

**OFFICE OF THE AUDITOR GENERAL**

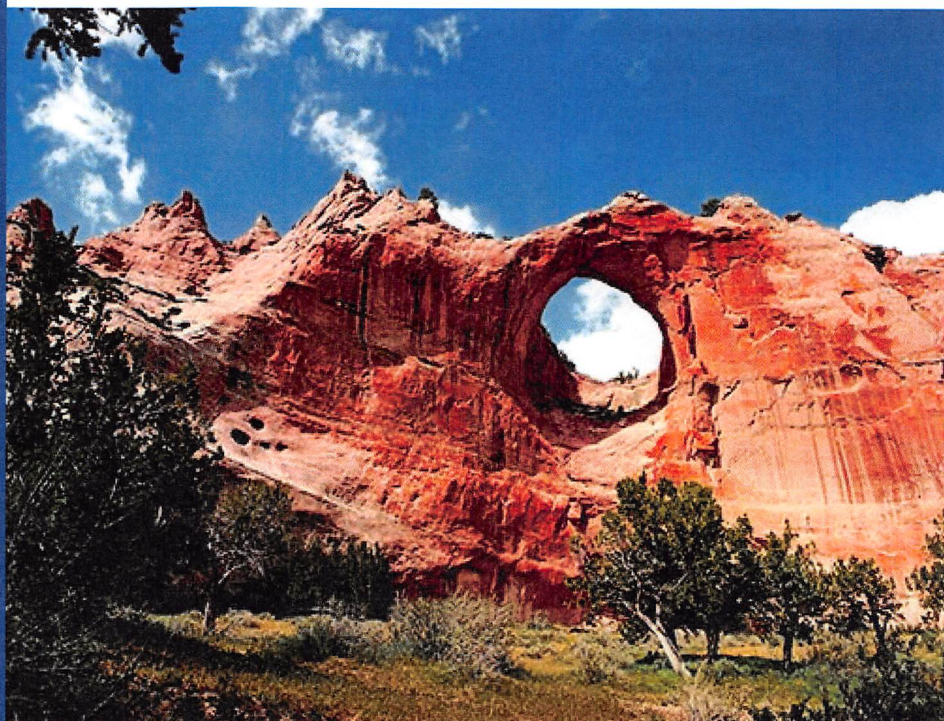
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**The Navajo Nation**

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

**Report No. 18-34  
March 2018**

**Performed by:  
Finley & Cook CPAs**







September 24, 2018

Lorenzo Lee, President  
**DILKON CHAPTER**  
HCR-63 Box E  
Winslow, AZ 86047

Dear Mr. Lee,

The Office of the Auditor General herewith transmits Audit Report No. 18-34, a Follow-up Review of the Dilkon Chapter's Corrective Action Plan Implementation. This follow-up review was completed in conjunction with Finley & Cook, CPAs.

**BACKGROUND**

In 2016, the Office of the Auditor General performed an internal audit of the Dilkon Chapter and issued audit report no. 16-13 listing 25 audit issues. A corrective action plan was developed by Dilkon Chapter in response to the internal audit. The corrective action plan listed 49 corrective measures to address the audit issues. The audit report and corrective action plan were approved by the Budget and Finance Committee on July 05, 2016, per resolution no. BFJY-20-16.

**OBJECTIVE AND SCOPE**

The objective of this review is to determine the status of the corrective action plan implementation based on a 6-month review period of December 1, 2017 to May 31, 2018. The review was based on inquiries, review of records and audit test work.

**SUMMARY**


Of 49 corrective measures, the Dilkon Chapter implemented 25 (51%) corrective measures, leaving 24 (49%) not implemented. See attached Exhibit A for the detailed explanation of the follow-up results.

**CONCLUSION**

The Dilkon Chapter did not resolve all issues from the 2016 audit of the Chapter; 16 of 25 audit issues remain unresolved. Therefore, the Office of the Auditor General recommends sanctions on the Dilkon Chapter in accordance with 12 N.N.C. Section 9 b and c for failure to implement the corrective action plan.

In conclusion, we wish to thank the Dilkon Chapter for assisting in this follow-up review.

