

November 14, 2016

Office of Management and Budget
725 17th St NW, Rm 8223
Washington DC 20503

Dear OMB,

The mission of the Office of Navajo and Hopi Indian Relocation is to provide quality services to eligible households and other impacted by the Relocation Act, in such a way that our clients have the opportunity to re-establish their lives in a positive and productive manner.

The Office is organized as a separate agency reporting directly to the President of the United States. This makes the Office part of the Executive Branch, with oversight being provided by both the Office of Management and Budget and various Congressional committees.

Our goal has always been to assure that all relocation activities that are conducted by the Office are consistent with the intent of Congress and the Executive Branch, as expressed in the Navajo-Hopi Settlement Act (PL93-531) and the Navajo and Hopi Indian Relocation Amendments Acts (PL96-305). Our program includes eligibility determination, necessary family counseling assistance, payment of incentive bonuses, acquisition of decent, safe, and sanitary replacement housing, disposal of abandoned property, and various other activities necessarily associated with relocation of the affected families. As of 9/30/16, out of 7,182 applications, the Office has certified 3,834 families for relocation benefits and denied 3,348 others. Of those certified, we have moved 3,633, closed cases on 127 families that for various reasons could not move, and have currently 74 certified families left to move, or have their house completed. At this time, there are about 119 appeals pending that will be heard by our Hearing Officer during FY2017.

Over the years, some of the denied applicants have taken their cases to the US District Court for the District of Arizona after completing the administrative appeal process, and some of these have had their denials reversed. When this has happened, the Office has had to determine if the District Court's decision requires changes in our standards or procedures for evaluating Applications.

In FY2016, our agency had both qualitative and quantitative goals:

Qualitative Goals:

a) The financial operations will be audited yearly to assure the agency is complying with federal requirements and good business practices: The audit of FY2015 was performed in FY2016, revealed no findings, and a clean opinion was

issued by the outside auditors. The Office has received a clean opinion every year.

b) There will be a constant application of equal opportunity to all staff, and managers or team leaders will be informed of their EEO/AA responsibilities: During FY2016, there were no EEOC complaints. The Office has established a Policy on Reasonable Accommodation, to assure full access to equal employment opportunity. All staff members received No Fear Act training, EEO Complaint training, Dispute Resolution training, Computer Security Awareness training, as well as training on Ethics for Federal Employees. In addition, all justifiable requests for employee job training were approved.

c) There will be no violations of the Anti-Deficiency Act: There were no such violations during FY2016.

d) The mission of the agency will be executed using sound business practices, considering the interest of the general public as well as the clients of the agency: Several examples of managerial efficiency during FY2016 are: there were sufficient resources used in FY2016 to continue the relocation program without delays; management was able to reduce some administrative expenses to be able to reach the goal for client moves; the program staff is required to measure client satisfaction by regular and recurring client contact, and there were no formal complaints received from clients or other outsiders during this period.

Quantitative Goals:

In FY2016, the Office will move 60 clients already certified: The Office signed relocation housing contracts with 60 clients during FY2016.

In accordance with the Federal Managers' Financial Integrity Act (FMFIA), the Office has established a system of managerial and financial internal controls. The Office can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2016, was operating effectively and no material weaknesses were found in the design or operation of the internal controls. The contents of the reports attached, therefore, may be relied upon by staff as well as external viewers. As the need arises, improvements are made in both managerial and financial controls.

Sincerely,

Christopher J. Bavasi
Executive Director

OFFICE OF NAVAJO AND HOPI INDIAN RELOCATION

ANNUAL PERFORMANCE REPORT

For the Fiscal Year 2016

GOALS:

1. Performance Goals and Indicators - The specific performance goal to be attained in FY2016 by the Office is to move 60 clients that are already certified consistent with PL93-531 and the Navajo and Hopi Indian Relocation Amendments Acts, PL96-305.

2. Resources Needed to Meet Goals - To move 60 clients, the Office will use the Relocation Program staff to counsel clients, to secure homesites on the Navajo reservation, to dispose of abandoned property on the former Joint Use Area, and to acquire replacement housing either through new construction or purchase of resale homes, on or off reservation.

The New Lands staff will provide services, such as fence-building, water-line and windmill maintenance, biological counseling in range and herd management, and other personal services to relocatees in the New Lands area.

