



OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

August 8, 2023

**MEMORANDUM FOR JESSICA MILANO, ACTING CHIEF RECOVERY OFFICER,
DEPARTMENT OF THE TREASURY**

FROM: Deborah L. Harker /s/
Assistant Inspector General for Audit

SUBJECT: Desk Review of Navajo Nation Tribal Government's Use
of Coronavirus Relief Fund Proceeds (OIG-CA-23-041)

Please find the attached desk review memorandum¹ on Navajo Nation Tribal Government's (Navajo Nation) use of Coronavirus Relief Fund (CRF) proceeds. The CRF is authorized under Title VI of the Social Security Act, as amended by Title V, Division A of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Under a contract monitored by our office, Castro & Company, LLC (Castro), a certified independent public accounting firm, performed the desk review. Castro performed the desk review in accordance with the Council of the Inspectors General on Integrity and Efficiency *Quality Standards for Federal Offices of Inspector General* standards of independence, due professional care, and quality assurance.

In its desk review, Castro personnel found that the Navajo Nation was compliant with the Financial Progress Reports (FPR) submission timeline as required by Department of the Treasury's (Treasury) guidance for Cycles 1² through 7,³ and Cycle 9.⁴ However, the Navajo Nation was not compliant with the quarterly FPR submission timeline for cycles 2⁵ and 8.⁶ In addition, Castro personnel reviewed documentation for a selection of 31 transactions reported in the quarterly reports through cycle 9.

Castro found that Navajo Nation's Contracts greater than or equal to \$50,000 and Direct Payments greater than or equal to \$50,000 complied with the CARES Act and Treasury's Guidance. However, Castro determined that the expenditures

¹ The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) assigned the Department of the Treasury Office of Inspector General with responsibility for compliance monitoring and oversight of the receipt, disbursement, and use of Coronavirus Relief Fund (CRF) payments. The purpose of the desk review is to perform monitoring procedures of the prime recipient's receipt, disbursement, and use of CRF proceeds as reported in the grants portal on a quarterly basis.

² Calendar quarter ending June 30, 2020.

³ Calendar quarter ending December 31, 2021.

⁴ Calendar quarter ending June 30, 2022.

⁵ Calendar quarter ending September 30, 2020.

⁶ Calendar quarter ending March 31, 2022.

related to Grants greater than or equal to \$50,000, Aggregate Reporting less than \$50,000,⁷ and Aggregate Payments to Individuals⁸ did not comply with the CARES Act and Treasury's Guidance.

Based on the work performed, Castro questions \$80,844,218.61⁹ in expenditures and determined Navajo Nation's risk of unallowable use of funds is high. See the attachment to this transmittal for the definition of a questioned cost.

Castro recommends that Treasury Office of Inspector General (OIG) personnel follow-up with Navajo Nation management and request that missing documentation to support expenditures is provided and necessary corrections are made in the grants portal. Based on Navajo Nation's responsiveness to Castro's requests and management's ability to provide sufficient documentation, Castro recommends that we determine the feasibility of performing a focused audit for Grants greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals. For Aggregate Payments to Individuals, Castro recommends a specific focus on Navajo Nation's non-payroll COVID-19 hardship claims, as well as payroll expenditures for employees substantially dedicated to COVID-19 recovery efforts.

At the time of fieldwork, Castro noted that the Navajo Nation had not filed its 2021 Single Audit report. Additionally, during its review of the 2020 Single Audit report, Castro noted that the Navajo Nation did not properly allocate costs for their Payroll Support Program, which was funded from CRF proceeds. Navajo Nation's management opted to evaluate costs on a department level rather than the employee level. The auditor determined that Navajo Nation charged unallowable time to the CRF program that resulted in potential questioned costs of up to \$141,187. Castro noted that these potential questioned costs were determined through the Single Audit process and not through Castro's desk review. Castro was not able to determine whether the Navajo Nation corrected these questioned costs, and therefore, recommends Treasury OIG follow-up on the questioned costs. We plan to follow up on the findings identified in the 2020 Single Audit, as well as results of the 2021 and 2022 Single Audits.

⁷ Recipients are required to report CRF transactions greater than or equal to \$50,000 in detail in the grants portal. Transactions less than \$50,000 can be reported as an aggregate lump-sum amount by type (contracts, grants, loans, direct payments, and transfers to other government entities).

⁸ Obligations and expenditures for payments made to individuals, regardless of amount, are required to be reported in the aggregate in the grants portal to prevent inappropriate disclosure of personally identifiable information.

⁹ The \$80,844,218.61 questioned costs includes \$78,875,557.20 of questioned costs identified through Castro's testing and \$1,968,661.41 of questioned costs related to issues self-identified by Navajo Nation personnel.

