



DR. BUU NYGREN *PRESIDENT*

RICHELLE MONTOYA *VICE PRESIDENT*

The Navajo Nation | Yideeskáądi Nitsáhákees

Memorandum

Date: July 14, 2023

To: Honorable Dr. Buu Nygren, President
Office of the President/Vice President

Honorable Crystalyne Curley, Speaker
Navajo Nation Council

Honorable JoAnn Jayne, Chief Justice
Judicial Branch

From: Sean McCabe, Controller
Office of the Controller

A handwritten signature in black ink, appearing to read "Sean McCabe".

7/14/23

Subject: Controller's Report – Summer Session July 2023

I am pleased to present to you the following information related to the 3rd Quarter of Fiscal Year 2023.

I. Controller's Highlights for the 3rd Quarter for FY2023:

During the 3rd Quarter of the Fiscal Year 2023, the following events occurred:

- We welcome Sean McCabe CPA as the new interim Controller.
- We have worked to resolve several serious audit issues and we appear to be on our way to resolving them, thereby improving the outcome of the single audit.
- We have been able to help with the amendments to the micro-purchasing policies with the help of the B&F Committee.
- We have begun assessing policies and procedures to identify areas where we can be better and more efficient.

OFFICE OF THE CONTROLLER

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- We have worked with NTUA and DOJ to help resolve a desk audit finding from OIG regarding 80M in ARPA funding. Thank you to NTUA and DOJ for assisting with this.
- We have drafted an RFQ to look at the options for the ERP system for Navajo. It's time to modernize and become better and more efficient.
- We are starting on a good foot with the pillars of Trust, Care, Pride Communication and Teamwork with OOC. We will use these pillars as the foundation to improve our division.
- Thank you to the whole Admin team and the 25th Council and the team at OOC for the support and commitment to OOC getting better to provide the necessary accounting function internally and to our people.

CARES Act Fund

The Office of the Controller is working on the CARES ACT Fund closeout process. Overall, Hardship assistance checks were issued to 310,767 adults, minors and elders amounting to \$360,813,065.

Exhibit "A-1" lists the financial status of each business unit that was established to account for the CARES Act Fund expenditures per approved Navajo Nation Council resolutions.

ARPA Fund

As of July 15, 2022, the Office of the Controller has issued 348,113 ARPA Hardship assistance checks to adults and minors for a total amount of \$570,925,900.

In accordance with the Navajo Nation Council Resolution CJY-41-21, 43 business units were established to account for the ARPA expenditures. **Exhibit "A-2"** lists the budget status of each business unit.

Sihasin Fund June 2023

The current unaudited un-appropriated balance in the Sihasin Fund is \$164,738,360 as of June 30, 2023.

II. Controller's Office Financial Information for the 3rd Quarter of FY2023:

The Office of the Controller is an essential program and has remained open and processed payroll, accounts payable and reporting on financial matters during this pandemic.

1) The Payroll section has run 2,202 checks and processed 28,133 direct deposits with a gross wage amount of \$36,268,191 paid out in the 3rd Quarter of Fiscal Year 2023. Payroll continues to move away from costly payroll checks and move to direct deposits.

	<u>Direct Deposits</u>	<u>Checks</u>	<u>Gross Payments</u>
Apr 2023	8,070	577	\$10,578,004
May 2023	12,126	813	\$15,368,353
June 2023	7,937	812	\$10,321,834
Total:	28,133	2,202	\$36,268,191

2) The Accounts Payable section has run 17,277 checks and ACH payments, with a net total dollar amount of \$195,040,675 paid out in the 3rd Quarter of Fiscal Year 2023.

	<u>Number of Checks & ACH payments</u>	<u>Amount</u>
Apr 2023	5,671	\$ 22,576,764
May 2023	5,510	\$ 42,347,481
June 2023	6,096	\$130,116,430
Total:	17,277	\$195,040,675

3) The General Fund Financial data is as follows:

Oil and Gas Revenue

	<u>*Average Price of Oil Per Barrel</u>	<u>Monthly NN Revenue</u>
Apr 2023	\$79.44	\$4,603,491
May 2023	\$71.62	\$1,924,114
June 2023	\$70.27	\$3,049,477
	\$73.78	\$9,577,082

*Source:www.onrr.gov

The unaudited gross General Fund Recurring Revenues (see **Exhibit “B”**) as of June 30, 2023, was \$213,704,655 and set asides totaled \$53,235,689. The Net Revenue for the General Fund was \$160,468,966, which is 100.98% of the projection. The average price of barrel of oil for the quarter was \$73.78, the lowest month being June 2023 with a price per barrel of \$70.27. This schedule shows the monthly revenue deposited into the Navajo Nation General Fund Revenues for oil. An amount of \$9,577,082 has been received in oil and gas revenues for the Third Quarter of the Fiscal Year.

