



OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

**A 2nd Follow-Up Review
of the
Ramah Navajo Chapter
Corrective Action Plan Implementation**

**Report No. 21-11
April 2021**

**Performed by:
Stacy Manuelito, Senior Auditor**



April 23, 2021

David Jose, President
RAMAH NAVAJO CHAPTER
HC 61, Box 13
Ramah, NM 87321

Dear Mr. Jose:

The Office of the Auditor General herewith transmits Audit Report No. 21-11 a 2nd Follow-up Review of the Ramah Navajo Chapter Corrective Action Plan Implementation.

BACKGROUND

In 2007, the Office of the Auditor General performed a special review of Ramah Navajo Chapter and issued audit report no. 07-06. A corrective action plan was developed by the Ramah Navajo Chapter in response to the special review. The audit report and corrective action plan were approved by the Budget and Finance Committee on May 15, 2007, per resolution no. BFMY-20-07.

In 2012, the Office of the Auditor General performed the follow-up review of Ramah Navajo Chapter corrective action plan implementation and issued audit report no. 12-19. The follow-up review concluded that the Ramah Navajo Chapter failed to implement its corrective action plan and accordingly, the Office of the Auditor General recommended sanctions be imposed in accordance with 12 N.N.C., Sections 9 (B) and 9 (C). The Budget and Finance Committee approved the sanctions via resolution no. BFO-51-12 on October 22, 2012.

OBJECTIVE AND SCOPE

The objective of the 2nd follow-up review is to determine whether the Ramah Navajo Chapter fully implemented its corrective action plan based on a six-month review period of October 1, 2019 to March 31, 2020.

SUMMARY

Of the 28 outstanding corrective measures, the Ramah Navajo Chapter implemented 8 (29%) corrective measures, leaving 20 (71%) not fully implemented. See Exhibit A for the details of our review results.

CONCLUSION

Based on the review results and the risks that remain as a result of the non-implementation, the Office of the Auditor General concludes the sanctions shall remain imposed on the Chapter and its officials pursuant to 12 N.N.C. Sections 9 (B) and (C). Once the Ramah Navajo Chapter fully implements its corrective action plan, all withheld funds will be released to the Chapter and officials.

Ltr. to David Jose
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We thank the Ramah Navajo Chapter staff and officials for assisting in this 2nd follow-up review.

Sincerely,



Helen Brown, CFE, Principal Auditor
Delegated Auditor General

xc: Chancey Martinez, Vice-President
Dixie Begay, Secretary/Treasurer
Brenda Yazzie, Community Services Coordinator
Jamie Henio, Council Delegate
RAMAH NAVAJO CHAPTER
Sonlatsa Jim-Martin, Department Manager II
Guarena Adeky, Senior Program & Project Specialist
ADMINISTRATIVE SERVICE CENTER/DCD
Chrono

REVIEW RESULTS
Ramah Navajo Chapter 2nd Corrective Action Plan Implementation
Review Period: October 1, 2019 to March 31, 2020

Audit Issues	Total # of Corrective Measures	# of Corrective Measures Implemented	# of Corrective Measures Not Implemented	Audit Issue Resolved?	Review Details
1. Several factors contributed to late financial reporting.	11	5	6	No	Attachment A
2. Public employment and housing assistance programs could be managed more effectively.	9	1	8	No	
3. Resale inventory controls need strengthening.	4	1	3	No	
4. Emergency fund is used for its intended purposes but emergency management could be improved.	4	1	3	No	
Total:	28	8	20	0- Yes 4- No	

WE DEEMED 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.

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◆ 2021 STATUS	<p>Several factors contributed to late financial reporting. NOT RESOLVED</p>
<p>The Accounts Maintenance Specialist was hired by the Chapter in 2013 and the Community Services Coordinator in 2015. Although the staff have been employed for several years, they recently received view-only access to the accounting system and are still learning how to use the system. Therefore, they continue to rely on the Business Office to provide financial reports to the Chapter. There has been no formal training provided to the Chapter staff to operate the accounting system.</p> <p>Currently, the Controller within the Business Office generates a revenue and expenditure report from the accounting system for the Chapter staff. Thereafter, the staff use the report to create an Excel spreadsheet of the same revenue and expenditure information to simplify reporting. However, this process results in duplication of work by the Chapter staff. In reviewing the reports several discrepancies were noted:</p> <ol style="list-style-type: none"> 1. Financial reports filed with the meeting minutes were prepared the month after the Chapter meeting. 2. Financial reports presented for the months of October, November, December 2019 include carry-over funds from FY2018 instead of FY2019. The carry-over budgets were not updated in the financial system until January 2020. 3. The LGA funds were budgeted for \$25,563 however the Chapter was reporting an erroneous amount of \$7,999. <p>The Business Office manages the financial system and posts all transactions related to Chapter funds based on documents provided by the Chapter. However, the Community Services Coordinator does not review the accuracy of the posted transactions. Currently, the Chapter is collaborating with the Administrative Service Center to purchase their own MIP accounting system to independently manage their funds. This idea was considered during the initial audit, but it was reported that this would not be cost efficient and would create duplication of work. Nonetheless, the Chapter is moving forward with this plan. As such, the Chapter staff will need extensive training and oversight to manage the new accounting system. This change in accounting system will likely delay financial reporting as staff learn how to manage Chapter funds separate from the Business Office.</p> <p>Overall, there is no assurance that reliable reports are generated and reported to the Chapter membership in a timely manner. With the plan to establish a separate accounting system to manage the Chapter funds, there is a risk of inefficient use of Chapter resources.</p>	
◆ 2021 STATUS	<p>Public employment and housing assistance programs could be managed more effectively. NOT RESOLVED</p>
<p>The management of the Public Employment Program (PEP) and housing assistance programs continues to need improvement. The Chapter operates from PEP policies approved in 2007,</p>	

REVIEW RESULTS
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while housing assistance policies were recently revised in 2015. However, the Chapter does not have all required documents to support its PEP projects and housing activities.

