



**OFFICE OF MANAGEMENT AND BUDGET**

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**FY 2016 Second Quarter Report  
(January, February & March, 2016)**

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## I. EXECUTIVE SUMMARY

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- A. Pursuant to Navajo Nation Code 2 NNC § 1201-1205 and Plan of Operation resolution # GSCAU-50-02, the Office of Management and Budget (OMB) is responsible to direct and manage the allocation and appropriation processes of all Navajo Nation funds; to provide management support in areas of fiscal management, budgets, program operation and management, and contracts/grants and similar agreements; and to review and assess funding proposals and initiatives.
- B. OMB has developed the following five (5) primary priorities that encompass the main responsibilities per the Plan of Operation, Enabling Legislation, and approved budget. These priorities are:
- FY 2016 Approved Budget Goals;
  - Improved budget and grants management policies and procedures;
  - Implement improved automated processes for budgeting and related documents;
  - Provide training and education to staff; and
  - Implement financial structure improvements.

## II. CRITICAL ISSUES

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- A. Budget Section, OMB:
- i. Begin planning for the development of the Fiscal Year 2017 budget development processes.
  - ii. Continue to review and process budget revision requests.
  - iii. Continue to review and process supplemental budget requests.
  - iv. Continue to review and provide written comments for documents processed through the Executive Branch 164 Review Process and for legislation.
  - v. Continue to provide information in response to verbal and written requests to Navajo Nation programs and key Navajo Nation officials.
  - vi. Continue to attend meetings of key Navajo Nation officials regarding budgetary and other fiscal related matters.
- B. Management and Policy Section, OMB, has been trying diligently to work with the Navajo Nation Facilities Maintenance, Division of General Services; Design and Engineering Department to address and fix the airflow problem in OMB. The problem has been on-going since the building was reopened over a year ago. Some staff is affected and experiencing health issues due to the lack of proper airflow. The exact cause has not been determined but the staff believes the cause is the floor to ceiling wall between OMB and Department of Personnel Management (DPM). The wall restricts proper airflow in this part of the building, which causes the buildup of various smells, odors, and substances in the air. OMB has consistently requested the problem be properly addressed and fixed but to no avail. There is a simple fix: to open the door on the wall between OMB and DPM and/or to install vents in the wall to allow some airflow. The problem is that neither OMB nor DPM has a key to that door which

is always locked. On a couple occasions, Facilities Maintenance staff opened the door with a key (which they will not provide to either office) and that resulted in the airflow to improve. This issue is ready to escalate to the NN President’s office and/or obtain legal counsel to require the appropriate Divisions/programs to address and fix the problem to ensure the good health and safety of employees.

C. Contracts & Grants Section, OMB:

- i. The issue with U.S. Treasury Offset Program (TOP) is continuing. An offset, of debt collection, will occur against federal funds anticipated or scheduled to be deposited with the Navajo Nation; this impacts federal funds coming to the Navajo Nation. The OPVP, OOC, NN-DOJ and OMB have met several times including a tele-conference with U.S. Treasury but the issue is not resolved. The issue stems from payment discrepancies with the Navajo Nation’s Employee Benefits. According to the Indian Health Care Improvement Act, P.L. 93-638 IHS guarantees free health care but somehow payment discrepancies relating to the Nation’s Employee Benefits Program is affecting TOP. There were no prior notices from the TOP regarding this collection. The Navajo Nation Department of Justice is trying to resolve the issue. On March 3, 2016, the Nation met with U.S. Treasury representative (SAM.gov) to discuss remedies. At this time, SAM.gov temporarily took the “N” code off their website so the Nation could drawdown funds and receive awards, however, this temporary fix is only good to March 25, 2016.
- ii. On March 23, 2016, Vice-President Jonathan Nez presented the Navajo Nation budget testimony to the BIA National Budget Hearing in Washington, DC. The total budget request by the Navajo Nation’s P.L. 93-638 contracted programs for FY 2018 funding:

Base Budget (FY15 Recurring Enacted Budget)	8% Increase	Unfunded Obligation	Total Request
\$82,000,000	\$12,489,000	\$64,951,000	\$159,400,000

