



OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

**Follow-up Internal
Audit of the Navajo Nation
Veterans Administration
Fort Defiance Agency
Corrective Action
Plan Implementation**


**Report No. 17-20
March 2017**

**Performed by:
REDW LLC**



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

TO : Hubert Smith, Director
NAVAJO NATION VETERANS ADMINISTRATION

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

DATE : March 7, 2017

SUBJECT : Follow-up Internal Audit of the Navajo Nation Veterans Administration
Fort Defiance Agency Corrective Action Plan Implementation

The Office of the Auditor General herewith transmits Audit Report no. 17-20, A Follow-Up Internal Audit of Navajo Nation Veterans Administration Fort Defiance Agency Corrective Action Implementation. The Navajo Nation Follow-up Internal Audit was conducted, in conjunction with REDW LLP, Certified Public Accountants, to determine the current status of the Corrective Action Plan developed by the Navajo Nation Veterans Administration Fort Defiance Agency in response to the 2015 Special Review.

The corrective action plan listed 5 corrective measures to address the audit findings. Of the 5 corrective measures, the Navajo Nation Veterans Administration Fort Defiance Agency implemented 0 (or 0 %) corrective measures, leaving 5 (or 100%) not implemented. The follow-up results were summarized in the executive summary of the audit report.

Navajo Nation Veterans Administration Fort Defiance Agency did not implement the corrective action plan. Consequently, the issues in the Navajo Nation Veterans Administration Fort Defiance Agency that was reported in the 2015 audit remain unresolved. More importantly, the Veterans Administration Fort Defiance Agency did not provide needed services to the Navajo Veterans at Fort Defiance Agency. Accordingly, we recommend sanctions be imposed for failure to implement the corrective action plan. Pursuant to 12 N.N.C., Section 9, the recommended sanctions are: section 9 (b) withhold 10% of the Navajo Nation Veterans Administration Fort Defiance Agency's operating budget, and section 9 (c) withhold 20% of the salary of the director who failed to implement the corrective action plan. Once the Navajo Nation Veterans Administration Fort Defiance Agency fully implemented their corrective action plan, all withheld funds under section 9(b) and (c) will be released to the Navajo Nation Veterans Administration Fort Defiance Agency.

Attachment(s)

xc: Arbin Mitchell, Chief of Staff
OFFICE OF THE PRESIDENT/VICE PRESIDENT
Pete K. Atcitty, Chief of Staff
OFFICE OF THE SPEAKER
Chrono

The Office of the Auditor General - Navajo Nation Follow-up Internal Audit of the Navajo Nation Veterans Administration Fort Defiance Agency Corrective Action Plan Implementation

Executive Summary

Elizabeth Begay, Navajo Nation Auditor General
Office of the Auditor General – Navajo Nation

The Navajo Nation Office of the Auditor General conducted a Special Review in January 2015 of the Navajo Nation Veterans Administration Fort Defiance Agency (Fort Defiance Agency). The 2015 Special Review was conducted with the following objectives:

- Determine whether only eligible veterans received financial assistance.
- Determine reliability of the Veterans Registry used to verify chapter enrollment of financial assistance applicants.
- Determine whether financial assistance requests were processed timely.
- Determine whether traditional healing ceremony fees were reimbursed.

REDW performed a follow-up internal audit to determine the current status of the Corrective Action Plan (CAP), which was developed by the Fort Defiance Agency prior management in response to the 2015 Special Review. REDW was informed that since the issuance of the prior report, there had been a change in the Fort Defiance Agency management. To gain an understanding of the processes and controls in place, we interviewed selected personnel. We selected a sample of financial assistance payments and observed the corresponding Veteran's file to determine whether a checklist was completed and required documentation according to the checklist was evidenced. For the financial requests selected, we also calculated the number of days it took to process and approve the financial assistance application and the total days from the financial assistance request to disbursement of the check. We also obtained the current Veteran's Registry to determine if updates had been made to veteran records to ensure the information for the Fort Defiance Agency was complete. Finally, we analyzed traditional healing payments to determine if they were submitted for reimbursement to the Carl T. Hayden Veterans Affairs Medical Center.

