

# **Nageezi Chapter Corrective Action Plan** **Supplemental 12-Month Follow Up**

## **Background**

Per directive by the Budget and Finance Committee (BFC), the Office of the Auditor General (OAG) conducted a supplemental follow-up review on the Nageezi Chapter's compliance in implementing its corrective action plan (CAP). The CAP was approved on April 03, 2001, by BFC per resolution number BFAP-38-01. Title 12 Navajo Nation Code section 8 requires Nageezi 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 September 24, 2002, OAG issued the results of its twelve-month follow-up review and recommended that Nageezi Chapter and its officials be sanctioned for failure to implement the CAP to resolve the findings in OAG audit report 00-26. On March 04, 2003, per resolution BFMA-33-03, BFC accepted OAG's follow-up report and recommendation for sanction, but delayed executing the sanction against the Chapter and its officials for six months. BFC directed the Chapter to comply with its CAP within six months. If the Chapter fails to comply with the BFC directive, then BFC authorizes the Navajo Nation Controller to execute the sanction against the Chapter pursuant to Title 12 Navajo Nation Code sections 9(B) and 9(C).

## **Objective, Scope and Methodology**

OAG conducted the supplemental review to determine whether the Chapter complied with the BFC directive to implement its CAP. The Chapter was required to resolve eight findings presented in report 00-26.

To meet our objective, we reviewed Chapter activities for an eight-month period beginning February 01, 2003 through September 30, 2003. Our review consisted of inquiry of Chapter staff 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 verifying community approval. In addition, we reviewed the Chapter's progress in implementing its five management system.

## **Review Results**

Our supplemental follow-up review found the Nageezi Chapter did not fully implement all of the corrective actions outlined in its CAP. As a result, five findings remain unresolved. The following are the five findings:

- Inaccurate financial reports are presented to the members at Chapter meetings.
- Fund ledgers are not properly maintained resulting in unreliable information on fund balances.
- Budgetary controls are ineffective.
- The Chapter has not adopted and implemented five management system policies and procedures.
- Financial statements provided inaccurate information on the Chapter's financial status.

## **Conclusion**

Nageezi Chapter failed to comply with the BFC directive to implement its CAP. Therefore, we are reaffirming our recommendation to sanction Nageezi Chapter and its officials pursuant to Title 12 Navajo Nation Code sections 9(B) and 9(C).

The Chapter officials failed to provide adequate oversight to ensure implementation of the CAP. The Chapter Community Services Coordinator (CSC) and Eastern Agency Local Governance Support Center (LGSC) are also accountable for failure to implement the CAP. The CSC has the duty of implementing the CAP and LGSC's duty is to assist the Chapter in fully implementing the corrective actions. However, these duties were not performed. LGSC did not provide evidence that they provided adequate technical assistance to implement the CAP. Therefore, OAG also reaffirms its recommendation that the Executive Director of the Division of Community Development evaluate the performance of the Eastern Agency LGSC director and staff in assisting the Nageezi Chapter.

OAG further advises the Nageezi Chapter officials and staff and LGSC to make a strong, committed effort to fully implement the corrective actions to resolve the audit findings. According to Title 12 sections 9(B) and 9(C), once implementation of the corrective action plan is made by the Nageezi Chapter, the withheld monies shall be released to the Chapter and Chapter officials.