

OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

**A Follow-Up Review
of the
Low Mountain Chapter
Corrective Action Plan Implementation**



**Report No. 16-06
December 2015**

Performed by:
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Beverly Tom, Senior Auditor
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December 21, 2015

Gerald Ahasteen, President
LOW MOUNTAIN CHAPTER
P.O. Box 4416
Blue Gap, AZ 86520-4416

Dear Mr. Ahasteen:

The Office of the Auditor General herewith transmits Audit Report No. 16-06, a follow-up review of the Low Mountain 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 Low Mountain Chapter corrective action plan.
- To identify the barrier(s), if any, that hindered implementation efforts.

To meet our objectives, we reviewed chapter financial activities, operations, and projects for the six-month period of December 2014 to May 2015.

Background

A financial audit of Low Mountain Chapter was conducted in 2012 and the Auditor General issued audit report no. 12-18. The audit report and the corrective action plan developed by Low Mountain Chapter were approved by the Budget and Finance Committee on October 2, 2012 per resolution no. BFO-49-12. With Budget and Finance Committee approval, Low Mountain Chapter has the duty to implement the corrective action plan.

Review Results

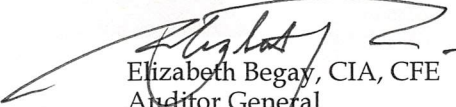
The Low Mountain Chapter has implemented all corrective actions outlined in the corrective action plan. Accordingly, the Chapter has resolved the issues noted in audit report 12-18. See Exhibit A for the review results.

Conclusion

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

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

Sincerely,



Elizabeth Begay, CIA, CFE
Auditor General

xc: Roger B. George, Vice President
Sampson Begay, Secretary/Treasurer
Mareita Denny, Community Services Coordinator
Kee Allen Begay Jr., Council Delegate
LOW MOUNTAIN CHAPTER
Jayne Mitchell, Senior Accountant
Robert Begay, Department Manager II
ADMINISTRATIVE SERVICE CENTER/DCD
Chrono

2016 REVIEW RESULTS

FINDING I: Chapter Internal Controls are Deficient

2012 Audit Issue 1: Bank Reconciliations were not properly completed and reviewed.	
<u>Corrective Actions</u>	<u>Status of Corrective Action</u>
1. Adhere to the proper procedures on posting checks in the accounting system.	Implemented
2. Ensure all bank accounts statements are received from the bank to perform bank reconciliations.	Implemented
3. Seek technical assistance or training from Administrative Services Center on reviewing bank reconciliations to detect and correct errors in a timely manner.	Implemented
Audit Issue Resolved: Yes	
2012 Audit Issue 2: Cash deposits are not properly posted in the accounting system.	
<u>Corrective Actions</u>	<u>Status of Corrective Action</u>
1. Seek additional training and technical assistance from Administrative Services Center.	Implemented
2. Review the applicable financial reports to monitor the cash on hand and verify deposits are posted correctly in the accounting system.	Implemented
3. Utilize the Wells Fargo remote desktop deposit machine for the deposit of cash receipts and allocations.	Implemented
Audit Issue Resolved: Yes	
2012 Audit Issue 3: Lack of segregation of duties within chapter operations.	
<u>Corrective Actions</u>	<u>Status of Corrective Action</u>
1. Establish a proper training program for new employees so they may have a proper understanding of their duties and responsibilities.	Implemented
2. Properly assign responsibilities among the administration to ensure proper checks and balances.	Implemented
3. Work with Administrative Services Center in implementing compensating controls when there is limited staff.	Implemented
Audit Issue Resolved: Yes	
2012 Audit Issue 4: Store account activities lack proper accountability.	
<u>Corrective Actions</u>	<u>Status of Corrective Action</u>
1. Note the Chapter vehicle license on the fuel receipts when purchasing fuel.	Implemented
2. Establish a log to record each fuel purchase.	Implemented