The remaining Administrative staff will provide support to these two programs in the areas of Contracting, Information Systems, Policies & Personnel, and Finance.

To accomplish all these various duties, the Office will have an FTE of 34 for FY2016 allocated by OMB. Funds to carry out the required work will come from an appropriation of approximately \$15,000,000, as well as carryover funds from FY2015.

3. Verification and Validation of the Plan - The means used to verify and validate the actual performance of the Office will, first and foremost, be a tally of the actual cases closed during the fiscal year, as well as a scrutiny of the list of clients awaiting relocation. In addition, the Office will still rely on an audit of financial performance for the year.

RESULTS:

For FY2016, the Office received an appropriation of \$15,000,000 from Congress, was required to transfer \$200,000 to the Dept of Interior IG's Office for an audit, and had \$185,167 in carryover funds available. The Office was able to sign 60 relocation contracts during FY2016.

AREAS FOR IMPROVEMENT:

Clients who are relocating to the Navajo Reservation must have a homesite lease from the Navajo Nation approved by the Bureau of Indian Affairs (BIA) for the area where they plan to move, move into a Navajo Housing Authority subdivision, or move into an available lot in a subdivision built by the Office.

Currently, BIA and the Navajo Nation are requiring environmental assessments to be performed on any homesite lease request. This additional step has moved the time needed to obtain a lease to 9 to 18 months, depending on where the lease would be. The Amendments to our original act (PL 96-305) said that the Office didn't need to have these assessments done because the acreage was so small (homesite leases are 1 acre in size). In addition, this Public Law also indicated that any federal agency was to expedite any work coming from the Office. The Office is presently working with BIA to change their requirements for ONHIR lease requests.

Currently, the Office has 10 leases that are in-process in our office, waiting for work to be done by the Office or the client. The Office also has 5 leases at the Navajo Nation Land Department (or various other Navajo Nation departments) waiting to go through their various approval processes. There currently are no leases at BIA awaiting their completion. Those who cannot wait for these leases to be approved must move either off-reservation or to a subdivision on-reservation built by ONHIR or the Navajo Housing Authority. The Office does have 5 clients who have completed their leases and are currently waiting their turn to move in FY2017 as funds from the Continuing Resolution are available.

To speed up our entire housing processes, our housing specialists have been instructed by the Executive Director to help their clients in any way they can in order to facilitate client moves. This may involve anything from helping the clients obtain necessary documentation to transporting them to appointments with various Navajo Nation departments.

MANAGEMENT DISCUSSION AND ANALYSIS

The mission of the Office of Navajo and Hopi Indian Relocation is to provide quality services to eligible households and others impacted by the Relocation Act, in such a way that our clients have the opportunity to re-establish their lives in a positive and productive manner.

The Office is organized as a separate agency reporting directly to the President of the United States. The makes the Office part of the Executive Branch, with oversight being provided by both the Office of Management and Budget and various Congressional committees.

Our goal has always been to assure that all relocation activities that are conducted by the Office are consistent with the intent of Congress and the Executive Branch, as expressed in the Navajo-Hopi Settlement Act, PL93-531, and the Navajo and Hopi Indian Relocation Amendments Acts, PL96-305. Our program includes eligibility determination, necessary family counseling assistance, payment of incentive bonuses, acquisition of decent, safe, and sanitary replacement housing, disposal of abandoned property, and various other activities necessarily associated with relocation of the affected families. As of 9/30/16, out of 7,182 applications, the Office has certified 3,834 families for relocation benefits and denied 3,348 others. Of those certified, we have moved 3,633, closed cases on 127 families that for various reasons could not move, and have currently 74 certified families left to move, or have their house completed. At this time, there are about 119 appeals pending that will be heard by our Hearing Officer during FY2017.

Over the years, some denied applicants have taken their cases to the U.S. District Court for the District of Arizona after completing the administrative appeal process, and some of these have had their denials reversed. When this has happened, the Office has had to determine if the District Court's decision would require changes in our standards or procedures for evaluating Applications. There have been no cases acted upon by the U.S. District Court in FY2016. There are currently 3 cases that are under the review process at the Department of Justice that may go forth during FY2017. The Office does not expect any large increase in certified clients if any of these cases end up going to the District Court and having their denials reversed.

