

OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

A 2nd Follow-Up Review of the Naa'tsis'aan Chapter Corrective Action Plan Implementation

**Report No. 17-02
October 2016**

Performed by:
Stacy Manuelito, Auditor
Myrtis Begay, Associate Auditor
Karen Briscoe, Principal Auditor





October 12, 2016

Alex Bitsinnie, President
NAA'TSIS'AAN CHAPTER
P.O. Box 10070
Tonalea, AZ 86044

Dear Mr. Bitsinnie:

The Office of the Auditor General herewith transmits Audit Report No. 17-02, a 2nd Follow-up Review of the Naa'tsis'aan Chapter Corrective Action Plan Implementation. The objective for this 2nd follow-up review was to determine whether the Naa'tsis'aan Chapter fully implemented its corrective action plan.

Background

A corrective action plan was developed by the Naa'tsis'aan Chapter in response to the 2013 audit report no. 13-06. The audit report and the corrective action plan were approved by the Budget and Finance Committee on November 5, 2013, per resolution no. BFMA-40-13. In 2016, the Office of the Auditor General completed an initial Follow-Up Review of the Naa'tsis'aan Chapter corrective action plan implementation (audit report no. 16-03) and concluded that the Chapter failed to implement its corrective action plan. Therefore, the Chapter was recommended for sanction in accordance with Title 12 Section 9. The Budget and Finance Committee approved to sanction the Naa'tsis'aan Chapter on March 15, 2016 per resolution no. BFMA-03-16 extending the implementation of the corrective action plan six months to September 15, 2016. Otherwise, the sanctions will automatically be imposed against the Naa'tsis'aan Chapter and its officials.

2nd Follow-up Results

This 2nd follow-up review was conducted in August 2016 based on the Naa'tsis'aan Chapter's representation that the corrective action plan has been fully implemented. We reviewed the Naa'tsis'aan Chapter records for the six month period of January 2016 to June 2016 and the Eehaniih activities in August 2016. Based on the 2nd follow-up review, the Chapter did not resolve 8 of 10 audit issues. See attached Exhibit A for the review results.

- Chapter did not develop a budget or obtain community approval for Chapter funds totaling \$111,155.
- Chapter did not post Summer Youth funds totaling \$14,511 and Utah State cost reimbursement funds totaling \$29,690.
- Chapter did not obtain the value of all chapter buildings and did not develop a fixed asset listing. Chapter also did not report the total amount of fixed asset to the financial statements.
- Chapter did not develop a perpetual inventory for the building materials stored at the chapter and cannot account for each item purchased, used, spoiled, or lost.

Memo to Alex Bitsinnie

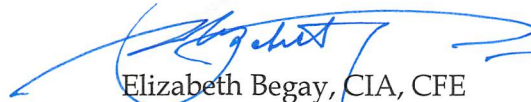
Page 2

- Chapter did not develop a plan of operation for the Eehaniih committee. Chapter also did not follow fiscal policies and procedure in the management of cash receipt and disbursements related to the event.
- Chapter did not develop and obtain community approval for an emergency response plan for local emergencies.
- Chapter officials did not monitor chapter operations to ensure that the staff completed assignments in accordance with policies and procedures and rules and regulations.
- Chapter did not fully implemented the Five Management System.
- Chapter did not support the procurement of goods/services with the required documentation such as purchase requisitions and quotations.

Conclusion

The Chapter has not fully implemented the corrective action plan. Consequently, the issues reported in the 2013 financial audit report no. 13-06 remain unresolved. Therefore, the Office of the Auditor General reaffirms the sanctions imposed on the Naa'tsis'aan Chapter and chapter officials approved by the Budget and Finance Committee on March 15, 2016, per resolution no. BFMA-03-16. The sanctions shall remain in place until such time the plan is fully implemented in accordance with 12 N.N.C., Section 9 (b) and 9(c).

Sincerely,



Elizabeth Begay, CIA, CFE
Office of the Auditor General

xc: Jaime R. Holgate, Vice President
Ella J. Badoni, Secretary/Treasurer
Lorena Atene, Community Services Coordinator
Herman Daniels, Jr., Council Delegate
NAA'TSIS'AAN CHAPTER
Jayne Mitchell, Senior Accountant
Robert Begay, Department Manager II
ADMINISTRATIVE SERVICE CENTER/DCD

PRIOR FINDINGS, CORRECTIVE ACTIONS AND CURRENT STATUS

Prior Finding I: Chapter Internal Controls are Deficient.

