

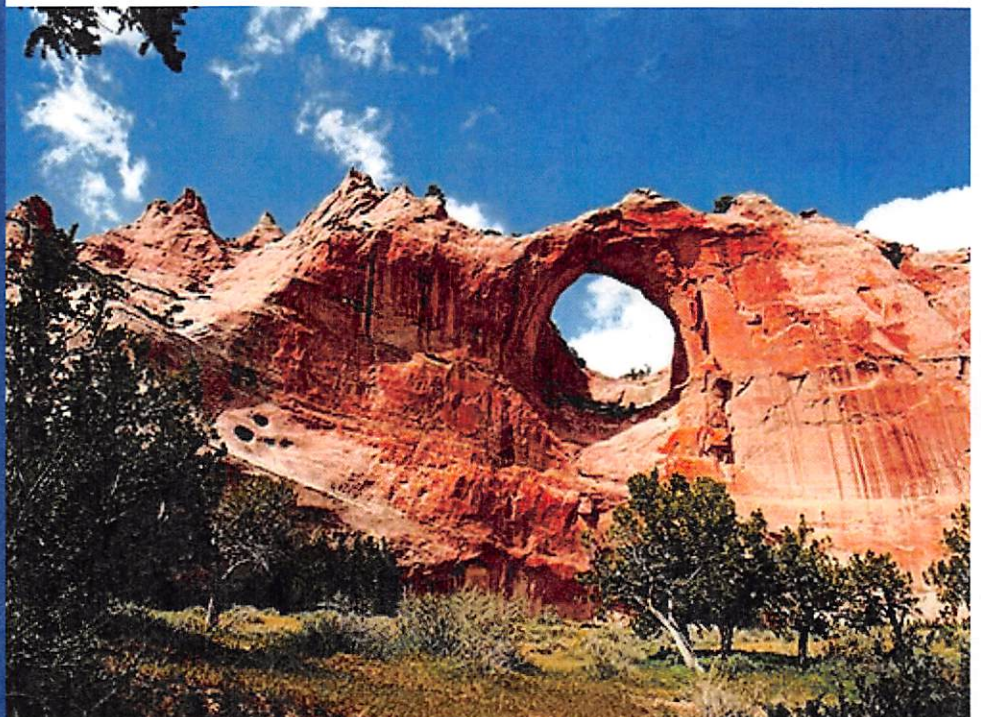
OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

A Follow-Up Review of the Smith Lake Chapter Corrective Action Plan Implementation

**Report No. 21-19
September 2021**

**Performed by:
Genalle Benally, Associate Auditor
Karen Briscoe, Principal Auditor**



September 29, 2021

Anslem Morgan, President
SMITH LAKE CHAPTER
Post Office Box 60
Smith Lake, NM 87365

Dear Mr. Morgan:

The Office of the Auditor General herewith transmits audit report no. 21-19, a Follow-up Review of the Smith Lake Chapter Corrective Action Plan Implementation.

BACKGROUND

In 2018, the Office of the Auditor General performed a Special Review of the Smith Lake Chapter and issued audit report no. 18-33. A corrective action plan was developed by the Smith Lake Chapter in response to the special review. The audit report and corrective action plan were approved by the Budget and Finance Committee on October 18, 2019 per resolution no. BFO-35-19.

OBJECTIVE AND SCOPE

The objective of the follow-up review is to determine whether the Smith Lake Chapter fully implemented its corrective action plan based on a six-month review period of October 1, 2020 to March 31, 2021. The review was based on inquiries via emails and teleconference calls; review of records; and audit test work.

SUMMARY

Of the 20 corrective measures, the Smith Lake Chapter implemented 4 (20%) corrective measures, leaving 16 (80%) not fully implemented. See attached Exhibit A for the detailed explanation of our review results.

CONCLUSION

Title 12 N.N.C Section 8 imposes upon the Smith Lake Chapter, the duty to implement the corrective action plan according to the terms of the plan. As of this follow-up review, the Smith Lake Chapter did not fully implement the corrective action plan. Therefore, most of the audit issues remain unresolved.

It has been three years since the issuance of the initial audit report. Although the Chapter had ample opportunity to implement the corrective action plan, the Chapter was also impacted by the COVID-19 pandemic resulting in the Navajo Nation government shutdown. Considering this, the Auditor General hereby grants the Smith Lake Chapter a six-month extension from the date of this report to continue implementing its corrective action plan. The Office of the Auditor General will conduct a 2nd follow-up review after March 2022 and based on those results, an appropriate recommendation will be made in accordance with 12 N.N.C. Section 9 (b) and (c).

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

Sincerely,



Helen Brown, CFE, Principal Auditor
Delegated Auditor General

xc: Heather Yazzie-Kinlacheeny, Vice-President
Tyson Ramone, Secretary/Treasurer
Leatrice Kay Bennett-Cowboy, Community Services Coordinator
Edmund Yazzie, Council Delegate
SMITH LAKE CHAPTER
Sonlatsa Jim-Martin, Department Manager II
Guarena Adeky, Administrative Service Officer
ADMINISTRATIVE SERVICES CENTER/DCD
Chrono



FIGURE 1

The first part of the document discusses the general principles of the system and the objectives of the study.

The second part describes the experimental setup and the methods used for data collection and analysis.

The third part presents the results of the experiments, including the measured values and the comparison with theoretical predictions.

The fourth part discusses the conclusions drawn from the study and the implications for future research.

The fifth part provides a summary of the key findings and the overall contribution of the work.

The sixth part contains the references and the list of figures and tables used in the document.