SUMMARY OF THE INTERNAL AUDIT RESULTS

There were significant areas where the CAP had not been implemented and therefore issues were not resolved. Specifically, the following significant CAP components had not been implemented.

- Financial assistance requests were approved despite not having all required documentation according to the Fort Defiance Agency checklist.
- The Veteran’s Registry had not been updated to ensure the “Chapter” field was not blank. Additionally, no updates had been made to the Veteran’s Registry since August 2016.
- Financial assistance requests were not approved and processed timely.
- The Fort Defiance Agency did not have a process in place to track the date of approval, notification of beneficiary, or disbursements of financial assistance requests.
- In the calendar year 2016, the Fort Defiance Agency did not request reimbursement for traditional healing ceremonies totaling \$6,701.

Prior Overall Finding	Number of CAP Components <u>IMPLEMENTED</u>	Number of CAP Components <u>NOT IMPLEMENTED</u>	Audit Issue Adequately Resolved?
Ineligible recipients received approximately \$18,000 in financial assistance	0	1	No
The veterans registry cannot be relied upon for verification of chapter enrollment	0	1	No
65% of financial assistance requests were not processed in a timely manner and 19% of assistance checks were not released in a timely manner	0	2	No
The agency office did not claim \$14,630 in traditional healing ceremony reimbursement	0	1	No
Total	0 Implemented	5 Not Implemented	

CONCLUSION

Title 12, of the Navajo Nation Code (N.N.C.) Section 8, imposes upon the Fort Defiance Agency the duty to implement the CAP according to the terms of the plan. The Fort Defiance Agency did not implement the CAP. Consequently, the issues reported in the 2015 Special Review remain unresolved. Accordingly, we recommend sanctions be imposed on the Fort Defiance Agency and Management in accordance with 12 N.N.C. Section 9(b) and 9(c) for failure to implement the CAP. Details on all CAP components that were implemented and that were not implemented are included in the attached report.

REDW LLC

Albuquerque, New Mexico
March 3, 2017

REDW CONTACT INFORMATION

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**The Office of the Auditor General - Navajo Nation
Follow-up Internal Audit of the Navajo Nation Veterans
Administration Fort Defiance Agency
Corrective Action Plan Implementation**

Table of Contents

	<u>Page</u>
INTRODUCTION AND BACKGROUND	1
DEPARTMENT PURPOSE AND ORGANIZATION	2
OBJECTIVE, SCOPE, AND METHODOLOGY	2
PRIOR FINDINGS, CORRECTIVE ACTIONS AND CURRENT STATUS	3

The Office of the Auditor General - Navajo Nation Follow-up Internal Audit of the Navajo Nation Veterans Administration Fort Defiance Agency Corrective Action Plan Implementation

Elizabeth Begay, Navajo Nation Auditor General
Office of the Auditor General – Navajo Nation

INTRODUCTION AND BACKGROUND

The Navajo Nation Office of the Auditor General (OAG) conducted a Special Review in 2015 of the Navajo Nation Veterans Administration Fort Defiance Agency (Fort Defiance Agency). The Budget and Finance Committee of the Navajo Nation Council requested the audit because of concerns over the Fort Defiance Agency's administration of the Veterans' financial assistance programs. The special review focused on evaluating the function of the financial assistance programs administered by the Fort Defiance Agency. The special review did not include an evaluation of the Veterans' Trust Homes or Veterans' Loan Program also administered by the Fort Defiance Agency, the review focused solely on the financial programs.

REDW performed a follow-up internal audit to determine the current status of the Corrective Action Plan (CAP), which was developed by the Fort Defiance Agency prior management in response to the 2015 Special Review. REDW was informed that since the issuance of the prior report there has been a change in the Fort Defiance Agency management. To gain an understanding of the processes and controls in place, we interviewed selected personnel. In addition, we selected samples of financial assistance payments and observed the corresponding veteran's file to determine whether a required documentation check list was completed and documentation was evidenced. For the financial assistance requests tested, we also evaluated the number of days between receiving the request and the approval and the total number of days between the check being received by Fort Defiance Agency and the recipient receiving the check. Additionally, we obtained the Veteran's Registry to determine if prior management had made any updates to veteran's records for completeness. Lastly, we assessed selected traditional healing payments to determine if they were submitted for reimbursement to the Carl T. Hayden Veterans Affairs Medical Center.

