



OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

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

**Report No. 19-13
March 2019**

**Performed by:
Karen Briscoe, Principal Auditor
Marcale Kaskalla, Associate Auditor**



March 29, 2019

Franklin Fowler, President
KAIBETO CHAPTER
P.O. Box 1761
Kaibeto, AZ 86053

Dear Mr. Fowler:

The Office of the Auditor General herewith transmits Audit Report No. 19-13, a Follow-up Review of the Kaibeto Chapter Corrective Action Plan Implementation.

BACKGROUND

In 2017, the Office of the Auditor General performed a Special Review of Checks Disbursed to the Kaibeto Chapter Accounts Maintenance Specialist and issued audit report no. 17-41. A corrective action plan was developed by the Kaibeto Chapter in response to the special review. The audit report and corrective action plan were approved by the Budget and Finance Committee on March 6, 2018, per resolution no. BFMA-09-18.

OBJECTIVE AND SCOPE

The objective of the follow-up review is to determine whether the Kaibeto Chapter fully implemented its corrective action plan based on a five-month review period of October 1, 2018 to February 28, 2019. Our review was based on inquiries, review of records and audit test work.

SUMMARY

The Kaibeto Chapter did not resolve the prior audit finding. Of 8 corrective measures, the Kaibeto Chapter implemented 3 (38%) corrective measures, leaving 5 (62%) not implemented. See attached Exhibit A for the detailed explanation of the follow-up results.

CONCLUSION

The Kaibeto Chapter has not reasonably addressed the audit findings from the 2017 audit of the Chapter. Therefore, the Office of the Auditor General recommends sanctions on the Kaibeto Chapter and officials in accordance with 12 N.N.C. Section 9 (B) and (C).

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

Sincerely,



Helen Brown, Principal Auditor
Delegated Auditor General

xc: Tom Franklin, Vice President
Yolanda Ellis-Bileen, Secretary/Treasurer
Ella Dodson-Slick, Accounts Maintenance Specialist
Vacant, Community Services Coordinator
Paul Begay, Council Delegate
KAIBETO CHAPTER
Johnny Johnson, Department Manager II
ADMINISTRATIVE SERVICES CENTER/DCD
Chrono

REVIEW RESULTS
Kaibeto Corrective Action Plan Implementation
Review Period: October 1, 2018 to February 28, 2019

Audit Issues	Total # of Corrective Measures	# of Corrective Measures Implemented	# of Corrective Measures Not Implemented	Audit Issue Resolved?	Review Details
1. Chapter Community Services Coordinator and officials pre-signed blank checks.	1	1	0	Yes	See Attachment A
2. Weak controls in the Chapter cash disbursement process.	5	1	4	No	
3. The Community Services Coordinator and Secretary Treasurer were not consistently monitoring the Accounts Maintenance Specialist's activities.	2	1	1	No	
TOTAL:	8	3	5	1- Yes 2- 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>2019 STATUS</p>	<p>Issue #1: The Chapter Community Services Coordinator and officials pre-signed blank checks. RESOLVED</p>
<p>The Chapter is no longer pre-signing checks.</p>	
<p style="text-align: center;">◆</p> <p>2019 STATUS</p>	<p>Issue #2: Weak controls in the Chapter cash disbursement process. NOT RESOLVED</p>
<p>During the five month review period, the Administrative Services Center (ASC) was managing the accounting system from mid-October 2018 to mid-February 2019 because the Chapter did not have a Community Services Coordinator (CSC) and Accounts Maintenance Specialist (AMS). As such, ASC required the Chapter to have all documents in place prior to issuing checks. Therefore, the review of 40 disbursement files totaling \$25,710 were approved and supported with documentation before checks were signed. Nonetheless, the continued implementation of the process is contingent upon the new AMS, hired in mid-January 2019, and officials to maintain this process.</p>	
<p>The accounting system was returned to the Chapter in February 2019 but our comparison of chapter records, bank records, and the accounting system revealed the following:</p>	
<ol style="list-style-type: none"> 1. Missing original voided checks. 2. Unposted voided checks. 3. Unposted disbursements. 4. A manual check totaling \$250 was issued by a Chapter official without documentation and approval. 5. A check amount of \$1,148.16 was altered to \$1,094.08 and never adjusted in the accounting system. 6. Not all bank reconciliations are completed and reviewed for accuracy. 7. An unauthorized individual from the ASC was signing Chapter checks. 	
<p>These issues indicate a lack of improvement in the disbursement process. The Chapter officials relied on ASC in managing the system. Although the Chapter receives monthly bank statements and has access to accounting system reports, the officials did not monitor the maintenance of an adequate accounting system to detect discrepancies. Lastly, although there was no CSC or AMS, the Chapter continued to expend chapter funds. Overall, the risks for misappropriation of funds to occur still exist.</p>	
<p style="text-align: center;">◆</p> <p>2019 STATUS</p>	<p>Issue #3: The Community Services Coordinator and Secretary/Treasurer were not consistently monitoring the Accounts Maintenance Specialist's activities. NOT RESOLVED</p>
<p>In the initial audit, the former AMS was able to misappropriate Chapter funds because no one reviewed her work. This risk still exist. Since the Chapter does not have a CSC, the work of the current AMS should be reviewed by the Chapter officials but this was not done. Therefore, discrepancies with the accounting system went undetected. This creates an opportunity for unauthorized transactions and misuse of Chapter funds.</p>	