

OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

A Follow-Up Review of the Naa'Tsis'aan Chapter Corrective Action Plan Implementation

**Report No. 16-03
December 2015**

Performed by:

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December 1, 2015

Alex Bitsinnie, President
NAA'TSIS'AAN CHAPTER
P.O. Box 10070
Tonalea, AZ 86044

Dear Mr. Bitsinnie:

The Office of the Auditor General herewith transmits Audit Report No. 16-03, a Follow-up Review of the Naa'tsis'aan Chapter Corrective Action Plan Implementation. The Office of the Auditor General conducted the follow-up review with the following objectives:

- To determine the status of the Naa'tsis'aan Chapter corrective action plan.
- To identify the barrier(s), if any, that hindered implementation efforts.

To meet the objectives, we reviewed the 6-month period beginning October 1, 2014 and ending March 31, 2015.

Background

A compliance audit of the Naa'tsis'aan Chapter was conducted in 2013, and the Auditor General issued audit report no. 13-06. The audit report and the corrective action plan developed by the Naa'tsis'aan Chapter were approved by the Budget and Finance Committee on November 5, 2013, per resolution no. BFN-40-13. With Budget and Finance Committee approval, the Naa'tsis'aan Chapter has the duty to implement the corrective action plan.

Review Results

The Naa'tsis'aan Chapter did not fully implement the corrective action plan. The Chapter did not resolve 9 of 23 issues reported in audit report no. 13-06. The Chapter did not demonstrate improvements to ensure accountability and safeguarding of Chapter assets and resources. As a result, internal controls remain deficient and the Chapter remains non-compliant with laws and funding guidelines.

- The Chapter did not create a budget for community approval of approximately \$9,000 internally generated revenue. Without the community approval of budgets, the expenditure of these Chapter funds is deemed unauthorized.
- Transactions totaling \$12,927.35 were inaccurately posted. The Chapter financial statements could not be relied upon to provide accurate information on the Chapter finances.
- Banking policies and procedures were not created to ensure controls exist within the banking activities. Currently, the Community Services Coordinator has "on-line" access which enables her to processed ACH (electronic) payments while the Chapter officials have no "view only" access to monitor Chapter banking activities.
- The Chapter has yet to develop comprehensive inventory listing of all property/equipment and establish a perpetual inventory of all building supplies. Therefore, there is no assurance that all Chapter property/equipment and building supplies were included on the inventory listings. In

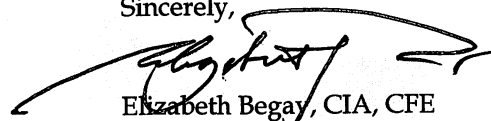
case of theft or damage, Chapter property/equipment and building supplies not listed will not be covered by Navajo Nation insurance. Furthermore, fixed assets were not recorded on the financial statement.

- Controls over accounting of Eehaniih Day Celebration revenues and expenditures remained weak. Expenditures were not supported with required documentation. Although vendor space fee was deposited, there was no evidence of cash receipt tickets issued to vendors. The Chapter has not established a committee and created a plan of operation to strengthen controls over revenue and expenditures.
- Navajo Nation sales tax collected were not reported and remitted to the Navajo Nation Tax Commission.
- Questionable payments to vendors remain outstanding due to non compliance with the Procurement Code. Supporting documentation were not completed and/or obtained in procuring goods and services.
- The Corrective Action Plan follow-up demonstrated the Chapter has not fully implemented its Five Management System and the Chapter officials were not thoroughly monitoring the Chapter operation, activities and projects. Close monitoring is essential since the Chapter does not have an Accounts Maintenance Specialist. Consequently, The Community Services Coordinator has total control over Chapter operations.

Conclusion

Title 12, Navajo Nation Code (N.N.C.) Section 8 imposes upon the Naa'tsis'aan Chapter the duty to implement the corrective action plan according to the terms of the plan. The Chapter did not implement the corrective action plan. Consequently, the issues reported in the 2013 audit remain unresolved. Accordingly, the Office of the Auditor General recommends sanctions be imposed on the Naa'tsis'aan Chapter and Chapter officials in accordance with 12 N.N.C. Section 9 (b) and 9(c) for failure to implement the corrective action plan. See attached Exhibit A for the review results.

