

Kayenta Chapter Corrective Action Plan 12-Month Follow Up

Objective

In accordance with 12 Navajo Nation Code, Section 7(G), the Office of the Auditor General conducted a twelve month follow up review on the status of the Kayenta Chapter corrective action plan that was approved by the Budget and Finance Committee per resolution number BFO-79-00. Our follow up review objective was to determine whether the Kayenta Chapter implemented its corrective action plan and resolved the findings reported in audit report 00-10.

Scope and Methodology

In meeting our objective, we reviewed chapter activities for the six month period beginning October 01, 2001 through April 30, 2002. Our review consisted of interviews with the Chapter staff, observation of Chapter operations and verification of transactions. We examined available Chapter documentation by reviewing the Chapter's cash receipt and disbursement processes through verification of supporting documentation and community approval on haphazardly selected samples of receipts and disbursements. In addition, we reviewed the Chapter's progress in implementing its five management system.

Review Results

The Kayenta Chapter has made a minimal effort in implementing its corrective action plan by resolving only one of eight findings reported in audit report 00-10. The Kayenta Chapter's lack of good faith effort to implement corrective actions exposes the Chapter to financial loss due to poor internal controls. Also, we found that the Western Agency Local Governance Support Center (LGSC) did not provide support to ensure corrective actions were implemented. The Community Services Coordinator (CSC), who is primarily responsible in implementing the corrective action plan, did not adhere to the corrective actions. Thus, the Western Agency LGSC and the Kayenta Chapter CSC contributed to the Chapter's non implementation of its corrective actions to resolve the audit findings.

The Kayenta Chapter has identified two barriers that hindered its efforts in fully implementing its corrective action plan. However, the two barriers were determined as unacceptable justifications for the Chapter's lack of performance in fully implementing its plan as discussed below.

The first barrier is the Chapter not having a computerized accounting software. The Chapter believes that a computerized accounting system will resolve the findings. Although a computerized accounting software would allow the Chapter to maintain its books and records more efficiently, without effective internal controls and timely posting of transactions, the reliability of any accounting system would be questionable. To provide reasonable assurance that financial reporting is reliable, the Chapter needs to ensure that the underlying controls, such as timely posting, reconciliations, adequate

documentation and authorization of transactions, are in place. Our review shows that the Chapter has yet to implement these controls.

We also found that the Chapter no longer maintains fund ledgers which were maintained during our previous audit of the Chapter. The Budget and Finance Committee approved resolution BFS-109-01 which specifically requires chapters to establish fund ledgers with the assistance of the LGSC staff. The Western Agency LGSC Accountant acknowledged that the Kayenta Chapter is no longer maintaining fund ledgers for various Navajo Nation allocations for fiscal year 2002. Nevertheless, the LGSC did not provide technical assistance to correct this deficiency because they also anticipate that the computerized accounting system will address this problem. The Chapter's reliance on having a computerized accounting system to resolve the audit findings is not an acceptable justification for failure to fully implement its corrective action plan.

The second barrier is Chapter staff turnover. The Budget and Finance Committee approved the Kayenta Chapter's corrective action plan in October 2000. Subsequently, the Chapter had turnover in the CSC and Accountant positions. Our review shows the current CSC and Accountant were hired in January 2001 and May 2001, respectively. Both the CSC and Accountant had approximately twelve months to implement the Kayenta Chapter's corrective action plan. In addition, we sent a copy of resolution BFO-79-00, Kayenta Chapter corrective action plan and audit report 00-10 to the Chapter staff on February 08, 2001.

Subsequently, the Chapter submitted a status report on the corrective action plan. Therefore, the Chapter staff was aware of the corrective action plan. Thus, we do not consider staff turnover as a significant barrier to the Chapter's failure in fully implementing its corrective action plan.

Conclusion

The Kayenta Chapter did not demonstrate a good faith effort in implementing its corrective action plan. As such, the Chapter has yet to fully resolve 85% of the findings presented in audit report 00-10. Therefore, we conclude that the Kayenta Chapter cannot provide reasonable assurance that financial reporting is reliable, assets are adequately safeguarded and laws and regulations are complied with. Consequently, we recommend that sanctions be imposed on the Kayenta Chapter and the Chapter Officials in accordance with 12 N.N.C. § 9(B) and § 9(C).

In addition, the Western Agency LGSC program director and the Kayenta Chapter CSC should also be held accountable for the non implementation of the Kayenta Chapter's corrective action plan. Therefore, we recommend that the Executive Director of the Division of Community Development evaluate the performances of the Western Agency LGSC program director and Kayenta Chapter CSC and take appropriate disciplinary actions to address the employees' lack of performance in accordance with Navajo Nation Personnel Policies, Section XIV.G. Table of Penalties, item 27, Unsatisfactory Work Performance.