

OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

A Follow-Up Review of the Coyote Canyon Chapter Corrective Action Plan Implementation

**Report No. 17-25
March 2017**

Performed by:
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March 29, 2017

Harrison Plummer, President
COYOTE CANYON CHAPTER
P.O. Box 257
Brimhall, NM 87310

Dear Mr. Plummer:

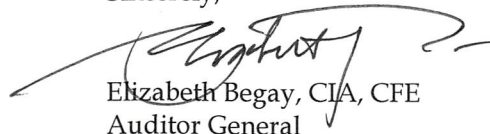
The Office of the Auditor General herewith transmits Audit Report No. 17-25, a Follow-up Review of the Coyote Canyon Chapter Corrective Action Plan Implementation. The follow-up was conducted in accordance with 12 Navajo Nation Code (N.N.C.) Section 7 to determine the current status of the corrective action plan which was developed by the Coyote Canyon Chapter in response to the 2011 audit report no. 11-37. The audit report and the corrective action plan were approved by the Budget and Finance Committee on March 6, 2012, per resolution no. BFMA-15-12.

We reviewed the Coyote Canyon Chapter's records for the six month period of January 2016 to June 2016. A summary of the current status of the corrective action plan is presented below.

Prior Audit Finding	Corrective Action Components Implemented	Corrective Action Components Not Implemented	Audit Finding Adequately Resolved?
Prior Finding I: Chapter Internal Controls are Deficient.	34	3	Yes
Prior Finding II: Chapter did not consistently comply with Navajo Nation laws, rules, and regulations.	17	2	Yes
Total:	51	5	

The Coyote Canyon Chapter has reasonably addressed the audit findings from the 2011 audit of the Chapter. Therefore, the Office of the Auditor General does not recommend sanctions on the Coyote Canyon Chapter in accordance with 12 N.N.C. Section 9. See attached Exhibit A for the review results.

Sincerely,



Elizabeth Begay, CIA, CFE
Auditor General
Office of the Auditor General

xc: Sherylene Yazzie, Vice President
Sharon Ann Warren, Secretary/Treasurer
Peterson B. Yazzie, Interim Council Delegate
COYOTE CANYON CHAPTER
Johnny Johnson, Department Manager II
Caroline Davis, Senior Accountant
ADMINISTRATIVE SERVICE CENTER/DCD
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PRIOR FINDINGS, CORRECTIVE ACTIONS AND CURRENT STATUS

Prior Finding I: Chapter Internal Controls are Deficient.

Chapter Corrective Actions	Status of Corrective Action
Issue 1: Lack of controls over on-line bank account activities.	
<p>1. The Community Services Coordinator shall be assigned the access level that allows her to view and process account changes such as transfers, request a stop payment or make other requests to the financial institution. The Accounts Maintenance Specialist shall be assigned the access level that allows her to only view the bank account activities for purposes of monitoring checks and deposits, and completing the bank reconciliations. The Chapter President and Secretary/Treasurer shall also be assigned access level that only allows them to view and monitor chapter financial transactions.</p>	<p>Implemented</p>
<p>2. The Accounts Maintenance Specialist will prepare the bank transfer form indicating the accounts transfer from/to, amount, and description. Then forward the form to the Community Services Coordinator and to the Secretary/Treasurer for review and concurrence. After concurrence, the Community Services Coordinator will access the bank account and process the bank transfer, will print a copy of the completed transaction, attach to the transfer form and forward the documents to the Accounts Maintenance Specialist for posting of the transaction in financial records. The Accounts Maintenance Specialist will file documents and the Chapter Secretary/Treasurer will review the financial records monthly.</p>	<p>Implemented</p>
Audit Issue Resolved? Yes	
Issue 2: Substitute signer was not obtained when the checks were written out to the primary signer.	
<p>1. When a check is written to the primary signatory (Community Services Coordinator or Secretary-Treasurer), the Chapter Vice-President or President shall substitute as a co-signer.</p>	<p>Implemented</p>
<p>2. The Community Services Coordinator and Secretary-Treasurer will co-sign all checks for payment. In the event the Secretary-Treasurer is unavailable for co-signature, the Chapter President or Vice-President will be authorized to co-sign checks as the secondary signature provided there is written justification or documentation. The</p>	<p>Implemented</p>

