

Tachee/Blue Gap Chapter

Corrective Action Plan Supplemental Follow Up

Objective Objective

Per directives issued on February 14, 2003 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 Tachee/Blue Gap Chapter (Chapter) corrective action plan that was approved on May 15, 2001 by the Budget and Finance Committee per resolution number BFMY-56-01. The Chapter staff and officials testified before TCDC on February 14, 2003 that they have implemented the corrective actions and resolved the findings in Audit report 00-12. This prompted TCDC to direct OAG to conduct a supplemental review to determine whether the Chapter did indeed implement its corrective action plan and resolved the findings.

Scope and Methodology Scope and Methodology

During our supplemental follow-up review, we reviewed Chapter activities for a two month period beginning December 01, 2002 through January 31, 2003. Our review consisted of interviews with Chapter staff and officials, and review of Chapter documents. We used the same process for testing expenditures as in our previous follow-up and in reviewing the Chapter's five management system. The Chapter had twelve findings reported in Audit Report 00-12. Our previous follow-up reported one finding resolved, which was the Chapter is now complying with federal requirements on payroll taxes. Another finding on veterans fund did not require follow-up, because the Chapter did not receive additional appropriation since the last audit. This left the Chapter ten findings to resolve.

Review Results

Our supplemental follow-up review revealed the Chapter has resolved another finding:

- Chapter officials and staff have improved their working relationship; thereby, lessening the discontent between officials and staff.

Subsequently, nine findings still remain unresolved due to the Chapter not implementing the corrective actions. The lack of a significant effort to implement the corrective actions and the existing deficiencies in the internal controls still poses a substantial risk of financial loss to Tachee/Blue Gap Chapter. Therefore, the Chapter cannot provide reasonable assurance that assets are adequately safeguarded, applicable laws and regulations are followed, and financial reports are reliable. Following are the nine findings that remain unresolved because of the Chapter's failure to implement its Corrective Action Plan.

1. Lack of comprehensive procurement policies and procedures.
2. Discretionary Housing Fund assistances were awarded without ensuring that housing needs are verified. Further, the Chapter only uses one source provider for purchasing

materials without documenting the reason(s) for not obtaining at least three price quotes from vendors.

3. Providing inaccurate financial reports.
4. Not adequately monitoring Chapter property and equipment.
5. Local Governance Grant (LGG) is still being expended to pay for numerous training expenditures, but the Chapter's five management system development is not close to being completed.
6. Lack of documentation for LGG travel expenditures and not recording the disbursements to a ledger.
7. Not developing all components of a five management system.
8. Not establishing an acceptable accounting system. Not generating financial statements which shows budget to actual expenditures and the financial condition of the Chapter.
9. The Chapter still cannot demonstrate that its overall internal control structure is adequate.

Conclusion

Overall, Tachee/Blue Gap Chapter did not demonstrate a full faith effort to implement its corrective action plan and has not made considerable improvements in safeguarding and properly accounting for the Chapter's assets and resources. Therefore, we recommend that sanctions for failure be imposed on the Tachee/Blue Gap Chapter and its Chapter officials in accordance with 12 N.N.C. § 9(B) and § 9(C).

Additionally, the Tachee/Blue Gap Chapter Community Services Coordinator (CSC) should still be held accountable for non-implementation of the corrective action plan. Accordingly, our office still recommends that the Chapter officials and the Director of the Chinle Agency Local Governance Support Center evaluate the performance of the Tachee/Blue Gap Chapter CSC and take the appropriate personnel action for unsatisfactory work performance.

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