

Newtok Village

Assessment of Management Capacity Indicators

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Introduction

The Newtok Village report was completed by Rural Utility Business Advisor program staff Fred Broerman as a requirement for a proposed grant-funded sanitation project. The report was completed with the voluntary assistance of the utility staff and based on information provided to the RUBA program. Specific documents provided by the utility staff are in the Bethel regional office for viewing if requested.

The goal of the RUBA program is to help small communities implement utility management practices that will improve the utility's ability to provide safe drinking water to their communities on a sustainable basis. The RUBA assessment evaluates essential and sustainable indicators necessary for the managerial and financial health of the utility. These indicators are organized under the following sections:

- Utility Finance
- Accounting Systems
- Tax Problems
- Personnel System
- Organizational Management
- Operation of Utility

Essential Indicators identify policies and practices that are critical to the short-term operation of a utility. *Sustainable Indicators* identify policies and practices that make a utility cost-effective to operate and increase the likelihood of long-term financial success.

The Essential Recommendations are limited to those items needed to meet deficient essential indicators. Only the essential indicators are required to be met under the grant conditions. The Sustainable Recommendations are intended to improve cost effectiveness and sustainability of the utility.

The Newtok Village operates and manages the following utility services:

- Newtok Village Council manages and operates the community's water treatment facility. The facility provides a single watering point for Newtok residents and the tribe does not charge for the water at the watering point.

Capacity Indicators

On 11/18/2014, RUBA staff Fred Broerman met with Newtok Village staff to complete a RUBA Assessment of Management. Newtok Village staff provided documentation supporting the conclusions in this report. Specific documents used in this report included:

- Newtok Water Quality Report 2013 (Consumer Confidence Report) PWSID# AK2271431 and accompanying CCR Certification form signed the tribal president on June 26, 2014 indicating the CCR was distributed to community members.
- A September 25, 2014 FAX correspondence from the IRS regarding Newtok Village Council's compliance with federal tax filing and deposit obligations.
- A December 11, 2014 FAX correspondence from the IRS regarding Newtok Village Council's compliance with federal tax filing and deposit obligations.
- Email correspondence dated September 17, 2014 from Alaska Department of Labor regarding Newtok Village Council's compliance with Employment Security Contributions.
- Email correspondence dated December 12, 2014 from Alaska Department of Labor regarding Newtok Village Council's compliance with Employment Security Contributions.
- Newtok Village Council Procurement Policy October 4, 2014 and accompanying resolution.
- Minutes from Newtok Village Council meetings held on June 15, July 21, 23 and October 3, 2014.
- State of Alaska, Division of Community and Regional Affairs, July 21-24, 2014 Trip Report by Fred Broerman.
- State of Alaska, Division of Community and Regional Affairs, September 15-18, 2014 Trip Report by Fred Broerman.

Finances

Essential Indicators

Yes **No**

- | | | |
|--------------------------|-------------------------------------|--|
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | All revenues and expenses for the utility are listed in the utility budget. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | The utility has adopted a balanced realistic budget. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | Monthly financial reports are prepared and submitted to the policy making board. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | The utility is current in paying all water/wastewater electric bills. |

- The utility has on hand a year's adequate fuel supply or it has a financial plan to purchase an adequate supply.
- The utility is receiving revenues (user fees or other sources) sufficient to cover operating expenses.

Sustainable Indicators

Yes No N/A

- The utility is receiving revenues (user fees or other sources sufficient to cover operating expenses and Repair & Replacement (R) costs.
- YTD revenues are at a level equal to or above those budgeted.
- YTD expenditures are at a level equal to or below those budgeted.
- A monthly manager's report is prepared.
- Budget amendments are completed and adopted as necessary.