During FY2016, our financial statements show that there have been no major changes in types or amounts of assets, liabilities, costs, obligations, and outlays. In accordance with the requirements of the Federal Managers' Fiscal Integrity Act of 1982 and the Inspector General Act of 1988, as amended, our agency had our nineteenth financial audit by an outside CPA firm, performed in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 01-02, "Audit Requirements for Federal Financial Statements." There were no significant findings, and an unqualified opinion was issued to the Office of Navajo and Hopi Indian Relocation. In addition, no matters relating to personnel, programs, and operations have been referred to prosecuting authorities. Internal reviews of management controls indicate no weaknesses and no material non-conforming areas in our financial systems. The Office can provide reasonable assurance that

its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2016, was operating effectively and no material weaknesses were found in the design or operation of the internal controls. In addition, the financial management systems of the Office conform to Federal financial system requirements, FASAB standards, and the US Standard General Ledger at the transaction level. Improvements in management and financial controls are made as the need arises.

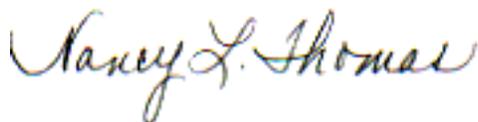
The principal financial statements have been prepared to report the financial position and results of operations of the Office of Navajo and Hopi Indian Relocation, pursuant to the requirements of 31 U.S.C. 3515 (b). While the statements have been prepared from the books and records of the Office in accordance with GAAP for Federal entities and formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the US Government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides resources to do so.

CFO Letter

The Office of Navajo and Hopi Indian Relocation has had a financial audit every year starting in FY1995, per requirements of the Federal Managers' Financial Integrity Act. The Office has always received a clean opinion, with no material weaknesses or significant deficiencies.

One special area that OMB has asked all agencies for reassurance on is that appropriate policies and controls are in place to mitigate the risk of fraud and inappropriate charge card practices. The Office has only 34 employees currently, so examining all travel and purchase card statements closely is a monthly practice performed by the CFO and the Contracting Officer. Any improper purchase is dealt with immediately. The volume of purchases on these cards was about \$110,000 in FY2016, which is well below the \$10 million reporting requirement.

As any other problems arise, the small size of the Office makes it somewhat easy to find solutions that are both efficient and practical, while still maintaining good internal controls.

A handwritten signature in cursive script that reads "Nancy L. Thomas". The ink is dark and the signature is fluid and legible.

Nancy L. Thomas

11/14/2016

**Office of Navajo and Hopi
Indian Relocation**

PRINCIPAL STATEMENTS

Years ended September 30, 2016 and 2015

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Independent Auditor's Report

Management
Office of Navajo and Hopi Indian Relocation
Flagstaff, Arizona

Report on the Financial Statements

We have audited the accompanying principal statements (hereinafter referred to as financial statements) of Office of Navajo and Hopi Indian Relocation (ONHIR) which comprise the balance sheets as of September 30, 2016 and 2015, and the related statements of change in net position, statements of net cost and statements of budgetary resources for the years then ended and, the related notes to the financial statements, which collectively comprise ONHIR's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 15-02, require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to ONHIR's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ONHIR's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Office of Navajo and Hopi Indian Relocation as of September 30, 2016 and 2015, and its net costs and changes in its net position, and its results of budgetary resources and its financing for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages three through four be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Restriction of Use of the Report on the Financial Statements

This report is intended solely for the information and use of the management of Office of Navajo and Hopi Indian Relocation, the U.S. Department of the Treasury, OMB, and the U.S. Government Accountability Office in connection with the preparation and audit of the financial report of the U.S. Government and is not intended to be and should not be used by anyone other than these specified parties.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards* and OMB Bulletin 15-02, we have also issued our reports dated November 14, 2016, on our consideration of ONHIR's internal control over financial reporting and the results of our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters that are required to be reported under *Government Auditing Standards*. The purpose of these reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin 15-02 in considering ONHIR's internal control and compliance, and should be read in conjunction with this report in considering the results of our audits of the financial statements.

Walker & Armstrong, LLP

Phoenix, Arizona
November 14, 2016

Management Discussion and Analysis

The mission of the Office of Navajo and Hopi Indian Relocation (“the Office”) is to provide quality services to eligible households and others impacted by the Relocation Act, in such a way that our clients have the opportunity to continue their lives in a positive and productive manner.

