

A Special Review of Navajo Individual Indians Monies (IIM) Account Holders

Introduction and Background

The Office of the Auditor General conducted an audit of the \$534,276 general funds appropriated by the Navajo Nation Council for financial assistance to Navajo families adversely impacted by nonpayment of their royalties from Individual Indians Monies (IIM) accounts. The United States Department of the Interior (DOI)-Bureau of Indian Affairs (BIA) acts as trustee and is responsible for the distribution of royalties to IIM account holders. IIM account holders receive royalties relative to the gas, oil, and coal extracted from their allotted lands.

A lawsuit on behalf of IIM account holders found information technology system deficiencies over the security of DOI-BIA Individual Indian trust data. The presiding judge in the case ordered DOI-BIA to disconnect Internet access to Individual Indian trust data. DOI-BIA represented that in compliance with the judge's order, this caused their agencies to stop paying royalties.

The non-issuance of royalties to IIM account holders resulted in financial hardships to Navajo families who mainly rely on their royalties as a source of income. The affected Navajo families started holding public meetings, requesting for assistance from the Navajo Nation. In response, on January 28, 2002, the Navajo Nation Council passed resolution CJA-03-02, appropriating a one-time grant of \$534,276 for financial assistance to Navajo IIM account holders. The Huerfano Chapter was made responsible to administer the one-time grant for disbursement to Navajo IIM account holders.

Objective, Scope and Methodology

The audit was conducted in response to a request from the Navajo Nation President and Speaker of the Navajo Nation Council because of concern over the disbursement of the funds. The following objectives were developed to address the concern.

- Determine whether the \$534,276 was expended in accordance with the intent of the appropriation
- Determine whether individuals who received financial assistance are IIM account holders

The audit focuses on the period from January 28, 2002 to May 30, 2002. This period covers the passage of resolution CJA-03-02 to the depletion of the appropriation.

To achieve our objectives, we interviewed Huerfano Chapter officials and staff. In addition, we reviewed related documentation and tested a sample of transactions to verify eligibility of applicants who received financial assistance. Records that were provided by the BIA Farmington Indian Minerals Office were used to substantiate eligibility of IIM account holders. Also, we reviewed Huerfano Chapter's procedures in disbursing financial assistance. Systematic selection method was used to obtain a sample that is representative of the population for our testwork.

The Office of the Auditor General expresses its appreciation to the Huerfano Chapter staff and officials and to the DOI-BIA Farmington Indian Minerals Office for their cooperation and assistance in completing this audit.

Government Auditing Standards

This audit was conducted in accordance with Government Auditing Standards. Those standards require that we plan and perform the audit to afford a reasonable basis for our judgments and conclusions regarding the entity under audit. An audit also includes assessments of applicable internal controls and compliance with requirements of laws and regulations when necessary to satisfy the audit objectives. We believe that our audit provides a reasonable basis for our conclusions.

Statistics

Based on records reviewed, Table I shows how the \$534,276 general fund appropriation was expended.

Table 1
Summary of Disbursements

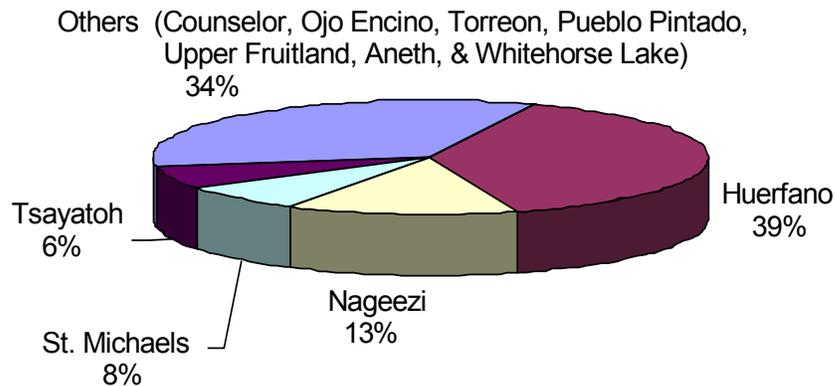
<u>Description</u>	<u>Amount</u>	<u>Number of account holders assisted</u>
Gas and oil extraction royalties recipients	\$ 371,783	1,151
Coal extraction royalties recipients	127,160	305
Livestock owners (hay and feed assistance)	24,760	Data not available
Administrative cost	<u>10,573</u>	
Total	\$ <u>534,276</u>	

Source: Office of the Auditor General compilation

Most Navajo IIM account holders reside in the following chapters: Huerfano, Nageezi, Counselor, Ojo Encino, Torreon, Pueblo Pintado, Whitehorse Lake, Tsayatoh, St. Michaels, Aneth, and Upper Fruitland. The financial assistance was given on a "first come, first served" basis.

Table 2 shows the distribution of financial assistance by chapters based on our sample.

Table 2
Distribution of Financial Assistance



Source: Office of the Auditor General compilation

Audit Results

According to Huerfano Chapter, other chapters whose members include Navajo families impacted by nonpayment of their royalties from IIM accounts agreed to establish thresholds in awarding financial assistance. Based on the account holders' most recent royalties received, financial assistance awards were as follows:

1. \$140 to those who received less than \$100.
2. \$400 to those who received between \$100 - \$499.
3. \$700 to those who received \$500 or more.

Our testwork of 367 recipients (25% of 1,456) found all are IIM account holders. The financial assistance awards were within the established thresholds. Also, we did not find any duplicate awards of financial assistance. Adequate controls were established in the disbursement of financial assistance checks.

However, there is lack of documentation to verify whether all hay and feed were distributed only to IIM account holders who own livestock. Huerfano Chapter did not establish procedures to ensure that the chapters assisted with hay and feed reported their distribution activities. As such, there is no documentation to show who were assisted with hay and feed.

Conclusion

Based on the testwork performed, except for lack of documentation on the hay and feed distribution, we found adequate controls in the disbursement of financial assistance checks to Navajo IIM account holders. Therefore, there is reasonable assurance that only eligible IIM account holders were assisted in accordance with the intent of the appropriation.