

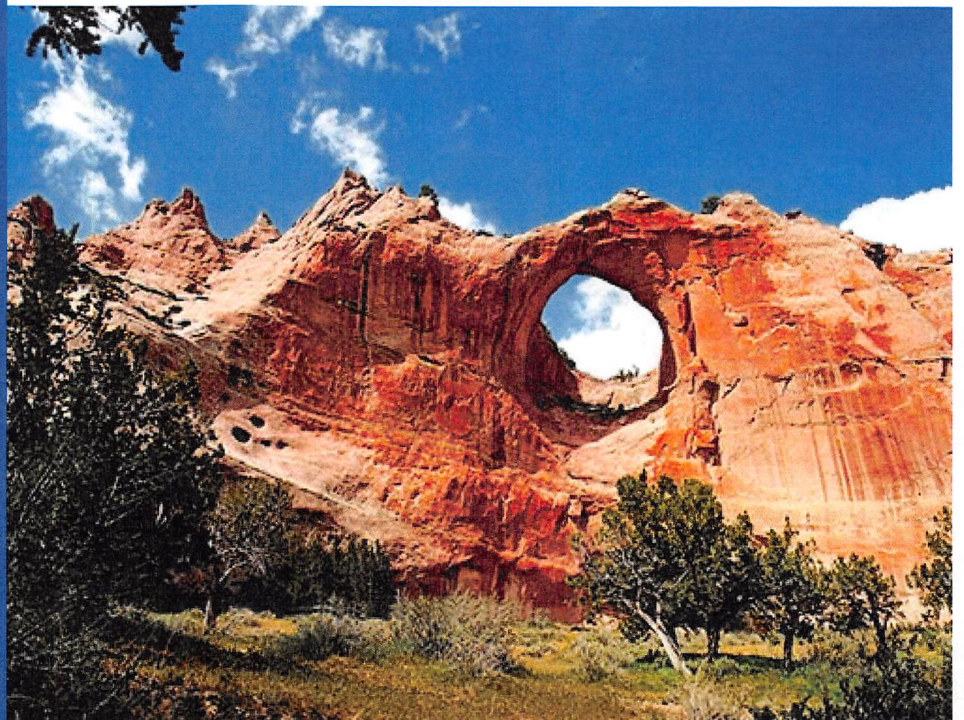
OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

Navajo Nation Facilities Maintenance Department Performance Audit

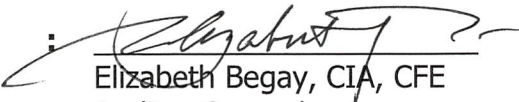
**Report No. 19-09
December 2018**

**Performed by:
REDW LLC**



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

TO : Marcus Tulley, Department Manager III
NAVAJO NATION FACILITIES MAINTENANCE DEPARTMENT

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

DATE : December 27, 2018

SUBJECT : Performance Audit of the Navajo Nation Facilities Maintenance Department

The Office of the Auditor General herewith transmits Audit Report No. 19-09, Performance Audit of the Navajo Nation Facilities Maintenance Department. The performance audit was conducted, in conjunction with REDW LLC to determine whether the Navajo Nation Facilities Maintenance Department (FMD) was using resources efficiently to meet the maintenance needs of the Navajo Nation government buildings.

The auditors reported six (6) findings:

1. FMD does not have an inventory control system to track building repair and maintenance inventory and custodial supplies inventory used on specific projects and work orders.
2. FMD does not have an adequate means of allocating personnel resources to specific projects and work orders.
3. Work orders are not completed timely, are not adequately documented, and are not actively managed.
4. FMD expenses are not supported and there is a lack of segregation of duties between purchasing and receiving.
5. Building projects recommended in the 2017 assessment, including repairs and maintenance and replacement projects have not been completed.
6. Members of the Executive and Legislative Branches are dissatisfied with FMD's work order process and custodial services.

Detailed explanation of the findings can be found in the body of this report. The report provides recommendation to correct the reported findings.

If you have any questions about this report, please contact our office at extension 6303. Thank you for your assistance in completing this audit.

xc: Joelynn M. Ashley, Division Director
DIVISION OF GENERAL SERVICES
Dwight Witherspoon, Chief of Staff
OFFICE OF THE PRESIDENT/VICE PRESIDENT
Chrono

Navajo Nation Facilities Maintenance Department Performance Audit

Executive Summary

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

REDW performed a performance audit to determine whether the Navajo Nation Facilities Maintenance Department (FMD) was using resources efficiently to meet the maintenance needs of the Navajo Nation. To gain an understanding of the processes and controls in place, we interviewed selected personnel and performed walkthroughs of selected controls. Our audit focused on evaluating the objectives below and performing the related detailed procedures described:

- 1) *Determine if FMD maintains accurate information on buildings they are responsible for.*
 - ◆ We selected a sample of 20 (out of 531 total) buildings recorded in the Advanced Maintenance Management System (AMMS) and obtained the most recent building assessment performed for each to assess whether FMD had maintained a record of the building's square footage, age, replacement cost, and current condition.
- 2) Determine if FMD budgets and allocates resources appropriately to meet the Department and the Navajo Nation's needs.
 - a) We assessed FMD's use of budgetary resources for fiscal years 2016 and 2017 to determine if the funds allocated to FMD were encumbered or used.
 - b) We assessed the use of staffing resources by determining if work orders were being performed within a reasonable time period and whether custodial services were performed regularly and satisfactorily.
 - c) We assessed the use of supplies and equipment resources by evaluating the inventory control process.

