

OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

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



**Report No. 16-07
December 2015**

**Performed by:
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December 29, 2015

Richard Bowman, President
MEXICAN SPRINGS CHAPTER
P.O. Box 689
Tohatchi, NM 87325

Dear Mr. Bowman:

The Office of the Auditor General herewith transmits Audit Report No. 16-07, a Follow-up Review of the Mexican 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 Mexican Springs Chapter corrective action plan.
- To identify the barrier(s), if any, that hindered implementation efforts.

To meet the objectives, we reviewed the Mexican Springs Chapter's records for the five month period of January 2015 to May 2015.

Background

A compliance audit of the Mexican Springs Chapter was conducted in 2011, and the Auditor General issued audit report no. 12-10. The audit report and the corrective action plan developed by the Mexican Springs Chapter were approved by the Budget and Finance Committee on May 15, 2012, per resolution no. BFMY-29-12. With Budget and Finance Committee approval, the Mexican Springs Chapter has the duty to implement the corrective action plan.

Review Results

The Mexican Springs Chapter has not fully implemented the corrective action plan. The Chapter did not resolve 9 of 28 issues reported in audit report no. 12-10. The Chapter has not demonstrated 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.

- Travel expenditures were not supported with proper documentation such as an approved travel authorization, current insurance cards and odometer reading that is stated in the Navajo Nation Travel Policies and Procedures.
- The Chapter is not safeguarding property/equipment. The Chapter did not tag and could not locate all property and equipment. In addition, the chapter's inventory is unreliable and incomplete. Furthermore, no fixed assets are reported on the chapter's financial statements.

Ltr. to Mexican Springs Chapter

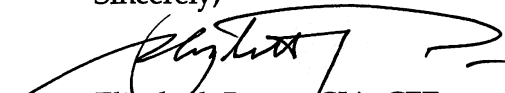
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- Required personnel documents such as personnel action form, employee application, and new hire form were not on file.
- Required procurement documents such as quotations and receiving reports were not on file to support the procurement of goods and services.
- The Chapter is not completing follow-up assessments of approved housing projects to ensure funds are used as intended.
- The Chapter did not have all required documents such as project applications and project completion reports to support Public Employment Program projects.
- The Chapter did not have required documents such as declaration of emergency, assessments, meeting minutes, recipient listing, or approved budget to support the disbursement of emergency funds.
- The Chapter officials did not provide sufficient monitoring over the chapter administration.
- The Chapter has not fully implemented the Five Management System.

Conclusion

Title 12, Navajo Nation Code (N.N.C.) Section 8 imposes upon the Mexican Springs 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 2011 audit remain unresolved. Accordingly, the Office of the Auditor General recommends sanctions be imposed on the Mexican Springs Chapter and 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: Darrell Morris, Vice-President
Roberta Becenti, Secretary/Treasurer
Christine Sam, Community Service Coordinator
Mel R. Begay, Council Delegate
MEXICAN SPRINGS CHAPTER
Jayne Mitchell, Senior Accountant
Robert Begay, Department Manager
ADMINISTRATIVE SERVICE CENTER/DCD
Chrono

2016 REVIEW RESULTS

Finding I: Chapter internal controls are deficient.

| 2011 Audit Issue 1: Budgets were not presented to chapter membership for approval. | |
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| Chapter Corrective Actions | Status of Corrective Action |
| 1. The Community Services Coordinator and the chapter officials will develop a budget and present the proposed budget at a regular chapter meeting. | Implemented |
| 2. The Community Services Coordinator will ensure the community membership, at a regular chapter meeting, approves the budgets. | Implemented |
| Audit issue resolved: Yes | |
| 2011 Audit Issue 2: Poor budget monitoring resulted in budget deficits. | |
| Chapter Corrective Actions | Status of Corrective Action |
| 1. The Accounts Maintenance Specialist and the Community Services Coordinator will use the accounting system to verify funds are available and refrain from processing checks unless there are sufficient funds. | Implemented |
| 2. The Community Services Coordinator, Accounts Maintenance Specialist, and the Secretary/Treasurer will ensure all expenditures are in compliance with the approved budgets and not exceed budget limits. | Implemented |
| Audit issue resolved: Yes | |
| 2011 Audit Issue 3: Budgets were not accurately posted in the accounting system. | |
| Chapter Corrective Actions | Status of Corrective Action |
| 1. The Community Services Coordinator and the Secretary/Treasurer will ensure all chapter budgets have been accurately posted to the accounting system. | Implemented |
| Audit issue resolved: Yes | |
| 2011 Audit Issue 4: Funds from Division of Social Services intended to purchase wood/coal for low income families was used to pay chapter bills. | |
| Chapter Corrective Actions | Status of Corrective Action |
| 1. The Community Services Coordinator will ensure unexpended funds are returned to the Navajo Nation Division of Social Services. | Implemented |
| 2. The Community Services Coordinator will ensure the Chapter does not enter into another contract with the Navajo Nation Division of Social Services after October 2009. | Implemented |
| 3. The Community Services Coordinator will ensure the repayment of funds is approved by the community membership at a regular chapter meeting. | Implemented |
| Audit issue resolved: Yes | |