The Office is organized as a separate agency reporting directly to the President of the United States. This makes the Office part of the Executive Branch, with oversight being provided by both the Office of Management and Budget and various Congressional committees.

Our goal is to assure that all relocation activities that are conducted by the Office are consistent with the intent of Congress and the Executive Branch as expressed in the Navajo-Hopi Settlement Act (PL93-531), and the Navajo and Hopi Indian Relocation Amendments Acts. Our program includes eligibility determination, necessary family counseling assistance, payment of incentive bonuses, acquisition of decent, safe, and sanitary replacement housing, disposal of abandoned property, and various other activities necessarily associated with relocation of the affected families. As of September 30, 2016, out of 7,182 applications, the Office has certified 3,834 families for relocation benefits and denied 3,348 others. Of those certified, we have moved 3,633, closed cases on 127 families that for various reasons could not move, and have currently 74 certified families left to move, with 46 of these having houses already under construction. At this time, there are about 119 appeals pending that will be heard by our Hearing Officer during FY2017.

Over the years, some denied applicants have taken their cases to the U.S. District Court for the District of Arizona after completing the administrative appeal process, and some of these have had their denials reversed. When this has happened, the Office has had to determine if the District Court’s decision requires changes in our standards or procedures for evaluating Applications. There are currently 3 appeals involving 6 denied clients at the U.S. District Court.

In FY2016, our agency had both qualitative and quantitative goals:

Qualitative Goals

- a. *The financial operations will be audited yearly to assure the agency is complying with federal requirements and good business practices:* During FY2016, our financial statements show that there have been no major changes in types of assets, liabilities, costs, obligations, and outlays. In accordance with the requirements of the Federal Managers’ Fiscal Integrity Act of 1982 and the Inspector General Act of 1988, as amended, our agency had our twentieth financial audit by an outside CPA firm, performed in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*. There were no significant findings, and an unqualified opinion was issued to the Office of Navajo and Hopi Indian Relocation. In addition, no matters relating to personnel, programs, and operations have been referred to prosecuting authorities. Internal reviews of management controls indicate no weaknesses and no material non-conforming areas in our financial systems. The Office can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30,

2016, was operating effectively and no material weaknesses were found in the design or operation of the internal controls. In addition, the financial management systems of the Office conform to Federal financial system requirements, FASAB standards, and the US Standard General Ledger at the transaction level. Improvements in management and financial controls are made as the need arises.

- b. *There will be a constant application of equal opportunity to all staff, and managers and team leaders will be informed of their EEO/AA responsibilities:* During FY2016, there were no EEOC complaints. All staff members received EEO Discrimination Complaint training, Alternative Dispute Resolution training, No Fear Act training, Policy on Reasonable Accommodation training, Computer Security Awareness training, as well as training on Ethics for Federal Employees. In addition, all justifiable requests for employee job training were approved.
- c. *There will be no violations of the Anti-Deficiency Act:* There were no such violations during FY2016.
- d. *The mission of the agency will be executed using sound business practices, considering the interests of the general public as well as the clients of the agency:* Several examples of managerial efficiency during FY2016 are: there were sufficient resources used in FY2016 to continue the relocation program without delays; management was able to reduce some administrative expenses to be able to reach the goal for client moves; the program staff is required to measure client satisfaction by regular and recurring client contact, and there were no formal complaints received from clients or other outsiders during this period.

Quantitative Goals

The Office will move 60 families. We were able to sign 60 relocation contracts during FY2016.

The principal financial statements have been prepared to report the financial position and results of operations of the Office of Navajo and Hopi Indian Relocation, pursuant to the requirements of 31 U.S.C. 3515 (b). While the statements have been prepared from the books and records of the Office in accordance with GAAP for Federal entities and formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the US Government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides resources to do so.

The Office has established a system of managerial and financial internal controls. Reviews of these controls have indicated no weaknesses and no areas of material non-conformance with the requirements established by the Treasury and Office of Management and Budget. The contents of the reports attached, therefore, may be relied upon by staff as well as external viewers.

