

## **OFFICE OF THE AUDITOR GENERAL**

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### **The Navajo Nation**

### **638 Compliance Review of the Winslow Indian Health Care Center**

**Report No. 20-06  
December 2019**

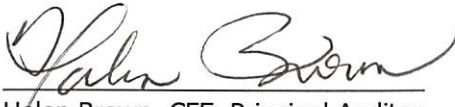
**Performed by:  
WIPFLI, LLP**





**M-E-M-O-R-A-N-D-U-M**

**TO** : Daniel Tso, Chairperson  
**HEALTH, EDUCATION AND HUMAN SERVICES COMMITTEE**

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

**DATE** : December 31, 2019

**SUBJECT** : Compliance review of the Winslow Indian Health Care Center

The Office of the Auditor General herewith transmits Audit Report no. 20-06, a Review of the Winslow Indian Health Care Center compliance with Navajo Nation Council Resolution no. CJY-33-10. The agreed upon procedures engagement to verify compliance was conducted in conjunction with WIPFLI/JOSEPH EVE CPAs and Consultants.

BACKGROUND

On July 21, 2010, the Navajo Nation Council passed resolution no. CJY-33-10 that authorized the Winslow Indian Health Care Center as a tribal organization for the purpose of managing and operating under Title V, the Indian Self-Determination Act (P.L. 93-638) to address the healthcare needs of the Navajo Nation. For continuing authorization, the Winslow Indian Health Care Center is required to remain in compliance with the 13 conditions set forth in the Navajo Nation Council resolution.

OBJECTIVE, SCOPE AND METHODOLOGY

The objective of this review was to determine whether the Winslow Indian Health Care Center complied with each of the 13 conditions outlined in Navajo Nation Council resolution no. CJY-33-10. The review covered the period of October 1, 2016 to September 30, 2018 and was conducted based on agreed upon procedures involving site visits, review of records, inquiries and analysis.

SUMMARY

Based on the review results, the Winslow Indian Health Care Center has demonstrated compliance with 12 of the 13 conditions. The auditors deemed one condition as unmet:

- Condition #9: Although the Winslow Indian Health Care Center drafted a consultation policy on matters of public health dated November 1, 2018 and this draft was structured to follow the consultation guiding principles of the Navajo Nation Council Health, Education and Human Services Committee consulting policy, the draft has not been formally approved and accepted by the Committee as of this report date. Therefore, this condition was deemed unmet.



In addition, the auditors noted concerns expressed by the Navajo Nation Department of Health regarding the following conditions:

- Condition #5: Although the Winslow Indian Health Care Center provided its 2016, 2017 and 2018 audited financial statements, Single Audit reports, corrective action plans, annual reports, survey reports from accreditation organizations, and funding agreements to the Navajo Nation Council Health, Education and Human Services Committee, copies of these reports were not provided to the Navajo Nation Department of Health for their information.
- Condition #8: Although the Winslow Indian Health Care Center provided proof of cooperative agreements regarding applicable health care programs with the Navajo Nation Department of Health, the Department represented that more consulting and cooperation is needed to make sure the Winslow Indian Health Care Center is providing the health needs of the Navajo Nation.
- Condition #10: Although there is a Memorandum of Understanding between the Winslow Indian Health Care Center and the Navajo Nation Department of Health regarding mutual sharing of office and parking space, the Department represented that office space for 638 health programs should not be compromised and a comprehensive agreement under one Memorandum of Understanding is needed for all programs under the Navajo Nation Department of Health.

Detailed explanation of the review results can be found in the body of the report.

#### CONCLUSION

The Winslow Indian Health Care Center is in compliance with a majority of the 13 conditions set forth in Navajo Nation Council resolution no. CJY-33-10. Accordingly, the Winslow Indian Health Care Center, as a tribal organization, has met the requirements for continuing authorization from the Navajo Nation to manage and operate under Title V, the Indian Self-Determination Act.

