

## SUMMARY

The Office of the Auditor General has conducted a special review of the Office of the First Lady pursuant to 12 N.N.C. §2. This special review evaluates the activities of the Office of the First Lady in utilizing program resources for fiscal year 2009.

### **FINDING I: Lack of Oversight over P-Card Expenditures**

Oversight over the Office of First Lady's P-Card expenditures was poor. The two staffs assigned as P-Cardholder within the Office of First Lady did not review their P-Card expenditures to the respective bank statements and the assigned P-Card Reconciler did not perform the required reconciliations. Further, the P-Card bank statement and supporting documents were not submitted to the Office of the Controller to validate the P-Card expenditures; most of the original supporting documents were still on file at the Office of the First Lady. Overall, the Office of the First Lady did not comply with the established Navajo Nation P-Card operating procedures.

### **FINDING II: Lack of Prudence When Utilizing Navajo Nation Tribal Airplane**

The Office of First Lady did not exercise prudence in using the tribal airplane. Although it was more economically feasible to use the assigned tribal vehicle to travel to Window Rock, AZ to board the tribal plane, the First Lady had the tribal airplane pick her up in Chinle, AZ before going on to her out of state or out of town meetings.

In addition to the finding summarized above, the audit report contains recommendations for improving control over the Office of First Lady's expenditures of program resources.

## INTRODUCTION AND BACKGROUND

The Office of the Auditor General has conducted a special review of the Office of the First Lady pursuant to 12 N.N.C. §2. This special review evaluates the activities of the Office of the First Lady in utilizing program resources.

### Purpose:

The Office of the First Lady (OFL) was established to assist the First Lady of the Navajo Nation in carrying out her duties and responsibilities. Specifically, OFL coordinates the schedule of the First Lady in attending public events, assists in developing certain programs and projects in the best interest of the Navajo Nation in which the First Lady is interested, serves as First Lady's public relations as needed, and assist in all other duties that the First Lady performs on behalf of the Navajo Nation.

In December 2007, OFL's plan of operation was amended to expand its responsibilities to include: 1) soliciting support grants or contributions for Navajo Nation programs or non-profit organizations that benefit the Navajo people; 2) developing proposals; 3) administering special programs and projects for the First Lady; and 4) promoting education; career and economic advancement; health and fitness; and public awareness about domestic violence, alcohol, drug and substance abuse.

OFL operates under the Office of the President/Vice-President (OPVP) within the Executive Branch of the Navajo Nation. Pursuant to its plan of operation, the OFL administratively reports to the Chief of Staff of OPVP and develops an annual work plan and budget for inclusion in the overall OPVP budget. The Government Services Committee of the Navajo Nation Council provides the legislative oversight for the OFL.

### Funding and Staffing:

The OFL is funded by the Navajo Nation general funds as well as external funds which come primarily from private organizations as donations. Table 1 summarizes the OFL funding for fiscal year 2009 and Table 2 on page 3 shows the respective expenditures.

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Table 1  
OFL Funding for Fiscal Year 2009

Fund Source	Allocation
General Funds	\$171,974
External Funds: Donation	25,000
<b>Total</b>	<b>\$196,974</b>

Source: Auditor General compilation of OFL budget and contract files.

**Table 2**  
**OFL Expenditures by Line Item**  
**Fiscal Year 2009**

Line Item	Amount	Percentage
Personnel	\$ 91,437	43%
Travel	54,190	25%
Supplies	29,208	14%
Lease and Rental	1,375	1%
Communication and Utilities	5,774	3%
Contractual Services	2,876	1%
Special transactions	27,395	13%
Media	205	0%
Insurance and Benefits	757	0%
<b>Total</b>	<b>\$213,217</b>	

Source: Auditor General compilation of OFL budget.

Note 1 for Table 1 - The \$25,000 donation received from an individual donor was used to purchase turkeys during the 2009 Christmas holiday and distributed to the Navajo people.

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The Office is budgeted for two full-time staff to assist the First Lady. The First Lady does not receive a salary but all business-related travel expenses incurred by the First Lady are paid by OFL.

**Accomplishments:**

As the First Lady of the Navajo Nation, Mrs. Vikki Shirley was able to solicit \$3.1 million from the First Things First Regional Partnership Council to improve the education and health of Navajo children. As part of her DWI initiatives, Mrs. Shirley established a DUI Taskforce and the Navajo Nation Selective Traffic Enforcement Program Team Capacity and solicited grants of \$7,000 from Mothers Against Drunk Driving, and \$140,000 from the New Mexico Department of Transportation Traffic Safety Bureau. In addition, she coordinated with the Division of Public Safety to obtain a \$105,000 grant from the Indian Health Services to advance her DWI initiatives. Also, Mrs. Shirley obtained in-kind donations such as books and toys; in December 2008, approximately 3,500 toys were received on behalf of Navajo children.

