

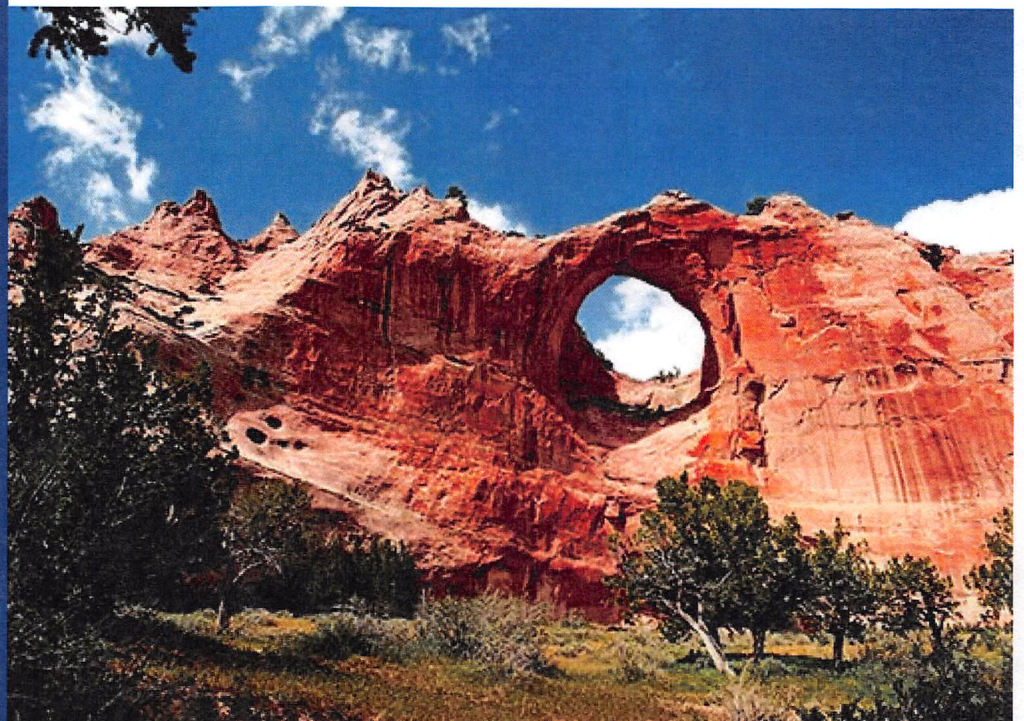
OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

A Performance Audit of the Navajo Nation Food Distribution Program

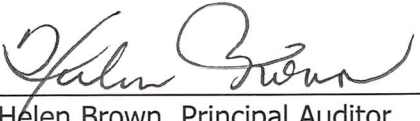
**Report No. 19-19
June 2019**

**Performed by:
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M-E-M-O-R-A-N-D-U-M

TO : Claudeen Tallwood, Program Manager I
FOOD DISTRIBUTION PROGRAM

FROM : 
Helen Brown, Principal Auditor
Delegated Auditor General
OFFICE OF THE AUDITOR GENERAL

DATE : June 28, 2019

SUBJECT : Performance Audit of the Navajo Nation Food Distribution Program

The Office of the Auditor General herewith transmits Audit Report No. 19-19, Performance Audit of the Navajo Nation Food Distribution Program (FDP). The performance audit was conducted by the Office of the Auditor General to determine whether the program complied with applicable rules, regulations and policies in providing program services and carrying out operations. The Food Distribution Program's main objective is to serve eligible Native American individuals/families with healthy food items in a timely manner.

The auditors reported 11 findings:

1. FDP has poor inventory controls for food purchased with USDA funds
2. Nutritionists duties and assigned activities do not focus on nutrition education
3. FDP services are at risk of closure due to noncompliance with Navajo Nation safety guidelines and sanitation regulations intended to safeguard food inventories
4. FDP does not address building citations for environmental health issues at the distribution centers
5. FDP budget for repairs and maintenance is used for other purposes
6. FDP truck drivers are not subject to drug and alcohol testing
7. FDP does not effectively manage its vehicle and equipment inventory
8. FDP has no preventative maintenance plans for building, trucks, and equipment
9. FDP does not adequately track repairs and maintenance
10. FDP lacks proper inventory controls to account for vehicles parts and supplies
11. FDP Fleet Shop staff is not properly certified to perform vehicle repairs and maintenance

Detailed explanation of the findings can be found in the body of this report. The report provides recommendations 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: Dr. Jill Jim, Division Director
DEPARTMENT OF HEALTH
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REVIEW RESULTS

FINDING I: FDP has poor inventory controls for food purchased with USDA funds.

CRITERIA: United States Department of Agriculture (USDA) requires grantees such as the Food Distribution Program (FDP) to keep accurate records of the amount of each USDA food in inventory and the quantities of each item moving in and out of storage. FDP must maintain a perpetual inventory record for each food item.

CONDITION: In FY2017 and FY2018, FDP received food inventory totaling \$5,372,990 and \$6,297,962, respectively. Of this amount, six (6) months of food inventory for three (3) distribution centers totaling approximately \$1.3 million was reviewed. Test work to verify accuracy of food inventory revealed the following:

- The warehouse supervisors are not properly verifying food inventory.
- The warehouse supervisors do not maintain adequate records to support the monthly perpetual inventory.
- Inaccurate AIS monthly reports are reported to the central administration by warehouse supervisors.
- The warehouse workers and warehouse supervisor are inaccurately reporting food delivery quantities into the AIS system.
- The central administration is not verifying accuracy of the USDA food reports submitted by warehouse supervisors.
- The Program Manager is not verifying USDA food reports for accuracy prior to signing for approval and submittal to USDA.

