



OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

A Second Follow-Up Review of the Teec Nos Pos Chapter Corrective Action Plan Implementation

**Report No. 20-12
September 2020**

**Performed by:
Alfreda Lee, Senior Auditor
Wilson Barney III, Associate
Auditor**



September 4, 2020

Alfred Jim, President
TEEC NO POS CHAPTER
P.O. Box 106
Teec Nos Pos, AZ 86514

Dear Mr. Jim,

The Office of the Auditor General herewith transmits Audit Report No. 20-12, a 2nd Follow-up Review of the Teec Nos Pos Chapter Corrective Action Plan Implementation.

BACKGROUND

In 2010, the Office of the Auditor General performed a Special Review of Teec Nos Pos Chapter and issued audit report no. 11-02. A corrective action plan was developed by the Teec Nos Pos Chapter in response to the special review. The audit report and corrective action plan were approved by the Budget and Finance Committee on December 21, 2010, via resolution no. BFD-47-10.

In 2014, the Office of the Auditor General conducted a CAP follow-up review and issued audit report no. 15-06 which concluded the audit findings were not resolved. On April 7, 2015, the Budget and Finance Committee approved sanctions against the Chapter and officials via resolution no. BFAP-07-15.

OBJECTIVE AND SCOPE

The objective of this 2nd follow-up review is to determine whether the Teec Nos Pos Chapter fully implemented its corrective action plan based on a six-month review period of July 1, 2019 to December 31, 2019. The scope for housing assistance testing was expanded to include the period of October 1, 2018 to June 2019 due to a lack of activity in our six-month review period. Our review was based on inquiries, interviews, review of records and audit test work.

SUMMARY

Of the 48 outstanding corrective measures, the Chapter implemented 47 (98%) corrective measures and one was not implemented (2%). See enclosed Exhibit A for the review results.

CONCLUSION

The Teec Nos Pos Chapter has reasonably resolved the audit issues from the 2010 audit of the Chapter. Therefore, the Office of the Auditor General concluded to lift the sanctions against the Teec Nos Pos Chapter and its Officials. Accordingly, a memorandum will be provided to the Office of the Controller to release all withheld funds in accordance with 12 N.N.C. Section 9.

We thank the Teec Nos Pos Chapter staff and officials for assisting in the 2nd follow-up review.

Sincerely,


Helen Brown, CFE, Principal Auditor
Delegated Auditor General

xc: Kenny Victor, Vice-President
Daron Yellowhorse, Secretary/Treasurer
Steven Benally, Community Services Coordinator
Charlaine Tso, Council Delegate
TEEC NOS POS CHAPTER
Sonlatsa Jim-Martin, Department Manager II
Eliza-Beth Washburne, Senior Program & Project Specialist
ADMINISTRATIVE SERVICE CENTER/DCD

REVIEW RESULTS
Teec Nos Pos Chapter Corrective Action Plan Implementation
Review Period: July 01, 2019 to December 31, 2019

Audit Issues	Total # of Corrective Measures	# of Corrective Measures Implemented	# of Corrective Measures Not Implemented	Audit Issue Resolved?	Review Details
1. Lack of controls over accounting of revenues led to unrecorded cash receipts and the risk of undeposited revenue.	3	3	0	Yes	Attachment A
2. Lack of controls over the disbursement of Chapter funds led to questionable expenditures.	4	4	0	Yes	
3. Chapter funds were expended without a community-approved budget which led to unauthorized expenditures.	2	2	0	Yes	
4. Community Services Coordinator was paid twice for performing the same tasks.	2	2	0	Yes	
5. Lack of accountability in housing related expenditures.	5	5	0	Yes	
6. The Chapter property/equipment is not properly accounted for and safeguarded.	3	3	0	Yes	
7. The Chapter hired a contractor without competitive bidding.	2	2	0	Yes	
8. \$24,113 unauthorized additional stipends were paid to former and current Chapter Officials.	2	2	0	Yes	
9. The Chapter is not in compliance with the Internal Revenue	5	5	0	Yes	

REVIEW RESULTS
Teec Nos Pos Chapter Corrective Action Plan Implementation
Review Period: July 01, 2019 to December 31, 2019

