

SUMMARY

The Office of the Auditor General has conducted a special review of the Ramah Navajo Utility Authority (RNAU) pursuant to 12 N.N.C. Section 2(A)(2) and 3(E). The purpose of the review was to evaluate RNAU operations and finances in providing utility services to residents of the Ramah Navajo community. The audit was requested by a resolution of the Ramah Navajo Chapter (RNC).

FINDING I: RNAU Financial Management System is Maintained by the Ramah Navajo Chapter

The Ramah Navajo Chapter has maintained and subsidized the financial management system for RNAU for many years in the absence of annual written agreements. However, the Chapter's financial management system lacks utility management and accounting software which is necessary for a utility company to operate efficiently and effectively. There is no proper database of water users and water services to gauge water system performance, and internal controls over RNAU billing, collections, expenditures and financial report need improvement. Lastly, RNAU's nominal amount of late fee does not encourage timely payments and contributes to the high number of delinquent accounts maintained by RNAU since 2001 without any collection efforts.

FINDING II: RNAU Water System Operates in Deficits

RNAU water system has been in operation since 1982 but there is no evidence RNAU has realized an operating profit for consecutive years. Between 2000 and 2007, RNAU reported operating deficits for most of the years. RNAU does not maintain annual operating budgets which make it difficult for RNAU to effectively control expenditures. Consequently, overspending occurs and this practice leads to operating deficits. RNAU has been inconsistent in complying with the RNC Business Office's procurement policies and procedures and as a result, RNAU expenditures are not fully supported with proper documentation and review.

FINDING III: RNAU Water Rates are Not Routinely Evaluated for Adequacy

Since its establishment in 1982, RNAU has increased water rates one time in 2002 with the assistance of a consultant. The rates adjustments were meant to promote water conservation but RNAU recordkeeping is insufficient to verify whether RNAU water users are conserving more. There is no defined rate setting process which hinders RNAU in routinely evaluating the water rates for adequacy and explains the only one adjustment in 2002. This review revealed a wealth of best practices information for small water systems that RNAU has not considered in setting water rates and generating more revenues.

FINDING IV: RNAU Management Needs Significant Improvement

Overall, RNAU management needs significant improvement. The capacity development of the RNAU water systems needs improvement mainly in the areas of managerial and financial capacity. The lack of a general manager with appropriate skills, knowledge and experience is a key contributing factor to RNAU's deficiencies. Although the Navajo Nation Public Drinking Water Regulations require operators of public water systems on the Navajo Nation to be certified operators, the RNAU water operators are not currently certified. Lastly, since Title 21 of the Navajo Nation Code established RNAU within Ramah Navajo Chapter, the Chapter needs to improve its oversight of RNAU operations to ensure better accountability for services and resources.

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