

## **OFFICE OF THE AUDITOR GENERAL**

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### **The Navajo Nation**

**A Follow-Up Review  
of the  
Department of Water Resources \$3 Million  
Supplemental Appropriation  
Corrective Action Plan Implementation**

**Report No. 20-15  
September 2020**

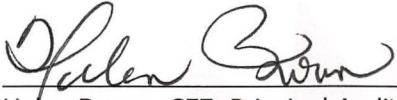
**Performed by:  
Beverly Tom, Senior Auditor**



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

**TO** : Jason John, Department Manager III  
**DEPARTMENT OF WATER RESOURCES**

Najam H. Tariq, Principal Geologist  
**Technical, Construction and Operations Branch**  
**DEPARTMENT OF WATER RESOURCES**

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

**DATE** : September 29, 2020

**SUBJECT** : Audit Report No. 20-15, a Follow-up Review of the Department of Water Resources \$3 Million Supplemental Appropriation Corrective Action Plan Implementation

**BACKGROUND**

In 2016, the Office of the Auditor General performed an internal audit of the Department of Water Resources \$3 Million Supplemental Appropriation and issued audit report no. 16-20. A corrective action plan was developed by the Department of Water Resources in response to the internal audit. The audit report and corrective action plan (CAP) were approved by the Budget and Finance Committee on January 17, 2017, per resolution no. BFJA-03-17.

**OBJECTIVE AND SCOPE**

The objective of this follow-up review is to determine the status of the corrective action plan implementation based on a 12-month review period of October 1, 2018 to September 30, 2019. Our review was based on inquiries, review of records and audit test work.

**SUMMARY**

Of six corrective measures, the Department of Water Resources implemented five (83%) corrective measures, leaving one (17%) not fully implemented. See attached Exhibit A for the detailed explanation of the follow-up results.

**CONCLUSION**

Although the Department of Water Resources did not implement all corrective measures, the measures implemented allowed for the resolution of a majority of the audit findings. Therefore, the Office of the Auditor General does not recommend sanctions to be imposed on the Department of Water Resources.

We thank the Department of Water Resources and staff for assisting in this follow-up review.

xc: Dr. Rudy R. Shebala, Executive Director  
**DIVISION OF NATURAL RESOURCES**  
Paulson Chaco, Chief of Staff  
**OFFICE OF PRESIDENT/VICE PRESIDENT**  
Chrono

**EXHIBIT A**

**REVIEW RESULTS**  
**Department of Water Resource Corrective Action Plan Implementation**  
**Review Period: October 1, 2018 to September 30, 2019**

<b>Audit Issues</b>	<b>Total of Corrective Measures</b>	<b># of Corrective Measures Implemented</b>	<b># of Corrective Measures Not Implemented</b>	<b>Audit Issue Resolved?</b>	<b>Review Details</b>
1. \$3 million supplemental appropriation expense listing was not accurate.	1	1	0	Yes	Attachment A
2. Certain goal statements of the supplemental appropriation were not completed.	1	1	0	Yes	
3. Actual expenses exceeded budgeted expenses.	1	1	0	Yes	
4. Incorrect object codes utilized for purchases.	1	1	0	Yes	
5. Project expenses and status were not adequately tracked	2	1	1	No	Attachment B
<b>TOTAL:</b>	<b>6</b>	<b>5</b>	<b>1</b>	<b>4-Yes 1-No</b>	

WE DEEM CORRECTIVE MEASURES: **Implemented** where the department 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><b>Issue 1: \$3 million supplemental appropriation expense listing was not accurate.</b> <b>RESOLVED</b></p>
<p>To account for expenses, the Department of Water Resources developed an internal expense tracking process which comprise of (a) recording each expense on a ledger, (b) maintaining files of supporting documents, (c) reconciling the expense ledger to the supporting documents and (d) investigating any discrepancies and taking corrective action in a timely manner. To verify the effectiveness of this tracking process, we examined a sample of expenditures totaling \$119,421 and we were able to track the expenses to applicable projects. With the tracking process, the Department can better account for program expenses and provide reliable information regarding its projects. These measures have minimized potential risks for unauthorized use of funds.</p>	
<p>◆ 2020 STATUS</p>	<p><b>Issue 2: Certain goal statements of the supplemental appropriation were not completed.</b> <b>RESOLVED</b></p>
<p>As a corrective measure, the Department of Water Resources agreed to obtain oversight committee approval of all changes to the scopes of work of any of its projects. This approval process would ensure the Department completes projects within available resources and capabilities.</p> <p>For the review period, the Department had one project funded by an appropriation of \$700,000 to purchase five (5) modular buildings to serve as field offices. Due to increasing costs, the Department determined it could only afford four (4) buildings and consequently, had to revise the scope of work for this project. The Department obtained the approval of these changes by the Resources and Development Committee on August 19, 2019. With the approval, the Department can provide assurance project goals and expectations will be met with a more realistic scope of work.</p>	
<p>◆ 2020 STATUS</p>	<p><b>Issue 3: Actual expenses exceeded budgeted expenses.</b> <b>RESOLVED</b></p>
<p>The Department, with collaboration with the Navajo Nation Office of Management and Budget, have set up all supplemental, general, and federal funding with separate business unit numbers. With separate business units, the Department's accounting staff has been able to show compliance with budgets and avoid overspending that was reported in the initial audit. Overall, the Department has minimized the risk of expending more than available resources.</p>	
<p>◆ 2020 STATUS</p>	<p><b>Issue 4: Incorrect object codes utilized for purchases.</b> <b>RESOLVED</b></p>
<p>The Department of Water Resources is currently using the Navajo Nation chart of accounts to ensure project-related expenses are posted to the correct object codes for proper accountability and reporting. The Department accounting staff also works closely with the Office of the Controller to address any discrepancies in a timely manner. These measures help ensure accurate accounting and reporting of expenditures.</p>	

<p>◆ 2020 STATUS</p>	<p><b>Issue: Issue 5: Project expenses and status were not adequately tracked.</b> <b>NOT RESOLVED</b></p>
<p>The Department of Water Resources provides construction, rehabilitation and repair and maintenance for wells, storage tanks, stock troughs and earthen dams throughout the Navajo Nation. These services are provided as water projects. To verify how well the Department tracks all these projects, we examined a total of 20 project files provided by four field offices. The following deficiencies were noted:</p> <ul style="list-style-type: none"> <li>• For 14 projects, the type of work (i.e., routine, minor, major) to be completed was not clearly identified.</li> <li>• For 9 projects, there was no evidence that assessments to determine the condition of the proposed site or asset prior to commencing any work were completed.</li> <li>• For 9 projects, project status reports were not consistently maintained. As a compensating control, we acknowledged the Department’s manual process for tracking the water projects. The Ganado and Crownpoint field offices are using white boards to record all their ongoing projects, noting the type of work and status for each project that may involve wells, storage tanks and stock troughs. The information on the whiteboards is updated on a daily basis. However, this pertinent information is not documented in the project files. If the information is erased, the project history and status information could be lost and unavailable for future reference.</li> </ul> <p>In addition, the Department obtained a separate account number for its recent supplemental appropriation of \$700,000 for modular buildings to serve as field offices. With its own account number, the Department is able to specifically account for expenses related to this appropriation.</p> <p>Although some improvements were made by the Department, there is still no reliable project tracking system. Therefore, the Department is at risk of missing project deadlines or incurring costly project changes due to issues that were not addressed in a timely manner. The Department indicated that it understands the risk and therefore, continues to adjust its current tracking system for further improvements.</p>	