Christopher J. Bavasi
Executive Director

**Office of Navajo and Hopi
Indian Relocation**

BALANCE SHEETS

September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
ENTITY ASSETS		
Intergovernmental:		
Fund balance with Treasury	\$ 5,885,079	\$ 2,073,730
Governmental:		
Inventory and related property, net	2,000	2,000
General property and equipment, net	<u>83,858</u>	<u>112,456</u>
Total assets	<u>\$ 5,970,937</u>	<u>\$ 2,188,186</u>
LIABILITIES AND NET POSITION		
LIABILITIES		
Liabilities covered by budgetary resources:		
Governmental liabilities:		
Other governmental liabilities	<u>\$ 480,571</u>	<u>\$ 452,299</u>
Total liabilities	480,571	452,299
NET POSITION		
Unexpended appropriations	5,641,548	1,842,791
Cumulative results of operations	<u>(151,182)</u>	<u>(106,904)</u>
Total net position	<u>5,490,366</u>	<u>1,735,887</u>
Total liabilities and net position	<u>\$ 5,970,937</u>	<u>\$ 2,188,186</u>

The accompanying notes are an integral part
of these financial statements.

**Office of Navajo and Hopi
Indian Relocation**

STATEMENTS OF CHANGE IN NET POSITION

Years ended September 30, 2016 and 2015

	2016	2015
Net position, beginning of year	\$ 1,735,887	\$ 1,910,958
Financing sources:		
Appropriations used	14,380,504	7,519,239
Transfer of appropriations to U.S. Department of Interior – Office of Inspector General	200,000	200,000
Net results of operations	16,316,391	9,630,197
Change in unexpended appropriations (decrease)	464,917	(349,002)
Total financing sources	16,781,308	9,281,195
Net cost of operations	(11,290,942)	(7,545,308)
Net position, end of year	\$ 5,490,366	\$ 1,735,887

The accompanying notes are an integral part
of these financial statements.

**Office of Navajo and Hopi
Indian Relocation**
STATEMENTS OF NET COST
Years ended September 30, 2016 and 2015

	2016	2015
OBLIGATIONS AND NONBUDGETARY RESOURCES		
<i>Obligations incurred:</i>		
Personnel compensation	\$ 2,710,142	\$ 2,689,507
Personnel benefits	777,017	745,859
Travel and transportation/persons	106,603	112,323
Transportation/things	593	401
Rents, utilities, and communications	464,395	486,108
Printing and reproduction	10,975	9,423
Services and contracts	555,360	413,359
Supplies and materials	63,831	60,711
Equipment	44,408	57,233
	4,733,324	4,574,924
Total operations		
Relocation operations costs	8,030,662	2,464,020
Bonuses	19,000	10,000
Discretionary funds	1,597,518	470,295
	14,380,504	7,519,239
Total obligations		
<i>Additional pension and insurance costs not yet obligated</i>	313,999	301,509
	14,694,503	7,820,748
<i>Financing imputed from pension costs</i>	(313,999)	(301,509)
TRANSFER OF APPROPRIATION TO U.S. DEPARTMENT OF INTERIOR – OFFICE OF INSPECTOR GENERAL	200,000	200,000
RESOURCES THAT DO NOT FUND NET COST OF OPERATIONS		
Change in amount of undelivered orders	(3,361,889)	(257,164)
COSTS THAT DO NOT REQUIRE RESOURCES		
Depreciation	73,006	84,188
FINANCING SOURCES YET TO BE PROVIDED		
Change in unused annual leave	(679)	(955)
NET COST OF OPERATIONS	\$ 11,290,942	\$ 7,545,308

The accompanying notes are an integral part
of these financial statements.