At the time of this writing Newtok Village Council has not provided the Bethel RUBA office with a copy of its FY14 budget and documentation of it being adopted by the tribal council. Therefore, the first three of the essential indicators of this section cannot be evaluated and were marked "No". From July 22-24, 2014 Bethel staff worked with the bookkeeper to create a draft FY14 budget/multi-month financial report spreadsheet for the tribe. The spreadsheet was designed to meet RUBA compliance standards and aligned with tribe's QuickBooks file having identical classes and categories (accounts). The completed spreadsheet was emailed to the bookkeeper and tribal council members on July 31, 2014, with instructions on how use it and enter budget projections for department and grant revenues and expenditures for FY14. Minutes from tribal council meetings held on June 15, July 21 and 23, and October 3, 2014 were submitted to the Bethel regional office. However, none of the minutes mention council members reviewing a proposed draft FY14 or FY15 budget and only the October 3, 2014 minutes mention a monthly financial report being reviewed. The spirit of RUBA compliance is that monthly financial reports are presented and reviewed by council members consistently for at least three months in a row. RUBA compliance also requires that monthly financial reports compare year-to-date revenues and expenses to annual budgeted amounts. QuickBooks profit and loss statements do not meet this requirement. Minutes from council meetings that document council members have reviewed and approved monthly financial reports should be signed and dated by the council president and attested by a tribal staff member. For RUBA compliance, copies of the meeting minutes and the accompanying monthly financial reports that were reviewed need to be submitted to the Bethel RUBA regional office quarterly. A November 13, 2014 phone conversation with Ungusraq Power Company indicated that Newtok Tribal Council is not current on its electric accounts for September and October. The tribe purchases heating fuel as needed from Newtok Native Corporation the community's fuel retailer to heat its administrative building

and water plant. A November 19, 2014 phone conversation with the corporation indicated Newtok Village council has a significant outstanding balance for heating fuel charges. Until Newtok Village Council provides an adopted FY14 or FY15 budget most of the indicators of this section cannot be evaluated and are marked "No". Since the tribe does not have a utility enterprise the repair and replacement and monthly manager's report indicators have been given a not applicable (N/A) answers.

Accounting Systems

Essential Indicators

Yes No N/A

- | | | | |
|-------------------------------------|-------------------------------------|-------------------------------------|---|
| <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | The utility has adopted a collection policy and actively follows it. |
| <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | The utility bills customers on a regular basis. |
| <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | An accounts receivable system is in place which tracks customers and reports past due accounts and amounts. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | | An accounts payable system is in place. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | | The payroll system correctly calculates payroll and keeps records. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | | A cash receipt system is in place that records incoming money and how it was spent. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | | The utility has a cash disbursement system that records how money was spent. |

Sustainable Indicators

Yes No

- | | | |
|-------------------------------------|-------------------------------------|---|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | A chart of accounts is used that identifies categories in a reasonable, usable manner. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | Monthly bank reconciliations have been completed for all utility accounts. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | The utility has a purchasing system that requires approval prior to purchase, and the approval process compares proposed purchases to budgeted amounts. |

Newtok Village Council is not currently operating a utility enterprise. Therefore it does not have a need for a collection policy, to bill customers monthly or an accounts receivable system. The tribe's QuickBooks file has an accounts payable system in place. However, information from incoming bills such as the amount owed, due dates and vendor information is not being entered when bills are received. Therefore the accounts payable and cash disbursement system indicators have been marked "No". QuickBooks is used to calculate and keep payroll records and

as a cash receipt system. Bethel RUBA staff assisted with refining the tribe's chart of accounts during a July 21-24, 2014 visit to the community. Bank statements and reconciliation summaries have not been provided for September, October and November, 2014. The last sustainable indicator of this section is marked "No" since the tribe has not provided an adopted budget.

Tax Problems

Essential Indicators

Yes No

- The utility has a system to accurately calculate, track, and report payroll tax liabilities.
- The utility is current on filing tax reports.
- The utility is current on making tax deposits.
- If there are any past due tax liabilities or recorded tax liens, a lien release has been issued or a repayment agreement has been signed and repayments are current.

