facilities Construction (SFC) Program. The SFC Program provides essential water supply, sewage, and solid waste disposal facilities for American Indian and Alaska Native (AI/AN) homes and communities. See Appendix B for a list of acronyms used in this report.

Congress appropriated $17.5 million in IIJA funding to the Office of Inspector General (OIG) for oversight related to IIJA-funded SFC Program projects. OIG has implemented an interdisciplinary plan for overseeing IHS's use of IIJA funds that includes audits, evaluations, and investigations. The objectives of this data brief are to: (1) provide a national snapshot of how IHS used funds received under the IIJA for its SFC Program and (2) identify any challenges that IHS faced to administer SFC Program projects and actions taken to address those challenges.

BACKGROUND

IHS Division of Sanitation Facilities Construction Program

IHS, an agency within the Department of Health and Human Services (HHS), is responsible for providing a comprehensive health service delivery system to approximately 2.8 million AI/AN people in 575 federally recognized Tribes in 37 States. IHS has a decentralized management structure that consists of IHS Headquarters (IHS HQ) and 12 Area Offices.[1]

In addition to providing health services to AI/AN people, IHS operates the SFC Program. Overseen and administered by the IHS Office of Environmental Health and Engineering, Division of Sanitation Facilities Construction (Division of Sanitation), the SFC Program delivers environmental engineering services and sanitation facilities to AI/AN communities by providing technical and financial assistance for the cooperative development and construction of water supply, sewage disposal, and solid waste disposal facilities. The Division of Sanitation assists and supports the Area Offices by establishing policies and providing guidance to help ensure high-quality and consistent implementation of the program nationwide. The 12 Area Offices provide direct support to the Tribes using SFC Program personnel in district, field, and service unit locations.[2, 3]

The SFC Program is an integral component of IHS's disease prevention activities. Historically, IHS has used its annually appropriated funds to provide water and waste disposal facilities for eligible AI/AN homes and communities.[4]

Sanitation Tracking and Reporting System

IHS records and tracks SFC Program projects, which address sanitation deficiencies, using the Sanitation Tracking and Reporting System (STARS).[5] IHS developed the STARS database to document the eligibility of individuals and homes for sanitation services, create budget

[1] IHS is structured along geographical lines into 12 Areas of the United States, each of which has an Area Office. The Area Offices are Alaska, Albuquerque, Bemidji, Billings, California, Great Plains, Nashville, Navajo, Oklahoma City, Phoenix, Portland, and Tucson.

[2] SFC Program district and field offices are established when professional or technical services are needed at two or more service units or reservations, the Area Office is too distant, and no service unit is large enough to merit full-time staff coverage; when the Area is geographically too large to provide these services to Indian communities from one office; or when the workload distribution dictates that a remote field office would be more effective.

[3] Service units represent organizational units within the Area Office component.

[4] Eligible AI/AN homes are 24-hour year-round family dwellings that are permanently located and owned by, or rented to, AI/AN people.

[5] A sanitation deficiency is a need arising from existing water, sewer, or solid waste facilities, or lack thereof, that creates or may result in exposure to environmental conditions that can negatively impact public health.

justifications, monitor and track project development, report the status and progress of services provided, and maintain records.

The STARS database consists of several systems, including the Sanitation Deficiency System (SDS) and the Project Data System (PDS). Within STARS, IHS uses the SDS to track the sanitation deficiencies of projects. Once a project is marked as funded, a PDS file, which will track the funding and progress of the project until it is completed, is created in the STARS database.

IHS Project Planning and Development

As of December 31, 2021, IHS had 1,513 SFC Program projects totaling approximately $3.4 billion in the SDS. IHS refers to this list of 1,513 projects as the Legacy list. IHS explained to us that Congress intended to fund these Legacy list projects with the IIJA funding and that IHS was applying that funding accordingly.

For each FY of the IIJA funding, IHS developed a Spend Plan for SFC projects to document how it anticipated using the IIJA appropriations, along with its annual appropriations.[6] This plan identified the projects that IHS planned to fund with its appropriations for that FY. In particular, IHS developed each FY's Spend Plan based on project information in the SDS at the end of the preceding calendar year. IHS considered recommendations from the Tribes when developing each Spend Plan. Tribal leaders recommended funding construction projects that could be initiated immediately and that IHS prioritize funding Legacy list projects.

IHS may use its annual and IIJA appropriations only for eligible project costs. Ineligible project costs associated with serving commercial, industrial, or agricultural establishments—including nursing homes, health clinics, schools, hospitals, and non-AI/AN people's homes—are required to be covered proportionally by funding contributions that are drawn from non-IHS sources.

SFC Program projects are prioritized according to tier levels, deficiency levels, Area priority scores, and feasibility status. Tier levels are based on the level of planning and cost estimation completed for each project. Tier 1 projects are categorized as "ready to fund," and Tiers 2 and 3 are categorized as "needing additional planning."[7] Deficiency levels are rated 0 to 5, with 5 being the most severe in terms of the magnitude of a facility's sanitation deficiency. Area priority scores are developed by the Area Office for each project, based on eight scoring factors including health impact, capital cost, and local Tribal priority.

[6] The Spend Plan is developed as a budget for the allocation of FY appropriations.

[7] In addition to Tier 1 construction costs, there are Tier 1 design and construction documents costs (Tier 1 design) and Tiers 2 and 3 planning, design, and construction documents costs (Tiers 2 and 3 planning). A Tier 1 project is considered ready to fund because planning is complete; however, the design and construction contract documentation still needs to be completed. Tiers 2 and 3 planning includes engineering and data collection activities associated with further identifying the deficiency, identifying and evaluating alternatives, and developing construction documents for procurement activities.

Projects in the SDS are categorized as economically feasible or infeasible. Feasible projects cannot exceed an allowable unit cost per home that is unique to each State (except Alaska, which has three regional allowable unit costs) and type of project.[8] The allowable unit cost per home for an Area assumes that the reasonable cost for the sanitation facility to serve a home may be estimated from the actual cost to construct homes and hospital facilities in a particular location. These estimates rely on the data from the IHS Health Facilities Cost Index and the U.S. Department of Housing and Urban Development's Total Development Cost.[9]

SFC projects have five phases from the beginning of a project to completion: project development, planning and design, construction documents, construction, and closeout.