We reviewed five PEP projects to determine if required documents were on file according to policies. The following exceptions were noted:

- 2 (40%) projects did not have an approved budget.
- 4 (80%) projects did not have a personnel roster on file.
- 2 (40%) projects did not advertise job vacancies.
- 1 (20%) project was not covered by workers compensation.

Without PEP project documentation, the Chapter cannot effectively manage PEP activities and support the expenditure of funds.

The Chapter did not have any housing assistance during the review period. Therefore, we identified five recipients in FY 2019 and requested for the recipient files but the Chapter could not provide these files. Therefore, the Chapter cannot demonstrate that they awarded assistance in accordance with established eligibility guidelines and that the Chapter staff monitored the housing assistance projects to ensure they were completed as intended.

We requested for the personnel files for Chapter projects to determine if the Chapter maintains records to support the hiring of temporary employees and evaluates skills to provide quality work on Chapter projects. The Chapter only had one construction type project during the review period, but the personnel files for employees who worked on this project were not provided. Now that the revised 2015 housing policies allow for major construction, the Chapter may be asked to provide assistance to complete these projects. If the Chapter cannot demonstrate employees are properly hired or ensure they have skills to perform quality work, the risk for poorly constructed homes remains. Substandard housing is indicative of poor use of resources.

Lastly, we also inquired about plans for merging similar personnel and housing programs to provide more effective and quality services and eliminate duplication of services. Based on staff response, there are no plans to merge programs and the Chapter has not identified alternatives to improve these services more efficiently. Therefore, the Chapter continues to operate separate from other similar 638 programs. The Chapter will continue to manage their own personnel through the Five Management System and provide housing services apart from other similar programs. This was further confirmed by the revised housing assistance policies. The 1st follow-up review reported that the Chapter revised the housing assistance policies to limit the amount and type of assistance to minor repairs and leave major renovations to other housing assistance program. However, the revised 2015 housing assistance policies allows for all types of housing assistance including new constructions. Therefore, the duplication of services remains in place.

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◆ 2021 STATUS	<p>Resale inventory controls need strengthening. NOT RESOLVED</p>
<p>For the review period, the Chapter had wood resale activities. The Chapter maintains an inventory of wood in an Excel worksheet. The wood is measured and inventoried by cords. However, the following discrepancies were noted with the inventory:</p> <ul style="list-style-type: none"> • The inventory does not record the transaction of quantity of wood purchases. Rather, the overall running balance is adjusted to increase the inventory. • The inventory running balance is not accurately calculated. The running balance is manually entered instead of using a formula to automatically calculate the running balance. There were instances in which sales were not accurately adjusted in the running balance. • For December 2019, there were six instances of sales recorded to the general ledger but not recorded on the inventory. There were also 12 instances of sales recorded to the inventory but not recorded in the general ledger. • The Chapter inventory recorded \$7,278 in total sales for the audit period, while the Business Office general ledger recorded \$8,015 in total sales. There is a variance of \$737. • We noted missing cash receipt ticket numbers in the general ledger that could not be clarified by the Chapter. Therefore, there is the possibility of additional wood sale receipts missing from the inventory and accounting system. <p>The process to purchase wood requires the purchaser to pay the Business Office and take their receipt to the Chapter. The Chapter will record the purchase to the inventory and send the purchaser to the wood yard and present their receipt to the custodian to pick up their cords of wood. The Community Services Coordinator stated that she routinely reconciles her inventory with the Business Office records. However, the issues noted above do not support this claim. Also, the Chapter staff did not routinely complete a physical count of wood to verify the accuracy of the inventory. In the absence of sufficient controls over the wood sales, the Chapter risks inventory going missing without detection. This could result in a financial loss for the Chapter.</p>	
◆ 2021 STATUS	<p>Emergency fund is used for its intended purposes but emergency management could be improved. NOT RESOLVED</p>
<p>The Chapter amended their emergency response plan in October 2018, but the plan does not show any significant changes from the prior plan. The plan includes components such as mitigation, preparedness, response, and recovery and the plan continues to provide basic guidance for responding to emergencies. One update in the plan is the revised attachments, which are forms to be used by the team to document the emergency event. The plan also includes a list of the ALERT members from various programs in the Ramah community including the Ramah Navajo Chapter.</p>	

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During the review period, the only emergency was the COVID-19 pandemic which began in March 2020. Records showed the team organized, scheduled meetings, assigned tasks, and were documenting their actions. The Chapter maintained appropriate records on file.

The emergency response plan requires the team members to be CPR and First Aid certified, but these records are not maintained at the Chapter. Considering these are personal records of each individual team member, copies are not obtained and filed at the Chapter. Therefore, we could not verify if team members maintain these credentials. Lastly, there is no indication of any emergency response training provided to the team members.

In the initial audit in 2007, it was reported that the Chapter received funds to address an emergency drought. The funds were partly used to purchase custom built water purification systems. After the purchase, the systems were deemed unacceptable to use for human consumption. These systems could not be returned to the vendor because they were custom built, so the Chapter tried to find an alternative use for the systems. As of the follow-up in 2012, the systems were deemed obsolete and no longer viable for use. Although the Chapter agreed to explore legal remedies, no further action has been taken. Therefore, the \$10,000 spent on the water purification systems was deemed a financial loss.