



OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

A Special Review of Oljato Chapter

**Report No. 19-23
July 2019**

Performed by:
Stacy Manuelito, Senior Auditor
Marcale Kaskalla, Associate
Auditor



July 23, 2019

James Adakai, President
OLJATO CHAPTER
P.O. Box 360455
Monument Valley, UT 84536

Dear Mr. Adakai:

The Office of the Auditor General herewith transmits Audit Report 19-23, A Special Review of the Oljato Chapter. The audit objective was to verify whether the Chapter spent funds in accordance with Navajo Nation laws, rules and regulations and Chapter policies and procedures. During the audit scope of March 1, 2018 to March 31, 2019, \$203,490 of chapter funds were disbursed. Our review revealed the Chapter has control deficiencies and as a result, cannot provide reasonable assurance it complies with policies and procedures. Listed below are the issues identified:

Finding I: Travel requests and expense reimbursements are not properly approved.

Finding II: Controls over chapter property need improvement to ensure property is reliable, adequately identified, and well documented.

Detailed explanations on all audit issues can be found in the body of the report. The audit provides recommendations for remediation of the reported findings.

If you have any questions about this report, please call our office at (928) 871-6303.

Sincerely,



Helen Brown, Principal Auditor
Delegated Auditor General

xc: Albert Holiday, Vice-President
LaNell Menard-Parrish, Secretary/Treasurer
Shirlee Bedoni, Community Services Coordinator
Herman Daniels, Jr., Council Delegate
OLJATO CHAPTER
Johnny Johnson, Department Manager II
Calvin Tsosie, Senior Program & Project Specialist
ADMINISTRATIVE SERVICE CENTER/DCD
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REVIEW RESULTS

FINDING I: Travel requests and expense reimbursements are not properly approved.

Criteria: FMS Fiscal Policies and Procedures, Section VII.I, requires the Accounts Maintenance Specialist to prepare the travel authorization. Travelers are required to submit expense reports, trip reports, and receipts to support travel expenses. The Community Services Coordinator to review travel documents upon completion of travel and the Accounts Maintenance Specialist to issue the travel check.

Condition: Chapter travel expenditures totaled \$30,092 for the audit period. 49 travel expenditures totaling \$10,689 (36% of total amount) were examined and noncompliance with the chapter’s travel policies and procedures were noted as shown in the table:

Type of Exception	No. of Exceptions and Amounts
Travel requests were not authorized prior to travelers going on travel.	11 of 46 (24%) \$2,959
Travel reimbursement documents (i.e. expense reports, trip reports, mileage reports) were not approved, thus reimbursements paid to travelers were not authorized.	27 of 46 (59%) \$5,606
No documents on file to support the travel expenditures.	3 of 49 (6%) \$396

Effect: Unauthorized travel poses a risk of improper use of chapter funds. Travelers could incur expenses unrelated to chapter business and receive reimbursements based on erroneous travel claims.

Cause:

- The Community Services Coordinator performs all key procedures within the travel process including the following:
 - a) prepares travel authorization forms for all travelers, including herself;
 - b) approves travel, reviews travel documents, and approves payment for travelers, including herself; and
 - c) completes the travel expense report and mileage report for travelers prior to travel and instructs the traveler to sign the reports after travel is complete.
- The Chapter officials allowed the Community Services Coordinator to have sole responsibility over chapter travel activities without proper supervision.

- The Chapter officials signed travel checks without verifying proper approval of travel requests and expense reimbursements.

- Recommendations:
1. The Chapter should comply with travel policies and procedures to ensure staff duties are properly segregated.
 2. The Chapter officials should review supporting documentation for proper approval before co-signing travel checks.
 3. The Chapter officials should exercise closer supervision of the administration staff to ensure they are performing their assigned duties within the travel process.

FINDING II: Controls over chapter property need improvement to ensure property is reliable, adequately identified, and well documented.

Criteria: FMS Property Management Policy and Procedures, Section VII.A, requires the Chapter to maintain a complete, detailed and accurate identification of all chapter properties at all times and to ensure all property is tagged with identification numbers. Section V, assigns the Chapter Community Services Coordinator the task of ensuring the inventory is current and complete.

Condition: The Chapter does not perform annual physical counts and inspections to update its property inventory. Rather, the practice is to only add new purchases to the existing inventory. Since there is no physical verification of the property, pertinent information such as property numbers, acquisition cost, acquisition date, and condition about existing property has not been updated. Therefore, the property inventory is unreliable.

Furthermore, 14 property items were physically inspected and all did not have property identification tags. The Community Services Coordinator, who is assigned this responsibility according to policies and procedures, acknowledged that the property items have not been tagged with identification numbers.

Effect: The Chapter cannot fully account for its property and equipment. Chapter property with a total value of 40,500 is at risk of being stolen, destroyed, or disposed of without the Chapter's knowledge.

- Cause:
- The Community Services Coordinator does not have property management as a priority for the chapter.
 - The Chapter officials are not monitoring the Community Services Coordinator activities to ensure the chapter is complying with property policies and procedures.

- Recommendations:
1. The Community Services Coordinator should complete physical counts and inspections of the chapter property each year prior to the new fiscal year and update the chapter property inventory with complete

information.

2. The Accounts Maintenance Specialist should purchase pre-numbered identification tags available on the market, affix the tags to the property items, and record the identification number on the property inventory.
3. The Chapter officials should periodically inspect property items to ensure they have identification tags.

Conclusion

The Chapter has not implemented appropriate controls within the travel and property processes. The Chapter did not have adequate segregation of duties within its travel process, and travel requests and expense reimbursements were not properly approved. Lastly, the chapter property inventory is incomplete and property items are missing identification tags. These control deficiencies pose a high risk of misuse of chapter funds and lack of accountability for chapter assets.

