

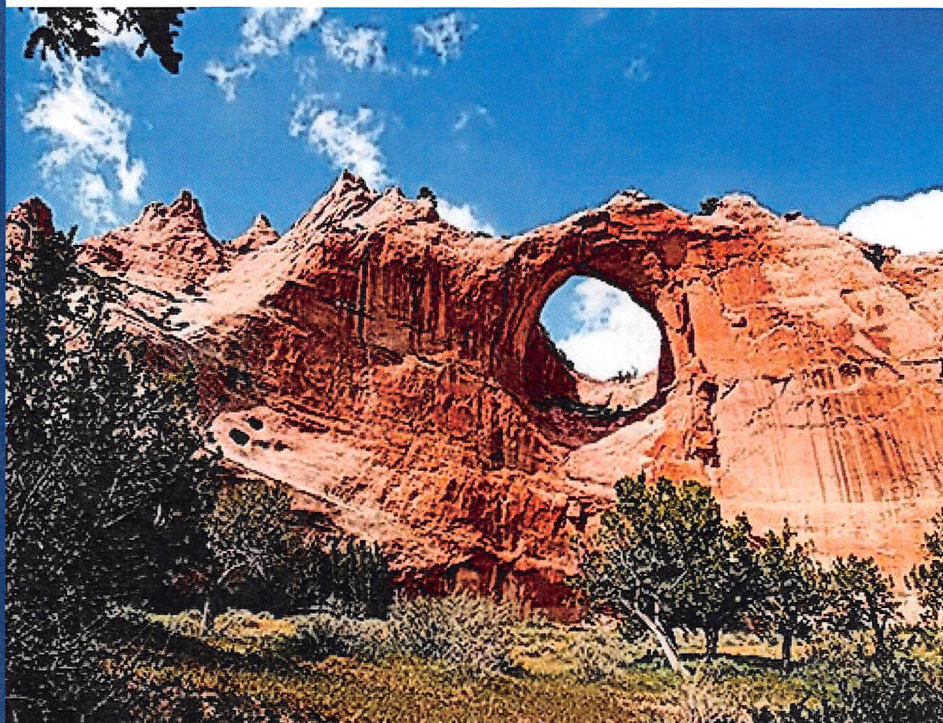
OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

A 2nd Follow-up Review of the Navajo Department of Workforce Development Corrective Action Plan Implementation


**Report No. 17-01
October 2016**

**Performed by:
Beverly Tom, Senior Auditor
Riley Wilson, Auditor**



M-E-M-O-R-A-N-D-U-M

TO : Roselyn Shirley, Department Manager III
NAVAJO DEPARTMENT OF WORKFORCE DEVELOPMENT

FROM : 
Elizabeth Begay, CIA, CFE
Auditor General
OFFICE OF THE AUDITOR GENERAL

DATE : October 5, 2016

SUBJECT : 2nd Follow-up Review of the Navajo Department of Workforce Development Corrective Action Plan Implementation

The Office of the Auditor General herewith transmits Audit Report no. 17-01, A 2nd Follow-Up Review of the Navajo Department of Workforce Development Corrective Action Plan Implementation. The objective for this 2nd follow-up review was to determine whether the Navajo Department of Workforce Development fully implemented its corrective action plan. The scope of this review was the six-month period ending March 31, 2016.

Background

In 2014, the Office of the Auditor General conducted its initial follow-up review and determined the Navajo Department of Workforce Development had yet to fully implement its corrective action plan. Therefore, sanction to withhold 20% of the salary of the Department Manager was approved by the Budget and Finance Committee. This 2nd follow-up review was conducted based on the Navajo Department of Workforce Development's representation that the corrective action plan has been fully implemented.

Follow-up Results

The Navajo Department of Workforce Development did not fully implement its corrective action plan. Of the 36 corrective measures outlined in the corrective action plan, 18 (or 50%) were implemented, leaving 18 (or 50%) not implemented. See attached report for the review results.