Sincerely,



Elizabeth Begay, CIA, CFE
Auditor General

xc: Jaime R. Holgate, Vice President
Ella J. Badoni, Secretary/Treasurer
Lorena Atene, Community Services Center
Herman Daniels, Council Delegate
NAA'TSIS'AAN CHAPTER
Jayne Mitchell, Senior Accountant
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2015 REVIEW RESULTS

FINDING I: Chapter Internal Controls Are Deficient

2013 Audit Issue 1: Budgets were not presented to Chapter membership for approval.	
Chapter Corrective Actions	Status of Corrective Action
1. Chapter staff and the officials will develop a budget for all appropriations and Chapter generated revenue.	Not Implemented
2. Secretary/Treasurer will present budgets to the community membership for approval.	Not Implemented
3. Accounts Maintenance Specialist will post budgets to the accounting system.	Not Implemented
4. Accounts Maintenance Specialist will adhere to the adopted budgets by utilizing the accounting system to verify fund availability before disbursing checks.	Not Implemented
5. Community Services Coordinator and the Chapter officials will routinely review financial reports to monitor fund balances and expenditures.	Not Implemented
Audit Issue Resolved: No	
2013 Audit Issue 2: Budgets were not accurately posted in the accounting system.	
Chapter Corrective Actions	Status of Corrective Action
1. Community Services Coordinator and the Accounts Maintenance Specialist will ensure changes in budgets are approved by the Community membership and updated and posted in the accounting system.	Implemented
2. Community Services Coordinator and the Secretary/Treasurer will ensure the ending fund balance in the Balance Sheet reconciles with the available balance in the Budget to Actual report.	Implemented
Audit Issue Resolved: Yes	
2013 Audit Issue 3: Chapter travel expenditures lack proper documents.	
Chapter Corrective Actions	Status of Corrective Action
1. Accounts Maintenance Specialist will ensure all travel request forms are completed for the Community Services Coordinator.	Implemented
2. Accounts Maintenance Specialist will prepare all travel authorization and ensure all travel advances are no more than 80% of the estimated travel cost.	Implemented
3. Community Services Coordinator will review travel authorizations and issue all travel advance checks.	Implemented
4. Accounts Maintenance Specialist will ensure all supporting travel documentation is submitted upon return.	Implemented
5. Accounts Maintenance Specialist will calculate travel reimbursements for Community Services Coordinator's review and approval for reimbursements.	Implemented
Audit Issue Resolved: Yes	

2013 Audit Issue 4: Improper posting of transactions to the accounting system.	
Chapter Corrective Actions	Status of Corrective Action
1. Accounts Maintenance Specialist will post all transactions using the correct Object Codes to the appropriate funds.	Not Implemented
2. Accounts Maintenance Specialist will appropriately post the Chapter internally generated revenue.	Not Implemented
3. Accounts Maintenance Specialist will post Navajo Nation appropriations, donations, grants, refunds and reimbursements transactions through the Journal Voucher.	Not Implemented
4. Secretary/Treasurer will monitor posting of transactions to the accounting system.	Not Implemented
Audit Issue Resolved: No	
2013 Audit Issue 5: Bank reconciliations were not prepared.	
Chapter Corrective Actions	Status of Corrective Action
1. Accounts Maintenance Specialist will complete the monthly bank reconciliations using the accounting system.	Implemented
2. Community Services Coordinator and the Secretary/Treasurer will review and approve the bank reconciliations for accuracy and completeness.	Implemented
3. Community Services Coordinator and the Secretary/Treasurer will ensure the bank balance reconciles with the Chapter ledgers.	Implemented
Audit Issue Resolved: Yes	
2013 Audit Issue 6: Chapter does not have banking policies and procedures.	
Chapter Corrective Actions	Status of Corrective Action
1. Chapter staff and the officials will create banking policies and procedures to address banking, accessibility and transfers.	Not Implemented
2. Chapter banking policies and procedures will define separate roles for initiating, approving and posting of fund transfer for the Chapter staff and officials.	Not Implemented
3. Secretary/Treasurer will present the Chapter banking policies and procedures for approval via resolution by the community membership.	Not Implemented
Audit Issue Resolved: No	
2013 Audit Issue 7: The Chapter Officials and former Community Services Coordinator signed their own checks.	
Chapter Corrective Actions	Status of Corrective Action
1. Community Services Coordinator and the Chapter officials will be designated as authorized signatories.	Implemented
2. All checks written to primary signatory (Community Services Coordinator and Secretary/Treasurer) will be signed by another Chapter official.	Implemented
Audit Issue Resolved: Yes	