**Office of Navajo and Hopi
Indian Relocation**

STATEMENTS OF BUDGETARY RESOURCES

Years ended September 30, 2016 and 2015

	2016	2015
BUDGETARY RESOURCES		
Budget authority	\$ 15,000,000	\$ 7,341,000
Appropriation transfers	(200,000)	(200,000)
Fund balance - beginning of year	2,073,730	2,210,211
Undelivered orders – beginning of year	(1,657,625)	(1,453,679)
Accounts payable and other liabilities – beginning of year	(230,939)	(222,364)
Total budgetary resources	\$ 14,985,166	\$ 7,675,168
STATUS OF BUDGETARY RESOURCES		
Unobligated balances – end of year	\$ 650,083	\$ 185,166
Undelivered orders – end of year	4,991,465	1,657,625
Undelivered orders – beginning of year	(1,657,625)	(1,453,679)
Accounts payable and other liabilities – end of year	243,531	230,939
Accounts payable and other liabilities – beginning of year	(230,939)	(222,364)
Outlays	10,988,651	7,277,481
Total status of budgetary resources	\$ 14,985,166	\$ 7,675,168
OUTLAYS		
Fund expenditures	\$ 11,017,602	\$ 7,290,072
Accrued payroll – beginning of year	104,917	92,326
Accrued payroll – end of year	(133,868)	(104,917)
Total outlays	\$ 10,988,651	\$ 7,277,481

The accompanying notes are an integral part
of these financial statements.

**Office of Navajo and Hopi
Indian Relocation**

NOTES TO PRINCIPAL STATEMENTS

Years ended September 30, 2016 and 2015

Note 1 - Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Reporting Entity

Office of Navajo and Hopi Indian Relocation (ONHIR) was established pursuant to 25 USC 640d-11 in 1974 as a part of the executive branch of the federal government. ONHIR was formed in order to facilitate development of a relocation plan to relocate members of the Navajo Nation residing within the area partitioned to The Hopi Tribe, and members of The Hopi Tribe residing within the area partitioned to the Navajo Nation and to carry out the directed relocation as promptly and fairly as possible, with a minimum of hardship and discomfort to the relocatee. In order to accomplish its mission, ONHIR was allowed to acquire 400,000 acres of land to be held in trust for the Navajo Nation.

The financial statements of ONHIR have been prepared in conformity with U.S. generally accepted accounting principles as applied to federal government departments and agencies. The Federal Accounting Standards Advisory Board (FASAB) is the accepted standard setting body establishing governmental accounting and financial reporting principles. The more significant of ONHIR's accounting policies are described below.

Recognition of Financing Sources

The entire fund balance with Treasury derives from appropriated funds. This balance is reported under entity assets as ONHIR has full access to these funds and has the authority to decide how these funds are used.

Property and Equipment

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives based upon federal government fixed asset schedules ranging between five and eight years on a straight-line basis. Maintenance and repairs are charged to operations when obligated. Betterments and renewals are capitalized. The capitalization threshold for ONHIR is \$1,000. These assets are available for unrestricted use.

As a branch of the federal government, upon completion of the objectives of ONHIR, all property and equipment will remain the property of the United States government.

NOTES TO PRINCIPAL STATEMENTS - CONTINUED

Note 1 - Summary of Significant Accounting Policies - Continued

Retirement Plans

Employees hired by ONHIR prior to January 1, 1984 are eligible to participate in the Civil Service Retirement System (CSRS), to which ONHIR makes contributions of seven percent (7%) of employee gross wages. ONHIR does not report CSRS assets or accumulated plan benefits, as these reporting requirements are the responsibility of the U. S. Office of Personnel Management.

Employees hired by ONHIR subsequent to January 1, 1984 are eligible to participate in the Federal Employees Retirement System (FERS). FERS went into effect on January 1, 1984 pursuant to Public Law 99-335. One feature of FERS is that it offers a savings plan whereby ONHIR automatically contributes one percent (1%) of gross wages and matches any employee's contributions up to an additional four percent (4%).

Note 2 - Accounting Estimates

Preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 3 – General Property and Equipment

General property and equipment as shown on ONHIR's financial statements consists of the following for the years ended September 30, 2016 and 2015:

<u>Description</u>	<u>Beginning Cost</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
September 30, 2016						
Office furniture and equipment	\$ 365,309	\$ 1,248	\$ 3,995	\$ 362,562	\$ 340,100	\$ 22,462
Heavy equipment	831,925	43,160	41,264	833,821	772,425	61,396
	<u>\$ 1,197,234</u>	<u>\$ 44,408</u>	<u>\$ 45,259</u>	<u>\$ 1,196,383</u>	<u>\$ 1,112,525</u>	<u>\$ 83,858</u>
September 30, 2015						
Office furniture and equipment	\$ 576,133	\$ 21,783	\$ 232,607	\$ 365,309	\$ 321,842	\$ 43,467
Heavy equipment	848,906	35,450	52,431	831,925	762,936	68,989
	<u>\$ 1,425,039</u>	<u>\$ 57,233</u>	<u>\$ 285,038</u>	<u>\$ 1,197,234</u>	<u>\$ 1,084,778</u>	<u>\$ 112,456</u>

