

**OFFICE OF THE AUDITOR GENERAL**

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**The Navajo Nation**

**A Special Review  
of the  
Division of Public Safety  
P-card Activities and Budget Transfers**

**Report No. 14-18  
June 2014**

**Performed by:  
Daniel Colello, Auditor**

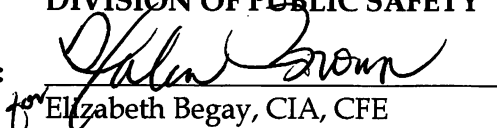


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## M-E-M-O-R-A-N-D-U-M

**TO** : John Billison, Division Director  
**DIVISION OF PUBLIC SAFETY**

**FROM** :   
for Elizabeth Begay, CIA, CFE  
Auditor General  
**OFFICE OF THE AUDITOR GENERAL**

**DATE** : July 10, 2014

**SUBJECT** : Special Review of Division of Public Safety P-card Activities and Budget Transfers

The Office of the Auditor General herewith transmits Audit Report No. 14-18, A Special Review of the Division of Public Safety (DPS) purchasing card (P-card) activities and budget transfers. Our office conducted this review with the following objectives:

- To determine whether DPS P-card activities complied with Procurement and Travel policies and procedures.
- To determine whether DPS made any prohibited budget transfers.
- To determine whether DPS employee bonus payments were properly approved.

### Review Results

Finding I: Operating charges were inconsistent with procurement rules and regulations.

Finding II: Travel charges were contrary to travel policies and procedures.

P-card operating charges lacked prior approval, supporting documentation, and quotations to demonstrate competitive procurement. In addition, travel P-cards were used for unauthorized expenses, and expenses that exceeded per diem limits or had missing supporting documentation.

On the other hand, no material discrepancies were found with the review of DPS budget transfers and bonus payments. The budget transfers and bonus payments reviewed were consistent with applicable Navajo Nation policies and procedures.

If you have any questions about this report, please contact our office at (928) 871-6303.

xc: Edmund Yazzie, Chairperson  
**LAW AND ORDER COMMITTEE**  
Chrono

## INTRODUCTION AND BACKGROUND

The Office of the Auditor General has conducted a special review of the Division of Public Safety (DPS) purchasing card (P-card) activities and budget transfers. The review was requested by the Office of the Speaker due to concerns about the budget transfers made by DPS for purposes such as travel, overtime and employee bonuses. The review also includes DPS P-card activities since the use of P-cards was identified as a high risk area based on the overall Navajo Nation P-card review.

### *DPS Purpose and Organizational Structure*

DPS is established within the Executive Branch of the Navajo Nation. The purpose of the division is to plan, organize, and administer all aspects of the Navajo DPS programs so as to provide 24 hour multi-public safety services that meet the needs of tribal members. To help carry out this purpose, the division is comprised of the following seven departments, each with its own purpose, objectives and authorities:

1. Navajo Police Department
2. Department of Corrections
3. Department of Criminal Investigations
4. Department of Internal Affairs
5. Department of Fire and Rescue
6. Department of Emergency Medical Services
7. Department of Emergency Management

The Division Director is responsible for the overall management and administration of DPS while department managers are responsible for the daily operations and activities. For the review period, there were approximately 800 employees within the division. The Navajo Nation Council Law and Order Committee provides legislative oversight for DPS.

### *DPS P-card Overview*

The Navajo Nation P-card program was initiated in FY2008 to establish a faster, more cost-effective method for requisitioning, purchasing and paying for goods/services. P-cardholders and designated reconcilers and approvers are required to follow specified procedures to ensure P-card activities are properly posted, reconciled and approved on a monthly basis. Applicable documents of P-card activities are to be submitted to the P-card Section within the Office of the Controller for review and filing.

Each individual involved in the P-card reconciliation process has responsibilities to prohibit the abuse of P-cards and wasteful spending of Navajo Nation funds. The cardholders agreed to carry out these responsibilities when they signed their cardholder agreements.