| 2011 Audit Issue 5: Chapter travel expenditures lack proper documentation. | |
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| Chapter Corrective Actions | Status of Corrective Action |
| 1. The Community Services Coordinator will ensure travel policies and procedures are followed. | Not Implemented |
| 2. The Community Services Coordinator will ensure travel requests are approved prior to actual travel. | Not Implemented |
| 3. The Community Services Coordinator will ensure travel advances do not exceed 80% of travel cost. | Implemented |
| 4. The Community Services Coordinator will ensure travel expenses are supported with required documentation and filed at the chapter. | Not Implemented |
| 5. The Chapter officials will review travel documents to verify travel activities are approved. | Not Implemented |
| Audit issue resolved: No | |
| 2011 Audit Issue 6: The Chapter could not support stipend payments to committee members and grazing official. | |
| Chapter Corrective Actions | Status of Corrective Action |
| 1. The Accounts Maintenance Specialist and the Community Services Coordinator will ensure the committee member's and grazing official's claim forms are supported with required documents such as meeting minutes prior to approval. | Cannot be determine due to no activity |
| Audit issue resolved: Cannot not be determine due to no activity | |
| 2011 Audit Issue 7: The Chapter has undeposited revenue. | |
| Chapter Corrective Actions | Status of Corrective Action |
| 1. The Accounts Maintenance Specialist will give to the Community Services Coordinator all cash receipts along with the prepared bank deposit slip for review. | Implemented |
| 2. The Community Services Coordinator will reconcile the cash receipts, cash receipts journal, and deposit amount for accuracy prior to deposit. | Implemented |
| 3. The Community Services Coordinator will deposit cash receipts to the chapter's bank account. | Implemented |
| 4. The Community Services Coordinator will return the deposit receipt to the Accounts Maintenance Specialist to post the deposit amount to the accounting system. | Implemented |
| Audit issue resolved: Yes | |

| 2011 Audit Issue 8: Poor inventory controls over hay resale activities. | |
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| Chapter Corrective Actions | Status of Corrective Action |
| 1. The Community Services Coordinator and the Accounts Maintenance Specialist will implement the resale policies and procedures. | Cannot be determine due to no activity |
| 2. The Community Services Coordinator will ensure the resale inventory records document all purchases, sales, and damaged or stolen items. | Cannot be determine due to no activity |
| 3. The Community Services Coordinator will perform physical counts of resale inventory on a monthly basis to reconcile to inventory records. | Cannot determine due to no activity |
| Audit issue resolved: Cannot be determine due to no activity | |
| 2011 Audit Issue 9: Bank reconciliations were not completed. | |
| Chapter Corrective Actions | Status of Corrective Action |
| 1. The Community Services Coordinator will download the bank statements from the bank and ensure the Accounts Maintenance Specialist completes the bank reconciliation each month. | Implemented |
| 2. The Community Service Coordinator and the Secretary/Treasurer will review the bank reconciliation for accuracy. | Implemented |
| Audit issue resolved: Yes | |
| 2011 Audit Issue 10: On-line banking policies and procedures need strengthening. | |
| Chapter Corrective Actions | Status of Corrective Action |
| 1. The Community Services Coordinator will revise the on-line banking policies to improve controls over the on-line banking activities including the segregation of duties and authorized users. | Implemented |
| Audit issue resolved: Yes | |
| 2011 Audit Issue 11: The Chapter officials and former Community Services Coordinator signed their own checks. | |
| Chapter Corrective Actions | Status of Corrective Action |
| 1. The Community Services Coordinator will ensure no Chapter staff or official signs their own checks. | Implemented |
| Audit issue resolved: Yes | |