Audit Issues	Total # of Corrective Measures	# of Corrective Measures Implemented	# of Corrective Measures Not Implemented	Audit Issue Resolved?	Review Details
Service (IRS) over payroll taxes.					
10. Stipend payments and consultant fees were not reported to the IRS.	2	2	0	Yes	
11. Financial reports were not provided to the community membership.	4	4	0	Yes	
12. Fund/subsidiary ledgers are not properly maintained.	4	3	1	Yes	
13. Bank accounts lack proper oversight by the Community Services Coordinator.	2	2	0	Yes	
14. The Chapter financial statements are not accurate and are deemed unreliable.	5	5	0	Yes	
15. There is a lack of oversight by the Chapter Officials.	3	3	0	Yes	
Total:	48	47	1	15 – Yes 0 – 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>◆ 2020 STATUS</p>	<p>ISSUE 1: Lack of controls over accounting of revenues led to unrecorded cash receipts and the risk of undeposited revenue. RESOLVED</p>
<p>The Chapter improved controls over the cash receipts process. Receipts are recorded on cash receipt tickets, are accurately recorded in the accounting system, reconciled prior to deposit, and deposited intact. In addition, the Chapter established segregation of duties.</p>	
<p>◆ 2020 STATUS</p>	<p>ISSUE 2: Lack of controls over disbursement of Chapter funds led to questionable expenditures. RESOLVED</p>
<p>For the review period, 27 operating disbursements and 23 travel disbursements totaling \$8,481 were reviewed. All disbursements were supported with required documents and proper approvals. However, 3 of 27 (11%) operating disbursements totaling \$792 did not have a purchase requisition.</p> <p>Overall, the Chapter made improvement in the disbursement of funds. Nonetheless, the Chapter should remain consistent in preparing purchase requisitions to ensure all purchases are documented, reviewed, and approved.</p>	
<p>◆ 2020 STATUS</p>	<p>ISSUE 3: Chapter funds were expended without a community-approved budget which led to unauthorized expenditures. RESOLVED</p>
<p>The Chapter’s fiscal year 2020 \$252,216 carryover budget and \$281,897 operating budget were reviewed. The chapter membership approved both budgets via resolution before expending funds. However, the budget for internally generated funds totaling \$2,411 was not community approved but the Chapter expended \$1,267 of these funds as of December 31, 2019. Thus, these are deemed as unauthorized expenditures.</p> <p>Overall, the Chapter made improvement by ensuring approved budgets are in place before expenditures are incurred. Although the internally generated funds represent a small percent of the Chapter’s overall operating budget, the Chapter was advised to prepare a budget for these funds and obtain community approval before expending anymore funds.</p>	
<p>◆ 2020 STATUS</p>	<p>ISSUE 4: Community Services Coordinator was paid twice for performing the same tasks. RESOLVED</p>
<p>The Chapter explained that they do not allow officials and staff to be paid for contractual services. Chapter records confirmed that no contractual payments were made to staff and officials. Further, in November 2019, the Chapter officials and staff attended Navajo Nation Procurement Rules and Regulations training from the Administrative Services Center (ASC) to obtain a better understanding of contracts and which contractors are legally qualified to contract with the Chapter. These measures adequately addressed the issue.</p>	
<p>◆ 2020 STATUS</p>	<p>ISSUE 5: Lack of accountability in housing-related expenditures. RESOLVED</p>
<p>The Chapter represented it adheres to the Transportation and Community Development (TCDC) housing policies and procedures. One housing assistance from fiscal year 2019 totaling \$6,590 was examined to verify compliance with the policies and procedures. Records of this assistance</p>	

