

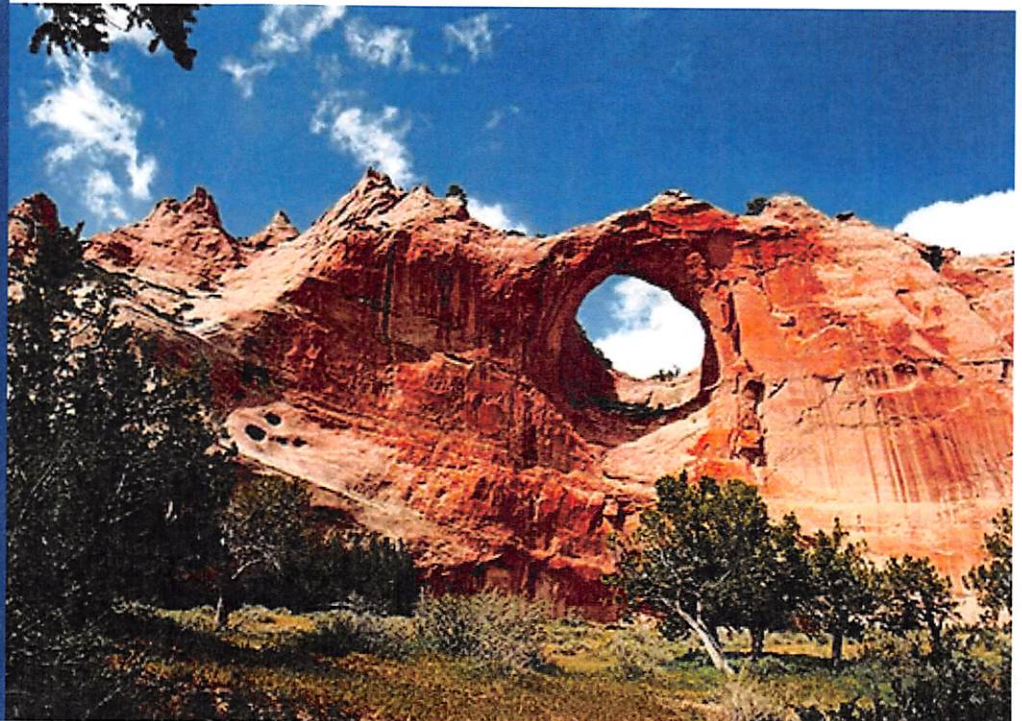
OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

A Follow-Up Review of the Office of the Controller Accounts Payable Duplicate Payments to Vendors Corrective Action Plan Implementation

**Report No. 21-26
September 2021**

**Performed by:
REDW LLC**






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

TO : Elizabeth Begay, CIA, CFE, Acting Controller
OFFICE OF THE CONTROLLER

: Gerald Shirley, Accounting Manager
Accounts Payable / P-Card Services
OFFICE OF THE CONTROLLER

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

DATE : September 30, 2021

SUBJECT : Audit Report No. 21-26, A Follow-up Review of the Office of the Controller
Accounts Payable Duplicate Payments to Vendors Corrective Action Plan
Implementation

BACKGROUND

The Office of the Auditor General (OAG) conducted an audit on the Office of the Controller (OOC) duplicate payments and the audit report was issued on January 2017. The OOC developed a corrective action plan (CAP) and the Budget and Finance Committee approved the audit report and CAP per resolution no. BFO-32-17 on October 2017.

OBJECTIVE AND SCOPE

The objective of this review is to determine the status of the corrective action plan implementation based on a six-month review period of January 1, 2019 to June 30, 2019. REDW LLP, was engaged to perform the follow-up review of the OOC Accounts Payable Duplicate Payments to Vendors Corrective Action Plan implementation.

SUMMARY

Of 22 corrective measures, the Office of the Controller implemented 7 (32%) corrective measures, leaving 15 (68%) not implemented. See attached Exhibit A for the detailed explanation of the follow-up results.

CONCLUSION

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

The OOC had ample opportunity to implement the CAP to address the audit issues. On the other hand, the OOC has been occupied with administering the relief funds provided to the Navajo Nation in response to the COVID-19 pandemic. Considering this, the Auditor General shall:

1. Grant the OOC a six-month extension from the date of this report to continue implementing its corrective action plan.
2. Conduct continuous auditing of duplicate payments during the six-month extension.
3. Conduct a 2nd follow-up review after March 2022 and based on those results, provide an appropriate recommendation in accordance with 12 N.N.C. Section 9 (b) and (c).