3. Reconcile the log against the monthly invoices to verify their accuracy.	Implemented
4. Periodically review the chapter files to ensure adequate supporting documentation is maintained for the fuel account.	Implemented
5. Renew the agreement every fiscal year and maintain the agreement on file.	Implemented
6. Obtain community approval of the fuel account with a supporting chapter resolution.	Implemented
Audit Issue Resolved: Yes	
2012 Audit Issue 5: Chapter buildings were not adequately insured.	
Corrective Actions	Status of Corrective Action
1. Work closely with Navajo Nation Property Management Department to assign fixed asset numbers to all chapter buildings.	Implemented
2. Update the property listing to include all chapter buildings based on the appraiser's report.	Implemented
3. Submit the updated list to the Navajo Nation Risk Management Department.	Implemented
4. Maintain a file on the building insurance coverage.	Implemented
Audit Issue Resolved: Yes	
2012 Audit Issue 6: Chapter property lack proper identification numbers.	
Corrective Actions	Status of Corrective Action
1. Obtain pre-numbered property tags.	Implemented
2. Tag all property items.	Implemented
3. Update the Chapter property listing to reflect the current information.	Implemented
4. Periodically inspect new property items to ensure they are adequately tagged.	Implemented
Audit Issue Resolved: Yes	
2012 Audit Issue 7: Financial data is not adequately safeguarded from loss.	
Corrective Actions	Status of Corrective Action
1. Adhere to the back-up procedures provided by the Chapter consultant.	Implemented
2. Designate an individual to perform the back-ups.	Implemented
3. Develop internal policies, procedures, and tools such as a log to document the back-ups.	Implemented
4. Maintain the external storage device off-site away from the Chapter.	Implemented
5. Seek technical assistance or training on computer system back-ups.	Implemented
Audit Issue Resolved: Yes	

2012 Audit Issue 8: Chapter reliance on consultant rather than Administrative Services Center results in additional costs.	
Corrective Actions	Status of Corrective Action
1. Identify areas of accounting system for which chapter administration need more training to improve skills and knowledge base.	Implemented
Audit Issue Resolved: Yes	
2012 Audit Issue 9: IRS 1099 form was not issued to an independent contractor that was paid over \$600 for services rendered.	
Corrective Actions	Status of Corrective Action
1. Adhere to established Five Management System policies on 1099 Forms.	Implemented
2. Utilize the accounting system to process the 1099 forms.	Implemented
3. Review the vendor files at the end of each calendar year to ensure the chapter administration is adhering to policies.	Implemented
Audit Issue Resolved: Yes	

2016 REVIEW RESULTS

FINDING II: Chapter Does Not Consistently Comply with Applicable Laws and Regulations

2012 Audit Issue 10: Non-compliance with Navajo Nation Code and regulations when procuring professional services.	
Corrective Actions	Status of Corrective Action
1. Adhere to established procurement laws, policies, and procedures in procuring professional services.	Cannot Determine Due to No Activity
2. Execute future contracts through the Navajo Nation 164 review process.	Cannot Determine Due to No Activity
3. Seek technical assistance from Administrative Services Center to ensure that contracts are properly executed in the future.	Cannot Determine Due to No Activity
Audit Issue Resolved: Cannot Determine Due to No Activity	
2012 Audit Issue 11: State unemployment quarterly tax reports and payments were not remitted.	
Corrective Actions	Status of Corrective Action
1. Obtain proper training on SUTA from Arizona Department of Economic Security.	Implemented
2. Remit quarterly SUTA reports and payment in accordance with Arizona Department of Economic Security policies and procedures.	Implemented
3. Review the monthly financial statements to ensure liabilities are paid in a timely manner.	Implemented
Audit Issue Resolved: Yes	
2012 Audit Issue 12: Monitoring by Chapter officials is inconsistent with LGA	
Corrective Actions	Status of Corrective Action
1. Seek technical assistance to clarify monitoring responsibilities.	Implemented
2. Develop monitoring tools for the Chapter officials to use.	Implemented
3. Document the results of the monitoring activities and address staff shortcomings in a timely manner.	Implemented
Audit Issue Resolved: Yes	