<p>confirmed compliance with the TCDC housing policies and procedures. Therefore, the Chapter improved its accountability of housing-related expenditures.</p>	
<p>◆ 2020 STATUS</p>	<p>ISSUE 6: The Chapter property/equipment is not properly accounted for and safeguarded. RESOLVED</p>
<p>Based on a review of 21 (100%) fixed assets totaling \$1,281,651, four (19%) chapter buildings with a current value of \$1,244,455 did not have building identification numbers affixed to the exterior of the buildings. However, the buildings were accounted for on the property inventory, had Chapter-assigned building identification numbers, reported to the financial statements, and reported to Department of Risk Management for insurance purposes. The Chapter was advised to immediately affix property building identification signs on the exterior of the Chapter buildings.</p> <p>Nonetheless, the accountability and safeguarding of property/equipment has improved. The Chapter maintains an inventory of property/equipment, maintains insurance coverage, and reports fixed assets in the financial statements.</p>	
<p>◆ 2020 STATUS</p>	<p>ISSUE 7: The Chapter hired a contractor without competitive bidding. RESOLVED</p>
<p>During the audit period, the Chapter did not have any contractual activities. The staff acknowledged that the last contractual activity the Chapter had was in FY 2018. Therefore, we reviewed the procurement file to evaluate if the Chapter complied with procurement regulations. We confirmed the Chapter reasonably complied with procurement regulations by issuing a request for proposal (RFP) and evaluating proposals prior to selecting a vendor. The Chapter has since attended procurement training in November 2019 to further enhance their knowledge of the procurement process.</p> <p>The Chapter anticipates to be issuing RFP's in the near future to contract for services needed and will seek the assistance of ASC to ensure compliance with procurement regulations. Based on these actions, the Chapter has reduced the risk of entering into contractual agreements without following the competitive bidding process.</p>	
<p>◆ 2020 STATUS</p>	<p>ISSUE 8: \$24,113 additional stipends were paid to former and current Chapter Officials. RESOLVED</p>
<p>Chapter official stipends totaling \$15,000 were reviewed and the stipends were paid in accordance with the approved budget. No excess stipends were paid to elected officials.</p>	
<p>◆ 2020 STATUS</p>	<p>ISSUE 9: The Chapter is not in compliance with the Internal Revenue Service over payroll taxes. RESOLVED</p>
<p>One quarterly Internal Revenue Service (IRS) Form 941 totaling \$1,562 was reviewed. The Chapter reported and deposited payroll taxes in accordance with IRS regulations. In addition, 20 personnel files were reviewed and payroll records maintained by the Chapter accurately supported the payroll taxes paid.</p>	

<p>◆ 2020 STATUS</p>	<p>ISSUE 10: Stipend payments and consultant fees were not reported to the Internal Revenue Service. RESOLVED</p>
<p>For year end 2019, IRS W-2 forms for the Chapter President, Vice-President, and Secretary/Treasurer totaling \$29,940 and IRS 1099 forms for three vendors totaling \$8,010 were remitted to the IRS to ensure stipend and consultant fees were fully reported in accordance with IRS regulations.</p>	
<p>◆ 2020 STATUS</p>	<p>ISSUE 11: Financial reports were not provided to the community membership. RESOLVED</p>
<p>Six months of meeting minutes were reviewed and the minutes confirmed that financial reports were presented to the community membership and approved at duly-called Chapter meetings.</p>	
<p>◆ 2020 STATUS</p>	<p>ISSUE 12: Fund/subsidiary ledgers are not properly maintained. RESOLVED</p>
<p>The Chapter implemented the MIP accounting software to manage Chapter finances. Ledgers from the system are complete to include all transactions and no negative balances were reported. However, there were posting errors. Of the 83 disbursements totaling \$23,670 examined, 10 disbursements (12%) totaling \$1,841 were not posted to the accurate sub-code. The exceptions were minimal, but the Community Services Coordinator was advised to address the posting errors to ensure accurate reporting and to provide more transparency over Chapter expenditures. Overall, the Chapter made improvements to its accounting system.</p>	
<p>◆ 2020 STATUS</p>	<p>ISSUE 13: Bank account lacks proper oversight by the Community Services Coordinator. RESOLVED</p>
<p>Six bank reconciliations were reviewed and they verified the Chapter staff and officials provided proper oversight for the Chapter checking account by ensuring the bank reconciliations are accurately completed, reconciled, approved, and monitored.</p>	
<p>◆ 2020 STATUS</p>	<p>ISSUE 14: The Chapter financial statements are not accurate and are deemed unreliable. RESOLVED</p>
<p>The Community Services Coordinator and Accounts Maintenance Specialist attended meetings and training sponsored by the ASC to improve their knowledge in managing the Chapter financial system. The meetings and training facilitated financial statements that are reasonably accurate and reliable.</p>	
<p>◆ 2020 STATUS</p>	<p>ISSUE 15: There is a lack of oversight by the Chapter Officials. RESOLVED</p>
<p>The Chapter officials' oversight over Chapter operations has improved. They attended meetings and training sponsored by ASC to better understand and improve their oversight responsibilities. Their oversight is demonstrated in their review and approval in areas such as cash receipt activities, bank reconciliations, and check disbursements as well as their periodic review of the financial reports. The Chapter developed a form to document this review and approval process.</p>	