

RESOLUTION OF THE
BUDGET AND FINANCE COMMITTEE
OF THE NAVAJO NATION COUNCIL

23RD NAVAJO NATION COUNCIL - Second Year, 2016

AN ACTION

RELATING TO RESOURCES AND DEVELOPMENT AND BUDGET AND FINANCE; ACCEPTING
THE FOLLOW-UP INTERNAL AUDIT OF THE TRIBAL RANCH PROGRAM CORRECTIVE ACTION
PLAN IMPLEMENTATION AND IMPOSING SANCTIONS AGAINST THE TRIBAL RANCH
PROGRAM AND THE DIRECTOR OF THE DIVISION OF NATURAL RESOURCES FOR FAILURE
TO IMPLEMENT THE CORRECTIVE ACTION PLAN

BE IT ENACTED:

Section One. Findings.

- A. The Navajo Nation Council established the Resources and Development Committee (RDC) as a Navajo Nation standing committee and as such gave RDC oversight authority over the Division of Natural Resources. 2 N.N.C. §§ 500 (A) and 501 (C) (1) (2012) *see also* CO-45-12.
- B. The Budget and Finance Committee is authorized to act as the Audit Committee of the Navajo Nation Council. 2 N.N.C. §300 (C) (6).
- C. The Auditor General is authorized to "[p]repare and present to the Budget and Finance Committee of the Navajo Nation Council, and to the appropriate elements of management, clear and concise reports of the results of internal audit reviews, examinations, prepared in accordance with generally accepted auditing standards and governmental auditing standards as promulgated by the Comptroller General of the United States." 12 N.N.C. §4 (E).

- D. The Auditor General conducted a Performance Audit of the Navajo Nation Tribal Ranch Program in 2009 and recommended approval of the Corrective Action Plan developed by the Tribal Ranch Program. The Performance Audit and Corrective Action Plan were accepted by the Budget and Finance Committee. BFD-23-09.
- E. The Auditor General conducted a Follow-Up Internal Audit of the Tribal Ranch Program Corrective Action Plan Implementation and recommends acceptance of the Follow-Up Internal Audit and Corrective Action Plan Implementation.
- F. The Auditor General is authorized to recommend sanctions of ten percent (10%) of monies payable from any governmental fund of the Navajo Nation as defined at 12 N.N.C. §810 (R) to be withheld after the recommended sanction is approved by the Budget and Finance Committee. 12 N.N.C §9 (B).
- G. In addition, the Auditor General is authorized to recommend that the director of any program, division, or entity of the Navajo Nation which fails to implement a corrective action plan, as reported by the Auditor General, shall have twenty percent (20%) of his or her salary withheld by the Controller. 12 N.N.C. §9 (C).

Section Two. Acceptance

- A. The Navajo Nation accepts the Follow-Up Internal Audit of the Tribal Ranch Program Corrective Action Plan Implementation, attached hereto as Exhibit A, which was implemented pursuant to BFD-23-09, attached hereto as Exhibit B.
- B. The Navajo Nation hereby imposes sanctions against the Tribal Ranch Program and the Director of the Division of Natural Resources for failure to implement the Corrective Action Plan in accordance with 12 N.N.C. §§9 (B) and 9 (C).

CERTIFICATION

I hereby certify that the foregoing resolution was duly considered by the Budget and Finance Committee of the Navajo Nation Council at a duly called meeting held at Window Rock, Navajo Nation (Arizona), at which a quorum was present and that the same was passed by a vote of 4 in favor, 0 opposed, this 7th day of June, 2016.




Honorable Seth Damon, Chairperson
Budget and Finance Committee

Motion: Honorable Tom T. Chee

Second: Honorable Lee Jack, Sr.

M-E-M-O-R-A-N-D-U-M

TO : Levon Henry, Chief Legal Counsel
OFFICE OF LEGISLATIVE COUNSEL

FROM : 
Elizabeth Begay, CIA, CFE
Auditor General
OFFICE OF THE AUDITOR GENERAL

DATE : March 23, 2016

SUBJECT : Request for Legislation – Tribal Ranch Program

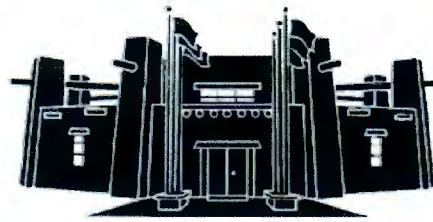
We request your office to prepare the legislation "An Action Relating to Resources and Finance; Accepting the Follow-Up Internal Audit of the Tribal Ranch Program Corrective Action Plan Implementation, and Imposing Sanctions against the Tribal Ranch Program and Director for failure to implement the corrective action plan. The legislation sponsor will be Council Delegate Tuchoney Slim, Jr.