During our field visits, we found there is no primary individual maintaining inventory records. Every staff including eligibility technicians, truck drivers, nutritionists, and warehouse workers, at some point, are involved in conducting physical counts, signing off for deliveries, and inputting physical inventory data into the AIS system. This practice does not ensure adequate accounting of food since staff roles and duties are not clearly defined and segregated.

Lastly, a designated staff at each distribution center is allowed to withdraw food items for food inventory transfers, nutrition education, and to adjust for food loss. However, records showed various staff making food withdrawals, inconsistency in approving withdrawals by warehouse supervisors, and no investigation of adjustments to ensure they are legitimate.

EFFECT: FDP cannot provide reasonable assurance that food provided by USDA are fully accounted for as part of its food distribution services. Further, lack of accountability over how food items are used places FDP services at risk of suspension.

CAUSE:

- The distribution centers do not have written policies and procedures on staff roles and responsibilities for maintaining perpetual inventory records and accounting for food inventory withdrawals. There are no clearly defined roles to ensure duties are properly segregated.
- The central administration does not properly verify the AIS monthly reports for accuracy and investigate any discrepancies in a timely manner.
- The Program Manager does not conduct site visits to verify proper inventory recordkeeping by the warehouse supervisors.

RECOMMENDATIONS:

- 1) The distribution center warehouse supervisors should maintain perpetual inventory documentation per USDA guidelines.
- 2) The warehouse supervisors should reconcile AIS book inventory against physical inventory and investigate any discrepancies before entering the physical inventory counts into the AIS system.
- 3) The central administration should verify physical inventory counts are on file and reconciliations are being completed by the distribution center warehouse supervisors.
- 4) The Program Manager should develop written policies and procedures to define the roles and responsibilities of the distribution center staff within the perpetual inventory process, for maintaining inventory records, and making food inventory withdrawals.

FINDING II: Nutritionists duties and assigned activities do not focus on nutrition education.

CRITERIA: FDP nutritionists must provide nutrition education by: 1) taste testing of USDA foods; 2) cooking demonstration using USDA foods; 3) visual display or the distribution of materials about the proper storage and care of USDA foods in the home; 4) distribution of recipes, sample menus, or other food and nutrition information; and 5) obtaining food preferences from participants.

CONDITION: We performed site visits to three (3) distribution centers (Mexican Springs, Teec Nos Pos, and Tuba City) and reviewed eight (8) months of nutrition education activities. Our review found food items that are checked out from the food inventory by the nutritionist for nutrition education could not be traced to the Approved Food Requisition form and/or AIS monthly reports. Further, the warehouse supervisors are not verifying the Approved Food Requisition form against the AIS system for the food items used by the nutritionists. As a result, the nutritionists and warehouse supervisors cannot account for USDA food items used for nutrition education.

Each distribution center also has a kitchen area with kitchen equipment and supplies to facilitate food education and demonstration. In observing the use of the kitchen facilities, we noted the following:

- Nutritionists at the Mexican Springs and Teec Nos Pos distribution centers are performing unrelated job duties such as clerical work, warehouse food distribution and assessing client eligibility.
- No commercial stove available for cooking at the Mexican Springs distribution center but food items are still checked out.
- No cookbooks, recipes or sample menus are provided to clients
- No public information in the form of pamphlets or calendars to inform clients of upcoming food demonstrations, taste testing of prepared food, education events, etc.
- Open USDA food items are found in the refrigerator and on shelves at all three centers visited raising questions of whether the food were for legitimate program services.

EFFECT: Without food education, FDP recipients are unable to use food products in a manner that provides nutritional value. Further, there is a risk of food inventory misuse or theft that could adversely affect FDP services.

CAUSE:

- The nutritionists are not properly using the FDP forms to account for food withdrawals.
- The warehouse supervisors are not reviewing and approving the food withdrawals made by the nutritionists.
- The warehouse supervisors are assigning other tasks and duties to the nutritionists rather than prioritizing nutrition education services.
- The warehouse supervisors are not monitoring the nutritionist's daily activities.
- The Program Manager is not conducting site visits to verify nutrition education services are being provided by the distribution centers.

RECOMMENDATIONS:

- 1) The Program Manager should develop policies and procedures to define the roles and responsibilities for the nutritionists and warehouse supervisors regarding nutrition education services.
- 2) The warehouse supervisors should verify the approved food requisition is entered into AIS and all recipe food items are being used by the nutritionist.
- 3) The central administration should randomly review approved food requisition against the monthly AIS reports for discrepancies, and monitor food demos and education classes.

FINDING III: FDP services are at risk of closure due to noncompliance with Navajo Nation safety guidelines and sanitation regulations intended to safeguard food inventories.

CRITERIA: Navajo Nation Safety/Loss Office performs periodic inspections of all insured facilities and makes recommendations to address potential hazards that may affect job safety and performance. In addition, Navajo Nation Office of Environmental Health performs annual inspections and follow-up visits of Navajo Nation facilities to ensure compliance with health and welfare regulations. These regulations stipulate food shall be in sound condition and safe for human consumption, food shall be protected from contamination, and proper food storage at appropriate temperatures. FDP are to provide clean facilities, valid sanitation permit to operate, and certification with food handlers for employees.