DEPARTMENT PURPOSE AND ORGANIZATION

The Navajo Nation Veterans Administration Fort Defiance Agency advocates for Navajo veterans by identifying funds, services, and opportunities for which Navajo veterans are entitled. The Fort Defiance Agency office administers various financial assistance programs to assist veterans and their families during times of hardship.

They also administer various financial assistance programs; however, the scope of this follow-up internal audit only included the financial assistance programs which had findings in the 2015 Special Review. Financial assistance requests are paid via the Veterans Trust Fund or the General Fund depending on the expense.

Veterans Trust Fund	General Fund
Emergency Assistance	Traditional Healing Ceremonies
Home Improvement	Honor/Color Guard Detail
Travel	Cost of Casket
Educational Expenses	Self-Help housing assistance

Additionally, an agreement was established with the Carl T. Hayden Veterans Affairs Medical Center to provide healthcare benefits to Navajo Veterans. An agreement was established in 1998 to allow for reimbursement for traditional healing ceremonies paid on behalf of Navajo Veterans.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of this follow-up internal audit was to determine the status of the CAP and to assess whether adequate progress had been made to consider the CAP “implemented”. The scope of this follow-up internal audit was limited to the financial assistance programs mentioned above. The audit time period was calendar year 2016. Given that there was a Management change at the Agency in August of 2016, the audit included months before and after that change to assess for any improvement. Additionally, REDW was unable to get a timely listing of financial assistance requests from the Veterans Trust Fund; therefore, only transactions from the General Fund were tested. Based on discussions with Fort Defiance Agency management, there is no difference between the processes for each fund; therefore, the testing performed is deemed adequate.

To gain an understanding of the processes and controls in place, we interviewed selected personnel, and read relevant information on the Fort Defiance Agency’s website. We had management complete a CAP confirmation, detailing the prior audit findings, corrective measures and implementation status, and performed the following procedures to determine if the corrective measures were appropriately implemented:

- Selected a sample of 26 financial assistance transactions from the General Fund. For each transaction we performed the following procedures:
 - Obtained the corresponding Veteran’s file and application Check Off List and evaluated whether the Check Off List was completed and all the required documentation was evidenced in the file.

- Obtained the original financial assistance request to determine the date of the request and the approval date. Evaluated whether the Fort Defiance Agency was approving/processing requests within three (3) business days.
- Observed the date signed by the check recipient to determine the total number of business days from the request date to the disbursement date.
- Obtained a copy of the Veteran’s Registry to determine whether updates had been made to the “Chapter” field.
- Performed an analysis to determine the dollar amount of unreimbursed traditional healing ceremonies assistance requests for the 2016 calendar year.

PRIOR FINDINGS, CORRECTIVE ACTIONS AND CURRENT STATUS

Prior Finding I: Ineligible Recipients Received Approximately \$18,000 in Financial Assistance.

Prior Finding Summary: “Financial assistance was approved despite missing supporting documentation.”

Corrective Actions	<i>Current Status of Corrective Actions</i>
The Veterans Service Officer will ensure that all financial assistance requests are submitted to Accounts Payable after all the required documents are submitted and on file at the agency office and the Veterans Service Officer will direct the Office Assistant to ensure that the Check Off List is adhered to.	<i>Not Implemented:</i> Management indicated on the CAP that this was implemented; however, 15 of 26 (or 58%) of financial assistance requests tested did not effectively utilize the Check Off List and were missing some or all of the required documentation according to the checklist. Additionally, four of these instances were cases where the Fort Defiance Agency could not provide the Veteran file for testing.

Prior Finding II: The Veteran’s Registry Cannot be Relied Upon for Verification of Chapter Enrollment.

Prior Finding Summary: “The Veteran’s Registry is missing data to verify that veterans that request for assistance are actually enrolled with a chapter within the Fort Defiance Agency.”

