

OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

A 2nd Follow-Up Review of the Mexican Springs Chapter Corrective Action Plan Implementation

**Report No. 17-05
November 2016**

Performed by:
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November 10, 2016

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. 17-05, a 2nd Follow-up Review of the Mexican Springs Chapter Corrective Action Plan Implementation. The follow-up review was conducted based on the Chapter's representation that the corrective action plan was fully implemented. The Mexican Springs Chapter developed their corrective action plan in response to the 2011 audit report no. 12-10. The audit report and the corrective action plan were approved by the Budget and Finance Committee on May 15, 2012, per resolution no. BFMY-29-12.

For this follow-up review, we reviewed the Mexican Springs Chapter's records for the six month period of March 2016 to August 2016.

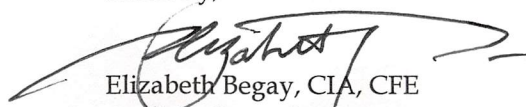
The Chapter did not resolve 4 of 11 audit issues reported in audit report no. 12-10.

- Chapter did not complete follow-up assessments of approved housing assistance to verify funds were used for its intended purpose.
- Chapter did not support emergency fund expenditures with required documentation.
- Chapter officials did not monitor Chapter operation to ensure that the staff completed assignments in accordance with policies and procedures.
- Chapter did not fully implement the Five Management System.

Conclusion

The Mexican Springs Chapter has not fully implemented the corrective actions outlined in the corrective action plan. Therefore, the sanctions imposed upon the Mexican Springs Chapter and officials shall remain in place until such time the corrective action plan is fully implemented in accordance with 12 N.N.C., Section 9(b) and 9(c). 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
Peterson B. Yazzie, Interim Council Delegate
MEXICAN SPRINGS CHAPTER
Jayne Mitchell, Senior Accountant
Robert Begay, Department Manager
ADMINISTRATIVE SERVICE CENTER/DCD
Chrono

**REVIEW RESULTS
PRIOR FINDINGS, CORRECTIVE ACTIONS AND CURRENT STATUS**

Prior Finding I: Chapter internal controls are deficient.

Chapter Corrective Actions	Status of Corrective Action
Issue 1: Chapter travel expenditures lack proper documentation.	
1. The Community Services Coordinator will ensure travel policies and procedures are followed.	Implemented
2. The Community Services Coordinator will ensure travel requests are approved prior to actual travel.	Implemented
3. The Community Services Coordinator will ensure travel expenses are supported with required documentation and filed at the chapter.	Implemented
4. The Chapter officials will review travel documents to verify travel activities are approved.	Implemented
Audit Issue Resolved? Yes	
Issue 2: The Chapter could not support stipend payments to committee members and grazing official.	
5. 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.	Implemented
Audit Issue Resolved? Yes	
Issue 3: Poor inventory controls over hay resale activities.	
6. The Community Services Coordinator and the Accounts Maintenance Specialist will implement the resale policies and procedures.	Implemented
7. The Community Services Coordinator will ensure the resale inventory records document all purchases, sales, and damaged or stolen items.	Implemented
8. The Community Services Coordinator will perform physical counts of resale inventory on a monthly basis to reconcile to inventory records.	Implemented
Audit Issue Resolved? Yes	
Issue 4: Chapter property and equipment is not safeguarded from loss and misuse.	
9. The Accounts Maintenance Specialist will conduct an annual physical inventory of chapter property and equipment and ensure the inventory is complete and reliable.	Implemented
10. The Community Services Coordinator and the Chapter President will ensure chapter property and equipment are tagged with pre-numbered identification tags.	Implemented
Audit Issue Resolved? Yes	

11. The Community Services Coordinator will ensure all personnel documents, as required by policies and procedures, are on file prior to the start of employment.	Implemented
12. The Accounts Maintenance Specialist will verify all personal action forms are complete and signed before an employee begins their employment.	Implemented
Audit Issue Resolved? Yes	

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

Chapter Corrective Actions	Status of Corrective Action
Issue 1: Non-compliance with Navajo Nation procurement code and regulations.	
1. The Accounts Maintenance Specialist will ensure to obtain three (3) price quotations from vendors for procurement of goods/services.	Implemented
2. The Community Services Coordinator and the Secretary/Treasurer will ensure the procurement packets have all required supporting documents prior to approval.	Implemented
Audit Issue Resolved? Yes	
Issue 2: Non-compliance with housing discretionary fund policies and procedures.	
3. The Community Services Coordinator will complete follow-up reviews of approved housing assistance to verify funds are used for their intended purpose.	<i>Not implemented.</i> 18 of 18(or 100%) housing assistance files were reviewed for compliance with the housing discretionary policies and procedures. The Chapter did not complete follow-up reviews with the housing assistance recipients to ensure housing projects are complete and to ensure funds are used as intended.
Audit Issue Resolved? No	
Issue 3: Non-compliance with Public Employment Project policies and procedures.	
4. The Community Services Coordinator will ensure PEP funds are used in accordance with the PEP policies and procedures.	Implemented
5. The Community Services Coordinator will ensure each PEP project has a project application and any extension of projects is approved.	Implemented
6. The Community Services Coordinator will ensure the PEP project supervisor submits project reports.	Implemented
Audit Issue Resolved: Yes	

Issue 4: Use of Emergency Funds cannot be justified	
7. 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.	<i>Not implemented.</i> 2 of 2 (or 100%) emergency disbursements were reviewed for the required documentation. The Chapter did not have the required documents on file such as a declaration of emergency, assessment of the emergency situation, meeting minutes, and the expenses were not consistent with the priority list for emergency fund expenditures. The Chapter cannot ensure that the funds were used to provide relief services to the chapter members in accordance with funding guidelines.
8. In the event of an emergency, the Community Services Coordinator and the chapter officials will implement the plan.	
9. The Community Services Coordinator will develop an emergency response plan and obtain community membership approval for the plan.	Implemented
Audit Issue Resolved? No	
Issue 5: Monitoring by Chapter Officials Is insufficient.	
10. The Chapter President will ensure the chapter staff are carrying out all duties and responsibilities as stated in the Local Governance Act.	<i>Not implemented.</i> The Chapter officials did not provide sufficient monitoring and oversight over housing projects and emergency fund expenditures.
11. The Chapter Secretary/Treasurer will monitor chapter finances and ensure funds are expended in accordance to policies.	<i>Not implemented.</i> The Chapter officials did not ensure housing and emergency funds are expended in accordance with policies and funding guidelines.
Audit Issue Resolved? No	
Issue 6: Contrary to LGA, the Chapter has not fully implemented a Five Management System.	
12. The Chapter officials will work closely with the chapter staff to implement the Five Management System policies and procedures.	<i>Not implemented.</i> The Chapter officials and staff did not fully implement the Five Management System. The Chapter remains non-compliance with housing and emergency funding guidelines.
Audit Issue Resolved? No	