CONDITION: During the audit, the Navajo Nation Safety/Loss Program conducted facility safety inspections for the seven (7) distribution centers. The inspections revealed the following safety issues:

- There are no daily housekeeping services.
- Refrigerated equipment is not being maintained with repair and maintenance.
- Routine pest and insect control are not done.
- Unnecessary storage of pellets, piles of boxes, bags of garbage, and miscellaneous items in the warehouse area.
- Heating, ventilation, and air conditioning are not being serviced.
- Expired or outdated food items are stored with current dated food items.
- Unsanitary conditions of public restrooms.
- Various food items found at work stations, break room, and collection of aluminum cans.
- Fire prevention equipment inspections are not current.

In addition, the Navajo Nation Office of Environmental Health (NNOEH) annual inspections and follow-up reviews for fiscal year 2017 and 2018 revealed several citations for the FDP facilities, including:

- Daily housekeeping services are not maintained for the HVAC system, warehouse areas, restrooms, freezers, coolers, and office areas.
- Refrigerated equipment is not maintained with repair and maintenance.
- Routine pest and insect control are not provided to safeguard USDA food inventory.
- Storing food too close to the walls.
- Fire extinguisher inspections are not current.
- Not all staff has current food handler certification.

Although the sanitation permits for the FDP distribution centers are current, the deficiencies cited by NNOEH were considered critical, critical repeat, or repeat violations. The inspection results comprising of findings and recommendations by the Safety/Loss Program and NNOEH were provided to the respective warehouse supervisors and the Program Manager to remediate the issues identified.

EFFECT: There is a high risk FDP is exposing the food inventory to contamination and spoilage which can result a financial loss to the Navajo Nation.

CAUSE:

- The warehouse supervisors do not have housekeeping schedules and logs to define staff responsibilities and track the completion of assigned tasks.
- The Program Manager does not provide routine safety training for distribution center personnel.
- The Program Manager does not ensure the warehouse supervisors maintain routine preventative maintenance contractual services for pest/insect control, fire prevention equipment inspection, and refrigerated equipment.
- FDP staff responsible for addressing safety violations are not clearly identified and responsibilities not defined in written policies and procedures.
- The Program Manager does not conduct site visits to the distribution centers to verify safety recommendations are implemented and citations are resolved.

RECOMMENDATIONS:

- 1) The warehouse supervisors should conduct daily inspections of the distribution centers and document any deficiencies.
- 2) The Program Manager should procure for services for inspections of fire prevention equipment, refrigerated equipment, and for pest control services.
- 3) The Program Manager should conduct monthly visits to the distribution centers to make sure that housekeeping activities are conducted by distribution center staff and expired/outdated food items are promptly removed from inventory.
- 4) The Program Manager and warehouse supervisors should develop written policies and procedures on how to respond to safety inspection reports/citations with corrective measures.

FINDING IV: FDP does not address building citations for environmental health issues at the distribution centers.

CRITERIA: Under Title 13 regarding Health and Welfare, the NNOEH provides inspections of food storage, refrigerated storage, hot storage, food preparation, employee health, equipment and utensils, sanitation of facilities and controls, and construction and maintenance of physical facilities.

CONDITION: The NNOEH reports for fiscal years 2017 and 2018 reported numerous building deficiencies for each of the FDP distribution centers. The following deficiencies were found:

- deterioration of foundation at the Fort Defiance and Crownpoint distribution centers
- floor tiles are missing, cracked at the Crownpoint center
- walls with holes and water damage were noted at the Fort Defiance, Crownpoint and Teec Nos Pos distribution centers
- warehouse doors show gaps, deterioration at the Teec Nos Pos, Tuba City and Kirtland distribution centers
- ceiling tiles are missing and show water damage at the Tuba City, Crownpoint, and Kirtland centers
- restroom commodes, sinks and floor tiles show deterioration at the Teec Nos Pos distribution center
- ventilation systems need cleaning at the Crownpoint, Fort Defiance and Teec Nos Pos centers

The Navajo Nation Safety/Loss Program reported numerous issues with the FDP distribution centers and these issues were directly attributable to the deficiencies found with the buildings and their current conditions. For example, damaged walls and doors can allow for entry by rodents that can contaminate the food inventory.

For the audit review period, FDP expended \$45,541 for repair and maintenance for its facilities. Confirmation for the repairs and maintenance was made with the seven distribution centers and the Fleet Shop. Five distribution centers (Tuba City, Leupp, Teec Nos Pos, Crownpoint and Kirtland) and the Fleet Shop confirmed they received repair and maintenance supplies in 2017 and 2018 but the remaining two centers (Fort Defiance and Mexican Springs) confirmed no repair and maintenance supplies were provided. Of the \$45,541, approximately \$17,037 was traced to the five centers and Fleet Shop. The difference could not be determined as expended for FDP facility repairs and maintenance and in addressing the building citations.

EFFECT: Building problems that pose a variety of risks can result in disruption in services due to revocation of NNOEH permits or facility closure.

CAUSE:

- There is lack of communication between the warehouse supervisors and the Program Manager; supervisors are told there are no funds for repairs and maintenance whereas the Program Manager claims she is not being informed of needs for the centers including repairs and maintenance.
- The quality of the repairs and maintenance is lacking resulting in a repeat of the same citations.
- The Program Manager does not conduct site visits to follow-up on warehouse supervisors in addressing NNOEH citations.
- The Program Manager does not prioritize the use of program funds to address building deficiencies.