We thank the Office of the Controller for assisting in this follow-up review.

xc: Paulson Chaco, Chief of Staff
OFFICE OF PRESIDENT/VICE PRESIDENT
Jamie Henio, Chairperson
BUDGET AND FINANCE COMMITTEE
Chrono

The Follow-up Review of the Office of the Controller Accounts Payable Duplicate Payments to Vendors

Executive Summary

Helen Brown, Delegated Auditor General
Office of the Auditor General – Navajo Nation

In January 2017, the Navajo Nation Office of the Auditor General conducted a special review of duplicate payments processed by the Office of the Controller (OOC) Accounts Payable (AP) section. The 2017 review, audit report no. 17-14, covered the fiscal years 2011 through 2014 to determine if the OOC AP section processed duplicate payments, in addition, whether the internal controls designed and developed by the OOC AP department detected duplicate payments prior to any payment. REDW was engaged to perform a follow-up review to determine the status of the Corrective Action Plan (CAP) that was developed by the OOC management in response to the findings identified in the 2017 review. The engagement scope for REDW covered the period January 1, 2019 through June 30, 2019 regarding general AP disbursements.

To gain an understanding of the processes and controls in place over the population selected, we interviewed selected personnel and management, reviewed policies and procedures, and tested samples of disbursements to determine if supporting documentation was maintained in accordance with AP's policies and procedures. Since the issuance of the initial internal audit report, there were several key changes in management positions at the OOC and approval of the OOC's updated policies and procedures.

During the six-month period of our review, we identified 105,792 AP disbursements available for testing. From this population, REDW used data analysis to identify a representative sample of the population to determine if supporting documentation was maintained in accordance with the OOC's policies and procedures. We also requested explanations and any supporting documentation from the appropriate personnel regarding vendors with more than one Address Book (AB) number in the Financial Management Information System (FMIS) vendor AB. Additionally, we inquired if policies and procedures were developed by the OOC to address issues identified in the 2017 review. Finally, we identified and discussed with management any duplicate payments identified based on our analysis and sample selections, recovery methods if a duplicate payment is identified, and the preventative controls in place to detect duplicate payments.

SUMMARY OF THE FOLLOW – UP REVIEW RESULTS

Since the 2017 report, the OOC made several improvements to enhance their controls to detect and mitigate the risk of duplicate payments. However, there were several areas where the CAP was not implemented, leaving several issues unresolved. The following CAP areas were not implemented based on our audit.

- The utilization of the FMIS Data Port software poses some risk, as the AP staff did not have the ability to substantiate transactions from our sample selection with original supporting documentation. Source documentation processed through Data Port is maintained at the program/department levels of the Navajo Nation government. This process does not allow the AP section to analyze and properly assess transactions and their original supporting documents in real time.
- Management could not provide the justification of the multiple AB numbers for any of the vendors in our sample selection.

CONCLUSION

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

The Office of the Controller had ample opportunities to implement the corrective action plan to address the audit issues. On the other hand, the Office of the Controller has been occupied with administering the relief funds provided to the Navajo Nation in response to the COVID-19 pandemic. Therefore, REDW and the Delegated Auditor General concur to the following:

1. Grant the Office of the Controller a six-month extension from the date of this report to continue implementing its corrective action plan.
2. Conduct continuous auditing of duplicate payments during the six-month extension.
3. Conduct a 2nd follow-up review after March 2022 and based on those results, provide an appropriate recommendation in accordance with 12 N.N.C. Section 9 (b) and (c).

REDW LLC

Phoenix, Arizona
September 30, 2021

REDW CONTACT INFORMATION

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The Follow-up Review of the Office of the Controller Accounts Payable Duplicate Payments to Vendors

Table of Contents

	<u>Page</u>
Exhibit A - Review Results.....	1
Attachment A.....	2
Attachment B.....	3

REVIEW RESULTS

The Follow-up Review of the Office of the Controller Accounts Payable Duplicate
 Payments to Vendors Corrective Action Plan Implementation
 Review Period: January 1, 2019 to June 30, 2019

