

## SUMMARY

The Office of the Auditor General has conducted a post audit follow-up to the special review of the Navajo Housing Services Department (NHSD) Hearth Program audit report 98-12. The NHSD Hearth Program was funded under a one-time \$2.0 million special purpose grant awarded by the United States Department of Housing and Urban Development (HUD). The objective of this follow up review was to determine whether the findings reported in the audit report 98-12 have been resolved. Our previous audit identified three findings. This follow-up review shows that the NHSD did not undertake corrective actions to address two of the audit findings. Presented below is a summary of the status of the two unresolved audit findings.

- The NHSD has not made the necessary corrections to bring the Hearth Program housing units up to standard. Consequently, the Hearth-funded houses still cannot be certified as completed which results in the NHSD's inability to initiate the Hearth grant close out.
- The NHSD has not made correcting journal entries to remove all improper charges from the Hearth Program account. Therefore, questionable expenditures from the Hearth Program funds were not minimized.

The NHSD needs to resolve the audit findings to provide reasonable assurance that it can carry out its purpose and objectives effectively and efficiently. Overall, the NHSD needs to implement the audit recommendations to resolve the audit findings. To address the implementation of the audit recommendations, the NHSD needs to develop a corrective action plan specifying the process that NHSD will undertake to implement each audit recommendation and address the barriers that have prevented the program to implement the recommendations.

In addition to following up on the resolution of the previous audit findings, we reviewed NHSD compliance with the matching requirement of the Hearth Program grant. The NHSD pledged \$2.2 million in Navajo Nation funds to match the Hearth Program grant. However, the NHSD spent over \$1.97 million in Hearth grant funds from 1992 through 1999 without providing the required Navajo Nation matching funds. HUD is now requiring the NHSD to provide a full accounting of matching funds before the grant can be closed. Consequently, the NHSD was unable to provide the full accounting of matching funds. To address the matching requirement, the NHSD Director has made an arrangement with HUD to accept in-kind contributions in lieu of dollar-for-dollar matching. HUD agreed to accept in-kind contributions. The NHSD Director is currently identifying the in-kind contributions for submittal to HUD. We recommend the NHSD Director develop a corrective action plan specifying the process that NHSD will undertake to identify the in-kind contributions to meet HUD's requirement. We also recommend that NHSD develop a corrective action plan to prevent this problem from recurring in future grants.