Conclusion

The Navajo Department of Workforce Development has not fully implemented the corrective action plan. Consequently, the issues reported in the 2008 performance audit remain unresolved. Accordingly, the current sanction imposed on the Department Manager shall remain in place until such time the plan is fully implemented in accordance with 12 N.N.C., Section 9(c).

Attachment(s)

xc: LaVonne Tsosie, Division Director
DIVISION OF HUMAN RESOURCES
Arbin Mitchell, Chief of Staff
OFFICE OF THE PRESIDENT/VICE PRESIDENT
Chrono

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INTRODUCTION AND BACKGROUND

The Navajo Nation Office of the Auditor General conducted a special review of the Navajo Department of Workforce Development in 2008 and issued audit report no. 08-27. The special review resulted in two significant findings with related recommendations. The audit report and the corrective action plan developed by the Navajo Department of Workforce Development were approved by the Budget and Finance Committee on February 17, 2009 per resolution no. BFCF-03-09.

In 2014, the Office of the Auditor General conducted a follow-up review to determine whether Navajo Department of Workforce Development fully implemented its corrective action plan. The follow-up review found the Navajo Department of Workforce Development had yet to fully implement its corrective action plan. Therefore, sanction to withhold 20% of the salary of the Department Manager was approved by the Budget and Finance Committee. This 2nd follow-up review was conducted based on the Navajo Department of Workforce Development's representation that the corrective action plan has been fully implemented.

PROGRAM PURPOSE AND ORGANIZATION

The Navajo Department of Workforce Development was established to provide employment and training programs to assist eligible adult, youth, and dislocated workers of the Navajo Nation in becoming self-sufficient. The Department provides three types of services, categorized as programs:

1. Comprehensive services program - This program is for eligible adults and dislocated workers 18 years of age and older who reside within the Navajo Nation service area. The main objective of the program is to assist adult participants with short-term training and job placement. Priority is given to those who are unemployed, under-employed, have low income, receive welfare/public assistance, veteran, dislocated workers, need basic academic and occupational skills training.
2. Supplemental youth services program - This program is for eligible youth 14 to 21 years of age who reside within the Navajo Nation service area. Priority is given to those youth who are at-risk of dropping out of school, have low income, high school dropouts, offenders, disabled, and public assistance recipients.
3. Native employment works program - This program is for eligible youth 14 years or older who reside within the Navajo Nation service area. The main objective of this program is to use funds for work activities such as education, training and job readiness, employment and supportive services in preparing for, obtaining or for retaining employment. Priority is given to those who are unemployed, under-

employed, low income, receive welfare/public assistance, teen parent, displaced homemaker, and high school dropout.

The Navajo Department of Workforce Development comprises of a central administration office and five (5) agency offices referred to as workforce centers. The Department is managed by a Department Manager and employs approximately 100 personnel to provide program services. The Navajo Nation Council Health, Education and Human Services Committee is the oversight committee for the Department.

All program services are federally and state funded based on the Workforce Investment Act (WIA) administered by the U.S. Department of Labor. For Program Year 2015, the Department had approximately \$6.7 million readily available to be expended from July 1, 2015 to June 30, 2016 for its adult comprehensive service program. In addition, the supplemental youth services program received approximately \$2.8 million for the grant period of April 1, 2015 through March 31, 2016.

OBJECTIVE, SCOPE AND METHODOLOGY

In accordance with 12 N.N.C., Section 7, the following objective was established for the 2nd follow-up review:

- Determine whether the Navajo Department of Workforce Development implemented its approved corrective action plan.

The follow-up primarily focused on the approved corrective action plan. However, if other significant issues were noted during the review, such issues were further evaluated for materiality and risk to determine whether the issues warranted presentation in this report. Any issues of materiality and risk could have an adverse effect on program operations and hinder the achievement of program goals and objectives.

To meet the audit objective, we performed the following procedures:

- Reviewed Navajo Department of Workforce Development policies, procedures, standard forms, participant files, reports, training documentation and other applicable records to meet audit objective.
- Inquired with the Office of the Controller WIA Accounting Section, Office of Management and Budget, and U.S. Department of Labor to obtain information on program services, performance reporting, and other information needed to meet audit objective.
- Conducted field visits to three (3) workforce centers (Chinle, Shiprock and Tuba City) to conduct audit tests, review records, observe activities, and make inquiries with staff.