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Author's Name

The document is a technical report or a journal article, and it is intended for a specialized audience in the field of [relevant field]. The content is highly technical and requires a deep understanding of the subject matter to be fully appreciated.

REVIEW RESULTS
Smith Lake Chapter Corrective Action Plan Implementation
Review Period: October 1, 2020 to March 31, 2021

Audit Issues	Total # of Corrective Measures	# of Corrective Measures Implemented	# of Corrective Measures Not Implemented	Audit Issue Resolved?	Review Details
1. Insurance for chapter property is not obtained timely.	3	3	0	Yes	See Attachment A
2. Fixed Assets are not reported in the financial statements.	5	0	5	No	
3. Not all chapter property items are tagged with identification numbers and tagged items have property identification numbers that do not match the inventory.	3	0	3	No	
4. New Hires are not all reported to the State.	3	1	2	No	
5. There are no documented controls in place for the management of Chapter projects.	4	0	4	No	
6. Complete financial reports are not provided to the community each month.	2	0	2	No	
TOTAL:	20	4	16	1 - Yes 5 - 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.

◆ 2021 STATUS	Insurance for chapter property is not obtained timely. RESOLVED
<p>The Chapter completed their annual inventory and submitted required documents to the Risk Management Program on September 30, 2020 to process the property insurance for FY 2021 coverage. However, records show that the Chapter did not pay their insurance premiums until April 16, 2021, leaving approximately seven (7) months of uninsured property. The Chapter staff said periodic attempts were made to contact the Risk Management Program and the program did not respond to the Chapter until March 2021. It was at that point the Chapter was invoiced and payment made.</p>	
<p>Considering that the Chapter completed their annual inventory, submitted required documents to the Risk Management Program in a timely manner, and made payment upon receipt of the invoice, this audit issue will be deemed resolved. However, it is recommended that the Chapter staff make consistent follow-ups with the program, document all communication, and seek assistance from the Administrative Service Center, in the event this were to occur again.</p>	

<p>◆ 2021 STATUS</p>	<p>Fixed Assets are not reported in the financial statements. NOT RESOLVED</p>
<p>Fixed Assets are not reported in the financial statements and this issue continues to remain unresolved. The Chapter stated they were working towards hiring an appraiser to value their property, but the COVID-19 pandemic government shut down occurred and their priorities shifted to address emergency relief efforts. The corrective action plan also requires the Chapter staff to obtain training on fixed assets, but there was no staff training. The Chapter claimed a verbal request for training was made with the Administrative Service Center but the department could not confirm any prior or current requests from the Chapter.</p> <p>Lastly, the fixed assets value of \$299,118 is not posted in the accounting system. Therefore, chapter assets remain understated in the financial statements. Overall, the Chapter had 18 months prior to the government shutdown to resolve this issue but the applicable corrective measures were not implemented.</p>	
<p>◆ 2021 STATUS</p>	<p>Not all Chapter property items are tagged with identification numbers and tagged items have property identification numbers that do not match the inventory. NOT RESOLVED</p>
<p>Not all chapter property are tagged with identification numbers. We selected 35 property items and 12 (or 34%) were not tagged. Without property identification numbers, all property owned and controlled by the Chapter cannot be identified. Further, the identification numbers could not be traced to the property inventory to ensure they were fully accounted for. Although the Accounts Maintenance Specialist confirmed all tagging was complete and the Community Services Coordinator signed the property inventory as verification of completion, we question the validity of this process due to the untagged items we identified.</p> <p>The risk remains that in the event of lost, damaged or stolen property, the Chapter will not be able to identify property for insurance purposes.</p>	
<p>◆ 2021 STATUS</p>	<p>New Hires are not all reported to the State. NOT RESOLVED</p>
<p>For the six-month review period, 20 employee files were reviewed to verify if the Chapter reported new hires to the State of New Mexico. Documents confirm that all 20 new hires were reported to the State by the Accounts Maintenance Specialist, however there are no visual sign offs on the documentation to confirm that the Community Services Coordinator verified that new hire reports were submitted to the State. In the absence of verification by the Community Services Coordinator, unreported new hires could go undetected. Therefore, the risk remains that the Chapter could be fined for unreported new hires.</p>	
<p>◆ 2021 STATUS</p>	<p>There are no documented controls in place for the management of Chapter projects. NOT RESOLVED</p>
<p>The Chapter acknowledged that they have not established a process with appropriate controls to manage chapter projects. The Community Services Coordinator stated that she requested for assistance from the Administrative Service Center and Community Projects Management Department, but this request was not documented as required by the corrective action plan and therefore could not be substantiated. Although there were no chapter projects during our</p>	

review period, budgets show that the Chapter planned for various projects and these projects remain at risk for unforeseen issues that could arise and lead to additional costs and lost time to the Chapter.

 2021 STATUS	Complete financial reports are not provided to the community each month. NOT RESOLVED
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Incomplete and late financial reports are provided to the community membership. The corrective action plan requires the Chapter staff to provide the balance sheet, statement of revenues and expenditures, and budget to actual report to the Secretary/Treasurer each month to report the financial status of the Chapter to the community membership. We reviewed six months of meeting minutes and for the months of October 2020 to December 2020, the former Secretary Treasurer only reported fund balances to the community. For the months of January 2021 to March 2021, the current Secretary Treasurer presented all financial reports to the community membership but the reporting was months later in May 2021. In addition, as documented above, fixed assets are not reported in the financial statements. As such, financial reporting is incomplete and the community membership does not know the true value of chapter assets.

Overall, the risk remains that in the absence of timely and complete financial reports, the community membership cannot make informed financial decisions.