Attached as Exhibit "A" is Audit Report No. 16-15 "A Follow-Up Internal Audit of the Tribal Ranch Program Corrective Action Plan Implementation", and Exhibit "B" Resolution BFD-23-09.

If you have any questions, please contact our office at extension 6303. Thank you.

Attachment

xc: Tuchoney Slim, Jr., Sponsor
COUNCIL DELEGATE
Chrono



OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

**Follow-up Internal Audit of
the Tribal Ranch Program
Corrective Action Plan
Implementation**

**Report No. 16-15
March 2016**

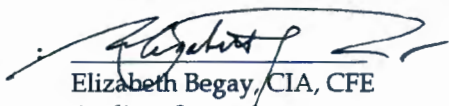
**Performed by:
REDW LLC**



M-E-M-O-R-A-N-D-U-M

TO : Bidtah Becker, Division Director
DIVISION OF NATURAL RESOURCES

: Leo Watchman, Department Manager III
DEPARTMENT OF AGRICULTURE

FROM : 
Elizabeth Begay, CIA, CFE
Auditor General
OFFICE OF THE AUDITOR GENERAL

DATE : March 15, 2016

SUBJECT : Follow-up Internal Audit of the Tribal Ranch Program Corrective Action Plan Implementation

The Office of the Auditor General herewith transmits Audit Report no. 16-15, A Follow-Up Internal Audit of the Tribal Ranch Program Corrective Action Plan Implementation. The follow-up was conducted in conjunction with REDW LLP, Certified Public Accountants, to determine whether the Tribal Ranch Program fully implemented their corrective action plan.

Background

A performance audit of the Tribal Ranch Program was conducted in 2009, and the Auditor General issued audit report no.09-09. The audit report and the corrective action plan developed by the Tribal Ranch Program Manager and concurred by the Department of Agriculture Manager were approved by the Budget and Finance Committee on December 1, 2009, per resolution no. BFD-23-09. With Budget and Finance Committee approval, the Tribal Ranch Program and the Department of Agriculture has the duty to implement the corrective action plan.

Follow-up Results

The Tribal Ranch Program did not fully implement its corrective action plan. Of the 42 corrective measures outlined in the corrective action plan, only 11 (or 26%) were implemented, leaving 31 (or 74%) not implemented. The follow-up results were summarized in the executive summary of the audit report.

Conclusion

Title 12, N.N.C., Section 8 imposes upon the Tribal Ranch Program and the Department of Agriculture the duty to implement the corrective action plan according to the terms of the plan. The Tribal Ranch Program and the Department of Agriculture did not implement the corrective action plan. Consequently, the issues reported in the 2009 performance audit remain unresolved. Accordingly, we recommend sanctions be imposed on the Tribal Ranch Program and the director in accordance with 12 N.N.C., Section 9(b) and 9(c) for failure to implement the corrective action plan.

Attachment(s)

xc: Ivan Becenti, Acting Ranch Manager
TRIBAL RANCH PROGRAM
Arbin Mitchell, Chief of Staff
OFFICE OF THE PRESIDENT/VICE PRESIDENT
Chrono



The Office of the Auditor General - Navajo Nation Follow-up Internal Audit of the Tribal Ranch Program Corrective Action Plan Implementation

Executive Summary

Elizabeth Begay, Navajo Nation Auditor General
Office of the Auditor General – Navajo Nation

The Navajo Nation Office of the Auditor General (OAG) conducted a follow-up internal audit in July 2009 of the Navajo Nation Tribal Ranch Program (TRP) within the Department of Agriculture. The audit evaluated the efficiency and effectiveness of the TRP in utilizing program resources to manage the tribal ranches. The audit resulted in four significant findings with related recommendations.

REDW performed a follow-up internal audit to determine the current status of the Corrective Action Plan (CAP), which was developed by TRP management in response to the 2009 Performance Audit Report. To gain an understanding of the processes and controls in place, we interviewed selected personnel, read applicable portions of the Navajo Nation Code (N.N.C.), and performed site visits. We tested lease files for adequate documentation and assessed tribal ranch monitoring and payment monitoring practices. We assessed the windmill tracking and repair process and assessed the TRP's ability to determine if individual ranches were self-sustainable. Finally, we developed and distributed a questionnaire to 19 current lessees to gather feedback on TRP processes, communication and responsiveness.

SUMMARY OF THE INTERNAL AUDIT RESULTS

Throughout the course of the follow-up internal audit, we identified several areas where significant improvements had been made. Specifically, the following **significant CAP components had been implemented** since the 2009 Performance Audit:

- A standard lease agreement was created for long-term leases, and a signed one was on file for all long-term leases tested.
- A competitive bid process was implemented and all new leases were required to go through the process. Based on the files tested, it appeared that this process had increased the per unit rate for leases from approximately \$4.00 per unit per month to over \$8.00 per unit per month.