Treasury OIG and Castro personnel met with Navajo Nation management to discuss the findings and questioned costs. During the meeting, Navajo Nation management confirmed that they submitted additional documentation to Treasury OIG to support the separate legal entity status of certain component tribal entities. The Navajo Nation provided the Employer Identification Numbers (EIN) and articles of incorporation for the entities. We reviewed the additional documentation and determined Castro's finding regarding the status of the legal entities is resolved. Additionally, Navajo Nation management confirmed that they provided us additional supporting documentation to address other findings and questioned costs contained in this report. They told us that they have updated their reporting to address some of these questioned costs. We have received the additional documentation and will review this information as part of our follow-up work.

In connection with our contract with Castro, we reviewed Castro's desk review memorandum and related documentation and inquired of its representatives. Our review, as differentiated from an audit performed in accordance with generally accepted government auditing standards, was not intended to enable us to express an opinion on the Navajo Nation's use of the CRF proceeds. Castro is responsible for the attached desk review memorandum and the conclusions expressed therein. Our review found no instances in which Castro did not comply in all material respects, with *Quality Standards for Federal Offices of Inspectors General*.

We appreciate the courtesies and cooperation provided to Castro and our staff during the desk review. If you have any questions or require further information, please contact me at (202) 486-1420, or a member of your staff may contact Lisa DeAngelis, Deputy Assistant Inspector General for Audit, at (202) 487-8371.

cc: Michelle. A. Dickerman, Deputy Assistant General Counsel,
Department of the Treasury
Victoria Collin, Chief Compliance & Finance Officer, Office of
Recovery Programs, Department of the Treasury
Christopher Sun, Director of Data and Reporting, Office of Recovery
Programs, Department of the Treasury
Sean McCabe, Interim Controller, Navajo Nation Tribal Government
Wayne Ference, Partner, Castro & Company, LLC

Attachment

Schedule of Monetary Benefits:

According to the Code of Federal Regulations,¹⁰ a questioned cost is a cost that is questioned because of a finding:

(a) which resulted from a violation or possible violation of a statute, regulation, or the terms and conditions of a Federal award, including for funds used to match Federal funds;

(b) where the costs, at the time of the review, are not supported by adequate documentation; or

(c) where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.

Questioned costs are to be recorded in the Department of the Treasury's (Treasury) Joint Audit Management Enterprise System (JAMES).¹¹ The amount will also be included in the Office of Inspector General (OIG) Semiannual Report to Congress. It is Treasury management's responsibility to report to Congress on the status of the agreed to recommendations with monetary benefits in accordance with 5 USC Section 405(b) of the Inspector General Act of 1978.

<u>Recommendations</u>	<u>Questioned Costs</u>
Recommendation No. 1	\$19,059.45
Recommendation No. 2	\$78,800,543.11
Recommendation No. 3	\$49,000.00
Recommendation No. 4	\$6,954.64
Other Matter	\$1,968,661.41

The questioned cost represents amounts provided by Treasury under the Coronavirus Relief Fund. As discussed in the attached desk review, \$80,844,218.61 are the Navajo Nation Tribal Government's total expenditures reported in the grant-reporting portal that are deemed ineligible and that lacked supporting documentation, and errors self-identified by Navajo Nation management not tested by Castro.

¹⁰ 2 CFR § 200.84 – Questioned Cost.

¹¹ JAMES is Treasury's audit recommendation tracking system.

Desk Review of the Navajo Nation Tribal Government

August 8, 2023

OIG-CA-23-041

**MEMORANDUM FOR DEBORAH L. HARKER,
ASSISTANT INSPECTOR GENERAL FOR AUDIT**

FROM: Wayne Ference
Partner, Castro & Company, LLC

SUBJECT: Desk Review of the Navajo Nation Tribal Government

On June 15, 2022, we initiated a desk review of the Navajo Nation Tribal Government's (Navajo Nation) use of the Coronavirus Relief Fund (CRF) authorized under Title VI of the Social Security Act, as amended by Title V, Division A of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act).¹ The objective of our desk review was to evaluate Navajo Nation's documentation supporting its uses of CRF proceeds as reported in the GrantSolutions² portal and to assess the risk of unallowable use of funds. The scope of our desk review was limited to obligation and expenditure data for the period of March 1, 2020 through June 30, 2022 as reported in Cycles 1³ through 9⁴ in the GrantSolutions portal.

As part of our desk review, we performed the following:

- 1) reviewed Navajo Nation's quarterly Financial Progress Reports (FPRs) submitted in the GrantSolutions portal through June 30, 2022;⁵

¹ P.L. 116-136 (March 27, 2020).

² GrantSolutions, a grant and program management Federal shared service provider under the U.S. Department of Health and Human Services, developed a customized and user-friendly reporting solution to capture the use of CRF payments from recipients.