Sincerely,

  
Elizabeth Begay, CIA, CFE  
Auditor General

xc: Felix Tsinijinnie, Vice-President  
Elizabeth Yazzie, Secretary/Treasurer  
Marjorie Barton, Chapter Manager  
Lee Jack Sr., Council Delegate  
**DILKON CHAPTER**  
Johnny Johnson, Department Manager II  
**ADMINISTRATIVE SERVICE CENTER/DCD**  
Chrono



September 17, 2018

Elizabeth Begay, CIA, CFE  
Auditor General Office of the Auditor General  
The Navajo Nation  
P.O. Box 708  
Window Rock, Arizona 86515

Dear Ms. Begay:

Pursuant to our engagement letter with the Office of the Auditor General, Finley & Cook, PLLC hereby transmits the follow-up report of the Dilkon Chapter implementation of its corrective action plan. The objective of this review was to determine the status of the corrective action plan implementation based on a 6-month review period of December 1, 2017, to May 31, 2018. Our review was based on inquiries, review of records and audit test work.

The results of our review found that the Dilkon Chapter did not resolve all prior audit findings. Of the 49 corrective measures, the Dilkon Chapter implemented 25 (51%) corrective measures, leaving 24 (49%) not implemented. See attached Exhibit A for the detailed explanation of the follow up results.

For additional specifics of each corrective measure, please see Attachments A and B which briefly address each finding and the results of our testing.

Finally, we express our gratitude to the staff of Dilkon Chapter for their cooperation and assistance with this review. If you have any questions about this report, please call our office at (405) 395-5000.

Sincerely,

A handwritten signature in blue ink that reads "Scott Huebert".

Scott Huebert, CPA  
Partner

**REVIEW RESULTS**  
**Dilkon Chapter Corrective Action Plan Implementation**  
**Review Period: December 1, 2017 to May 31, 2018**

<b>Audit Issues</b>	<b>Total # of Corrective Measures</b>	<b># of Corrective Measures Implemented</b>	<b># of Corrective Measures Not Implemented</b>	<b>Audit Issue Resolved?</b>	<b>Review Details</b>
1. Expenditures were made without approved annual budgets.	4	4	0	Yes	Attachment A
2. Payroll duties performed solely by the Acting Chapter Manager.	2	2	0	Yes	
3. Debit card transactions were not supported by backup documentation and existence of the card was unknown to Chapter officials.	2	2	0	Yes	
4. Outstanding travel advances.	2	2	0	Yes	
5. Travel advance records did not contain proof of insurance or a drivers license for those using personal vehicles.	1	1	0	Yes	
6. Acting Chapter Manager is sole custodian of cash.	3	3	0	Yes	
7. Bank reconciliations within MIP system did not agree with the trial balance.	3	3	0	Yes	
8. Timesheets were missing from some of the payroll samples.	2	2	0	Yes	
9. Several payroll and expenditure items selected for testing were not provided.	1	1	0	Yes	
10. Expenditures made without proper supporting documentation.	1	0	1	No	Attachment B
11. Purchases made without proper quotes from vendors.	1	0	1	No	
12. Required documentation established by fund program checklists for Veterans, Housing Discretionary, and Scholarship funds missing from the documentation.	3	1	2	No	
13. Requisition forms were not prepared or attached to supporting documentation for expenditures.	2	0	2	No	



















<b>Audit Issues</b>	<b>Total # of Corrective Measures</b>	<b># of Corrective Measures Implemented</b>	<b># of Corrective Measures Not Implemented</b>	<b>Audit Issue Resolved?</b>	<b>Review Details</b>
14. Documentation received from vendors did not match payments recorded.	2	0	2	No	Attachment B
15. Capital assets are not recorded by fund source.	1	0	1	No	
16. Cash is not being deposited in an accurate and timely manner.	2	0	2	No	
17. Payroll checks issued outside of established pay dates.	1	0	1	No	
18. Health insurance premiums were not paid timely and included payments on behalf of terminated employees.	3	2	1	No	
19. Personnel Action Forms not provided for some of the payroll samples selected.	2	0	2	No	
20. Hourly rates on employee paychecks varied from the rates stated on Personnel Action Forms.	1	0	1	No	
21. Personnel Action Forms are missing proper signatures.	1	0	1	No	
22. A financial audit has not occurred for the Chapter since it was certified as a Local Government Agency.	2	0	2	No	
23. Arizona state unemployment returns and contributions were not filed or paid in a timely manner.	3	1	2	No	
24. Quarterly Federal payroll reporting and tax deposits were not filed or paid timely.	3	1	2	No	
25. Checks were issued before fund approval forms were signed.	1	0	1	No	
<b>TOTAL:</b>	<b>49</b>	<b>25</b>	<b>24</b>	<b>9 - Yes 16 - No</b>	

WE DEEM CORRECTIVE MEASURES: **Implemented** where the Chapter provided sufficient and appropriate evidence to support all elements of the implementation; and **Not Implemented** where evidence did not support meaningful movement towards implementation, and/or where no evidence was provided.

