



OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

A Follow-Up Review of the Church Rock Chapter Corrective Action Plan Implementation

**Report No. 19-20
June 2019**

**Performed by:
Beverly Tom, Senior Auditor
Kimberly Jake, Associate Auditor**



June 28, 2019

Johnnie Henry Jr., President
CHURCHROCK CHAPTER
P.O. Box 549
Churchrock, New Mexico 87311

Dear Mr. Henry:

The Office of the Auditor General herewith transmit Audit Report No. 19-20, a Follow-up Review of the Churchrock Chapter's Corrective Action Plan Implementation.

BACKGROUND

In 2017, the Office of the Auditor General performed an internal audit of the Churchrock Chapter. This follow-up report provides information on the Chapter's progress in addressing the prior audit findings.

OBJECTIVE AND SCOPE

The objective of this review is to determine the status of the corrective action plan implementation based on a 6-month review period of October 1, 2018 to March 31, 2019. Our review was based on inquiries, review of records and audit test work.

SUMMARY

Of 24 corrective measures, the Churchrock Chapter implemented 20 (83%) corrective measures, leaving 4 (17%) not implemented. See attached Exhibit A for the detailed explanation of the follow-up results.

CONCLUSION

Although the Churchrock Chapter did not implement all corrective measures, the measures implemented allowed for the resolution of a majority of the audit findings from the 2017 audit. Therefore, the Office of the Auditor General does not recommend sanctions on the Churchrock Chapter in accordance with 12 N.N.C. Section 9.

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

Sincerely,



Helen Brown, Principal Auditor
Delegated Auditor General

xc: Sherman Woody, Vice-President
Louise Jim, Secretary/Treasurer
LaVera Morgan, Community Services Coordinator
Edmund Yazzie, Council Delegate
CHURCHROCK CHAPTER
Johnny Johnson, Department Manager II
ADMINISTRATIVE SERVICES CENTER/DCD
Chrono

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Audit Issues	Total of Corrective Measures	# of Corrective Measures Implemented	# of Corrective Measures Not Implemented	Audit Issue Resolved?	Review Details
1. Expenditures were made without approved annual budgets for fiscal year ended 9/30/16.	1	1	0	Yes	Attachment A
2. Expenditures were made without proper support documentation such as requisition forms, purchase orders, receiving reports, and quotes to justify the expenses.	4	4	0	Yes	
3. The established checklists required for Housing Discretionary Fund and Chapter Stipend Fund were missing required documentation.	1	1	0	Yes	
4. Travel expenditures did not have adequate support such as trip reports, original lodging receipts, or proof of insurance and driver licenses for those using personal vehicles.	1	1	0	Yes	
5. Lack of controls over safeguarding the Chapter's equipment and property and no current insurance coverage.	3	3	0	Yes	
6. Use of personal email addresses by elected Chapter Officials when conducting Chapter business.	1	1	0	Yes	
7. The Public Employment Program (PEP) workers were employed for extended periods of time and nonpayment to Navajo Nation Workmen Compensation.	2	2	0	Yes	
8. Chapter's warehouse building needs renovation and improvement of security.	1	1	0	Yes	
9. Inadequate filing system that requires organization, effort, and timely action.	1	1	0	Yes	
10. The Chapter needs to create a Personnel Action	1	1	0	Yes	

Audit Issues	Total of Corrective Measures	# of Corrective Measures Implemented	# of Corrective Measures Not Implemented	Audit Issue Resolved?	Review Details
Form for a long-time volunteer worker.					
11. Bank reconciliations have not received any supervisory review and approval.	1	1	0	Yes	
12. The Chapter's PEP policies and procedures have not been revised and updated since October 2015.	1	1	0	Yes	
13. MIP accounting records are at least three months behind and WIND accounting system not updated since July 2016.	1	1	0	Yes	
14. Federal payroll tax remittance and reporting were not made timely. State Unemployment Tax Act (SUTA) balances totaling over \$5,000 are still outstanding. Navajo Nation Sales tax collections have not been remitted since 2015.	3	1	2	No	Attachment B
15. The Chapter membership does not receive monthly financial reporting and regular Chapter meeting minutes were not available for audit review in a timely manner.	1	0	1	No	
16. Lack of a stable management team has weakened the operations and accountability at the Chapter.	1	0	1	No	
TOTAL:	24	20	4	13 - Yes 3 - 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.