- 3) Determine if FMD has an efficient work order system that includes an adequate prioritization and documentation process.
 - ♦ We selected a sample of 60 work orders (out of a total population of 5,481) initiated between October 2015 and September 2017, and assessed whether the related work was assigned to personnel, was performed timely, was adequately documented, appeared to be within the scope of the FMD, was performed by an employee with a designated license (if applicable), and was performed on a building owned by the Navajo Nation and within FMD's scope.
- 4) *Determine if FMD has sound procurement practices.*
 - a) We tested a sample of 60 nonpayroll related expenses incurred between October 2015 and September 2017, (which totaled \$441,080 out of \$4,948,848), to assess whether the expense was purchased, approved and received in a manner that displayed proper segregation of duties and, for those small or large equipment items purchased, we performed physical observation to determine if the items were maintained and in inventory.
 - b) We selected all nine general contractors utilized between October 2015 and September 2017, summarized the total payments made to each contractor, and assessed whether the contractor was selected using the Navajo Nation's procurement policy.
- 5) *Determine if FMD performed assessments of building condition and maintenance needs to develop a preventative maintenance plan.*
 - ♦ For each building selected, we determined if the assessment was completed to assess the building's condition, if a plan was made to address the deficiencies identified, and if the plan was executed.
- 6) *Determine if the departments served by FMD are satisfied with the service received.*
 - ♦ We performed a survey of 21 selected personnel in the Executive and Legislative Departments to assess the level of satisfaction with FMD's performance.

We utilized the results of our performance audit procedures performed to determine whether FMD appeared to utilize resources efficiently and effectively to meet the maintenance needs of the Navajo Nation.

Summary of Findings and Recommendations

The FMD does not have an inventory control system to track building repair and maintenance inventory and custodial supplies inventory used on specific projects and work orders. The FMD does not have an inventory control system in place. Inventory ordered and received is added to the warehouse; however, there is no internal system for tracking that inventory to ensure that it is only used for Navajo Nation business purposes. The FMD had purchased the AMMS back in 2007; however, the inventory control system has not been implemented, and there is no other process in place to perpetually track inventory used and to tie decreases in inventory to specific projects and work orders. The FMD should fully implement the AMMS to incorporate an effective inventory control system. Inventory on-hand, inventory purchases, and inventory use should be controlled through the system.

FMD does not have an adequate means of allocating resources to specific projects and work orders. FMD does not have a method to connect employee timekeeping to projects completed or work orders fulfilled. Management should implement a timekeeping process that allows for employees to be assigned/scheduled on specific projects and work orders and requires them to report hours worked on each project that is completed. Employee performance should be evaluated based on the results of the production that they achieve, and a system of accountability should be expected.

Work orders are not completed timely, are not adequately documented, and are not actively managed. The FMD does not have an efficient work order system in place. During our analysis of 60 work orders, we found several instances where the work is not performed timely and the work order documentation is not adequate. Management should develop and enforce a clear policy that states how a work order is to be initiated, approved, prioritized, documented and closed. As part of the performance review process, management should evaluate AMMS work orders, by employee, to evaluate overall production and compliance with documentation requirements. The prioritization process should be clearly defined and communicated to all departments that the FMD serves, and management should be responsible for ensuring the process is carried out consistently. The FMD should develop performance criteria showing number of work orders completed and average time of completion. Consider presenting this to the oversight committee regularly to show improvement in service provided to the Navajo Nation.

FMD expenses are not supported and there is a lack of segregation of duties between purchasing and receiving. During our analysis of 60 purchases made by the FMD during the audit period, we identified instances where purchases (totaling \$62,161) are not properly supported, instances where adequate segregation of duties are not in place and instances where high dollar-contracts do not have support for adequate vendor solicitation. The FMD should track all purchases made and ensure that adequate documentation is on file to show compliance with the Navajo Nation Procurement Rules and Regulations. Implementing the inventory modules in AMMS, to track inventory purchased, received, and used would help implement system controls to prevent inventory purchased from going missing.

Building projects recommended in the 2017 assessment, including repairs and maintenance and replacement projects have not been completed. During our analysis of 20 building assessments performed during the most recent assessment, which began in 2015 and was completed in June 2017, 15 (75%) buildings had assessments that recommended projects. However, as of the time of the audit (approximately two to three years later for some of the assessments), none of the projects have been completed. When building assessments are performed, the FMD should develop a plan to assess all recommended projects and identify those that are of priority to the Navajo Nation. The projects should be presented in a formal plan to the oversight committee and should include the detail of the projects, how the FMD plans to complete them, and the priority-level and timeline for each project.

Members of the Executive and Legislative Branches are dissatisfied with FMD's work order process and custodial services. Members of the Executive and Legislative Branches, who responded to a survey as part of this performance audit, indicated dissatisfaction with the work order process and custodial services provided by FMD. Concerns included work orders not being completed timely and that the work performed was either defective or did not meet the department's needs. Concerns also included that custodial services were poor such as low supply levels and some tasks not being performed often enough or not performed at all. Had a larger

population of Nation employees been surveyed, the results could have been different. The FMD should consider doing a Customer Satisfaction survey on a periodic basis or after each work order performed. The results could be accumulated, presented and addressed at FMD meetings to ensure issues are being addressed timely and work performed is satisfactory. The FMD should obtain an external assessment of their department to evaluate the personnel requirements for processing and for fulfilling the various types of work that the department is tasked with.