BACKGROUND

Oljato Chapter is a political subdivision of the Navajo Nation and is considered a general purpose local government for reporting purposes. Navajo Nation Chapters are required to operate under Title 26 of the Navajo Nation Code, the Local Governance Act.

The majority of the Chapter resources are provided through appropriations from the Navajo Nation central government. These appropriations are intended to fund direct and indirect services at the local Chapter government level. The direct services funds are considered restricted funds with specific intended purposes. The Chapter also generates internal revenues from fees collected for providing miscellaneous services.

Since the Oljato Chapter boundary also extends into the State of Utah, the Chapter receives funding from Utah State for housing projects to benefit and be utilized by Utah Navajo residents. The Utah State fund is administrated by the State, so these funds were excluded from this review. Therefore, this review focused on funds allocated by the Navajo Nation.

The Chapter expended a total of \$203,490 for the 13-month audit period ending March 31, 2019.

Objective, Scope, and Methodology

The Office of the Auditor General has conducted a Special Review of the Oljato Chapter pursuant to the authority vested in the Office of the Auditor General by 12 N.N.C., Chapter 1, § 1 - 10.

The following objectives were established for this audit:

- Determine whether travel requests and expense reimbursements are properly approved.
- Determine whether the Chapter has a complete and reliable property inventory and properly tagged property items.

The audit covers activities for the 13-month period of March 1, 2018 to March 31, 2019.

In meeting the audit objective, we interviewed the Chapter administration and officials, observed Chapter operations, and examined available records. More specifically, we tested samples of expenditures for internal controls and compliance requirements by using a non-statistical, judgmental method.

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.

The Office of the Auditor General expresses its appreciation to the Oljato Chapter officials and administration for their cooperation and assistance throughout the audit.

CLIENT RESPONSE



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Peggy Abrigo, Acc. Maint. Specialist

July 12, 2019

Helen Brown, Principal Auditor
Delegated Auditor General
PO Box 708
Window Rock, Az 86515

Dear Ms. Brown,

I am writing to submit written comments to the office of Auditor General letter dated June 26, 2019 regarding the Special Review of Oljato Chapter. The period of audit scope is from March 1, 2018 to March 31, 2019.

The Special Review revealed that Chapter there are (2) controlled and curable deficiencies in the following order:

Finding 1: Travel Requests and expense reimbursements are not properly approved.

Finding II: Controls over chapter property need improvement to ensure property is adequately identified and well documented.

Finding I.

The chapter will comply with the Special Review report for the following corrective actions plans with concerns listed the following:

- (1) The Chapter will comply with travel policies and procedures to ensure staff duties are properly segregated.
- (2) The Chapter officials will review supporting documentation for proper approval before co-signing travel checks.
- (3) The Chapter Officials will exercise closer supervision of the administration staff to ensure they were performing their assigned duties within the travel process.

Concerns:

- (1) The Oljato chapter staff and officials believes the policies of non-certified chapter staff supervision have been inconsistent over the past few years. For example, Feb. 8, 2016 DCD memo issued a new policy stating that all Non-certified chapter Community Services Coordinators (CSC) and Accountant Maintenance Specialist (AMS) are now under the supervision of the Division of Community Development Division Director. This action contradicted the previous supervision of Chapter staff policies.

August 2018, RDC amended and approved ASC plan of Operation (O270-18). Since then, Oljato Chapter was informed that the chapter will have:

IV. AUTHORITIES, DUTIES AND RESPONSIBILITIES

D. The Community Service Coordinator Shall

1. Serve under the general administrative direction of the SPPS. The CSC shall be directly supervised by the designated supervising Chapter Official(s). The Chapter President, Vice President and Secretary/Treasurer shall

LTR/Helen Brown
July 12, 2019
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decide among themselves who shall provide direct local supervision over the CSC, and provide such decision in writing. In the event that the Chapter Official(s) fail to designate a direct local supervisor, the SPPS shall assume full direct local supervisory responsibility until such time the Chapter Official(s) takes appropriate measures to designate a local supervisor.

Since September 2018, CSC's TA's were signed and initialed by one of the Chapter Officials.

August 2014 to August 2019, CSC have numerous times asked who signs off on her TA and who checks my work? There was really no response or no technical assistance from ASC Office. CSC states that TA or training was never been provided or how the chapter should be preparing a TA.

Finding II. The original chapter facility which had the main office and meeting was condemned and later demolished due existence of uranium contaminants in the foundation of the building which caused an unsafe and unhealth environment. The chapter staff and the administration office moved to a trailer within the compound of chapter property, but the meeting rooms was moved to Monument Valley Welcome Center to conduct monthly planning and regular meetings including other chapter business functions. Some records of property records were misplaced or loss during the move.

The chapter will comply with the Special Review report for the following corrective actions plans with concerns listed the following:

- (1) CSC and with the help of summer youth, to perform an inventory of items and to tag all property items with identification numbers. The current summer youth workers are working on tagging the items and should be done within few weeks;
- (2) CSC will complete an annual physical count and will conduct inspection of chapter property inventory each new fiscal year and update the inventory records with complete information.
- (3) Accounts Maintenance Specialist to ensure pre-number identification tags are purchased and available on the market and affix the tags to the property items.
- (4) Secretary/Treasurer or chapter official will periodically inspect property items to ensure it's affixed with identification tags.

Concerns:

- (1) ASC has not provided training or technical assistance to chapter staff and chapter officials
Finding II is very minor and more of a concern. Oljato chapter requests to make this Finding a concern level. Further Oljato requests this item to be taken of the Finding list.

Your acceptance of this request is greatly appreciated. If there are questions, please contact Oljato chapter staff at (435) 727-5850.

Sincerely,



James Adakai, Oljato Chapter President