

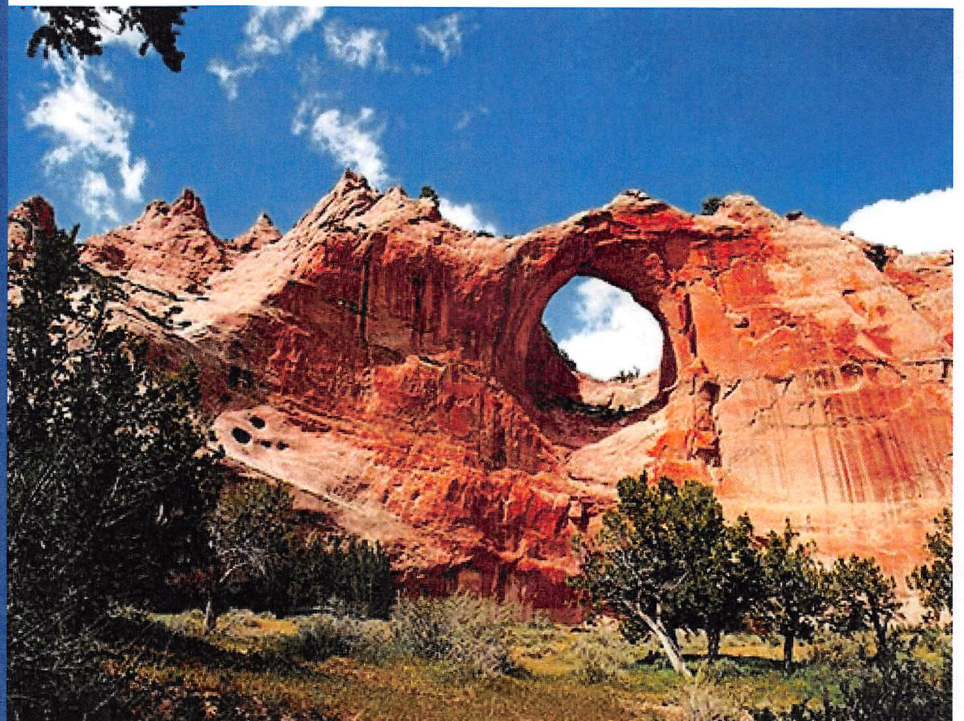
OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

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

**Report No. 19-07
December 2018**

**Performed by:
NEWBERRY & ASSOCIATES, LTD.**





December 26, 2018

Edison Wauneka, President
OAK SPRINGS CHAPTER
P. O. Box 486
Window Rock, AZ 86515

Dear Mr. Wauneka,

The Office of the Auditor General herewith transmits Audit Report No. 19-07, a Follow-up Review of the Oak Springs Chapter's Corrective Action Plan Implementation. This follow-up review was completed in conjunction with Newberry & Associates, Ltd.

BACKGROUND

In 2014, the Office of the Auditor General performed an internal audit of the Oak Springs Chapter and issued audit report no. 14-21 listing 10 audit issues. A corrective action plan was developed by Oak Springs Chapter in response to the internal audit. The corrective action plan listed 32 corrective measures to address the audit issues. The audit report and corrective action plan were approved by the Budget and Finance Committee on December 16, 2014, per resolution no. BFD-34-14.

OBJECTIVE AND SCOPE

The objective of this review is to determine whether the Oak Springs Chapter implemented its corrective action plan and resolve the 10 audit issues based on a 6-month review period of January 1, 2018 through June 30, 2018. The review was based on inquiries, review of records and audit test work.

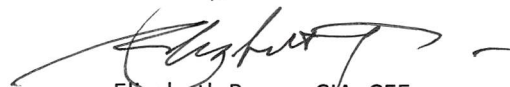
SUMMARY

Of the 32 corrective measures, the Oak Springs Chapter implemented 30 (94%) corrective measures, leaving 2 (6%) not implemented. See attached Exhibit A for the detailed explanation of the follow-up results.

CONCLUSION

The Oak Springs Chapter has resolved nine issues from the 2014 audit of the Chapter; leaving one unresolved audit issue. The Oak Springs Chapter has made improvements through the implementation of its corrective action plan. Therefore, the Office of the Auditor General recommends no sanctions be imposed on the Oak Springs Chapter in accordance with 12 N.N.C. Section 9.