The other significant revenue source is the Tax Revenues for the General Fund. The following is a schedule compiling the collections by month of the Tax Revenues. Total collections for the Third Quarter were \$22,144,939.

Tax Revenue	
<u>Monthly Revenue</u>	
Apr 2023	\$ 3,142,181
May 2023	\$ 17,052,957
June 2023	<u>\$ 1,949,801</u>
	\$ 22,144,939

- The total unaudited expenditures by branch are shown on **Exhibit “C.”**
- The Legislative Branch expended \$10,831,378; encumbered \$1,126,884 with a remaining budget of \$11,639,511.
 - The Executive Branch expended \$110,637,305; encumbered \$14,569,752 with a remaining budget of \$83,727,691.
 - The Judicial Branch expended \$9,855,352; encumbered \$90,083 with a remaining budget of \$9,793,843.
 - Fixed Cost expended \$26,533,503; encumbered 4,738,978 with a remaining budget of \$5,487,266.
 - Total General Fund and Fixed Cost expenditures were \$157,857,539 total encumbrances were \$20,525,697 with an overall remaining budget of \$110,648,311.

The updated UUFBS as of June 14, 2023, is \$11,034,974 (see **Exhibit “D”**).

4) Contract and Grant Information:

Attached is a summary of the Active Federal Funds by Division (See **Exhibit "E"**). Unaudited Summary totals for the active federal report shows the revised budget to be \$3,437,405,922, actual expenses of \$1,641,908,096, encumbrances of \$216,819,472 and a remaining budget of \$1,578,678,354 as of May 31, 2023.

Exhibit "F" shows the Active State Funds Report by Division. Unaudited Summary totals for the active State report show the revised budget to be \$111,058,445, actual expenditures of \$18,228,704, encumbrances of \$14,887,077, and a remaining budget of \$77,942,664 as of May 31, 2023.

Exhibit "G" is the BIA-IHS Fund Report. Summary totals for the Active BIA-IHS report show the revised budget to be \$1,333,860,130, actual expenditures of \$761,600,643, encumbrances of \$32,779,453, and a remaining budget of \$539,480,034 as of May 31, 2023.

5) Investment Information:

The investment results in the Third Quarter of Fiscal Year 2023 were flat. The investment market received mixed signals about how the U.S. Economy is trending.

The latest data indicated that the investor sentiment reflected more of a bullish market which was the opposite of the past year and a half that showed more bears than bulls, and the PMI report showed that in the U.S., services were more in demand than goods. Feds have paused the rate hikes, but the markets have priced in another rate hike on July 11, 2023, with a pause after that with possible rate cuts starting next year. Longer-term interest rates have slowly increased, but the 2-10 spread continues to increase and has surpassed 100 basis points. The short end of the curve has passed the May PCE inflation of 3.8%. Lastly, the job gains were weaker than expected, and monthly wage growth and a very low unemployment rate still suggest a strong U.S. labor market.

The **Master Trust** has an ending Market Value of **\$4.06 Billion** as of May 31, 2023. The Master Trust had a **-1.01%** MTD return and a 3rd QTD return of **-0.74%** with an overall FYTD of **9.98%** The Master Trust portfolio received \$19.6M in investment income in the 3rd Quarter through interest, dividends, and other income and \$50.4M in capital depreciation from unrealized losses and realized losses. Funds received in the 3rd QTD of \$29K were contributed from an Investment Manager to offset an administrative error.

The **Retirement Plan** has an ending Market Value of **\$1.095 Billion** as of May 31, 2023. The Retirement Plan had a **-1.06%** MTD return and a 3rd QTD of **-0.93%** with an overall FYTD of **9.24%** Again, because the Retirement Plan shares almost the same Investment Managers as the Master Trust, the Retirement portfolio is experiencing similar impacts in all the asset classes. On average, the Retirement portfolio has paid \$4.9M in benefit payments monthly. The 3rd QTD received \$5.2 in investment income, and capital depreciation decreased by \$15.7M, which included unrealized and realized gains/losses.

The **ARPA** portfolio at Northern Trust has an ending Market Value of **\$996 Million** as of May 31, 2023. The ARPA portfolio had a **0.13%** MTD return and a 3rd QTD it had a **0.34%** with an overall FYTD of **2.40%**.

The **In-House** portfolio is the investments at Wells Fargo that OOC—Investment, General Accounting, and Cashier manage along with Wells Fargo's Vice President in Fixed Income trading. As of May 31, 2023, the In-House portfolio had a Principal Amount of **\$1.94 Billion**. Over 83.4% of the In-house portfolio is contributed from the Grant Fund 48.5%, General Fund 22.6%, and 12.2% from the ARPA account. The In-House Portfolio has an average Annualized Yield of **491 basis points** and an average of **95-day tenor** investments.

The principal investment component of the In-House portfolio is at **\$1.72 Billion** with an average Annualized Yield of **479 basis**. The Money Market Fund component had a total principal of **\$212.7 Million** with a 7-day average yield of **504 basis points**.