<p>Accounts Maintenance Specialist will ensure there are two signatures at all times on all checks and that the substitute signer is implemented when appropriate.</p>	
<p>Audit Issue Resolved? Yes</p>	
<p>Issue 3: Lack of segregation of duties with the cash receipt process.</p>	
<p>1. The Community Services Coordinator and Accounts Maintenance Specialist shall ensure all cash receipts are issued a receipt ticket and posted directly in the cash receipt journal in the accounting system on a daily basis. The Community Services Coordinator and Accounts Maintenance Specialist will ensure all cash receipts are deposited intact into the bank in accordance with Five Management System Fiscal Policies and Procedures.</p>	<p>Implemented</p>
<p>2. The Accounts Maintenance Specialist will receive and record all cash receipts daily in ink on a cash receipt form including payer's name, purpose of cash receipt, amount received, including cashier's check/ money order numbers, date received and signed by the person receiving money. The Accounts Maintenance Specialist will record all cash received on to cash receipts summary at end of each day and enter into the cash receipt journal on a daily basis. The Accounts Maintenance Specialist will ensure all money orders are stamped with a restrictive endorsement immediately.</p>	<p>Implemented</p>
<p>3. The Accounts Maintenance Specialist will ensure sales tax is collected correctly and recorded separately on the cash receipt ticket and cash receipt summary.</p>	<p>Implemented</p>
<p>4. The Accounts Maintenance Specialist will ensure safeguarding of all un-deposited cash and checks by using a locked cash box and by placing it in the Chapter safe.</p>	<p>Implemented</p>
<p>5. The Accounts Maintenance Specialist will reconcile and prepare cash receipts for deposit and shall use a bank provided clear, sealed envelope for deposit.</p>	<p>Implemented</p>
<p>6. The reconciled cash receipt summary and deposit slip will be verified and initialed by the Community Services Coordinator or another chapter employee other than the Accounts Maintenance Specialist.</p>	<p>Not Implemented. The cash receipts reconciled to deposits. However, the Community Services Coordinator position is vacant which contributed to insufficient segregation of duties in the cash receipts process. The Accounts Maintenance Specialist has total control over the process due to the lack of verification of posted cash receipts, reconciliation of cash prior</p>

	to deposit, and verification of deposits by the chapter officials.
7. The Community Services Coordinator will make all bank deposits and in the event the Community Services Coordinator is unavailable, the Chapter Secretary/Treasurer will be contacted to make the bank deposit.	Not Implemented. The Accounts Maintenance Specialist also makes the deposits due to the Community Services Coordinator position being vacant. The Secretary/Treasurer did not make the bank deposit.
Audit Issue Resolved? No	
Issue 4: Poor inventory controls over hay resale activities.	
1. The Community Services Coordinator shall ensure controls are improved over resale items. The Community Services Coordinator and Accounts Maintenance Specialist will conduct an inventory of hay purchases at the time of delivery and transfer of hay shipments. The Community Services Coordinator will ensure the Accounts Maintenance Specialist properly documents all resale purchases, sales, and items that were damaged or stolen.	Implemented
2. The Community Services Coordinator will ensure a periodic physical count of resale items is conducted to verify the accuracy of the inventory records and reconcile to the sales ledger.	Implemented
3. The Chapter staff and officials shall adhere to established resale policies and procedures within the Five Management System Fiscal Policies and Procedures.	Implemented
Audit Issue Resolved? Yes	
Issue 5: The former Community Services Coordinator failed to uphold her fiduciary duties to safeguard Chapter records & funds.	
1. The Community Services Coordinator is the custodian of all official books, records, documents, funds, and assets of the Chapter and shall ensure that safeguards are implemented in the protection and security of these items.	Implemented
2. The Chapter officials will report the violation of the former Community Services Coordinator to the appropriate Navajo Nation authorities and officials for further recourse.	Implemented
3. The Chapter President in collaboration and cooperation with the appropriate Navajo Nation authorities and officials will hold the former Community Services Coordinator accountable for the questionable expenditures disbursed to her.	Implemented
Audit Issue Resolved? Yes	

Issue 6: Payroll checks were processed without supporting documents.	
1. The Community Services Coordinator shall ensure attendance sheets are maintained to document the hours worked by the employees and to ensure employees are paid only for the actual hours worked.	Implemented
2. The Community Services Coordinator will designate a supervisor who will be responsible for all sign-in and sign-out sheets for all employees. The designated supervisor will submit sign-in and sign-out sheets to the Accounts Maintenance Specialist who then will prepare a time sheet. The Community Services Coordinator will sign all time sheets and approve the processing of payroll.	Implemented
3. The Accounts Maintenance Specialist will process payroll based on the approved time sheets, prepare all additional supporting documents such as the payroll journal, payroll calculation sheet, and subsidiary earnings record.	Implemented
4. The Community Services Coordinator will review the payroll for accuracy and approve for disbursement and distribution.	Implemented
5. The Secretary/Treasurer will review the timesheets and proof of the Community Service Coordinator's reconciliation before co-signing the payroll checks.	Implemented
Audit Issue Resolved? Yes	
Issue 7: Chapter property lack proper identification numbers.	
1. The Community Services Coordinator shall ensure all Chapter property owned and controlled will have property identification tags. The Chapter President will follow-up with the Community Services Coordinator to ensure that the tagging of the Chapter property was performed and completed.	Implemented
2. The Community Services Coordinator will ensure a physical count of property items is conducted on an annual basis to ensure the inventory is complete and reliable.	Implemented
Audit Issue Resolved? Yes	
Issue 8: Established pay schedule was not followed.	
1. The Community Services Coordinator and Accounts Maintenance Specialist shall ensure a bi-weekly payroll schedule of 26 payroll periods is established and followed.	Not Implemented. The Accounts Maintenance Specialist did not follow the established bi-weekly pay schedule when issuing payroll checks to Chapter employees. The Chapter issued payroll on 8 additional dates that were not consistent with the pay schedule. There were 13