For the three year review period, DPS had 119 P-cardholders, including former employees. The number of cardholders for each department is shown on the following table:

**Table 1**  
**DPS Cardholders and Type of P-cards per Department**  
**FY2011 to FY2013**

Department	Travel	Operating	Total
Navajo Police Department	59	18	77
Department of Criminal Investigations	11	1	12
Department of Corrections	4	6	10
Department of Highway Safety*	3	4	7
Department of Emergency Medical Services	4	2	6
Department of Internal Affairs	2	2	4
Department of Fire and Rescue	1	1	2
Department of Emergency Management	1	0	1
<b>TOTAL</b>	<b>85</b>	<b>34</b>	<b>119</b>

*\* In FY2013, the Department of Highway Safety was transferred to the Navajo Division of Transportation.*

For fiscal years 2011 through 2013, DPS P-card transactions totaled \$1,133,534 involving general and external funds used for operating and travel expenses.

### Objectives, Scope, and Methodology

The objectives of this review are:

- a. To determine whether DPS P-card activities complied with Procurement and Travel policies and procedures.
- b. To determine whether DPS made any prohibited budget transfers.
- c. To determine whether DPS employee bonus payments were properly approved.

The scope for this review was as follows:

- Budget transfers and bonus payments – FY2011 to FY2012
- P-card activities – FY2011 to FY2013

In meeting our objectives, we performed the following procedures:

- Reviewed Navajo Nation policies and procedures regarding budget transfers, employee bonus, procurement, travel, and P-card usage.
- Compiled applicable data from the Financial Management Information System (FMIS).
- Reviewed applicable reports generated by the FMIS.
- Analyzed applicable data using data analysis software.
- Judgmentally selected sample of 10 budget transfers to test for compliance with applicable budget policies and procedures.
- Judgmentally and randomly selected 20 bonus payments to test for compliance with applicable personnel policies and procedures.
- Judgmentally and randomly selected 147 P-card operating transactions to test for cardholder compliance with Procurement rules and regulations.

- Judgmentally selected 150 P-card travel transactions to test for cardholder compliance with Travel policies and procedures.
- Reviewed applicable records provided by the Division of Public Safety, Office of Management and Budget, Office of the Controller/P-card Section and Department of Personnel Management.
- Interviewed staff within the Division of Public Safety, Office of Management and Budget, Office of the Controller/P-card Section, Department of Personnel Management, Office of Contract and Grants, Fleet Management Department, and Property Management Department.
- Physically verified P-card equipment purchases.
- Performed Internet search of guiding principles in areas relating to employee bonus/incentive programs and P-card usage.

### **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 conclusions regarding the program under audit. An audit also includes assessments of applicable internal controls and compliance with requirements of laws and regulations when necessary to satisfy the audit objectives. We believe that our audit provides a reasonable basis for our conclusions.

The Office of the Auditor General and staff express their appreciation to the Division of Public Safety staff and all other entities who contributed to this audit for their cooperation and assistance throughout this audit.

## REVIEW RESULTS

**Finding I: Operating charges were inconsistent with procurement rules and regulations.**

In our review of DPS P-card operating transactions for FY2011 through FY2013, we noted several deficiencies. Table 2 shows the total DPS P-card operating transactions that were reviewed.

**Table 2  
DPS P-card Operating Transactions Reviewed  
FY2011 to FY2013**

	Number
Total DPS Departments Reviewed:	6
Total Transactions Reviewed:	147
Total Cardholders Reviewed:	21
Total Dollar Amount of Transactions Reviewed:	\$323,512

DPS general fund and external fund P-card operating transactions were examined for cardholder compliance with Navajo Nation Procurement rules and regulations. Below provides a summary of the audit exceptions and other issues found during our review of P-card operating transactions. The data results may overlap among each condition noted below.

Condition	Number of Transactions	Number of Cardholders	Number of Departments	Net Amount of Transactions
<i>Non-compliance with procurement rules and regulations:</i>				
No program level approval of purchase	24	14	4	\$31,089
No quotations to show competitive procurement	25	14	4	\$39,730
No Contract Accounting level approval of purchase using external funds	26	6	5	\$63,550
<i>Other issues identified during examination:</i>				
Missing receipt or supporting documentation	9	6	3	\$15,436
Purchase form prepared after charge was made (after the fact transaction)	8	6	2	\$9,218
Cardholder approving own purchase	15	3	1	\$36,612

DPS cardholders used P-cards to purchase as much as \$39,730 (or 17% of total transactions) of goods without quotations which is contrary to procurement rules and regulations. In addition, cardholders did not obtain approval from the Contract Accounting Section within the Office of the Controller for \$63,550 (or 18% of total transactions) of external funds used to purchase goods using P-cards.

