

OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

**A Follow-up Review
of the
Tonalea Chapter
Corrective Action Plan Implementation**

**Report No. 19-12
March 2019**

**Performed by:
SLOAN & COMPANY**



March 15, 2019

Sarah Slim, President
TONALEA CHAPTER
P.O. Box 207
Tonalea, AZ 86044

Dear Ms. Slim,

The Office of the Auditor General herewith transmits Audit Report No. 19-12, a Follow-up Review of the Tonalea Chapter Corrective Action Plan Implementation. The follow-up was conducted in conjunction with Sloan & Company, Certified Public Accountants, to provide information on Tonalea Chapter's progress in resolving the audit issues noted in the initial audit of the chapter.

BACKGROUND

In 2017, the Office of the Auditor General performed a special review of Tonalea Chapter and issued audit report no. 17-17. A corrective action plan was developed by the Tonalea Chapter in response to the special review. The audit report and corrective action plan were approved by the Budget and Finance Committee on November 21, 2017, per resolution no. BFN-37-17.

OBJECTIVE AND SCOPE

The objective of the follow-up review is to determine whether the Tonalea Chapter fully implemented its corrective action plan based on a six-month review period of April 1, 2018 to September 30, 2018. Our review was based on inquiries, review of records and audit test work.

SUMMARY


The Tonalea Chapter fully implemented their corrective action plan to resolve all 27 audit issues noted in audit report 17-17. See attached Exhibit A for the detailed explanation of the follow-up results.

CONCLUSION

Since Tonalea Chapter fully resolved the audit issues, the Office of the Auditor General does not recommend sanctions on the Tonalea Chapter and officials in accordance with 12.N.N.C. Section 9.

We wish to thank the Tonalea Chapter staff and officials for assisting in this follow-up review.

Sincerely,


Helen Brown, Principal Auditor
Delegated Auditor General

xc: Marie B. Acothley, Vice President
Delores J. Claw, Secretary/Treasurer
Paul Begay, Council Delegate
(Vacant) Chapter Manager
TONALEA CHAPTER
Johnny Johnson, Department Manager II
ADMINISTRATIVE SERVICE CENTER/DCD
Chrono

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SLOAN & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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HARRY W. SLOAN, JR., C.P.A.

February 26, 2019

Helen Brown
Delegated Auditor General, Office of the Auditor General
The Navajo Nation
P.O. Box 708
Window Rock, Arizona 86515

Dear Ms. Brown:

Pursuant to our engagement letter with the Office of the Auditor General, Sloan & Company hereby transmits the follow-up report of the Tonalea Chapter of its corrective action plan. The objective of this review was to determine the status of the correction action plan implementation based on a 6-month review period of April 1, 2018, to September 30, 2018 and observation of implementation through January 10, 2019. Our review was based on inquiries, review of records and transactional test work.

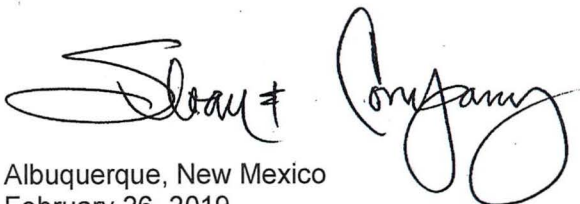
The results of our review found that the Tonalea Chapter resolved all prior audit findings. Of the 8 audit issues, the Tonalea Chapter implemented corrective measures that addressed all audit issues as of the end of our review.

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

Subsequent to our review, it has come to our attention that all key personnel responsible and involved in implementing the corrective measures are no longer employed by the Tonalea Chapter. Given the significance of these key personnel in the implementation of the corrective measures and sudden departure without proper training of new personnel, we cannot, with any certainty determine the impact on the "continued" implementation of these corrective measures.

Finally, we express our gratitude to the staff Tonalea Chapter for their cooperation and assistance with this review. If you have any questions about this report, please call our office at (505) 858-0050.

Sincerely,



Albuquerque, New Mexico
February 26, 2019

EXHIBIT A

REVIEW RESULTS
Tonalea Chapter Corrective Action Plan Implementation
Review Period: April 1, 2018 to September 30, 2018

Audit Issues	Total # of Corrective Measures	# of Corrective Measures Implemented	# of Corrective Measures Not Implemented	Audit Issue Resolved?	Review Details
1. There is no segregation of duties within the cash receipts process.	5	5	0	Yes	See Attachment A
2. The Chapter does not have sufficient control in place for the management of the open account with a local store.	6	6	0	Yes	
3. The Chapter awarded financial assistance to ineligible applicants.	1	1	0	Yes	
4. Complete information on the Chapter finances were not provided to the Chapter membership.	2	2	0	Yes	
5. The Chapter cannot account for its property and did not report fixed assets to the financial statements.	5	5	0	Yes	
6. The Chapter cannot justify \$6,068 operating expenditures.	3	3	0	Yes	
7. The Chapter filing system was in disarray	3	3	0	Yes	
8. The Chapters Accounting system is not safeguarded from loss.	2	2	0	Yes	
Total:	27	27	0	8 -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: There is no segregation of duties within the cash receipts process. RESOLVED
We examined a sample of cash receipts and found that all cash receipts and deposits were properly supported and traceable to the bank statements and general ledger. Additionally, through inquiry, observation, and a walk-through of the process, duties have been segregated to the extent possible with other compensating controls in place in handling cash receipts, making deposits, and posting to the general ledger with periodic reconciliations to be conducted.	
2018 Status	Issue 2: The Chapter does not have sufficient control in place for the management of the open account with a local store. RESOLVED
All nine charges on the open account tested were properly supported. The Chapter has implemented compensating controls for the management of the open account with the local store. Further, a drafted copy of policies and procedures identifying the type of authorized purchases, authorized users, or restrictions on the account and required community approval has been submitted to the Navajo Nation's Department of Justice for review and approval for adoption.	
2018 Status	Issue 3: The Chapter awarded financial assistance to ineligible applicants. RESOLVED
All financial assistance disbursements tested (9) were to eligible applicants and had appropriate supporting documentation.	
2018 Status	Issue 4: Complete information on the Chapter finances were not provided to the Chapter membership. RESOLVED
Based on our review of the minutes from April to September 2018, it was noted that complete financial information was presented to the membership and approved at various meetings consistently.	
2018 Status	Issue 5: The Chapter cannot account for its property and did not report fixed assets to the financial statements. RESOLVED
Based on inquiry, observation, and review of the physical inventory listing of fixed assets, the Chapter has an updated listing that is being maintained with values established. Majority of fixed assets are fully depreciated and is available for financial reporting.	
2018 Status	Issue 6: The Chapter cannot justify \$6,068 operating expenditures. RESOLVED
We examined a sample of 45 operating expenditures and found that all the expenditures were properly supported with applicable documents and justified. Further, the Navajo Nation Insurance coverage was obtained for the Chapter vehicle during the period under review.	
2018 Status	Issue 7: The Chapter filing system was in disarray RESOLVED
Based on our observation of the filing cabinet and inquiry of the Chapter key personnel, it was noted that the Chapter established a standard filing system. All documents appeared to be properly organized and easily retrievable.	
2018 Status	Issue 8: The Chapters Accounting system is not safeguarded from loss. RESOLVED
Based on our inspection of the site and inquiry, it was noted that the Chapter maintains an external drive that is backed-up daily and kept in a safe off-site. We provided additional recommendations for system recovery and cut-off.	