

OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

**A Follow-Up Review
of the
Rock Springs Chapter
Corrective Action Plan Implementation**

**Report No. 16-05
December 2015**

Performed by:
Jeanine Jones, Senior Auditor
Beverly Tom, Senior Auditor





December 21, 2015

Carl Smith, President
ROCK SPRINGS CHAPTER
P.O. Box 4608
Yatahey, NM 87375

Dear Mr. Smith:

The Office of the Auditor General herewith transmits Audit Report No. 16-05, a Follow-up Review of the Rock Springs 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 Rock Springs Chapter corrective action plan.
- To identify the barrier(s), if any, that hindered implementation efforts.

To meet the objectives, we reviewed Chapter records and files for the five-month period beginning January 1, 2015 and ending May 31, 2015.

Background

A compliance audit of the Rock Springs Chapter was conducted in 2013, and the Auditor General issued audit report no. 13-08. The audit report and the corrective action plan developed by the Rock Springs Chapter were approved by the Budget and Finance Committee on December 6, 2013, per resolution no. BFD-46-13. With Budget and Finance Committee approval, the Rock Springs Chapter has the duty to implement the corrective action plan.

Review Results

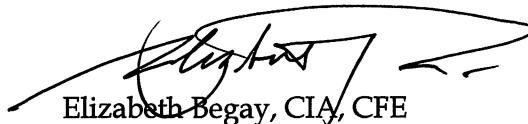
The Rock Springs Chapter has implemented the majority of corrective actions outlined in the corrective action plan. See Exhibit A for the review results. The Chapter has resolved 17 of 18 issues from the 2013 audit report. The Chapter officials and staff are working on resolving one remaining issue relating to wages paid to temporary employees. The staff will ensure timecards are consistently used, timesheets are reviewed and signed by approver prior to processing payroll checks, and holiday pay will be discontinued to temporary workers who were not eligible per personnel policies and procedures.

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Conclusion

The Rock Springs Chapter has strengthened internal controls and complied with policies and procedures, laws and guidelines. More important, the 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 Rock Springs Chapter and officials in accordance with 12 N.N.C. Section 9.

Sincerely,



Elizabeth Begay, CIA, CFE
Office of the Auditor General

xc: Jasper Long, Vice-President
Eleanor Jones, Secretary/Treasurer
Seth Damon, Council Delegate
ROCK SPRINGS CHAPTER
Robert Begay, Department Manager II
ADMINISTRATIVE SERVICE CENTER/DCD
Chrono

2016 REVIEW RESULTS

Finding I: Chapter Internal Controls Are Deficient.

2013 Audit Issue 1: Approved budgets were not accurately posted in the accounting system.	
Chapter Corrective Actions	Status of Corrective Action
1. Accounts Maintenance Specialist will post all budgets to the accounting system; Community Services Coordinator will review budget entries for accuracy.	Implemented
2. Community Services Coordinator and the Accounts Maintenance Specialist will reconcile the fund balances of the balance sheet to the available budget balances of the budget to actual report on a monthly basis.	Implemented
3. Chapter officials will monitor and review budget to actual report to ensure budgets are accurately posted.	Implemented
Audit Issue Resolved: Yes	
2013 Audit Issue 2: Chapter travel expenditures lack proper documentation.	
Chapter Corrective Actions	Status of Corrective Action
1. Community Services Coordinator and the Accounts Maintenance Specialist will ensure budget is set up for travel at the beginning of the fiscal year to cover for any necessary travel by the administrative staff, Chapter officials and standing committees.	Implemented
2. Community Services Coordinator will approve all travel requests upon verifying all travel are adequately supported by documents and issue travel advance of 80%.	Implemented
3. Community Services Coordinator and the Secretary/Treasurer will verify all required supporting documents are attached and sign checks.	Implemented
4. Chapter officials will thoroughly review the travel documents to verify all travel activities are approved.	Implemented
Audit Issue Resolved: Yes	
2013 Audit Issue 3: Store prepaid accounts lack controls to account for purchases.	
Chapter Corrective Actions	Status of Corrective Action
1. Community Services Coordinator and the Secretary/Treasurer will enter into an agreement with the vendor to document the individual authorized to charge.	Implemented
2. Community Services Coordinator and the Accounts Maintenance Specialist will maintain a log of charges to reconcile to the invoice.	Implemented
3. Community Services Coordinator and the Accounts Maintenance Specialist will document mileages and gallons of fuel purchased for reconciliation.	Implemented