## OBJECTIVES, SCOPE AND METHODOLOGY

This special review evaluates the activities of the OFL in utilizing program resources. Accordingly, the following audit objective was established:

1. To determine the propriety of the expenditures for the Office of the First Lady.

The audit covers OFL operations and activities for fiscal year 2009. In meeting our objectives, we performed the following procedures:

- Reviewed various OFL records including, but not limited to, the plan of operation, performance measures, grant agreement contract files, purchasing card transactions from bank statement, invoices, and travel records.
- Interviewed the First Lady and key staff that assisted the First Lady.
- Interviewed key staff from other Navajo Nation departments such as Office of Management and Budget, Office of Contracts and Grants, Department of Air Transportation, Fleet Management Department and Office of the Controller.
- Researched various governors' offices that have established their own Office of the First Lady.
- Analyzed a sample of expenditures to verify controls and compliance with established policies and procedures. The categories of expenditures reviewed are travel, communication and utilities, supplies and special transactions.
- All audit samples were selected using non-statistical, judgmental sampling methods.

The special review was conducted because of concerns over the Office of the First Lady's expenditures and activities. Our special review evaluated OFL activities to address the concerns and found some of the concerns to be unfounded as follow:

1. Cell phones. I-Phones were purchased for the First Lady's children. To verify the concern over I-Phone purchases, we reviewed OFL's budget for communications and utilities. The OFL expended \$5,774 for communications and utilities. Our review of the expenditures revealed the monies were expended to pay for the First Lady and her staff monthly cell phone charges and purchase of equipment for OFL landline phones. There was no evidence that OFL purchased I-Phones for the First Lady's children.
2. Assigned tribal vehicles. Excessive travel using the assigned tribal vehicles. To verify the concern over excessive travel, we reviewed the budget for vehicle use and travel expenses totaling \$54,190. Our review found the OFL is assigned two Navajo Nation tribal vehicles, one specifically assigned to the First Lady and the other vehicle to her staff. According to Navajo Nation Fleet Management, the First Lady was approved by the Navajo Nation Motor Vehicle Board to use the

tribal vehicle as needed for official business and was given permission to park the tribal vehicle at her personal residence. Review of the two assigned tribal vehicle mileage reports for fiscal year 2009 show the vehicles registered total mileage driven that are within the budgeted mileage for the year. There was no evidence of excessive travel.

3. Donations. Donations were received without oversight approval. To verify the concern over donations, we reviewed the donations, grants, and contributions received by OFL for fiscal year 2009. Our review showed all donations, grants, and contributions were approved by the Government Services Committee of the Navajo Nation Council in accordance with Title 2 Section 1010.
4. Performance measures. OFL not meeting its performance measures. To verify the concern over performance measures, we reviewed the accomplishment of OFL goals and objectives as reported on the performance measures Budget Form 2. Our review showed the OFL exceeded its goals and objectives as stated on the performance measures.
5. Insurance coverage. The First Lady's children are passengers on the tribal airplane. We identified one flight wherein the children accompanied the First Lady. To verify the concern over insurance liability for allowing the First Lady's children to be passengers on the tribal airplane, we reviewed the Navajo Nation aviation coverage. Our review showed all tribal airplane passengers are covered under the Navajo Nation insurance.

## **GOVERNMENT AUDITING STANDARDS**

This audit was conducted in accordance with Government Auditing Standards. Those standards require that we plan and perform the audit to afford a reasonable basis for our judgments and findings regarding the entity under audit. An audit includes assessments of applicable internal controls and compliance with requirements of laws and regulations when necessary to satisfy the audit objectives. We believe our audit provides a reasonable basis for our findings.

The Office of the Auditor General and staff express their appreciation to the Office of the First Lady and other entities who contributed to this audit for their cooperation and assistance throughout the audit.

## FINDING I

### Lack of Oversight Over P-Card Expenditures

Oversight over the Office of First Lady's P-Card expenditures was poor. The two staffs assigned as P-Cardholder within OFL did not review their P-Card expenditures to the respective bank statements and the assigned P-Card Reconciler did not perform the required reconciliations. Further, the P-Card bank statement and supporting documents were not submitted to the Office of the Controller to validate the P-Card expenditures; most of the original supporting documents were still on file at OFL. Overall, the Office of the First Lady did not comply with the established Navajo Nation P-Card operating procedures.