- Ranch site visits were implemented to ensure that ranches were being actively monitored.
- Fee adjustments had decreased to only one ranch.
- The repairs and maintenance of windmills was being performed by the Department of Water Resources (DWR) since 2010.
- Quarterly meetings were being held with lessees in an effort to improve relations and communication with lessees.

Although significant improvements have been made, there were significant areas where issues were not resolved and the CAP had not been implemented. Specifically, the following **significant CAP components had not been implemented**:

- A memo, rather than a standard lease agreement, was still being utilized to document temporary leases.
- Lease files tested were missing current brand certifications and insurance documents.
- Accounts Receivable (A/R) was being tracked by the A/R Section and a report was provided to the TRP monthly; however, there was no formal review of the reports by TRP. Several payments were delinquent and lessees were maintaining unpaid balances year to year. There was no formal collection process and no consequences if lessees did not submit required payments. A lease termination process was not in place, and it appeared that the TRP and the A/R Section did not have any adequate authority to pursue action against lessees. Based on discussions with Management, this was mainly due to a pending Supreme Court case.
- A strategic plan was not created and no effective process for filling vacant ranches had been implemented.
- Although the DWR was performing windmill repairs and maintenance, there was no formal agreement between DWR and TRP. TRP would order the materials and DWR would provide the labor at no charge to the TRP. This inhibited TRP's ability to track expenses, and ultimately profitability (self-sustainability), by ranch.
- A work order process for repair/maintenance requests was implemented; however, based on responses from lessees, lessees still felt that the TRP was not responsive to their requests. Several respondents stated that they perform their own repairs as a result or have repair/maintenance requests that were never completed.
- Although a locked storage area was in place for safeguarding equipment, the TRP did not have a fixed asset listing or any formal process for tracking their fixed assets. In addition, they were not performing physical inventory counts.
- The actual duties and responsibilities of the current TRP personnel did not match their corresponding job titles or job descriptions.

A summary of the current status of all 2009 CAP components is presented below.

Prior Overall Finding	Number of CAP Components <u>IMPLEMENTED</u>	Number of CAP Components <u>NOT IMPLEMENTED</u>	Audit Issue Adequately Resolved?
Current TRP Lease Practices Need Improvements	7	5	No
TRP Cannot Demonstrate Tribal Ranches are Self-Sustaining	1	9	No
TRP Accountability for Windmill Repairs and Maintenance is Poor	1	12	No
TRP Resources were not Effectively Managed	2	5	No
Total	11 Implemented	31 Not Implemented	

CONCLUSION

Title 12, N.N.C., Section 8 imposes upon the TRP the duty to implement the CAP according to the terms of the plan. The TRP did not implement the CAP. Consequently, the issues reported in the 2009 Performance audit remain unresolved. Accordingly, we recommend sanctions be imposed on the TRP and the director in accordance with 12 N.N.C. Section 9(b) and 9(c) for failure to implement the CAP. Details on all CAP components that were implemented and that were not implemented are included in the attached report.

REDW LLC

Albuquerque, New Mexico
March 11, 2016

REDW CONTACT INFORMATION

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**The Office of the Auditor General - Navajo Nation
Follow-up Internal Audit of the Tribal Ranch Program
Corrective Action Plan Implementation**

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The Office of the Auditor General - Navajo Nation Follow-up Internal Audit of the Tribal Ranch Program Corrective Action Plan Implementation

Elizabeth Begay, Navajo Nation Auditor General
Office of the Auditor General – Navajo Nation

INTRODUCTION AND BACKGROUND

The Navajo Nation Office of the Auditor General (OAG) conducted a follow-up internal audit in July 2009 of the Navajo Nation Tribal Ranch Program (TRP) within the Department of Agriculture. The audit evaluated the efficiency and effectiveness of the TRP in utilizing program resources to manage the tribal ranches. The audit resulted in four significant findings with related recommendations.

Our follow-up internal audit focused on determining the current status of the Corrective Action Plan (CAP) from the 2009 Performance Audit Report. The 2009 CAP was developed by TRP management and approved by the Navajo Nation Council (N.N.C.) Budget and Finance Committee, to address the audit findings and recommendations. We evaluated selected controls and processes over ranch leases and related monitoring, lease payments, windmill repairs, tracking of expenses, and fixed assets. We compared the results of our follow-up audit procedures to the original CAP and assessed whether adequate progress had been made to consider the CAP “implemented.”

PROGRAM PURPOSE AND ORGANIZATION

The TRP was established in 1986 within the Department of Agriculture under the Division of Natural Resources with oversight provided by the Resources and Development Committee of the NNC. TRP is managed by an Acting Tribal Ranch Manager (TRP Manager) under the direction of the Department of Agriculture Director. In addition to the TRP Manager, TRP has one other staff member, who is a Geographic Information Specialist Technician. Under Title 3, NNC, Chapter 3, the purpose of TRP is to provide productive and optimum use of lands under the direct control of the Navajo Nation designated as ranch lands to ensure that sufficient revenues are realized to pay taxes, land use fees, and cost of administration. TRP currently manages 25 ranches, acquired from 1954-1994, which have been subdivided into 78 ranch units. As the oversight committee of the TRP, the Resources and Development Committee ensures TRP strives to make optimal use of tribal ranches.