4. Community Services Coordinator and the Accounts Maintenance Specialist will reconcile vendor and Chapter records on a monthly basis to ensure all records agree prior to paying the invoice.	Implemented
5. Community Services Coordinator and the Secretary/Treasurer will ensure there will be no prepaid accounts for building materials.	Implemented
Audit Issue Resolved: Yes	
2013 Audit Issue 4: The Chapter did not maintain a comprehensive inventory listing.	
Chapter Corrective Actions	Status of Corrective Action
1. Community Services Coordinator and the Vice President will ensure an annual physical inventory is conducted.	Implemented
2. Community Services Coordinator will ensure capitalized fixed assets with an individual value of \$1,000 or more are listed separately on a capitalized inventory form.	Implemented
3. Accounts Maintenance Specialist will develop a comprehensive inventory categorizing the expendable and non-expendable capitalized property and equipment and ensure it includes all pertinent information.	Implemented
4. Community Services Coordinator and the Accounts Maintenance Specialist will update and record, maintain all fixed assets in the accounting system and record on financial statement.	Implemented
Audit Issue Resolved: Yes	
2013 Audit Issue 5: Incomplete personnel files.	
Chapter Corrective Actions	Status of Corrective Action
1. Community Services Coordinator and the Accounts Maintenance Specialist will establish a checklist to ensure all required personnel records are listed and accepted.	Implemented
2. Accounts Maintenance Specialist will ensure that only complete and accurate personnel records are accepted for compliance purposes.	Implemented
3. Accounts Maintenance Specialist will ensure all personnel action forms are signed before an employee begins his/her employment.	Implemented
Audit Issue Resolved: Yes	
2013 Audit Issue 6: The Chapter cannot justify wages paid to temporary employees.	
Chapter Corrective Actions	Status of Corrective Action
1. Community Services Coordinator will designate a supervisor who will be responsible for all sign in/out sheets for all employees.	Implemented

2. Designated supervisor will submit sign in/out sheets to Accounts Maintenance Specialist who will post hours worked to the accounting system payroll module to generate the timesheet.	Implemented
3. Community Services Coordinator will sign all timesheets for accuracy and approve the processing of payroll and distribute checks.	Not Implemented
4. Accounts Maintenance Specialist will process payroll based on the approved timesheets, prepare all additional supporting documents such as payroll journal, payroll calculation sheet and subsidiary earnings record.	Not Implemented
5. Chapter Officials will review timesheet and proof of the Community Services Coordinator's reconciliations before co-signing the payroll checks.	Not Implemented
Audit Issue Resolved: No	
2013 Audit Issue 7: The Chapter filing system was in disarray and inefficient.	
Chapter Corrective Actions	Status of Corrective Action
1. Accounts Maintenance Specialist will be responsible to set up the filing system by utilizing the standardized color coding recordkeeping system.	Implemented
2. Community Services Coordinator will ensure Accounts Maintenance Specialist established an efficient recordkeeping system to keep track or retrieve documents.	Implemented
3. Chapter Officials will monitor the administrative staff to ensure standardized recordkeeping system is implemented and maintained.	Implemented
Audit Issue Resolved: Yes	
2013 Audit Issue 8: Favoritism in providing services to Chapter officials, staff, committee members and their relatives and friends.	
Chapter Corrective Actions	Status of Corrective Action
1. Community Services Coordinator will ensure each financial assistance request is on an application with the attachment of applicable documentation to support the assistance requests.	Implemented
2. Community Services Coordinator will conduct a follow-up review of the assistance to ensure the financial assistance is utilized for the intended and approved purpose.	Implemented
3. Chapter staff and the officials will review and follow all Chapter policies and procedures.	Implemented
Audit Issue Resolved: Yes	

2016 REVIEW RESULTS

Finding II: Chapter Does Not Consistently Comply with Applicable Laws and Funding Guidelines.

2013 Audit Issue 9: Non-compliance with Procurement Code and Regulations	
Chapter Corrective Actions	Status of Corrective Action
1. Community Services Coordinator in consultation with Chapter officials will review the written price quotations for reasonableness, necessity, budget and fund compliance to either approve or deny a price quotation.	Implemented
2. If approved, Accounts Maintenance Specialist will verify fund availability, prepare a Fund Approval Form and submit packet to Community Services Coordinator.	Implemented
3. Upon approval by Community Services Coordinator, Accounts Maintenance Specialist will prepare a check and submit with supporting documentation for Community Services Coordinator signature.	Implemented
4. Chapter officials shall verify supporting documents and then sign check.	Implemented
5. Accounts Maintenance Specialist will remit payment to vendor with copy of invoice attached; complete receiving reports to document goods and services were received.	Implemented
6. Accounts Maintenance Specialist will post expenditure in the accounting system to update appropriate ledgers.	Implemented
Audit Issue Resolved: Yes	
2013 Audit Issue 10: Non-compliance with Scholarship Policies and Procedures.	
Chapter Corrective Actions	Status of Corrective Action
1. Chapter staff will require applicants to submit applications and all required documents.	Implemented
2. Community Services Coordinator will evaluate for completeness and assurance that all documents meet the policies and procedures and criteria to ensure fair and equal treatment.	Implemented
3. Community Services Coordinator will prepare a standard memo that approves or denies the scholarship and gives clear reason for the decision.	Implemented
4. Community Services Coordinator will be consistent in amount of scholarship awarded based on degree rather than class status.	Implemented