³ Calendar quarter ending June 30, 2020.

⁴ Calendar quarter ending June 30, 2022.

⁵ The scope of our desk review included the period March 1, 2020 to March 31, 2022 (Cycles 1 to 8); however, Navajo Nation personnel did not submit a Cycle 8 GrantSolutions portal submission. Therefore, we extended the scope of our review to Cycle 9.

Desk Review of the Navajo Nation Tribal Government

- 2) reviewed the *U.S. Department of the Treasury's (Treasury) Coronavirus Relief Fund Guidance* as published in the Federal Register on January 15, 2021;⁶
- 3) reviewed Treasury Office of Inspector General's (OIG) *Coronavirus Relief Fund Frequently Asked Questions Related to Reporting and Recordkeeping*;⁷
- 4) reviewed Treasury OIG's monitoring checklists⁸ of Navajo Nation's quarterly FPR submissions for reporting deficiencies;
- 5) reviewed other audit reports issued, such as Single Audit reports, and those issued by the Government Accountability Office and other applicable Federal agency OIGs for internal control or other deficiencies that may pose risk or impact Navajo Nation's uses of CRF proceeds;
- 6) reviewed Treasury OIG Office of Investigations (OI), the Council of the Inspectors General on Integrity and Efficiency Pandemic Response Accountability Committee (PRAC),⁹ and Treasury OIG Office of Counsel input on issues that may pose risk or impact Navajo Nation's uses of CRF proceeds;
- 7) interviewed key personnel responsible for preparing and certifying Navajo Nation's GrantSolutions portal quarterly FPR submissions, as well as officials responsible for obligating and expending CRF proceeds;
- 8) made a non-statistical selection of Contracts, Grants, Direct Payments, Aggregate Reporting,¹⁰ and Aggregate Payments to Individuals¹¹ data identified through GrantSolutions reporting; and

⁶ Coronavirus Relief Fund Guidance as published in the Federal Register (January 15, 2021) https://home.treasury.gov/system/files/136/CRF-Guidance-Federal-Register_2021-00827.pdf.

⁷ Department of the Treasury Office of Inspector General *Coronavirus Relief Fund Frequently Asked Questions Related to Reporting and Recordkeeping* OIG-20-028R; March 2, 2021.

⁸ The checklists are used by Treasury OIG personnel to monitor the progress of prime recipient reporting in the GrantSolutions portal. GrantSolutions quarterly submission reviews are designed to identify material omissions and significant errors, and where necessary, include procedures for notifying prime recipients of misreported data for timely correction. Treasury OIG follows the *CRF Prime Recipient Quarterly GrantSolutions Submissions Monitoring and Review Procedures Guide*, OIG-CA-20-029R to monitor the prime recipients quarterly.

⁹ Section 15010 of P.L. 116-136 established the Pandemic Response Accountability Committee within the Council of the Inspectors General on Integrity and Efficiency to promote transparency and conduct and support oversight of covered funds (see Footnote 18 for a definition of covered funds) and the coronavirus response to (1) prevent and detect fraud, waste, abuse, and mismanagement; and (2) mitigate major risks that cut across program and agency boundaries.

¹⁰ Recipients are required to report CRF transactions greater than or equal to \$50,000 in detail in the GrantSolutions portal. Transactions less than \$50,000 can be reported as an aggregate lump-sum amount by type (contracts, grants, loans, direct payments, and transfers to other government entities).

¹¹ Obligations and expenditures for payments made to individuals, regardless of amount, are required to be reported in the aggregate in the GrantSolutions portal to prevent inappropriate disclosure of personally identifiable information.

Desk Review of the Navajo Nation Tribal Government

- 9) evaluated documentation and records used to support Navajo Nation's quarterly FPRs.

Based on our review of Navajo Nation's documentation supporting the uses of its CRF proceeds as reported in the GrantSolutions portal, we determined that Navajo Nation's Contracts greater than or equal to \$50,000 and Direct Payments greater than or equal to \$50,000 complied with the CARES Act and Treasury's Guidance. However, we determined that the expenditures related to Grants greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals did not comply with the CARES Act and Treasury's Guidance.

Based on the work performed, we identified total questioned costs of \$80,844,218.61, to include \$78,875,557.20 of questioned costs identified through our testing and \$1,968,661.41 of questioned costs related to issues self-identified by Navajo Nation personnel (see further discussion in the Other Matter section of this report). We determined Navajo Nation's risk of unallowable use of funds is high.

Castro recommends Treasury OIG personnel follow-up with Navajo Nation management and request that missing documentation to support expenditures is provided and necessary corrections are made in the GrantSolutions portal. Based on Navajo Nation's responsiveness to Treasury OIG's requests and its ability to provide sufficient documentation, we recommend Treasury OIG personnel determine the feasibility of performing a focused audit for Grants greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals. For Aggregate Payments to Individuals, we recommend a specific focus on Navajo Nation's non-payroll COVID-19 hardship claims, as well as payroll expenditures for employees substantially dedicated to COVID-19 recovery efforts.

