

OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

**A 2nd Follow-Up Review
of the
Smith Lake Chapter
Corrective Action Plan Implementation**

**Report No. 23-09
March 2023**

**Performed by:
Karen Briscoe, Principal Auditor
Shawna Yellowhair, Associate Auditor**



March 31, 2023

Anslem Morgan, President
SMITH LAKE CHAPTER
P.O Box 60
Smith Lake, NM 87365

Dear Mr. Morgan:

The Office of the Auditor General herewith transmits audit report No. 23-09, a 2nd 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 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 audit. The audit report and corrective action plan (CAP) were approved by the Budget and Finance Committee on October 18, 2019 per resolution no. BFO-35-19.

In 2021, a follow up-review was completed and determined the Chapter did not fully implement the CAP to resolve the audit findings. Of the 20 corrective measures, the Chapter implemented 4 (20%) and 16 (80%) were not fully implemented. The Office of the Auditor General granted the Smith Lake Chapter a six-month extension beginning September 29, 2021. Thereafter a 2nd follow up review would be completed and based on those results, an appropriate recommendation would be made in accordance with 12 N.N.C. Section 9 (B) and (C).

OBJECTIVE AND SCOPE

The objective of the 2nd 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 July 1, 2022 to December 31, 2022.

SUMMARY


Of the 20 corrective measures, the Smith lake Chapter implemented 14 (70%) corrective measures, leaving 6 (30%) not fully implemented. See Exhibit A for the details of our review results.

CONCLUSION

Overall, the Smith Lake Chapter has demonstrated progress by implementing a majority of its corrective action plan and as a result, has reasonably resolved most of the audit findings from the 2018 audit. Therefore, the Office of the Auditor General does not recommend sanctions be imposed on the Smith Lake Chapter and its officials.

We thank the Smith Lake Chapter administration 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
June Chavez, Community Services Coordinator
Steven R. Arviso, Council Delegate
SMITH LAKE CHAPTER
Sonlatsa Jim, Department Manager II
Guarena Adeky, Senior Program & Projects Specialist
ADMINISTRATIVE SERVICE CENTER/DCD
Chrono

REVIEW RESULTS
Smith Lake Chapter Corrective Action Plan Implementation
Review Period: 7/1/2022 – 12/31/2022

Audit Issues	Total # of Corrective Measures	# of Corrective Measures Implemented	# of Corrective Measures Not Implemented	Audit Issue Resolved?	Review Details
1. Fixed assets are not reported in the financial statement.	5	3	2	YES	Attachment A
2. Insurance for chapter property is not obtained timely.	3	3	0	YES	
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	3	0	YES	
4. New hires are not all reported to the State.	3	3	0	YES	
5. Complete financial reports are not provided to the community each month.	2	2	0	YES	
6. There are no documented controls in place for the management of chapter projects.	4	0	4	No	Attachment B
TOTAL:	20	14	6	5 - YES 1 - 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.

<p style="text-align: center;">◆</p> <p>2023 STATUS</p>	<p>Fixed assets are not reported in the financial statement. RESOLVED</p>
<p>As of December 2022, the chapter balance sheet reported a fixed assets value of \$1,753,706. However, the chapter inventory recorded a total fixed asset value of \$1,847,879. A variance of \$94,173 (5%). The variance occurred because there was no reconciliation of asset items posted in the accounting system against inventory records.</p> <p>Although the fixed assets reported in the balance sheet still needs to be verified as accurate, we noted that there was significant improvement with the audit issue. Previously, the Chapter did not report fixed assets in the financial statements because corrective actions had not been implemented. As of this 2nd follow up review, the Chapter obtained fixed assets training for the Accounts Maintenance Specialist, obtained an appraisal for buildings, and posted fixed assets to the accounting system. As such we have deemed the audit issue as resolved.</p> <p>Nonetheless, the Chapter should continue to improve property controls by: 1) completing another physical count of inventory and verify all chapter property are included on the inventory, 2) the Community Services Coordinator and chapter officials should reconcile inventory records against the reported fixed assets in the balance sheet for accuracy, and 3) the Administrative Service Center should verify fixed assets reported in the balance sheet against the inventory for accuracy to confirm all remaining corrective measures are implemented.</p>	
<p style="text-align: center;">◆</p> <p>2023 STATUS</p>	<p>Insurance for chapter property is not obtained timely. RESOLVED</p>
<p>The Chapter completed and submitted the Underwriting Exposure Summary report to the Risk Management Department. In doing so, the Chapter was efficient in obtaining property insurance.</p>	
<p style="text-align: center;">◆</p> <p>2023 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. RESOLVED</p>
<p>We obtained the current chapter property inventory and selected 10 property items to verify tagging. All 10 items were tagged with identification numbers and matched the corresponding identification numbers on the inventory.</p>	
<p style="text-align: center;">◆</p> <p>2023 STATUS</p>	<p>New hires are not all reported to the State. RESOLVED</p>
<p>For the six-month review period, 21 employees were hired by the Chapter and of this number, 10 were selected to verify the employees are reported to the State as new hires. All 10 employees were reported to the State as required.</p> <p>The Chapter currently submits new hire forms by mail because they do not know the online login credentials established by a former chapter employee. Without this information, the State will not allow the Chapter to establish new login credentials. The Chapter was advised to continue working with the State to find an alternative to re-establish online access and begin</p>	

online reporting of new hires. Until then, the Chapter should document the date new hire forms are mailed off to the State reporting agency.

◆
2023 STATUS

Complete financial reports are not provided to the community each month.
RESOLVED

For the six-month review period, we examined four months of meeting minutes to verify financial reporting to the community. According to the meeting minutes, only fund balances are reported to the community and excludes the fixed assets.

The balance sheet, income statement, and the budget to actual reports are given to the Secretary/Treasurer each month to present at the chapter meetings. The meeting minutes indicate that the Secretary/Treasurer presents only the fund balances but the staff stated that during the teleconference chapter meetings, they heard the official also report chapter revenues and expenditures. In addition, the Chapter posts the financial statements in the chapter administration office for public view. Based on these efforts, the audit issue is reasonably resolved. Nonetheless, the Secretary/Treasurer should adequately document in the meeting minutes the details of the financial report presented to the community and include the reporting of fixed assets.

◆ 2023 STATUS	There are no documented controls in place for the management of chapter projects
<p>During the review period, there were no ongoing chapter projects. However, the Chapter said that when projects are initiated, they would follow the Navajo Nation capital improvement policies, but these policies were not on file at the chapter. After further discussions, the chapter staff acknowledged that developing project management policies specifically for the chapter would be more beneficial since the Navajo Nation policies are more suitable for larger projects. As such, the Community Services Coordinator plans to work with the chapter officials to create internal project management policies for chapter level projects. Until these policies are created, the Chapter should still refer to the Navajo Nation policies as needed and incorporate relevant concepts into the chapter policies. Lastly, the Administrative Service Center should follow up with the Chapter in three months to confirm the policies have been developed and approved by chapter resolution.</p>	