The Navajo Nation Purchasing Card operating procedures provide that before the end of the statement cycle, the P-Cardholder is required to review all itemized sales receipts, register receipts and/or P-Card slips against the Cardholder's bank statement for the respective cycle to account for all expenses. Once the review is completed, the P-Cardholder signs the statement and forwards the reviewed statement package to the P-Card Reconciler for reconciliation. Thereafter, the P-Card Reconciler forwards the reconciled statement and supporting documents to the P-Card Approver for final review and approval before forwarding the statement package to the Office of the Controller P-Card Section.

Our review found OFL did not comply with these operating procedures. The P-Card Approver did not exercise proper oversight to ensure the P-Card expenditures were reviewed and reconciled at the end of each statement cycle. Since OFL did not comply with established procedures approximately \$1,400 P-Card transactions lacked documentation and thus could not validate the expenditures. OFL P-Cardholder purchased seven gift cards. Records also showed each valued at \$500 and collectively totaling \$3,500. Of the seven gift cards, one was used to purchase two digital camera and three cards were used to purchase bulks of candy for parade activities. The remaining gift cards have not been used and were verified as on hand with OFL. Although, OFL was able to account for the goods purchased using the gift cards, gift cards are not generally used by governments as a method for procuring goods/services and does not facilitate competitive procurement. Since gift cards are considered cash on hand they can easily be misused for personal use. According to OFL, the gift cards were used to purchase bulk items to take advantage of lower cost items from discount warehouse retailers that do not accept the Navajo Nation P-Card. Nonetheless, OFL was advised to discontinue purchasing gift cards.

Recommendations:

1. The P-Cardholder should review P-Card expenditures to the bank statements and submit the reviewed statement and supporting documents to the Reconciler before the end of each statement cycle.
2. The P-Card Reconciler and Approver should ensure P-Cardholders submit completed statement packages before the end of each statement cycle.
3. The P-Card Approver should ensure reconciled statement packages are submitted to the Office of the Controller P-Card Section at the end of each statement cycle.

## FINDING II

### Lack of Prudence When Utilizing Navajo Nation Tribal Airplane

The Office of First Lady did not exercise prudence in using the tribal airplane. Although it was more economically feasible to use the assigned tribal vehicle to travel to Window Rock, AZ to board the tribal plane, the First Lady had the tribal airplane pick her up in Chinle, AZ before going on to her out of state or out of town meetings.

The Navajo Nation Travel Policy and Procedures handbook requires travelers to use the Department of Air Transportation aircraft only when it is economically feasible as compared to other modes of transportation. A review of the OFL travel expenditures revealed the First Lady utilized air transportation on several occasions. Our review found that in attending out of state or out of town meetings, the First Lady had the tribal airplane fly from Window Rock, AZ airport to the Chinle, AZ airport to pick her up at her personal residence before going on to her meeting destination. Although a tribal vehicle is specifically assigned to the First Lady to commute from Chinle, AZ to Window Rock, AZ to board the airplane, the First Lady deemed it necessary to be picked up by the airplane rather than driving to Window Rock, AZ.

We calculated the cost of air transportation for each trip to pick up and return the First Lady from Window Rock, AZ to Chinle, AZ was approximately \$250. In comparison, by using the assigned tribal vehicle, it would only cost \$50. In fiscal year 2009, we identified four trips wherein the First Lady used the tribal airplane to pick her up in Chinle, AZ costing the Navajo Nation approximately \$1,000. On the other hand, these four trips would have cost the Navajo Nation approximately only \$200 if the tribal vehicle was used.

In addition, we identified a trip to Albuquerque, NM where OFL used the tribal airplane to pick up supplies costing the Navajo Nation approximately \$900 which is nine times more in comparison to using the tribal vehicle that only cost approximately \$100. These practices demonstrate the lack of prudence by OFL when using the Navajo Nation tribal plane. Although, it was more economically feasible to use the assigned tribal vehicle, OFL disregarded the Navajo Nation travel policy and consequently the Navajo Nation incurred higher expenses.

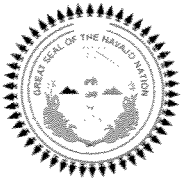
According to OFL, the First Lady's schedule is demanding and the efficient use of her time is critical. The use of the tribal airplane helps the First Lady meet the demands of her office as Ambassador of the Navajo Nation along with the President as well as her responsibilities with her family in the most expeditious manner.