OBJECTIVE, SCOPE AND METHODOLOGY

The objective of this follow-up internal audit was to determine the current status of the CAP and to assess whether adequate progress had been made to consider the CAP "implemented."

The scope of this follow-up internal audit was limited to those policies, reports, processes and controls that related to the TRP CAP. We focused on evaluating the progress made subsequent to the 2009 performance audit towards implementing all of the components of the CAP.

To gain an understanding of the processes and controls in place, we interviewed selected personnel, read applicable portions of the N.N.C., Title 3 and 12, and performed a site visit of the TRP, the storage areas for TRP fixed assets, and two tribal ranch units. Additional ranch unit site visits were not performed, as the questionnaire discussed below was deemed more effective in achieving the goal of the internal audit. In addition, we performed the following follow-up procedures:

- Selected all 11 leases executed since 2009 and analyzed related files to determine if required agreements, approvals, and other required supporting documentation was on file to support the lease.
- Assessed the current practices for monitoring tribal ranches to determine if they appeared adequate and viewed documentation to substantiate that they were occurring.
- Analyzed the practices for monitoring lease payments and related A/R. Performed a comparison between the most recent A/R listing and the current lease listing to determine if all lessees were included on the A/R listing.
- Selected a sample of five accounts and viewed payment activity A/R reports to determine if related A/R was being properly tracked and if payments, and any applicable fee adjustments, were for the correct amounts.
- Assessed the processes in place for handling temporary leases, terminated leases, and vacant ranches.
- Performed procedures to determine if windmills, and related repairs, were tracked by ranch and assessed whether the new work order process for handling repair requests was functioning as intended and appeared adequate.
- Developed and distributed a lessee questionnaire to 19 current lessees to validate information by ranch and to assess the lessee's overall satisfaction with the TRP.
- Analyzed information available to determine if income and expenses were being tracked by ranch in a sufficient manner to allow for a conclusion on which ranches are/are not self-sustaining.
- Performed two ranch unit site visits to confirm selected information recorded on the current lease listing and to better understand the current ranch site visit/monitoring process performed by the TRP.

PRIOR FINDINGS, CORRECTIVE ACTIONS AND CURRENT STATUS

Prior Finding I: Current TRP Lease Practices Need Improvements

Prior Finding Summary: "Although TRP had processes, they were not governed by written policies and procedures (P/Ps). The lack of defined P/Ps contributed to inconsistencies in how

TRP evaluated lease applications and executed lease agreements. These inconsistencies did not promote fairness ensuring all lease applicants were evaluated based on the same criteria, and ranch lessees were held to the same lease requirements. In addition, there was a lack of effective ranch monitoring which hindered TRP's ability to minimize risks on lessees engaging in subleasing, overgrazing, unauthorized range improvements and uninsured ranchers. Furthermore, the grazing fee of \$4 per head per month that was established in 1999 was overdue for an evaluation in accordance with Title 3."

Corrective Actions	<i>Current Status of Corrective Actions</i>
1.1 "TRP policies and procedures will be developed for new leases, temporary and renewal for purpose of improving leasing practices and compliance with each of the audit report recommendations."	Not Implemented: Detailed Policies and Procedures (P/Ps) documenting the controls and processes for entering into leases, processing renewals, maintaining lease files, conducting the competitive bid process, and ensuring N.N.C. compliance had not been developed. TRP was relying solely on Title 3 for guidance; however, Title 3 does not provide detailed controls and processes for ensuring and monitoring compliance.
1.1a "Compliance hearings and lease re-negotiations for all leases will be conducted with fairness and equal opportunity. Program will consider bidding process as outlined in Title 3."	Implemented: TRP instituted a competitive bidding process in 2009/2010 for new and renewing lessees. This process includes a standard application checklist, bid packet, and formation of a diverse review team.
1.2 "Standard checklist of lease components will be used. Lease files will be updated periodically."	Not Implemented: There were improvements in lease file documentation; however, all files tested had instances where required documentation was either not on file or was expired.
1.2a "Establish a Ranch Team which will consist of 6 representatives from the NNDA, 1 from DNR, 1 from Ranch Program."	Implemented: A Ranch Team was developed and used for the 2009/2010 competitive bid process, and per inquiry with management, a similar team will be used for the next round of bids. A consistent application checklist and a bid packet were utilized.
1.2b "Ranch Team will review, screen and evaluate lease applications to ensure all required documents are in the package and recommend grants of leases based on criteria and policy."	Not Implemented: A Standard Bid Packet was developed to guide the application, bid evaluation, and recommendation process. However, the criteria in the bid packet were not always followed and, as described in 1.1, policies had not been documented to guide the process and clearly define exceptions to the set criteria, the formal evaluation process, and the documentation requirements.