Sincerely,



Elizabeth Begay, CIA, CFE
Auditor General




xc: Darryle S. Nelson, Vice-President
Arlene Radisch, Secretary/Treasurer
Elizabeth Kuipers, Community Services Coordinator
Jonathan Hale, Council Delegate
OAK SPRINGS CHAPTER
Chrono


REVIEW RESULTS
Oak Springs Chapter Corrective Action Plan Implementation
Review Period: January 1, 2018 through June 30, 2018


Audit Issues	Total of Corrective Measures	# of Corrective Measures Implemented	# of Corrective Measures Not Implemented	Audit Issue Resolved?	Review Details
1. Fixed assets are not reported in financial statements	4	4	0	Yes	Attachment A
2. Chapter membership does not receive monthly financial reporting.	2	2	0	Yes	
3. Chapter does not comply with state unemployment requirements	3	3	0	Yes	
4. Travel documents are not properly signed by travelers and/or approvers	2	2	0	Yes	
5. Property inventory is incomplete	3	3	0	Yes	
6. No records to trace approximately \$319,000 of capital fund expenses to capital projects	2	2	0	Yes	
7. PEP workers were employed for extended periods of time.	4	4	0	Yes	
8. PEP funds are not used for on-the-job training.	3	3	0	Yes	
9. Chapter has not adopted the standard FMS manual.	4	4	0	Yes	
10. \$25,000 readily available to potentially assist 30 community members remains unspent.	5	3	2	No	Attachment B
TOTAL:	32	30	2	9- Yes 1- No	

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.

<p style="text-align: center;">◆</p> <p>2018 STATUS</p>	<p>Issue 1: Fixed assets are not reported in the financial statements. RESOLVED</p>
<p>Reviewed the Appraisal Report prepared by Gipson Investments, Inc. and dated September 7, 2018, which includes an estimated market value of the Real Estate (permanent improvements) and the personal property (the manufactured office) owned by the Oak Springs Chapter. None of the Chapter's equipment is valued at more than \$5,000.00. Per the Appraisal Report, the total value of the Chapter's fixed assets is estimated to be \$600,000.</p> <p>Per inquiry of the Chapter CSC, the Chapter is in the process of installing a fixed asset module into the MIP accounting system, so that the value of the building and office can be posted to the general ledger. Per telephone conversation with Cathy Jimenez, who is the MIP accounting consultant, the MIP consultant is scheduling a two-day training for at least six Chapters in early November 2018. After the training, the fixed asset modules will be installed into each of the Chapters' MIP accounting systems, and the fixed assets (buildings and office) will be recorded properly in the Chapter's general ledger and will then be properly presented in the monthly financial statements.</p> <p>Per inquiry of the Chapter CSC, the fixed asset module should be installed into the MIP accounting system, the fixed assets should be recorded in the general ledger, and the fixed assets should be presented properly in the monthly financial statements by the end of November 2018.</p>	
<p style="text-align: center;">◆</p> <p>2018 STATUS</p>	<p>Issue 2: Chapter membership does not receive monthly financial reporting. RESOLVED</p>
<p>The Chapters' monthly financial statements are being generated in a timely manner. The September 2018 monthly financial statements were reviewed.</p> <p>The monthly financial reports are being presented at the regular duly called chapter meetings. We observed that the September 2018 monthly financial statements were posted on the bulletin board in the Chapter house meeting room. Per inquiry, the Chapter CSC posts the current month's financial statements on the bulletin board as soon as they have been generated.</p>	
<p style="text-align: center;">◆</p> <p>2018 STATUS</p>	<p>Issue 3: Chapter does not comply with state unemployment requirements. RESOLVED</p>
<p>Per inquiry, the Chapter CSC has not been trained in a formal setting by the Department of Economic Security (DES) to determine which employees qualify for unemployment compensation. However, the Chapter CSC works with an employee of the DES to prepare the quarterly reports accurately and timely. Examined the 4th quarter report for 2017 and the first two (2) quarterly reports for the calendar year 2018 and determined the reports were submitted to the Department of Economic Security. Determined the AZ Department of Economic Security (DES) was paid January 24, 2018 for the 4th quarter 2017 and on April 18, 2018, the 1st quarter 2018 state unemployment was paid. The 2nd quarter 2018 state unemployment tax is reflected as a payable in the June 30, 2018 financial statements.</p>	
<p style="text-align: center;">◆</p> <p>2018 STATUS</p>	<p>Issue 4: Travel documents are not properly signed by travelers and/or approvers. RESOLVED</p>
<p>Examined two requests for reimbursement for travel that occurred during the review period. Examined all necessary signatures on the requests for advances and reimbursements. The requests for advances and reimbursements were dated the same date as the disbursement checks or a date prior to the disbursement check date.</p>	

