



OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

A Second Follow-up Review of the Tse Alnaozti'i' (Sanostee) Chapter Corrective Action Plan Implementation

**Report No. 20-05
December 2019**

**Performed by:
Stacy Manuelito, Senior Auditor
Wilson Barney III, Associate
Auditor**





December 31, 2019

Frank Smith, Jr., President
TSE ALNAOZTI'I CHAPTER
P.O. Box 219
Sanostee, NM 87461

Dear Mr. Smith:

The Office of the Auditor General herewith transmits Audit Report No. 20-05, a 2nd Follow-up Review of the Tse Alnaozti'i (Sanostee) Chapter Corrective Action Plan Implementation.

BACKGROUND

In 2017, the Office of the Auditor General performed a Special Review of Tse Alnaozti'i (Sanostee) Chapter and issued audit report no. 17-42. A corrective action plan was developed by the Sanostee Chapter in response to the audit. The audit report and corrective action plan were approved by the Budget and Finance Committee on February 6, 2018, per resolution no. BFF-05-08.

In 2019, the first follow-up review report no. 19-14 concluded that the Sanostee Chapter did not fully implement its corrective action plan. Accordingly, the Office of the Auditor General recommended sanctions to be imposed on the Sanostee Chapter. However, the Budget and Finance Committee approved resolution no. BFJY-31-19 on July 30, 2019 to delay the implementation of sanctions until October 29, 2019 to allow the Chapter additional time to implement the corrective action plan. Thereafter, the Office of the Auditor General was directed to conduct a 2nd follow up review to verify whether the Sanostee Chapter fully implemented the corrective action plan.

OBJECTIVE AND SCOPE

The objective of this 2nd follow-up review is to determine whether the Sanostee Chapter fully implemented its corrective action plan based on a six-month review period of April 1, 2019 to September 30, 2019. Our review was based on inquiries, review of records and audit test work.

SUMMARY

Of the 18 outstanding corrective measures, the Sanostee Chapter implemented 10 (56%) corrective measures, but 8 (44%) corrective measures were not implemented. See Exhibit A for the details of our review results.

CONCLUSION

Since the Sanostee Chapter did not fully implement its corrective action plan, there are still unresolved audit findings and the risk posed by these findings remain high. Therefore, the sanctions approved via resolution no. BFJY-31-19 shall take effect immediately and remain in effect until such time as the Sanostee Chapter demonstrates that the corrective action plan is fully implemented.



Ltr. to Frank Smith Jr.
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We wish to thank the Sanostee Chapter staff and officials for assisting in this 2nd follow-up review.

Sincerely,

Helen Brown, CFE, Principal Auditor
Delegated Auditor General

- xc: Gerald Henderson, Vice President
Jourdan Washburne, Secretary/Treasurer
Shelia Mitchell, Accounts Maintenance Specialist
Vacant, Community Service Coordinator
Amber Kanazbah Crotty, Council Delegate
SANOSTEE CHAPTER
Sonlatsa Jim-Martin, Delegated Department Manager II
Eliza-Beth Washburne, Senior Program Project Specialist
ADMINISTRATIVE SERVICE CENTER/DCD
Chrono

REVIEW RESULTS
 Sanostee Chapter 2nd Corrective Action Plan Implementation
 Review Period: April 1, 2019 to September 30, 2019

Audit Issues	Total # of Corrective Measures	# of Corrective Measures Implemented	# of Corrective Measures Not Implemented	Audit Issue Resolved?	Review Details
1. The value of fixed assets was not reported to the balance sheet.	4	0	4	No	Attachment A
2. Revenues and expenditures were not accurately posted to the accounting system.	4	0	4	No	
3. The Chapter awarded housing assistance to ineligible recipients.	6	6	0	Yes	Attachment B
4. The Chapter awarded four housing recipients above the approved budget amounts.	2	2	0	Yes	
5. \$112,199 in housing assistance may not have been used as intended by recipients.	1	1	0	Yes	
6. Detailed financial reports were not provided to the community each month.	1	1	0	Yes	
TOTAL:	18	10	8	4- Yes 2- 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.