Corrective Actions	<i>Current Status of Corrective Actions</i>
1.2c "Standardized lease format for all leases and temporary uses and ratified by Resources Committee as outlined in Title 3."	Not Implemented: TRP developed and was using a standard lease agreement for long-term leases; however, there was not a standard lease agreement for temporary leases as an informal memo format was still being utilized.
1.2d "Competitive bidding highest bidder will be granted 10 year lease. Current lessee will be asked to vacate in 60 days if it does not meet the bidding."	Implemented: The competitive bidding process was implemented as documented at 1.1a. In most cases, current lessees were asked to vacate and the winning bidder was able to take over the ranch unit. However, in a few instances, the TRP had not been successful in vacating the previous tenant.
1.3 "Baseline field inspections for lease compliance will be conducted including ranch improvements and will be filed in each ranch unit file."	Implemented: The TRP Manager was making at least two site visits per month and was documenting those visits informally. After viewing the notes for a select period, it appeared that during the visits, the TRP Manager was addressing all of the concerns around unauthorized use and was documenting the date/time of visit, GPS coordinates, and any observations. Based on discussions, he was following up with appropriate enforcement authorities when needed. As part of the new standard lease agreement, lessees are required to submit requests for lease improvements; however, improvements are rare. No significant new improvements (i.e. additional structures, etc.) had been requested/made since the time the current TRP Manager took over. The status of existing improvements was routinely being confirmed during site visits and if new improvements were made, they would be inspected during the visits.
T.3a "Uniform monitoring checklist will be implemented on each ranch inspection. Two ranches will be inspected monthly."	Implemented: Even though a formal checklist was not being used, a thorough monitoring process had been implemented. See 1.3 above.
1.3b "Monitoring will be conducted by Extension Agent for all ranches. Reports will be turned into Ranch Manager. Reports will be completed on a quarterly basis."	Implemented: Monthly monitoring was performed directly by the TRP Manager. See 1.3 above.

Corrective Actions	Current Status of Corrective Actions
1.3c "Conduct ranch inventory on property, infrastructure, equipment, etc. Information will be shared with Navajo Land Department, Fixed Asset and NN Property Management."	Not Implemented: The TRP was not conducting physical inventory counts of property and equipment, and they were not maintaining a fixed asset listing or sharing information with other departments.
1.4 "Grazing fees will be adjusted every 5 years per Title 3." 1.4a "Review of current grazing and lease fees." 1.4b "Review fee schedule for BLM, U.S. F.S., and State grazing fees." 1.4c "Review increase or decrease of property taxes for ranches." 1.4d "Livestock prices." 1.4e "Presentation of proposed grazing fee to ranchers." 1.4f "Grazing fee will be presented before Resource Committee."	Implemented: The competitive bidding process was instituted in order to ensure grazing fees were adjusted to fair market value with each new lessee; thereby eliminating the need for the re-evaluation every 5 years. The initial bid awards were all at significantly higher per animal unit rates than the flat \$4/unit rates that were in the existing leases. The new bidding process replaces the need for regular grazing fee adjustments.

Prior Finding II: TRP Cannot Demonstrate Tribal Ranches Are Financially Self-Sustaining

Prior Finding Summary: "Some tribal ranch lessees are not paying their leases in full resulting in TRP carrying large unpaid balances year after year. This practice coupled with fee adjustments that were approved by TRP without proper justification has eroded the TRP revenues resulting in operating deficits. TRP revenues are further diminished with vacant ranches and fixed lease amounts. Generating sufficient revenues is critical for TRP to fund its operations. Since TRP does not maintain expenditure records by ranch, the financial sustainability for each ranch could not be determined. Furthermore, TRP does not earn sufficient income to amortize or pay back the Navajo Nation's \$68 million investment in the tribal ranches pursuant to Title 16, Section 8."

