

Pinon Chapter Corrective Action Plan Supplemental Follow Up

Background

Per directive 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 Pinon Chapter's implementation of its corrective action plan (CAP). The CAP was approved on June 12, 2001, by the Budget and Finance Committee (BFC) per resolution number BFJN-64-01. Title 12 Navajo Nation Code Section 8 requires Pinon 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. Pinon Chapter's failure to implement the CAP will result in the Chapter and its officials to be sanctioned. On March 17, 2003, OAG issued the results of its twelve-month follow-up review and recommended sanctions be imposed on the Pinon Chapter and its officials for failure to implement the CAP to resolve the findings in audit report 00-22. On June 17, 2003, OAG presented the twelve month follow-up review report to the Transportation and Community Development Committee. TCDC gave the Pinon Chapter an additional 30 days to fully implement its CAP.

Objective, Scope and Methodology

The Office of the Auditor General conducted the supplemental review to determine whether the Chapter implemented its corrective actions to resolve the audit findings. The Chapter was required to resolve eight findings presented in audit report no. 00-22. However, our twelve-month follow-up found that only two findings were resolved because the Chapter did not implement all of the corrective actions outlined in its CAP. This left six unresolved findings.

To meet our objective, we reviewed Chapter activities for the seven-month period beginning November 01, 2002 through May 31, 2003. Our review consisted of interviews with Chapter staff, observation of operations and review of documents. We reviewed the Chapter's disbursement process by selecting samples of expenditures from the fund ledgers using a non-statistical, judgmental sampling method. The selected samples were reviewed for: adequacy of supporting documentation, compliance to applicable laws, policies, and fund guidelines, and community approval. In addition, we reviewed the Chapter's progress in implementing its five-management system.

Review Results

Our supplemental follow-up review revealed the Chapter has resolved the following three additional findings by:

- Obtaining community approval before expending general funds.
- Establishing adequate controls in awarding financial assistance.
- Recording checks issued on the check ledger and recalculating bank account balance.

Subsequently, three findings remain unresolved due to the Chapter not implementing the corrective actions:

- Disbursing Chapter funds without supporting documents.
- Not drafting its five management system policies and procedures.
- Not generating accurate basic financial statements generally required of any local governmental unit.

Our review found that Pinon Chapter has not drafted a five management system manual that comprehensively covers the five sections: personnel, fiscal, procurement, property, and record keeping. The Chapter staff stated that they are still working on drafting the manual with their officials. The Chapter is not implementing its corrective action plan according to the terms of the plan. The lack of comprehensive policies and procedures contributes to deficiencies in the internal control structure of the Chapter.

Conclusion

Overall, the Pinon Chapter has demonstrated a good faith effort to implement its corrective action plan by resolving five of eight findings presented in audit report 00-22. Therefore, we are withdrawing our initial recommendation that sanctions be imposed against the Pinon Chapter and its officials as provided in 12 Navajo Nation Code sections 9(B) and 9(C). However, the Chapter still needs to resolve the three remaining audit findings. Accordingly, OAG recommends the Chinle Agency Local Governance Support Center to closely monitor the Chapter's progress in implementing its CAP to resolve the three findings.

The Office of the Auditor General strongly advises the Pinon Chapter and staff to make a strong, committed effort to fully implement the corrective actions and resolve the audit findings.