1. **Project Development:** During the first phase (project development), a project development plan is created and, if the project needs planning funds, an obligating document is created.

2. **Planning and Design:** During the second phase (planning and design), the project development plan is executed. By the end of this phase, the SFC Area Director marks the project as "ready to fund."

3. **Construction Documents:** During the third phase (construction documents), the project design is used to create construction documents, including contracts. The relevant project stakeholders review and approve the documents and a Registered Professional Engineer stamps the documents as approved.

4. **Construction:** During the fourth phase (construction), the sanitation facilities are built and inspected.

5. **Closeout:** During the fifth and final phase (closeout), the requirements of the funding documents are completed, final ownership and operation and maintenance responsibilities are established, and the final report and transfer agreement are completed.

The SFC Program established a target timeframe, across all projects and all Areas, of 4.5 years for project duration, from the time that an agreement is signed until the time that construction is completed and the facilities are in use.

[8] The allowable unit cost is based on the eligible cost of the project divided by the number of eligible homes that the project is serving. If the unit cost exceeds the allowable unit cost for the State (or exceeds the allowable unit costs for the three different regions within the Alaska Area), the project is, according to IHS, considered economically infeasible. IIJA funding can be used to fund economically infeasible projects up to a total of $2.2 billion.

[9] The total allowable unit costs are not intended to reflect the value of sanitation facilities to a homeowner or the savings in health care costs resulting from improved sanitation facilities.

Delivery Methods for the Sanitation Facilities Construction Program and Projects

The government-to-government relationship between IHS and the Tribes provides different methods for IHS to carry out SFC Program functions and deliver SFC projects to Tribes. Tribes can choose IHS Direct Service, Title I Self Determination, or Title V Self-Governance delivery methods to manage and execute SFC Projects.[10]

Under Direct Service, IHS can work with the Tribes to manage, construct, or contract for project construction. Under a Title I or "Self-Determination" agreement, a Tribe can assume the management of SFC Program functions that IHS would normally provide. Under a Title V or "Self-Governance" agreement, IHS must, by law, provide the project funds to the Tribe within 10 days of signing the agreement, and the Tribe handles all the management, construction, or contracting for construction to build the SFC project. In addition to these service delivery options, these Title I and Title V Tribes may also choose to purchase or "buy back" from IHS any SFC goods or services that had been transferred to the Tribe under a compact or funding agreement.[11]

Data Used To Develop This Data Brief

We obtained IHS's SFC Spend Plan data, as well as PDS and SDS data, for FYs 2022 through 2025 (audit period). We conducted interviews with officials from IHS HQ staff. To identify challenges and actions taken to address those challenges, we surveyed IHS HQ and all 12 Area Offices as well as the Alaskan Native Tribal Health Consortium (ANTHC) with a questionnaire.[12] We conducted these surveys between August and October 2025.

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.

Appendix A describes our audit scope and methodology.

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[10] Title I construction contracts and Title V construction project agreements refer, respectively, to Title I, "Self-Determination," and Title V, "Self-Governance," methods of contracting as described in the Indian Self-Determination and Education Assistance Act, P.L. No. 93-638 (Jan. 4, 1975), as amended; codified under 25 U.S.C. chapter 46. This report subsequently refers to projects being constructed under the second of these contracting methods as "Title V projects."

[11] A compact sets forth the general terms of the nation-to-nation relationship between the Tribal program and the Secretary of HHS. With the compact, a Title V Tribe enters into an annual or multi-year funding agreement with IHS that identifies the services to be administered by the Tribe, the financial terms and conditions, and the responsibilities of the Secretary of HHS.

[12] ANTHC, a nonprofit Tribal health organization, administers the SFC Program throughout Alaska pursuant to the Title V Alaska Tribal Health Compact with IHS.

RESULTS OF ANALYSIS

From FY 2022 through FY 2025, IHS allocated IIJA funding for 894 of the 1,513 Legacy list projects, which included 702 Tier 1 projects that totaled $2.51 billion and 233 Tiers 2 and 3 projects that totaled $69.8 million.[13] Upon completion of the 702 Tier 1 projects, a total of 109,104 AI/AN homes will have improved deficiency levels. The number of unfunded SFC Program projects with higher-level deficiencies including deficiency level 5 projects—which help communities with severe sanitation deficiencies that lack both a safe water supply and a sewage disposal system—has been reduced by more than half over the 4-year period.

As of October 2025, 119 SFC Program projects had been completed, delivering improved sanitation facilities for 20,247 eligible homes. IHS stated that as of the end of 2024, the average overall project duration, regardless of funding source, was 3.3 years, which is below the 4.5-year program-wide target that IHS had established for this program. However, the expected duration for all remaining projects, according to IHS, is over 5 years. IHS attributed this longer timespan to the increased complexity of the remaining Legacy list projects being funded through the IIJA and to IHS's difficulties in recruiting and onboarding program staff to support construction document creation, procurement, and construction inspection activities.