NOTES TO PRINCIPAL STATEMENTS - CONTINUED

Note 4 - Other Governmental Liabilities

Other liabilities are covered by budgetary resources and are made up of the following at September 30, 2016 and 2015:

<u>Description</u>	<u>2016</u>	<u>2015</u>
Accrued payroll	\$ 133,868	\$ 104,917
Accrued leave	346,703	347,382
	<u>\$ 480,571</u>	<u>\$ 452,299</u>

Note 5 -Unexpended Appropriations

Unexpended appropriations at September 30, 2016 and 2015, are comprised of the following:

<u>Description</u>	<u>2016</u>	<u>2015</u>
Unobligated appropriations	\$ 650,083	\$ 185,166
Undelivered orders	4,991,465	1,657,625
	<u>\$ 5,641,548</u>	<u>\$ 1,842,791</u>

Note 6 – Padres Mesa Demonstration Ranch Operations

In FY2009 ONHIR established and operates the Padres Mesa Demonstration Ranch in the New Lands area. The ranch, which encompasses approximately 27,000 acres, was established to teach relocatees methods to maximize income from cattle-raising operations and conduct such activities as good stewards of the land. An ONHIR employee, who was hired for his ranching skills, manages the ranch operations and the activities of contract cowboys. In FY2016 ONHIR obligated \$220,610 and had cattle sales of \$251,010 while in FY2015 ONHIR obligated \$204,423 and had cattle sales of \$310,420.

Note 7 - Operating Leases

ONHIR leases a building for its administrative offices under an operating lease expiring May 31, 2020, with an option to renew year to year thereafter. The base rent is subject to an annual increase based on the Consumer Price Index adjustment. The lease agreement is cancellable by ONHIR for lack of appropriations. For the years ended September 30, 2016 and 2015, the lease obligation for this building plus utilities was \$333,004 and \$329,614, respectively. During fiscal year 2016 and 2015, ONHIR subleased a portion of the building to Indian Health Services for \$22,000.

NOTES TO PRINCIPAL STATEMENTS - CONTINUED

Note 7 - Operating Leases – Continued

Future minimum lease commitments under the building lease are as follows:

Year ending September 30,	
2017	\$ 304,298
2018	304,298
2019	304,298
2020	<u>202,865</u>
Total	<u>\$ 1,115,759</u>

ONHIR also leases vehicles on a month-to-month basis from the General Services Administration. ONHIR obligated \$93,770 and \$87,646 on vehicle leases for the years ended September 30, 2016 and 2015, respectively. The vehicles can be returned or exchanged as needed by ONHIR.

Note 8 - Pension and Other Retirements Benefits

ONHIR has adopted the Statement of Federal Financial Accounting Standards Number 5 (SFFAS-5) “Accounting for Liabilities of the Federal Government” which requires ONHIR to recognize the cost of pensions and other retirement benefits during the employees’ active years of service.

Funding Policy

Federal Employees Retirement System (FERS)

The law requires that FERS be fully funded so that the amounts contributed by and for FERS-covered employees are sufficient to cover the projected cost of providing a basic pension benefit to the employees when they retire. For “regular” FERS employees, the actuarially determined cost factor for 2016 and 2015 was 15.1 and 14.8 percent, respectively, of employees’ basic pay.

Plan contributions for the years ended September 30, 2016 and 2015 are as follows:

Description	2016	2015
Plan contributions recognized	\$ 284,009	\$ 259,808
Required contribution	<u>277,154</u>	<u>278,208</u>
Contributions (excess)	<u>\$ 6,855</u>	<u>\$ (18,400)</u>

NOTES TO PRINCIPAL STATEMENTS - CONTINUED

Note 8 - Pension and Other Retirements Benefits - Continued

Civil Service Retirement System (CSRS)

Employees covered under the CSRS plan and their employers each contribute 7 percent of employee’s basic pay for CSRS coverage. The combined 14 percent of basic pay contributed by and for these “regular” CSRS-covered employees is less than the amount calculated to be sufficient to pay for the projected CSRS benefit. Accordingly, the “regular” CSRS employee actuarially determined cost factor for 2016 is 33.5 percent of employees’ basic pay. ONHIR’s contributions to CSRS for the year ended September 30, 2016 were \$49,414 which is 26 percent of the total required contributions of \$186,917. ONHIR’s contribution to CSRS for the year ended September 30, 2015 was \$48,708, which is 27 percent of the total required contributions of \$183,701.