RECOMMENDATIONS:

- 1) The Program Manager should review the NNOEH citations for the facilities and conduct an analysis of repeated citations.
- 2) The Program Manager and warehouse supervisors should require the warehouse supervisors to develop corrective actions for the OEH citations.
- 3) The Program Manager and warehouse supervisors should have monthly meetings to address building deficiencies using available resources.
- 4) The Program Manager should include the NNOEH repeated facilities citation analysis as part of funding proposals for new buildings or major renovations that are needed for the distribution centers.

FINDING V: FDP budget for repairs and maintenance is used for other purposes.

CRITERIA: USDA guidelines states FDP warehouses must safeguard against theft, spoilage and other loss; storage facilities must be structurally sound and provide protection from the elements and extreme temperatures; floors must be smooth and level; and windows and doors must provide screens to prevent entry by rodents, insects, and birds.

CONDITION: In 2016, the Navajo Nation Facilities Maintenance Department’s Building Assessment identified health and safety concerns with the FDP facilities. Overall, the facilities are not properly maintained with repair and maintenance to safeguard USDA food inventory.

Although FDP budgets for repairs and maintenance for its facilities, an analysis of the budgets for fiscal years 2017, 2018 and 2019 revealed FDP did not expend the budgeted funds for its intended purposes. In 2018, records show FDP transferred \$75,607 from the repairs and maintenance account to cover costs for travel, air transportation, vehicle rental, office supplies, operating supplies and non-capital assets. In 2019, the repairs and maintenance budget has not been expended as of this report.

EFFECT: FDP cannot provide assurance that regulatory findings that pose public safety and health risks are being addressed.

CAUSE:

- The warehouse supervisors represented that their requests for repairs and maintenance are denied by the central administration due to lack of funding.
- The Program Manager does not involve warehouse supervisors in the department budget process and as a result, there is no exchange of information about needs for repair and maintenance for the distribution centers.
- The Program Manager and Navajo Nation Facilities Maintenance Department have not collaborated to assess the repair and maintenance for the seven distribution centers.

RECOMMENDATIONS:

- 1) The Program Manager should include the warehouse supervisors in the budget process to ensure all critical needs are identified at the distribution centers.
- 2) The Program Manager should routinely disseminate budget information for repairs and maintenance with the warehouse supervisors.
- 3) The Program Manager should collaborate with the Navajo Nation Facilities Maintenance Department to prioritize FDP's building needs and identify funding options to address these needs.

FINDING VI: FDP truck drivers are not subject to drug and alcohol testing.

CRITERIA:

Federal Regulations states a person must not operate a commercial motor vehicle unless he or she is medically certified as physically qualified to do so, and when on-duty, has on his or her person the original, or a copy, of a current medical examiner's certificate that he or she is physically qualified to drive a commercial motor vehicle. To obtain a medical card, regulations require a drug and alcohol testing to be completed.

CONDITION:

In addition to verify driving credentials, we also verified whether FDP performs drug and alcohol testing for its truck drivers to ensure compliance with applicable regulations. For the six (6) drivers selected for review, no evidence of testing was found on file.

Several drivers indicated testing was done in the past. Personnel files for two drivers contained consent documents for drug and alcohol testing in 2016 which is likely the last time FDP had such tests performed for its truck drivers. FDP claimed a contract was in place to address the testing but a USDA representative was unable to confirm this contract.

EFFECT:

FDP cannot provide assurance it complies with applicable regulations. More important, public safety risk increases with impaired drivers on public highways which increases FDP and Navajo Nation liability.

CAUSE:

- Although the warehouse supervisors are aware of this issue, they are not submitting written requests to the Program Manager for drug and alcohol testing required for their truck drivers.
- Verbal communication between the warehouse supervisors and the Program Manager is ineffective in producing results.
- The Program Manager has not executed a contract to complete the drug and alcohol testing for truck drivers.

RECOMMENDATIONS:

- 1) The warehouse supervisors should submit their written requests for drug and alcohol testing.

- 2) The Program Manager should procure a service contract for drug and alcohol testing for the FDP truck drivers.
- 3) The Program Manager should periodically monitor distribution center personnel files to ensure truck drivers have required credentials and are current with their drug and alcohol testing.

FINDING VII: FDP does not effectively manage its vehicle and equipment inventory.

CRITERIA: USDA guidelines states Food Distribution Programs are responsible for maintaining inventory control records of equipment and vehicles purchased, partially or entirely, with funds by Food and Nutrition Service. In addition, the guidelines states each item must remain on the equipment and vehicle record until sold, completely depreciated and rendered unserviceable or otherwise disposed of. The Government Service Administration (GSA) minimum vehicle replacement standards for heavy trucks diesel is 12 years or 250,000 miles.

CONDITION: For the audit scope, FDP inventory showed 22 semi-trucks along with 31 trailers and 16 equipment including forklifts. The vehicle and equipment inventory is valued at approximately \$1.12 million.

Based on the inventory, 13 trucks, 21 trailers and 11 forklifts were evaluated and we noted the following:

- Poor tracking by the Fleet Shop on vehicle transfers between distribution centers.
- Major repair records on vehicles and equipment were not maintained.
- Physical condition of vehicle and equipment does not match the inventory records.
- Inconsistency between the recorded location and actual physical location of several vehicles and equipment.