If you have any questions about this report, please contact our office at extension 6303. We extend our appreciation to the Winslow Indian Health Care Center management for their assistance and cooperation in completing this review.

xc: Sally N. Pete, Chief Executive Officer  
**WINSLOW INDIAN HEALTH CARE CENTER**  
Dr. Jill Jim, Department Director  
**NAVAJO DEPARTMENT OF HEALTH**  
Dana Bobroff, Chief Legislative Counsel  
**OFFICE OF LEGISLATIVE COUNSEL**  
LaShawna Tso, Chief of Staff  
**OFFICE OF THE SPEAKER**  
Paulson Chaco, Chief of Staff  
**OFFICE OF THE PRESIDENT/VICE PRESIDENT**  
Chrono

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**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

**Navajo Nation  
Winslow Indian Health Care Center, Inc.**

We have performed the procedures enumerated below, which were agreed to by the Navajo Nation, on the compliance of Winslow Indian Health Care Center, Inc with the conditions outlined in Navajo Nation Council Resolution CJY-33-10. Winslow Indian Health Care Center, Inc's (WIHCC) management is responsible for compliance with the conditions outlined in Navajo Nation Council Resolution CJY-33-10. The sufficiency of these procedures is solely the responsibility of the Navajo Nation. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the compliance of WIHCC with the conditions outlined in Navajo Nation Council Resolution CJY-33-10. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The procedures and associated findings are as follows:

**Condition 1 – Demonstrate financial stability and financial management capability.**

- *Procedure* - Obtain recent financial statements and calculate current ratio, quick ratio, viability ratio and operating reserve ratio.
- *Results* –Obtained the audited financial statements for 2016, 2017 and 2018 and computed the current ratio, quick ratio, viability ratio, and operating reserve ratio.

	Audited 2016	Audited 2017	Audited 2018	Benchmark
Current ratio	9.31	10.22	10.08	> 2.00
Quick ratio	9.19	10.10	9.91	> 2.00
Viability or debt to equity ratio	0.07	0.06	0.06	<.40
Operating reserve ratio	1.19	1.41	1.52	>.25

*Current Ratio and Quick Ratio* – The ratios are a measure of an organization's ability to pay current liabilities as they come due utilizing current assets and current assets that are quickly convertible to cash. Ratios in excess of 1.00 indicate there are just enough current assets to pay current liabilities, so higher ratios are preferable. WIHCC ratio was about 4 – 5 times the benchmark in 2016 and remained about there through 2018.

*Viability or Debt to Equity Ratio* – The ratio is a measurement of debt relative to the net assets of the organization. Higher ratios indicate organizations are highly leveraged with debt with ratios in excess of 1.00 indicating the organization has more debt than net assets. Low ratios are preferred, WIHCC ratio is very low since the organization is carrying very little debt.

*Operating Reserve Ratio* – A reserve equal to three months of annual operating expenses is a suggested minimum goal. The ratio of 1.19, 1.41 and 1.52 for 2016, 2017 and 2018, respectively indicates the WIHCC has about 4 - 5 times the suggested minimum operating reserve goal.

- *Procedure* - Review and document the skills, knowledge and experience of the Chief Executive Officer (CEO) and Chief Financial Officer (CFO).
- *Results* –Resumes of the CEO and CFO and qualifications were obtained listing the skills, knowledge, and experience of the CEO and CFO overseeing the financial management of WIHCC.
- Sally Pete, CEO resume included the educational qualifications of a Master of Science Nursing (Arizona State University) and various positions worked since 1965. Experience in a variety of roles proves a broad knowledge and skills necessary to oversee the organization.
- Karen Leuppe, CFO educational background includes a Master of Public Administration (Northern Arizona University). She is new to WIHCC but comes with over 10 years of experience in budget and financial management analysis.

**Condition 2 - Maintain eligibility for third party payments under the Centers for Medicare and Medicaid Services (CMS).**

- *Procedure* – Review any communications from CMS regarding compliance with CMS regulations.
- *Results* - Per inquiries of Peter Laluk, Director of Quality Management, WIHCC has received no communications from CMS or the state Medicaid agency regarding noncompliance with CMS regulations required to maintain eligibility to receive payments.

- *Procedure* – Review payments received for patients as indication WIHCC is still eligible to receive Medicare and Medicaid payments.
- *Results* – For the list of 40 patients chosen for testing Condition 12, reviewed payor type and reviewed those as Medicare and Medicaid and verified payments were received on visits.
- *Procedure* – Searched CMS website for reported fraud and abuse by WIHCC.
- *Results* – As of the search on December 30, 2019, there was no fraud or abuse noted on the CMS website.

**Condition 3 – Maintain continued accreditation by a nationally recognized accreditation program.**

- *Procedure* – Obtain and review certificates of accreditation for the facility from a nationally recognized accreditation program.
- *Results* - Obtained certificates of accreditation of WIHCC, Dilkon Medical Home, Leupp Medical Home and Physical Therapy valid through November 2020 from Accreditation Association for Ambulatory Health Care, Inc (AAAHC). Surveys are performed every 3 years for accreditation with annual “Continuous Assessment and Self Attestation” being completed by the survey anniversary date each year.

