

OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

A Follow-Up Review of the St. Michaels Chapter Corrective Action Plan Implementation

**Report No. 16-04
December 2015**

**Performed by:
Stacy Manuelito, Auditor
Felix McDonald, Associate Auditor**





December 15, 2015

Curran Hannon, President
ST. MICHAELS CHAPTER
P.O. Box 829
St. Michaels, AZ 86511

Dear Mr. Hannon:

The Office of the Auditor General herewith transmits Audit Report No. 16-04, a Follow-up Review of the St. Michaels 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 St. Michaels Chapter corrective action plan.
- To identify the barrier(s), if any, that hindered implementation efforts.

To meet the objectives, we reviewed the St. Michaels Chapter's records for the six month period of October 2014 to March 2015.

Background

A compliance audit of the St. Michaels Chapter was conducted in 2012, and the Auditor General issued audit report no. 12-16. The audit report and the Chapter's corrective action plan were approved by the Budget and Finance Committee on August 7, 2012, per resolution no. BFAU-39-12. With Budget and Finance Committee approval, the St. Michaels Chapter has the duty to implement the corrective action plan.

Review Results

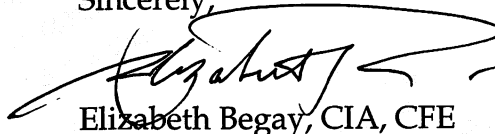
The St. Michaels Chapter has implemented the corrective actions outlined in the corrective action plan. The Chapter resolved 12 of the 14 issues reported in audit report 12-16. There are two issues related to the St. Michaels Chapter Development Corporation, a non-profit corporation created by the Chapter in 2005, but no longer in operation. Therefore, these corrective actions were deemed not applicable.

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Conclusion

The St. Michaels Chapter has strengthened internal controls and complied with policies and procedures, laws and guidelines. More important, St. Michaels Chapter has demonstrated improvements to ensure accountability and safeguarding of Chapter assets and resources. Therefore, the Office of the Auditor General does not recommend sanctions on the St. Michaels Chapter and officials in accordance with 12 N.N.C. Section 9.

Sincerely,



Elizabeth Begay, CIA, CFE
Auditor General

xc: Alfred Mike Sr., Vice-President
Gloria Smiley, Secretary/Treasurer
Jonathan Hale, Council Delegate
Donna Whitehair, Community Services Coordinator
ST. MICHAELS CHAPTER
Robert Begay, Department Manager
ADMINISTRATIVE SERVICES CENTER
Chrono

2016 REVIEW RESULTS

Finding I: Chapter internal controls are deficient.

2012 Audit Issue 1: Poor budget monitoring resulted in budget deficits.	
Chapter Corrective Actions	Status of Corrective Action
1. The Chapter's accounting system will be used to verify funds are available before disbursing checks by the Account Maintenance Specialist and the Community Services Coordinator.	Implemented
2. Chapter officials, Community Services Coordinator, and the Account Maintenance Specialist will adhere to adopted budget to avoid budget deficits with Budget to Actual Report to be reviewed periodically.	Implemented
3. Financial statements will be reviewed on a monthly basis to ensure there are no deficits in any funds.	Implemented
Audit Issue Resolved? Yes	
2012 Audit Issue 2: Inaccurate budget amount was presented to the chapter membership for adoption.	
Chapter Corrective Actions	Status of Corrective Action
1. Community Services Coordinator will prepare Navajo Nation appropriation budget and carry-over budget for the fiscal year for presentation to the chapter officials and community membership.	Implemented
2. Community Services Coordinator will have the budgets approved via chapter resolution.	Implemented
Audit Issue Resolved? Yes	
2012 Audit Issue 3: Bank reconciliations were not completed that contributed to inaccurate cash balances being reported in the financial statement.	
Chapter Corrective Actions	Status of Corrective Action
1. Account Maintenance Specialist will review monthly bank statements of the chapter's accounts and reconcile all chapter bank accounts on a monthly basis.	Implemented
2. Bank reconciliation will be reviewed and verified against financial statements by the Community Services Coordinator and the Secretary/Treasurer.	Implemented
3. All financial documents will be filed in accordance to the Five Management System records management policies and procedures.	Implemented
Audit Issue Resolved? Yes	
2012 Audit Issue 4: Poor inventory controls over its resale activities.	
Chapter Corrective Actions	Status of Corrective Action
1. Community Services Coordinator and the Account Maintenance Specialist will ensure to document all resale purchases, sales, damages, and stolen items.	Implemented

2. Community Services Coordinator will ensure a periodic physical count of items to verify the accuracy of the inventory records.	Implemented
3. Chapter officials and staff will adhere to and monitor resale activities in accordance to Five Management System resale policies and procedures.	Implemented
Audit Issue Resolved? Yes	
2012 Audit Issue 5: Poor rental controls over equipment and facility rentals.	
Chapter Corrective Actions	Status of Corrective Action
1. The Chapter will ensure to follow the Five Management System rental policies and procedures.	Implemented
2. The Chapter staff will ensure renters understand the terms and conditions with a signature.	Implemented
3. Community Services Coordinator will review and approve all rental requests and fee waivers.	Implemented
4. Community Services Coordinator will inspect and monitor the facility after each usage and based on inspection, determine if the cleaning deposits will be returned to the renter.	Implemented
Audit Issue Resolved? Yes	
2012 Audit Issue 6: Memorandum of Agreement was not developed and agreed upon to pay for Navajo Area Agency on Aging utilities.	
Chapter Corrective Actions	Status of Corrective Action
1. The Chapter will provide written memorandum to the Navajo Agency on Aging informing them the Chapter will no longer be obligated to remit utility payment.	Implemented
Audit Issue Resolved? Yes	

2016 REVIEW RESULTS

Finding II: Chapter does not consistently comply with applicable laws and funding guidelines.