| 2011 Audit Issue 12: Chapter property and equipment is not safeguarded from loss and misuse. | |
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| Chapter Corrective Actions | Status of Corrective Action |
| 1. The Accounts Maintenance Specialist will conduct an annual physical inventory of chapter property and equipment and ensure the inventory is complete and reliable. | Not Implemented |
| 2. The Community Services Coordinator and the Chapter President will ensure chapter property and equipment are tagged with pre-numbered identification tags. | Not Implemented |
| Audit issue resolved: No | |
| 2011 Audit Issue 13: Incomplete personnel files. | |
| Chapter Corrective Actions | Status of Corrective Action |
| 1. The Community Services Coordinator will ensure all personnel documents, as required by policies and procedures, are on file prior to the start of employment. | Not Implemented |
| 2. The Accounts Maintenance Specialist will verify all personal action forms are complete and signed before an employee begins their employment. | Not Implemented |
| Audit issue resolved: No | |
| 2011 Audit Issue 14: The Chapter cannot justify wages paid to temporary employees. | |
| Chapter Corrective Actions | Status of Corrective Action |
| 1. The Community Services Coordinator will ensure attendance sheets are maintained by employees to document hours worked and ensure employees are paid only for hours worked. | Implemented |
| 2. The Accounts Maintenance Specialist will prepare timesheets based on the attendance sheets. | Implemented |
| 3. The Community Services Coordinator and the Chapter officials will review payroll documents for accuracy prior to approving payment. | Implemented |
| Audit issue resolved: Yes | |

2016 REVIEW RESULTS

Finding II: Chapter did not consistently comply with applicable laws and fund guidelines.

| 2011 Audit Issue 15: Non-compliance with Navajo Nation procurement code and regulations. | |
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| Chapter Corrective Actions | Status of Corrective Action |
| 1. The Accounts Maintenance Specialist will ensure to obtain three (3) price quotations from vendors for procurement of goods/services. | Not Implemented |
| 2. The Community Service Coordinator and the Secretary/Treasurer will ensure the procurement packets have all required supporting documents prior to approval. | Not implemented |
| Audit issue resolved: No | |
| 2011 Audit Issue 16: Non-compliance with housing discretionary fund policies and procedures. | |
| Chapter Corrective Actions | Status of Corrective Action |
| 1. The Community Services Coordinator will ensure housing funds are used in accordance with the housing policies and procedures. | Implemented |
| 2. The Community Services Coordinator will verify the housing assistance requests are documented on an application form and have all required documents. | Implemented |
| 3. The Community Services Coordinator will present the housing applicants to the community membership at a regular chapter meeting for final approval. | Implemented |
| 4. The Community Services Coordinator will complete follow-up reviews of approved housing assistance to verify funds are used for their intended purpose. | Not Implemented |
| Audit issue resolved: No | |
| 2011 Audit Issue 17: Non-compliance with Public Employment Project policies and procedures. | |
| Chapter Corrective Actions | Status of Corrective Action |
| 1. The Community Services Coordinator will ensure PEP funds are used in accordance with the PEP policies and procedures. | Not Implemented |
| 2. The Community Services Coordinator will ensure each PEP project has a project application and any extension of projects is approved. | Not Implemented |
| 3. The Community Services Coordinator will ensure PEP vacant positions are advertised for 10 days. | Implemented |
| 4. The Community Services Coordinator will ensure the PEP project supervisor submits project reports. | Not Implemented |
| Audit issue resolved: No | |

| 2011 Audit Issue 18: Scholarships was not awarded fairly and equitably. | |
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| Chapter Corrective Actions | Status of Corrective Action |
| 1. The Community Services Coordinator and the chapter officials will implement the student financial assistance policies and procedures. | Implemented |
| 2. The Accounts Maintenance Specialist and the Community Services Coordinator will ensure all required scholarship documents are submitted by the applicants for review of eligibility. | Implemented |
| 3. The Community Services Coordinator will refer eligible applicants to be approved by the community membership at a regular chapter meeting. | Implemented |
| 4. The Community Services Coordinator will ensure students receive award amounts that do not exceed the maximum allowable amount according to policies and procedures. | Implemented |
| Audit issue resolved: Yes | |
| 2011 Audit Issue 19: Use of Emergency Funds cannot be justified | |
| Chapter Corrective Actions | Status of Corrective Action |
| 1. The Community Services Coordinator will ensure emergency funds are used to provide relief services to chapter members in the event of an emergency and based on priority in accordance to the funding guidelines, Five Management System policies and procedures, and emergency response plan. | Not Implemented |
| 2. The Community Services Coordinator will develop an emergency response plan and obtain community membership approval for the plan. | Not Implemented |
| 3. In the event of an emergency, the Community Services Coordinator and the chapter officials will implement the plan. | Not Implemented |
| Audit issue resolved: No | |
| 2011 Audit Issue 20: Restricted Funds were reallocated to cover fund deficits | |
| Chapter Corrective Actions | Status of Corrective Action |
| 1. The Community Services Coordinator and the Chapter officials will ensure all expenditures are in compliance with approved funding guidelines. | Implemented |
| Audit issue resolved: Yes | |
| 2011 Audit Issue 21: IRS Reports and payments were not remitted in a timely manner. | |
| Chapter Corrective Actions | Status of Corrective Action |
| 1. The Accounts Maintenance Specialist will generate payroll reports and prepare the quarterly tax reports. | Implemented |
| 2. The Community Services Coordinator will verify the accuracy of the tax reports and remit the report and payment to the IRS in a timely manner. | Implemented |

