

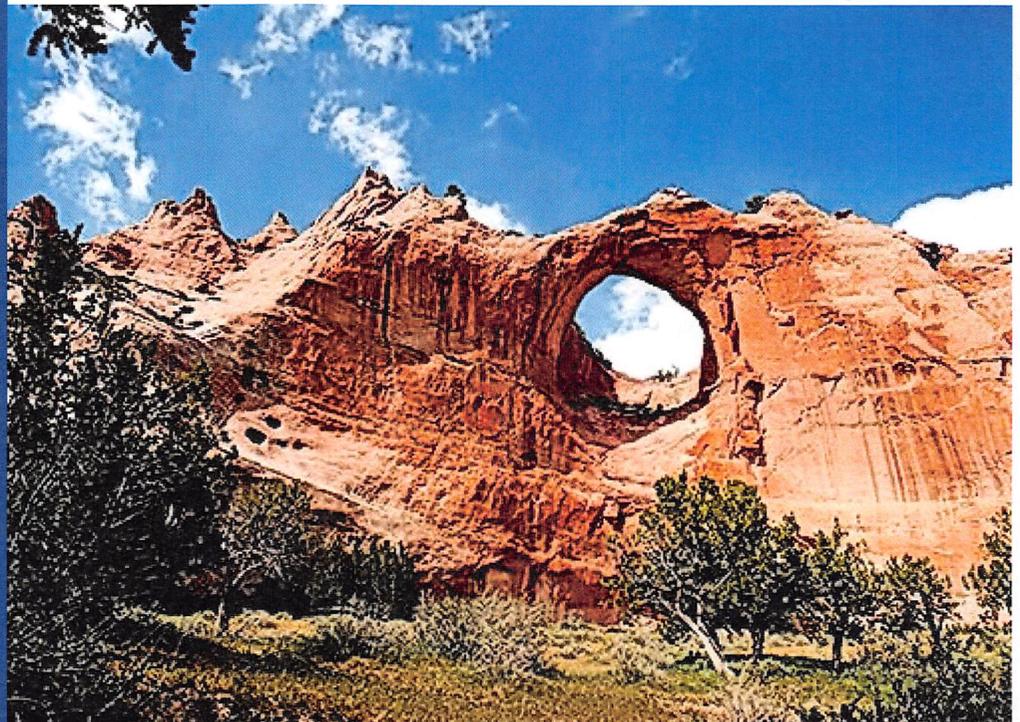
OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

**A 3rd Follow-Up Review
of the
Sawmill Chapter
Corrective Action Plan Implementation**

**Report No. 16-21
April 2016**

Performed by:
Stacy Manuelito, Auditor
Jeremy Buckingham, Asso. Auditor





April 13, 2016

Herman Begay, President
SAWMILL CHAPTER
P.O. Box 1786
Ft. Defiance, AZ 86504

Dear Mr. Begay:

The Office of the Auditor General herewith transmits Audit Report No. 16-21, a 3rd Follow-up Review of the Sawmill Chapter Corrective Action Plan Implementation. The Office of the Auditor General conducted the follow-up review to determine the status of the Sawmill Chapter corrective action plan.

To meet the objective, we reviewed the Sawmill Chapter's records for the six month period of August 2015 to January 2016.

Background

A Performance audit of the Sawmill Chapter was conducted in 1997, and the Auditor General issued audit report no. 97-25. Then a follow-up to the performance audit of Sawmill Chapter was conducted in 1999, and the Auditor General issued audit report no. 00-03. The audit report and the corrective action plan developed for audit report no. 00-03 by the Sawmill Chapter were approved by the Budget and Finance Committee on May 09, 2000, per resolution no. BFMY-45-00. With Budget and Finance Committee approval, the Sawmill Chapter has the duty to implement the corrective action plan.

The Office of the Auditor General conducted a 12-month corrective action plan follow-up review of the Sawmill Chapter in 2003 and issued a report, which concluded that the chapter did not fully implement its corrective action plan, thus the chapter was recommended for sanctions. The Navajo Nation Council Budget and Finance Committee approved the sanctions against the chapter and officials on October 04, 2003, per resolution no. BFO-147-03.

A 2nd Corrective Action Plan follow-up of the Sawmill Chapter was conducted in 2015, and the Auditor General issued audit report no. 15-10 which concluded that the sanctions have to remain in place since the Sawmill Chapter did not fully implement its corrective action plan.

3rd Follow- Up Review Results

The Sawmill Chapter has not fully implemented their corrective action plan. The Chapter did not resolve 11 of 12 issues reported in audit report no. 00-03

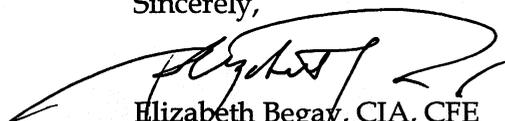
- The Chapter's cash receipt records were not verified and without reconciliation or review of controls over cash receipt process by the Community Services Coordinator, cash could be misappropriated without detection.

- The Chapter's monthly bank reconciliations were incomplete due to incorrect preparation by the Accounts Maintenance Specialist and insufficient review of the report by the Community Services Coordinator.
- The Chapter did not maintain accurate fund ledgers due to posting errors.
- The Chapter did not monitor their budgets, resulting in several line-item deficits posted in the accounting system. Also, posted a budget for Fund-01 Chapter General Fund that was not presented to the chapter membership for approval. Furthermore, sanction funds withheld by the Navajo Nation were included in the annual budget presented to the community members. As a result, the withheld funds are being budgeted for expenditures although they are not available for expending in fiscal year 2015 and 2016.
- The Chapter's housing discretionary assistance was missing required documents such as ranking/evaluation sheet and before and after photos of housing repairs.
- The Chapter Officials did not provide detailed monthly financial reports to the community, as required by the Local Governance Act.
- The Chapter did not complete the required statement of work, performance report, and expenditure report for approved housing assistance to ensure funds are used as intended.
- The Chapter's inventory was incomplete and unreliable.
- The Chapter has not fully implemented the Five Management System.
- The Chapter does not generate reliable financial statements.