Further details on these findings are included in the attached report.

REDW LLC

Albuquerque, New Mexico
August 15, 2018

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Office of the Auditor General – Navajo Nation
Navajo Nation Facilities Maintenance Department
Performance Audit

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Navajo Nation Facilities Maintenance Department Performance Audit Report

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

Introduction and Background

Program Background

The Navajo Nation is governed by a three-branch government system (executive, legislative, and judicial) and a 24-member Navajo Nation Council serves as its legislative body. The Navajo Nation Facilities Maintenance Department (FMD) was established within the Division of General Services of the Executive Branch. The department is overseen by a manager who is hired by the Executive Director of the Division of General Services.

The FMD is funded with the Navajo Nation General Fund and Fixed Cost. The purpose of the FMD is to provide maintenance and repair services for all Navajo Nation government buildings. These services include cooling and heating, electrical, installing equipment, mechanical and structural systems and grounds services. Maintenance and repair services are performed on a request basis through the submission of work order requests. FMD also performs self-initiated maintenance on heating and cooling systems, and is responsible for custodial services in Navajo Nation Government buildings.

Performance Audit

We performed the performance audit services described below at the request of the Navajo Nation Office of the Auditor General (NNOAG) to determine if the FMD was using resources efficiently to meet the maintenance needs of the Navajo Nation Government.

We held an entrance conference with personnel from the NNOAG and management of FMD on November 2, 2017, to discuss the timing and scope of the audit. We held an exit conference on December 21, 2018, to discuss the findings and recommendations. Client responses to the findings below are presented at the end of this report.

Objective, Scope, and Methodology

The objectives of this performance audit were to:

- 1) *Determine if FMD maintains accurate information on buildings they are responsible for.*
- 2) *Determine if FMD budgets and allocates resources appropriately to meet the Department and the Navajo Nation's needs.*
- 3) *Determine if FMD has an efficient work order system that includes an adequate prioritization and documentation process.*
- 4) *Determine if FMD has sound procurement practices.*
- 5) *Determine if FMD performed assessments of building condition and maintenance needs to develop a preventative maintenance plan.*
- 6) *Determine if the departments served by FMD are satisfied with the service received.*

Interviews: In order to gain an understanding of processes and controls in place for FMD, we interviewed or received information from the following personnel:

1. Marcus Tulley, Department Manager
2. Jeff Kirk, Information Systems Technician
3. Herman Begay, Building Maintenance Supervisor
4. Sarah Patterson, Senior Accountant
5. Sandra Sage, Senior Stores Clerk

Sample Selection and Testing: Based on our understanding of the FMD, we assessed the related risks and developed the detailed audit procedures presented below.

1. *Tracking of building information:* We obtained an understanding of the process used to track building information such as square footage, age of the buildings, replacement cost of the buildings, and current condition of the buildings. We selected a judgmental sample of 20 buildings (out of a total of 531 buildings currently under the FMD's responsibility) from the AMMS, ensuring selections from a variety of locations, and compared selected buildings to the most recent building assessment, which began in 2015, for each building to support square footage, age, replacement cost, and current condition of the buildings to determine if the FMD was maintaining accurate records. There were no building site visits performed as part of this internal audit.
2. *Use of budget allocation:* We obtained an understanding of the budgeting process. We obtained budget to actual reports for fiscal years 2016 and 2017 and assessed whether the Department was actively using the reports to monitor and improve performance. We also assessed the 2016 to 2017 budget to actual reports to determine if available funds were expended.
3. *Allocation of resources:* We obtained an understanding of FMD's resource allocation practices for staffing, equipment, and materials and assessed whether the Department had appropriate processes in place for allocating their resources to limit inefficiencies, shortages, or overages in their use. We assessed whether the Department had the appropriate number of employees and levels of employees based on the timeliness of projects getting completed.

We also evaluated the inventory control process to assess the Department's management of supplies, materials, and equipment purchased.

4. *Prioritizing and fulfilling work orders:* We obtained an understanding of the current work order process, including how they are initiated, prioritized, tracked, completed, and closed out. We obtained a listing of all work orders recorded in AMMS from October 2015 through September 2017, which included 5,481 total work orders. In accordance with sampling guidelines for populations over 200 items, we selected a sample of 60 work orders. The work orders for this sample included renovation projects, projects described as "emergencies," as well as a portion that were randomly selected. For each work order, we performed the following procedures:
 - a. Determined if the work order included assignment of personnel and supervisor's approval;
 - b. Assessed whether the work order was resolved timely which was defined as within 2 weeks for normal maintenance and repair and within 24 hours for emergency items;
 - c. Determined if adequate documentation of the work order was on file as evidence of performance, such as a description of the work performed and materials used;
 - d. For new construction, evaluated if the work appeared to be within the scope of the Department;
 - e. Determined if the work order indicated a licensed craftsman was required to perform the related work, and if so, the employee who perform the work appeared to be qualified based on a copy of the license in the employee's file; and,
 - f. Determined if the work requested was for a building owned by the Navajo Nation by comparing the asset number on the work order to the asset number on the building listing obtained from the Property Department.
5. *Procurement and selection of contractors:* We obtained the Navajo Nation Procurement Policies, which guide the Department in procurement of materials to meet maintenance requests. We selected a sample of 60 nonpayroll related expenses (totaling \$441,080 out of \$4,948,848 during the period) incurred by the Department between October 2015 and September 2017. For each transaction, we tested for the following:
 - a. Determined if there were any segregation of duties issues in the purchasing, approving and receiving functions; and,
 - b. For purchases that were for small tools or equipment, performed an observation of the item to assess whether items received are tracked and/or added to property inventory or any other means of tracking the items for control.

