



OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

A Second Follow-up Review of the Kaibeto Chapter Corrective Action Plan Implementation

**Report No. 20-02
December 2019**

**Performed by:
Beverly Tom, Senior Auditor
Karen Briscoe, Principal Auditor**





December 31, 2019

Franklin Fowler, President
KAIBETO CHAPTER
P.O. Box 1761
Kaibeto, AZ 86053

Dear Mr. Fowler:

The Office of the Auditor General herewith transmits Audit Report No. 20-02, a 2nd Follow-up Review of the Kaibeto Chapter Corrective Action Plan Implementation.

BACKGROUND

In 2017, the Office of the Auditor General performed a Special Review of Checks Disbursed to the Kaibeto Chapter Accounts Maintenance Specialist and issued audit report no. 17-41. A corrective action plan was developed by the Kaibeto Chapter in response to the special review. The audit report and corrective action plan (CAP) were approved by the Budget and Finance Committee on March 6, 2018, per resolution no. BFMA-09-18.

In 2019, the Office of the Auditor General conducted a CAP follow-up review and issued report no. 19-13 that concluded 2 of 3 audit findings were not resolved. On September 10, 2019, the Budget and Finance Committee approved, per resolution no. BFS-32-19, a three-month extension for the Chapter to fully implement the corrective action plan and directed the Office of the Auditor General to conduct a 2nd follow up review after November 15, 2019 to verify whether the Kaibeto Chapter fully implemented the CAP.

OBJECTIVE AND SCOPE

The objective of the 2nd follow-up review is to determine whether the Kaibeto Chapter fully implemented its corrective action plan based on a six-month review period of May 1, 2019 to October 31, 2019. Our review was based on inquiries, review of records and audit test work.

SUMMARY

The 2nd follow up review found Kaibeto Chapter implemented the seven outstanding corrective measures. See attached Exhibit A for the detailed explanation of the follow-up results.

CONCLUSION

With the corrective measures implemented, the Kaibeto Chapter reasonably resolved the remaining two audit findings. Therefore, the sanctions approved via resolution no. BFS-32-19 shall be rescinded since Kaibeto Chapter demonstrated that the corrective action plan was reasonably implemented.

We thank the Kaibeto Chapter staff and Officials for assisting in this 2nd follow-up review.

Sincerely,

Helen Brown, CFE, Principal Auditor
Delegated Auditor General

xc: Tom Franklin, Vice President
Yolanda Ellis-Bileen, Secretary/Treasurer
Ella Dodson-Slick, Accounts Maintenance Specialist
Paul Begay, Council Delegate
KAIBETO CHAPTER
Sonlatsa Jim-Martin, Delegated Department Manager II
Milford Maloney, Senior Programs & Project Specialist
ADMINISTRATIVE SERVICES CENTER/DCC
Chrono

REVIEW RESULTS
Kaibeto Chapter Corrective Action Plan Implementation
Review Period: May 1, 2019 to October 31, 2019

Audit Issues	Total # of Corrective Measures	# of Corrective Measures Implemented	# of Corrective Measures Not Implemented	Audit Issue Resolved?	Review Details
1. Weak controls in the Chapter cash disbursement process.	5	5	0	Yes	
2. The Community Services Coordinator and Secretary/ Treasurer were not consistently monitoring the Accounts Maintenance Specialist's activities.	2	2	0	Yes	See Attachment A
TOTAL:	7	7	0	2- Yes	

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 style="text-align: center;">◆</p> <p>2020 STATUS</p>	<p>Issue #1: Weak controls in the Chapter cash disbursement process.</p> <p>RESOLVED</p>
<p>A total of 40 disbursements totaling \$17,198 were examined during the review period and the disbursements were approved and supported with documentation before checks were signed. In addition, the control weaknesses noted in the initial follow-up review were reasonably addressed by the Chapter. Therefore, this finding was deemed reasonably resolved.</p> <p>However, we questioned the practice of issuing checks and posting transactions by the current Accounts Maintenance Specialist (AMS) that raises potential concern. During the review period, the AMS was the only chapter administrative staff member as the Community Services Coordinator (CSC) position remains vacant. As such, the AMS is responsible for issuing chapter checks from their MIP accounting system.</p> <p>For disbursements that need to be corrected in the accounting system after the checks have been issued and processed by the bank, the AMS did not use journal vouchers to document the corrections nor did she obtain proper review and approval of the changes. During the review period, the AMS issued four checks totaling \$2,200 but these checks exceeded the actual invoice amounts (totaling \$1,358). To reconcile the book balance per the accounting system to the bank balance, the AMS voided these transactions in the accounting system and reissued the same checks with the actual amounts after the checks already cleared the bank. There is no indication the Chapter officials reviewed and approved these corrections in the accounting system.</p> <p>The AMS explained she learned this process from other chapters and relied on their guidance since the Administrative Services Center (ASC) did not provide her necessary guidance on the correct processes. Nonetheless, this practice is ill-advised because it does not provide for a proper audit trail of accounting system changes. During the audit fieldwork, the AMS was advised on the proper way to document corrections using journal vouchers and to obtain approval of such corrections.</p>	
<p style="text-align: center;">◆</p> <p>2020 STATUS</p>	<p>Issue #2: The Community Services Coordinator and Secretary/Treasurer were not consistently monitoring the Accounts Maintenance Specialist's activities.</p> <p>RESOLVED</p>
<p>Since there is no CSC, the AMS is currently supervised by the Chapter Vice-President. In the absence of a CSC and as a compensating control, the Chapter officials and ASC are monitoring the activities of the AMS, and the officials currently utilize a form to document their monitoring activities. The ASC also provided the Chapter officials and staff one full day of training on the five management system policies and procedures which include monitoring responsibilities. Based on this, the finding is being resolved.</p> <p>However, monitoring needs continual improvement considering the Chapter officials and ASC did not detect the current practice by the AMS in correcting transactions posted to the accounting system. Records such as bank reconciliations, voided checks, canceled checks and check register need to be reviewed manually by ASC on a routine basis in order to detect discrepancies with accounting practices. Lastly, it is imperative for the Chapter to hire a permanent CSC to strengthen monitoring over the AMS activities.</p>	