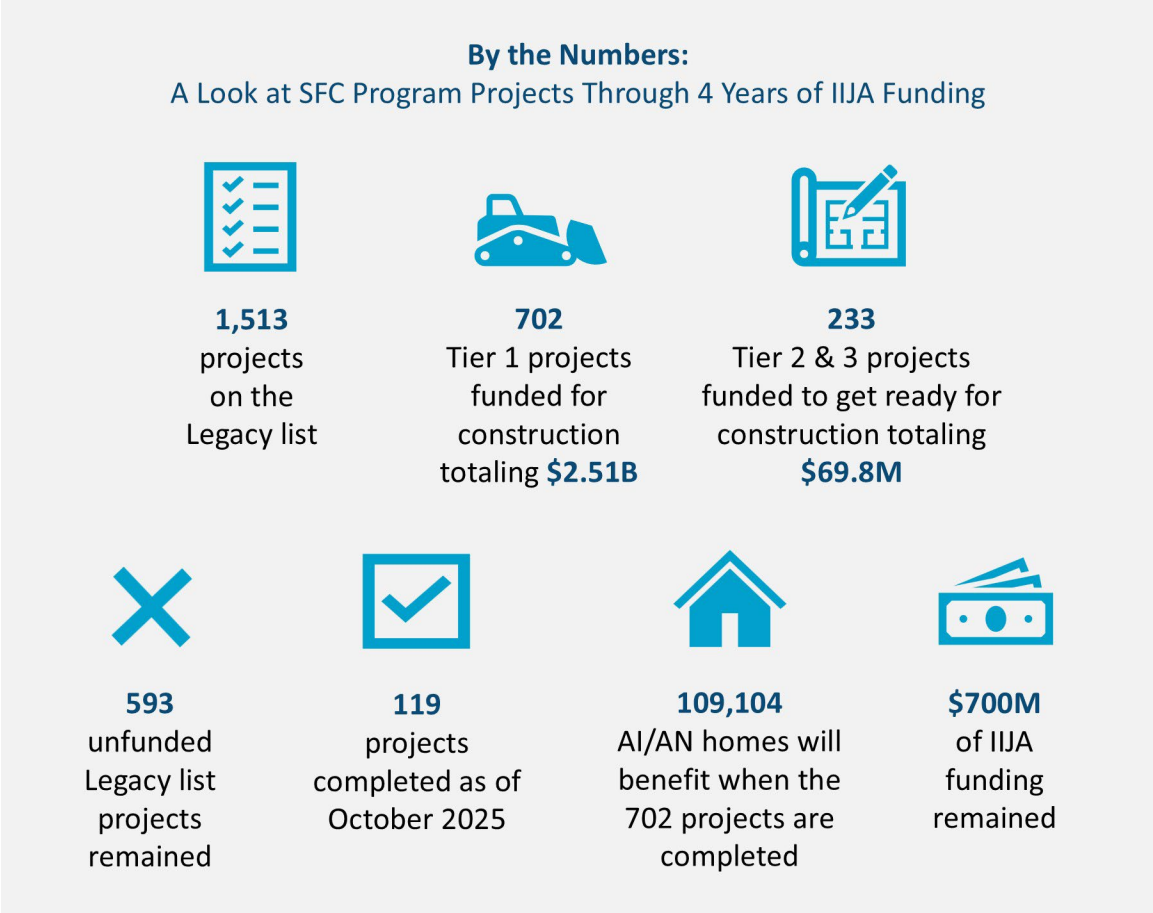
The FY 2026 IIJA funding, totaling $700 million, will not be sufficient for IHS to fund and complete the Legacy list of projects. This shortfall is primarily the result of: (1) increases in project costs since FY 2022 from adjustments in the scopes of some projects after initial planning and (2) cost increases in general since FY 2022 because of inflation.

The following sections of this data brief detail the number and cost of projects on the Legacy list by Area Office and provide a summary of IHS's plans for allocating IIJA funding. We then provide an analysis of the actual costs of funded projects from FYs 2022 through 2025, including a more detailed breakdown of those costs by deficiency level and number of homes served. Finally, we present the 593 Legacy list projects that remain unfunded due to funding limitations, the total remaining SDS inventory of projects and overall related cost estimates, and the challenges identified by IHS in administering SFC projects along with the actions taken to address them.[14] Figure 1 on the following page shows the impact of the IIJA funding on the SFC Program after 4 years.

[13] See footnote 7. Some projects were funded at multiple tier levels, in multiple years, or both; therefore, the 702 Tier 1 projects and 233 Tiers 2 and 3 projects do not sum to 894.

[14] There were 593 unfunded Legacy list projects as of November 2024. Projects can be funded by other entities, removed, or combined with other projects; therefore, the funded and unfunded Legacy list projects do not add to the original 1,513 projects on the Legacy list.