In addition, we searched the listing of general contractors (using expense account 112008.6290 and 118023.6290) that were utilized during the same time period, summarized the payments made by vendor, which ranged from \$14,000 to \$806,000 per contractor (nine contractors total), and determined if adequate documentation was on file to support the selection of the contractor which helps promote fair bidding practices. The total paid to all contractors during the two year period was approximately \$2.9 million.

6. *Building condition assessments:* We obtained an understanding of the processes used for assessing each building's condition and maintenance needs. Using the buildings selected for step #1 above, we assessed whether an assessment was completed, whether a plan was

developed to address any building deficiencies identified, and whether any follow up corrective action for those deficiencies and any related repairs or maintenance projects were scheduled and completed timely.

7. *Satisfaction Survey:* Based on our understanding of the FMD services provided to the Navajo Nation, we developed a customized survey to gather feedback from the Departments serviced by FMD. The survey was seeking feedback on the timeliness and quality of work order completion, and satisfaction with custodial services. This survey was distributed to 21 selected personnel and leaders in the Executive and Legislative Branch Departments.

Audit Results

During the course of this performance audit, we identified instances where processes and controls appeared to be working well. Specifically, we found that buildings that the FMD tracked in the AMMS had accurate information reported including square footage, age of the buildings, replacement cost of the buildings, and current condition of the buildings. This information tied to the 2017 independent assessment that was performed. However, certain findings and recommendations were identified which are summarized below.

Findings and Recommendations

Finding I: The FMD does not have an inventory control system to track building repair and maintenance inventory and custodial supplies inventory used on specific projects and work orders.

Criteria: In order to ensure inventory (materials, supplies, equipment, etc.) are accounted for, and to prevent theft, waste or abuse/spoilage, an adequate inventory control system must be in place to track inventory on-hand, inventory purchased, and inventory used.

Condition: The FMD does not have an inventory control system in place. Inventory ordered and received is added to the warehouse; however, there is no internal system for adding the inventory to the AMMS, as this function of the system has not been implemented since the system was originally purchased in 2007, or for tracking that inventory in any other way to ensure that it was only used for Navajo Nation business purposes. Between 2016 and 2017, the FMD incurred \$860,000 for building repairs and maintenance supplies and \$168,000 for custodial supplies (i.e. “inventory”). FMD personnel are permitted to take inventory for projects with limited or no oversight or accountability for the inventory used. In addition, there is no process in place to perpetually track inventory used and to tie decreases in inventory to specific projects and work orders. Management estimated that spoilage accounts for at least 10% of total inventory cost which would amount to approximately \$86,000 during the two year period.

- Effect:* Lack of an inventory control system prevents the FMD from being able to justify expenses incurred and from tying that expense to the ultimate production for the Department. Inventory that is not tracked leads to potential fraud, waste and abuse/spoilage, without any means of identifying where it is occurring. Inventory could be stolen from the warehouse given all personnel have access to obtain materials or could be stolen when taken to use for a project. This fraud risk is increased with a lack of management oversight of the inventory on-hand. Without a requirement for personnel to document specific inventory used on each project or work orders prevents the Department from being able to quantify project costs.
- Cause:* The FMD had not fully implemented the AMMS to allow for inventory control, as prior attempts to implement this function failed due to a lack of personnel support and enforcement. There are no documented policies and procedures requiring personnel to track inventory on-hand, inventory received and inventory used for each project or work order they complete.
- Recommendations:* The FMD should fully implement the AMMS to incorporate an effective inventory control system. Inventory on-hand, inventory purchases, and inventory use should be controlled through the system. Management should actively monitor the use of inventory and enforce the effective use of the AMMS to track and account for it. The first-in-first out inventory control process should be enforced and monitored to ensure that material/supply waste/spoilage is limited. An inventory policy and procedure should be developed to instruct employees on how inventory use should be documented for each project and work order completed, and management should perform reviews to ensure the information is documented and reasonable.

Finding II: FMD does not have an adequate means of allocating personnel resources to specific projects and work orders.

- Criteria:* For a service Department, best practices require a tracking mechanism in place to tie employee work hours to specific projects and work orders. Tracking time and effort, by project, is needed to ensure that production volume can be monitored and resource needs can be justified based on that production.
- Condition:* FMD does not have a method to connect employee timekeeping to projects completed or work orders fulfilled.
- Effect:* Given that no tracking mechanism was in place, management did not have a means of evaluating employee performance or for promoting accountability within the Department. The lack of accurate time tracking prevents the Department from being able to schedule and plan for upcoming work, based on the resources available. As a result of these limitations, projects and work orders are consistently delayed or not completed at all, and there are no metrics such as average time to complete by employee, average time to complete per type of project or work order, etc.

