

OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

**A Second Follow-up Review
of the
Division of Economic Development
Corrective Action Plan Implementation**

**Report No. 19-31
September 2019**


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

TO : J.T. Willie, Division Director
DIVISION OF ECONOMIC DEVELOPMENT

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

DATE : September 30, 2019

SUBJECT : Audit Report No. 19-31, A 2nd Follow-up Review of the Division of Economic Development Corrective Action Plan Implementation

BACKGROUND

In 2011, the Office of the Auditor General performed a special review of the Division of Economic Development P-card purchases and issued audit report no. 12-11. A corrective action plan (CAP) was approved by the Budget and Finance Committee (BFC) on August 7, 2012.

In 2017, the Office of the Auditor General conducted a follow-up review on the Division of Economic Development CAP implementation and issued report no. 18-05 which recommended sanctions be imposed on the Division and its Director for failure to implement the CAP. The BFC sanctioned the Division operating budget on June 5, 2018 but delayed sanctioning the Director's salary until after January 16, 2019. However, that Director resigned and a new Director was appointed April 18, 2019.

OBJECTIVE AND SCOPE

The objective of this 2nd follow-up review is to determine whether the Division of Economic Development fully implemented its corrective action plan based on a six-month review period of February 1, 2019 to July 31, 2019. Our methodology included inquiries, review of records and audit test work. This report provides the Division's progress in addressing the prior audit findings.

SUMMARY

Of the twelve (12) outstanding corrective measures, one is no longer applicable. Of the remaining eleven (11), the Division of Economic Development implemented 3 (28%) corrective measures but 8 (72%) were not fully implemented.

CONCLUSION

Based on the review results and the risks that remain as a result of the non-implementation, the Office of the Auditor General finds the sanctions shall remain imposed on the Division pursuant to 12 N.N.C. Section (b). The Office of the Auditor General recommends the delay of sanctions on the newly hired division director's salary pursuant to 12 N.N.C. Section (c) until after April 18, 2020. The delay will afford the current division director a period of one year

Memo to J.T. Willie
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since his appointment to implement the corrective measures. The Office of the Auditor General will conduct a 3rd follow-up review after April 30, 2020.

In conclusion, we wish to thank the Division of Economic Development for assisting in this 2nd follow-up review.

xc: Paulson Chaco, Chief of Staff
OFFICE OF THE PRESIDENT/VICE-PRESIDENT
Chrono

REVIEW RESULTS
Division of Economic Development Corrective Action Plan Implementation
Review Period: February 01, 2019 to July 31, 2019

Audit Issues	Total of Corrective Measures	# of Corrective Measures Implemented	# of Corrective Measures Not Implemented	# of Corrective Measures Not Applicable	Audit Issue Resolved?	Review Details
1. P-card charges totaling \$156,500 attributable to the former Real Estate Department accountant is questionable.	1	0	0	1	No	Attachment A
2. P-card purchases by DED staff lack proper accountability.	11	3	8	0	No	Attachment B
TOTAL:	12	3	8	1	0-Yes 1-No 1-NA	

WE DEEM CORRECTIVE MEASURES: **Implemented** where the department provided sufficient and appropriate evidence to support all elements of the implementation; **Not Implemented** where evidence did not support meaningful movement towards implementation, and/or where no evidence was provided; and **Not Applicable** where the corrective measure could not be resolved due to circumstances beyond the department's control.

<p>◆ 2019 STATUS</p>	<p>Issue 1: P-card charges totaling \$156,500 attributable to the former Real Estate Department accountant is questionable. NO LONGER APPLICABLE</p>
<p>The alleged fraud by the former Division of Economic Development-Real Estate Department accountant occurred between June 2008 and July 2010. In February 2011, the Real Estate Department referred the former accountant to the Office of the Prosecutor White Collar Crime Unit and the Ethics and Rules Office for further investigation. To date, there has been no action on the department's referrals to Ethics and Rules Office and White Collar Crime Unit.</p> <p>The Office of the Auditor General issued audit report no. 12-11 on December 30, 2011 and the alleged misuse was referred to the Ethics and Rules Office and White Collar Crime Unit in January 2012. The alleged misuse was referred to Ethics and Rules again on October 7, 2014. Hereafter, the Office of the Auditor General hired a private investigator to investigate the former accountant and referred their investigative report to the White Collar Crime Unit in October 2017. In October 2018, the Ethics and Rules Office closed both referrals since the statute of limitations expired. To date, the White Collar Crime Unit has also not addressed the Auditor General's referral regarding the alleged misuse by the former Real Estate Department accountant.</p> <p>In the absence of a White Collar Crime Unit investigation, the former Real Estate Department accountant has not been held accountable for her actions. The Division of Economic Development would still prefer the White Collar Crime Unit to investigate this matter for possible restitution to the Real Estate Department. However, since the outcome of the referrals are outside the decision-making of the Division of Economic Development, this corrective measure is deemed no longer applicable for implementation by the Division of Economic Development.</p>	

◆ 2019 STATUS	Issue 2: P-card purchases by Division of Economic of Development staff lack proper accountability. NOT RESOLVED
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Although this 2nd follow-up review revealed some improvements, the Division of Economic Development (Division) did not implement eight of eleven corrective measures to improve accountability over p-card activities. Our review found the following:

Procurement

- 3 of 20 (15%) operating purchases tested totaling \$3,860 did not have an approved purchase requisition prior to purchase.
- 14 of 18 transactions (78%) did not have the required quotes. Therefore, \$18,226 of goods were not procured competitively to ensure economical prices.
- 11 of 18 (62%) p-cardholders did not receive procurement training during the audit period.
- The Division had seven operating p-cardholders for seven different departments including three additional operating p-cardholders since the last review. However, one operating p-cardholder continues to make purchases outside of his department, although that department has an operating p-cardholder.
- 3 of 20 (15%) purchases classified as equipment totaling \$4,723 were not purchased through the Navajo Nation Purchasing Services Department procurement process.

The Division p-cardholders are not complying with Navajo Nation Procurement rules and regulations when utilizing their p-cards. Therefore, the risk of questionable purchases with p-cards still remains high.

Travel

- 4 of 19 (21%) travel expenditures tested totaling \$1,522 did not have an approved travel authorization.
- 5 of 11 (46%) lodging expenditures tested totaling \$2,387 exceeded the allowed daily per diem rate.
- 18 of 18 (100%) p-cardholders were not provided training on travel policies and procedures.

The Division p-cardholders are not complying with Navajo Nation travel policies and procedures when utilizing their p-cards. Therefore, the Division cannot provide reasonable assurance that employees had proper authorization to incur travel expenses, travel activities were prudent, and management prioritized training for p-cardholders.

P-Card

- 5 of 12 (42%) monthly CCER packets had no signatures of reconcilers and approvers as evidence of approval and/or reconciliation.
- 2 of 12 (17%) monthly CCER packets were remitted to the Office of the Controller P-card Section late with no justification.
- 18 of 18 (100%) p-cardholders were not provided training on p-card policies.
- The Division has not improved monitoring of p-card activities since 1) no technical personnel have been assigned to work with individual p-cardholders, 2) no reporting of non-compliance, 3) no proper review of p-card activities, and 4) no evidence of random desk audits.

The Division p-cardholders are not complying with Navajo Nation P-card policies. Therefore, there is lack of accountability for Division p-card activities and management is not holding the p-cardholders, reconcilers and approvers responsible for their roles within these activities.