A December 11, 2014 phone conversation with an Alaska based IRS agent indicated the tribe is compliant with federal payroll tax payments requirements. However it is making payments using 940 and 941 forms. They will instead have to file a 944 form in January 2015 for the 2014 tax year. A December 12, 2014 email correspondence from Alaska Department of Labor indicated the community is current with its employment security compensation tax payments and reporting requirements. Newtok Village Council is not listed on the September - October 2014 Lien Watch: A Review of Small Community Liens.

Personnel System

Essential Indicators

Yes No

- The utility has a posted workers compensation insurance policy in effect.

Sustainable Indicators

Yes No

- The utility has adopted and uses a Personnel Policy, which has been reviewed by an attorney, AML or Commerce for topics and language.
- The utility has adequate written job descriptions for all positions.
- The utility has adopted and follows a written personnel evaluation process that ties the job description to the evaluation.
- The utility has an adequate written hiring process.

- The utility has personnel folders on every employee that contain at least: I-9, Job Application and Letter of Acceptance.
- The utility has a probationary period for new hires that includes orientation, job training/oversight, and evaluations.
- The utility provides training opportunities to staff as needed and available.

A November 14, 2014, query done on the Department of Labor's Worker's Compensation employer database indicates that Newtok Village Council does not have workers' compensation insurance for its employees. The Bethel RUBA regional office has not been provided with a copies of the tribe's personnel policy, job descriptions for all the tribe's employees, written personnel evaluation or hiring protocols. Personnel folders from the tribe have not be reviewed to see if they contain a federal I-9 form, job application, and letter of acceptance. RUBA staff has not been able to determine if the tribe's personnel policy includes an adequate probationary period. Newtok Village Council provides training to tribal council members and administrative staff when funds are available.

Organizational Management

Essential Indicators

Yes No N/A

- The entity that owns the utility is known; the entity that will operate the utility is set.
- The policy making body is active in policy making of the utility.
- The policy making body enforces utility policy.
- The utility has an adequately trained manager.
- The utility has an adequately trained bookkeeper.
- The utility has an adequately trained operator or operators.
- The utility has adopted the necessary ordinances (or rules and regulations) necessary to give it the authority to operate.

Sustainable Indicators

Yes No N/A

- The utility has adopted an organizational chart that reflects the current structure.
- The policy making body meets as required.

- The utility complies with the open meeting act for all meetings.

Since the tribe does not currently operate a utility enterprise the first five and the seventh essential indicators of this section were given not applicable (N/A) ratings. The tribe's water plant is a Class 1 Water Treatment System. Newtok Village Council's water operator holds only a Small Water System Certificate. The operator has previously held a Class 1 certification and should retake the test for so that he is again certified to the level of the water plant. The tribe needs to create and then adopt an organization chart. The organization chart should clearly illustrate each position held and lines of authority. The council meets monthly or as needed and complies with the Alaska Open Meetings Act voluntarily as it's a tribal entity not required to do so by statute.

Operation of Utility

Essential Indicators

Yes **No**

- The utility operator(s) are actively working towards necessary certification.
- The utility has a preventative maintenance plan developed for the existing sanitation facilities.

Sustainable Indicators

Yes **No**

- The manager receives a monthly O&M report from the utility operator and routinely "spot checks" the facilities to see that the maintenance items are being completed.
- The utility has a safety manual and holds safety meetings.
- Utility facilities have not suffered any major problems/outages due to management issues that are unresolved.
- The utility is operating at the level of service that was proposed.
- The operator provides status reports to the manager on a routine basis.
- The utility has completed and distributed its "Consumer Confidence Report".
- The utility is not on the "Significant Non-Complier" (SNC) list.
- The utility maintains an inventory control list.
- The utility maintains a critical spare parts list.