Cause: Employees would perform work within the Department with no requirement for tracking the work completed in correlation to the hours that they were paid for. Management had not enforced a system of accountability that would require employees to keep track of their time and assign hours worked to specific outputs (i.e. projects and work orders completed).

Recommendations: Management should implement a timekeeping process that allows for employees to be assigned/scheduled on specific projects and work orders and requires them to report hours worked on each project that is completed. Employee performance should be evaluated based on the results of the production that they achieve, and a system of accountability should be expected.

Finding III: Work orders are not completed timely, are not adequately documented and are not actively managed.

Criteria: One of FMD's key responsibilities is to fulfill work orders submitted by Navajo Nation departments to perform maintenance, repairs, and other projects. In order for the FMD to operate efficiently and effectively, an adequate work order system must be in place to properly prioritize the requests, assign the projects, track the work performed and outstanding, and close out the projects timely. Given that there was no policy defining expected timelines for the FMD to fulfill work orders, we utilized two weeks for nonemergency work orders and 24 hours for emergency work orders. Effective management oversight must be in place to ensure this key function of the FMD is effective for the Navajo Nation.

Condition: The FMD does not have an efficient work order system in place. Work orders were not completed timely, did not appear to be adequately prioritized, and were lacking key documentation to allow for the calculation of total cost and to provide assurance that resources were allocated and accounted for.

During our analysis of 60 work orders (out of 5,481) submitted between October 2016 and September 2017, we found that the work order documentation was not adequate. Specifically, we identified the following:

- ◆ Nineteen instances (32%) where the work was not performed in a timely manner. The delays ranged from 19 to 391 days between the date the work order was submitted to the date the work was completed and the work order was closed.
- ◆ Twenty-eight instances (47%) where the work order was not signed by the requester and did not have an approval signature.
- ◆ Nine instances (15%) where the work performed appeared to be of a nature that would require a license (i.e. electrical, plumbing, etc.) technician to complete the work; however, there was no documentation on file at FMD to show the employee who performed the work was actually licensed to do so.

- ◆ Fifteen instances (25%) where there was no adequate documentation on the work order of the work performed including the hours for completion, materials used, or what work was completed.
- ◆ Three instances (5%) where there was no documentation of the work order because it was still outstanding. All three had been outstanding almost four months and one was noted in the system as being an “emergency” request.
- ◆ Most work orders tested had many blank fields.

In addition, adequate management oversight is not in place to ensure the work order system was functioning effectively and that work orders were completed timely. Finally, there were concerns that came to light during the course of the audit that implied some Navajo Nation work order needs resulted in possible unhealthy and unsafe working environments.

Effect: The lack of a full work order control process led to inefficiencies, a lack of accountability within FMD, and dissatisfied users of the FMD services.

Cause: There are currently no documented policies and procedures on what is expected of employees when initiating, approving, prioritizing, documenting and ultimately closing work orders in the AMMS. The AMMS was not being fully utilized in a way that results in an effective work order management process. There was no policy documenting timelines for completion of work orders based on emergency/nonemergencies or based on the type of work requested. There was no expectation that personnel document all materials used, labor hours incurred, and the complete scope of the work performed. The lack of adequate documented requirements and expectations, as well as adequate management oversight, resulted in a management team that did not have the ability to hold personnel accountable.

Recommendations: Management should develop a clear policy and procedure that states how a work order is to be initiated, approved, prioritized, documented and closed. A formal prioritization policy should be established to allow management to have the authority to prioritize work in a manner that best supports the Navajo Nation’s needs. The timelines for completion of work orders based on the type of work required should be established and documented. Management should consider contracting with a licensed inspector to perform full inspections on those Navajo Nation buildings that have outstanding work orders that could present health or safety risk for Navajo Nation employees working in those buildings. A full inspection could help the FMD better prioritize the outstanding work orders.

This policy should be conveyed to all employees and be used as a baseline for employee evaluation purposes. As part of the performance review process, management should evaluate AMMS work orders, by employee, to evaluate overall production and compliance with documentation requirements. The prioritization process should be clearly defined and communicated to all departments that the FMD serves, and management should be responsible for ensuring the process is carried out consistently.

The FMD should develop performance criteria showing number of work orders completed and average time of completion. Management should evaluate and monitor performance on a regular basis. Consider presenting this to the oversight committee regularly to show improvement in services provided to the Navajo Nation.

Finding IV: FMD expenses are not supported and there is a lack of segregation of duties between purchasing and receiving.

- Criteria:* The Navajo Nation Procurement Rules and Regulations, Sections I.2 and A.1.a-c, require that all purchases be supported by a purchase requisition and a receiving report, and that fair and open competition practices are in place. Best practices to prevent fraud and abuse is to require adequate segregation of duties for purchasing and receiving, or to have additional levels of review after-the-fact.
- Condition:* During our analysis of 60 purchases for nonpayroll expenses, totaling \$441,080, made by the FMD during the audit period, we identified instances where purchases were not properly supported and adequate segregation of duties did not appear to be in place. Specifically, we found the following:
- ◆ Twelve instances (20%) where FMD could not provide support for a purchase made. For these twelve instances, for those that appeared to be related to small tools, we were not able to locate the related items because the detailed support was not available to confirm the items purchased.
 - ◆ Nine instances (15%) where the original requester (orderer) and the receiver were the same person.
 - ◆ During our analysis of nine general contractors utilized during the audit period, we identified three instances (30% of the contractors tested) where high-dollar general contractors, which ranged in service costs from \$14,000 to \$800,000 in which the FMD could not provide documentation of the vendor solicitation and selection process.
- Effect:* Without proper supporting documentation for purchases, the FMD is not in compliance with the Navajo Nation Procurement Rules and Regulations. If adequate segregation of duties or mitigating controls are not in place, goods could be ordered, received, and misappropriated without detection. Finally, without proper support for large vendor solicitation and selection, the FMD could be accused of giving bias to certain vendors.
- Cause:* The FMD did not appear to be maintaining copies of all purchasing documentation and had a difficult time obtaining support for certain purchases. An inventory management process was not in place to ensure all purchases made were ultimately received and controlled.