Corrective Actions	Current Status of Corrective Actions
<p>2.1 "Policies and procedures will be developed to track lease payments with Accounts Receivable (A/R) Section on a timely basis as outlined in lease format and Title 3."</p>	<p>Not Implemented: TRP did improve the working relationship with the A/R Section resulting in selected payments tying to lease agreements and all leases being included on the A/R report. However, there were still no P/Ps in place outlining the process for TRP A/R collections, responsibilities for monitoring unpaid balances and tracking payments, or procedures for reconciling A/R activity. The TRP Manager was receiving, but not thoroughly reviewing, A/R reports on a monthly basis. There was not a clear process for handling collections between the A/R Section and TRP.</p>
<p>2.1a "Revenue collection policies and procedures will be developed."</p>	<p>Not Implemented: TRP revenue collection P/Ps were not developed.</p>
<p>2.2 "Appropriate policies and procedures will be developed so that lease compliance and lease termination will be enforced fairly and consistently. Program will be consistent with the lease provision and Title 3."</p>	<p>Not Implemented: P/Ps were not developed. The standard lease agreement and Title 3 contain minimal language regarding the process for handling terminated leases. In addition, there was no process for handling lessees who do not make their payments such as referring them to the Department of Justice, as required by Title 3, or any other form of repercussions, and lessees were still allowed to carryover late payments year-to-year without consequences. TRP and the A/R Section did not appear to have adequate authority in order to enforce payments. This lack of authority appears to be negating TRP's efforts to increase ranch revenue through the competitive bidding process.</p>
<p>2.3 "Long-term measures will be developed and implemented to enforce lease compliance or termination.</p> <ol style="list-style-type: none"> 1. Not paying on time. 2. Over stocking. 3. Subleasing. 4. Payment to state/BLM leases. 5. Surcharges payments." 	<p>Not Implemented: Long-term measures were not developed and implemented to enforce lease compliance or termination. See 2.2 above.</p>

Corrective Actions	<i>Current Status of Corrective Actions</i>
<p>2.3a "Supporting documents will be attached to lease fee adjustments with concurrence by the Department Director."</p>	<p><i>Not Implemented:</i> Lease fee adjustments were limited to only one ranch as there was only one lessee who was completing all of their own improvements and submitting receipts for adjustments to be applied. The lessee would provide a listing of the adjustment details along with supporting receipts. The adjustment would be approved by the TRP Manager and the Department of Agriculture Director. A memo showing approval is sent to the A/R Section for the adjustment to be processed. We requested support for the 2014 and 2015 adjustments. TRP was able to provide the detailed listings and some of the receipts, but not all receipts. In addition, they were not able to locate the adjustments memo that they believed had been sent to the A/R Section. The A/R Section had not processed the 2014 or 2015 adjustment as of the time of this follow-up internal audit based on a lack of information. There appears to still be a lack of timely communication with the A/R Section regarding lease fee adjustments.</p>
<p>2.4 "The enterprise fund management plan will be revised with specific written instructions to the escrow agent. The escrow instructions will include provisions for the Controller's Office to have oversight authority over the escrow account. The lease agreement will be revised to address the establishment of an escrow account."</p>	<p><i>Not Implemented:</i> An escrow account for Big Boquillas Ranch was set up; however, it had never been utilized. In addition, there was no other methodology set up to separately track the revenues and expenses for this specific ranch, which is a large revenue generator for the TRP.</p>
<p>2.5 "Trends and potential impacts and revenues from fee adjustments and fixed leases and grazing fees will be evaluated. Obtain legal advice from DOJ on nullifying fixed rates. Program will work with the Resources Committee to nullify all fixed rates."</p>	<p><i>Implemented:</i> Fixed lease amounts are no longer being used. All leases executed since July 2009 are governed by the competitive bidding process. Fee adjustments were limited to only one ranch as described in 2.3a above.</p>

Corrective Actions	Current Status of Corrective Actions
<p>2.5a "Vacant Ranches will be assessed and required improvements and repairs will be made within 6 months after the ranch becomes vacant."</p>	<p>Not Implemented: TRP had not implemented a strategic plan to aggressively market vacant ranches or to make improvements beyond basic windmill repairs and maintenance. Based on discussions with TRP personnel, this was due to a lack of funding. As a result, improvements and repairs were not being made within 6 months of a ranch becoming vacant. This resulted in 17 ranch units (or 20% of the ranches on the lessee listing) being vacant at the time of this follow-up internal audit. This is significantly higher than the 6% that were vacant at the time of the 2009 performance audit.</p>
<p>2.6 "Record keeping ledgers will be developed to show expenses of ranch repairs, maintenance, cost share expenses, administrative costs for each ranch. Financial statements and supporting documentation will be filed in each ranch unit."</p>	<p>Not Implemented: TRP had no process in place to record and track expenses by ranch. Financial statements and supporting documentation were not being filed for each ranch unit.</p>
<p>2.7 "Returns on investments will be calculated and will be made available in a database. Obtain records of lease payments from A/R. Financial Reports will be reported to the Resources Committee."</p>	<p>Not Implemented: See 2.6 above. Based on the lack of tracking of expenses by ranch, there was no process for determining which ranches were self-sustaining, for calculating return on investments, or showing which ranches were operating at a profit or a loss. The TRP Manager was not preparing financial statements or any form of return on investment reports on tribal ranches. According to TRP personnel, the current Resources and Development Committee had not requested this information.</p>

Prior Finding III: TRP Accountability for Windmill Repairs and Maintenance is Poor

Prior Finding Summary: "Since the viability of a ranch is contingent upon its water sources, the windmills and wells that produce these water sources are considered key components of a ranch. However, TRP lacks an inventory to properly account for all windmills currently located on the tribal ranches. To ensure the tribal ranch windmills remain operational, TRP expended over \$860,000 for windmill repairs and maintenance between FY2003 and FY2008. However, there was no process established to fully account for the repairs and maintenance activities; there was no verification of contract work by TRP before processing a payment. TRP has been slow to identify other cost-beneficial alternatives on how to meet critical windmill repair and maintenance needs without relying on independent contractors."