#### Recommendations:

1. OFL should use the tribal airplane only when it is economically feasible as compared to other modes of transportation.



# **CLIENT RESPONSE**




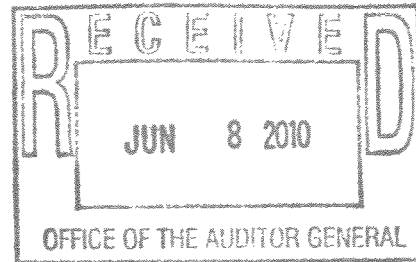
DR. JOE SHIRLEY, JR.  
President

BEN SHELLY  
Vice President

MEMORANDUM

TO: Elizabeth Begay, Auditor General  
Office of the Auditor General

FROM:   
Patrick Sandoval, Chief of Staff  
Office of the President and Vice President



DATE: June 8, 2010

SUBJECT: Final Draft Report of the Special Review of the Office of the First Lady

On behalf of the Office of the First Lady (OFL), I write to thank you for the opportunity to provide comments to the draft report issued on May 24, 2010. The OFL finds the report to be somewhat reflective of operational capacities of the Office found at the time of the review. The following are the OFL's comments to the final draft:

**Finding I: Lack of Oversight over P-Card-Expenditures**

1. As previously noted, the First Lady is not a Navajo Nation nor an OPVP employee, but is classified as a volunteer. As a volunteer, she is not allowed to use, nor was ever issued, a Navajo Nation Purchase Card. Instead, purchases were made with the assigned Purchase Card – on a very limited basis – by the OFL staff, and not the First Lady.

The OFL acknowledges that compliance with Purchasing Card operating procedures was not adhered to. The OFL attributes this, in part, to a lack of proper training and effective monitoring by the Office of the Controller and the Purchasing Card section. Moreover, had the Controller's Office properly monitored the Purchasing Card use by the OFL, the OFL could have implemented corrective measures immediately upon notification.

It is important to note that although the OFL did not comply with the Purchasing Card review and reconciliation procedures, the draft report states that *most of the original supporting documents were still on file at the OFL*. (See page 6.) This important fact illustrates that while the OFL staff lacked personal knowledge about the review and reconciliation procedures, they acted in good faith by keeping original receipts and supporting documents on file and made them readily available to the OAG when needed.

2. The OAG presumes that the lack of compliance with Purchasing Card operating procedures led to the purchase of gift cards. The purchase of gift cards was actually done in order to take advantage of lower costs on items from discount warehouse retailers that do not accept the Navajo Nation Purchase Card.

It is unreasonable to penalize the OFL for purchasing gift cards when there is no explicit prohibition from doing so in the Purchasing Card operating procedures; and when a full accounting is provided with receipts and other supporting documents. It is important to point out that the draft report states that the *OFL was able to account for the goods purchased using the gift cards.* (See page 6.)

Nonetheless, the OFL does understand and acknowledges the concerns raised and has stopped purchasing gift cards.

**Finding II: Lack of Prudence When Using Navajo Nation Tribal Airplane**

The OAG concludes that the OFL's use of air transportation was not a prudent use of resources. The OFL must disagree with this finding and respectfully requests that the OAG consider re-evaluating this finding by using a broader perspective, which would include placing a value on the First Lady's time and effort, rather than simply a consideration from a strict cost comparative analysis only.

Time is a valuable and nonrenewable resource. As a non-salaried volunteer, how the First Lady must use her time is a critical factor for her and her family. The principle reason why the First Lady uses alternative modes of transportation is to increase her efficiency within the limited hours of the day in furtherance of the OFL's goals and objectives.

As stated previously, the First Lady has been successful in acquiring external funds to the benefit of the Navajo Nation. The ability to perform such a function takes time, effort and skill but does result in very tangible results. In FY2009, the OFL was successful in bringing in more than \$3.3 million in external funds to the Nation. By contrast, within that time period the OAG states that had ground transportation been used in four instances, rather than air transportation, the OFL could have saved \$800.

It is reasonable to conclude that given the prodigious benefit that the First Lady has provided to the Nation in terms of bringing in external resources, as well as extending goodwill on behalf of our Diné Nation at home, nationally and abroad, that the OAG could reconsider this finding by placing a value on the First Lady's time and effort.

Thank you and should you have any questions, please contact me at extension 7002.