◆ 2019 STATUS	Expenditures were made without approved annual budgets for fiscal year ended 9/30/16.
Budget for the fiscal year 2019 allocations, carryovers and revenues totaling \$1,101,032, was supported with a community approved resolution.	
◆ 2019 STATUS	Expenditures were made without proper support documentation such as requisition forms, purchase orders, receiving reports, and quotes to justify the expenses.
Chapter expenditures totaling \$12,737 were examined and all were supported and approved with fund approval forms, quotations, and receiving reports.	
◆ 2019 STATUS	The established checklists required for Housing Discretionary Fund and Chapter Stipend Fund were missing required documentation.
We observed the Chapter utilizing the established checklists. As a result, Housing Discretionary Fund expenditures totaling \$5,439 and Stipend Fund expenditures totaling \$13,250 that were examined revealed all expenditures were supported with documentation. Housing support documentation included ranking eligibility assessments for applications.	
◆ 2019 STATUS	Travel expenditures did not have adequate support such as trip reports, original lodging receipts, or proof of insurance and driver licenses for those using personal vehicles.
Travel expenditures totaling \$1,987 were examined and all expenditures were approved, supported, and determined to be related to chapter business.	
◆ 2019 STATUS	Lack of controls over safeguarding the Chapter's equipment and property and no current insurance coverage.
The Chapter has updated its comprehensive inventory, obtained insurance coverage, and has secured the chapter premises for its property and equipment.	
◆ 2019 STATUS	Use of personal email addresses by elected Chapter Officials when conducting Chapter business.
The Church Rock Chapter officials have been set up with business email addresses to use for chapter business.	
◆ 2019 STATUS	The Public Employment Program (PEP) workers were employed for extended periods of time and nonpayment to Navajo Nation Workmen Compensation.
In fiscal year 2019, the Chapter employed PEP workers for various positions such as custodian, laborer(s), and office assistant(s) for short-term periods that did not exceed 7 months. Furthermore, the Chapter submitted applicable reports to the Navajo Nation Worker's Compensation Program during the audit period and as such, all chapter employees are properly insured.	
◆ 2019 STATUS	Chapter's warehouse building needs renovation and improvement of security.
The Chapter provided a proposal to request for funding from the Sihasin Fund to construct a new metal hay barn and equipment warehouse for an amount of \$543,909. The proposal is	

due by July 2019. In the meantime, the Chapter continues to insure the warehouse and equipment stored in the building with Navajo Nation Risk Management.	
◆ 2019 STATUS	Inadequate filing system that requires organization, effort, and timely action.
The chapter administration has established a filing system. A records inventory conducted by the auditors revealed the Chapter's filing system stores and maintains all pertinent chapter records and that records were readily available for the follow-up review.	
◆ 2019 STATUS	The Chapter needs to create a Personnel Action Form for a long-time volunteer worker.
Our review did not identify any long term volunteer worker at the Chapter. However, the Community Services Coordinator implemented a personnel action form for the community service worker referred to the Chapter by the courts and the completed form was on file. This was accepted as community service workers are also unpaid workers for the Chapter.	
◆ 2019 STATUS	Bank reconciliations have not received any supervisory review and approval.
The Accounts Maintenance Specialist prepares the Chapter's bank reconciliations and provides to the Community Services Coordinator for review. However, for the audit period, the Chapter did not have a Community Services Coordinator. As an alternative, the Secretary/Treasurer was the primary reviewer of the bank reconciliations until April 2019 when the Chapter hired a new Community Services Coordinator.	
◆ 2019 STATUS	The Chapter's PEP policies and procedures have not been revised and updated since October 2015.
The Chapter revised its PEP and SYEP Policies and Procedures and the revised policies and procedures were approved by chapter resolution on June 17, 2019.	
◆ 2019 STATUS	MIP accounting records are at least three months behind and WIND accounting system not updated since July 2016.
As of March 31, 2019, the MIP accounting records are up to date. We verified the bank reconciliations, general ledger, and payroll taxes. The WIND system has prior and current budget information which was reconciled to the Navajo Nation FMIS allocation disbursements for FY2019.	