 2018 Status	<b>Issue 1: Expenditures were made without approved annual budgets. RESOLVED</b>
Per review of Chapter minutes for the period reviewed and fiscal year 2018 budgets, it was noted that all budgets were presented to the membership and approved by Resolution at various meetings. The 2018 General Fund budget was approved in September 2017 and other budgets approved as the funding was made available to the Chapter.	
 2018 Status	<b>Issue 2: Payroll duties performed solely by the Acting Chapter Manager. RESOLVED</b>
Per interview with Administrative Assistant, Charmayne Billy, the appropriate segregation of duties for the payroll process have been re-established. The steps taken to process payroll demonstrate and verify adequate internal controls have been restored.	
 2018 Status	<b>Issue 3: Debit card transactions were not supported by backup documentation and existence of the card was unknown to Chapter officials. RESOLVED</b>
There were no debit card transactions recorded on the bank statements for the period December 2017 - May 2018.	
 2018 Status	<b>Issue 4: Outstanding travel advances dating back to March 2015. RESOLVED</b>
For the audit period, we examined 4 of 17 of travel advances issued totaling \$1,762.52 and verified that the travelers are reconciling their advances in a timely manner.	
 2018 Status	<b>Issue 5: Travel advance records did not contain proof of insurance or a drivers license for those using personal vehicles. RESOLVED</b>
All travel advances and travel expenditures tested (9) had the appropriate supporting documentation including proof of insurance or a driver's license for those using personal vehicles.	
 2018 Status	<b>Issue 6: Acting Chapter Manager is sole custodian of cash. RESOLVED</b>
Per interview with Administrative Assistant and office staff, the appropriate segregation of duties for cash handling have been re-established. The procedures/steps Chapter staff are following provide adequate internal controls for cash handling and safeguarding of cash receipts.	
 2018 Status	<b>Issue 7: Bank reconciliations within MIP system did not agree with the trial balance. RESOLVED</b>
Per review of each of the bank reconciliations for the period tested, the bank reconciliations agreed with the trial balance at the time of the reconciliation. It was noted that two months (March and April 2018) did not agree with the monthly trial balances ran on August 7, 2018. This appeared to be due to a subsequent voided check in March 2018 and transactions posted after the April 2018 reconciliation was completed. However, the May 2018 reconciliation agreed to the trial balance ran on August 7, 2018.	
 2018 Status	<b>Issue 8: Timesheets were missing from some of the payroll samples. RESOLVED</b>
Of the samples selected for the audit period, each payroll check had an approved timesheet attached.	
 2018 Status	<b>Issue 9: Several payroll and expenditure items selected for testing were not provided. RESOLVED</b>
All items selected for testing during our review were provided by Chapter staff.	