Non-Statistical Transaction Selection Methodology

Treasury issued a CRF payment to the Navajo Nation of \$714,189,631.45. As of Cycle 9,¹² Navajo Nation's cumulative obligations and expenditures were \$714,188,904.63 and \$714,055,219.78, respectively. Navajo Nation's cumulative obligations and expenditures by payment type, as reported in GrantSolutions through Cycle 9,¹² are summarized below.

¹² Calendar quarter ending June 30, 2022.

Desk Review of the Navajo Nation Tribal Government

Payment Type	Cumulative Obligations	Cumulative Expenditures
Contracts >= \$50,000	\$ 150,671,526.29	\$ 150,671,526.29
Grants >= \$50,000	\$ 128,708,746.87	\$ 128,708,746.87
Loans >= \$50,000	\$ -	\$ -
Transfers >= \$50,000	\$ -	\$ -
Direct Payments >= \$50,000	\$ 2,050,266.92	\$ 2,050,266.92
Aggregate Reporting < \$50,000	\$ 26,705,357.19	\$ 26,705,357.19
Aggregate Payments to Individuals (In Any Amount)	\$ 406,053,007.36	\$ 405,919,322.51
Totals	\$ 714,188,904.63	\$ 714,055,219.78

Castro made a non-statistical selection of Contracts greater than or equal to \$50,000, Grants greater than or equal to \$50,000, Direct Payments greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals. Selections were made using auditor judgment based on information and risks identified in reviewing audit reports, the GrantSolutions portal reporting anomalies¹³ identified by the Treasury OIG CRF monitoring team, and review of Navajo Nation's FPR submissions. Castro noted that Navajo Nation did not obligate or expend CRF proceeds related to Loans greater than or equal to \$50,000 or Transfers¹⁴ greater than or equal to \$50,000; therefore, we did not make a selection of transactions from these categories.

The number of transactions (31) we selected to test was based on Navajo Nation's total CRF award amount and our overall risk assessment of the Navajo Nation. To allocate the transaction selections by payment type (Contracts greater than or equal to \$50,000, Grants greater than or equal to \$50,000, Direct Payments greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals), we compared the payment type obligation dollar amounts as a percentage of cumulative obligations for Cycle 9.¹⁵

¹³ Treasury OIG has a pre-defined list of risk indicators that are triggered based on data submitted by recipients in the FPR submissions that meet certain criteria. Castro reviewed these results provided by Treasury OIG for the Navajo Nation.

¹⁴ A transfer to another government entity is a disbursement or payment to a government entity that is legally distinct from the prime recipient.

¹⁵ Calendar quarter ending June 30, 2022.

Background

The CARES Act appropriated \$150 billion to establish the CRF. Under the CRF, Treasury made payments for specified uses to States and certain local governments; the District of Columbia and U.S. Territories, including the Commonwealth of Puerto Rico, the United States Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands; and Tribal governments. Treasury issued a CRF payment to the Navajo Nation for \$714,189,631.45.

The CARES Act stipulates that a recipient may only use the funds to cover costs that—

- (1) are necessary expenditures incurred due to the public health emergency with respect to the coronavirus disease 2019 (COVID-19);
- (2) were not accounted for in the budget most recently approved as of March 27, 2020; and
- (3) were incurred between March 1, 2020 and December 31, 2022.¹⁶

Section 15011 of the CARES Act requires each covered recipient¹⁷ to submit to Treasury and the PRAC, no later than 10 days after the end of each calendar quarter, a report that contains (1) the total amount of large covered funds^{18,19} received from Treasury; (2) the amount of large covered funds received that were expended or obligated for each project or activity; (3) a detailed list of all projects or activities for which large covered funds were expended or obligated; and (4) detailed information on any level of sub-contracts or sub-grants awarded by the covered recipient or its sub-recipients.

The CARES Act assigned Treasury OIG the responsibility for compliance monitoring and oversight of the receipt, disbursement, and use of CRF proceeds. Treasury OIG also has authority to recoup funds in the event that it is determined

¹⁶ P.L. 116-260 (December 27, 2020). The period of performance end date of the CRF was extended through December 31, 2021 by the Consolidated Appropriations Act, 2021. The period of performance end date for tribal entities was further extended to December 31, 2022 by the State, Local, Tribal, and Territorial Fiscal Recovery, Infrastructure, and Disaster Relief Flexibility Act, Division LL of the Consolidated Appropriations Act, 2023, P.L. 117-328, December 29, 2022, 136 Stat. 4459.