Corrective Actions	Current Status of Corrective Actions
3.1 "Develop and implement policies and procedures for windmill maintenance and services."	Not Implemented: P/Ps for windmill repair and maintenance (R&M) services were not developed.
3.1a "TRP will use a standardized inventory form."	Not Implemented: DWR is now maintaining a windmill inventory listing since they are performing all windmill R&M. This listing is provided to the TRP monthly, and per TRP personnel, the number of windmills has not changed in approximately 20 years. Although the listing documents the windmill number and location, it lacks pertinent information such as the condition and any scheduled repairs and maintenance.
3.1b "Monitoring will be done monthly."	Not Implemented: The listing being maintained by DWR (as described in 3.1a) only lists the windmill number and location. The current windmill condition is not tracked, monitored and updated.
3.1c "Appropriate procedures, a physical inventory of windmills will be conducted to determine numbers and condition."	Not Implemented: See 3.1b above.
3.1d "Program will share the information with Property Department and Fixed Asset Department."	Not Implemented: Windmill information was not communicated to the Property Department or the Fixed Asset Department.
3.2 "Develop policies and procedures and guidelines that define the R&M process."	Not Implemented: P/Ps to define and guide the R&M process were not developed.
3.2a "Existing files and database will be updated."	Not Implemented: There were no files or database developed to track R&M by windmill.
3.3 "The information will be cross reference with Water Resources Department on a quarterly basis."	Not Implemented: See 3.1a above. Given that the TRP does not maintain files or a database of windmill repairs, there is no cross referencing performed to the DWR windmill inventory listing.
3.3a "Establish a recordkeeping system that records the history of repairs for each windmill."	Not Implemented: A recordkeeping system that records the history of repairs for each windmill was not developed and implemented.
3.4 "TRP terminated the Contracts and Program is currently working with Department of Water Resources on windmill maintenance and services on Nation ranches. Program plans to turn R&M services to DWR."	Implemented: Beginning in 2010, the DWR began performing all R&M for TRP windmills.

Corrective Actions	Current Status of Corrective Actions
<p>3.5 "Conduct cost-benefit analysis in conjunction with Navajo Water Resources regarding alternative options for providing R&M services for tribal ranches."</p>	<p>Not Implemented: A cost-benefit analysis was not performed and other options, outside of DWR performing R&M, were not explored. There was no formal agreement between the TRP and DWR documenting how expenses for R&M labor would be charged and tracked. TRP was purchasing the parts/materials and DWR was performing the labor; however, there was no charge for these services. The lack of a formal agreement and tracking process for the actual cost of R&M makes it even more difficult to calculate profitability by ranch.</p>
<p>3.5a "Prototype Strategic Ranch Management Plan and Baseline Ranch Monitoring Guidelines will be developed and implemented. Plans will be adapted for each ranch."</p>	<p>Not Implemented: A Strategic Ranch Management Plan and Baseline Ranch Monitoring Guidelines were not developed and implemented.</p>
<p>3.5b "Research and analyze alternative methods of water development and conservation for tribal ranches."</p>	<p>Not Implemented: Alternative methods of water development and conservation for tribal ranches was not formally researched and analyzed.</p>

Prior Finding IV: TRP Resources Are Not Effectively Managed

Prior Finding Summary: "Managing 25 tribal ranches that involve over 1.6 million acres is a vast undertaking by a small tribal program such as TRP. Therefore, it is important for TRP to effectively manage its resources to ensure it adequately maintains and safeguards the tribal ranches in accordance with Title 3. However, personnel resources are poorly managed because staff responsibilities are not being fulfilled, and there is poor accountability for TRP property. If TRP cannot effectively manage its resources, it cannot effectively manage the tribal ranches."

