



Northern Arapaho Business Council

General Council Report
September 13, 2014

What the Business Council Found January 2013

- Disclaimed Audits for 2009 and 2010
- No Audit for 2011 and 2012
- \$1.3 Million in Unpaid Bills
- High Bank Loan Balances
- Over \$4 Million Deferred Revenue
- Major Negative Audit Findings
- Major Programs Not Providing Services

Conditions- Cont.

- Very Little Personnel Management
- Employees Engaging in Improper Travel
- Tribal Policies Not Followed
- Lack of Proper Documentation of Expenditures
- Unqualified Finance Staff
- Unqualified Program Managers

Conditions-Cont.

- \$4 Million Budget Deficits
- Northern Arapaho Tribe Placed on Sanctions by Most Federal Agencies

What is a Disclaimed Audit

- A Disclaimed Audit Means That the Auditor is Unable to Verify That the Tribe's Financial Statement is True and Correct

Audits Can Be Disclaimed for Many Reasons

- In the Case of the Northern Arapaho Tribe the Primary Reason for Disclaimed Audits for 2009 and 2010 was a Failure to Maintain Proper Documentation of All Financial Transactions
- **THIS IS A VIOLATION OF FEDERAL LAW**

Deferred Revenue

- The Proper Definition of Deferred Revenue Is:

Advance Payment for Services... However
Those Services Were Not Provided

Reasons for Deferred Revenue

- Expenditure of Federal or State Funds Which Are Not allowed Under a Particular Grant or Contract
- Improper or No Documentation of Expenditures
- Expenditures of Funds for One Program When it is Meant to be Spent on Another Program or Grant
- Deliberate Mishandling of Federal Funds
- **ALL OF THESE REASONS ARE A VIOLATION OF FEDERAL LAW**

Major Audit Findings

- Decentralized Accounting (allowing programs to have own accounting and finance offices causing improper financial management)
- Lack of Cash Management and Forecasting(Cost Tribe Hundreds of Thousands of Dollars a Year in Overdraft Charges)
- Bank Reconciliations Not Tied to General Ledger (Little if Any Proper Accounting Was Being Done)

Major Audit Findings-Cont.

- Failure to Maintain Capital Inventory Resulting in Theft (Tribal Computers, Cellular Phones Missing)
- Lack of Financial Transaction Documentation(A Violation of Federal Law)
- Lack of Payroll Controls (Phantom Employees)
- Issuance of Travel Advances Then Employees Not Traveling for Training (A Violation of Federal Law)

Major Audit Findings-Cont.

- Improper and Incompetent Audit Preparation
- No Indirect Cost Rate for 2011, 2012 and 2013(Resulting in a Loss of Several Hundred Thousands of Dollars a Year)

Northern Arapaho on Federal Sanctions

- As a Result of Disclaimed Audits, Major Negative Audit Findings, Mismanagement of Federal Funds and Mismanagement of Federal, State and Tribal Programs the Northern Arapaho Tribe Was Placed on Reimbursement Status By the Federal Government

What Does Reimbursement Status Mean?

- Usually Federal Grantees and Contractors are Permitted to Drawdown Money in Advance from the Federal Government to Pay for Federal Grants and Contracts
- When a Grantee Goes on Reimbursement Status, the Grantee Must Pay for the Expenses Associated With the Program and Then the Grantee is Reimbursed
- However, If the Grantee Doesn't' Spend Tribal Money in Compliance with the Grant or Contract then the Re-imbbursement is Denied

What Impact Does Reimbursement Have On the Tribe

- Because the Tribe is Required to Pay for the Expenses for Federal Programs Upfront, With the Tribe's Own Money, the Tribe's Cash Flow is Negatively Impacted
- That Means the Tribe's Unrestricted Funds Cannot be Used for Items Such as Medical Assistance and Other Grants for Education and Other Social Programs
- Additionally, When Tribal Funds Are Not Spent in Compliance with the Grant or Contract then the Tribe loses that money for other purposes

Council Corrective Action Plan

- Hired a Qualified Tribal Administrator to Manage Personnel
- Holding Employees Accountable
- Implemented Human Resources, Accounting and Travel Policies
- Hired Qualified Chief Financial Officer to Implement Proper Financial Management

Corrective Action Plan-Cont.

- Hired Qualified Auditor to Complete 2011 and 2012 Audits
- Hired Qualified Auditor to Complete 2013 Audit On Time
- Hired Qualified Accounting Firm to Ensure Proper Implementation of Financial Management Practices

Corrective Action Plan-Cont.

- Secured Agreements With Multiple Federal Agencies for “Workouts” From Failing to Provide Proper Financial Documentation
- Secured Agreements With Multiple Federal Agencies for “Workouts” of Improper Spending of Federal Funds
- Secured Agreements With State Agencies for “Workouts” from Failing to Provide Proper Financial Documentation

Corrective Action Plan-Cont.

- Implemented Accounting/Internal Controls Policy
- Implemented Employee Travel Policy-Reducing Travel Fraud
- Implemented Human Resources/Personnel Policy-Holding Employees Responsible and Accountable
- Implemented Capital Inventory- Reducing Theft of Tribal Assets

Corrective Action Plan-Cont.

- Implemented Cash Forecasting and Budget Controls On Both Federal and Tribal Programs-
Reducing Bank Costs and Eliminating Non-Sufficient Funds Fees
- Reduced Costs and Long-Term Overhead
- Reduced Legal and Consultant Costs
- Centralized All Accounting Functions-
Reducing Likelihood of Employee Fraud

Tribal Achievements

- Eliminated 2013 Budget Deficit of More Than \$4 Million
- Prevented the Loss or Reduction of Multiple Federal Programs(Including WIC, TANF, Senior Citizen Programs and Programs for Pregnant Women and Infants)
- Significant Reduction in Loan Balances
- Secured a \$6.8 Million Dollar Grant From the United States Department of Agriculture and the Wyoming Water Development Commission to Build a New Ethete Drinking Water System

Tribal Achievements-Cont.

- Implementation and Compliance With Most Tribal Policies
- Expedited Claims Court Settlement With Checks Delivered to Tribal Members
- Implemented Northern Arapaho Land Buy- Back Program-Ensuring Land for Future Generations
- Expansion of Tribal Gaming Enterprises-Increasing Gaming Revenue and Adding More Jobs and Protecting Gaming Assets into the Future

Tribal Achievements-Cont.

- Improvements to Both Ethete and Arapaho Pow Wow Grounds
- Protection of Tribal Sovereignty
- Defense of Reservation Boundary and Land Termination-Preventing Wyoming Congressional Delegation From Terminating Reservation Territory
- Closed the Unsustainable and Mismanaged Credit Committee and Replaced it with a Tribal Member Loan Program that is Properly Managed and Sustainable Over Time

Tribal Achievements-Cont.

- Protected Tribal Cultural and Ceremonial Traditions
- Provided Financial Assistance to Arapaho Ranch for Long-Term Workout and Survivability
- Requiring Tribal Programs to Deliver Appropriate Services to Tribal Members-White Buffalo, Senior Citizens Centers

Future Efforts

- Continuing to Implement the Corrective Action Plan
- Continuing Workouts With Federal and State Agencies
- Implementing Improved Communications With Tribal Members-Ensuring Greater Transparency and Accountability

Future Efforts-Cont.

- Currently Our Tribe Has Approximately \$22 Million in Federal Grants and Contracts- A Tribe Our Size Should Have Grants and Contracts in Excess of \$50 Million to Provide Services to Our Members
- Achieving This Goal Will Require Continued Implementation Of Corrective Action Plan
- Continued Protection of Reservation Boundary and Sovereignty