¹⁷ Section 15011 of P.L. 116-136 defines a covered recipient as any entity that receives large covered funds and includes any State, the District of Columbia, and any territory or possession of the United States.

¹⁸ Section 15010 of P.L. 116-136 defines covered funds as any funds, including loans, that are made available in any form to any non-Federal entity, not including an individual, under Public Laws 116-123, 127, and 136, as well as any other law which primarily makes appropriations for Coronavirus response and related activities.

¹⁹ Section 15011 of P.L. 116-136 defines large covered funds as covered funds that amount to more than \$150,000.

Desk Review of the Navajo Nation Tribal Government

a recipient failed to comply with requirements of subsection 601(d) of the Social Security Act, as amended, (42 U.S.C. 801(d)).

Desk Review Results

Financial Progress Reports

During our review of Navajo Nation's quarterly FPR submissions through June 30, 2022, we determined that management completed FPRs for Cycles 1²⁰ through 7²¹ and Cycle 9;²² however, Navajo Nation had a late submission for Cycle 2²³ and no submission for Cycle 8.²⁴ As such, we determined that the Navajo Nation did not comply with the reporting timeline as required under Treasury OIG's Guidance OIG-CA-20-021, *Coronavirus Relief Fund Reporting and Record Retention Requirements*.

Review of Single Audit Reports

Castro determined that one of the 2020 Single Audit findings related directly to CRF and contributed to our overall risk determination for the Navajo Nation. We have summarized the auditor-identified finding below.

Finding 2020-009: The Navajo Nation did not properly allocate costs for their Payroll Support Program, which was funded from CRF proceeds. Management opted to evaluate costs on a department level rather than the employee level. The auditor determined that Navajo Nation charged unallowable time to the CRF program that resulted in potential questioned costs of up to \$141,187. Castro noted that these potential questioned costs were determined through the Single Audit process and not through Castro's desk review. Castro was not able to determine whether the Navajo Nation corrected these questioned costs, and therefore, recommends Treasury OIG follow-up on the questioned costs.

Additionally, Navajo Nation personnel did not provide the 2021 Single Audit report as it was still in process during our planning procedures. Castro recommends that Treasury OIG follow-up to obtain the status of this Single Audit.

²⁰ Calendar quarter ending June 30, 2020.

²¹ Calendar quarter ending December 31, 2021.

²² Calendar quarter ending June 30, 2022.

²³ Calendar quarter ending September 30, 2020.

²⁴ Calendar quarter ending March 31, 2022.

Desk Review of the Navajo Nation Tribal Government

Summary of Testing Results

Other than Grants greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals, transactions selected for detailed review were supported by documentation and were allowable expenditures in accordance with the CARES Act and Treasury's guidance. We found that Contracts greater than or equal to \$50,000 and Direct Payments greater than or equal to \$50,000 were necessary expenditures due to the COVID-19 public health emergency, were not accounted for in the budget most recently approved as of March 27, 2020, and were incurred during the covered period. The transactions selected for testing were not selected statistically, and therefore results cannot be extrapolated to the total universe of transactions.

The following table includes the total cumulative expenditure population amount and the cumulative expenditure amount tested. Additionally, this table includes a summary of Castro's testing results over expenditure transaction balances. Within the table below, we have included a summary of unsupported and ineligible expenditures identified as questioned costs. These expenditures do not comply with the CARES Act and Treasury's Guidance. Additionally, in the far-right column, we have identified the expenditures that Castro tested without exceptions noted. See Desk Review Results section below this table for a detailed discussion of questioned costs and other issues identified throughout the course of our desk review.

Summary of Expenditure Testing and Recommended Results – As of Cycle 9²⁵

Payment Type	Cumulative Expenditure Population Amount	Cumulative Expenditure Tested Amount	Unsupported Exception	Ineligible Exception	Castro Reviewed Value Without Exception (per Support)
Contracts >= \$50,000	\$ 150,671,526.29	\$ 104,879,798.54	\$ -	\$ -	\$ 104,879,798.54
Grants >= \$50,000	\$ 128,708,746.87	\$ 80,736,134.05	\$ 78,800,543.11	\$ 19,059.45	\$ 1,916,531.49
Loans >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -
Direct Payments >= \$50,000	\$ 2,050,266.92	\$ 50,273.76	\$ -	\$ -	\$ 50,273.76
Aggregate Reporting < \$50,000	\$ 26,705,357.19	\$ 49,000.00	\$ 49,000.00	\$ -	\$ -
Aggregate Payments to Individuals (in any amount) ²⁶	\$ 405,919,322.51	\$ 171,634.87	\$ -	\$ 6,954.64	\$ 164,680.23
Totals	\$ 714,055,219.78	\$ 185,886,841.22	\$ 78,849,543.11	\$ 26,014.09	\$ 107,011,284.02