Figure 1: Impact of the IIJA Funding on the SFC Program

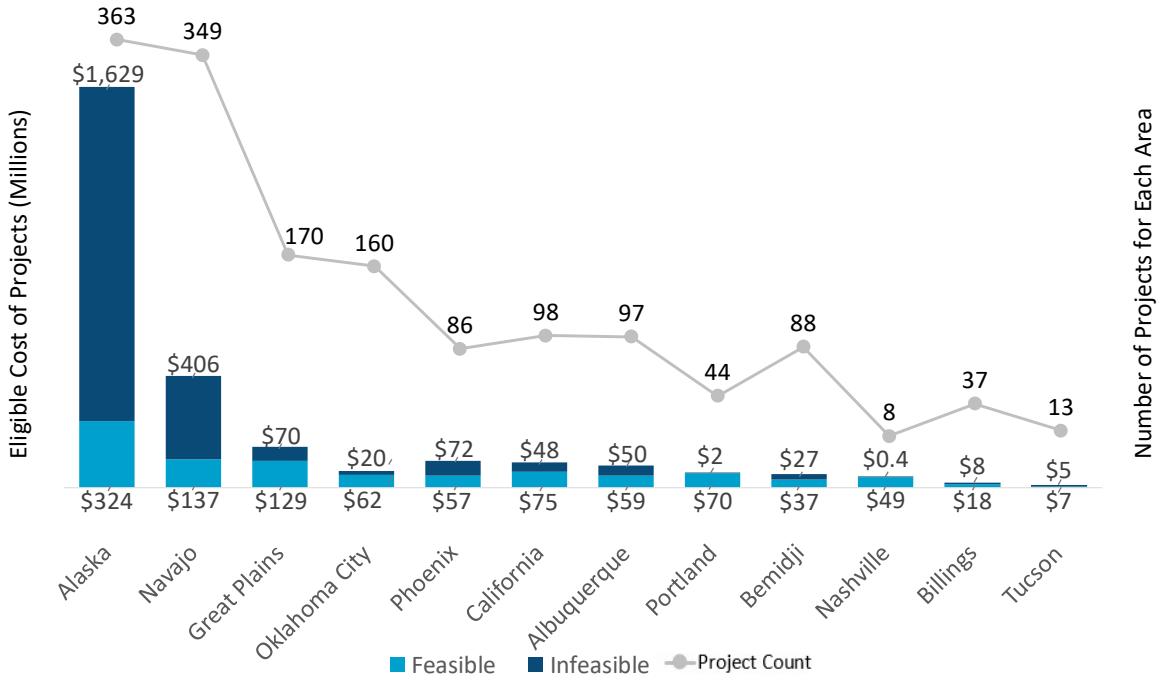


NATIONAL SNAPSHOT OF HOW IHS USED FUNDS RECEIVED UNDER THE IIJA FOR ITS SFC PROGRAM

Summary of Legacy List Projects and Planned Funding by Area Office and Tier Level

The 1,513 Legacy list projects in the SDS, with estimated costs totaling $3.4 billion when the IIJA was enacted, included projects in all 12 IHS Areas. As shown in Figure 2 on the following page, the Alaska and Navajo Area projects together represent 712 of the 1,513 Legacy list projects and $2.5 billion of the $3.4 billion in estimated Legacy list project costs. Figure 2 also shows that for both the Alaska and Navajo Areas, SFC Program projects that IHS rated as economically infeasible comprise the majority of the estimated project costs.

Figure 2: Sanitation Facilities Construction Program Legacy Project Count and Total Cost per Area Office



There is no statutory barrier to funding economically infeasible projects, and in fact, the IIJA directed IHS to use up to $2.2 billion (of the $3.5 billion allocated) for economically infeasible projects. Before passage of the IIJA, IHS rarely had the opportunity to fund these projects using its annual appropriations. Of the 1,513 SFC Program projects in the SDS as of December 31, 2021, a total of 945 projects were considered economically feasible and 568 projects were considered economically infeasible. The highest-cost infeasible projects are in the Alaska and Navajo Tribal Areas, which reflect the Areas' low population density, remote locations, harsh climates, and challenging subsurface conditions.

Table 1 on the following page shows the planned allocations of funding under the Spend Plans for each FY. Tier 1 costs include both construction costs and design and construction documents costs. Tiers 2 and 3 costs are for planning, design, and construction documents costs. IHS also planned to use IIJA funds for special and emergency projects, as well as for coverage of project shortfalls.

Table 1 also reflects that up to 3 percent of funds can be used for salaries, expenses, and administration, and a transfer of one-half of 1 percent of IIJA funding to HHS-OIG for oversight activities. Since 2022, we have issued several reports that examined IIJA funding and the SFC program, which focused on IHS's capacity to administer and oversee IIJA funding, staffing shortages related to IIJA-funded projects, and the design and implementation of internal controls over IIJA-funded SFC projects. See Appendix C for a list of HHS-OIG reports.

Table 1: IHS FYs 2022–2025 IIJA Spend Plans for SFC Program Projects (in Millions)

Fiscal Year	Tier 1 Project Construction Funding	Tier 1 Design & Construction Documents	Tier 2 and Tier 3 Planning, Design, & Construction Documents	Project Shortfalls and Special and Emergency Projects	Salaries, Expenses, and Admin (3%)	HHS OIG (0.5%)	IIJA Total FY Planned Allocation
2022	$581.2	$59.8	$33	$1.5	$21	$3.5	$700
2023	583.7	28.9	0	65.5	21	3.5	700*
2024	613.8	24.4	34	3.3	21	3.5	700
2025	638.7	25.2	0	11.6	21	3.5	700
Totals	**$2,417.4**	**$138.3**	**$67**	**$81.9†**	**$84.0**	**$14.0**	**$2,800**

* In addition to the $700 million, IHS planned to allocate $2,599,832 of undisbursed FY 2022 IIJA funds in FY 2023.

† Of this total, $80.4 million was allocated for project shortfalls and to support additional planning, design, and construction documents, and $1.5 million was allocated in FY 2022 for special and emergency projects.

IIJA-Funded Projects From Fiscal Year 2022 to Fiscal Year 2025

From FY 2022 through FY 2025, IHS allocated IIJA funding for 894 projects, which included 702 Tier 1 projects that totaled $2.51 billion and 233 Tiers 2 and 3 projects that totaled $69.8 million.[15]

As shown in Table 2 on the following page, in the first 4 FYs of IIJA funding, the number of IIJA-funded Tier 1 projects generally decreased each year and the average cost per project generally increased.

[15] Forty-one projects received funding as a Tier 2 or 3 project and also received funding as a Tier 1 project in a subsequent year.

Table 2: IIJA-Funded Projects as of October 30, 2025

Fiscal Year	Tier 1 Projects	IIJA Funding Amount for Tier 1 Projects	Average Tier 1 Cost per Project	Tiers 2 and 3 Projects	IIJA Funding Amount for Tiers 2 and 3 Projects	Average Tiers 2 and 3 Cost per Project
2022	460	$639,457,200	$1,390,124	183	$34,427,800	$188,130
2023	133	609,637,757	4,583,743	6	1,349,562	224,927
2024	44	604,629,200	13,741,573	50	33,985,142	679,703
2025	66	652,639,551	9,888,478	0	0	0
Totals	**702***	**$2,506,363,708**		**233***	**$69,762,504**	

* The columns do not add to totals because one project was funded as Tier 1 in multiple FYs and six projects were funded as Tier 2 or 3 in multiple FYs.

When we discussed these trends with IHS officials, they referred to the deficiency levels of the projects being funded each year.[16] Typically, projects with a lower deficiency level have a lower cost per home. In FY 2022, the first year of IIJA funding, IHS funded all Tier 1 projects with a deficiency level of 2 through 5 (and did not fund any deficiency level 1 Tier 1 projects), and the mix of deficiency levels for that FY was skewed toward lower-deficiency projects. In FY 2023, FY 2024, and FY 2025, the total eligible costs of the funded Tier 1 projects trended toward projects with higher deficiency levels, which are typically more complex and have a higher cost. Table 3 on the following page shows the number and total eligible costs of IIJA-funded Tier 1 projects by deficiency level for each FY of IIJA funding.