◆ 2019 STATUS	Federal payroll tax remittance and reporting were not made timely. State Unemployment Tax Act (SUTA) balances totaling over \$5,000 are still outstanding. Navajo Nation Sales tax collections have not been remitted since 2015. NOT RESOLVED
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The initial audit reported that the Chapter's accounting records were disclosing a SUTA liability of \$1,601 applicable to Summer Youth Employment. However, according to New Mexico state regulations, SUTA is exempt for employees categorized as youth. Therefore, the Chapter was erroneous in reporting SUTA liability for summer youth. The Chapter's balance sheet as of March 31, 2019 continues to report a SUTA liability of \$1,173 for the Summer Youth Fund thereby confirming that the incorrect reporting of SUTA liabilities has not been corrected. As for the SUTA liability for PEP workers, the initial audit reported a balance of \$3,982 and as of March 31, 2019, the liability has been reduced to \$540.

For the Navajo Nation Sales taxes, the Chapter submitted both the 2018 4th quarter and 2019 1st quarter tax reports and payments on June 3, 2019 which is 109 days late for the 2018 4th quarter report and 19 days late for the 2019 1st quarter report. The Navajo Nation Office of Tax Commission is in the process of assessing interest and penalties against the Chapter for late reporting.

Overall, since the SUTA liability has not been fully addressed, financial statements continue to be unreliable. Further, penalties due to late reports are unnecessary costs to the Chapter. The chapter administration indicated they will seek technical assistance to correct the SUTA liability reporting for the Summer Youth Fund and to remain cognizant of the reporting deadlines for the sales tax.

◆ 2019 STATUS	The Chapter membership does not receive monthly financial reporting and regular Chapter meeting minutes were not available for audit review in a timely manner. NOT RESOLVED
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Although the meeting minutes for the audit period were all found on file, the minutes lack proper financial reporting. The Secretary/Treasurer did not attach the financial statements to meeting minutes nor did she provide details of the chapter finances in the minutes. Our review also found the Chapter's CD account with an estimated balance of \$106,649 is not accurately reported on the financial statements. Overall, the Chapter is not providing financial information that can facilitate informed decision-making by its membership.

The current Community Services Coordinator, who was hired subsequent to the audit period, indicated that the administrative staff will continue to research records to clarify the CD account to ensure accurate reporting of the funds. In addition, the chapter is now posting its financial statements for public review at the chapter house and making the reports available upon request.

◆ 2019 STATUS	Lack of a stable management team has weakened the operations and accountability at the Chapter. NOT RESOLVED
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During the audit period, the chapter administrative staff comprised only of the Accounts Maintenance Specialist. On April 1, 2019, the Chapter hired the current Community Services Coordinator and providing a full staff for the Chapter. However, during the audit field visit, we observed the following:

- The Accounts Maintenance Specialist has the only key to the office where the accounting system is located. Consequently, the Community Services Coordinator has no access to the MIP accounting system or pertinent chapter records.
- The Accounts Maintenance Specialist is territorial of the chapter accounting system and chapter files.
- The working relationship between the administrative staff is strained due to lack of trust and collaboration.
- The Chapter Vice President is not readily available to assist the chapter administration with guidance and support when needed.

These observations are indications that there is still unstable management within the Chapter. As a result, the risk of poor accountability still exists.