



**OFFICE OF THE AUDITOR GENERAL**

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**The Navajo Nation**

**A Follow-Up Review  
of the  
Tse Alnaozti'i' (Sanostee) Chapter  
Corrective Action Plan Implementation**

**Report No. 19-14  
March 2019**

**Performed by:  
Stacy Manuelito, Senior Auditor  
DeWayne Crank, Associate Auditor**





March 29, 2019

Frank Smith Jr., President  
**SANOSTEE CHAPTER**  
P.O. Box 219  
Sanostee, NM 87461

Dear Mr. Smith:

The Office of the Auditor General herewith transmits Audit Report No. 19-14, a Follow-up Review of the Sanostee Chapter Corrective Action Plan Implementation.

**BACKGROUND**

In 2017, the Office of the Auditor General performed a Special Review of Tse Alnaozti'í' (Sanostee) Chapter and issued audit report no. 17-42. A corrective action plan was developed by the Sanostee Chapter in response to the special review. The audit report and corrective action plan were approved by the Budget and Finance Committee on February 6, 2018, per resolution no. BFF-05-08.

**OBJECTIVE AND SCOPE**

The objective of the follow-up review is to determine whether the Sanostee 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 Sanostee Chapter did not resolve the prior audit findings. Of 27 corrective measures, the Sanostee Chapter implemented 9 (33%) corrective measures, leaving 18 (67%) not implemented. See attached Exhibit A for the detailed explanation of the follow-up results.

**CONCLUSION**

The Sanostee 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 Sanostee Chapter and officials in accordance with 12 N.N.C. Section 9 (B) and (C).

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

Sincerely,

Helen Brown, Principal Auditor  
Delegated Auditor General

xc: Gerald Henderson, Vice President  
Jourdan Washburne, Secretary/Treasurer  
Clarina Clark, Community Services Coordinator  
Amber Kanazbah Crotty, Council Delegate  
**SANOSTEE CHAPTER**  
Johnny Johnson, Department Manager II  
**ADMINISTRATIVE SERVICE CENTER/DCD**

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

<b>Audit Issues</b>	<b>Total # of Corrective Measures</b>	<b># of Corrective Measures Implemented</b>	<b># of Corrective Measures Not Implemented</b>	<b>Audit Issue Resolved?</b>	<b>Review Details</b>
1. Not all chapter buildings have insurance coverage.	1	1	0	<b>Yes</b>	Attachment A
2. The Chapter cannot justify wages paid to temporary employees.	4	4	0	<b>Yes</b>	
3. The Chapter has incomplete personnel files.	2	2	0	<b>Yes</b>	
4. The value of fixed assets was not reported to the balance sheet.	4	0	4	<b>No</b>	Attachment B
5. Revenues and expenditures were not accurately posted to the accounting system.	5	1	4	<b>No</b>	
6. The Chapter awarded housing assistance to ineligible recipients.	7	1	6	<b>No</b>	
7. The Chapter awarded four housing recipients above the approved budget amounts.	2	0	2	<b>No</b>	
8. \$112,199 in housing assistance may not have been used as intended by recipients.	1	0	1	<b>No</b>	
9. Detailed financial reports were not provided to the community each month.	1	0	1	<b>No</b>	
<b>TOTAL:</b>	<b>27</b>	<b>9</b>	<b>18</b>	<b>3- Yes 6- No</b>	

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>◆ 2019 STATUS</p>	<p><b>Issue 1: Not all chapter buildings have insurance coverage.</b> RESOLVED</p>
<p>The Chapter paid the insurance premium to ensure coverage for the Chapter owned buildings.</p>	
<p>◆ 2019 STATUS</p>	<p><b>Issue 2: The Chapter cannot justify wages paid to temporary employees.</b> RESOLVED</p>
<p>For the 5-month audit period, 27 payroll transactions were reviewed and verified for supporting documentation. All payroll transactions had documentation, approval, and were accurately paid to temporary employees.</p>	
<p>◆ 2019 STATUS</p>	<p><b>Issue 3: The Chapter has incomplete personnel files.</b> RESOLVED</p>
<p>For the 5-month audit period, 11 personnel files were reviewed and verified for supporting documentation. All personnel files were complete.</p>	