- Selected a sample of 51 refund/returned checks from a total population of 97 checks to verify these checks are received, reconciled and credited by the Department and the Office of the Controller WIA Accounting Section.
- Selected a sample of 50 participant files from a total population of 168 to verify payments were processed within the 20-day timeline established within the policies and procedures.
- Reviewed enrollment data from the Department of Labor enrollment tracking system, the Department's data sheets, and the budget performance reports to verify the data reconciled.
- Evaluated the enrollment data to verify whether the Employment Assistance Officers at the five workforce centers met their projected enrollment caseloads for adult and youth participants.
- Reviewed contractual agreements for training providers to evaluate the costs per participants for the comprehensive services program.
- Selected reports for two quarterly periods to verify monitoring by the Department.
- Surveyed a sample of 10 training providers from a total population of 28 providers. A standard questionnaire was used to obtain feedback on their participants and overall working relationship with the Department.

The scope for this 2nd follow-up review was for the six-month period beginning October 01, 2015 through March 31, 2016. The audit sampling was done using both random and judgmental sampling methods.

The Office of the Auditor General expresses their appreciation to the Navajo Department of Workforce Development staff and all other entities who contributed to this audit for their cooperation and assistance throughout the audit.

REVIEW RESULTS
PRIOR FINDINGS, CORRECTIVE ACTIONS AND CURRENT STATUS

Prior Finding I: Financial and management control systems remain weak.

This prior finding involved financial control deficiencies which were not fully addressed. There is a lack of reliable data for monitoring operations and documentation to justify awards beyond authorized amounts. Furthermore, payments to participants were not processed within the established timeline.

Corrective Actions	Current Status of Corrective Actions
Issue 1: Financial and management control systems remain weak.	
1.1 Policies and procedures will be revised to track refunds on a timely basis.	Implemented
1.2 Rotation of duties over custody of mail box keys and mail pick-up will be implemented.	<u>Not Implemented.</u> Although the three workforce centers visited during this follow-up review developed mail box schedules, one center did not consistently implement its schedule. This center did not properly document the mail activities so we could not verify whether the designated employees per the schedule actually performed mail pick-up.
1.3 Refund checks sent to the Workforce Centers (i.e., agency offices) shall be reconciled to the agency records. The reconciliation will be cross-checked by another employee other than the reconciler. The checks will then be re-routed to the NN Cashier's Office with a cover memorandum.	<u>Not Implemented.</u> The Department developed reconciliation policies and procedures to make sure all refund/returned checks are reconciled, cross-checked, and routed to the Cashier's Office. However, 51 checks sampled revealed a lack of adherence to these policies and procedures.
1.4 Reconcile with FMIS records to ensure refunds are credited.	Implemented
1.5 Conduct and document on-site follow-up services and case management with participants and service providers.	Implemented
Issue 2: Lack of reliable data for monitoring operations.	
2.1 Policies and procedures will be revised to ensure consistency and reliability of program information.	Implemented
2.2 Update and standardize applicant and	Implemented

participant forms.	
2.3 A manual containing definitions, forms, etc. will be developed.	Implemented
2.4 Provide Management Information Systems training to field staff.	Implemented
2.5 Implement a monthly report for program enrollments, performance standards and financial status.	Implemented
2.6 Monitor and evaluate monthly reports.	<u>Not Implemented.</u> The Department Manager receives the quarterly reports noted at 2.5 above for monitoring purposes. However, these reports are not properly verified for accuracy. Otherwise, the inconsistencies found between the quarterly reports reviewed for three workforce centers (Chinle, Shiprock and Tuba City) would have been detected. The reports were inconsistent with the enrollment data which is a key indicator of the Department's performance with regards to program services.
Issue 3: Lack of documentation to justify awards beyond authorized amounts.	
3.1 Provide policies and procedures reorientation to Employment Assistance Officers and those who are delegated with quality review duties.	Implemented
3.2 Compliance with established policies and procedures will be enforced.	Implemented
Issue 4: Payments to participants were not processed within the established timeline.	
4.1 Provide orientation to field staff responsible to process participant payments within the 20-day timeline. The quality reviews and processing of documents will be consistent and similar among the agencies.	<u>Not Implemented.</u> We sampled 50 adult participant files and determined payments for their start-up costs and support services are still delayed beyond the standard 20-day timeline despite the department-wide training provided to the staff. Based on the sample, the average days to process payments by the field staff was 35 days. The delay in processing of documents including the quality reviews by the field staff directly contributes to the late processing of payments for participants. We noted