 2018 Status	<b>Issue 10: Expenditures made without proper supporting documentation. NOT RESOLVED</b>
Of the 20 samples selected for testing, 4 checks failed to have proper support attached. One check had only page 1 of 8 page invoice. Two items did not have an invoice attached at all. One check was made payable to Wal-Mart for food and supplies for the Community Christmas dinner but had receipts attached from multiple vendors and the receipts did not total the amount of the check issued.	
 2018 Status	<b>Issue 11: Purchases made without proper quotes from vendors. NOT RESOLVED</b>
Of the 20 samples selected for testing, 7 checks failed to have any quotes attached, 10 checks did not require a quote to be provided due to the type of expenditure incurred and 3 checks had quotes to support the purchase.	
 2018 Status	<b>Issue 12: Required documentation established by fund program checklists for Veterans, Housing Discretionary, and Scholarship funds missing from the documentation. NOT RESOLVED</b>
Of the 10 samples selected for testing, 4 checks were missing the required documentation needed for the respective program. Two (2) checks selected did not meet the criteria to complete a checklist and 4 checks had the proper supporting documentation as required by the respective checklists for each program.	
 2018 Status	<b>Issue 13: Requisition forms were not prepared or attached to supporting documentation for expenditures. NOT RESOLVED</b>
For the audit period, we examined 20 expenditures and found that 18 of the 20 expenditures did not have requisition forms attached as supporting documentation. Two (2) expenditures selected did not qualify to require a requisition form be provided.	
 2018 Status	<b>Issue 14: Documentation received from vendors did not match payments recorded. NOT RESOLVED</b>
We examined 20 expenditures and found 3 checks that failed to match invoices for items purchased. Two checks were issued from a quote and no invoice or receipt furnished after the purchase made. One check was made payable to Wal-Mart from a quote but the attached receipts were from multiple vendors and did not total amount of check issued.	
 2018 Status	<b>Issue 15: Capital assets are not recorded by fund source. NOT RESOLVED</b>
Per review of the current inventory listing, capital assets are not recorded by fund source. It was also noted that the fixed assets have not been recorded in the accounting system.	
 2018 Status	<b>Issue 16: Cash is not being deposited in an accurate and timely manner. NOT RESOLVED</b>
Per review of the six (6) bank statements in the review period, it was noted that 1 or 2 deposits were made each month for the cash receipts collected. Of the 9 deposits or cash receipts tested, it was noted that weekly deposits were not being made and it could not be determined what business dates were included in the respective deposits.	
 2018 Status	<b>Issue 17: Payroll checks issued outside of established pay dates. NOT RESOLVED</b>
We examined 18 payroll checks and found one (1) check that was issued outside of the established pay dates. A check was issued on March 2, 2018 for hours worked that should have been paid on March 28, 2018.	

 2018 Status	<b>Issue 18: Health insurance premiums were not paid timely and included payments on behalf of terminated employees. NOT RESOLVED</b>
We examined 2 months of health insurance premium payments and found that both invoices had past due amounts. Therefore, an indication the premium payments were not paid by the due date to be reflected on the current month's invoice. Our examination of the general ledger also found that February's premiums were not paid until June 2018. It could not be determined if the Chapter was paying for health insurance coverage for terminated employees because the billing is no longer itemized by employee.	
 2018 Status	<b>Issue 19: Personnel Action Forms (PAF) not provided for some of the payroll samples selected. NOT RESOLVED</b>
We selected 13 samples for testing and found 1 missing PAF.	
 2018 Status	<b>Issue 20: Hourly rates on employee paychecks varied from the rates stated on Personnel Action Forms (PAF). NOT RESOLVED</b>
We selected 13 samples for testing and found 2 employee pay rates did not agree to the rate on the PAF. Of the two that didn't agree, one sample had no PAF provided and the other sample had a pay rate change during the pay period that was not recognized on the employee's check.	
 2018 Status	<b>Issue 21: Personnel Action Forms are missing proper signatures. NOT RESOLVED</b>
We selected 13 samples and found two (2) issues. One PAF was not signed and the other was never provided for review and testing.	
 2018 Status	<b>Issue 22: A financial audit has not occurred for the Chapter since it was certified as a Local Government Agency. NOT RESOLVED</b>
Per inquiry of Administrative Assistant, a financial audit has not been conducted of the Chapter house since becoming a certified Local Government Agency.	
 2018 Status	<b>Issue 23: Arizona state unemployment returns and contributions were not filed or paid in a timely manner. NOT RESOLVED</b>
There were two quarters available for testing during the six (6) month audit scope. The fourth quarter 2017 report was filed and paid timely. The first quarter 2018 report was filed on time but there was no evidence of a payment made within the reports provided or review of the April 2018 bank statement.	
 2018 Status	<b>Issue 24: Quarterly Federal payroll reporting and tax deposits were not filed or paid timely. NOT RESOLVED</b>
There were two quarters available for testing during the six (6) month audit scope. The fourth quarter 2017 941 report was filed and paid timely. The first quarter 2018 941 report was filed untimely on August 17, 2018 but payroll tax deposits were made timely.	
 2018 Status	<b>Issue 25: Checks were issued before fund approval forms were signed. NOT RESOLVED</b>
Of the 20 expenditures selected for sample, we found 9 checks that were issued before the fund approval forms were signed. The Chapter House would appear to be preparing checks for signature before the fund approval forms are signed and hoping to obtain the signatures on the fund approval form and check from both Chapter Officials the same day for the check.	