

OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

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

**Report No. 18-07
December 2017**

Performed by:
Stacy Manuelito, Auditor
Derek Echohawk, Associate Auditor



December 20, 2017

Dorothy Dale, President
COALMINE CANYON CHAPTER
P.O. Box 742
Tuba City, AZ 86045

Dear Ms. Dale,

The Office of the Auditor General herewith transmits Audit Report No. 18-07, a Follow-up Review of the Coalmine 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. The Coalmine Canyon Chapter developed their corrective action plan in response to the January 23, 2012 audit report no. 12-14. The audit report and the corrective action plan were approved by the Budget and Finance Committee on July 3, 2012, per resolution no. BFJY-34-12.


We reviewed the Coalmine Canyon Chapter's records for the six month period of February 1, 2017 to July 31, 2017. The corrective action plan listed 57 corrective measures to address the two audit findings. Of the 57 corrective measures, the Chapter implemented 39 (or 68%) corrective measures. The Chapter did not implement 11 (or 19%) corrective measures and 7 (or 12%) were considered as cannot be determined due to no activity. See attached Exhibit A for the detailed explanation of the follow-up results.

Prior Audit Finding	Number of Corrective Action Components			Audit Finding Resolved
	IMPLEMENTED	NOT IMPLEMENTED	CANNOT BE DETERMINED DUE TO NO ACTIVITY	
I. Chapter internal controls are deficient.	20	6	1	Yes
II. Chapter does not consistently comply with applicable laws and funding guidelines.	19	5	6	Yes
Total:	39	11	7	57

CONCLUSION

The Coalmine Canyon Chapter has reasonably addressed the audit findings from the 2012 audit of the Chapter. Therefore, the Office of the Auditor General does not recommend sanctions on the Coalmine Canyon Chapter in accordance with 12 N.N.C. Section 9.

Sincerely,



Elizabeth Begay, CIA, CFE
Auditor General

xc: Phillip Zahne, Vice-President
Augusta Gillwood, Secretary/Treasurer
Marian Bowman, Community Services Coordinator
Walter Phelps, Council Delegate
COALMINE CANYON CHAPTER
Johnny Johnson, Department Manager II
ADMINISTRATIVE SERVICE CENTER/DCD

PRIOR FINDINGS, CORRECTIVE ACTIONS AND CURRENT STATUS

Prior Finding I: Chapter Internal Controls are Deficient.

Issue 1: Contrary to policies, blank checks were pre-signed by Chapter officials.	
CHAPTER CORRECTIVE ACTIONS:	STATUS OF CORRECTIVE ACTION
A. The Accounts Maintenance Specialist and Community Services Coordinator will fully implement the accounting system to prepare pre-printed checks which allow automatic posting to check register and appropriate ledgers.	<i>Implemented</i>
B. Chapter administration will prohibit pre-signing of blank checks and will no longer be a practice of the chapter.	<i>Implemented</i>
C. Chapter administration will store blank checks numerically in a secured place and checks can only be issued when all supporting documents are attached (i.e. fund approval form, invoices, quotes, claim forms, timesheets, and similar documents).	<i>Implemented</i>
Audit issue resolved: Yes	
Issue 2: Travel expenses by Chapter staff are questionable.	
CHAPTER CORRECTIVE ACTIONS:	STATUS OF CORRECTIVE ACTION
A. The Community Services Coordinator will require all travel requests to be supported with travel itineraries. The request will indicate travel dates, costs, and purpose.	<i>Implemented</i>
B. The Community Services Coordinator will reconcile all supporting documents to the travel authorization to verify the accuracy of the travel advances/reimbursements.	<i>Not Implemented.</i> 27 travel authorizations were reviewed. 7 of the 27 (or 26%) travel expenditures were not supported with original documentation.
C. The Chapter administration will maintain proper record keeping of travel activities including the traveler's expense reports, trip and mileage reports and any other supporting documents to justify the travel. These required documents will be submitted within ten working days from the date the traveler completed the travel.	<i>Not Implemented.</i> 27 travel authorizations were reviewed. 15 of the 27 (or 56%) travel expense report were not completely filled out to verify travel reimbursement.
Audit issue resolved: No	