2012 Audit Issue 7: Non-compliance with Housing Discretionary policies and procedures.	
Chapter Corrective Actions	Status of Corrective Action
1. Housing discretionary fund is used to provide housing material assistance in accordance with approved housing policies and procedures.	Implemented
2. Account Maintenance Specialist and the Community Services Coordinator will review housing discretionary fund applications for completeness by ensuring all required documents are attached before forwarding to the housing committee.	Implemented
3. The housing committee will evaluate completed applications using the ranking system and determine eligibility.	Implemented
4. Community Services Coordinator will conduct an assessment on the home to determine living conditions to ensure the eligible recipient is in need of housing assistance.	Implemented
5. Community Services Coordinator will conduct a follow up review of the assistance to ensure the housing assistance is utilized for the intended and approved purpose.	Implemented
6. The approved housing recipient will be forwarded by the housing committee to community membership at regular chapter meeting for final approval by resolution.	Implemented
Audit Issue Resolved? Yes	
2012 Audit Issue 8: Untimely reporting and remittance of Navajo Nation sales taxes.	
Chapter Corrective Actions	Status of Corrective Action
1. Accounts Maintenance Specialist will verify the accuracy of the cash receipts report generated from the Chapter's accounting system to use in preparation of the sales tax report and to submit to the Office of Navajo Tax Commission in a timely manner.	Implemented
2. Community Services Coordinator and the Chapter officials will review and remit Form 600 to the Office of Navajo Tax Commission in a timely manner.	Implemented
Audit Issue Resolved? Yes	

2012 Audit Issue 9: Chapter officials need to exercise better monitoring of the Chapter operations.	
Chapter Corrective Actions	Status of Corrective Action
1. Secretary/Treasurer will sign all checks for disbursements and will be cognizant of all chapter finances.	Implemented
2. Secretary/Treasurer will review and monitor all chapter finances on a monthly basis by initialing all reviews.	Implemented
3. Chapter President will ensure financial reports are prepared by chapter administration each month and provided to the Secretary/Treasurer.	Implemented
4. Secretary/Treasurer will provide monthly reports to the chapter members at regular chapter meeting, record in the meeting minutes, and attach reports.	Implemented
5. Chapter President will ensure administrative staffs are carrying out all directives and responsibilities pertaining to the Chapter on a quarterly basis.	Implemented
Audit Issue Resolved? Yes	
2012 Audit Issue 10: Poor working relationship between the chapter officials and staff led to deficiencies in the Chapter operations.	
Chapter Corrective Actions	Status of Corrective Action
1. Chapter officials and staff will abide by the Five Management System policies and procedures.	Implemented
2. Community Services Coordinator will coordinate with chapter administration in planning, implementing, supervising, orientation, training and monitoring approved chapter projects.	Implemented
3. Chapter officials and staff will communicate to improve daily administrative functions.	Implemented
Audit Issue Resolved? Yes	
2012 Audit Issue 11: Contrary to LGA, the Chapter has not fully implemented the Five Management System	
Chapter Corrective Actions	Status of Corrective Action
1. Chapter officials will work with the chapter staff to adhere to the Five Management System policies and procedures.	Implemented
Audit Issue Resolved? Yes	

2016 REVIEW RESULTS

Finding III: The Chapter was directly involved in the operation of the chapter owned corporation.

2012 Audit Issue 12: Contrary to LGA, the former chapter president executed two professional service contracts on behalf of St. Michaels Chapter Development Corporation.	
Chapter Corrective Actions	Status of Corrective Action
1. The Chapter will follow the 164 review process in procuring services for outside consultants in accordance to the Navajo Nation Business Opportunity Act and are to be approved by the Navajo Nation central government.	Not Applicable. St. Michaels Chapter Development Corporation was no longer in operation since April 15, 2012.
Audit Issue Resolved? Not Applicable	
2012 Audit Issue 13: Non-Compliance with the Navajo Procurement Code for payments to a St. Michaels Chapter Development Corporation contractor.	
Chapter Corrective Actions	Status of Corrective Action
1. Chapter officials and staff will comply with Navajo Nation procurement code and Five Management System procurement policies and procedures, and any applicable laws and regulations.	No longer an audit issue. St. Michaels Chapter Development Corporation was no longer in operation since April 15, 2012.
Audit Issue Resolved? Not Applicable	
2012 Audit Issue 14: The financial activities of the St. Michaels Chapter Development Corporation were not reported to the Chapter membership.	
Chapter Corrective Actions	Status of Corrective Action
1. The St. Michaels Chapter Development Corporation account was closed and the remaining balance of the account was transferred into the St. Michael's Chapter checking account to the general funds in the amount of \$7,356.55.	Implemented
Audit Issue Resolved? Yes	