**Condition 4 – Operate and administer self-governance compact programs under the oversight of the Health, Education, and Human Services Committee (HEHSC) and report to the HEHSC and Navajo Nation Council when requested to do so.**

- *Procedure* – Inquire with chief compliance officer if WIHCC has been requested to appear before HEHSC and/or the Navajo Nation Council.
- *Results* –Per inquiry of Peter Laluk, Director of Quality Management, WIHCC appears annually before the HEHSC to present an annual report and they are currently working on a new facility in Dilkon and have been working on the planning with HEHSC and the Navajo Nation Council. No other formal requests to appear before HEHSC had been received by WIHCC. We obtained confirmation from Beverly Martinez, Legislative Advisor with HEHSC, that WIHCC presented the 2016, 2017 and 2018 annual reports on May 26, 2017, June 11, 2018 and June 24, 2019, respectively, before HEHSC.

**Condition 5 – Maintain compliance with all monitoring and reporting requirements duly established by HEHSC.**

- *Procedure* – Inquire of Beverly Martinez, Legislative Advisor, HEHSC as to the existence of monitoring and reporting requirements established by the HEHSC.
- *Results* – Beverly Martinez, Legislative Advisor, Office of Legislative Services confirmed the HEHSC had received the following documentation from WIHCC:

2016 - 2018 Audited financial statements received?		Yes	No
Related single audit reports received?		Yes	No
Annual report received by the HEHSC?		Yes	No
Copies of self-governance compact received by HEHSC?	Fiscal years 2016 -2020	Yes	No
Copies of annual funding agreement received by HEHSC?		Yes	No
Copy of JACHO/AAAHC accreditation received by HEHSC?			
AAAHC - Medical Home - Winslow	Expires November 9, 2020	Yes	No
AAAHC - Medical Home - Dilkon	Expires November 9, 2020	Yes	No
AAAHC - Medical Home - Leupp	Expires November 9, 2020	Yes	No
AAAHC - Physical Therapy	Expires November 9, 2020	Yes	No

- *Procedure* - Obtain copies of the three most recent Federal Single Audit Reports including audited financial statements.
- *Results* – We obtained the 2016, 2017 and 2018 Federal Single Audit Report, including audited financial statements and the corrective action plan. The auditor’s report issued on the financial statements and compliance for major programs for each year was an unmodified opinion, which is the highest opinion an auditor can give on a report. Even though there was a unmodified opinion there could still be findings which are listed below.
  - The 2016 Federal Single Audit Report included no findings in internal control over financial reporting, however, there was one finding over compliance considered a significant deficiency (*defined as deficiency or combination of deficiencies that is less severe than a material weakness, yet important enough to merit attention by those charged with governance*). WIHCC purchased equipment exceeding \$50,000 from one vendor during the year without the issuance of an RFP for this equipment. Management’s corrective action plan indicated they were aware of the federal requirement and will implement safeguards in their purchasing system that will not allow a purchase above the \$50,000 threshold without multiple quotes.
  - The 2017 Federal Single Audit Report reported no findings over internal controls or compliance.



- The 2018 Federal Single Audit Report included one finding in internal control over financial reporting being reported as a material weaknesses (*defined as a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis*). The findings observed that WIHCC did not perform several year-end close functions including reconciliations and ensuring supporting schedules agreed to the trial balance numbers. Additionally, some journal entries were improperly recorded, and /or recorded in reverse. Management presented a corrective action plan indicating they will do a comprehensive training to ensure sound processes are in place for month, quarter and year-end close functions. They will implement monthly close checklists.
- *Procedure* - Obtain copies of the Title V Compact agreement and WIHCC funding agreement.
- *Results* – We obtained the Title V Compact agreement and WIHCC funding agreements for fiscal years 2016 – 2020.
- *Procedure* – Inquired with the Navajo Nation Department of Health (NNDOH) as to the reports they received from WIHCC for 2016, 2017, and 2018.
- *Results* – The NNDOH did not receive the audited financial statements with the federal single audit report, final survey reports and associated corrective action plans, the annual funding agreements or the annual report for 2016, 2017 and 2018.