[16] Deficiency levels are rated 0 to 5, with 5 being the most severe in terms of the magnitude of a sanitation deficiency. A deficiency level of 5 refers to a circumstance in which the Tribe or community lacks both a safe water supply and a sewage disposal system. A deficiency level of 0 signifies that there are no deficiencies that require correction.

Table 3: Funded Tier 1 SFC Projects by Deficiency Levels by Fiscal Year[17, 18]

Deficiency Level	FY 2022 Funded Projects			FY 2023 Funded Projects			FY 2024 Funded Projects			FY 2025 Funded Projects		
	Number	Total Eligible Costs (Millions)		Number	Total Eligible Costs (Millions)		Number	Total Eligible Costs (Millions)		Number	Total Eligible Costs (Millions)	
2	215	$189.8	30%	72	$141.0	23%	1	$37.9	6%	40	$118.7	18%
3	117	248.1	39%	29	125.3	21%	18	80.4	13%	16	78.8	12%
4	50	107.6	17%	15	31.8	5%	12	32.0	5%	2	3.6	1%
5	78	93.9	15%	17	311.6	51%	13	454.3	75%	8	451.6	69%
Totals	**460**	**$639.5**	**100%**	**133**	**$609.6**	**100%**	**44**	**$604.6**	**100%**	**66**	**$652.6**	**100%**

For the Tier 1 projects funded during the first 4 years of the IIJA, deficiency levels will have improved for 109,104 homes through either water, sewer, or solid waste facilities construction, as shown in Table 4. For example, 1 project in Oklahoma will serve 958 eligible homes by building a new wastewater treatment plant that will replace a 56-year-old wastewater treatment plant that is at the end of its serviceable life. Another project in Alaska will provide the first piped water and sewer services to 138 eligible Alaska Native homes.

Table 4: Number of Homes Served by Funded Tier 1 Projects by Fiscal Year

FY of Spend Plan	Number of Homes To Receive Improved Deficiency Levels From These Planned Projects
2022	67,808
2023	24,018
2024	2,864
2025	14,414
Total	**109,104**

Table 5 on the following page shows the amounts of FYs 2022 through 2025 IIJA Tier 1 funding and the numbers of eligible homes to benefit from the funding by Area. Although the Great Plains Area had the largest number of homes to benefit from the SFC projects (35,727), the largest amount of IIJA funding ($1.47 billion) went to the Alaska Area, which also had the highest average cost per home at $119,235.

[17] Numbers and dollar amounts in Table 3 do not add to totals because of rounding and because of fund carryovers from previous FYs.

[18] The total number of projects shown in Table 3 is 703 (460+133+44+66) because 1 project received IIJA funding in both FY 2022 and FY 2023. Over the first 4 years of IIJA funding, 702 unique projects received IIJA funding.

Table 5: Cost per Home of IIJA Tier 1 Funded Projects by Area

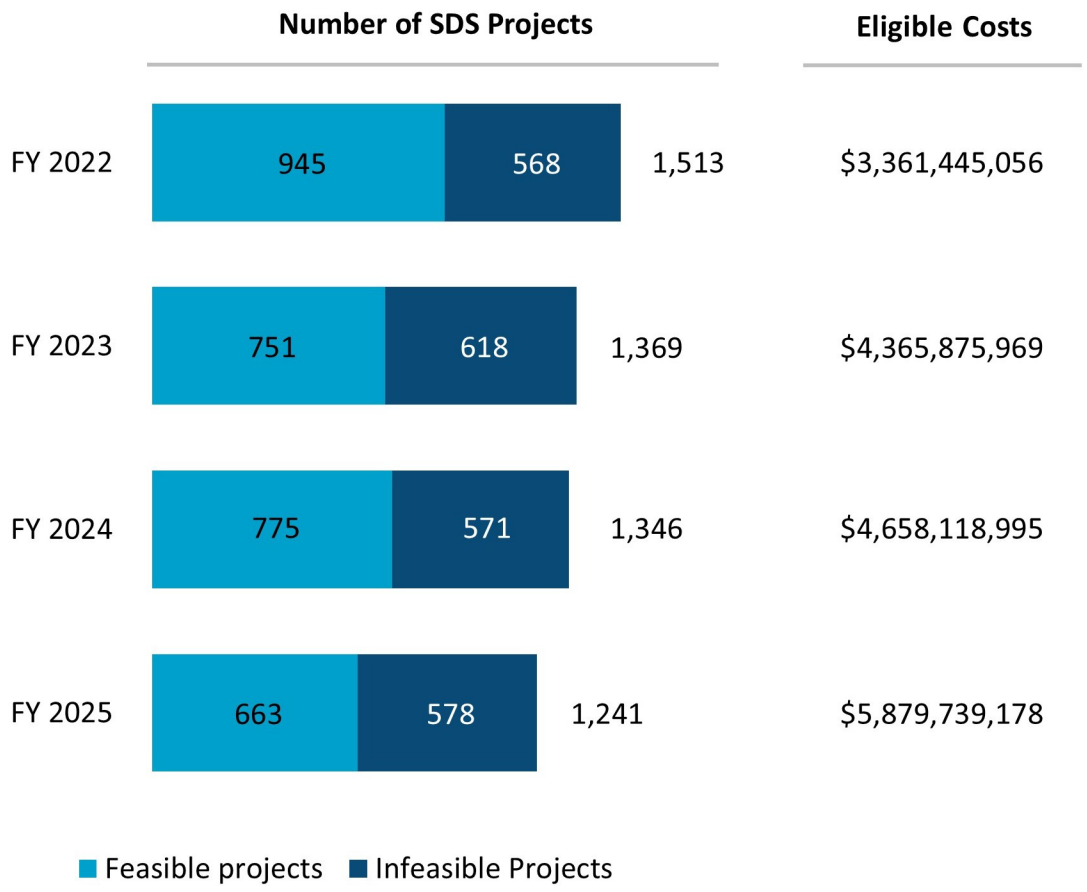
Area	IIJA Tier 1 Funding by Area	Total Eligible Homes	Average Cost Per Home
Alaska	$1,476,845,852	12,386	$119,235
Navajo	243,119,700	8,595	28,286
Tucson	6,439,760	242	26,611
California	87,278,440	3,369	25,906
Nashville	46,248,726	2,363	19,572
Phoenix	148,458,225	7,814	18,999
Portland	92,609,584	6,796	13,627
Albuquerque	130,449,402	11,433	11,410
Billings	17,391,817	2,882	6,035
Oklahoma	59,967,387	11,317	5,299
Bemidji	31,025,144	6,180	5,020
Great Plains	166,529,671	35,727	4,661