In addition, we noted aging vehicles and equipment on FDP's inventory. There was one 1993 and five 1994 trucks which are approximately 26 years or older. These vehicles exceeded the GSA standard of 12 years. In March 2019, FDP acquired four (4) new trucks to replace these older vehicles. However, FDP generally does not have a formal repair vs. replacement plan in place for its vehicle and equipment inventory. This would explain the 1971 trailers still being used and idle equipment with model years between 1994 and 2009 stored at the Fleet Shop.

EFFECT: FDP cannot provide assurance that it can account for all its vehicles and equipment and that they are effectively managed to meet program needs.

CAUSE:

- There are no written policies and procedures for inventory recordkeeping and inventory controls.

- The Equipment Mechanic Supervisor who is responsible for managing the FDP vehicle and equipment inventory, in conjunction with the warehouse supervisors, does not make site visits to the distribution centers to perform physical inspections of applicable vehicles and equipment and to reconcile inventories maintained by the Fleet Shop and distribution centers.
- The Equipment Mechanic Supervisor did not find a repair vs. replacement analysis necessary as long as vehicles and equipment continue to operate despite their age and continue to address program services.

RECOMMENDATIONS:

- 1) The Program Manager and Equipment Mechanic Supervisor should develop written policies and procedures for managing the vehicle and equipment inventory including proper recordkeeping, onsite visits for physical verifications, reconciliation of inventories between the Fleet Shop and the distribution centers, and the replacement of obsolete vehicles and equipment.
- 2) The Equipment Mechanic Supervisor and warehouse supervisors should reconcile their inventories on a quarterly basis to track and account for all vehicles and equipment.
- 3) The Equipment Mechanic Supervisor should develop a recordkeeping system to document the repairs and maintenance of all vehicles and equipment to create a history that will facilitate a proper repair vs. replacement analysis.
- 4) The Program Manager and Equipment Mechanic Supervisor should develop a formal repair vs. replacement plan for its vehicles and equipment; such plan can support future funding requests to replace aging vehicles and equipment on the current FDP inventory.

FINDING VIII: FDP has no preventative maintenance plans for buildings, trucks and equipment.

CRITERIA: USDA guidelines states Food Distribution Programs are to implement adequate maintenance procedures to keep property in good condition. Property is assets owned and controlled by the department; assets including buildings, vehicles, trailers and equipment.

CONDITION: Vehicles and Equipment – As previously noted, FDP has a large inventory of several trucks, trailers and equipment used for daily operations. FDP preventive maintenance plans that ensure good, working conditions of these assets are lacking. The FDP Fleet Shop who is designated to oversee the maintenance services did not provide records to show routine, preventive measures such as brake services, tire rotations, lube services, and transmission services on the FDP vehicles and equipment. In addition, the Fleet Shop does not review the pre and post vehicle inspections submitted by the distribution centers to identify potential issues and take a proactive response to the inspections.

Buildings – FDP buildings include the distribution centers and the Fleet Shop. There was no evidence that the FDP worked with the Navajo Nation Facilities Maintenance Department to establish preventative maintenance plans for the buildings. This is evident by building deficiencies noted in prior findings.

EFFECT: The lack of preventive maintenance increases the risk of citations by inspectors and the likelihood of suspending the FDP fleet. In addition, FDP is at risk of suspension of services or program closure due to dilapidated facilities and dated vehicles and equipment.

CAUSE:

- The Equipment Mechanic Supervisor is unable to establish a proper preventative maintenance plan for the FDP trucks, trailers, and forklifts.
- The Program Manager does not hold the Equipment Mechanic Supervisor and warehouse supervisors accountable for their inability to establish preventive maintenance plans for vehicles, equipment and buildings.
- The Program Manager does not perform periodic site visits to the distribution centers to observe first-hand the use and condition of FDP property.

RECOMMENDATIONS:

- 1) The Equipment Mechanic Supervisor and warehouse supervisors should develop an overall preventative maintenance plan based on the owner’s manual or recommendations from the manufacturing company. Guidance should be obtained from the Navajo Nation Fleet Management Department.
- 2) The Program Manager should conduct periodic monitoring of the Fleet Shop to ensure preventative maintenance plans are current and implemented. The Program Manager should also make sure the Equipment Mechanic Supervisor is utilizing the pre and post vehicle inspection reports provided by the warehouse supervisors.
- 3) The Program Manager should collaborate with Navajo Nation Facility Maintenance Department to develop an overall preventative maintenance plan for the FDP facilities, specifically the distribution centers.
- 4) The Program Manager should develop tools such as preventive maintenance checklists to help staff implement the preventive maintenance plans. FDP staff should be held accountable for completing the tasks.

FINDING IX: FDP does not adequately track repairs and maintenance work orders.

CRITERIA: Federal regulations state motor carriers must maintain records meaning work orders for each motor vehicle and intermodal equipment they control

for 30 consecutive days. Records should have identification of vehicles and equipment; indicate the nature and due of various inspections and maintenance to be performed; and record of inspections, repairs, and maintenance indicating their date and nature. The same practice would apply for the forklifts that are used on daily basis by the distribution center staff.

CONDITION:

Although the Equipment Mechanic Supervisor has a work order system, it is used in a limited manner. There is also a recordkeeping system that includes a record of maintenance services for each truck, trailer, and forklift. However, these files did not contain current information and therefore, did not provide a reasonable work history.