**Condition 6 – Maintain continued compliance with all applicable Navajo Nation laws and regulations, including, but not limited to, the Navajo Preference in Employment Act.**

- *Procedure* - Obtain a list of new hires within the most recent fiscal year and select a sample of 10% of new hires to test compliance with Navajo Preference in Employment Act (NPEA) and obtain a copy of WIHCC hiring policies.
- *Results* – We obtained a listing of 113 new hires at WIHCC for fiscal year 2018 from the human resources department and haphazardly selected 11 new hires for testing of compliance with WIHCC hiring policies. Seven of eleven individuals tested were Navajo as evidenced by Certificates of Indian Blood in the employment file. Three additional employees were noted as Navajo, but their employee file was missing the Certificate of Indian Blood. Verified the reason and documentation of why the other non-native individuals were employed over a native to ensure they had been properly employed.
- *Procedure* – Verified WIHCC is a NPEA employer.

- *Results* – It is not listed on the website, but when you go to complete the WIHCC employment application, at the top of the application there is a disclosure indicating that in accordance with Navajo Nation law, WIHCC has implemented Navajo/Indian Preference in Employment Policy.

**Condition 7 – Maintain compliance with all applicable Navajo Nation health care policies and priorities duly adopted by the HEHSC.**

- *Procedure* – Obtain copies of changes to Health Care Policies and Priorities adopted by the Health, Education and Human Services Committee.
- *Results* - Per our various inquiries and discussions with WIHCC management during our on-site visit, we noted no instance of non-compliance with applicable Health Care Policies and Priorities adopted by the Health, Education and Human Services Committee.

**Condition 8 - Consult and cooperate with the Navajo Nation Department of Health concerning public health program needs and programs of the Navajo Nation.**

- *Procedure* - Obtain documentation of programs done with cooperation of the Navajo Nation Department of Health.
- *Results* - We inquired of Peter Laluk, Director of Quality Management, as to the existence of any cooperative programs concerning public health needs with the Navajo Nation. WIHCC has a memorandum of understanding with the Navajo Nation in regard to Breast and Cervical Cancer Program and the Tuberculosis Control Program. These memorandums show WIHCC is consulting and cooperating with the NNDOH regarding some programs needed in their area.

However, it was determined from conversations with the NNDOH that there needs to be more consult and cooperation from WIHCC to ensure they are providing the health needs of the Navajo Nation.

**Condition 9 – Develop a written policy of consultation on matters of public health in coordination with the Navajo Nation Department of Health and have such policy approved by the HEHSC.**

- *Procedure* - Obtain a written policy for consultation on matters of public health.
- *Results* – We obtained a copy of the Navajo Nation’s HEHSC consultation policy dated July 10, 2012 and we also obtained a copy of a “redline” draft of a consultation policy on matters of public health dated November 1, 2018, developed by the 638 contract sites, specifically Utah Navajo Health System, Winslow Indian Health Care Center, and Tuba City Regional Health Care Corporation addressing the following matters for consultation with the HEHSC and Navajo Department of Health: A.) Public Health

Legislation, Regulations, and Policies B.) Public Health Matters and C.) Health Care Organization Matters.

We compared the redline draft prepared by the 638 contract sites to the consultation guiding principles listed in Navajo Nation's HEHSC consultation policy and noted the redline draft prepared by the 638 contract sites is structured to follow the consultation guiding principles of the Navajo Nation's HEHSC consulting policy regarding A.) Adequate Notice B.) Accessibility C.) Meaningful Process and D.) Accountability. The "redline" draft prepared by the 638 contract sites has not been formally approved and accepted by the HEHSC per inquiry of Beverly Martinez, Legislative Advisor for HEHSC on February 5, 2019 and as of the date of this report has not been finalized and therefore this condition has been considered as not being met since there is no formal approved document.

**Condition 10 – Enter Memorandums of Understanding with the Navajo Nation Department of Health and Navajo Nation Department of Emergency Medical Service for the Navajo Nation's use and occupancy of organization facilities as long as such use and occupancy does not interfere with direct care services.**

- *Procedure* – Obtain copies of Memorandums of Understanding ("MOU") with the NNHOH and Navajo Nation Department of Emergency Medical Service.
- *Results* – Inquired of Peter Laluk, Director of Quality Management as to the existence of MOU's between the Navajo Nation Emergency Medical Services and WIHCC to help strengthen and facilitate an effective coordinated working relationship. Reviewed MOU between the Navajo Nation Department of Health and WIHCC for the mutual sharing of office and parking space at the WIHCC facility by the 638 programs of the Navajo Nation. Inquired of Dr. Jill Jim from the NNDOH, regarding MOU's between WIHCC and NNDOH. She indicated that space for 638 health programs should not be compromised and there should be a comprehensive agreement with all programs under the NNDOH to be included on one MOU.

