

Tsayatoh Chapter Corrective Action Plan

Supplemental Follow Up

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 Tsayatoh Chapter (Chapter) implementation of its corrective action plan (CAP). The CAP was approved October 2001 by the Budget and Finance Committee (BFC) per resolution number BFO-120-01 to resolve findings in OAG audit report 00-17. Title 12 Navajo Nation Code section 8 requires Tsayatoh Chapter to implement its CAP. Section 7 further directs OAG to conduct a follow-up review twelve months after BFC's approval of the CAP. On May 19, 2003, OAG issued the results of the twelve-month follow-up review and recommended that sanctions be imposed on the Tsayatoh Chapter and its officials for failure to implement the CAP. On May 27, 2003 TCDC gave the Chapter additional time to implement the CAP. TCDC directed the Chapter to comply with its CAP within 30 days. If the Chapter fails to comply with the directive, TCDC recommends imposing sanctions against the Chapter pursuant to Title 12 Navajo Nation Code section 9(B) and 9(C).

Objective, Scope and Methodology

OAG conducted the supplemental review to determine whether the Tsayatoh Chapter complied with TCDC's directive to fully implement its CAP. The Chapter was required to resolve fourteen findings presented in audit report 00-17. However, our twelve month follow up found that only four findings were resolved because the Chapter did not implement all of the corrective actions. This left ten unresolved findings.

In meeting our objective, we reviewed Chapter activities from May 01, 2003 through July 18, 2003. Our review consisted of interviews with Chapter staff, observation of Chapter operations and review of records. We reviewed the Chapter's disbursement process by selecting samples of disbursements to verify for supporting documents. We examined available documentation by reviewing chapter meeting minutes, fund ledgers, PEP files, and the Chapter property listing to verify that records are accurately maintained and policies and procedures are being followed. The samples were selected using a non-

statistical judgmental sampling method. In addition, we reviewed the Chapter's progress in implementing its five management system.

Review Results

Our supplemental follow up review found the Chapter has resolved seven additional findings by:

1. Recording heavy equipment activities.
2. Providing monthly reports to community members.
3. Maintaining supporting documents for disbursements.
4. Implementing the telephone usage policies and procedures.
5. Recording of PEP employees' work activities.
6. Using sign in sheets.
7. Improving internal controls.

Subsequently, three findings remain unresolved. The following are the three findings that the Chapter still needs to resolve.

1. Check and fund ledgers are not reconciled.
2. The Chapter's control over property and equipment is inadequate.
3. The Chapter has not fully implemented its five management system policies and procedures.

Overall, Tsayatoh Chapter has made improvements to safeguard and account for the Chapter's assets and resources. However, three findings still need to be resolved to avoid any financial risk to the Chapter. For instance, not fully implementing its five management system resulted in inaccurate fund ledgers. Having inaccurate fund ledgers can lead to over expenditure of a fund(s) and/or inaccurate financial reporting. In addition, the controls over property and equipment are inadequate. The Chapter has not performed a physical inventory that will provide an accurate record of its property and equipment. Without an accurate record of property and equipment the Chapter is exposed to undervaluing its property and/or under insuring of assets.

Conclusion

Tsayatoh Chapter has demonstrated a good faith effort to implement its CAP by resolving 11 of 14 findings presented in report 00-17. Therefore, we are withdrawing our initial recommendation that sanctions be imposed against the Tsayatoh Chapter and its officials as provided in 12 Navajo Nation Code sections 9(B) and 9(C). However, the Chapter still needs to resolve three findings. Accordingly, OAG recommends Ft. Defiance Agency Local

Governance Support Center to closely monitor the Chapter's progress in implementing corrective actions to resolve the three findings.