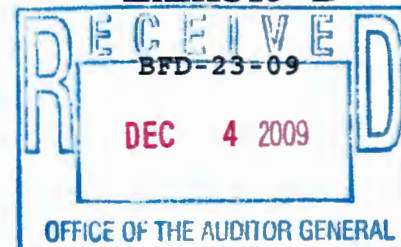
Corrective Actions	Current Status of Corrective Actions
<p>4.1 "Establish better and formal communication with the lessees by correspondence, newsletter, meetings on a quarterly basis."</p>	<p>Implemented: The TRP Manager had instituted quarterly meetings with lessees and provided training and technical assistance on various topics such as minor windmill repairs, herd health, and forage and water conservation. However, based on the survey results, there was still the perception that TRP management was not responsive. Even though enough progress has been made to consider section 4.1 of the CAP "implemented," the TRP should consider implementing one-on-one meetings with lessees to address concerns. This could aid in improving the relationship and communication with lessees and could allow for more timely resolution of concerns.</p>
<p>4.1a "Budget will be revised to reflect the technical assistance and trainings to the lessees."</p>	<p>Not Implemented: See quarterly meetings described in 4.1 above. There have been technical assistance and trainings for lessees at some of these quarterly meetings. However, the TRP operating budget was never revised to reflect the need for these expenses and they are not being tracked separately.</p>
<p>4.1b "Submit a position reclassification for the current employees to reflect job duties."</p>	<p>Not Implemented: There had not been any changes to reclassify the TRP positions to align current employees with current job duties.</p>
<p>4.1c "Monitor and coordinate all land records, property tax assessment, land titles, update land records, land exchanges, etc. Information will be shared with Navajo Land Department."</p>	<p>Not Implemented: The TRP had not worked to identify and investigate any land exchanges that were previously unrecorded and they had not worked with the Land Department to reconcile the ranch land acre information to the amount of land recorded by TRP.</p>
<p>4.2 "Designate an equipment storage area in secured location."</p>	<p>Implemented: The TRP had established locked storage areas to prevent the theft of fixed assets. TRP also implemented a "loan-out" process for documenting loaned equipment. A check-in/out log was being utilized to show that both parties agree to the loan of the equipment.</p>
<p>4.2a "TRP to maintain property equipment listing."</p>	<p>Not Implemented: See corrective action status at 1.3.c above.</p>
<p>4.2b "Monitor and coordinate the Program operation and management."</p>	<p>Not Implemented: See corrective action status at 1.3.c above. Improvements have not been made to processes for monitoring property and equipment.</p>

* * * * *

We received excellent cooperation and assistance from the TRP personnel during the course of our internal audit. We very much appreciate the courtesy and cooperation extended to our personnel. We would be pleased to meet with you to discuss our findings and answer any questions.

REDW LLC

Albuquerque, New Mexico
March 11, 2016



RESOLUTION OF THE
BUDGET AND FINANCE COMMITTEE
OF THE NAVAJO NATION COUNCIL

21ST NAVAJO NATION COUNCIL - THIRD YEAR, 2009

AN ACTION

RELATING TO FINANCE; ACCEPTING THE PERFORMANCE AUDIT OF THE NAVAJO
NATION TRIBAL RANCH PROGRAM SUBMITTED BY THE OFFICE OF THE AUDITOR
GENERAL AND APPROVING THE CORRECTION ACTION PLAN SUBMITTED BY THE
NAVAJO NATION TRIBAL RANCH PROGRAM

BE IT ENACTED:

1. The Navajo Nation hereby accepts Audit Report No. 09-09, the Performance Audit of the Tribal Ranch Program, and approves the Navajo Nation Tribal Ranch Program corrective action plan, hereto attached as Exhibits A and B, respectively.

2. The Navajo Nation hereby directs that copies of the Navajo Nation Tribal Ranch Program corrective plan be provided to the Office of the President/Vice President, and the Resource Committee, as part of their oversight responsibilities for the Navajo Nation Tribal Ranch Program.

3. The Navajo Nation hereby directs the Navajo Nation Tribal Ranch Program to submit a written status report on their progress in implementation of the corrective action plan to the Office of the Auditor General six months after the approval of this resolution.

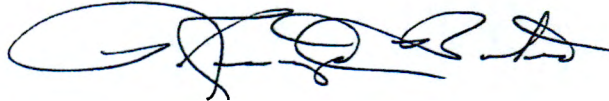
4. The Navajo Nation hereby directs the Office of the Auditor General to review the written status report to be submitted by the Navajo Nation Tribal Ranch Program and report to the Resources Committee, as well as the Budget and Finance Committee.

5. The Navajo Nation hereby directs the Office of Auditor General to conduct a follow-up review twelve months after the approval of this resolution to verify actions claimed to have been taken by the Navajo Nation Tribal Ranch Program, to issue a written follow-up report indicating the Navajo Nation Tribal Ranch Program progress in implementing the corrective action plan, and to make recommendations to the Resources Committee, as well as the Budget and Finance Committee.

DEC 14 2009

CERTIFICATION

I hereby certify that the foregoing resolution was duly considered by the Budget and Finance Committee of the 21st Navajo Nation Council at a duly called meeting held at Window Rock, Navajo Nation (Arizona), at which a quorum was present and that the same was passed by a vote of 05 in favor, 01 opposed and 00 abstained, on this 1st day of December, 2009.



Lorenzo Bates, Chairperson
Budget and Finance Committee

Motion: Jonathan Nez
Second: Lorenzo Curley.