	instances in which participants prematurely enrolled with educational institutions before their documents are fully reviewed and approved by the Department Manager.
4.2 Provide orientation to all accounting staffs.	<u>Not Implemented.</u> Based on the 50 adult participant files noted at 4.1 above, the average time to process payments by the accounting staff once the documents are received from the workforce centers was 25 days. Combining this average with the average processing time of 35 days by the field staff, the total average processing time is 60 days which exceeds the 20-day timeline. In addition, a sample of training providers that were surveyed also expressed concerns about late payment processing. From observations and review of records, the processing delays are due to documents awaiting review by authorized staff that may not be readily available.
4.3 Enforce compliance with policies and procedures for start-up costs payment requests.	<u>Not Implemented.</u> As noted at 4.2 above, the Department averages 60 days to process payments which exceeds the 20-day timeline established in the policies and procedures. With the late processing, payments for start-up costs are also delayed. This means applicable policies and procedures are not being enforced.
4.4 Conduct follow-up analysis of the 20-day timeline to address delays in processing of payments.	<u>Not Implemented.</u> There was no evidence the Department performed an analysis of its payment processing time. Therefore, the Department Manager was unaware of the average time it took to process a payment by the workforce centers and what likely contributed to the delays. In addition, the Monitoring and Evaluation Unit responsible to conduct the analysis

	continues to dispute the 20-day timeframe although the requirement is found in the policies and procedures.
4.5 Conduct an assessment of the feasibility of a debit card pay system for WIA participants.	<u>Not Implemented.</u> No feasibility assessment that addresses the pros and cons of a debit card pay system was completed by the Department. According to the Department, it requested for a debit card pay system to be implemented but this request was denied by the Office of the Controller due to their concerns about the Department's late payment processing.

Prior Finding II: Operational deficiencies limit Navajo Department of Workforce Development's ability to meet its mandates.

This prior audit finding involved the Navajo Department of Workforce Development's ability to meet mandates. The Department's programs are under-enrolled and the cost per participants is high in comparison with other Native American WIA operations. In addition, Employment Assistance Officer caseloads do not meet projected targets. Lastly, the Navajo Department of Workforce Development lacks effective monitoring.

Corrective Actions	Current Status of Corrective Actions
Issue 5: NDWD programs are under-enrolled.	
5.1 Conduct an analysis to determine the causes of under-enrollment.	<u>Not Implemented.</u> Although the Department performed an analysis, it was not a thorough analysis to identify the cause(s) for under-enrollment. We found the U.S. Department of Labor (funding agency for the Department) continually allows for carryover of unspent funds but despite these resources, the Department continues to struggle with under-enrollment.
5.2 Appropriate policies and procedures will be revised to improve recruiting and address under enrollment. For instance, eligibility guidelines on assisting more than one family member, nepotism provisions and restrictions of former participants will be revised.	Implemented
5.3 Develop and implement outreach and recruitment plan for each program year for Navajo	<u>Not Implemented.</u> The workforce centers are conducting outreach and

