



OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

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

**Report No. 23-10
March 2023**

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



March 31, 2023

Vanessa Begay-Lee, President
NAHODISHGISH CHAPTER
P.O. Box 369
Crownpoint, NM 87313

Dear Ms. Begay-Lee:

The Office of the Auditor General herewith transmits audit report No. 23-10, a Follow-up Review of the Nahodishgish Chapter Corrective Action Plan Implementation.

BACKGROUND

In 2018, the Office of the Auditor General performed a Special Review of the Nahodishgish Chapter and issued audit report no. 19-06. A corrective action plan was developed by the Nahodishgish Chapter in response to the audit. The audit report and corrective action plan (CAP) were approved by the Budget and Finance Committee on December 3, 2019 per resolution no. BFD-57-19.

OBJECTIVE AND SCOPE

The objective of the follow-up review is to determine whether the Nahodishgish 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 14 corrective measures, the Nahodishgish Chapter implemented 6 (43%) corrective measures, leaving 8 (57%) not fully implemented. See Exhibit A for the details of our review results.

CONCLUSION

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

It has been four 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. Considering this, the Auditor General hereby grants the Nahodishgish 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 October 2023 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 Nahodishgish Chapter administration and officials for assisting in this follow-up review.

Sincerely,


Helen Brown, CFE, Principal Auditor
Delegated Auditor General

xc: Ervin Johnson, Vice President
Brenda Holgate, Secretary/Treasurer
Sylvia Morgan, Community Services Coordinator
Danny Simpson, Council Delegate
NAHODISHGISH CHAPTER
Sonlatsa Jim, Department Manager II
Casey Begay, Senior Program & Projects Specialist
ADMINISTRATIVE SERVICE CENTER/DCD

REVIEW RESULTS
 Nahodishgish 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. The Chapter did not timely verify if building materials awarded to recipients were used for their approved purposes.	4	4	0	Yes	Attachment A
2. Consulting services totaling \$44,058 were obtained without a service contract.	5	0	5	No	Attachment B
3. There is no segregation of duties in the management of the accounting system to detect errors or unauthorized activity.	5	2	3	No	
TOTAL:	14	6	8	1 - Yes 2 - 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.

◆ 2023 STATUS	The Chapter did not timely verify if building materials awarded to recipients were used for their approved purposes. RESOLVED
For the review period, we identified one housing assistance recipient. The chapter verified the building materials awarded to the recipient were used for their approved purpose. Overall, the Chapter improved controls in this area to make sure resources are appropriately used.	

<p style="text-align: center;">◆</p> <p>2023 STATUS</p>	<p>Consulting services totaling \$44,058 were obtained without a service contract. NOT RESOLVED</p>
<p>The Chapter did not enter into any contractual agreements during the review period. However, records showed the Chapter procured septic cleaning services for community members. The septic cleaning services was approved by chapter resolution. Although the Community Services Coordinator said that she contacted different vendors by telephone to obtain quotations, she received only one quotation. These inquiries for quotes were not documented and could not be verified.</p> <p>The Navajo Procurement Rules and Regulations also requires the procuring party (i.e., Chapter) to issue a request for proposal by mail or fax to all Navajo certified vendors on the Navajo business source list. However, no request for proposal was issued for the septic services and other vendors on the Navajo business source list were not considered by the Chapter. The lack of proper solicitation does not ensure economical prices were obtained for the services.</p> <p>The Chapter's Capital Outlay Funds under the Infrastructure-Waste Water were used to pay for the septic cleaning services. However, since septic cleaning services are not a capital expense. The Chapter should have used other funds to pay for the services.</p> <p>Since the Chapter cannot demonstrate compliance with procurement policies there is still a risk that professional services could be obtained without a service contract and there is no assurance that deliverables will meet expectations. Therefore, this audit finding is deemed unresolved.</p>	
<p style="text-align: center;">◆</p> <p>2023 STATUS</p>	<p>There is no segregation of duties in the management of the accounting system to detect errors or unauthorized activity. NOT RESOLVED</p>
<p>The Chapter hired an Accounts Maintenance Specialist (AMS) in July 2022. Previously, the accounting system was being managed by the Administrative Service Center (ASC). Beginning in January 2023, ASC began training the new AMS on the accounting system and by March 2023, the AMS was fully managing the system. The AMS is also scheduled to attend MIP training in April 2023 which will further enhance her knowledge of the system.</p> <p>With the new AMS, the Chapter has full staff and this helps with segregating duties among the chapter administration, and allows for checks and balances. However, despite the ASC training, there is no evidence that transactions posted to the accounting system are verified for accuracy against support documentation. This verification process is especially important since the AMS is still new to the chapter accounting system and errors can occur. The Community Services Coordinator (CSC) should be verifying accounting system transactions to detect any errors and ensure timely corrections. The Chapter was advised that all posted transactions should be verified and this action should be documented and maintained on file.</p> <p>To demonstrate their review of chapter records, the CSC and chapter officials sign the Standard Monitoring Form; their signatures are acknowledging their review of documents such as bank reconciliations and financial reports. Basically, this review is making sure the AMS is carrying out duties and responsibilities as expected and the work is completed timely and accurately. However, only two of four standard monitoring forms on file were signed by the appropriate individuals. The two forms that were left unsigned is an indication of inconsistency with the</p>	

review and monitoring by the CSC and chapter officials. Consequently, there is no assurance bank reconciliations and financial reports can be deemed reliable.

Overall, the Chapter can achieve segregation of duties with its current administration but review of the AMS's work and financial records still needs improvement to detect errors or unauthorized activities in a timely manner. Left undetected, errors can lead to unreliable financial reporting or fraudulent activities.