Recommendations: The FMD should track all purchases made and ensure that adequate documentation is on file to show compliance with the Navajo Nation Procurement Rules and Regulations. Implementing the inventory modules in AMMS to track inventory purchased, received, and used would help strengthen system controls to prevent inventory purchased from going missing. A full assessment of all high dollar contracts executed by the FMD in the past few years should be performed to determine if the procurement process was appropriate, that the contract was reasonable, and that any related services were performed in accordance with the contract.

Finding V: Building projects recommended in the 2017 assessment, including repairs and maintenance and replacement projects have not been completed.

Criteria: The FMD is expected to perform a building assessment on all Navajo Nation Government buildings every five years. The expectation is that projects recommended should be assessed, prioritized and completed, if applicable. Types of projects included air conditioning repair, roof repair, changing filters, heater repair, etc.

Condition: An independent contractor hired by the FMD took over two years to complete the building assessments. Based on this assessment, a sample of 20 buildings were analyzed for the audit. Of these 20 buildings, 15 buildings had recommended projects that were not completed by FMD. The projects ranged from minor repairs, such as fixing toilets, lightbulbs, and locks, to large scale projects such as re-roofing, building walls, laying tile, etc. For the 20 building assessments analyzed, the total project cost, by location, ranged from \$5,000 for the Navajo Transit System Facility to \$10 million for the Judicial Headquarters/Public Safety. The results of the audit solely relate to the 20 buildings assessed, not the overall progress on the projects identified during full assessment that was performed.

Effect: Building projects, including minor to major repairs and maintenance were not done. Therefore, the Navajo Nation's buildings are not properly maintained which can result in health or safety risks.

Cause: The projects related to the building included in the audit have not been completed because some were assessed as not being a priority, the work could not be performed in-house due to availability or expertise, or the project included a high-level of difficulty. In addition, the FMD is not responsible for large construction projects, but rather minor repair and maintenance activities. For those areas that required expertise beyond FMD personnel's level, the Department had to contract out the work which was a more timely process. The FMD did not have an adequate process in place to ensure projects were prioritized accurately or to ensure there was a timeline for completion communicated.

Recommendations: When building assessments are performed, the FMD should develop a plan to assess all recommended projects and identify those that are of priority to the Navajo Nation. The projects selected should be presented in a formal plan to the oversight committee and should include the detail of the projects, how the FMD plans to complete them, and the priority-level and timeline for each project. The FMD should be held accountable for meeting the formal plan within the established budget. If FMD does not have the expertise internally, and the project has to be outsourced, every effort should be made to get through the process timely and hold contractors accountable for completing the work by agreed-upon due dates.

Finding VI: Members of the Executive and Legislative Branches are dissatisfied with FMD's work order process and custodial services.

Criteria: FMD was established to provide maintenance and repair services for all Navajo Nation government buildings, to include cooling and heating, electrical, installing equipment, mechanical and structural systems and grounds services. FMD is also responsible for custodial service in Navajo Nation Government buildings.

Condition: Of the 21 selected Executive and Legislative Branches who responded to the survey, several indicated dissatisfaction with the work order process and custodial services provided by FMD. Certain employees surveyed chose not to respond to certain questions; therefore, 16 to 19 responses were received for each surveyed question. If a large population of Nation employees were surveyed, the results could have been different than those presented below.

Work Order Ratings

- ◆ Nine (50%) of 18 indicated that their work order was not completed timely, and the following additional comments were provided:
 - On several occasions work orders needed to be submitted multiple times before the FMD responded; staff are not readily available when contacted for emergencies; FMD needs a better system to prioritize calls; and work completion takes too long, even for simple projects.
- ◆ Five (28%) of 18 indicated that the work performed did not satisfy their needs. Additionally, one member indicated that after work was performed, a board came loose and fell.
- ◆ Five (28%) of 18 rated the FMD's work order performance as low (i.e. a rating of 1 or 2 with 1 being the lowest and 5 being highest).

Custodial Ratings

- ◆ Four (21%) of 19 indicated their building does not have adequate supply of custodial items such as restroom paper products and soaps, and some indicated health and cleanliness concerns.
- ◆ Seven (41%) of 17 indicated that the custodial work performed is not satisfactory, and the following additional comments were provided:
 - Vacuuming service and request for towel refills must be requested, which is sometimes difficult as the custodian may work after hours when they are unable to make the request. Requests left by note may take up to three or four days;
 - All program buildings should be cleaned daily or weekly;
 - If employees at their building leave by 5pm, custodians are sometimes unable to vacuum; therefore, the offices may go weeks or months without being vacuumed; and,
 - Employees in our building have only seen the custodian twice in a two-month period; thus, they have had to clean the building, take out the trash, and restock paper towels and fix toilet tissues themselves.
- ◆ Five (31%) of 16 rated the FMD's custodial performance as low (i.e. a rating of 1 or 2).

