



OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

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



**Report No. 20-14
September 2020**

**Performed by:
Kimberly Jake, Associate Auditor
DeWayne Crank, Associate Auditor
Karen Briscoe, Principal Auditor**

September 23, 2020

Timothy Johnson, President
HARDROCK CHAPTER
Post Office Box 20
Kykotsmovi, AZ 86039

Dear Mr. Johnson:

The Office of the Auditor General herewith transmits audit report no. 20-14, a Follow-up Review of the Hardrock Chapter Corrective Action Plan Implementation.

BACKGROUND

In 2018, the Office of the Auditor General performed a Special Review of the Hardrock Chapter and issued audit report no. 18-23. A corrective action plan was developed by the Hardrock Chapter in response to the special review. The audit report and corrective action plan (CAP) were approved by the Budget and Finance Committee on October 22, 2018 per resolution no. BFO-40-18.

OBJECTIVE AND SCOPE

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

SUMMARY

Of the 39 corrective measures, the Hardrock Chapter implemented 17 (44%) corrective measures, leaving 22 (56%) not fully implemented. See attached Exhibit A for the detailed explanation of our review results.

CONCLUSION

The Hardrock Chapter has not fully addressed the audit findings from the 2018 audit of the Chapter. Therefore, the Office of the Auditor General recommends sanctions be imposed on the Hardrock Chapter and officials in accordance with 12 N.N.C. Section 9 (B) and (C).

We thank the Hardrock Chapter staff and officials for assisting in this follow-up review.

Sincerely,



Helen Brown, CFE, Principal Auditor
Delegated Auditor General

xc: Byron Wesley, Vice President
Jay Begay, Jr., Secretary/Treasurer
Vacant, Community Services Coordinator
Jimmy Yellowhair, Council Delegate
HARDROCK CHAPTER
Sonlatsa Jim-Martin, Department Manager II
Edgerton Gene, Senior Program & Projects Specialist
ADMINISTRATIVE SERVICES CENTER/DCD
Chrono

REVIEW RESULTS
Hardrock Chapter Corrective Action Plan Implementation
Review Period: July 1, 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. Unauthorized bonuses totaling \$13,500 were paid to the Accounts Maintenance Specialist and Chapter President.	4	3	1	Yes	Attachment A
2. Travel checks totaling \$12,088 paid to the Chapter President and Accounts Maintenance Specialist were not authorized and supported with required travel documentation.	3	3	0	Yes	
3. The Chapter expended \$7,800 for services that did not benefit the Chapter.	3	3	0	Yes	
4. Personnel files documenting the hiring of 32 employees were not supported with required documentation.	2	2	0	Yes	
5. The Accounts Maintenance Specialist earned duplicate pay because she did not take leave to attend Community Land Use Planning Committee Meetings.	2	1	1	Yes	
6. Payments to relatives of the Chapter President and Accounts Maintenance Specialist totaling \$13,842 cannot be supported with documentation.	2	1	1	No	Attachment B
7. \$19,900 in food purchases may not have been for Chapter related events and were not community approved.	4	3	1	No	
8. The Chapter awarded housing assistance to seven applicants whose eligibility was not verified.	3	0	3	No	

REVIEW RESULTS
Hardrock Chapter Corrective Action Plan Implementation
Review Period: July 1, 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
9. The Chapter cannot demonstrate that the housing assistance projects are complete.	2	0	2	No	Attachment B
10. The Chapter does not track the use of building materials.	2	0	2	No	
11. Consulting services were not procured competitively.	2	0	2	No	
12. Consulting services were obtained without a service contract that was reviewed and approved by the Navajo Nation.	2	0	2	No	
13. The Chapter's property inventory records are incomplete.	4	0	4	No	
14. The fixed assets value of \$138,553 that is reported in the financial statements cannot be supported with documentation.	2	0	2	No	
15. Complete financial reports were not provided to the community each month.	2	1	1	No	
TOTAL:	39	17	22	5 - Yes 10 - 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.