- iii. The BIA budget priorities established by President Begaye’s administration are: Natural Resources, Public Safety/Courts, Education, Human Services, and Roads. The BIA FY 2018 funding amounts will be available in the Department of Interior’s budget Green Book in spring 2017.
- iv. The P.L. 93-638 IHS budget request for FY 2018 funding was submitted to the IHS headquarters in Washington, DC, on February 12, 2016. Council Delegate Leonard Tsoie and DOH representative Theresa Galvan presented the Navajo Nation budget testimony. The budget priorities are, in the order: Health Care Facilities, Water/Sanitation, Prevention, Maintenance & Improvement, Mental Health, Purchase-Referred Care, Hospital/Clinics, Urban Clinics, and Dental.
- v. Regarding the monthly status report on the special conditions that were imposed on the FY 2013 to 2015 awards by the State of New Mexico, the Navajo Nation submitted the status report for month ending February, 2016, on March 15, 2016. The February report was late due to Navajo programs involved failure to comply

with the reporting requirements, these programs are Office of the Controller, Navajo Area Agency on Aging-NDOH, and Capital Improvement Office-DCD. The reports are due 10 days after each month ending

### III. PROJECT(S) STATUS

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- A. Budget Section, OMB:
  - i. Review the Fiscal Year 2016 budget development process for recommended changes to the Fiscal Year 2017 budget process.
  - ii. Develop alternatives to improve the budget development process for Fiscal Year 2017.
  - iii. Finalize the REDW draft of the Budget Policies Manual which would include General Fund budget policies, Chapter budget policies, and Capital Improvement budget policies.
  - iv. Continue to provide technical assistance on implementation of the Sihasin Fund and the Permanent Fund five year expenditure plans.
- B. Management and Policy Section, OMB:
  - i. Restarted the OMB-FMIS Optimization Project to optimize the use of the Oracle JD Edwards Enterprise One financial management system (aka FMIS) for budget functions. The contract with Verity Consulting was approved and the project was initiated in 2012 but due to the closure of Administration Building One the project was put on hold until now. Some of the proposed improvements will benefit all FMIS users and some will benefit OMB's use and development. OMB is anticipating the completion of this project this year but may extend based on the complexity of some of the proposed improvements. Since implementation of the FMIS in 2003, OMB has not had any improvements and/or training on FMIS usage and development since.
  - ii. The manager of MPS is also the FMIS Power User, the weekly FMIS status meetings is conducted by the Office of the Controller (OOC) to review and resolve issues. However, OMB Power User has modified his attendance at these meetings to once per month because most of the issues reviewed and discussed are primarily related to OOC FMIS usage and internal management issues. Any new developments or updates are shared with the OMB staff as part of the Optimization Project.
  - iii. Continue to monitor on a daily basis the status of the Navajo Nation's General Fund actual revenue and the price of a barrel of crude oil. This information is important as it affects the NN's annual revenue projection which guides the annual budget process.
  - iv. Updating the Tribal Funds Report. This report contains key information for the approximately 100 funds administered by the Navajo Nation (i.e., non-external funds). The report is expected to be completed by the end of April and will be ready for use during the FY 2017 comprehensive budget development process which begins during the third quarter.
  - v. Continue efforts to develop viable plans for the use of the recent \$180 million allocations made by the Navajo Nation Council (CJA-12-16) from the Shahasin Fund

for water projects. The Council approved the allocation in January with a requirement to develop plans on how the funds will be administered. MPS will provide input and assist the work group, which includes members from OOC, DOJ, DNR/Water Resources Department, OPVP and the Legislative Branch, IHS, NTUA, etc., to develop plans to ensure the best use of the allocations. OMB is responsible for project Business Unit and account setup in the FMIS and requires certain information to complete and management project accounts, and design plans to administer, monitor and revise the management of tribal funds.

C. Contracts and Grants Section, OMB:

- i. The FY 2015 Single Audit is currently in progress by KPMG, LLP, the Nation’s independent auditor. The audit started with an entrance conference on January 8, 2016. Initially (10) federal grants were selected for audit, but another grant was selected on March 29, 2016. Audit was completed on two (2) grants and both have three (3) findings each, audit on the remaining nine (9) grants are continuing. The FY 2015 audit report is due for submission to federal audit clearinghouse by June 30, 2016. The FY 2015 audit report also required the Nation to include the corrective action plans (CAPs) for the 13 audit findings and three (3) management findings identified in the FY 2014. The Navajo programs affected are Women, Infant and Children, DPS-Law Enforcement, NDWF-Work Force Investment Act, Transit, CHR, Department of Behavioral Health Services, Head Start, and Office of the Controller. These CAPs were due to OMB/CGS on October 15, 2015 but are late.
- ii. On March 24, 2016, in coordination with Office of the Controller, the Navajo Nation’s expenditure and related information was submitted to Moss Adams, LLP, the Nation’s Indirect Cost (IDC) consultant, to prepare the FY 2016 IDC rate proposal.