The tribe's water treatment plant is a Class 1 Water Treatment System. Newtok Village Council's water operator holds only a Small Water System Certificate. The operator has previously held a Class 1 certification and should retake the test so that he is again certified to the level of the water plant. Documents to verify most of the other indicators of this section have not been provided to Bethel RUBA staff. Therefore they are marked 'No' until documents verifying compliance are provided. Copies of the tribe's 2013 Consumer Confidence Report (CCR) and the accompanying certification form (signed by the tribal president on June 24, 2014 indicating that the CCR has been posted and distributed in the community) are electronically filed at the Bethel regional office. The tribe's water treatment plant is on the October 2014 Significant Non-Complier (SNC) list.

Essential Recommendations

The Newtok Village has not met all of the essential capacity indicators. In order to meet them, the utility must take the following actions:

- Adopt a FY15 budget that projects revenues and expenses for each of the tribe's departments, programs or grants.
- Provide verification that monthly financial reports are prepared and submitted to the policy making board.
- Provide documentation that the tribe is current in paying all electric bills.
- Submit an accounts payable aging report to Bethel RUBA staff showing vendors in which money is owed and outstanding balances.
- Provide verification the tribe has a cash receipt system is in place that records incoming money and how it was spent.
- Provide verification the tribe has a cash disbursement system that records how money was spent.
- Provide Bethel RUBA office documents that verify that Newtok Village Council has workers compensation insurance for its employees.
- Submit to Bethel RUBA office verification that the water plant has a preventative maintenance plan.
- Provide verification that the tribe is current on paying it heating fuel bill with the village corporation.

Sustainable Recommendations

The Newtok Village has not met all of the sustainable capacity indicators. The Newtok Village can work to improve sustainable indicators as follows:

- Submit to Bethel RUBA office a financial report that shows year-to-date revenues are at a level equal to or above those budgeted.
- Submit to Bethel RUBA office a financial report that shows year-to-date expenditures are at a level equal to or below those budgeted.
- Provide Bethel RUBA office with monthly bank statements and QuickBooks reconciliation summaries.
- Provide verification the tribe has a purchasing system that requires approval prior to purchase, and the approval process compares proposed purchases to budgeted amounts.
- Adopt a tribal personnel policy, which has been reviewed by an attorney or Department of Commerce for topics and language.
- Provide Bethel RUBA office with verification the tribe has adequate written job descriptions for all positions.
- Provide Bethel RUBA office with verification the tribe has a written personnel evaluation process that ties the job description to the evaluation.
- Submit to Bethel RUBA office an adequate written hiring process.
- Maintain personnel folders for every employee that contain at least: I-9, Job Application and Letter of Acceptance.
- Provide verification the tribe has a probationary period for new hires that includes orientation, job training/oversight, and evaluations.
- Adopt an organizational chart that reflects the tribe's current structure and lines of authority.
- Provide verification the water plant has a safety manual and holds safety meetings.
- Provide verification the water plant has not suffered any major problems/outages due to management issues that are unresolved.
- Provide verification the utility is operating at the level of service that was proposed.
- Provide documentation that the water plant is no longer on the "Significant Non-Complier" (SNC) list.
- Provide Bethel RUBA office an inventory control list and a critical spare parts list for the water plant.

Conclusion and Next Step

By implementing RUBA recommendations and working with the RUBA program to continue improving management practices, the Newtok Village will put itself into position to better meet unanticipated financial costs and increase the long-term sustainability of all utilities.

The Newtok Village staff was open and helpful with providing information to complete this assessment. They realize the importance of community health, financial stability, effective utility management practices and sustainability.

RUBA staff is available to provide ongoing assistance in improving management practices and sustainable utilities.

By implementing RUBA recommendations and working with the RUBA program to continue improving management practices, the Newtok Village will put itself into position to better meet unanticipated financial costs and increase the long-term sustainability of all utilities. The Newtok Village staff was open and helpful with providing information to complete this assessment. They realize the importance of community health, financial stability, effective utility management practices and sustainability. RUBA staff is available to provide ongoing assistance in improving management practices and sustainable utilities.