◆ 2020 STATUS	Issue 1: Unauthorized bonuses totaling \$13,500 were paid to the Accounts Maintenance Specialist and Chapter President. RESOLVED
<p>The initial finding refers to an Accounts Maintenance Specialist who is no longer employed with the Chapter but the Chapter President remains a current official. For the review period, there were no bonus payments issued to Chapter officials or staff. The Chapter understands that Navajo Nation Personnel Policies should be followed in the issuance of bonus payments and that Chapter officials are not eligible to receive bonuses. The current Chapter administration and officials stated they will seek guidance from the Administrative Service Center if bonus payments are to be considered to ensure compliance with applicable policies.</p> <p>The matter of unauthorized bonuses was referred to the Ethics and Rules Office for further investigation. As of this report, the Chapter was in the process of addressing the matter with the Ethics and Rules Office and all such investigations are considered confidential.</p>	
◆ 2020 STATUS	Issue 2: Travel checks totaling \$12,088 paid to the Chapter President and Accounts Maintenance Specialist were not authorized and supported with required travel documentation. RESOLVED
<p>For the review period, 13 travel expenditures totaling \$1,483 were examined and all expenditures were authorized and supported with required documents.</p>	
◆ 2020 STATUS	Issue 3: The Chapter expended \$7,800 for services that did not benefit the Chapter. RESOLVED
<p>The initial finding was regarding payments to the former Accounts Maintenance Specialist and current Chapter President for various services rendered with no clear benefits to the Chapter. For the review period, there was no evidence the Chapter retained services from Chapter officials or staff. This is no longer a practice by the Chapter.</p> <p>To verify all expenditures to Chapter officials and staff were legitimate, we examined checks payable to officials and staff. No disbursements for services by the chapter officials were found but disbursements totaling \$1,275 were made to a staff member to purchase operating supplies for the Chapter. Although the disbursements were supported with receipts, processed by an independent person and benefitted the Chapter, the Chapter was advised to make such purchases directly with vendors and issue checks payable to vendors.</p>	
◆ 2019 STATUS	Issue 4: Personnel files documenting the hiring of 32 employees were not supported with required documentation. RESOLVED
<p>For the review period, 20 personnel files were examined and verified to have all required personnel records on file to support the hiring of employees.</p>	
◆ 2020 STATUS	Issue 5: The Accounts Maintenance Specialist earned duplicate pay because she did not take leave to attend Community Land Use Planning Committee Meetings. RESOLVED
<p>In the initial audit, this issue pertained to the former Accounts Maintenance Specialist. For the review period, no Chapter employee earned duplicate pay for attending committee meetings while simultaneously working regular hours. The Chapter implemented an internal understanding that any employee is prohibited from serving on Chapter committees. The Chapter was advised to establish an internal written policy of such requirement.</p>	

<p>◆ 2020 STATUS</p>	<p>Issue 6: Payments to relatives of the Chapter President and Accounts Maintenance Specialist totaling \$13,842 cannot be supported with documentation. NOT RESOLVED</p>
<p>For the review period, six disbursements totaling \$750 were identified as payments to the relative of the current Accounts Maintenance Specialist for committee stipends. Although the payments were supported with the required documents, the current Accounts Maintenance Specialist initiated and processed the payments creating a conflict of interest in the process. As such, there is still a risk that unsupported and unauthorized payments to relatives could be processed.</p>	
<p>◆ 2020 STATUS</p>	<p>Issue 7: \$19,900 in food purchases may not have been for Chapter related events and were not community approved. NOT RESOLVED</p>
<p>For the review period, three food expenditures totaling \$1,128 were examined. All expenditures were budgeted, approved, had supporting receipts and were for Chapter related events. However, there was no receiving reports on file to confirm that all food items purchased were received intact by the Chapter. Without this verification, it is uncertain whether the Chapter received everything it purchased and none of the food was diverted for personal use.</p>	
<p>◆ 2020 STATUS</p>	<p>Issue 8: The Chapter awarded housing assistance to seven applicants whose eligibility was not verified. NOT RESOLVED</p>
<p>For the review period, the Chapter did not award any housing assistance. Rather, the Chapter was collecting housing assistance applications during our review. The eligibility of these applicants was pending because the Chapter was waiting to form a housing committee and to revise its housing policies that were dated from 2011.</p>	
<p>Nonetheless, to verify if sufficient controls are in place to make sure applicant eligibility is properly verified, the Chapter's current housing assistance policy was evaluated. The following deficiencies were noted with the policy:</p>	
<ol style="list-style-type: none"> 1. The housing policy requires the Community Services Coordinator to be involved in every step of the housing assistance process without the involvement of the Accounts Maintenance Specialist and the Chapter officials. Therefore, the policy does not facilitate proper segregation of duties within the housing process. 2. The corrective action plan requires the Chapter to establish a housing committee to evaluate applicants for eligibility. However, the Chapter policy allows the Community Services Coordinator to complete this task without supervision or review by an independent person. The intent of a housing committee is to provide an objective evaluation of applications and in the absence of this committee, there is no assurance only eligible applicants are awarded in a fair manner. 3. There is a checklist to verify required documents are submitted by the applicant but the policy does not require the Accounts Maintenance Specialist, as the person completing the checklist, and the Community Services Coordinator, as the reviewer of the checklist, to sign the document. As such, the Chapter officials are unable to verify there are checks and balances within the housing process. 	