Further, the work order process does not properly segregate duties between the work order preparer, reviewer and approver. Rather, the Equipment Mechanic Supervisor is performing all these procedures. The work orders do not itemized repair and maintenance costs involving parts, labor, equipment and supplies to control related costs. Lastly, the work orders lack signatures with dates to verify completed work by the requestors.

Our comparison of the work order systems between the Navajo Nation Fleet Management Department and the FDP Fleet Shop revealed inconsistencies. The FDP work order system lacked the following:

- Work orders are not pre-numbered for tracking purposes.
- Work orders do not disclose the cost of labor, parts, and supplies.
- Work orders do not document time in and out for services to ensure efficient services.
- Work orders do not include a signature approval block for the Equipment Mechanic Supervisor as the approver.

EFFECT:

FDP cannot provide assurance that all parts and supplies are used for their intended purposes and repairs and maintenance are performed timely for continuity of services.

CAUSE:

- The Equipment Mechanic Supervisor is accepting verbal and email requests for repair and maintenance rather than having the requestor document the repair and maintenance on a work order form.
- The Equipment Mechanic Supervisor indicated recordkeeping is poor and duties are not properly segregated due to limited staffing at the Fleet Shop.
- The Program Manager and Equipment Mechanic Supervisor have not established written policies and procedures to guide the Fleet Shop work order process.
- The Program Manager is not consistently monitoring the Fleet Shop activities to ensure repairs and maintenance are being performed properly.

RECOMMENDATIONS:

- 1) The Program Manager and Equipment Mechanic Supervisor should develop work order policies and procedures based on best practices and guidance from the Navajo Nation Fleet Management Department.
- 2) The Equipment Mechanic Supervisor should implement a standard work order form to document all requests for repair and maintenance; such form should be pre-numbered, allow for itemized costs, and facilitate proper approval.
- 3) The Program Manager should perform periodic onsite visits to the Fleet Shop to make sure policies and procedures are adhered to and staff are performing their assigned duties and responsibilities.

FINDING X: FDP lacks proper inventory controls to account for vehicle parts and supplies.

CRITERIA: As best practice, the Navajo Nation Fleet Management Department maintains a perpetual inventory and a computerized work order system to track and account for the parts and supplies used to repair and maintenance all tribal vehicles.

CONDITION: The FDP Fleet Shop lacks inventory controls to account for parts and supplies obtained for repair and maintenance. During a site visit, we noted the following:

- No perpetual inventory in place
- Physical counts are not routinely performed.
- New inventory purchases are not reconciled with account payable vouchers.
- Inventory used are not reconciled to the work orders and/or maintenance log.
- Inventory variances are not properly investigated.

EFFECT: There is a high risk for theft or misuse of parts and supplies in the absence of controls.

CAUSE:

- The Equipment Mechanic Supervisor does not understand the importance of inventory controls for the parts and supplies he acquires and maintains at the Fleet Shop.
- The Equipment Mechanic Supervisor does not collaborate with the Navajo Nation Fleet Management Department to ensure FDP Fleet Shop operations are adequate.
- The Program Manager does not recognize training needs for the Fleet Shop personnel to improve their work order processes and parts inventory.

RECOMMENDATIONS:

- 1) The Program Manager and the Equipment Mechanic Supervisor should seek assistance from the Navajo Nation Fleet Management Department to develop written policies and procedures for work order activities and parts and supplies inventory.
- 2) The Equipment Mechanic Supervisor should develop a perpetual inventory system for parts and supplies, and conduct weekly physical counts to reconcile against the inventory.
- 3) The Program Manager, in conjunction with the Equipment Mechanic Supervisor, should immediately investigate any inventory variances.
- 4) The Program Manager should require the Fleet Shop personnel to obtain training on work order processes and inventory controls.

FINDING XI: FDP Fleet Shop staff is not properly certified to perform vehicle repairs and maintenance.

CRITERIA: Navajo Nation job description for equipment mechanic supervisor requires a certificate from an automotive trade school in diesel mechanics. The job description for equipment mechanic also requires a certification in mechanical work and a commercial driver's license.

CONDITION: Currently, the Fleet Shop has two Heavy Equipment Operators assigned to assist the Equipment Mechanic Supervisor in providing repair and maintenance services for the FDP trucks, trailers and equipment. In reviewing the staff credentials for the positions they hold, we noted the following:

- Heavy equipment operators and the Equipment Mechanic Supervisor are all responsible for repairing and maintaining diesel trucks but none have certificates as diesel mechanics; such certificates are required by their job descriptions.
- Heavy equipment operators have primary duties and responsibilities that are inconsistent with the established job description.
- The position titles for the heavy equipment operators were not revised once they were reassigned from the former Gallup, NM distribution center to the Fleet Shop and assumed new responsibilities as mechanics.
- The Equipment Mechanic Supervisor has been an FDP employee for over 30 years and to date, has not received the required automotive certifications and specialized training.

Further, FDP does not have a training program in place to assist staff in obtained specialized training to effectively perform their job duties and responsibilities.

EFFECT: Mechanical work by uncertified mechanics can result in improper repairs or maintenance. This can lead to unsafe vehicles or equipment that place staff at risk for accidents and pose a public safety risk.