Overall Number of Remaining Projects and Their Estimated Costs in the Sanitation Deficiency System as of November 2024[19]

Although the total number of SFC Program projects decreased over the 4 FYs funded by the IIJA, the estimated overall cost increased because of updated engineering designs, refined project scopes, and inflation. As shown in Figure 3 on the following page, as of November 2024, the total number of SFC Program projects in the SDS had decreased from 1,513 to 1,241, of which 593 were unfunded Legacy list projects.

[19] We include the November 2024 SDS project inventory totals because these were the projects used to create the FY 2025 Spend Plan. IHS developed each FY's Spend Plan based on project information in the SDS at the end of the preceding calendar year.

Figure 3: Number of Sanitation Deficiency System Projects by Fiscal Year[20]



The increase in costs between FY 2022 and FY 2025 reflected both the addition of new SFC Program projects to the SDS and the increasing costs to complete existing projects. IHS explained that the majority of the newly added projects were higher-cost, infeasible projects that would not have been funded before enactment of the IIJA. IHS also explained that existing projects in the SDS are reevaluated annually for cost adjustments and that these projects' costs have increased because of inflation as well as cost adjustments resulting from a more thorough understanding of project scope, design requirements, and site conditions. In addition, IHS officials stated that cost estimates for Tiers 2 and 3 projects tend to increase as more information is gathered during the development and planning and design phases as project teams work to get a project ready for Tier 1 status.

[20] These are the SDS project inventory totals and related eligible costs from the end of the preceding calendar year that IHS used to develop each FY's Spend Plan.

Outcome of IIJA Funding Over the First 4 Fiscal Years and Outlook for the SFC Program

The IIJA funding has enabled IHS to address longstanding infrastructure deficiencies that have accumulated over decades and to significantly improve access to safe water and wastewater infrastructure for Tribal communities. From FY 2022 through FY 2025, IHS reduced the number of unfunded SFC Program projects with higher-level deficiencies—including deficiency level 5 projects, which help communities with severe sanitation deficiencies that lack both a safe water supply and a sewage disposal system—by more than half.

However, we determined that the FY 2026 funding, totaling $700 million, allocated to the IHS SFC Program under the IIJA will not be enough to fund the Legacy list of projects that IHS had identified before passage of the IIJA. In addition to the increasing cost of projects since the IIJA was enacted, Area Offices and Tribes continue to experience challenges related to staffing, contracting, cost estimation, and increases in administrative responsibilities as they work to implement SFC Program projects for AI/AN homes and communities—challenges that we discuss in detail below.

CHALLENGES THAT IHS FACED IN ADMINISTERING THE SANITATION FACILITIES CONSTRUCTION PROGRAM PROJECTS, AND ACTIONS TAKEN TO ADDRESS THOSE CHALLENGES

Responses to our questionnaire from IHS HQ, all 12 Area Offices, and the ANTHC (footnote 12) indicated that the substantial increase in SFC Program funding provided through the IIJA has highlighted and added complexity to challenges that were present prior to the IIJA. These challenges were related to staffing, contracting, rising and inaccurate project cost estimates, communication and collaboration, and other factors resulting in project delays and increases in administrative burdens. Although IHS HQ, Area Offices, and the ANTHC have taken some actions to address these challenges, they continued to persist.

Hiring and Retaining Staff

Staffing challenges have been and remained a principal challenge in administering and overseeing IIJA-funded SFC projects. In FY 2022, OIG conducted an early review of IHS's capacity to administer IIJA funding and to oversee IIJA-related projects. The resulting memorandum identified several challenges to IHS's capacity, including difficulties in recruiting and retaining qualified, experienced Division of Sanitation staff.[21] OIG's 2024 report on IHS's efforts to expand staffing and on its related capacity to administer and oversee SFC Program projects funded by the IIJA found that IHS had implemented a new SFC hiring plan but that staffing challenges

[21] OIG, *Initial Observations of IHS Capacity to Manage Supplemental $3.5 Billion Appropriated to Sanitation Facilities Construction Projects* (OEI-06-22-00320), Sept. 30, 2022.

remained.[22] IHS officials said at the time that the need to compete with the private sector and other Federal agencies for a limited pool of applicants, the difficulties that staff experienced in obtaining housing, and other barriers made it challenging for IHS to resolve the high vacancy rates in its staffs at various levels.

In their responses to our questionnaire, IHS HQ and Area Offices reported continued challenges in hiring and retaining staff for the SFC Program. Some respondents said that a hiring freeze impeded recruiting for several SFC Program positions, including engineering technicians, construction inspectors, and administrative assistants.[23] IHS stated that although the hiring freeze was lifted, agencywide staffing plans restrict both the number and types of positions that can be filled, which continues to hinder IHS's ability to recruit and fill all vacancies across the SFC Program.

In addition, revisions to the USA Staffing website that temporarily prevented job opportunity announcements from being posted, as well as the removal of all IHS job postings from the USAJOBS website in September 2025, effectively halted the SFC Program's ability to post vacancies and hire for a limited number of engineer positions that were exempted from the hiring freeze. One Area Office reported that potential job candidates had withdrawn their applications because of uncertainty over Federal employment and concerns about HHS restructuring.