	<p>scheduled pay dates within the 6-month audit scope period, however the Chapter issued payroll on 21 separate dates to accommodate the temporary workers that were laid off before the scheduled pay date.</p>
<p>Audit Issue Resolved? No</p>	
<p>Issue 9: Overtime and bonus/merit wages were paid to the former Community Services Coordinator.</p>	
<p>1. The immediate supervisor shall complete and submit a performance evaluation form for each employee under his/her supervision and submit the evaluation within the required time as established by the Navajo Nation Department of Personnel Management Performance Appraisal Process and Procedures.</p>	<p>Implemented</p>
<p>2. If the employee has an overall performance rating of "Significantly Exceeds Standards" or "Outstanding" the immediate supervisor may recommend a merit bonus or increase and submit to the Navajo Nation Department of Personnel Management for review and approval.</p>	<p>Implemented.</p>
<p>Audit Issue Resolved? Yes</p>	
<p>Issue 10: Budget and budget changes were not community approved.</p>	
<p>1. Prior to the beginning of each fiscal year the Community Services Coordinator shall prepare a proposed budget for the new fiscal year based on community needs. In addition, the Community Services Coordinator shall also prepare a proposed carry-over budget based on the reconciled amounts of chapter funds being carried over into the next fiscal year.</p>	<p>Implemented</p>
<p>2. The Community Services Coordinator will prepare and present the proposed budget(s) at a regular planning meeting and after discussion with chapter officials and consensus is obtained, it will be placed on the agenda of a regular chapter meeting. The community membership will deliberate on the proposed budgets and approve by chapter resolution at a duly called chapter meeting.</p>	<p>Implemented</p>
<p>3. The Community Services Coordinator and Accounts Maintenance Specialist will ensure all expenditures are in compliance with approved budgets.</p>	<p>Implemented</p>

<p>4. On a monthly basis, the Chapter Secretary/ Treasurer will monitor budgets to ensure funds are being expended in accordance with budgeted amounts and applicable funding guidelines.</p>	<p>Implemented</p>
<p>5. The Community Services Coordinator will ensure proper forms, documents, and procedures are adhered to for any proposed budget amendments and changes.</p>	<p>Implemented</p>
<p>6. The Chapter officials will ensure all budget transfers are approved by the community membership at a duly called chapter meeting.</p>	<p>Implemented</p>
<p>Audit Issue Resolved? Yes</p>	
<p>Issue 11: Budget was not revised in the accounting system as additional revenue was received.</p>	
<p>1. The Accounts Maintenance Specialist and Community Services Coordinator will, on a consistent basis, utilize MIP control measures to ensure all budgets have been entered into the accounting system.</p>	<p>Implemented</p>
<p>2. The Community Services Coordinator will routinely review the budget/actual reports to verify all budgets have been posted as additional revenue is received.</p>	<p>Implemented</p>
<p>3. The Chapter Secretary/Treasurer will review the budget/actual reports to ensure all budgets are entered into the system and posted as additional revenue is received.</p>	<p>Implemented</p>
<p>Audit Issue Resolved? Yes</p>	
<p>Issue 12: The Chapter did not report its activities as a fiscal agent for the Division of Natural Resources Annual Conference/Expo.</p>	
<p>1. Evaluate the benefits of continuing being the fiscal agent for the Division of Natural Resources or terminate as a fiscal agent.</p>	<p>Implemented</p>
<p>Audit Issue Resolved? Yes</p>	

Prior Finding II: Chapter did not consistently comply with Navajo Nation laws, rules, and regulations.