Chapter Corrective Actions	Status of Corrective Action
Issue 1: Budgets were not presented to Chapter membership for approval.	
1. The Chapter staff and officials will develop a budget for all appropriations and chapter generated revenue.	<i>Not Implemented.</i> An approximate total of \$111,155 was not budgeted or approved by the chapter membership. The Chapter did not develop a budget for its internally generated revenue totaling \$771; Utah state cost reimbursement funds totaling \$64,651; Internal Revenue Service reimbursement totaling \$278; San Juan County funds totaling \$8,050; and additional funds posted to the accounting system in various funds without an approved budget totaling \$37,405. The Secretary/Treasurer did not have a budget for these funds to present to the chapter membership.
2. The Chapter Secretary/Treasurer will present budgets to the community membership for approval.	
3. The Accounts Maintenance Specialist will post budgets to the accounting system.	<i>Not Implemented.</i> The Chapter received the Summer Youth fund of \$14,511 and Utah state cost reimbursement fund of \$29,690 but these were not posted into the accounting system.
4. The Accounts Maintenance Specialist will adhere to the adopted budgets by utilizing the accounting system to verify fund availability before disbursing checks.	
5. The Community Services Coordinator and Chapter officials will routinely review financial reports to monitor fund balances and expenditures.	<i>Not Implemented.</i> The Chapter officials did not verify that all funds were budgeted and posted into the accounting system to monitor fund balances and expenditures.
Issue 2: Improper posting of transactions to the accounting system.	
6. The Accounts Maintenance Specialist will post all transactions using the correct Object Codes to the appropriate funds.	<i>Not Implemented.</i> The Chapter Community Services Coordinator did not post all funds received by the Chapter. The Chapter did not post \$14,511 of summer youth funds and \$29,690 of Utah State cost reimbursement funds into the accounting system. The Chapter Secretary/Treasurer did not monitor the accounting system and was unaware that the funds were not posted.
7. The Accounts Maintenance Specialist will appropriately post the Chapter's internally generated revenue.	
8. The Accounts Maintenance Specialist will post Navajo Nation appropriations, donations, grants, refunds and reimbursement transactions through the journal voucher.	
9. The Secretary/Treasurer will monitor posting of transactions to the accounting system.	
Issue 3: Chapter does not have banking policies and procedures.	
10. The Chapter staff and the officials will create banking policies and procedures to address	Implemented

banking, accessibility and transfers.	
11. Chapter banking policies and procedures will define separate roles for initiating, approving and posting of fund transfers for the Chapter staff and officials.	Implemented
12. The Secretary/Treasurer will present the Chapter banking policies and procedures for approval via resolution by the community membership.	Implemented
Issue 4: Not all Chapter property and equipment were listed on the inventory listing.	
13. The Chapter staff and officials will conduct an annual physical inventory and a list of all Chapter property and equipment will be created.	Implemented
14. The Chapter staff and officials will tag all Chapter property and equipment.	Implemented
15. The Community Services Coordinator will contact Risk Management to obtain building values.	<i>Not Implemented.</i> The Chapter Community Services Coordinator did not obtain all Chapter building values to include in its fixed asset listing. The Community Services Coordinator contacted the Navajo Nation Property Department and was given a list of Chapter owned buildings without the values, but the Community Services Coordinator did not know about some of the buildings on the list or its location. The Chapter has not contacted Risk Management to determine if they have the value for all chapter owned buildings.
16. The Community Services Coordinator will create a fixed assets listing with a threshold of \$1,000.	<i>Not Implemented.</i> The Chapter did not develop a listing of its fixed assets of \$1,000 or more and cannot accurately report the total fixed asset amount in the financial statement.
17. The Accounts Maintenance Specialist will post all fixed assets to the accounting system.	
18. The Chapter staff and officials will conduct a perpetual inventory of all building materials in all warehouses.	<i>Not Implemented.</i> The chapter has a large quantity of building materials stored at the chapter warehouse but does not have a perpetual inventory in place to account for each item that has been purchased, used, spoiled, or lost.
Issue 5: Weak controls over the Eehaniih Day Celebration revenue and expenditures.	
19. The Chapter officials will establish an Eehaniih Day committee.	Implemented
20. The Chapter staff and the officials will create a plan of operation and approve via resolution by the community members.	<i>Not Implemented.</i> According to the Community Services Coordinator the chapter is still working on developing a plan of operation for the Eehaniiah Day committee.