Audit Issues	Total # of Corrective Measures	# of Corrective Measures Implemented	# of Corrective Measures Not Implemented	Audit Issue Resolved?	Review Details
1. The AP staff was inconsistent in processing invoices that lacked invoice numbers.	5	3	2	Yes	Attachment A
2. The AP staff processed invoices to vendors that have multiple AB numbers in the FMIS vendor AB.	8	2	6	No	Attachment B
3. The AP staff accepted copies of invoices without written justification.	5	1	4	No	
4. AP did not detect invoices that were paid twice.	4	1	3	No	
TOTAL:	22	7	15	1 - Yes 3 - No	

WE DEEM CORRECTIVE MEASURES: **Implemented** where AP provided sufficient and appropriate evidence to support all elements of the implementation (see Attachment A); and **Not Implemented** where evidence did not support meaningful movement towards implementation, and/or where no evidence was provided (see Attachment B).

◆ 2019 STATUS	Issue 1: The AP staff was inconsistent in processing invoices that lacked invoice numbers. RESOLVED
A sample of 58 disbursements during the period January 1, 2019 through June 30, 2019 were tested for missing invoice numbers and 1 of 58 (2%) payments had no supporting documentation to verify the invoice number. However, 57 of the 58 transactions were processed with an invoice number. Based on the sample tested and the low percentage of exceptions, this issue is considered resolved.	

<p>◆ 2019 STATUS</p>	<p>Issue 2: The AP staff processed invoices to vendors that have multiple AB numbers in the FMIS vendor AB. NOT RESOLVED</p>
<p>The FMIS AB Database was filtered to include only vendors who have the same tax identification number but are assigned multiple AB numbers. From this, a sample of 25 vendors was selected to test. Based on the sample selected for testwork, 20 of 25 had one additional AB number, 4 of 25 had two additional AB numbers, and 1 of 25 had three additional AB numbers. Management was unable to provide a viable justification of the multiple AB numbers for any of the vendors in our sample selection. Since this issue was not resolved, AP still runs the risk of processing incorrect and/or duplicate payments to vendors.</p>	
<p>◆ 2019 STATUS</p>	<p>Issue 3: The AP staff accepted copies of invoices without written justification. NOT RESOLVED</p>
<p>According to the OOC AP's Invoice Processing policies and procedures, a payment can only be made using two types of invoices: 1) the original invoice, or 2) a copy of the original invoice with written justification as to why a copy of the invoice is being used for payment. A sample of 60 AP disbursements were tested to determine if they had the required invoice type according to the OOC AP's policies and procedures. 51 of the 60 selected payments were made to vendors. All of the 51 selected payments to vendors had the appropriate supporting documentation in accordance with policies and procedures.</p> <p>Our testing identified that not all invoices were sent directly to AP, more specifically, in the instance when the transaction was processed through the Data Port software. 9 of the 60 disbursement samples had only remittance advices as supporting documentation. The OOC AP section will receive and keep check requests as source documentation for the payment. This poses a risk, as there is no indication that source documentation is properly maintained at the program level. 16,419 (16%) and 3,971 (4%) of the 105,792 were related to TANF and Navajo Nation Scholarship payments, respectively.</p> <p>Currently, an Accounts Payable Specialist (APS) is in charge of managing AB duties when time permits as funding for an AB position was not provided to OOC to help manage the FMIS AB. Through inquiry, OOC indicated their internal auditor will review a sample of invoices. However, a report or correspondence to substantiate this claim was not made available to us for review.</p>	

◆ 2019 STATUS	Issue 4: AP did not detect invoices that were paid twice. NOT RESOLVED
<p>Of the 105,792 disbursements made during January 1, 2019 through June 30, 2019, 5,929 transactions were identified as possible duplicate payments. A sample of 6 possible duplicate payments (totaling approximately \$1,104) was selected, and obtained their supporting documentation. We identified that the 6 payments were for voided payments made to a vendor who had multiple AB numbers. Subsequently, management reissued payments to the correct AB number in accordance with Accounts Payable – Invoice policy, more specifically; steps under the Duplicate Payment Monitoring and Detecting Duplicate Invoices procedures. Therefore, through our analysis, we did not identify any duplicate payments that were made during the six-month period of January 1, 2019 through June 30, 2019.</p> <p>Although the OOC Accounts Payable section has made some changes to address duplicate payments, there is still a risk that duplicate payments may occur given the number of voided transactions.</p>	