Furthermore, hiring qualified staff with specialized experience or expertise, such as engineers, has been a persistent challenge. One Area Office reported that some localities had undergone cost-of-living increases, which made it more difficult to recruit candidates. Another Area Office reported that SFC staff were leaving for the private sector, citing increasingly competitive salaries.

Although IHS has had an overall increase of 17 percent in SFC Program staff since FY 2022, the overall staff vacancy rate remains high. Some Area Offices reported losing SFC staff to retirements, transfers to other divisions or agencies, and employee separations, resulting in reported Area vacancy rates from 26 percent to 50 percent expected by the end of FY 2025. Some Area Offices said that they have relied more heavily on consultants or contractors for technical support to keep SFC projects moving. At the same time, vacancies and the increased funding through the IIJA have led to an increased workload for current SFC staff because there has not been a sufficient increase in SFC staff to advance projects. The heavier workloads of current staff have, according to some Area Offices, contributed to project delays and backlogs. These workload pressures have required staff to shift focus to the most urgent projects, phases,

[22] OIG, *Staffing Shortages Limited IHS's Capacity To Effectively Administer Much-Needed Sanitation Projects Funded by the Infrastructure Investment and Jobs Act* (OEI-06-24-00010), Dec. 5, 2024.

[23] The hiring freeze affecting IHS began on January 20, 2025, and was lifted on October 15, 2025.

or tasks, resulting in slower progress on others. One Area Office also reported that delays in progression of projects because of staffing shortages have in turn led to increased project costs.

Area Offices also said that they used IHS HQ's centralized SFC hiring team to hire and recruit job candidates, which reduced the administrative burden on program staff. One Area Office reported that it was considering reassessing position levels to be more competitive. IHS and Area Offices also reported that they used various recruitment, retention, and relocation incentives. IHS HQ stated that prior to January 2025 it had been working on SFC Program branding and marketing to improve the reach of its recruitment efforts. In January 2025, the U.S. Office of Personnel Management cancelled the contract that supported these efforts.

Some Area Offices also stated that they used other IHS Areas' staffs or other government agencies to provide technical support for projects, either directly through those other agencies or through their contractors. One Area Office said that to address some of the challenges in maintaining qualified staff at the Tribal level for SFC projects, it made training funds available to assist in training new staff, such as with commercial driver's license certifications and heavy equipment operation and maintenance training. One Area Office reported that it was encouraging its staff to obtain their engineering licensure through statutory authority (under 5 U.S.C. § 5757) that allows for a government agency to pay for the expenses of its staff to obtain professional credentials.

Hiring Contractors

Another frequently reported challenge involved the lack of competition among bidding contractors. According to questionnaire responses, this was the result of a shortage of qualified and experienced bidders, rural or remote locations, and an increase of infrastructure projects. Some contractors also had issues with financing, bonding, and Tribal Employment Rights Ordinance requirements.

To address the shortage of qualified bidders, some Area Offices said that they have implemented new procurement strategies to get projects ready for construction; in some cases, these new strategies have resulted in larger contracts that have attracted major contractors that otherwise might not have been interested.

Increased Project Costs and Inaccurate Cost Estimates

Several factors have, according to respondents to our questionnaire, contributed to increases in project costs, including inaccurate cost estimates, administrative requirements (e.g., the need to coordinate with multiple Federal sources with differing regulations, eligibility, and applicability, which adds to costs), limited bidder interest resulting in less competition and higher bids and contracts, limited workforce, limited material availability, project scope changes, and inflation. Area Offices pointed to various reasons for inaccuracies in the cost estimates, including underestimating costs and projects being funded for construction before planning and design

packages have been completed. Inaccurate cost estimates and increasing costs have led to shortfalls in required funding.

Respondents to our questionnaire stated that cost estimates for projects have been improved by incorporating more recent bid data into engineers' estimates and by using a more uniform job cost analysis process. Supplemental funding through the IIJA, the Environmental Protection Agency, or other funding agencies has helped bridge funding gaps.

Other Survey Insights

Respondents to our questionnaire also provided other insights and identified several factors that have affected project progress, which we summarize below.

- Factors contributing to project delays include supply-chain issues, a finite construction season in particular regions, obtaining agreement among multiple decision makers, and difficulty with finalizing projects or negotiating terms with Tribes or other project partners. To address these issues, one Area Office stated that it is working to implement and manage a better design review process.

- The Spend Plan approval process involves multiple reviews, which, according to IHS, has added up to 6 months to the funding allocation process that funds SFC Program projects. This added time in funding allocation to projects, in some cases, has resulted in awarded funds carrying over into the subsequent FY, further extending project timelines.

- Procurement difficulties, additional reporting procedures and requirements, and managing funds from multiple Federal funding sources add complexity to projects and require additional time and resources. Also, securing supplemental funding to cover project shortfalls, navigating legal considerations, addressing complex environmental requirements, and managing the expanded administrative responsibilities associated with the IIJA funding have all created additional challenges.

- IHS placed greater priority and focus on the progress of the SFC projects that are IIJA-funded. As a result, earlier SFC projects that were not funded through the IIJA have been delayed, and the focus on IIJA-funded projects placed a higher priority on project tracking and documentation, which in turn has increased the administrative responsibilities of Area Offices.

- Respondents to our questionnaire also reported collaboration and coordination complexities, which include Tribal leadership changes that create information gaps and limited interagency collaboration that results in duplicative, multi-format reporting.

- Bookkeeping practices, as reported by one Area Office, did not properly track SFC disbursements. To address the tracking of project funding and spending, this Area Office developed a uniform bookkeeping method to track funds for the various district offices.

CONCLUSION

IHS intended to fund a Legacy list of projects through the IIJA. Over the 4 years of IIJA funding, the number of Legacy list projects in the SDS has decreased; however, the cost to address the remaining Legacy projects as well as newly added projects has increased from $3.4 billion in FY 2022 to $5.9 billion in FY 2025. IIJA projects funded between FYs 2022 and 2025 will reduce the number of deficiency level 5 projects, which are projects to address homes with no water or sewer by over 50 percent, and will reduce the deficiency level 4 projects by over 20 percent.

