

Summary

The Navajo Nation Office of the Auditor General conducted a review of the U.S. Department of Justice (USDOJ) American Recovery and Reinvestment Act (ARRA) grants awarded for the construction of the Tuba City and Kayenta Correctional facilities. The Navajo Nation Council Budget and Finance Committee requested for a review of the grant because of concerns the Department of Corrections did not comply with the cash match requirement and timely draw down of the grants.

Issue I: General fund totaling \$7,137,931 was expended in the construction of Tuba City Corrections Facility.

The \$7,137,931 of general funds expended should satisfy the required cash match of approximately \$4 million for the Tuba City project. However, deficiencies in the accounting of the expenditures recorded in the two business units CO1412 and CO1397 that provided the general funds cash match contributed to concerns whether the expenditures can be reported to USDOJ. The Navajo Nation Office of Management and Budget, Office of Controller and Department of Corrections contributed to the deficiencies.

- Office of Management and Budget did not create the cash match object account 9510 for funding within the two business units.
- Office of Controller did not ensure cash match object account 9510 was created and funded within the two business units.
- Department of Corrections did not transfer funds to establish budgets for the cash match object account 9510 within the two business units.

Issue II: After receipt of the USDOJ ARRA grant for Tuba City project, Department of Corrections continued to expend general funds that resulted in unexpended grant of approximately \$2.5 million.

The USDOJ ARRA grant was awarded in September 2009 and accepted by the Navajo Nation in December 2009. However, Department of Corrections did not charge the USDOJ ARRA grant until September 2010. As a result, the USDOJ ARRA grant was not fully expended as of September 30, 2013.

- \$2,476,686 of the USDOJ ARRA grant was not expended.

Issue III: Timely draw down of the USDOJ ARRA grants were not performed.

The USDOJ ARRA grants are cost-reimbursement grants, which require general funds to be used upfront to cover project expenditures. Periodic draw down of the grants are required to replenish general funds. However, we found the following deficiency.

- \$47 million general funds advanced to pay for the construction of the Tuba City and Kayenta Correction facilities were not replenished in a timely manner.