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| 3. The Chapter officials will verify the timely remittance of the IRS report and payroll taxes to the IRS. | Implemented |
| Audit issue resolved: Yes | |
| 2011 Audit Issue 22: SUTA Tax Report and payment were not remitted. | |
| Chapter Corrective Actions | Status of Corrective Action |
| 1. The Accounts Maintenance Specialist will generate payroll reports and prepare the quarterly SUTA reports. | Implemented |
| 2. The Community Services Coordinator will verify the accuracy of the SUTA report and remit the report and unemployment taxes to New Mexico Department of Workforce Solutions in a timely manner. | Implemented |
| 3. The Chapter officials will verify the timely remittance of the SUTA report and unemployment taxes to New Mexico Department of Workforce Solutions. | Implemented |
| Audit issue resolved: Yes | |
| 2011 Audit Issue 23: Sales taxes were not reported and payments were not remitted. | |
| Chapter Corrective Actions | Status of Corrective Action |
| 1. Accounts Maintenance Specialist will generate sales tax reports and prepare the quarterly sales tax report. | Implemented |
| 2. The Community Services Coordinator will verify the accuracy of the sales tax report and remit the report to the Navajo Nation Tax Commission. | Implemented |
| 3. The Chapter officials will verify the timely remittance of the sales tax report to Navajo Nation Tax Commission. | Implemented |
| Audit issue resolved: Yes | |
| 2011 Audit Issue 24: Monitoring by Chapter Officials Is insufficient. | |
| Chapter Corrective Actions | Status of Corrective Action |
| 1. The Chapter President will ensure the chapter staff are carrying out all duties and responsibilities as stated in the Local Governance Act. | Not Implemented |
| 2. The Chapter Secretary/Treasurer will monitor chapter finances and ensure funds are expended in accordance to policies. | Not Implemented |
| Audit issue resolved: No | |
| 2011 Audit Issue 25: Contrary to LGA, the Chapter has not fully implemented a Five Management System. | |
| Chapter Corrective Actions | Status of Corrective Action |
| 1. The Chapter officials will work closely with the chapter staff to implement the Five Management System policies and procedures. | Not Implemented |
| Audit issue resolved: No | |

2016 REVIEW RESULTS

Finding III: \$168,000 Unauthorized payments to the chapter officials and former employees.

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| 2011 Audit Issue 26: Approximately \$60,000 unauthorized compensation to the former Chapter President and current Vice-President and Secretary/Treasurer. | |
| Chapter Corrective Actions | Status of Corrective Action |
| 1. The Community Services Coordinator will ensure the Office of the Auditor General refer the issue to Navajo Nation Ethics and Rules Office and the Navajo Nation White Collar Crime Unit. | Implemented (chapter officials settled to pay back the Chapter) |
| Audit issue resolved: Yes | |
| 2011 Audit Issue 27: Approximately \$100,000 unauthorized compensation to the former Chapter Community Services Coordinator and Office Specialist. | |
| Chapter Corrective Actions | Status of Corrective Action |
| 1. The Community Services Coordinator will ensure the Office of the Auditor General refer the issue to Navajo Nation Ethics and Rules Office and the Navajo Nation White Collar Crime Unit. | Implemented (Ethics Office has not filed the complaint) |
| Audit issue resolved: Yes | |
| 2011 Audit Issue 28: Approximately \$8,400 unauthorized compensation to the former Chapter PEP Worker. | |
| Chapter Corrective Actions | Status of Corrective Action |
| 1. The Community Services Coordinator will ensure the Office of the Auditor General refer the issue to Navajo Nation Ethics and Rules Office and the Navajo Nation White Collar Crime Unit. | Implemented (Ethics Office has not filed the complaint) |
| Audit issue resolved: Yes | |