



OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

638 Compliance Review of the Tuba City Regional Health Care Corp.

**Report No. 20-07
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 Tuba City Regional Health Care Corporation

The Office of the Auditor General herewith transmits Audit Report no. 20-07, a Review of the Tuba City Regional Health Care Corporation 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 Tuba City Regional Health Care Corporation 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 Tuba City Regional Health Care Corporation 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 Tuba City Regional Health Care Corporation 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 Tuba City Regional Health Care Corporation has demonstrated compliance with 12 of the 13 conditions. The auditors deemed one condition as unmet:

- Condition #9: Although the Tuba City Regional Health Care Corporation 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 Tuba City Regional Health Care Corporation 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 Tuba City Regional Health Care Corporation 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 Tuba City Regional Health Care Corporation is not offering competing services and health needs of the Navajo Nation are being met.
- Condition #10: Although there is a Memorandum of Understanding between the Tuba City Regional Health Care Corporation 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 Tuba City Regional Health Care Corporation is in compliance with a majority of the 13 conditions set forth in Navajo Nation Council resolution no. CJY-33-10. Accordingly, the Tuba City Regional Health Care Corporation, 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 Tuba City Regional Health Care Corporation management for their assistance and cooperation in completing this review.

xc: Lynette Bonar, Chief Executive Officer
TUBA CITY REGIONAL HEALTH CARE CORPORATION
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
Tuba City Regional Health Care Corporation**

We have performed the procedures enumerated below, which were agreed to by the Navajo Nation, on the compliance of Tuba City Regional Health Care Corporation (TCRHCC) with the conditions outlined in Navajo Nation Council Resolution CJY-33-10. Tuba City Regional Health Care Corporation's 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 TCRHCC 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	2.38	2.76	2.99	> 2.00
Quick ratio	2.26	2.66	2.70	> 2.00
Viability or debt to equity ratio	0.27	0.30	0.25	<.40
Operating reserve ratio	0.54	0.60	0.63	>.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. TCRHCC ratio was slightly above the benchmark in 2016 and has increased slightly each year.

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, TCRHCC 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 .54, .60 and .63 for 2016, 2017 and 2018, respectively indicates TCRHCC has about 2 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 TCRHCC.
- Lynette Bonar, CEO resume included significant operational and administrative experience in a variety of roles that provides the broad knowledge and skills necessary to oversee the organization. Ms. Bonar's educational qualification of a Master's in Business Administration with an emphasis in health care administration (Grand Canyon University) is well suited for the healthcare environment.
- Christine Keyonnie, CFO is a CPA, whose educational background includes a Master of Accountancy (University of Phoenix). She has had a progressive role in the organization from accounting director to CFO within approximately the six years she has been working for TCRHCC. Ms. Keyonnie's experience is well suited for overseeing the financial aspect of TCRHCC.

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 Alvina Tunney-Patterson, chief compliance officer, TCRHCC 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 TCRHCC 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 TCRHCC.
- *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 TCRHCC hospital, home health and laboratory services from The Joint Commission (JACHO). Obtained report from JACHO website noting accreditation history, active status of current accreditations, and quality report from last JACHO site visit noting compliance with applicable standards to maintain accreditation. Last on-site survey was April 2017 for the hospital, February 2016 for home health and December 2016 for laboratory services. Next site visits were completed in 2019.

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 TCRHCC has been requested to appear before HEHSC and/or the Navajo Nation Council.
- *Results* –Per inquiry of Alvina Tunney-Patterson, Chief Compliance Officer, TCRHCC appears annually before the HEHSC to present an annual report and no other formal requests to appear before HEHSC had been received by TCRHCC. We obtained confirmation from Beverly Martinez, Legislative Advisor with HEHSC, that TCRHCC presented the 2016, 2017 and 2018 annual reports on November 27, 2017, November 26, 2018 and October 30, 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 confirmed the following reporting and monitoring requirements established by the HEHSC consist of the following:

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 2013-2018	Yes	No
Copies of annual funding agreement received by HEHSC?		Yes	No
Copy of JACHO/AAAHC accreditation received by HEHSC?			
JACHO - Home Care	Expires February 27, 2019	Yes	No
JACHO Quality Report received by HEHSC?		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 four findings, three being reported as material weaknesses in internal control over financial reporting (*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*) and one as a significant deficiency in internal control over financial reporting (*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*). The findings observed that TCRHCC records deferred revenue and grant receivables based on their cash draw down and period of award rather than actual expenditures incurred, management has not developed a formal process for the evaluation of the Purchased/Referred Care (PRC) services, management has not adopted a formal process to estimate the allowance for doubtful patient accounts receivable and management has not conducted an annual year end physical inventory of expendable equipment, capital equipment or property owned. Management presented a corrective action plan for finance to review and approve all grant journal entries monthly to ensure accurate recognition of receivable and deferred revenue of grants, completed a formal process for claims management within the PRC and will be reviewing on a monthly basis for a period of time to

ensure they are following the procedures at which point they will move to a quarterly review, will develop a method for estimating the allowance with plans to have in place by June 30, 2017 and will have new software by September 30, 2017 that will include a fixed asset management module to track all fixed assets. There were no findings reported over compliance.

- The 2017 Federal Single Audit Report included one finding in internal control over financial reporting being reported as a material weakness. The findings observed that TCRHCC had not defined a proper account reconciliation and analysis of accruals since converting to the new accounting software. Management presented a corrective action plan indicating they will continue doing monthly reconciliation and ensure the aged trial balance reconciles at month end. Since the system does not automatically post the paid time off adjustment to general ledger, this will be a monthly entry that will be added to the month-end closing process. Management indicated TCRHCC and Navajo Area Indian Health Service (NAIHS) office would meet on a quarterly basis to reconcile the payable account with NAIHS. There were no findings reported over compliance.
- The 2018 Federal Single Audit Report reported no findings over internal controls or compliance.
- *Procedure* - Obtain copies of the Title V Compact agreement and TCRHCC funding agreement.
- *Results* – We obtained the Title V Compact agreement and TCRHCC funding agreements for fiscal years 2013 – 2018.
- *Procedure* – Inquired with the Navajo Nation Department of Health (NNDOH) as to the reports they received from TCRHCC 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 TCRHCC hiring policies.

- *Results* – We obtained a listing of 270 new hires at TCRHCC for fiscal year 2017 from the human resources department and haphazardly selected 27 new hires for testing of compliance with TCRHCC hiring policies. Nineteen of twenty-seven individuals tested were Navajo as evidenced by Certificates of Indian Blood in the employment file. 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* – Verify TCRHCC is a NPEA employer.
- *Results* – At the bottom of the vacancy list as of October 12, 2018, there is a disclosure indicating that in accordance with Navajo Nation law, TCRHCC 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 TCRHCC 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 Alvina Tunney-Patterson, Chief Compliance Officer, as to the existence of any cooperative programs concerning public health needs with the Navajo Nation. TCRHCC has a memorandum of understanding with the Navajo Nation in regard to Health Education Program including its HIV prevention and teen pregnancy prevention programs, Community Health Representative Program including its outreach tuberculosis control and social hygiene, and Breast and Cervical Cancer Program. These memorandums show TCRHCC 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 TCRHCC to ensure they are not offering competing services and are providing the health needs of the Navajo Nation.

Condition 9 – Develop a written policy for 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 contact 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 NNDOH and Navajo Nation Department of Emergency Medical Service.
- *Results* – Inquired of Alvina Tunney-Patterson, Chief Compliance Officer as to the existence of MOU’s regarding use of TCRHCC facilities. Reviewed MOU between the NNDOH and TCRHCC for the mutual sharing of office and parking space at the TCRHCC facility by the Health Programs of the Navajo Nation. Inquired of Dr. Jill Jim from the NNDOH, regarding MOU’s between TCRHCC 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 TCRHCC 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 TCRHCC and federal and state government to determine if TCRHCC has presented positions inconsistent with official published Navajo Nation positions. Searches returned no evidence of public positions issued by TCRHCC regarding lobbying, advocacy, litigation, or negotiating efforts.
- *Procedure* – We inquired of Alvina Tunney-Patterson, Chief Compliance Officer regarding if TCRHCC has engaged in any lobbying, advocacy, litigation, or negotiation efforts where TCRHCC has taken positions or made arguments inconsistent with official published Navajo Nation positions.
- *Results* – Ms. Tunney-Patterson noted that TCRHCC has not engaged in lobbying the federal or state governments and is not aware of any positions TCRHCC 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 TCRHCC 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 TCRHCC 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.
- *Procedure* – Inquired of Ms. Tunney-Patterson regarding the new oncology program and whether it involved any genetics or some aspect of genetics.
- *Results* – She indicated it did not and that the program had been approved by HEHSC prior to them starting the program.

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