Overall, the current housing policy conflicts with the corrective action plan. This hinders any improvements to the Chapter's housing process and the risk for awarding ineligible applicants still exists.	
◆ 2020 STATUS	Issue 9: The Chapter cannot demonstrate that the housing assistance projects are complete. NOT RESOLVED
As stated previously, the Chapter did not award any housing assistance during the review period. However, there are real concerns about the adequacy of the Chapter's current housing assistance policy. The housing policy conflicts with the corrective action plan and allows for poor controls within the process. There are no clear steps for defining projects, tracking projects as they progress, and making sure they are completed as intended. No real improvements have been made in this area, therefore the risks posed by the audit finding remain.	
◆ 2020 STATUS	Issue 10: The Chapter does not track the use of building materials. NOT RESOLVED
Chapter funds can be used to purchase building materials depending on the type of assistance, and it is upon the Chapter administration to track the use of these materials to ensure chapter resources are used for their intended purposes. The current Chapter housing policy does not address how building materials will be tracked from when they are delivered and used for the project until completion. Since the housing policy has not been revised to require such tracking, this audit finding has not been resolved and the Chapter cannot provide assurance building materials are used for their intended purposes.	
◆ 2020 STATUS	Issue 11: Consulting services were not procured competitively. NOT RESOLVED
For the review period, four vendors were paid for consulting services totaling \$12,710. Three of the four vendors were not procured through a bidding process which is required for such services. In the absence of competitive bids, there is a risk that the Chapter did not secure the most economical prices for its consulting services. Higher prices can have a negative impact on operating budgets.	
◆ 2020 STATUS	Issue 12: Consulting services were obtained without a service contract that was reviewed and approved by the Navajo Nation. NOT RESOLVED
The four vendors hired for consulting services were hired without a proper professional services contract. There were no contracts for three vendors and the contract for the fourth vendor was not reviewed and approved through the Navajo Nation review process which is required for non-certified Chapters. Without a contract, the Chapter cannot be assured that it will receive the expected deliverables based on the services rendered. Without proper review and approval, there is no assurance the Chapter will be protected from potential liabilities and risks while receiving consulting services.	
◆ 2020 STATUS	Issue 13: The Chapter's property inventory records are incomplete. NOT RESOLVED
The Chapter's property inventory is incomplete and in disarray. There are three separate inventory records but they do not reconcile. In addition, pertinent information needed to identify the property is missing from the inventory. The inventory was prepared by temporary employees, but it was never verified for accuracy and completeness. Furthermore, 11 of 29 (38%) property items reviewed were not tagged with identification numbers and 3 of 29 (10%) property items could not be located on Chapter premises. As long as the property inventory remains incomplete, there is no full accountability of Chapter property.	

<p>◆ 2020 STATUS</p>	<p>Issue 14: The fixed assets value of \$138,553 that is reported in the financial statements cannot be supported with documentation. NOT RESOLVED</p>
<p>The financial statements as of December 31, 2019 reported total fixed assets of \$138,553. However, the total value of fixed assets recorded on the property inventory was approximately \$1,022,000 which is significantly higher than the financial statements. In addition, the fixed assets value is the same value reported in the financial statements during the initial audit in 2018. Since there is no change in the reporting of fixed assets, the Chapter continues to understate the total value of its assets in the financial statements.</p> <p>29 fixed assets valued at \$562,607 did not have documentation such as invoices or appraisals on file to support their values reported on the property inventory. As a result, it is unclear whether these values per the property inventory are true and legitimate. Further, without supporting documentation, the Chapter cannot justify the reporting of these fixed assets in the financial statements which likely explains why the financial statements remain the same since the initial audit.</p>	
<p>◆ 2020 STATUS</p>	<p>Issue 15: Complete financial reports were not provided to the community each month. NOT RESOLVED</p>
<p>We examined six months of meeting minutes and for three months, the Chapter did not provide financial reports to the community. Although financial reports were generated by the Chapter staff, there was inconsistent reporting due to turnover in the Secretary/Treasurer position. The other Chapter officials did not present the financial reports to the community in the absence of a Secretary/Treasurer. Without consistent financial reporting, the Chapter membership cannot make informed financial decisions.</p>	