 2018 STATUS	Issue 5: Property inventory is incomplete. RESOLVED
<p>Examined complete list of equipment, furniture, and machinery prepared in an excel worksheet. Examined 2 items from the list and determined pre-numbered property tags were on those items. The Chapter has ordered property tags to complete the tagging process. The Chapter CSC is working on the process of matching the tag numbers to the property included on the inventory list.</p> <p>Examined the quarterly staff meeting agendas for January 2018 and June 2018 and noted that the property inventory was included on the agenda. Staff meeting is attended by the Chapter Officials. This indicates that the Chapter Officials are monitoring the administration's management of Chapter property. The issue is deemed resolved.</p>	
 2018 STATUS	Issue 6: No records to trace approximately \$319,000 of capital fund expenses to capital projects. RESOLVED
<p>The Chapter did not expend the \$287,895 available capital fund during the six-month review period. Per the corrective action required in relation to this issue, the Chapter has established files for the capital project titled <i>Infrastructure Capital Improvement Plan 2020-2025</i>. There is a Project Summary for the five-year period. The Infrastructure Capital Improvement Plan is projected to begin in the year 2020. There was minimum activity related to this capital project during the follow up six-month review period. The Chapter has established a file for the capital project and has a plan to implement it. The Chapter Community Services Coordinator is monitoring this project. The Chapter Officials attend the staff meetings and therefore, are monitoring the administration's management of the capital projects. The issue is deemed resolved.</p>	
 2018 STATUS	Issue 7: PEP workers were employed for extended periods of time. RESOLVED
<p>Reviewed the files of two employees hired and employed under the Chapter's Public Employment Program during the period from January 1, 2018 through June 30, 2018. Both positions were advertised. The Chapter is currently advertising for a temporary custodian position.</p> <p>One of the temporary workers signed the acknowledgement of the PEP policies and procedures and that form was included in the personnel file. The Memorandum of Understanding of the policies and procedures was in the other temporary worker's file but was not signed.</p> <p>One of the temporary employees worked 6 months. The other temporary employee was employed on March 5, 2018 and is still employed by the Chapter. However, there was a chapter resolution included in her file extending her employment from September 24, 2018 through March 31, 2019.</p> <p>There is no written documentation re: monitoring of the PEP project for compliance with the policies and procedures. However, per inquiry of the Chapter Community Services Coordinator, she is monitoring the PEP project. The issue is deemed resolved.</p>	

 2018 STATUS	Issue 8: PEP funds are not used for on-the-job training. RESOLVED
<p>There was no written documentation in the PEP employees' files related to "on-the-job" training. There was no written documentation in a "PEP project folder". There was no written documentation indicating "on-the-job" training had been provided to the temporary PEP employees. There was no written documentation related to periodic monitoring of the PEP projects for compliance.</p> <p>However, per inquiry of the PEP employee (office assistant) whose employment was extended by a chapter resolution in September 2018, the PEP temporary employee stated that she has been trained to be more competent in her computer skills and that she is being trained to use the Excel spreadsheet software. Per inquiry of the Chapter CSC, the Chapter CSC is working with the temporary PEP employee to develop a job description of her daily activities, including written procedures for each of her activities when she is working at the Chapter House.</p> <p>Examined the general ledger and the June 30, 2018, income statement and determined that the PEP funds are being used for salaries and payroll taxes for three PEP temporary workers. One PEP employee worked as a custodian and the other two PEP employees were office assistants. Based on inquiry, the two office assistants received on-the-job training, but there was no written documentation.</p> <p>The issue is deemed resolved.</p>	

 2018 STATUS	Issue 9: Chapter has not adopted the standard FMS manual. RESOLVED
<p>Per inquiry of the Chapter Community Services Coordinator, the CSC distributed to the chapter officials a copy of the Five Management System (FMS) manual on a USB flash drive. Per a Resolution dated December 18, 2018, the Oak Springs Chapter conducted three public hearings on the Five Management Systems on the following dates: August 31, 2018; December 14, 2018; and December 18, 2018. The FMS manual was adopted and approved at a called Chapter meeting on December 18, 2018.</p> <p>The issue is deemed resolved.</p>	

<p style="text-align: center;">◆</p> <p>2018 STATUS</p>	<p>Issue 10: \$25,000 readily available to potentially assist 30 community members remains unspent.</p> <p>NOT RESOLVED</p>
<p>The Housing Committee Plan of Operation has not been revised to include the Chapter Administration and the Community Health Representative on the housing selection committee. However, the Chapter Administration and the Community Health Representative attend the housing committee meetings. Reviewed the Housing Discretionary policies and procedures. The policies and procedures are in the process of being updated.</p> <p>Of the \$16,620.19 available housing discretionary fund, a total of \$10,643.52 has been spent from the housing discretionary fund to assist twelve (12) community members during the period being reviewed (January 1, 2018 through June 30, 2018). Three of twelve housing application files were examined. The ranking sheets are included in each housing applicant's file, but the ranking of the applications was an oral process. No written documentation was maintained related to the application ranking process. We examined copies of written notification sent to the applicants who received housing assistance. There is no written documentation related to the periodic monitoring of the Housing Discretionary recipients' folders for compliance.</p> <p>The issue is deemed unresolved.</p>	