D. Systems Section, OMB: The challenge for this quarter was providing over 300 technical assistance to OMB staff, the OMB IT personnel maintains all IT software/hardware/network for all sections of OMB. The services includes: Email Services; Internet Services; Print Services; Fax Services; Scanning Services; File Sharing Services, and Anti-Virus Services

**IV. BUDGET STATUS**

A. OMB Expenditure Report for Personnel and Operating Funds:

Number of Personnel: 28 full-time.

OMB	Budget	OMB FY 2016		%Expended
		Expended	Balance	
Personnel:	2,216,428	892,407	1,324,021	40%
Operating:	75,782	44,444	31,338	59%
OMB Total:	2,292,210	936,851	1,355,359	41%
IDC Fixed Cost:	60,000	60,000	0	100%

Consultants (2): Moss Adams, LLC – Indirect Costs, and Verity Consulting – FMIS Process

## V. OPERATIONAL & PROCESS IMPROVEMENT INITIATIVE STATUS

- A. Budget Section, OMB, is charged with the planning, development and processing of the annual Navajo Nation budget and processing supplemental budgets during the fiscal year. It also provides assistance to all Navajo Nation programs in the implementation and monitoring of these budgets.
- i. Fiscal Year 2016 Budget Revisions. Reviewed and processed an average of about 10 to 20 budget revision request per week.
  - ii. Fiscal Year 2016 Budget Related Proposed Legislation. Reviewed and processed an average of about 10 to 15 budget and fiscal related proposed legislation per week.
  - iii. Fiscal Year 2016 Review (164) Documents. Reviewed and processed an average of about 20 to 30 '164 Documents, primarily contracts or agreements per week.
  - iv. Technical Assistance and Guidance. Provided approximately 30 units of technical assistance (by telephone, email, personal contacts, group gatherings, etc.) per week to Navajo Nation programs and key officials. This includes the processing of the projects through the newly approved Five Year Sihasin Expenditure Plan as well as the Five Year Permanent Fund Expenditure Plan.
- B. Management and Policy Section, OMB, issued (3) Navajo Nation organizational management reports (Plans of Operation, Conditions of Appropriation, and Program Performance Assessments):
- i. FY 2016 First Quarter Plans of Operation Report was completed on January 3, 2016, and disseminated to key officials and division management.
  - ii. FY 2016 First Quarter Conditions of Appropriation/Legislative Concerns Status Report was completed on February 17, 2016, and disseminated to key officials and division management.
  - iii. FY 2016 First Quarter Program Performance Assessments Report was completed for 258 Navajo Nation programs and released on February 5, 2016. This report was compiled using results provided by programs on Budget Form 2 and scored by OMB-MPS.
- C. Contracts and Grants Section, OMB. Below is summary of some of the deliverables during the second quarter:

- i. Documents submitted by Programs and processed:

No.	Type of Service	This Qtr.	Last Qtr.
1.	E.O. 07-2013 – Document Reviews	213	161
2.	Budget Revision Requests	193	189
	Total	406	350

- ii. Report on Active external grant awards, expenditure and balance in the FMIS as of March 2, 2016. Active is ending date of the awards and have not expired:

A	B	C	D	E	F	G

# Contracts	# Budgets	Total Awards	Expenses	Open Commit	Balance	% Spent
351	844	1,295,013,306	862,337,363	35,270,607	397,405,336	69%

- iii. On February 26, 2016, completed the draft format for quarterly status report on external grants and related instruction, the format was put in the Executive Official Review Process under Document No. 005562. The document is pending review at NN Department of Justice since March 7, 2016. CGS had hoped to implement the reporting system by March 31, 2016, most likely that will not happen. Development of the quarterly reports on external grants and implementation was mandated by COA #12, via Navajo Nation Council resolution CS-39-15.

D. Systems Section, OMB:

- i. Consultant, Mind’s Angle, continue with the installation and configuration of OMB’s “two blade” servers as part of the Department of Information Technology’s “virtual environment”. Despite not receiving any feedback on issues with DIT Network all OMB servers have been migrated to the DIT virtual environment. Fax issue was addressed in which that specific server is not included with the virtual environment yet is included within the domain.
- ii. Upgraded/updated Symantec Mail Security on OMB Exchange to provide protection on Email, and installed the XPS Laptop with the new Operating System on the last four OMB users thus all staff are now 64bit laptops.
- iii. Resolved major issues:
  - Increased Email send/receive size limit to 70 MB and increased storage.
  - Obtained correct Email certificate for Microsoft Exchange from DIT.
  - Resolved issued with “sending/receiving” documents to NN Department of Justice.
  - Reconfigured all OMB staff internet explorer to work with the FMIS upgrade.

End of Report.