Issue 13: Non-compliance with Navajo Nation Procurement Code and regulations.	
Chapter Corrective Actions	Status of Corrective Action
1. The Accounts Maintenance Specialist will obtain written price quotations from three (3) vendors, which must contain a clear and concise description of items required and forward documents to Community Services Coordinator for review.	Implemented
2. The Accounts Maintenance Specialist in consultation with the Community Services Coordinator shall review written price quotations for reasonableness, necessity, budget, and fund compliance; and either approve or deny a price quotation.	Implemented
3. If approved, the Accounts Maintenance Specialist will verify the availability of funds and prepare a check request form and submit it to the Community Services Coordinator for review and approval. Upon approval by the Community Services Coordinator, the Accounts Maintenance Specialist will prepare a check and submit it with all supporting documentation attached for the Community Service Coordinator's signature.	Implemented
4. The Secretary/Treasurer shall verify all supporting documents are attached and then sign check. In the event the Secretary/Treasurer is unavailable the Chapter President or Vice-President shall verify all supporting documents are attached and sign the check.	Implemented
5. The Accounts Maintenance Specialist will post all expenditures to appropriate fund ledgers and check register.	Implemented
Audit Issue Resolved? Yes	
Issue 14: Non-compliance with Housing Discretionary Fund guidelines.	
1. The Community Services Coordinator will ensure housing discretionary funds are used to provide housing related assistance to chapter members. The Chapter will provide assistance on a priority-needs basis and expend the funds in accordance with Navajo Nation TCDC housing assistance approved policies and procedures.	Implemented
2. The Chapter President will appoint members to the housing committee to evaluate applications to determine eligibility and rank housing applications based on need and priority.	Implemented

<p>3. The housing committee shall recommend the applicants to the Community Services Coordinator for review and approval.</p>	<p>Implemented</p>
<p>4. The Community Services Coordinator shall review and ensure each housing assistance application has all supporting documents attached.</p>	<p>Implemented</p>
<p>5. The Community Services Coordinator shall conduct a follow-up review to ensure the housing assistance is utilized for the intended and approved purpose.</p>	<p>Implemented</p>
<p>Audit Issue Resolved? Yes</p>	
<p>Issue 15: Non-compliance with the Emergency Fund guidelines.</p>	
<p>1. The Community Services Coordinator will establish an Authorized Local Emergency Response Team (ALERT) to develop an emergency response plan and present it to the community membership for approval by resolution at a duly called regular chapter meeting.</p>	<p>Implemented</p>
<p>2. The Community Services Coordinator will ensure emergency funds are used to provide services to the Chapter membership in the event of an emergency or disaster. The Chapter will provide these services based on priority (elderly/high-risk) needs assessment and in accordance with an emergency response plan.</p>	<p>Implemented</p>
<p>3. Obtain ongoing technical assistance and training on emergency preparedness and response from the Navajo Nation Department of Emergency Management and Administrative Service Center. In the event of an emergency or for emergency preparedness the Chapter staff and officials shall ensure the response plan is adhered to.</p>	<p>Implemented</p>
<p>Audit Issue Resolved? Yes</p>	
<p>Issue 16: Monitoring by Chapter Officials was insufficient.</p>	
<p>1. The Chapter President shall ensure the Chapter staff, and officials are carrying out their duties and responsibilities as set forth in the Local Governance Act. The Secretary/Treasurer shall ensure all Chapter assets are safeguarded and funds are expended in accordance with funding guidelines and Five Management System Policies and Procedures.</p>	<p>Implemented</p>
<p>2. The Chapter Vice President in collaboration with the Community Services Coordinator will monitor all Chapter projects, property, and equipment.</p>	<p>Implemented</p>

<p>3. The Chapter Secretary/Treasurer will monitor all Chapter finances, budgets, and expenditures on a monthly basis and will sign all checks for disbursements, and be cognizant of all Chapter financial activities, and shall ensure monthly financial reports and statements are prepared and presented to the Chapter membership during duly called regular Chapter meetings.</p>	<p>Implemented</p>
<p>4. The Chapter President shall ensure that the monitoring review form developed by the Ft. Defiance Agency Local Government Support Center is utilized and followed by Chapter officials and staff in monitoring Chapter activities and finances. This review will be conducted during the regular Chapter planning meetings. The monitoring and review of all Chapter finances shall be documented and signed or initialed.</p>	<p>Implemented</p>
<p>Audit Issue Resolved? Yes</p>	
<p>Issue 17: Contrary to LGA, the Chapter has not fully implemented a five management system.</p>	
<p>1. The Chapter officials will work closely with the staff in adhering to the Five Management System policies and Procedures such as proper accountability of Chapter assets and resources, fairness with financial assistance, effective project management, and resources are used in accordance with policies, laws, and regulations, activities.</p>	<p>Not Implemented: (Cash Receipts) There is insufficient segregation of duties in the cash receipts process due to the lack of verification of posted cash receipts, reconciliation of cash prior to deposit, and verification of deposit. (Payroll) The Accounts Maintenance Specialist did not follow the established bi-weekly pay schedule when issuing checks to the chapter's employees.</p>
<p>2. The Chapter officials will seek technical assistance and training to improve their monitoring activities and functions. The Chapter officials and staff need to attend training made available to enhance their skills and knowledge.</p>	<p>Not Implemented. The chapter did not keep records or documents of all the officials attending training pertaining to chapter activities and operations.</p>
<p>Audit Issue Resolved? No</p>	