Overall Feedback

In addition, the following overall feedback was provided:

- ◆ The FMD should establish regular communications on work orders and schedules for janitorial/custodial services;
- ◆ Custodial supplies are not shared, nor made available, which results in many inefficient communications between management and custodial personnel;
- ◆ FMD needs additional staff for custodial work in order to allow for cleaner bathrooms, swept and mopped floors, and waste paper baskets emptied on a more consistent basis.
- ◆ There are no staff meetings or trainings on knowledge, ability or skills to benefit the custodial staff.
- ◆ There have been reports by custodial staff that management/directors have been seen taking lumber and custodial supplies.

Effect:

The FMD has not been able to fulfill their purpose of providing adequate maintenance, repair and custodial services to the Navajo Nation in a way that meets the expectations of the departments they serve.

Cause:

An effective work order process was not in place to ensure that work orders were prioritized and completed timely and effectively. The FMD did not have a process in place to gather feedback from the departments they were serving, or a way to link personnel performance to number or quality of work orders fulfilled. Finally, the FMD may not be structured effectively, to allow for the amount and type of work that is expected of them to be completed timely.

Recommendations: Refer to Recommendation #3 above related to the work order process. The FMD should also consider doing a Customer Satisfaction survey on a periodic basis for custodial services and after each work order performed. The results could be accumulated, presented and addressed at FMD meetings to ensure issues are being addressed timely and work performed is satisfactory. Finally, the FMD should obtain an external assessment of their department to evaluate the personnel requirements for fulfilling the various types of work that the department is tasked with. An external assessment will be able to evaluate staffing requirements for each facilities maintenance area and provide improvement opportunities to ensure the department is functioning efficiently.

Conclusion

The procedures performed found that, for the buildings tested, the FMD tracked information on buildings including the square footage, age, replacement cost and current condition based on the 2017 building assessment and original building documentation. FMD did not have an effective means of tying hours worked to work completed to ensure that Department resources were properly accounted for. The findings did identify that the FMD did not have an adequate inventory control system in place to track and utilize supplies and equipment resources. The findings show that the FMD did not have an effective or efficient work order process to ensure work requested was prioritized and performed adequately and timely.

The findings show that there was not always adequate segregation of duties in place for purchases, supporting documentation was not on file for selected expenses, and adequate procurement documentation was not on file to support that due diligence was performed for the large contractors utilized.

The FMD completed a full assessment of all buildings they are responsible for in 2017. From that assessment, there were hundreds of maintenance and other projects and it appeared these were added to the AMMS for tracking. The FMD did have an effective process in place for tracking preventive maintenance for winter and summer time. However, for those projects assessed it appeared that many were incomplete by FMD. Finally, the survey indicated that those served by the FMD were not satisfied with the services and, at times, are not getting the work completed at all.

Based on the results of this audit, the FMD should implement a robust inventory control system and develop procedures to ensure that inventory used and hours worked can be tied directly to Department production. The FMD should re-evaluate the work order system to ensure work orders are completed timely and effectively. The procurement process should be assessed to ensure adequate segregation of duties are in place and that support is maintained for all FMD purchases. In addition, the Navajo Nation should consider a full external assessment of the department to determine if the staffing levels, department structure and personnel expertise are appropriate to meet the FMD's responsibilities.

* * * * *

We received excellent cooperation and assistance from FMD personnel during the course of our testing. 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
August 15, 2018

CLIENT RESPONSE

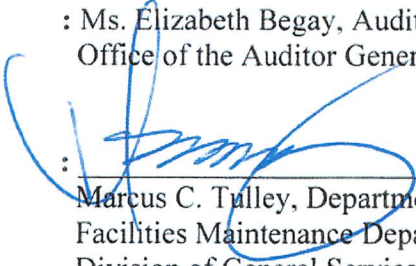


THE NAVAJO NATION

RUSSELL BEGAYE **PRESIDENT**
JONATHAN NEZ **VICE-PRESIDENT**

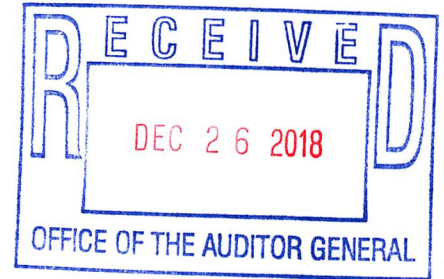
MEMORANDUM

TO : Ms. Elizabeth Begay, Auditor General
Office of the Auditor General-Navajo Nation

FROM : 
Marcus C. Tulley, Department Manager III
Facilities Maintenance Department
Division of General Services

DATE : December 21, 2018

SUBJECT : PROGRAM AUDIT REPORT 17-20



The Facilities Maintenance Department has completed the review of the draft audit report provided October 23, 2018. While FMD disagrees with some of the findings and recommendations, FMD intends to implement corrective actions to enhance and improve program operations. FMD provides the following response to each of the six (6) findings as follows:

Finding I: The FMD does not have an inventory control system to track building repair and maintenance inventory and custodial supplies inventory used on specific projects and work orders.