<p>Department Workforce Development programs. The plan shall include a priority for services of an applicant pool and target populations to be served.</p>	<p>recruitment activities in the absence of formal recruitment plans. The workforce centers provided calendars of upcoming events but these are not plans that prioritize services and identify target populations in order to increase enrollment.</p>
<p>5.4 Monitor program enrollments and recruiting efforts. Obtain results for analysis and revise policies and procedures if needed.</p>	<p><u>Not Implemented.</u> Program enrollment and recruiting efforts were not effectively monitored. As a result, there was no indication that action was taken to address the gaps between projected and actual numbers for classroom training, adult education, scholarship and work experience by the Employment Assistance Officers. There is also no indication that enrollment rosters are monitored by the agency program supervisors, and central administration staff.</p>
<p>5.5 Enforce compliance with Navajo Department of Workforce Development program guidelines and data sheets. Implement disciplinary action for non-compliance.</p>	<p><u>Not Implemented.</u> The Department's enrollment data is reported on agency enrollment rosters, the U.S. Department of Labor enrollment tracking system and the Navajo Nation budget performance reports. We examined these reports for the two quarterly periods ending March 2016 and found inconsistencies between the reported enrollment data. Therefore, it is unclear which report is accurate. These reporting discrepancies are due to noncompliance with program guidelines but no disciplinary action was taken to address these issues.</p>
<p>Issue 6: Program cost per participant is high in comparison to other Native American WIA operations.</p>	
<p>6.1 Publish Requests for Proposals for adult and youth training services.</p>	<p>Implemented</p>
<p>6.2 Pursue entering into agreements with other WIA programs to assist Navajos off reservation.</p>	<p>Implemented</p>
<p>6.3 Develop contractual training agreements with service providers to minimize training costs.</p>	<p><u>Not Implemented.</u> During the scope of this 2nd follow-up review, the</p>

	Department's contract analyst position was vacant. Although the Department Manager assumed some of the contract analyst duties and responsibilities, she has not executed any agreements with training providers to demonstrate trainings costs were minimized.
6.4 Navajo Department of Workforce Development participants will be required to apply for other financial resources to supplement WIA funding.	Implemented
6.5 Conduct monitoring of service providers to assess quality of training and performance.	Implemented
Issue 7: Employment Assistance Officer caseloads do not meet projected targets.	
7.1 Evaluate Employment Assistance Officer positions through UC Davis assessment.	Implemented
7.2 Establish performance objective for all Employment Assistance Officers and Case Assistants, including a caseload ratio. Performance objectives will be based on survey and evaluations of target populations. The target population will include rate of high-school graduates, agency unemployment, number of applicants, etc.	Implemented
7.3 Implement outreach and recruitment activities according to recruitment plan.	<u>Not Implemented.</u> As noted at 5.3 above, the workforce centers did not develop recruitment plans to provide direction and guidance in achieving projected targets for program enrollment. Although there were indications of outreach and recruitment activities, these activities were haphazard and unable to help the Employment Assistance Officers meet the performance objectives to increase enrollment.
7.4 Enforce compliance with Navajo Development of Workforce Development program guidelines and data sheets. Implement disciplinary action for non-compliance.	<u>Not Implemented.</u> See 5.5 above for explanation.
Issue 8: NDWD lacks effective monitoring.	
8.1 Develop a comprehensive monitoring manual and areas of responsibility.	Implemented
8.2 Navajo Department of Workforce Development Monitoring and Evaluation Unit will establish a	<u>Not Implemented.</u> Although the Monitoring and Evaluation Unit

<p>quarterly monitoring schedule to include monitoring in the following areas:</p> <ul style="list-style-type: none"> I. Financial controls II. Operational system III. Service providers IV. Other areas 	<p>establishes quarterly monitoring schedules, these schedules do not specifically address the four specified areas.</p>
<p>8.3 Implement the quarterly monitoring schedule.</p>	<p><u>Not Implemented.</u> The quarterly monitoring by the Monitoring and Evaluation Unit is limited because it does not include a review of financial controls or operational systems. Rather, their on-site follow-up visits focused only on participants and training provider compliance with eligibility and monitoring policies and procedures.</p>
<p>8.4 Review the monitoring report and implement further action, if needed.</p>	<p><u>Not Implemented.</u> When deficiencies are found by the Monitoring and Evaluation Unit during their follow-up visits, the applicable workforce centers are required to develop corrective action plans to address these deficiencies. If no corrective action is taken by the workforce centers, the Unit will report the lack of compliance to the Department Manager for further action. However, there was no indication any action was taken by the Department Manager.</p>