



OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

A Fourth Follow-Up Review of the Shiprock Chapter Corrective Action Plan Implementation

**Report No. 19-10
December 2018**

**Performed by:
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December 27, 2018

Duane Yazzie, President
SHIPROCK CHAPTER
P.O. Box 3810
Shiprock, NM 87420

Dear Mr. Yazzie,

The Office of the Auditor General herewith transmits Audit Report No. 19-10, a Fourth Follow-up Review of the Shiprock Chapter Corrective Action Plan Implementation.

BACKGROUND

A corrective action plan was developed by the Shiprock Chapter in response to the 2008 audit report no. 08-03. The audit report and corrective action plan were approved by the Budget and Finance Committee on May 20, 2008, per resolution no. BFMY-13-08.

The first follow-up review report released in March 2011 concluded that the Shiprock Chapter failed to implement its corrective action plan. Therefore, the Chapter was sanctioned in accordance with Title 12 Section 9. In December 2011 and November 2016, the second and third follow-up reviews respectively were conducted and each follow up review concluded that the Chapter failed to implement its corrective action plan. Consequently, the sanctions imposed against the Chapter's operating budget and officials' stipends were not lifted.

OBJECTIVE AND SCOPE

The objective of this fourth follow-up review is to determine whether the Shiprock Chapter has fully implemented its corrective action plan. The review covers the six-month period from April 1, 2018 to September 30, 2018.

CONCLUSION

The Shiprock Chapter has reasonably resolved the audit issues from the 2008 audit of the Chapter. See attachment A for the detailed explanation of the follow-up results. Therefore, the Office of the Auditor General concluded to lift the sanctions against the Shiprock Chapter and Chapter officials and will provide a memorandum to the Office of the Controller to release all withheld funds in accordance with 12 N.N.C. Section 9.

Sincerely,

Elizabeth Begay, CIA, CFE
Office of the Auditor General

xc: Nevina Kinlahcheeny, Vice President
Dr. J. Kaibah Begay, Secretary/Treasurer
Michele Peterson, Community Services Coordinator
Tom Chee, Council Delegate
SHIPROCK CHAPTER
Chrono

REVIEW RESULTS
 Shiprock Chapter 4th Corrective Action Plan Implementation
 Review Period: April 1, 2018 through September 30, 2018

Audit Issues	Total # of Corrective Measures	# of Corrective Measures Implemented	# of Corrective Measures Not Implemented	Audit Issue Resolved?	Review Details
1. Controls over expenditures are weak.	2	2	0	Yes	Attachment A
2. Chapter does not comply with funding guidelines for restricted funds.	2	2	0	Yes	
3. Chapter inventory controls are inadequate.	2	1	1	Yes	
4. Lack of Five Management System implementation contributed to control deficiencies and non-compliance.	1	1	0	Yes	
5. Chapter financial reports are inaccurate.	1	1	0	Yes	
6. Chapter officials and Administrative Service Center need to exercise better monitoring of Chapter operations.	2	2	0	Yes	
TOTAL:	10	9	1	6- Yes 0- 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.

◆ 2018 STATUS	Issue 1: Controls over expenditures are weak. RESOLVED
The Chapter developed a detailed budget for its carry-over and fiscal year 2019 annual appropriation. The detailed budgets were approved through a chapter resolution and posted to the accounting system. Therefore, the controls over the expenditure of funds have improved through the adoption of chapter budgets.	
◆ 2018 STATUS	Issue 2: Chapter does not comply with funding guidelines for restricted funds. RESOLVED
The Chapter has all required documentation for its Public Employment Program projects such as application, advertisement, completion report, and chapter membership approval of the projects. The Chapter two housing projects during the audit scope had documentation on file to show that the housing discretionary funds were used as intended. There is an assessment of the housing, material purchased, and photos of before and after the project completion.	
◆ 2018 STATUS	Issue 3: Chapter inventory controls are inadequate. RESOLVED
The Chapter developed a fixed asset listing of properties with values of \$1,000 and more including the Chapter buildings. The total fixed asset value is included on the balance sheet. The Chapter did not have resale items during the audit scope. Therefore, the implementation of the corrective measures related to the resale items could not be verified.	
◆ 2018 STATUS	Issue 4: Lack of Five Management System implementation contributed to control deficiencies and non-compliance. RESOLVED
The chapter officials and staff have implemented the five management system for the chapter operations.	
◆ 2018 STATUS	Issue 5: Chapter financial reports are inaccurate. RESOLVED
The Chapter generated the three basic financial statements: balance sheet, statement of revenues and expenditures and budget to actual. The financial statements are reviewed monthly by the Chapter officials.	
◆ 2018 STATUS	Issue 6: Chapter officials and Administrative Service Center need to exercise better monitoring of Chapter operations. RESOLVED
The Chapter officials and the Administrative Service Center are monitoring chapter activities. The Chapter staff and officials obtained training to help them improve oversight over chapter operations.	