FMD concurs with the finding and recommendations. The current work order management software, Advance Maintenance Management Software (AMMS) can be used to track incoming and outgoing materials and supplies. FMD will immediately implement policies to ensure that all work orders and custodial supplies are monitored through the AMMS software. FMD staff will be trained to use the AMMS database and oriented on the procedures in cross-referencing all inventory with work order forms and/or reports. Additionally, FMD will purchase new equipment to replace outdated database hardware and software.

Finding II: FMD does not have adequate means of allocating personnel resources to specific projects and work orders.

FMD concurs that staff need to be held accountable for their time. However, the majority of FMD employees protected by the Navajo Nation Personnel Policies, especially the Navajo Preference in Employment Act, and during its effectiveness, the Collective Bargaining Unit. As such, FMD anticipates there will be an influx of complaints and grievances if time limitations are imposed on

FMD personnel to address a work order or assignment. FMD management understands that employees are diverse in how they perform their work and is flexible in this capacity as long as

the work is completed and in accordance to quality standards. FMD management will implement policy to ensure staff document all work performed and the materials and supplies used. Information from these forms and/or reports will be cross referenced with inventory. Based on this process, supervisors will evaluate employee performance.

Finding III: Work orders are not completed timely, are not adequately documented, and are not actively managed.

As explained, FMD has had a high volume of requests to address major repairs to the facilities in its inventory. Beginning 2017, the Department of Personnel Management (DPM) required FMD to identify sensitive positions and to include language in the job descriptions that reflect such changes. Further, positions had to be reclassified and until this process was fully completed, FMD could not hire additional staff. Imposition of time limits to work orders was not feasible considering that FMD is already short-staffed. The practice of imposing time limitations to completing work orders may be construed as micromanagement and/or harassment. FMD cannot stress the importance in allowing for some flexibility in the completion and timeliness of the work orders as the demands to address major repairs in concert with other requests can be stressful.

FMD will implement policies and procedures that will alleviate the turnaround time to complete work orders, ensure that work order forms and/or reports are adequately documented, and are actively managed. Further, FMD will inform supervisors to provide guidance and measures to improve service delivery and operations.

Finding IV: FMD Expenses are not supported and there is a lack of segregation of duties between purchasing and receiving.

FMD concurs with this finding and will implement policies and procedures for FMD staff to adhere to in reporting and maintaining all expenditures using the AMMS software and existing Navajo Nation policies. Further, FMD will ensure staff are fully informed of their duties and responsibilities to ensure the appropriate measures are enforced when purchasing and receiving maintenance and custodial supplies and materials. Additional staff may be hired to address this finding.

Finding V: Building projects recommended in the 2017 assessment, including repairs and maintenance and replacement projects have not been completed.

Contrary, FMD completed assessments throughout the Navajo Nation to determine the actual condition of each building and identify cost estimates to bring them up to standards. Four (4) critical areas were identified that needed immediate attention pursuant to the assessment, including roof repair, heating and cooling, and ADA accessibility and accommodations. FMD has concentrated its efforts on addressing these major issues prior to addressing other maintenance items. However, FMD responded to other demands and needs, such as the renovation and remediation of Administration Building No. 2., asbestos abatement and modifications to the building occupied by the Office of the President and Vice-President, Division of Natural Resources and Division of Human Resources, and the renovation and repair of the Supreme Court Administration and Court facility. These overwhelmingly critical tasks had to be addressed and completed to ensure the safety of the occupants and to ensure the continuation of operations and

service delivery of the affected programs. The finding tends to suggest FMD has not completed any of its projects which is inconsistent with the status reports and information the FMD has provided to the Division of General Services and the Health, Education and Human Services Committee. FMD invites the auditing team to visit the various sites and reconsider its determination on this issue. In such site reviews, the auditing team can determine how FMD has, in addition to the previously mentioned accomplishments, upgraded heating and cooling systems, installed HVAC systems, complied with ADA standards, sealed and repaired roofs to eliminate water intrusions, and renovated and expanded a number of facilities throughout the Navajo Nation.

Finding VI: Members of the Executive and Legislative Branches are dissatisfied with FMD's work order process and custodial services.

It was reported to FMD that 200 employees within the Executive and Legislative Branches were sampled for this survey with a low response rate of 18. This is not a true representation of the population and therefore, the feedback from this survey applies to only a small fraction of the Navajo Nation tribal government workforce. Additionally, the survey concentrated on FMD's work order process and custodial services, and disregarded the other functions of the FMD, such as heating and cooling, roof repairs, mechanicals, electrical, plumbing, and grounds-keeping. FMD's services encompass a variety of functions that are important to the image of the Navajo Nation and to the comfort, accommodations, and safety of its employees. For instance, FMD's initiative to pave and improve roads and parking lots was in response to employee demands. Although these efforts are on-going, it goes to illustrate that FMD is committed to providing quality services in ensuring the safety and accommodation to all members of the Navajo Nation and to their visitors.

Lastly, FMD is not privy to the questionnaire and is not familiar with the process of eliminating bias but based on the feedback, it is apparent that FMD's limitations of resources (i.e. staff and funds) were not factored in the survey. However, FMD is receptive to distributing Customer Service surveys periodically to track its service delivery and identify areas of improvement.

Your assistance in reviewing and approving this request is appreciated. Should you have any questions, please contact me at (928) 729-4258.

CC: File / Chrono