21. The Eehaniih Day committee will utilize established FMS policies and procedures regarding collecting and depositing revenue and expenditures.	<i>Not Implemented.</i> The Chapter did not ensure the Eehaniih committee followed the Five Management System policies and procedures for collecting and depositing revenue and for expenditure of funds. 35 of 39 (or 90%) of the cash receipts reviewed were not posted into the accounting system, an approximate amount of \$8,054. The chapter did not deposit \$625 of the revenue collected from the event. Also, 13 expenditures from Eehaniih Day event were reviewed. 11 of 13 (or 85%) expenditures did not have three (3) quotations to demonstrate competitive prices were obtained and 5 of 13 (or 83%) expenditure did not have a fund approval form on file to show approval of the disbursement.
22. The Eehaniih Day committee will hire and recruit volunteers.	Implemented

Prior Finding II: Chapter is not in compliance with Navajo Nation Laws, Rules, and Regulations.

Chapter Corrective Actions	Status of Corrective Action
Issue 6: Use of the Emergency Fund cannot be justified.	
1. The Community Services Coordinator will establish an Authorized Local Emergency Response Team (ALERT) and have it recognized by an approved Chapter resolution.	Implemented
2. The ALERT, Chapter staff and officials will develop an Emergency Response Plan.	<i>Not Implemented.</i> During the time of fieldwork, the Chapter was still developing its Emergency Response Plan. Currently the chapter only has draft plan.
3. The Emergency Response Plan will be approved by a Chapter resolution.	<i>Not Implemented.</i> There is no complete emergency response plan in place to present to the community membership for approval.
4. The Chapter staff and officials will ensure all emergency fund expenditures are in accordance with funding guidelines and justified with supporting documents.	Implemented
Issue 7: Sales taxes were not reported and remitted.	
5. The Accounts Maintenance Specialist will post all cash receipts to the accounting system on weekly basis.	Implemented
6. The Accounts Maintenance Specialist will remit payment for Navajo Nation tax liabilities using Form 600 on a quarterly basis.	Implemented

<p>7. The Community Services Coordinator and the Chapter officials will conduct monthly meetings to ensure reports are submitted and tax liability payments are remitted.</p>	<p>Implemented</p>
<p>Issue 8: Monitoring by Chapter Officials is inconsistent with LGA.</p>	
<p>8. The Chapter officials will receive training on the Chapter officials Monitoring Tools and Monthly Financial Review Form.</p>	<p><i>Not Implemented.</i> The Chapter officials did not receive any training on the Monitoring Tools and Monthly Financial Review form.</p>
<p>9. The Chapter officials will periodically review Chapter records.</p>	<p><i>Not Implemented.</i> The Chapter officials did not periodically review chapter records. The Chapter officials did sign the Chapter officials monitoring tool but did not uncover significant errors as those noted in issue #1, #2, #4, #5, and #6.</p>
<p>Issue 9: Contrary to LGA, the Chapter has not fully implemented a Five Management System.</p>	
<p>10. The Chapter staff and the officials will adopt the Standardized Five Management System by chapter resolution.</p>	<p>Implemented</p>
<p>11. The Chapter staff and officials will fully implement all areas of the Five Management System.</p>	<p><i>Not Implemented.</i> The Chapter officials and staff did not adhere to the Fiscal, Property, Procurement, and the Record policies, so the Chapter officials and staff did not fully implement all areas of the Five Management System.</p>

Prior Finding III: Questionable payments to vendors.

<p>Chapter Corrective Actions</p>	<p>Status of Corrective Action</p>
<p>Issue 10: Non-compliance with Navajo Nation procurement code and regulations.</p>	
<p>1. The Accounts Maintenance Specialist will complete and submit all required supporting documents for all payments.</p>	<p><i>Not Implemented.</i> 31 of 43 (or 69%) expenditures reviewed did not have a purchase requisition on file. 19 of 19 (or 100%) expenditures did not have three (3) quotations to demonstrate competitive prices were obtained.</p>
<p>2. The Community Services Coordinator and Chapter officials will review the completed check with all supporting documents before co-signing the check.</p>	<p><i>Not Implemented.</i> The Chapter officials did not verify the supporting documenting for procuring goods and/or services prior to signing the checks.</p>