Issue 3: Chapter property cannot be fully accounted for.	
CHAPTER CORRECTIVE ACTIONS:	STATUS OF CORRECTIVE ACTION
A. The Accounts Maintenance Specialist and Community Services Coordinator will conduct an annual physical inventory to identify equipment, buildings, office equipment, furniture, etc. and to update the master property inventory.	<i>Not Implemented.</i> The Chapter conducted an annual physical inventory however during the review, three laptops, a chapter vehicle, and two chapter buildings that were physically verified were not listed on the property inventory.
B. The Accounts Maintenance Specialist and Community Services Coordinator will physically inspect property to make sure they have proper identification tags.	<i>Not Implemented.</i> 45 inventory items were reviewed to verify identification tags. 23 of 45 (51%) were not tagged with identification tags.
C. The Accounts Maintenance Specialist and Community Services Coordinator will upon purchase and/or disposal of chapter property, update the master property inventory.	<i>Cannot be determined due to no activity.</i>
Audit issue resolved: No	
Issue 4: Poor accountability of computer laptops assigned to Chapter staff and officials.	
CHAPTER CORRECTIVE ACTIONS:	STATUS OF CORRECTIVE ACTION
A. The Accounts Maintenance Specialist and Community Services Coordinator will use the chapter property assignment form for assigned or loaned chapter property. This assignment form will document the following: property number, description of item, date of assignment, assignee, Community Services Coordinator approval, and termination of assignment. Property records will be kept in individual personnel files.	<i>Implemented</i>
B. Community Services Coordinator will update the assignment forms every year.	<i>Implemented</i>
C. The Accounts Maintenance Specialist and Community Services Coordinator will inspect the assigned property every six months to ensure the assigned equipment is used for its intended purpose (i.e., chapter business).	<i>Implemented</i>
D. The Chapter administration will work with chapter officials to retrieve Chapter equipment that were previously replaced and not returned to the Chapter.	<i>Implemented</i>
Audit issue resolved: Yes	

Issue 5: Chapter buildings were not adequately insured.	
CHAPTER CORRECTIVE ACTIONS:	STATUS OF CORRECTIVE ACTION
A. Chapter officials will review the annual Underwriter Exposure Summary forms and attached property inventory for completeness and accuracy before submission to the Risk Management Program.	<i>Implemented</i>
B. The Accounts Maintenance Specialist and Community Services Coordinator will submit the Underwriter Exposure Summary forms to the Risk Management Program for proper insurance coverage with the Navajo Nation within the first quarter of each fiscal year.	<i>Implemented</i>
Audit issue resolved: Yes	
Issue 6: Employee work hours were not adequately documented.	
CHAPTER CORRECTIVE ACTIONS:	STATUS OF CORRECTIVE ACTION
A. The Accounts Maintenance Specialist and Community Services Coordinator will utilize daily sign in sheets to account for employee work hours and the Community Services Coordinator will verify the hours worked based on the sign in sheets to prepare timesheets.	<i>Implemented</i>
B. The Accounts Maintenance Specialist and Community Services Coordinator will process payroll with the accounting system based on the submitted sign-in sheets and timesheet.	<i>Implemented</i>
C. Chapter administration will maintain payroll records in a secure place and in accordance to the Five Management System Records Management policies and procedures.	<i>Implemented</i>
Audit issue resolved: Yes	
Issue 7: Personnel files are incomplete.	
CHAPTER CORRECTIVE ACTIONS:	STATUS OF CORRECTIVE ACTION
A. Chapter administration will maintain personnel records on each employee that will be organized and maintained by a checklist. Personnel records will include the following, but not limited to: 1) Personnel Action Form, 2) Employee Application, 3) Copy of Social Security Card, 4) Voluntary Deduction Authorization, 5) Employee Performance Evaluation Form, 6) Arizona New Hire Form, 7) Wage Garnishment, 8) Parental Consent Form, and 9) Copy of Voter's Registration.	<i>Not Implemented.</i> 9 personnel files were reviewed for required documentation on file. The Chapter had documents to support personnel hired, however, 9 of 9 (100%) personnel were not reported as new hires to the State.
B. The Accounts Maintenance Specialist and Community Services Coordinator will	<i>Implemented</i>