From our examination, we also noted that a DPS cardholder purchased building materials totaling approximately \$11,400 to maintain on-hand for facilities maintenance. However, there

was no control measure such as a perpetual inventory implemented to account for the use of these materials. Therefore, there is no assurance that the materials found on-hand during our review reflects an accurate balance.

These deficiencies are an indication that DPS cardholders are not following procurement rules and regulations and that assigned reconcilers and approvers are not thoroughly reviewing P-card transactions to detect discrepancies and require corrective action in a timely manner. This poses a risk for excessive spending and personal purchases.

**Recommendations:**

a) Each operating cardholder should:

- utilize purchase requisitions to show proper approval by a supervisor (and Contract Accounting Section for external funds only) before making purchases.
- attach quotation sheets of required quotes to purchase requisition.
- provide itemized vendor invoice/receipts for each purchase.
- prepare purchase requisitions prior to making payment for goods with P-card.
- refrain from approving own purchases.
- prepare a perpetual inventory of building materials to account for the materials used in maintaining DPS facilities.

b) Assigned reconciler and approver should:

- initial/sign applicable documents to indicate review and approval of P-card transactions by cardholders.
- maintain a log of cardholders that do not follow procurement rules and regulations while using their assigned P-cards and report to immediate supervisors for appropriate action.



**Finding II: Travel charges were contrary to travel policies and procedures.**

In our review of DPS P-card travel transactions for FY2011 through FY2013, we noted several deficiencies. Table 3 shows the total DPS P-card travel transactions that were reviewed.

**Table 3  
DPS P-card Travel Transactions Reviewed  
FY2011 to FY2013**

	Number
Total DPS Departments Reviewed:	7
Total Transactions Reviewed:	150
Total Cardholders Reviewed:	32
Total Dollar Amount of Transactions Reviewed:	\$61,377

DPS general fund and external fund P-card travel transactions were examined for cardholder compliance with Navajo Nation Travel policies and procedures. Below provides a summary of the audit exceptions found during our review of P-card travel transactions. The data results may overlap among each condition noted below.

Condition	Number of Transactions	Number of Cardholders	Number of Departments	Net Amount of Transactions
<i>Non-compliance with travel policies and procedures:</i>				
Missing receipt/supporting documentation	34	13	5	\$8,461
Misclassification of P-card charges	21	12	2	\$4,488
<i>Exceeded per diem limits:</i>				
- <i>Approved lodging rate was exceeded</i>	7	6	1	\$5,411
- <i>Claimed full per diem meal allowance rather than using P-card for actual expenses</i>	10	10	4	\$1,758
No Contract Accounting level approval of expenses using external funds	37	12	5	\$22,167

Approximately \$8,500 (or 23% of total transactions) of the P-card travel transactions lacked supporting documentation. Consequently, we could not verify the travel expenses incurred by the cardholders were for DPS purposes. External funds used for travel expenses totaled approximately \$22,000 (or 25% of total transactions) and such transactions lacked Contract Accounting Section approval.

These deficiencies are an indication that DPS cardholders and their supervisors are not following travel policies and procedures. It also means that assigned reconcilers and approvers are not thoroughly reviewing P-card transactions to detect discrepancies and require corrective action in a timely manner. This poses a risk for unnecessary and questionable travel expenses.

**Recommendations:**

- a) Each travel cardholder should:
  - attach itemized receipts for each expense.
  - classify all travel expenses in accordance with established chart of accounts.
  - incur expenses only within approved lodging rates.
  - claim travel expenses based on actual costs rather than the full per diem meal allowance.
  - obtain proper authorization (i.e., Contract Accounting Section for external funds) before incurring travel related expenses with P-cards.
  
- b) Supervisor for travel cardholder should:
  - verify actual travel expenses remain within approved per diem lodging limits; any excessive amounts should be justified in writing.
  - deny travel reimbursement claims based on full per diem meal allowance by employees with assigned P-cards.
  
- c) Assigned reconciler and approver should:
  - initial/sign applicable documents to indicate review for completeness of forms and proper classification of expenses during reconciliation process.
  - maintain a log of cardholders that do not follow travel policies and procedures while using their assigned P-cards and report to immediate supervisors for appropriate action.