2013 Audit Issue 8: Not all Chapter property and equipment were listed on the inventory listing.	
Chapter Corrective Actions	Status of Corrective Action
1. Chapter staff and the officials will conduct an annual physical inventory and a list of all Chapter property and equipment will be created.	Not Implemented
2. Chapter staff and the officials will tag all Chapter property and equipment.	Not Implemented
3. Community Services Coordinator will contact Risk Management to obtain building values.	Not Implemented
4. Community Services Coordinator will create a fixed assets listing with a threshold of \$1,000.	Not Implemented
5. Accounts Maintenance Specialist will post all fixed assets to the accounting system.	Not Implemented
6. Chapter staff and the officials will conduct a perpetual inventory of all building materials in all warehouses.	Not Implemented
Audit Issue Resolved: No	
2013 Audit Issue 9: Incomplete personnel files.	
Chapter Corrective Actions	Status of Corrective Action
1. Community Services Coordinator and the Accounts Maintenance Specialist will receive training on personnel and recordkeeping.	Implemented
2. Personnel records on each employee will be organized and maintained by a checklist.	Implemented
3. Community Services Coordinator and the Accounts Maintenance Specialist will safeguard Chapter personnel files in a secured place to limit access only to authorized personnel.	Implemented
Audit Issue Resolved: Yes	
2013 Audit Issue 10: Chapter cannot justify wages paid to temporary employees.	
Chapter Corrective Actions	Status of Corrective Action
1. Community Services Coordinator and the Accounts Maintenance Specialist will receive training on payroll recordkeeping.	Implemented
2. Payroll records (sign-in sheets, timecards, timesheets, etc) on each employee will be organized and maintained by a checklist.	Implemented
3. Community Services Coordinator will review and approve the timesheets for accuracy.	Implemented
4. Accounts Maintenance Specialist will post approved hours to the MIP payroll module and print checks.	Implemented
5. Secretary/Treasurer will ensure all payroll documents are attached and sign checks.	Implemented
Audit Issue Resolved: Yes	

2013 Audit Issue 11: The Chapter disregarded the established pay schedule to issue payroll checks.	
Chapter Corrective Actions	Status of Corrective Action
1. Accounts Maintenance Specialist will adhere to the accounting system payroll schedule setup.	Implemented
2. All authorized signatories will only sign checks that are issued on pay dates.	Implemented
Audit Issue Resolved: Yes	
2013 Audit Issue 12: Weak controls over the Eehaniih Day Celebration revenue and expenditures.	
Chapter Corrective Actions	Status of Corrective Action
1. Chapter officials will establish an Eehaniih Day committee.	Not Implemented
2. Chapter staff and the officials will create a plan of operation and approved via resolution by the community members.	Not Implemented
3. Eehaniih Day committee will hire and recruit volunteers.	Not Implemented
4. Eehaniih Day committee will utilize established FMS policies and procedures regarding collecting and depositing revenue and expenditures.	Not Implemented
5. Chapter officials who are also on Eehaniih Day committee members will not handle money.	Implemented
Audit Issue Resolved: No	
2013 Audit Issue 13: The Chapter filing system was in disarray and inefficient.	
Chapter Corrective Actions	Status of Corrective Action
1. Chapter staff and the officials will receive training on recordkeeping.	Implemented
2. Community Services Coordinator and the Accounts Maintenance Specialist will store all Chapter records in a safe place.	Implemented
3. Chapter officials will monitor the record management system.	Implemented
Audit Issue Resolved: Yes	

2015 REVIEW RESULTS

FINDING II: Chapter Does not Consistently Comply with Applicable Laws and Funding Guidelines.