Conclusion

The Sawmill Chapter has not implemented the corrective actions outlined in the corrective action plan and, as such, has not demonstrated improvements to ensure accountability and safeguarding of chapter assets and resources. Internal controls remain deficient and the Chapter remains non-compliant with laws and funding guidelines. Therefore, the sanctions imposed upon the Sawmill Chapter and officials shall remain in place. See attached Exhibit A for the review results.

Sincerely,



Elizabeth Begay, CIA, CFE
Auditor General

xc: Franklin Francisco, Vice-President
Laurita Begay, Secretary/Treasurer
Ronald Deschinny, Delegated Community Service Coordinator
Benjamin Bennet, Council Delegate
SAWMILL CHAPTER
Robert Begay, Department Manager II
ADMINISTRATIVE SERVICE CENTER/DCD
Chrono

2016 REVIEW RESULTS

2000 Audit Issue 1: The Chapter did not record all revenue in a cash receipt journal.	
Chapter Corrective Actions	Status of Corrective Action
1. The Chapter will establish a cash receipt journal	Implemented
2. The Chapter will use cash receipt tickets for all transactions	Implemented
3. The Community Services Coordinator will review records to ensure procedures are followed consistently.	Not Implemented
Audit issue resolved: No	
2000 Audit Issue 2: Bank statement reconciliation are incomplete.	
Chapter Corrective Actions	Status of Corrective Action
1. The Accounts Maintenance Specialist will prepare the bank reconciliation on a monthly basis.	Not Implemented
2. The Community Services Coordinator will review the bank statement reconciliation for accuracy	Not Implemented
Audit issue resolved: No	
2000 Audit Issue 3: Expenditures incurred are not reviewed for propriety and, therefore, are inconsistent to guidelines, laws, and regulation.	
Chapter Corrective Actions	Status of Corrective Action
1. The Community Services Coordinator will review invoices and receiving reports to ensure that disbursement are within the procurement guidelines.	Implemented
Audit issue resolved: Yes	
2000 Audit Issue 4: There is a lack of separate accounting of each fund.	
Chapter Corrective Actions	Status of Corrective Action
1. The Chapter will maintain the fund ledgers for accuracy	Not Implemented
Audit issue resolved: No	
2000 Audit Issue 5: The Chapter-approved budgets were not monitored.	
Chapter Corrective Actions	Status of Corrective Action
1. The Chapter staff will monitor the budget for compliance with community-approved budgets.	Not Implemented
2. The Community Services Coordinator will ensure compliance with funding restrictions.	Not Implemented
Audit issue resolved: No	
2000 Audit Issue 6: There was a lack of contracting policies and procedures for professional services.	
Chapter Corrective Actions	Status of Corrective Action
1. The Chapter will follow the policies and procedures for professional services contracts.	Cannot determine due to no activity
Audit issue resolved: No	
2000 Audit Issue 7: The Chapter did not have policies and procedures for assisting and awarding financial assistance from its funds.	
Chapter Corrective Actions	Status of Corrective Action
1. The Chapter will develop and maintain policies and procedures for assisting and awarding financial assistance equitably.	Not Implemented

Audit issue resolved: No	
2000 Audit Issue 8: The Chapter officials do not provide financial reports to the community, as required by the Local Governance Act.	
Chapter Corrective Actions	Status of Corrective Action
1. The Chapter Officials will provide reliable monthly financial reports at the chapter meeting.	Not Implemented
2. The Chapter will document the financial reports in the meeting minutes.	Not Implemented
Audit issue resolved: No	
2000 Audit Issue 9: Policies and procedures to ensure financial reporting requirements for grants and funds have not been established and adhered to.	
Chapter Corrective Actions	Status of Corrective Action
1. The Chapter will comply with the Five Management System policies and procedures regarding financial reporting requirements.	Not Implemented
Audit issue resolved: No	
2000 Audit Issue 10: Community-approved policy and procedures regarding inventory records were not being followed.	
Chapter Corrective Actions	Status of Corrective Action
1. The Chapter will revise its property and equipment inventory policies and procedures to classify each item valued at \$500 as capital property or fixed asset.	Not Implemented
2. The Chapter will record the cost/value, acquisition dates, identification numbers, and description in the property and equipment inventory	Not Implemented
3. The Chapter will input values of the fixed assets into the accounting system.	Not Implemented
Audit issue resolved: No	
2000 Audit Issue 11: The Chapter has not implemented its Five Management System policies and procedures.	
Chapter Corrective Actions	Status of Corrective Action
1. The Chapter will provide weekly training for its officials.	Not Implemented
2. The Chapter will provide presentations to the community to implement the Five Management System policies and procedures to obtain LGA certification.	Not Implemented
Audit issue resolved: No	
2000 Audit Issue 12: The Chapter did not generate financial statements.	
Chapter Corrective Actions	Status of Corrective Action
1. The Chapter will ensure financial statements comply with generally accepted governmental accounting principles, as required by the LGA.	Not Implemented
Audit issue resolved: No	