**CONCLUSION**

Although DPS P-cardholders signed agreements to comply with applicable Navajo Nation policies and procedures, P-card operating charges were made without prior approval and supporting documentation, and no quotations to demonstrate competitive procurement. P-card travel charges were also made contrary to travel policies and as such, cardholders incurred unauthorized expenses, exceeded per diem limits, or did not provide supporting documentation. See Appendix III for additional information related to DPS P-card activities.

With regards to budget transfers and bonus payments, the Office of the Auditor General did not find any material discrepancies. The budget transfers and bonuses reviewed were consistent with applicable Navajo Nation policies and procedures. See Appendices I and II for additional information related to the budget transfers and bonuses.

APPENDIX I

*DPS budget transfers were consistent with applicable budget policies.*

Overall, DPS budget transfers were made in accordance with the Navajo Nation Budget Instructions and Policies Manual. The following tables provide additional information regarding DPS budget transfers.

**Table A**  
**DPS Budget Transfers (Net Amounts) per Department**  
**FY2011 to FY2012**

	<b>Department Name</b>	<b>General Fund</b>	<b>External Fund</b>	<b>Overall Total</b>
1	Department of Corrections	\$446,711	\$15,983,069	\$16,429,780
2	Navajo Police Department	1,005,735	3,201,173	4,206,908
3	Emergency Medical Services	20,010	3,762,362	3,782,372
4	Department of Emergency Management	22,765	3,351,278	3,374,043
5	Criminal Investigations	208,858	540,404	749,262
6	Fire and Rescue Services	97,549	65,000	162,549
7	Department of Highway Safety	32,511	58,635	91,146
8	Internal Affairs	34,620	--	34,620
	<b>TOTAL</b>	<b>\$1,868,759</b>	<b>\$26,961,920</b>	<b>\$28,830,679</b>

**Table B**  
**Top 5 DPS General and External Fund Business Units**  
**with the Greatest Amount of Budget Transfers**  
**FY2011 to FY2012**

	<b>No.</b>	<b>Business Unit Name</b>	<b>Department Name</b>	<b>Net Total</b>
<i>General Fund:</i>				
1	116014	NAV DEPT OF CORRECTIONS	Dept. of Corrections	\$440,159
2	116011	NAV DEPT of CRIMINAL INVSTGN	Criminal Investigations	\$208,858
3	116016	NDLE - FACILITIES MAINT	Navajo Police Dept.	\$148,616
4	116006	NDLE - SHIPROCK POLICE DIST.	Navajo Police Dept.	\$146,735
5	116001	NAV DEPT of LAW ENFRMNT	Navajo Police Dept.	\$124,067
<i>External Fund:</i>				
1	K100805	KAYENTA CORRECTNL FAC - ARRA	Dept. of Corrections	\$6,959,109
2	K071304	FEMA-NM PROJECT #1659	Dept. of Emergency Mgt.	\$2,385,454
3	K100806	TUBA CITY JUSTICE CENTER-ARRA	Dept. of Corrections	\$2,286,051
4	C01446	TUBA CITY-KEYBANK DPS/JUDICIAL	Dept. of Corrections	\$1,833,804
5	K100576	EMS - BASE FY'10	Emergency Medical Services	\$1,757,070

*DPS bonus payments were consistent with Personnel Policies and Procedures.*

Overall, bonus payments for DPS employees were reviewed and approved by the Department of Personnel Management in accordance with Navajo Nation Personnel policies and procedures. Table A below shows a summary of the overall bonus payments, type of employees that received bonuses, and number and total amount of bonuses awarded in each category.

**Table A  
DPS Bonus Payments Overview  
FY2011 to FY2012**

Description	Total Employees	Total Amount
Total Bonus payments	83	\$172,000
Bonus payments by position type:		
<i>Management (i.e. supervisor, manager, etc.)</i>	15	\$ 40,000
<i>Field Staff (i.e. police officer, investigator, etc.)</i>	30	\$ 56,000
<i>Support Staff (i.e. accountant, office specialist, etc.)</i>	38	\$ 76,000
Bonus Payments Reviewed	20	\$ 54,000

DPS management claims that incentives/rewards for staff within the division are balanced by overtime pay and bonuses. Non-exempt staff typically receives overtime pay whereas the exempt staff, which is ineligible for overtime pay, is considered for bonus payments. For the review period, there were 854 DPS employees and our data analysis revealed the following per Table B:

