



OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

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

**Report No. 23-12
June 2023**

**Performed by:
Danielle Allison, Associate Auditor
Beverly Tom, Senior Auditor**





June 21, 2023

Erlene Henderson, President
PUEBLO PINTADO CHAPTER
HCR 79 Box 3026
Cuba, NM 87013

Dear Ms. Henderson:

The Office of the Auditor General herewith transmits audit report No. 23-12, a Follow-up Review of the Pueblo Pintado Chapter Corrective Action Plan Implementation.

BACKGROUND

In 2018, the Office of the Auditor General performed a Special Review of the Pueblo Pintado Chapter and issued audit report no. 18-28. A corrective action plan was developed by the Pueblo Pintado Chapter in response to the audit. The audit report and corrective action plan (CAP) were approved by the Budget and Finance Committee on May 21, 2019 per resolution no. BFMY-07-19.

OBJECTIVE AND SCOPE

The objective of the follow-up review is to determine whether the Pueblo Pintado Chapter fully implemented its corrective action plan based on a six-month review period of October 1, 2022 to March 31, 2023.

SUMMARY

Of the 35 corrective measures, the Pueblo Pintado Chapter implemented 15 (43%) corrective measures, leaving 20 (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 Pueblo Pintado Chapter, the duty to implement the corrective action plan according to the terms of the plan. As of this follow-up review, the Pueblo Pintado Chapter did not fully implement the corrective action plan. Therefore, several of the audit issues remain unresolved.

It has been five 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 Pueblo Pintado 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 December 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 Pueblo Pintado Chapter administration and officials for assisting in this follow-up review.

Sincerely,

A handwritten signature in black ink, appearing to read "Helen Brown".

Helen Brown, CFE, Principal Auditor
Delegated Auditor General

xc: Donald Chee, Vice President
Cheryl Chavez, Secretary/Treasurer
Janice Arthur, Community Services Coordinator
George Tolth, Council Delegate
PUEBLO PINTADO CHAPTER
James Adakai, Delegated Department Manager II
Myrtis Begay, Administrative Service Officer
ADMINISTRATIVE SERVICE CENTER/DCD
Chrono

REVIEW RESULTS
Pueblo Pintado Chapter Corrective Action Plan Implementation
Review Period: October 1, 2022 to March 31, 2023

Audit Issues	Total # of Corrective Measures	# of Corrective Measures Implemented	# of Corrective Measures Not Implemented	Audit Issue Resolved?	Review Details
1. Operating expenditures are processed without all supporting documentation.	7	5	2	Yes	Attachment A
2. Temporary employees' wages are not reviewed and approved by the Chapter Community Services Coordinator.	5	4	1	Yes	
3. The Accounts Maintenance Specialist spent \$144,496 on unnecessary office supplies.	6	5	1	Yes	
4. Housing assistance is awarded to applicants whose required documentation is missing.	4	0	4	No	Attachment B
5. Budgets and expenditures were not accurately posted in the accounting system.	5	1	4	No	
6. Temporary employees' personnel files are incomplete.	2	0	2	No	
7. A contractor was paid \$39,842 without going through the bidding process.	6	0	6	No	
TOTAL:	35	15	20	3 - Yes 4 - 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.

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◆ 2023 STATUS	<p>Operating expenditures are processed without all supporting documentation. RESOLVED</p>
<p>For the review period, there were 23 expenditures totaling \$13,899 and of this number, 10 expenditures totaling \$10,969 were examined and the following noted:</p> <ul style="list-style-type: none"> • One propane expenditure totaling \$4,504 did not have three quotations. • Two checks totaling \$1,050 were signed by the Community Services Coordinator prior to signing the Fund Approval Form. • The Chapter President signed a \$300 check prior to signing the FAF. <p>Overall, the Chapter made significant improvements with their procurement process since the initial audit. The Chapter should continue to address the noted minor discrepancies to ensure consistent implementation of the procurement policies and procedures but this audit issue was deemed reasonably resolved.</p>	
◆ 2023 STATUS	<p>Temporary employees' wages are not reviewed and approved by the Chapter Community Services Coordinator. RESOLVED</p>
<p>For review period, a sample of payroll expenditures totaling \$8,084 for 15 temporary employees were examined and we noted the Chapter did not implement a check-off list to ensure wages are properly supported with documentation. Nonetheless, the Chapter administration provided time cards and timesheets for the temporary employees. Based on these records, we found the Community Services Coordinator reviewed and approved the timesheets and fund approval forms to pay the temporary employees.</p> <p>Within the corrective action plan, the Chapter proposed 2 of 5 corrective measures pertaining to creating and implementing a check-list as a tool to improve its internal controls. However, this checklist was not implemented by the Chapter. Nonetheless, the Chapter made significant improvement in the payroll process since the initial audit. Therefore, the audit issue is reasonably resolved.</p>	
◆ 2023 STATUS	<p>The Accounts Maintenance Specialist spent \$144,496 on unnecessary office supplies. RESOLVED</p>

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The initial audit reported that the former Accounts Maintenance Specialist processed checks and authorized automatic bank account withdrawals to pay seven vendors for office supplies. To prohibit further automatic withdrawals, the Chapter changed their Wells Fargo bank account and no further automatic withdrawals were made since March 2018.