safeguard and store Chapter personnel files in a secure place and limit access of files to authorized personnel.	
Audit issue resolved: Yes	
Issue 8: Chapter funds were disbursed for questionable purposes.	
CHAPTER CORRECTIVE ACTIONS:	STATUS OF CORRECTIVE ACTION
A. The Accounts Maintenance Specialist and Community Services Coordinator will adhere to budgeted line items (equipment, furniture, etc.) per approved budget by chapter membership.	<i>Implemented</i>
B. Chapter officials will review monthly financial reports prepared by the Chapter administration to review spending activities and address questionable purchases in a timely manner.	<i>Implemented</i>
Audit issue resolved: Yes	
Issue 9: Store account activities lack proper accountability.	
CHAPTER CORRECTIVE ACTIONS:	STATUS OF CORRECTIVE ACTION
A. The Accounts Maintenance Specialist and Community Services Coordinator will refrain from establishing pre-paid accounts. Prior store open accounts will be closed to prevent unauthorized purchases.	<i>Not Implemented.</i> The Chapter maintains a store account for fuel purchases. 18 fuel expenditures were reviewed. 6 of 18 (or 33%) did not have receipts/invoices to support the expenditures. There were no evidence of reconciliations between the receipt and the disbursed check to vendor, and no individual was approved as an authorized purchaser.
Audit issue resolved: No	
Issue 10: Despite large investment, accounting software is not fully utilized.	
CHAPTER CORRECTIVE ACTIONS:	STATUS OF CORRECTIVE ACTION
A. Chapter administration will receive training on the accounting system.	<i>Implemented</i>
Audit issue resolved: Yes	
Issue 11: Accounting records are missing and unreliable.	
CHAPTER CORRECTIVE ACTIONS:	STATUS OF CORRECTIVE ACTION
A. Chapter administration will ensure accounting records will be organized and maintained by a checklist, safeguarded and stored in a secured place. Accounting records will include the following, but not limited to: 1) Monitoring tool, 2) Financial Statements, 3) Monthly bank reconciliations, 4) Bank Statements, 5) Cash Receipts Journal, 6) Deposit Slips, 7) Budget Form 2, 8) Form 941, 9) Form 600 - NN Sales Tax, 10) SUTA Tax Report.	<i>Implemented</i>

B. The Accounts Maintenance Specialist and Community Services Coordinator will preserve electronic accounting files with backup files using an external memory storage device. Will use a backup schedule to document the backups.	<i>Implemented</i>
Audit issue resolved: Yes	
Issue 12: Financial statements are not consistently prepared.	
CHAPTER CORRECTIVE ACTIONS:	STATUS OF CORRECTIVE ACTION
A. Chapter administration will generate monthly financial reports from the accounting system and submit to the Chapter officials for presentation.	<i>Implemented</i>
Audit issue resolved: Yes	

Prior Finding II: Chapter does not consistently comply with applicable laws and funding guidelines.

Issue 1: Chapter did not comply with the Navajo Nation Procurement Code when purchasing goods/services.	
CHAPTER CORRECTIVE ACTIONS:	STATUS OF CORRECTIVE ACTION
A. Chapter administration will receive training on the Navajo Nation Procurement Code, rules and regulations.	<i>Not Implemented.</i> The Chapter administration did not attend training for the Navajo Nation Procurement Code, rules and regulation.
B. The Accounts Maintenance Specialist and Community Services Coordinator will utilize standard procurement forms to properly document Chapter purchasing activities.	<i>Not Implemented.</i> 35 operating expenditures were reviewed for supporting documentation. The results are as followed: 10 of 10 (100%) did not have the required three quotations. 4 of 23 (17%) payment was not supported with receipt/invoice. 11 of 35 (31%) fund approval forms were not approved by an authorized individual prior to issuance of check.
Audit issue resolved: No	
Issue 2: Housing recipients were not properly evaluated.	
CHAPTER CORRECTIVE ACTIONS:	STATUS OF CORRECTIVE ACTION
A. Community Services Coordinator will establish a housing discretionary committee and obtain community approval for the committee.	<i>Implemented</i>
B. Chapter administration and the housing committee members will establish Housing Discretionary policies and procedures and obtain community approval.	<i>Implemented</i>
C. The Accounts Maintenance Specialist and	<i>Implemented</i>