Grants Greater Than or Equal to \$50,000

We determined that Navajo Nation’s Grants greater than or equal to \$50,000 did not comply with the CARES Act and Treasury’s Guidance. We question expenditures of \$78,819,602.56, which consists of ineligible and unsupported expenditures of \$19,059.45 and \$78,800,543.11, respectively. We selected 7 transactions to test. We obtained Navajo Nation’s general ledger (GL) detail and further broke down the original 7 transactions into 26 specific reimbursement claims. We then attempted to obtain sub-selections²⁷ from this listing at the sub-recipient vendor invoice level. However, we were unable to do so as Navajo Nation personnel did not furnish complete and accurate listings on a timely basis. We granted management 2 months to respond to our request for a complete population of transactions and 3 months to respond to our detailed transaction selection requests and follow-ups. Overall, we granted management 5 months to

²⁵ Calendar quarter ending June 30, 2022.

²⁶ We question expenditures totaling \$1,968,661.41 for Aggregate Payments to Individuals that are not listed in this table. These questioned costs consist of \$ [REDACTED] in fraudulently cashed COVID-19 hardship payments and \$ [REDACTED] in stale-dated COVID-19 hardship checks that were not cashed by hardship recipients. Because these issues were self-reported by Navajo Nation management, we did not perform detailed testing on these amounts. As such, we question these costs but they are not listed in the “Cumulative Expenditure Tested Amount” column in the table above. See **Other Matter** in the report for additional discussion.

²⁷ Due to the high volume of detailed transactions included within the original 7 transaction selections, we obtained and utilized a general ledger detail listing to obtain a sub-selection of transactions to test expenditures at the detailed level.

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provide information needed to complete our testing, but the Navajo Nation did not respond with sufficient support prior to the end of fieldwork in December 2022.

For 2 of the 26 sub-selections, Castro received partial expenditure documentation. We noted the following exceptions totaling \$19,059.45 for the two transactions.

- For 1 of the 2 transactions, Castro questioned \$ [REDACTED] in expenditures. Specifically, Castro identified an invoice related to the repair of a damaged roof in a Faculty Housing Complex. Two tenants were forced to relocate due to major leaks and molding on the walls. Navajo Nation management told us that the roof repair was necessary as it was a part of a larger project to install new heating, ventilation, and air conditioning (HVAC) units on the building and that the faculty housing building needed to be repaired to allow for faculty to work from their homes to facilitate distance learning. Management also emphasized that the installation of the HVAC units was necessary to prevent the spread of COVID-19. Castro noted that this eligibility explanation differed from Navajo Nation management's original justification memorandum, which suggested that the repairs to the roofing were due to major leaks and molding on the walls and made no mention of the HVAC project. Castro determined that mold and leaks were indicative of a pre-existing condition that would have pre-dated the COVID-19 pandemic; therefore, we were unable to verify that these expenditures were not accounted for in the budget most recently approved as of March 27, 2020. Castro questioned these costs as ineligible because they did not meet the purpose of the grant agreement and were not necessary expenditures incurred due to the public health emergency with respect to the COVID-19 pandemic.
- For 1 of the 2 transactions, Castro questioned \$ [REDACTED] in expenditures. Specifically, Castro identified invoices relating to monthly fuel charges. The invoices provided by management did not have sufficient explanatory notes to explain how these fuel expenses related to COVID-19 and to the grant agreement.

For these same 2 of 26 sub-selections, Castro also questions \$82,688.51 in unsupported costs because the partial documentation provided included a variance between the amounts supported by the invoices and the amounts recorded in the GrantSolutions portal.

Desk Review of the Navajo Nation Tribal Government

For 14 out of the 26 transactions, management provided high-level invoices from sub-recipients summarizing requested reimbursements from the Navajo Nation but did not provide external vendor invoices to support the expenditure amounts incurred by sub-recipients as part of the grant program. This resulted in unsupported questioned costs of \$ [REDACTED].

- For 2 out of the 14 transactions where we questioned \$ [REDACTED] as unsupported directly above, the Navajo Nation did not provide \$ [REDACTED] of sub-recipient expenditure GL detail or external vendor invoices to support transactions at the detailed level. Navajo Nation management told us that this sub-recipient was subject to a Navajo Nation-led internal investigation and that the Navajo Nation initially questioned \$ [REDACTED] in sub-recipient incurred costs. Management told us that their onsite visit resulted in successfully accounting for \$ [REDACTED] of costs, leaving a balance of [REDACTED] in total costs the Navajo Nation planned to disallow. The Navajo Nation plans to reverse \$ [REDACTED] of expenses in subsequent GrantSolutions submissions.