Corrective Actions	<i>Current Status of Corrective Actions</i>
The Veterans Service Officer will ensure that the Veteran’s Registry is revisited and completed with all required information, will ensure that all new enrolled Veterans are inputted into the registry, and will conduct random re-visits to ensure that all current requests are being updated.	<i>Not Implemented:</i> Management indicated in the CAP that this was not implemented. Based on discussions with the Veterans Service Officer, the Agency had not been granted access to the Veteran’s Registry since August 2016 by the Department of Information Technology; therefore, no updates have been made in relation to this finding. Management had

Corrective Actions	<i>Current Status of Corrective Actions</i>
	<p>requested the access several times; however, the Department of Information Technology had not been able to provide it because the proper authorization from the Director of the Navajo Nation Veterans Administration (NNVA) had not been obtained and submitted.</p> <p>Additionally, an analysis of the Veteran’s Registry identified 1,328 records that were not assigned to a Chapter (i.e. 1,328 blank “Chapter” fields). In addition, there were 77 records identified in the Veteran’s Registry that had one or more duplicates creating 92 excess records.</p>

Prior Finding III: 65% of Financial Assistance Requests Were not Processed in a Timely Manner and 19% of Assistance Checks Were Not Released in a Timely Manner.

Prior Finding Summary:

- “65% of financial assistance requests were not processed within three days.
- 19% of financial assistance checks were not released to veterans in a timely manner.”

Corrective Actions	<i>Current Status of Corrective Actions</i>
<p>The Veterans Service Officer will ensure that the current in-house policy of approving all financial assistance requests within three business days is adhered to and to create a tool (spreadsheet) to monitor all pending financial assistance request are followed-up on and/or ultimately disapproved.</p>	<p><i>Not Implemented:</i></p> <p>Management indicated in the CAP that this was not implemented. The Fort Defiance Agency did not have a spreadsheet or other monitoring tool for pending financial assistance requests. The analysis of the financial assistance requests indicated that on average, it took 15 days to approve a financial assistance request.</p> <p>There were 18 of the 26 (or 69%) of financial assistance requests tested that exceeded the three business day turnaround, and an additional four requests which could not be tested given that the Veteran file was missing.</p>
<p>The Veterans Service Officer will ensure that, upon receiving checks, the Veteran is contacted within two business days by telephone to request for action on the check i.e. picks up check or mail check.</p>	<p><i>Not Implemented:</i></p> <p>Management indicated on the CAP that this was implemented; however, our testing identified that Fort Defiance Agency did not have a method of tracking when recipients of assistance checks were notified. During our analysis, we were able to track 19 checks</p>

Corrective Actions	<i>Current Status of Corrective Actions</i>
	from check date through disbursement date and the average processing time was five business days. The remaining six checks in the sample were signed by the recipient; however, a date was not included with the signature and therefore we were unable to determine the disbursement date of those payments.

Prior Finding IV: Traditional Healing Ceremony Fees of \$14,630 Were Not Reimbursed.

Prior Finding Summary: “The agency office did not claim \$14,630 in traditional healing ceremony reimbursements.”

Corrective Actions	<i>Current Status of Corrective Actions</i>
The Veterans Service Officer will ensure that all Carl T. Hayden: VAMC traditional assistance requests are followed up by the Office Assistant and ultimately submitted to Carl T. Hayden VAMC for reimbursement within the required time (90 days).	<p><i>Not Implemented:</i></p> <p>Management indicated in the CAP that this was not implemented. Based on discussions with management, the Fort Defiance Agency did not intend to submit the reimbursement requests. Management believed that the Carl T. Hayden Veteran’s Affairs Medical Center (VAMC) will no longer reimburse the program.</p> <p>An analysis of healing ceremony fees, which were not submitted to Carl T. Hayden, determined that the Fort Defiance Agency was not reimbursed for \$6,701 in calendar year 2016.</p>

* * * * *

We received excellent cooperation and assistance from the Fort Defiance Agency personnel during the course of our internal audit. We very much appreciate the courtesy and cooperation extended to our personnel. We would be pleased to meet with you to discuss our findings and answer any questions.

REDW LLC

Albuquerque, New Mexico
March 3, 2017