<p>Community Services Coordinator will train the housing committee members on policies and procedures, roles, and responsibilities and housing assistance budgets.</p>	
<p>D. The Accounts Maintenance Specialist and Community Services Coordinator will ensure housing discretionary records will be organized and maintained by a checklist, safeguarded and stored in a secured place. The records will include the following source documents, but not limited to: 1) Housing Application, 2) Income Verification Statement, 3) Evidence of Land Ownership (Homesite Lease, Residential Lease), 4) Map to Property, 5) Copy of Social Security Card, 6) Certificate of Indian Blood, 7) Voter’s Registration, 8) Referrals (CHR, Social Services, Veterans), 9) Doctor’s Statement, 10) Ranking Sheet, 11) Running Record Form, and 12) Other Supporting Documents.</p>	<p><i>Implemented</i></p>
<p>E. Chapter officials will review housing recipient files on a quarterly basis to ensure files are complete according to the source document checklist.</p>	<p><i>Implemented</i></p>
<p>Audit issue resolved: Yes</p>	
<p>Issue 3: Approval of housing assistance was inconsistent.</p>	
<p>CHAPTER CORRECTIVE ACTIONS:</p>	<p>STATUS OF CORRECTIVE ACTION</p>
<p>A. The Chapter administration and housing committee members will enforce established ranking system within the Housing Discretionary policies and procedures to ensure all housing applicants are fairly awarded.</p>	<p><i>Implemented</i></p>
<p>B. The Chapter administration and housing committee members will adhere to budgeted line items (Housing Discretionary Fund) approved by the chapter membership.</p>	<p><i>Implemented</i></p>
<p>C. Chapter Secretary/Treasurer will properly document awarded recipients in the meeting minutes.</p>	<p><i>Implemented</i></p>
<p>Audit issue resolved: Yes</p>	
<p>Issue 4: Capital outlay appropriations were not used as intended.</p>	
<p>CHAPTER CORRECTIVE ACTIONS:</p>	<p>STATUS OF CORRECTIVE ACTION</p>
<p>A. The Chapter administration and Community Land Use Planning Committee will identify and prioritize capital projects based on community needs.</p>	<p><i>Cannot be determined due to no activity</i></p>

<p>B. The Chapter administration and Community Land Use Planning Committee will develop capital budget based on priority listing and adhere to budgeted line items approved by chapter membership while expending Capital Outlay Fund.</p>	
<p>C. Chapter administration will ensure capital outlay records are organized, maintained, safeguarded and stored in a secured place. Capital outlay records will include the following, but not limited to: 1) Scope of Work, 2) Bidding Process Information, 3) Capital Outlay project resolution, 4) Professional Service Agreement, 5) Quotes & Material Listing, and 6) Cost & Estimation.</p>	
<p>Audit issue resolved: No</p>	
<p>Issue 5: No emergency response plan or ALERT in place.</p>	
<p>CHAPTER CORRECTIVE ACTIONS:</p>	<p>STATUS OF CORRECTIVE ACTION</p>
<p>A. Community Services Coordinator will establish an Authorized Local Emergency Response Team (ALERT). The ALERT will be recognized by an approved chapter resolution.</p>	<p><i>Implemented</i></p>
<p>B. The Chapter administration and ALERT members will develop an Emergency Response Plan. The plan will be approved by chapter resolution and referred to during emergencies within the community.</p>	<p><i>Implemented</i></p>
<p>C. Chapter administration will ensure emergency funds will have an approved line item budget and resolution approved by the chapter membership. Budget modifications due to unforeseen emergencies will require approval by the chapter membership.</p>	<p><i>Implemented</i></p>
<p>Audit issue resolved: Yes</p>	
<p>Issue 6: Chapter only recently paid IRS \$85,538.</p>	
<p>CHAPTER CORRECTIVE ACTIONS:</p>	<p>STATUS OF CORRECTIVE ACTION</p>
<p>A. Community Services Coordinator will fully implement the accounting system to prepare and remit Internal Revenue Service form 941 (quarterly) and tax payments (monthly).</p>	<p><i>Implemented</i></p>
<p>B. Chapter administration will periodically review tax payment records to ensure compliance with Internal Revenue Service regulations.</p>	<p><i>Implemented</i></p>
<p>Audit issue resolved: Yes</p>	