For 6 out of 7 original Grants transactions selected for testing, the Navajo Nation management reported component units as grant sub-recipients within GrantSolutions. Castro confirmed that management reported different DUNS numbers within GrantSolutions for the Navajo Nation (prime recipient government) and its component units (sub-recipients); however, Navajo Nation management did not provide Castro with the Employer Identification Numbers (EIN) and articles of incorporation for the Navajo Nation and its legally separate component units. Without this information, we were not able to determine whether these sub-recipients were separate entities for legal and tax purposes. We recommend that Treasury OIG obtain evidence to verify whether these tribal entities are separate legal and tax entities. Based on this review, we recommend that Treasury OIG determine whether the Navajo Nation properly recorded the expenditures at the appropriate sub-recipient beneficiary level.

For all of the above exceptions, Castro requested Navajo Nation management to provide the root cause of the missing external vendor invoices, but Castro did not receive an explanation of the root cause or management's corrective action plan prior to the end of our fieldwork.

Desk Review of the Navajo Nation Tribal Government

Aggregate Reporting Less than \$50,000

We determined that Navajo Nation's Aggregate Reporting less than \$50,000 did not comply with the CARES Act and Treasury's Guidance. We selected 1 transaction for testing and question \$49,000.00 in expenditures due to a lack of supporting documentation. Navajo Nation personnel told us that due to a contractual dispute with the consulting firm hired by management to process and store CRF data, the Navajo Nation was unable to obtain the supporting documentation for the selected transaction.

Aggregate Payments to Individuals

We determined that the Navajo Nation's Aggregate Payments to Individuals did not comply with CARES Act and Treasury's Guidance. We question \$6,954.64 in ineligible expenditures, including \$ [REDACTED] related to non-payroll COVID-19 hardship payments and \$ [REDACTED] in non-public health and safety payroll costs. We selected 18 transactions for testing, of which 7 were for public health and safety payroll costs, 7 were for non-public health and safety payroll costs, and 4 were for non-payroll hardship payments to tribal citizens.

For 1 of the 18 transactions reviewed, Navajo Nation personnel provided support for the amount of the non-public health and safety payroll, but was unable to demonstrate that \$ [REDACTED] of payroll expenditures were eligible for the CRF program. Management provided a timesheet; however, most of the information was redacted and did not provide descriptions of specific work assignments to prove that tasks performed related to COVID-19. Castro requested that management provide the root cause of the missing support, but Castro did not receive this information before the end of fieldwork.

The Nation had a significant number of expenditures within its Aggregate Payments to Individuals payment type related to the issuance of COVID-19 hardship checks to individual Navajo Nation tribal citizens. The Navajo Nation passed a resolution to issue CRF payments to eligible tribal citizens who submitted applications for COVID-19 hardship relief payments. The applications included a form requesting details regarding the applicant's spouse and dependents and included a request for a self-certification/applicant signature attesting to the truth and accuracy of the information submitted. The Navajo Nation personnel reviewed the applications to ensure that each application contained a first and last name, Certificate of Indian Blood, date of birth, address, and responses to the self-certification questions. Additionally, the Navajo Nation personnel ensured that the identity of the applicant matched the Navajo Nation Vital Records Office (NNVRO) database information prior to processing payment.

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The Navajo Nation's hardship applicants were required to attest to at least one out of nine eligible hardship statuses.

For 1 of the 18 transactions reviewed, Castro questions \$ [REDACTED] in expenditures. Specifically, Castro identified a transaction related to the Financial Hardship Assistance Program where the beneficiary had unfortunately passed away prior to receiving the hardship check. We asked management if the CRF charge was reversed and were told that the amount was reversed in Cycle 11.²⁸ These corrections were not made during the scope of our desk review; therefore, Castro did not corroborate that these corrections were made.

Other Matter

Castro also questions expenditures totaling \$1,968,661.41 for Aggregate Payments to Individuals, including \$ [REDACTED] in fraudulently cashed duplicate COVID-19 hardship payments and \$ [REDACTED] in stale-dated COVID-19 hardship checks not cashed by beneficiaries. Because these errors were self-reported by Navajo Nation management, we did not perform additional testing on the amounts. As noted in footnote 26, these amounts are not listed in the table of amounts tested by Castro.

Fraudulently Cashed Duplicate Hardship Payments

During our meetings with Navajo Nation management, Castro asked about any potential fraud within the context of the Desk Review objectives. Management initially stated that there were no instances of known or suspected fraud. However, management subsequently responded to our follow-up request for instances of potential fraudulent claims by providing the following:

- a list of \$ [REDACTED] in payments made to Navajo Nation tribal citizens who fraudulently cashed duplicate hardship payments.
- a list of Navajo Nation tribal citizens that attempted to execute various schemes to receive fraudulent hardship payments, such as altering checks, attempting to cash counterfeit checks, etc. These instances were detected and corrected by management prior to being claimed as CRF expenditures.

