

SUMMARY

The Navajo Nation Office of the Auditor General has conducted a performance audit of the Navajo Nation Tribal Ranch Program (TRP) within the Department of Agriculture. The audit was requested by the Navajo Nation Government Services Committee. The audit evaluates the efficiency and effectiveness of TRP in utilizing program resources to manage the tribal ranches.

FINDING I: Current TRP Lease Practices Need Improvements

Although TRP has lease processes, they are not governed by written policies and procedures. The lack of defined policies and procedures contributed to inconsistencies in how TRP evaluates lease applications and executes lease agreements. These inconsistencies do not promote fairness to ensure all lease applicants are evaluated based on the same criteria, and ranch lessees are held to the same lease requirements. In addition, the lack of effective monitoring hinders TRP in minimizing 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 is overdue for an evaluation in accordance with Title 3.

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

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.

FINDING III: TRP Accountability for Windmill Repairs and Maintenance is Poor

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 the critical windmill repair and maintenance needs without relying on independent contractors.

FINDING IV: TRP Resources Are Not Effectively Managed

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.

In addition to the four findings summarized above, the audit report contains recommendations for improving TRP internal controls and operations.