Completion of the IIJA-funded Tier 1 projects will improve sanitation deficiencies for 109,104 Tribal homes, but the FY 2026 IIJA funding, totaling $700 million, will not be enough to fund all of the Legacy list projects in the SDS. The increase in estimated project costs is not only the result of inflation, but also the result of cost adjustments made to projects. Also, since the passage of the IIJA, new and higher-cost projects have been added to the SDS's project inventory.

Although IHS has faced challenges over 4 years of implementing SFC projects funded by the IIJA, including staffing shortages, cost estimation issues, contractor availability, and communication barriers, Area Offices facilitated the completion of 119 projects, serving 20,247 homes, and have identified ways to address some of these challenges. Some of the steps being taken include using other IHS Areas' staffs or other government agencies to provide technical support for projects, implementing new procurement strategies and better design review processes, and making funds available to assist with training new staff. Despite the challenges that this data brief has identified, the IIJA funding has enabled IHS and Tribal partners to make progress toward reducing longstanding sanitation deficiencies affecting AI/AN communities.

This data brief does not contain recommendations to IHS. However, information in this data brief, including details on challenges faced and approaches taken by Area Offices and Tribes to mitigate those challenges, may help IHS strengthen its management and oversight of IIJA-funded sanitation projects.

We issued a draft of this data brief to IHS. IHS furnished technical comments, which we addressed as appropriate.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

Our audit covered sanitation projects that IHS administered under IIJA funding for FYs 2022 through 2025 and trends related to those projects. In addition, we identified challenges that IHS has faced in administering the IIJA funds and actions that IHS has taken to mitigate those challenges. We did not test the effectiveness of these actions.

We obtained IHS's Spend Plans for FYs 2022 through 2025 and reconciled those Spend Plans to the projects that IHS had listed as IIJA-funded in the PDS for that same period ending FY 2025 to determine how many projects IHS had funded. We also reviewed SDS data for FYs 2022 through 2025.

Our objectives did not require an overall assessment of IHS's internal control structure. Rather, we interviewed IHS officials to gain an understanding of the SFC Program and processes as well as SFC Program project data that were provided to us.

We conducted our audit from May 2025 through July 2026.

METHODOLOGY

We took the following steps to accomplish our objective:

- Reviewed applicable Federal laws, regulations, and guidance
- Interviewed IHS program officials to obtain an understanding of the SFC Program and available data sources and systems, including the SDS and the PDS, and to determine how IHS allocated funding to those Area Offices and Tribes
- Obtained IHS's Spend Plans and PDS data for FYs 2022 through 2025, including a detailed status report of all IIJA projects as of October 30, 2025, to identify SFC Program projects that were funded with IIJA funds
- Conducted a survey of IHS Headquarters, Area Offices, and the ANTHC to identify any challenges faced and actions taken with the large influx of funds received from IIJA funding. In our survey's questionnaire, we asked each of these agencies the following:
    - Have they experienced any challenges related to SFC projects funded from FYs 2022 through 2024?[24] Please describe the most impactful challenges, and

[24] The initial scope of this work was FYs 2022 through 2024, but to provide more current information, we updated the scope for the projects and the trends data to include FY 2025.

known causes and effects, and any actions taken to address the challenges identified. We also provided some bulleted examples of potential challenges that may or may not be applicable, including: (1) hiring/retaining staff to carry out the SFC Program mission; (2) the obligation or disbursement of funding to projects;
(3) Area Offices and Tribes safeguarding funds; (4) project cost estimates not accurate or changing significantly (due to inflation, insufficient information or evaluation, or other reasons); (5) bidding or hiring contractors to perform work or services; (6) differing or changing priorities (as they relate to projects or funding); (7) lack of or delayed communication or collaboration at any level or at any stage of the process, from getting deficiencies identified through to project completion; (8) project delays for reasons other than identified already; and (9) other challenges not already mentioned.

- Have the number of projects and the number of homes with sanitation deficiencies increased along with the emerging projects that came about due to the IIJA funding? Please describe.

- How has the completion time for projects been impacted by the volume of funded projects due to the IIJA funding? Do they have a backlog of funded projects due to the volume of projects or limited procurement resources?

- Are they aware of issues any specific Tribes are experiencing as a result of the IIJA funding? If so, please describe.

- For Area Offices only (not IHS HQ), how do they communicate with Tribes (i.e., how often and through what means such as phone, in-person meetings, Zoom, other)?

We issued the draft of this data brief to IHS. IHS furnished technical comments, which we addressed as appropriate.

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.

APPENDIX B: ACRONYM LIST

AI/AN	American Indian and Alaska Natives
ANTHC	Alaska Native Tribal Health Consortium
FY	Fiscal Year
HHS	Department of Health and Human Services
IHS	Indian Health Service
IHS HQ	Indian Health Service Headquarters
IIJA	Infrastructure Investment and Jobs Act
OIG	Office of Inspector General
PDS	Project Data System
SDS	Sanitation Deficiency System
SFC	Sanitation Facilities Construction
STARS	Sanitation Tracking and Reporting System

APPENDIX C: RELATED OFFICE OF INSPECTOR GENERAL REPORTS

Report Title	Report Number	Date Issued
Indian Health Service's Controls Over Sanitation Facilities Construction Program Projects Funded Under the Infrastructure Investment and Jobs Act Could Be Improved	A-05-22-00021	5/30/2025
Staffing Shortages Limited IHS's Capacity To Effectively Administer Much-Needed Sanitation Projects Funded by the Infrastructure Investment and Jobs Act	OEI-06-24-00010	12/5/2024
Initial Observations of IHS Capacity to Manage Supplemental $3.5 Billion Appropriated to Sanitation Facilities Construction Projects	OEI-09-22-00320	9/30/2022

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