<p style="text-align: center;">◆</p> <p>2020 STATUS</p>	<p>Issue 1: The value of fixed assets was not reported to the balance sheet. NOT RESOLVED</p>
<p>Although fixed assets are reported in the balance sheet, there is still a concern over the accuracy and reliability of the reported fixed asset amount. The following issues were noted:</p> <ol style="list-style-type: none"> 1. Two fixed assets totaling \$3,000 were not reported in the accounting system. According to LGA, fixed assets having an acquisition value of \$1,000 or more should be reported on the financial statement. 2. 11 of 32 (34%) fixed assets reviewed totaling \$1,066,381 did not have documentation to support the value reported in the balance sheet. Fixed assets policies and procedures require the chapter to maintain reliable records on all fixed assets acquired by the chapter. 3. The Chapter reported depreciation totaling \$2,037,433 but does not have documentation to support the reported amount nor can the Chapter explain how depreciation was determined. The Chapter has not established depreciation policies and procedures to ensure an appropriate depreciation method is practiced. <p>Due to these issues, there remains the risk that the FY2020 balance sheet is unreliable because the total assets could be understated or overstated. Therefore, the Chapter did not resolve the audit issue.</p>	
<p style="text-align: center;">◆</p> <p>2020 STATUS</p>	<p>Issue 2: Revenues and expenditures were not accurately posted to the accounting system. NOT RESOLVED</p>
<p>The Chapter's accounting system does not provide reliable financial information. The following was noted during the review:</p> <ol style="list-style-type: none"> 1. Duplicate posting of cash receipts totaling \$695 were not corrected in a timely manner. These postings occurred in May, June, and September 2019. Auditors detected the discrepancies in mid-October 2019 and had the staff make corrections. Cash receipts policies and procedures require a reconciliation of the cash receipt records against posted receipts prior to deposit so that errors can be corrected in a timely manner. Without timely correction, the chapter is overstating the cash receipts available for spending which could cause the chapter to spend funds they do not actually have. 2. Cash on hand totaling \$965 from several weeks of cash collections were not recorded in the accounting system and the cash remained on hand in the chapter safe at the end of the audit fieldwork of October 17, 2019. Cash receipts policies and procedures require cash to be recorded to the accounting system daily and deposited at least weekly. In the absence of timely recording of cash receipts, the chapter risks receipts going unrecorded without detection and providing inaccurate financial information regarding its revenue. In addition, maintaining large amounts of cash on hand is at risk for theft or misuse. 3. The Chapter posted internally generated funds totaling \$1,130 without an approved budget. Budget policies and procedures require the chapter to budget all funds including funds internally generated by the chapter and to obtain community approval for the budget. If the chapter expends funds without an approved budget in place, all applicable expenditures will be deemed unauthorized expenditures. 	

The issue of revenues and expenditures not accurately posted to the accounting system remains a concern. In the absence of a Community Service Coordinator, the Secretary/Treasurer and Administrative Service Center did not review the posted transactions in the accounting system against the source documents to verify the accuracy of the financial information provided by the accounting system. These discrepancies do not ensure reliable financial information is provided to the community membership to make informed decisions. Therefore, the Chapter did not resolve the audit issue.

<p>◆ 2020 STATUS</p>	<p>Issue 3: The Chapter awarded housing assistance to ineligible recipients. RESOLVED</p>
<p>For the six-month audit scope, nine housing assistance totaling \$7,293 were reviewed. The Chapter verified the recipients had a homesite lease, completed the evaluation ranking sheet for each recipient, and overall confirmed the recipients were eligible for housing assistance. Therefore, the Chapter resolved the audit issue.</p>	
<p>◆ 2020 STATUS</p>	<p>Issue 4: The Chapter awarded four housing recipients above the approved budget amounts. RESOLVED</p>
<p>For the nine housing recipients reviewed, the Chapter awarded each housing recipient within the approved budget. Therefore, the Chapter resolved the audit issue.</p>	
<p>◆ 2020 STATUS</p>	<p>Issue 5: \$112,199 in housing assistance may not have been used as intended by recipients. RESOLVED</p>
<p>Of the nine housing assistance recipients, three housing projects were completed and had completion reports on file. The remaining six projects were still in process of being completed. Some of these recipients were waiting for the Chapter to hire new public employment employees to complete their housing projects. The Chapter plans to hire the new employees within the next few weeks. Nonetheless, the Chapter is documenting the status of these projects in the recipient files. Therefore, the Chapter resolved the audit issue.</p>	
<p>◆ 2020 STATUS</p>	<p>Issue 6: Detailed financial reports were not provided to the community each month. RESOLVED</p>
<p>During the six-month audit scope, the Chapter Accounts Maintenance Specialist provided the Secretary/Treasurer with financial reports. During the regular monthly chapter meetings, the Secretary/Treasurer presented detailed financial reports to the Chapter community membership. Therefore, the Chapter resolved the audit issue.</p>	