

Chilchinbeto Chapter Corrective Action Plan

Supplemental Follow Up Review

Background

Per directive issued by the Transportation and Community Development Committee (TCDC), the Office of the Auditor General (OAG) conducted a supplemental follow-up review on the status of the Chilchinbeto Chapter (Chapter) implementation of its corrective action plan (CAP). The CAP was approved by the Budget and Finance Committee (BFC) per resolution BFJY-71-01 to resolve the findings in OAG Audit Report 01-01. Title 12 Navajo Nation Code section 8 requires the Chapter to implement the CAP. Section 7 further directs OAG to conduct a follow-up review twelve months after BFC's approval of the CAP.

On February 27, 2003, OAG issued the results of its twelve-month follow-up review and recommended that sanctions be imposed on the Chapter and its officials for failure to implement the CAP to resolve the findings. Upon OAG's follow up report presentation on April 15, 2003, TCDC directed Chilchinbeto Chapter to fully implement the CAP within 90 days. TCDC further directed OAG to conduct a supplemental review after the 90 days to assess the Chapter's progress accordingly. OAG revisited the Chapter on July 24, 2003.

Notwithstanding TCDC's directive, the follow up report was presented to BFC on July 1, 2003. At that BFC meeting, Western Agency Local Governance Support Center (LGSC) staff, as well as the Chapter officials and staff reported to the BFC that most of the audit findings were resolved. Based on these verbal claims by LGSC, the Chapter officials and staff, BFC did not accept OAG's recommendation to sanction the Chilchinbeto Chapter and officials. Nevertheless, OAG conducted the supplemental review pursuant to TCDC's directive.

Objective, Scope and Methodology

OAG conducted the supplemental review to determine whether the Chapter complied with the TCDC's directive to fully implement its CAP. The Chapter was required to resolve fourteen findings presented in report 01-01, by implementing its CAP. To meet our objective, we reviewed Chapter activities for the three month period ended June 30, 2003. Our review consisted of inquiries of Chapter staff and review of Chapter documents. We examined cash receipts documentation to determine whether cash receipts are adequately recorded, reconciled and deposited intact. In reviewing the Chapter's disbursement process, we selected a sample of expenditures by using a non statistical, judgmental method. The sampled expenditures were reviewed to verify adequacy of supporting documentation and compliance to applicable laws, policies and fund guidelines. In addition, we reviewed the Chapter's progress to fully implement its five management system.

Review Results

Our supplemental follow-up review found the Chapter has resolved only two of the fourteen findings by:

1. Verifying and approving time sheets for signatures before payment is made.
2. Recording all revenues received on pre-numbered cash receipt tickets and summarizing in the cash receipts journal.

Subsequently, twelve findings remain unresolved. The following are the findings the Chapter still needs to resolve:

1. Cash receipts were not consistently reconciled. In addition, the bank statement deposits were not reconciled with the cash receipts journal.
2. Some disbursements were not presented to the community for approval.
3. Some disbursements did not have supporting documentation.
4. Payroll taxes withheld from employee wages were not remitted to the IRS.
5. Monthly financial reports were not provided to the community members.
6. The Chapter did not consistently maintain a perpetual inventory record for resale items.
7. The Chapter's property listing was incomplete.
8. The Chapter did not document location of equipment that was not kept on the Chapter premises.
9. The Chapter did not maintain a separate accounting of funds.
10. Chapter has not fully implemented its FMS policies and procedures.
11. The Chapter's accounting system is not capable of generating basic financial statements.
12. The Chapter cannot demonstrate that its overall internal control structure is adequate.

Overall, the Chapter has made little improvement to safeguard and account for the Chapter's assets and resources. Moreover, the twelve unresolved findings expose the Chapter to financial risks.

Conclusion

Chilchinbeto Chapter has made little effort to implement its CAP. Of the fourteen audit findings, the Chapter resolved only two findings. In the absence of meaningful improvement, the Chilchinbeto Chapter cannot provide reasonable assurance that assets and resources are properly accounted for, adequately safeguarded, and accurately reported to the Chapter membership.

Therefore, OAG reaffirms its initial recommendation to sanction the Chilchinbeto Chapter and officials according to 12 N.N.C. § 9(B) and § 9(C), despite BFC's rejection of the sanctions on July 1, 2003. We also reaffirm our initial recommendation for the Chapter officials and Western Agency Local Governance Support Center to evaluate the performance of the Community Service Coordinator and Office Specialist. The deficiencies which still exist at the Chilchinbeto Chapter remains a concern and the Office of the Auditor

General cannot in good faith ignore the need for the Chapter to improve internal controls and provide accountability for its activities.

Further, we recommend that Western Agency LGSC provide accurate information on the Chapter operations when presenting status reports to the TCDC and BFC, so that the committees can make informed decisions.