**Table B  
Comparison of DPS Bonus and Overtime Pay  
FY2011 to FY2012**

Description	Overtime Pay	Bonus Pay
Total exempt employees eligible		57
Percent of exempt employees that received bonus pay		42%
Total non-exempt employees eligible	797	
Percent of non-exempt employees that received overtime pay	97%	

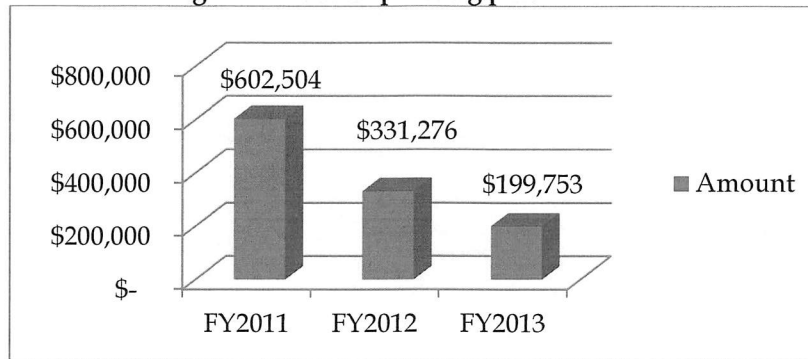
The following tables provide additional information related to DPS P-card activities.

**Table A**  
**P-card Transactions for Departments**  
**Operating and Travel - FY2011 to FY2013**

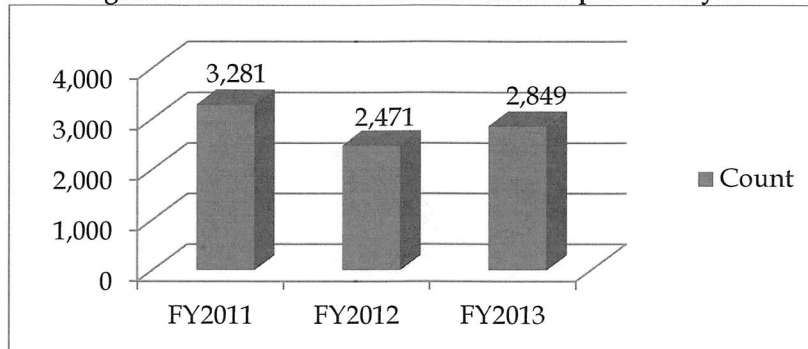
	Department	Time Period of Review	Number of Transactions	Transaction Total
1	Navajo Police Department	October 2010 to September 2013	4,650	\$ 541,252
2	Criminal Investigations	October 2010 to September 2013	1,012	\$ 175,360
3	Department of Corrections	October 2010 to September 2013	854	\$ 122,271
4	NPD - Administration	October 2010 to September 2013	889	\$ 100,408
5	Emergency Medical Services	October 2010 to September 2013	257	\$ 65,036
6	NPD - Support Services	October 2010 to September 2013	315	\$ 62,713
7	Highway Safety	October 2010 to September 2013	520	\$ 48,917
8	Internal Affairs	October 2010 to September 2013	41	\$ 9,803
9	Fire and Rescue Services	October 2010 to September 2013	39	\$ 5,964
10	Emergency Management	October 2010 to September 2013	24	\$ 1,809

**Table B**  
**Comparison of P-card Spending and Transaction Levels**

**Figure 1: P-card Spending per Fiscal Year**



**Figure 2: Number of P-card Transactions per Fiscal year**



APPENDIX III (cont.)

**Table C**  
**Top 10 P-card Vendors for FY2011 to FY2013**

	Vendor	Total Amount Spent	Number of Transactions
1	NEVES UNIFORMS	\$52,408	15
2	THE PC PLACE	\$50,422	43
3	APPLE STORE	\$41,786	28
4	HOLIDAY INN	\$26,214	147
5	WAL-MART	\$21,282	51
6	NOR-KEM DISTRIBUTORS	\$19,803	47
7	BASHAS	\$18,790	205
8	HAMPTON INN	\$18,451	66
9	SOUTHWESTAIR	\$17,311	57
10	GALLUP LUMBER & SUPPLY	\$17,066	28