For the review period, there were eight expenditures totaling \$4,142 for operating and office supplies. The purchases were made in accordance with procurement and disbursement policies and procedures, and there were no promotions and rebates accepted as part of the purchases. The Community Services Coordinator monitors the purchasing activities by reviewing the voucher packets including the fund approval form. The most the Chapter purchased as operating supplies was for desktops and laptops for the Chapter administration and Secretary/Treasurer totaling \$11,927; this represented 68% of the total operating expenses of \$17,468 for the past five years.

Based on the expenditure trend, the Chapter has ceased any excessive spending for operating/office supplies. Although there was no indication of routine monitoring of bank account activities, the Chapter has made improvements in this area. Therefore, the Chapter has resolved the issue of purchases of unnecessary office supplies.

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◆ 2023 STATUS	<p>Housing assistance is awarded to applicants whose required documentation is missing. NOT RESOLVED</p>
<p>For the review period, no housing assistance was awarded. Therefore, we expanded the scope to fiscal years 2020, 2021 and 2022 (October 1, 2019 to September 30, 2022) and identified eight disbursements totaling \$4,611 for 17 housing assistance recipients.</p> <p>Records showed that 10 recipients were approved through chapter resolution without first submitting their housing applications and supporting documents, and the Chapter administration verifying eligibility based on these documents. Consequently, the Chapter administration had no basis to disburse housing assistance to the recipients. However, the Secretary/Treasurer made home visits to each of these recipients to obtain a housing application with supporting documentation so they can receive their assistance. The Chapter staff acknowledged this practice is incorrect but indicated this has been an ongoing practice to have recipients pre-approved at chapter meetings without the required documentation. Since recipients are already approved, the staff do not verify eligibility of the recipients which explains the lack of ranking point sheets in the housing files.</p> <p>For the remaining seven recipients, each provided the required documents listed on the check-off list. However, no records of home assessments were found on file; these assessments are important to help determine the priority of the recipient based on their housing needs. Lastly, the Chapter officials did not adhere to the requirement in which a justification memo is needed if the Chapter President or Vice-President co-signs disbursement checks rather than the Secretary/Treasurer; several checks were disbursed in this manner without explanations.</p> <p>Overall, the Chapter's current housing assistance process does not ensure all required documents are submitted prior to approval. In light of the discrepancies noted, the audit issue remains unresolved. The risk remains that ineligible recipients were awarded housing assistance or those with higher priorities were not considered.</p>	
◆ 2023 STATUS	<p>Budgets and expenditures were not accurately posted in the accounting system. NOT RESOLVED</p>
<p>Overall, the Accounts Maintenance Specialist is posting financial transactions to the accounting system accurately as our review found no significant discrepancies. In addition, the Accounts Maintenance Specialist completes the required monitoring forms and provides financial reports to the Community Services Coordinator. However, there was no evidence of independent review by the Community Services Coordinator or Chapter officials of the reports specifically the following corrective measures were not implemented:</p> <ul style="list-style-type: none"> • Monthly monitoring tool was not initialed or signed. • Expenditure journal, budgets and fund balances were not reviewed against source documents on a weekly basis. • Posted expense report, budget and actual report, and balance sheet for fund balances were not signed and dated. 	

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- The lack of review extends to the bank reconciliations as no signatures were found to indicate proper review.

Through our inquiries, we were unable to determine the Chapter's monitoring process to ensure the accounting system is kept current and accurate. The staff indicated meetings are arranged to share chapter financial information with the Chapter officials but only the Secretary/Treasurer will attend these meetings. In the absence of monitoring, the risk of unauthorized bank activities or accounting system discrepancies going undetected remains and this could possibly lead to misuse of chapter funds. The audit issue has not been resolved.

◆
2023 STATUS **Temporary employees' personnel files are incomplete.**
NOT RESOLVED

Since there was no temporary employment in fiscal year 2023, our audit scope was expanded for another six months from April 2022 to October 2022. For this period, there were 15 temporary employees (five Public Employment Program employees and 10 Summer Youth Employment participants) whose wages totaled \$8,084. In examining their personnel files, the following was noted:

Type of Exceptions	No. of Exceptions
Check-off list was not used for each personnel file to account for all required employment documents.	8 of 15 (53%)
Public Employment Policy and Procedure acknowledgement forms were not on file.	2 of 5 (40%)
Summer youth employees did not have state/school identification cards on file.	6 of 10 (60%)

The check-off list is not used for its intended control purpose which is to ensure all required documentation are on file before start of employment. This is important to avoid any potential liability issues and ensure the Chapter compensates legitimate employees. Since controls remain weak in this area, the audit issue has not been fully resolved.

◆
2023 STATUS **A contractor was paid \$39,842 without going through the bidding process.**
NOT RESOLVED

The Chapter did not enter into any contractual agreements during the review period. However, the Chapter procured professional archaeological clearance services for 10 community members as part of housing assistance. The archaeological clearance services were approved by chapter resolution but they were not procured with a contractual agreement. The Chapter cannot provide assurance all 10 community members received their certified land plats since the professional services were not properly monitored. The Chapter paid \$2,650 for the services but there is a risk that deliverables were not fully provided and community members did not receive these critical services. Consequently, the finding was not fully resolved since procurement policies and procedures were not adhered to.