**Condition 11 – In dealing with the federal and state government, be it lobbying, advocacy, litigation, or negotiating efforts, shall only take positions or to make arguments consistent with official published Navajo Nation positions.**

- *Procedure* - Search the internet for any publicity regarding the facilities to determine if WIHCC has taken positions contrary to the Navajo Nation positions.
- *Results* – We performed a search on Google regarding existence articles, blogs, or press releases describing lobbying, advocacy, or litigation, or negotiation efforts involving WIHCC and federal and state government to determine if WIHCC has presented positions inconsistent with official published Navajo Nation positions. Searches returned no evidence of public positions issued by WIHCC regarding lobbying, advocacy, litigation, or negotiating efforts.

- Procedure – We inquired of Peter Laluk, Director of Quality Management regarding if WIHCC has engaged in any lobbying, advocacy, litigation, or negotiation efforts where WIHCC has taken positions or made arguments inconsistent with official published Navajo Nation positions.
- Results – Mr. Laluk noted that WIHCC has not engaged in lobbying the federal or state governments and is not aware of any positions WIHCC has taken in advocacy, litigation, or negotiation efforts with the federal or state governments that is inconsistent with official Navajo Nation positions.
- Procedure – Obtain meeting minutes of the WIHCC board of directors for meetings held during the fiscal year ended June 30, 2018 to review for actions taken by the board of directors related to positions taken by the Navajo Nation and determine if any WIHCC actions are not consistent with Navajo Nation positions.
- Results – We reviewed the board minutes for the year and did not note any position taken that was contrary to the Navajo Nation positions.

**Condition 12 – Not directly charge any tribal member for health care services nor charge the Navajo Nation Employee Benefit Plan or Worker’s Compensation Plan for health care services provided to covered tribal members unless Indian Health Services would be able to charge the tribal member for the same services under the same circumstances unless otherwise authorized by the Navajo Nation Council.**

- *Procedure* - Request list of tribal members who had received services within the fiscal year period, select a sample of 40 patients, and review the history of charges and payments on the stay or visit to determine if the tribal member was charged for services.
- *Results* – In the 40-item sample, 10 tribal member patients were uninsured, and no cash receipts were recorded as the entire balance was adjusted to zero under the direct care program and 30 patients were tribal members whose services were paid for under Medicare, Medicaid, or other third-party insurance.
- *Procedure* - Obtain copies of patient billing policies and review to determine existence of provisions inconsistent with Indian Health Service and Navajo Nation Council requirements.
- *Results* – We obtained copies of WIHCC eligibility for direct care policy, non-beneficiary patient policy, and emergency medical treatment policy and noted no provisions in WIHCC policies that would have tribal members be billed for services, inconsistent with Indian Health Services and Navajo Nation Council condition.



**Condition 13 – Provide direct patient care to all Native American eligible users unless otherwise authorized by the Navajo Nation Council.**

- *Procedure* - Interview the front-end staff on the process of registering a new patient and tribal affiliations. Inquire about seeing Native Americans that are from other tribes.
- *Results* – We interviewed a Private Insurance Verifier, Appointment Scheduler, Patient Register Clerk front-desk staff working during our onsite visit and asked if they were aware of any circumstances in which a Native American, Navajo tribal member or other tribal affiliations, was turned away for services. They responded they had not witnessed any such incidents.

This report is intended solely for the information and use of the Navajo Nation and Winslow Indian Health Care Center, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

*Wipfli LLP*

**Great Falls, Montana  
December 31, 2019**

December 31, 2019

Navajo Nation  
Tuba City Regional Health Care Corporation  
Winslow Indian Health Care Center, Inc.  
Utah Navajo Health Systems, Inc.

We have performed agreed upon procedures based on the 13 conditions outlined in the Navajo Nation Council Resolution CJY-33-10 and have some recommendations for future evaluations of these conditions.

1. To ensure the facilities are complying with the resolutions and expectations of the Health Education, and Human Services Committee (HEHSC) and the Navajo Nation Department of Health (NNDOH), consider redefining some of the criteria to make them more specific and measurable.
2. Consider holding, at a minimum, an annual meeting with key members of each organization to ensure open communication, consulting and cooperation concerning the public health needs. If possible, quarterly meetings with an agenda, minutes taken and shared with all participants is recommended to help facilitate this open communication.
3. Complete the consultation policy on matters of public health that is currently in draft form.

Thank you for the opportunity to work with your organization. If you have any questions regarding the recommendations list above, we welcome the opportunity to discuss them further with you.

*Wipfli LLP*