5. Community Services Coordinator and the Chapter officials will eliminate students' requirement to submit receipts of expenditures and bonuses paid to graduates.	Implemented
Audit Issue Resolved: Yes	
2013 Audit Issue 11: Non-compliance with Housing Policies and Procedures.	
Chapter Corrective Actions	Status of Corrective Action
1. Chapter President will ensure a housing committee is established to evaluate applications to determine eligibility and rank housing applicants based on priority.	Implemented
2. Community Services Coordinator will ensure each housing assistance request is on an application with attachments of all applicable documentation to support the assistance requested.	Implemented
3. Community Services Coordinator will conduct a follow-up of the assistance to ensure the housing assistance is utilized for the intended approved purpose.	Implemented
Audit Issue Resolved: Yes	
2013 Audit Issue 12: Non-compliance with PEP Policies and Procedures.	
Chapter Corrective Actions	Status of Corrective Action
1. Community Services Coordinator will adhere to personnel policies and procedures on recruiting, selecting and hiring for each project.	Implemented
2. Community Services Coordinator will prepare project reports upon their completion to justify the resources used for the projects.	Implemented
3. Community Services Coordinator will establish a process to facilitate periodic review of Chapter files by the Chapter officials to ensure proper compliance.	Implemented
Audit Issue Resolved: No	
2013 Audit Issue 13: The Veterans Fund was expended contrary to the intended purpose of the fund.	
Chapter Corrective Actions	Status of Corrective Action
1. Community Services Coordinator will ensure the applicants submit all applicable documents to verify eligibility.	Implemented
2. Community Services Coordinator will ensure assistance is evaluated and approved by the local veterans association.	Implemented
3. Community Services Coordinator will establish a budget limits for individual financial assistance based on needs.	Implemented

4. Community Services Coordinator and the Secretary/Treasurer will prohibit the expenditure of the veterans fund for non-direct financial assistance.	Implemented
Audit Issue Resolved: Yes	
2013 Audit Issue 14: Use of Emergency Fund cannot be justified.	
Chapter Corrective Actions	Status of Corrective Action
1. Community Services Coordinator in coordination with the Chapter Vice President will develop an Emergency Response Plan and get it approved by the Chapter membership at a duly called meeting.	Implemented
2. In an event of emergency disaster, staff and the Chapter officials will ensure the Emergency Response Plan is adhered to.	Implemented
3. Community Services Coordinator and the Chapter officials will work together to form an Authorized Local Emergency Response Team, if budget permits.	Implemented
Audit Issue Resolved: Yes	
2013 Audit Issue 15: Capital Outlay appropriations were not used as intended.	
Chapter Corrective Actions	Status of Corrective Action
1. Community Services Coordinator will require the Chapter officials to review all documents prior to co-signing the checks to ensure the funds are being expended according to the intent purpose of the funds.	Implemented
2. Community Services Coordinator will maintain the list of recipients of the capital outlay projects.	Implemented
3. Community Services Coordinator in coordination with Chapter officials will evaluate, assess and rank the capital outlay projects.	Implemented
Audit Issue Resolved: Yes	
2013 Audit Issue 16: Financial reports were not provided to the chapter membership.	
Chapter Corrective Actions	Status of Corrective Action
1. The Chapter President will ensure the Community Services Coordinator prepares reliable financial reports and readily available for the Secretary/Treasurer to present at Chapter meetings.	Implemented
2. Secretary/Treasurer will ensure the financial reports presentation is on the monthly agenda meeting, present the financial reports to community membership, ensure the community approves the report, reporting is documented in the meeting minutes and copies of the financial reports are attached to the meeting minutes.	Implemented
3. Chapter staff will obtain training to generate accurate and reliable financial statements.	Implemented
Audit Issue Resolved: Yes	

2013 Audit Issue 17: Monitoring by Chapter officials was insufficient.	
Chapter Corrective Actions	Status of Corrective Action
1. Secretary/Treasurer will sign any and all checks for disbursements and will be cognizant of all Chapter finances, will review all Chapter finances monthly by initialing all reviews.	Implemented
2. Chapter President will ensure administrative staff is carrying out all directives and responsibilities pertaining to the Chapter on a quarterly basis.	Implemented
3. Community Services Coordinator will seek technical assistance to clarify the monitoring responsibilities, develop monitoring tools and address staff shortcomings at a timely manner.	Implemented
Audit Issue Resolved: Yes	
2013 Audit Issue 18: Contrary to LGA, the Chapter has not fully implemented a five management system.	
Chapter Corrective Actions	Status of Corrective Action
1. Chapter officials will work closely with the staff in adhering to the Five Management System policies and procedures.	Implemented
2. Chapter officials and staff need to attend training made available to enhance their skills and knowledge.	Implemented
Audit Issue Resolved: Yes	