CAUSE:

- The Program Manager and Equipment Mechanic Supervisor have not developed a training plan for the Fleet Shop staff.
- The Equipment Mechanic Supervisor is attending conferences pertaining to distribution center business involving budgets, eligibility requirements and nutrition education activities. These topics do not necessarily relate to his primary duties and responsibilities in managing the FDP Fleet Shop. The time spent at the conferences do not directly benefit the Fleet Shop.
- The Program Manager has not initiated changes to the Heavy Equipment Operator positions to ensure their job description is commensurate with their current duties and responsibilities.

RECOMMENDATIONS:

- 1) The Program Manager should change the job description for the Heavy Equipment Operators to make it consistent with their current duties as equipment mechanics.
- 2) The Program Manager should require the current Fleet Shop staff to obtain the required certifications to perform diesel mechanic work.
- 3) The Program Manager should consider a training plan to assist the Fleet Shop staff to obtain the necessary credentials required for the mechanic positions.
- 4) The Program Manager should ensure attendance by Fleet Shop staff at FDP paid conferences will directly benefit the Fleet Shop operations and activities.

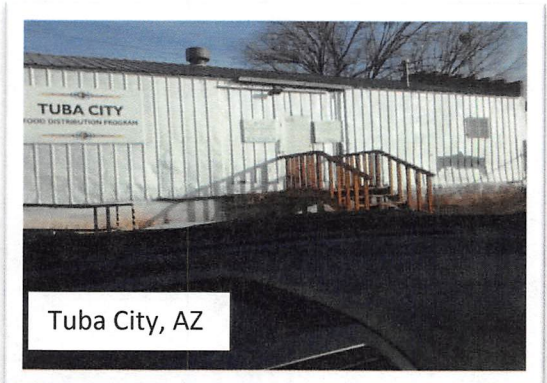
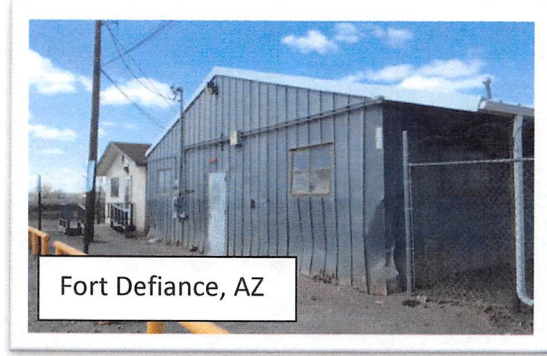
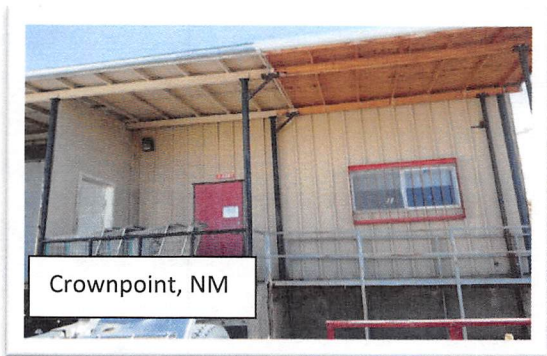
INTRODUCTION AND BACKGROUND

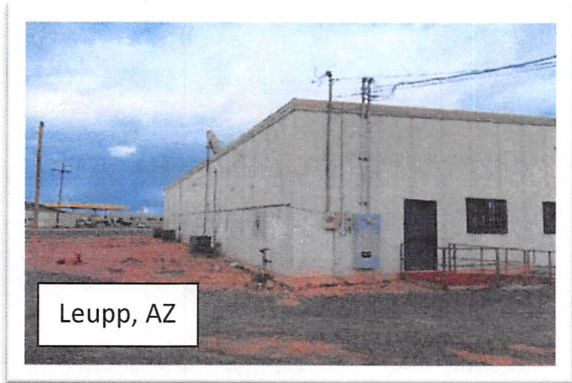
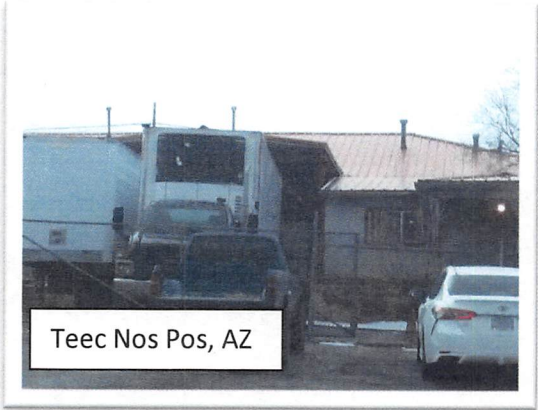
The Office of the Auditor General conducted a performance audit of the Navajo Nation Food Distribution Program (FDP) to determine whether the program complied with applicable rules, regulations and policies in providing program services and carrying out operations. The performance was conducted in response to a request by the Navajo Nation Health, Education and Human Services as the oversight committee of FDP. The Food Distribution Program’s main objective is to serve eligible Native American individuals/families with healthy food items in a timely manner.

The Navajo Nation Food Distribution Program was established in 1971 by the Navajo Nation Council. FDP is under the Executive Branch within the Department of Health. Currently, there are seven distribution centers across the Navajo Nation located in the communities of Fort Defiance, Arizona; Teec Nos Pos, Arizona; Leupp, Arizona; Tuba City, Arizona; Mexican Springs New Mexico; Crownpoint, New Mexico; and Kirtland, New Mexico.

