



The Navajo Nation Office of the Controller

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Controller's Office successfully concludes Chapter Distribution Program despite challenges, short timeframe

WINDOW ROCK, Ariz. — Nearly 5,500 individual requests for Navajo Nation Chapter expenditures were received by the Navajo Nation Office of the Controller as part of the Chapter Distribution Program that ended Nov. 20. The expenditures were funded by the Navajo CARES Act funds of \$90 million approved Oct. 9. The funds were provided to Navajo Nation Chapters to purchase additional coronavirus relief aid and is part of the larger \$714 million Coronavirus Relief Fund given to the Navajo Nation.

The Controller's Office and its consultants secured a national supplier that facilitated the procurement and distribution of \$28 million in requests for bulk consumables such as essential food, personal protective equipment and essential sanitation items. All this equates to nearly 7,300 pallets of goods or approximately 325 semi-truck loads of supplies that will be delivered to the Navajo Nation in the coming weeks.

Pearline Kirk, Controller of the Navajo Nation, explained bulk buying saved the Navajo Nation time and money.

"By using a bulk purchasing approach, not only was the Navajo Nation able to procure this large volume of high-demand items, the cost savings for the nation were 30% on average for many of the goods purchased," she said.

Despite the success of the Chapter Distribution Program, there were some frustrations and criticisms of the program that could not be avoided. The Controller's Office had to work with a very short timeframe which caused frustration and challenges among several Navajo Nation divisions, departments and some chapters.

It was clear from the beginning, the original legislation, CS-73-20, named the Navajo Division of Community Development as the administrator of the expenditure plan on behalf of the chapters. The plan required Community Development to collect a community needs assessment and as routine, the Office of the Controller advised against certain items contained in that assessment because some items were problematic from a compliance perspective. This issue set unrealistic expectations for the chapters.

Kirk explained several of the eligible items listed in the initial legislation were determined to be unallowable due to duplication of services, such as some chapters wanting to do their own Hardship Assistance Program and time constraints for other proposed projects.

"Federal requirements for the CARES Act clearly stipulates that any goods or services reimbursed with CARES Act funding must be received and put to its intended use to address COVID-19 by Dec. 30," Kirk said.

When the resolution was approved by Navajo Nation President Jonathan Nez Oct. 9, the Controller's Office quickly got to work and had a series of trainings scheduled for Navajo Nation Chapters. The first training was Oct. 22, the second Oct. 30 and the third was on Nov. 13.

The Controller's Office dedicated a significant amount of resources to assist chapters amidst also rolling out the Hardship Assistance Program. There were 18 dedicated individuals, also referred to as chapter support representatives, devoted solely to helping chapters with expenditure plans, questions, providing direct assistance, conducting meetings, reviewing countless documents and providing guidance on how to ensure compliance with the federal funds. Several of the individuals were located onsite and have been since July working on various CARES Act expenditure plans.

Despite all the training and guidance, some chapters failed to follow rules and submitted unallowable requests in their expenditure plans that were originally due Oct. 30.

"It was disappointing to see some of the requests made in the expenditure plans," said Kirk. "We had one request for almost \$40,000 in Apple products to be used solely for only four chapter employees. That, in addition to requests for thousands of Pendleton blankets and reimbursements for gift cards."

With the final deadline looming, the Division of Community Development decided to revise the deadline from Oct. 30 to Nov. 6 to appease chapters and then revised the deadline again to Nov. 9 and Nov. 10. The Controller's Office advised Community Development and the chapters that continuing to move the expenditure plan submission deadline puts all procurement and expenditures at risk.

The Navajo Nation Council approved NABIO-49-20 on Oct. 30 that required all costs to be encumbered by Nov. 20 and expenses incurred by Dec. 15. This action put significant pressure on the resolution that approved the initial expenditure plan, CS-73-20, with the original deadline of Nov. 30.

With the shorter time frame, the Controller's Office conducted the initial feedback of expenditure plans to chapters Nov. 12, two days after receiving many of the final expenditure

plans. The final deadline to submit changes to expenditure plans based on the Controller's Office review was at 12 p.m. on Nov. 16.

Extending the timelines for chapters to submit their expenditure plans made it extremely difficult for the Controller's Office to work with the chapters in finalizing their plans. This caused serious delays, the Controller's Office did not receive the final expenditure plans and necessary documents until the following week and late revisions were received past the deadline.

The short time frame gave the Controller's Office less than 48 hours to try to review expenditure plans for adequate documentation and for Community Development to work with chapters to procure necessary goods, services or to submit requests for reimbursements.

These types of financial processes should not be rushed. In order for funds to be encumbered or set aside for spending, a legally binding obligation must exist, such as an approved contract, a purchase order or a satisfactory request for reimbursement. Since these funds are federal dollars, chapters must follow procurement and contain adequate documentation to support transactions.

There are various divisions involved in procuring a transaction within the Navajo Nation. In this instance involving the Chapter Distribution Program, the process included review and approval by the Division of Community Development who is responsible for the expenditure plan, the Navajo Department of Justice, the Office of Management and Budget, the Office of the Controller and in many cases, the Office of the President and Vice President.

"The bar is high for compliance and the stakes are even higher for noncompliance," said Kirk. "The Navajo Nation Chapters have to adhere to the same requirements as all other divisions and recipients of CARES Act funding. If they do not, we, the Navajo Nation, have to pay the funds back to the U.S. Treasury."

"There were a lot of promises made that simply could not be kept," added Kirk. "These are federal dollars, not general funds that can be spent with minimal restrictions."

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