Castro questions \$ [REDACTED] of hardship payments as ineligible. Management stated that these claims represented known instances where tribal citizens and small business COVID-19 hardship beneficiaries fraudulently cashed duplicate checks instead of reporting the receipt of the duplicate payments to the Navajo Nation. These balances were reported in Navajo Nation's Cycle 3²⁹ GrantSolutions

²⁸ Calendar quarter ending December 31, 2022.

²⁹ Calendar quarter ending December 31, 2020.

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submission, but management told us that as of Cycle 9,³⁰ these expenditures had not been reversed. Management told us that they are pursuing criminal charges against the individual hardship recipients that committed the fraud.

Management told us that the duplicate payment errors occurred because a third-party consultant handled the issuance and reissuance of checks, therefore bypassing Navajo Nation's internal controls for check issuance. Management told us they would take steps to correct these errors in a future GrantSolutions cycle submission, and would take steps to ensure that Navajo Nation's internal control processes are followed going forward.

Stale-Dated Hardship Checks

Hardship assistance checks paid to deceased individuals that were returned to the Navajo Nation's Office of the Controller (OOC) were subsequently voided. Other hardship assistance checks that were returned due to undeliverable addresses were unclaimed, became stale-dated, and were subsequently voided.

Navajo Nation management identified and self-reported \$ [REDACTED] of hardship checks issued to Navajo Nation citizens that had not been cashed. As of September 2022, management told us that they planned to re-issue these checks to the hardship recipients and monitor future stale-dated checks to make any required reversals for uncashed checks. Management was still in the process of making these changes at the end of our fieldwork. We question \$ [REDACTED] and consider the stale-dated check issue to be pending additional action by Navajo Nation management.

Conclusion

We found that use of CRF proceeds for Contracts greater than or equal to \$50,000 and Direct Payments greater than or equal to \$50,000 complied with the CARES Act and Treasury's Guidance. However, we determined that expenditures related to Grants greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals did not comply with the CARES Act and Treasury's Guidance. We identified total questioned costs of \$80,844,218.61, to include \$78,875,557.20 of questioned costs identified through our testing and \$1,968,661.41 of questioned costs related to issues self-identified by Navajo Nation personnel. We determined that Navajo Nation's risk of unallowable use of funds is high.

³⁰ Calendar quarter ending June 30, 2022.

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Castro recommends Treasury OIG personnel follow-up with Navajo Nation management and request that missing documentation to support expenditures is provided and necessary corrections are made in the GrantSolutions portal. Based on Navajo Nation's responsiveness to Treasury OIG's requests and its ability to provide sufficient documentation, we recommend Treasury OIG personnel determine the feasibility of performing a focused audit for Grants greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals. For Aggregate Payments to Individuals, we recommend a specific focus on Navajo Nation's non-payroll COVID-19 hardship claims, as well as payroll expenditures for employees substantially dedicated to COVID-19 recovery efforts.

In addition, Castro recommends that Treasury OIG follow-up on the following outstanding items.

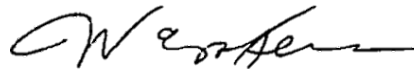
- Ensure Navajo Nation management re-issues \$ [REDACTED] in stale-dated checks before the end of the CRF period of performance end date of December 31, 2022, and ensures that checks are cashed by the beneficiaries, or funds are returned to Treasury.
- Ensure Navajo Nation management has reversed the \$ [REDACTED] in sub-recipient incurred costs that they determined to be ineligible as a result of their internal investigation.
- Confirm that Navajo Nation management has reversed \$ [REDACTED] in duplicate hardship check payments that were fraudulently cashed by tribal citizens and recorded by management within the Aggregate Payments to Individuals payment type in the Cycle 3³¹ GrantSolutions submission.
- Follow-up on corrective action related to \$141,187 in questioned costs reported in Single Audit finding number 2020-009.
- Follow-up to obtain the status of the Navajo Nation's 2021 Single Audit.
- Obtain evidence to verify whether tribal entities are separate legal and tax entities, and based on the information, determine whether Navajo Nation management has properly recorded these transactions in GrantSolutions.

³¹ Calendar quarter ending December 31, 2020.

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All work completed with this letter complies with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Federal Offices of Inspectors General*, which require that the work adheres to the professional standards of independence, due professional care, and quality assurance to ensure the accuracy of the information presented.³² We appreciate the courtesies and cooperation provided to our staff during the desk review.

Sincerely,

A handwritten signature in black ink, appearing to read "Wayne Ference". The signature is fluid and cursive, with a long horizontal stroke at the end.

Wayne Ference
Partner, Castro & Company, LLC

³² <https://www.ignet.gov/sites/default/files/files/Silver%20Book%20Revision%20-%208-20-12r.pdf>