<p>◆ 2019 STATUS</p>	<p><b>Issue 4: The value of fixed assets was not reported to the balance sheet.</b> <b>NOT RESOLVED</b></p>
<p>The Chapter's property listing includes the fixed assets and value amounts. There are a total of 15 fixed assets listed, but the value for 9 of 15 (or 60%) fixed assets could not be verified with supporting documentation such as invoices/receipts on file. In 2010, the Chapter had an appraisal completed for their buildings but the Chapter did not use the report to document the value of the Chapter buildings during the initial audit. During this review, the Chapter still did not use the appraisal report to report the buildings as fixed assets on the financial statements. Furthermore, the FY 2019 balance sheet did not disclose the fixed asset amount. As a result, the Chapter's total assets reported on the balance sheet are understated.</p>	
<p>◆ 2019 STATUS</p>	<p><b>Issue 5: Revenues and expenditures were not accurately posted to the accounting system</b> <b>NOT RESOLVED</b></p>
<p>The Chapter's accounting system does not provide reliable financial information. The following was noted:</p> <ol style="list-style-type: none"> <li>1. In the initial audit, the chapter's financial statements identified \$23,803 in a savings account. The Chapter staff stated the account is closed, but there is no documentation to support the closure of the account and they continue to report this amount.</li> <li>2. There is a variance between the detailed budgets and posted budgets totaling \$2,203.</li> <li>3. The Chapter received a reimbursement and erroneously posted it twice in the Lands Claims Trust fund thereby overstating available resources.</li> <li>4. The cash drawer has a negative balance because the Chapter staff did not enter all cash receipts into the accounting system.</li> <li>5. The fund balances presented in the balance sheet and budget to actual report do not reconcile.</li> </ol> <p>The Community Services Coordinator and the Secretary/Treasurer did not review the posted reports from the accounting system against the source documents to verify the accuracy of the posted transactions in the accounting system. Therefore, the Chapter provided misleading financial information on available resources to the chapter membership.</p>	
<p>◆ 2019 STATUS</p>	<p><b>Issue 6: The Chapter awarded housing assistance to ineligible recipients.</b> <b>NOT RESOLVED</b></p>
<p>For the 5-month audit scope, the Chapter did not award any housing assistance. However, the Chapter accepted six housing applications between January and March 2019. In addition, the Chapter amended their housing policy and it was approved by the community on April 20, 2018. The amended policy was evaluated to verify if sufficient controls were incorporated to address the corrective measures and mitigate the risk that was reported in the initial audit.</p> <p>The following deficiencies were noted with the policy:</p> <ol style="list-style-type: none"> <li>1. The checklist developed by the chapter is inconsistent with the eligibility criteria outlined in the housing policy. This inconsistency does not allow the chapter to definitively determine eligibility. This can further lead to conflict with housing applicants, as identified in one application that was reviewed. The applicant indicated on their application form that they would not submit certain documents listed on the checklist</li> </ol>	

because the policy does not require it. There is still the risk that the chapter may award housing assistance to ineligible applicants.

2. The policy requires the Chapter to only accept complete application packets and if there are missing documents, the Chapter is required to notify the applicant, by letter, to give the applicant an opportunity to submit the documents by the closing date of March 30<sup>th</sup>. However, as of March 20, 2019, the six applications collected by the chapter have not been reviewed by the chapter staff and applicants have not been notified of missing documents for as long as two weeks to two months. This prevents the applicants from submitting missing documents by the closing date so that their application is complete to be evaluated for eligibility.
3. The housing policy requires the Community Services Coordinator to be involved in every step of the process including the review, evaluation and approval of applications without the involvement of the Accounts Maintenance Specialist. In the absence of segregation of duties, there is no assurance that only eligible applicants will be awarded.

Overall, the new housing policy hinders the implementation of the corrective action plan and assurance that only eligible applicants will be awarded.

◆ 2019 STATUS	<b>Issue 7: The chapter awarded four housing recipients above the approved budget amounts.</b> <b>NOT RESOLVED</b>
Although the chapter did not award housing assistance during the 5-month review period, deficiencies were found with the amended housing policy. The policy requires the chapter to award recipients based on the points earned in the ranking system sheet, but the budget is approved to award recipients based on an established amount per recipient. If the chapter were to implement the policy, this may result in recipients receiving an award amount above the approved budget amounts. Considering this policy directs and authorizes the housing activities, the risks that recipients will be awarded contrary to budget amounts still exists. Thus, the finding is deemed unresolved.	
◆ 2019 STATUS	<b>Issue 8: \$112,199 in housing assistance may not have been used as intended by recipients.</b> <b>NOT RESOLVED</b>
Although the chapter did not award housing assistance during the 5-month review period, deficiencies were found with the amended housing policy. Considering this policy directs and authorizes the housing activities, the risks that housing assistance may not be used as intended still exists. Thus, the finding is deemed unresolved.	
◆ 2019 STATUS	<b>Issue 9: Detailed financial reports were not provided to the community each month.</b> <b>NOT RESOLVED</b>
The chapter did not provide timely financial reports to the community each month. The financial reports for the months of April 2018 to December 2018 (9 months) were all reported to the community in January 2019 because the staff did not know how to generate reports from the accounting system although they had been to training. They also never sought technical assistance to generate reports. In the absence of complete monthly financial reports, the Chapter membership cannot make informed financial decisions.	