2013 Audit Issue 14: Scholarships were not fairly and equitably awarded.	
Chapter Corrective Actions	Status of Corrective Action
1. Chapter staff and the officials will review the scholarship policies and procedures.	Implemented
2. Accounts Maintenance Specialist will obtain all scholarship applications and required supporting documents.	Implemented
3. Community Services Coordinator will review and approve all scholarship applications.	Implemented
4. Community Services Coordinator and the Accounts Maintenance Specialist will issue letters of approval or denial to the applicants.	Implemented
5. Chapter officials will review the scholarship packets to ensure all required documents are attached and all criteria are met.	Implemented
Audit Issue Resolved: Yes	
2013 Audit Issue 15: Use of the Emergency Fund cannot be justified.	
Chapter Corrective Actions	Status of Corrective Action
1. Community Services Coordinator will establish an Authorized Local Emergency Response Team (ALERT) and recognized by an approved Chapter resolution.	Cannot Determine Due to No Activity
2. ALERT, Chapter staff and the officials will develop an Emergency Response Plan.	Cannot Determine Due to No Activity
3. The Emergency Response Plan will be approved by a Chapter resolution.	Cannot Determine Due to No Activity
4. Chapter staff and the officials will ensure all emergency fund expenditures are in accordance with funding guidelines and justified with supporting documents.	Cannot Determine Due to No Activity
Audit Issue Resolved: Cannot Determine Due to No Activity	
2013 Audit Issue 16: IRS reports and payments were not remitted in a timely manner.	
Chapter Corrective Actions	Status of Corrective Action
1. Community Services Coordinator and the Accounts Maintenance Specialist will attend IRS training.	Implemented
2. Community Services Coordinator and the Accounts Maintenance Specialist will address all IRS late, penalties and interest payments.	Implemented
3. Community Services Coordinator and the Accounts Maintenance Specialist will remit current reports and remit payments to the IRS.	Implemented
4. Chapter staff and the officials will ensure 1099 forms are issued to individual paid \$600 and over.	Implemented
Audit Issue Resolved: Yes	

2013 Audit Issue 17: Sales taxes were not reported and remitted.	
Chapter Corrective Actions	Status of Corrective Action
1. Accounts Maintenance Specialist will post all cash receipts to the accounting system on weekly basis.	Not Implemented
2. Accounts Maintenance Specialist will remit payment for Navajo Nation tax liabilities using Form 600 on a quarterly basis.	Not Implemented
3. Community Services Coordinator and the Chapter officials will conduct monthly meetings to ensure reports are submitted and tax liability payments are remitted.	Not Implemented
4. Community Services Coordinator will contact the Navajo Nation Tax Commission Office to determine any outstanding tax liabilities.	Implemented
Audit Issue Resolved: No	
2013 Audit Issue 18: Financial reports were not provided to the Chapter membership.	
Chapter Corrective Actions	Status of Corrective Action
1. Community Services Coordinator and the Accounts Maintenance Specialist will prepare all financial reports.	Implemented
2. Secretary/Treasurer will present financial reports to the community membership.	Implemented
3. Secretary/Treasurer will document the financial reports in the meeting minutes and attach the copy of the financial reports.	Implemented
Audit Issue Resolved: Yes	
2013 Audit Issue 19: Discord between Chapter Officials and NMWUA Board of Directors led to poor working relationship.	
Chapter Corrective Actions	Status of Corrective Action
1. Chapter staff and the officials will set up a meeting with NMWUA Board of Directors.	Implemented
2. Chapter officials and the NMWUA Board of Directors will report the results of the meeting in the Chapter meeting minutes.	Implemented
3. Chapter staff and the officials will request all reimbursement due from Utah Navajo Revitalization Fund.	Cannot Determine Due to No Activity
Audit Issue Resolved: Yes	
2013 Audit Issue 20: Monitoring by Chapter Officials is inconsistent with LGA.	
Chapter Corrective Actions	Status of Corrective Action
1. Chapter officials will receive training on the Chapter officials Monitoring Tools and Monthly Financial Review Form.	Not Implemented
2. Chapter officials will periodically review Chapter records.	Not Implemented
Audit Issue Resolved: No	

2013 Audit Issue 21: Contrary to LGA, the Chapter has not fully implemented a five management system.	
Chapter Corrective Actions	Status of Corrective Action
1. Chapter staff and the officials will adopt the Standardized Five System Management (FMS) by Chapter resolution.	Not Implemented
2. Chapter staff and the officials will fully implement all areas of the FMS.	Not Implemented
Audit Issue Resolved: No	

2015 REVIEW RESULTS

FINDING III: Unauthorized Chapter Checks Issued by Former Community Services Coordinator.

2013 Audit Issue 22: \$55,595 unauthorized Chapter checks paid to the Former Community Services Coordinator.	
Chapter Corrective Actions	Status of Corrective Action
1. The Chapter will refer to Navajo Nation Employee Policies and Procedures.	Prosecuted
Audit Issue Resolved: Yes	
2013 Audit Issue 23: Questionable payments to vendors.	
Chapter Corrective Actions	Status of Corrective Action
1. Complete and submit all required supporting documents.	Not Implemented
2. Review the completed supporting document before cosigning checks	Not Implemented
Audit Issue Resolved: No	