Issue 7: Chapter was penalized for non-payment of state unemployment insurance.	
CHAPTER CORRECTIVE ACTIONS:	STATUS OF CORRECTIVE ACTION
A. Community Services Coordinator will prepare and remit the state unemployment tax reports and tax payments on a quarterly basis.	<i>Implemented</i>
B. Chapter administration will periodically review tax payment records to ensure compliance with Arizona Department of Economic Security regulations.	<i>Implemented</i>
Audit issue resolved: Yes	
Issue 8: Non-compliance with Public Employment Program policies and procedures.	
CHAPTER CORRECTIVE ACTIONS:	STATUS OF CORRECTIVE ACTION
A. Chapter administration will adhere to Chapter policies and procedures and Navajo Nation personnel policies when recruiting, selecting, and hiring members for Public Employment Program employment.	<i>Implemented</i>
B. The Accounts Maintenance Specialist and Community Services Coordinator will remit Worker's Compensation premiums before chapter employees commence work.	<i>Not Implemented.</i> The Chapter did not remit to the Navajo Nation workers compensation premiums on chapter workers.
Audit issue resolved: No	
Issue 9: Non-compliance with Sales Tax regulations.	
CHAPTER CORRECTIVE ACTIONS:	STATUS OF CORRECTIVE ACTION
A. The Accounts Maintenance Specialist and Community Services Coordinator will record revenues into the accounting system on a weekly basis.	<i>Cannot be determined due to no internally generated revenue to remit sales tax.</i>
B. The Community Services Coordinator will remit payment for tax liabilities on a quarterly basis utilizing Form 600.	
C. Community Services Coordinator will contact the Navajo Nation Tax Commission Office to determine any outstanding tax liabilities and if needed, remit payment.	
Audit issue resolved: No	
Issue 10: Financial reports were not consistently presented to the Chapter membership.	
CHAPTER CORRECTIVE ACTIONS:	STATUS OF CORRECTIVE ACTION
A. Chapter officials will present financial statements to the community at chapter meetings and record the report presentation into the meeting minutes and attach the reports to the meeting minutes.	<i>Implemented</i>
Audit issue resolved: Yes	

Issue 11: Monitoring by Chapter Officials is inconsistent to Local Governance Act.	
CHAPTER CORRECTIVE ACTIONS:	STATUS OF CORRECTIVE ACTION
A. Chapter officials will receive training on how to utilize the Chapter officials monitoring tool and the planning meeting monthly financial review form.	<i>Implemented</i>
B. Chapter officials will conduct a monthly monitoring utilizing the Chapter officials monitoring tool.	<i>Not Implemented.</i> The Chapter Secretary/Treasurer is signing the monitoring tool. However, she did not note internal control discrepancies on travel, procurement, and property inventory.
Audit issue resolved: No	
Issue 12: Contrary to Local Governance Act, the Chapter has not fully implemented a Five Management System.	
CHAPTER CORRECTIVE ACTIONS:	STATUS OF CORRECTIVE ACTION
A. Chapter administration will adopt the Standardized Five Management System through a chapter resolution.	<i>Implemented</i>
B. Chapter administration will fully implement all areas of the Five Management System.	<i>Not Implemented.</i> The Chapter has resolved 15 prior audit issues; however, 9 issues remain unresolved.
Audit issue resolved: No	