**Table D**  
**Top 5 Spending by Merchant Category Code (MCC) for FY2011 to FY2013**

	MCC Description	Amount	Transactions
1	Lodging Hotels Motels Resorts	\$90,080	453
2	Accessory and Apparel Stores Miscellaneous	\$62,746	28
3	Eating Places Restaurants	\$57,977	2,193
4	Grocery Stores Supermarkets	\$53,628	388
5	Computers Computer Peripheral Equipment Software	\$51,792	46

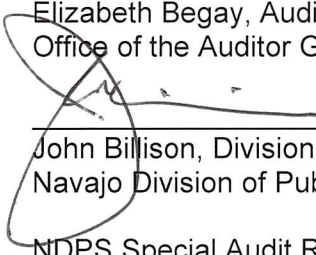
## **CLIENT RESPONSE**



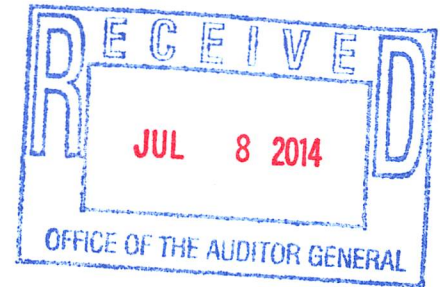
July 8, 2014

**MEMORANDUM :**

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

FROM :  7/8/2014  
John Billison, Division Director  
Navajo Division of Public Safety

SUBJECT : NDPS Special Audit Review/Report 14-13



The Navajo Division of Public Safety (NDPS) has reviewed this document for clients response on Purchase Card transactions within 1) Operating purchases were inconsistent with procurement rules and regulations; and 2) Travel charges were contrary to travel policies and procedures.

1. Operating purchases and travel expenses: NDPS has previously coordinated and conducted various trainings with Purchasing Department, Accounts Payable, Contract Accounting (Travel Section) regarding the Navajo Nation Purchasing Manual (1973 edition), Navajo Nation Procurement Rules and Regulation (BFD-192-03), Navajo Nation Travel Policy and Procedures Handbook (BFJA-01-02). Past completed training records are maintained by the Office of the Controller Sections that are unable to provide actual dates and personnel who completed these training, due to closure of Administration Building One (Black Mold) and release of records requires Window Rock District Court and Special Prosecutor approval.
2. Purchase Card (P-Card) Section has provided limited training on set-up and reporting within Wells Fargo Commercial website for company name, user ID, password, reconciliation/reviewer, CCER audits, Out of Pocket (OOP) disapproval and approval requirements to NDPS personnel to include required itemized or lost per diem receipts, justification exceeding meal/lodging per diem rates or other documents (off-reservation approval, trip reports, NDPS planning grid, etc...).
3. Future procurement and on-going travel with pending legislation enactment on (P-Card) policy will be coordinated on concurrent trainings with respective Office of the Controller (OOC) Sections that will address and remedy misconceptions, miscommunication and sanctions by P-Card Section, Contract Accounting on compliant, non-compliant/justification or improper use by NDPS cardholders.
4. NDPS did not receive the Office of the Auditor General final Test Work until Monday, July 07, 2014 review ending June 18, 2014 for Navajo Police Department (NPD) from personnel having the highest number of cardholders of non-exception transactions, due to lack of justification on exceeding per diem rates, three vendor quotes/estimates, receipts, etc.
5. This report does not include concerns issued by the OOC memorandum dated August 07, 2012 applicable to OMB Circular A133 (Single Audit) which now includes, 1) Notifying Contract Accounting for prior approval of goods and services, 2) Property Management Department Revised Policy pending approval from KPMG, OOC and Office of the Attorney General on Fixed Asset Property (inventory control-personal property exceeding threshold of \$5,000, sensitive item or capital equipment), 3) Capital equipment and Infrastructure directly related to P.L. 93-638, as amended, and 4) Regulations under 25 CFR Sub-Part 900, (attached is Facility Maintenance inventory performed by Support Services of P-Card purchases).
6. All Navajo Nation P-Cards' were suspended by the OOC in CY2012 and re-instated in August, 2012 for travel use only. The Navajo Department of Corrections returned all P-Cards due to non P-Card policies.

Any questions on this response or other audit matters, I can be contacted at ext. 6581.

xc: Helen Brown, Principal Auditor  
Office of Auditor General