The program provides food distribution and nutrition education services to approximately 5,342 households at the respective distribution centers as well as at 58 tailgate locations across the Navajo Nation. The tailgate services are provided at various Navajo Nation Chapters or a local vicinity. Each distribution center distributes over 200 food items that consists of canned, dry, frozen, and fresh products. Furthermore, FDP has a fleet shop located in Churchrock, New Mexico that provides repair and maintenance for the trucks and equipment.

The following are pictorials of the seven distribution centers:





FUNDING

FDP is seventy-five percent (75%) federally funded through the United States Department of Agriculture and the Navajo Nation is required to provide cash match of 25% of the federal funds for its administration and nutrition education. The food items distributed through FDP are purchased and delivered by USDA; the food costs are separate from the FDP budget. Table 1 shows the summary for federal funds and Navajo Nation Cash Match. Table 2 shows the food costs by distribution centers for fiscal years 2017 and 2018.

**Table 1
Federal Funding and Navajo Nation Cash Match**

Funding Grants	FY2017	FY2018
USDA Administration	\$3,002,648	\$3,231,651
USDA Nutrition Education	2,200	1,820
Navajo Nation Cash Match	1,015,163	1,025,691
Overall Total:	\$4,020,011	\$4,259,162

Source: Funds reported in the Financial Management Information System.

**Table 2
USDA Food Cost**

Distribution Center	FY2017	FY2018
Fort Defiance, AZ	\$890,728	\$1,314,943
Tuba City, AZ	842,947	1,266,738
Leupp, AZ	668,878	894,325
Teec Nos Pos, AZ	550,609	809,518
Crownpoint, NM	517,652	799,431
Kirtland, NM	464,681	625,906
Mexican Springs, NM	344,153	587,101
Gallup, NM**	1,093,341	-
Overall Food Cost:	\$5,372,989	\$6,297,962

Note: **Gallup Central Receiving closed as of August 2017.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our objectives in conducting this audit were to:

- 1) Determine whether the Navajo Nation Food Distribution Program adheres to applicable rules and regulations with regards to funding, food safety and service delivery.
- 2) Determine whether the Navajo Nation Food Distribution Program safeguards and properly accounts for food, fleet, and equipment inventories.

This scope for this audit is beginning October 1, 2016 to September 30, 2018.

To accomplish our audit objectives, we performed the following procedures:

- Reviewed FDP records including, but not limited to, the plan of operation, USDA regulations, grant applications, and correspondences.
- Reviewed food inventory records such as the Automated Inventory System (AIS) reports, bill of lading deliveries, nutrition education documents, food loss reports, transfer reports, USDA food cost reports, and perpetual food inventory.
- Selected and performed test work for 45 vehicles and equipment. Reviewed truck and equipment files and work orders.
- Reviewed building records pertaining to the distribution centers from the Office of Environmental Health, Facilities Maintenance Department, and FDP vendor files.
- Conducted repair and maintenance confirmation with each distribution center and the Fleet Shop to confirm repair and maintenance services for their respective facilities.
- Observed operations and activities at the distribution centers and Fleet Shop.
- Performed test work for three distribution centers of food inventory for six months from August 2017-January 2018.
- Performed test work for nutrition education for eight months from August 2017-March 2018.
- Selected and performed test work of driving credential records for six truck drivers for three distribution centers and the Fleet Shop.
- Conducted interviews and inquiries with Food Distribution Program staff, USDA, Fleet Management Department, Facilities Maintenance Department, Office of the Controller, and Office of Management and Budget.
- Reviewed budgets and accounting records from the Financial Management Information System and Office of Management and Budget.
- Collaborated with the Navajo Nation Safety/Loss Program to perform safety inspections to obtain their feedback on safety compliance for the food inventory and building conditions at each distribution center.
- All samples selected for audit test work were judgmentally, and in some cases, randomly selected in accordance with the established sampling guidelines.

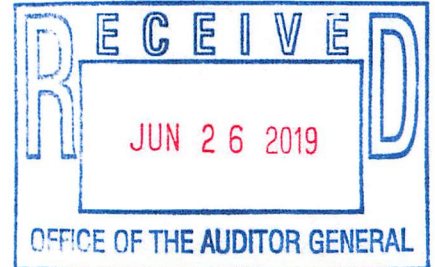
GOVERNMENT AUDITING STANDARDS

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

CLIENT RESPONSE

THE NAVAJO NATION

JONATHAN NEZ | PRESIDENT MYRON LIZER | VICE PRESIDENT



TO : Helen Brown, Principal Auditor
Delegated Auditor General
OFFICE OF THE AUDITOR GENERAL

FROM : *Claudeen Tallwood*
Claudeen Tallwood, Food Distribution Program Manager
Navajo Nation Department of Health

DATE : June 26, 2019

Subject : Acceptance of final draft audit report

Please accept this Memorandum as an acknowledgement of the attached Memorandum dated June 18, 2019 subject "Written response to final draft audit report" from the Navajo Nation General Auditor.

Food Distribution Program participated in the exit conference with your office, upon review of the audit finding Food Distribution Program agree to all the findings of the Audit and we will begin to implement and processing of a Corrective Action Plan with thorough consideration to recommendation made by the Office of the Auditor General.

If you have further questions, please I may be contact at (928) 871-6537.

XC: Dr. Jill Jim, NNDOH Division Director
Paulson Chaco, Chief of Staff
FDP
File