Other Retirement Benefits

The Office of Personnel Management (OPM) administers the post-retirement benefits for federal employees which includes the Federal Employees Health Benefits Program (FEHB) and the Federal Employees Group Life Insurance Program (FEGLI). SFFAS-5 requires ONHIR to recognize an expense for its share of cost of providing health benefits and life insurance for its employees after they retire. This expense is called the Employer’s Other Retirement Benefits (ORB) Expense. For the year ended September 30, 2016, the ORB cost factor was \$6,266 per employee enrolled in the FEHB program and .02 percent of employees’ basic pay for the FEGLI program. For the year ended September 30, 2016, the average number of employees enrolled by ONHIR in the ORB was 27 employees. For the years ended September 30, 2016 and 2015, the cost recognized by ONHIR per SFFAS-5 for these costs was \$169,641 and \$148,117, respectively. Total cost of retirement benefits is as follows:

	2016	2015
Pension	\$ 470,926	\$ 461,908
Other benefits	169,641	148,117
	640,567	610,025
Payment by ONHIR	(326,568)	(308,516)
Additional cost not yet obligated by ONHIR	\$ 313,999	\$ 301,509

The liability for these costs is recognized by OPM on their financial statements, thus creating a funding source to ONHIR for these expenses.

**Independent Auditor’s Report on Internal Control over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Management
Office of Navajo and Hopi Indian Relocation
Flagstaff, Arizona

We have audited in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements* the principal statements (hereinafter referred to as “financial statements”) of Office of Navajo and Hopi Indian Relocation (ONHIR) as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise ONHIR’s financial statements, and have issued our report thereon dated November 14, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered ONHIR's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ONHIR’s internal control. Accordingly, we do not express an opinion on the effectiveness of ONHIR’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ONHIR's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and OMB Bulletin No. 15-02.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of ONHIR's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ONHIR's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wahne & Armstrong, LLP

Phoenix, Arizona
November 14, 2016

**Independent Auditor's Report on Compliance with
Laws and Regulations**

Management
Office of Navajo and Hopi Indian Relocation
Flagstaff, Arizona

Report on Compliance

We have audited the principal statements (hereinafter referred to as “financial statements”) of Office of Navajo and Hopi Indian Relocation (ONHIR) as of and for the year ended September 30, 2016, and have issued our report thereon dated November 14, 2016. We conducted our audit in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and, Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*.

Management's Responsibility

The management of ONHIR is responsible for complying with laws and regulations applicable to ONHIR. As part of obtaining reasonable assurance about whether ONHIR's financial statements are free of material misstatement caused by error or fraud, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts, and certain other laws and regulations specified in OMB Bulletin No. 15-02, including the requirements referred to in the Federal Financial Management Improvement Act (FFMIA) of 1996.

Auditor's Responsibility and Results

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements that have a direct effect on the determination of material amounts and disclosures in the financial statements, and to perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to ONHIR.

Our tests of compliance with selected provisions of applicable laws, regulations, contracts and grant agreements disclosed no instances of noncompliance for the year ended September 30, 2016 that would be reportable under *Government Auditing Standards* or other matters with other laws and regulations discussed in the preceding paragraph exclusive of FFMIA that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 15-02. However, the objective of our tests was not to provide an opinion on compliance with all laws, regulations, contracts, and grant agreements applicable to ONHIR. Accordingly, we do not express such an opinion.

Under FFMIA, we are required to report whether ONHIR's financial management systems substantially comply with the federal financial management systems requirements, applicable federal accounting standards, and the United States Government Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA section 803(a) requirements. The results of our tests disclosed no instances in which ONHIR's financial management systems did not substantially comply with the three requirements discussed above.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts and grant agreements, and the results of that testing based on the requirements of OMB Bulletin 15-02, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering compliance. Accordingly, this report is not suitable for any other purpose.

Walker & Armstrong, LLP

Phoenix, Arizona
November 14, 2016