

## **OFFICE OF THE AUDITOR GENERAL**

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### **The Navajo Nation**

#### **A 2nd Follow-Up Review of the Nahodishgish Chapter Corrective Action Plan Implementation**

**Report No. 24-07  
June 2024**

**Performed by:  
Beverly Tom, Senior Auditor**







June 21, 2024

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. 24-07, a 2<sup>nd</sup> 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 19-06. A corrective action plan (CAP) was developed by the Nahodishgish Chapter in response to the audit. The audit report and CAP were approved by the Budget and Finance Committee on December 3, 2019, per resolution no. BFD-57-19.

In 2023, a follow-up review determined the Chapter did not fully implement the CAP. Of the 14 total corrective measures, the Chapter did not implement 57% of the corrective measures. The Auditor General granted the Nahodishgish Chapter a six-month extension to continue implementing its corrective action plan. Thereafter, the Office of the Auditor General would conduct a 2<sup>nd</sup> follow-up review to provide an appropriate recommendation in accordance with 12 N.N.C. Section 9 (B) and (C).

### **OBJECTIVE AND SCOPE**

The objective of the 2<sup>nd</sup> follow-up review is to determine whether the Nahodishgish Chapter fully implemented the outstanding corrective measures based on a six-month review period of November 1, 2023 to April 30, 2024.

### **SUMMARY**

Of the 10 outstanding corrective measures, the Nahodishgish Chapter implemented 6 (60%) corrective measures, leaving 4 (40%) not fully implemented. See Exhibit A for the details of our review results.

### **CONCLUSION**

Although more corrective measures were implemented as of the 2<sup>nd</sup> follow-up review, one of two audit findings remain unresolved, and the risks associated with these findings remain significant. Since the first follow-up in March 2023, the Chapter had approximately one year and two months to fully implement the CAP with the assistance of the Administrative Services Center. Therefore, the Chapter had ample opportunity to address this important matter.

Section 9 of our plan of operation grants the Auditor General the authority to recommend sanctions upon a Chapter who did not fully implement its corrective action plan. Therefore, the Auditor General recommends imposing only Section 9 (B) as sanction which will cause ten percent (10%) of monies payable from any government fund to be withheld from Nahodishgish Chapter until the CAP is implemented. The Auditor General also recommends the Administrative Services Center to provide the necessary guidance and technical assistance to help the Nahodishgish Chapter achieve this important goal.

To minimize the impact of the sanction, the Nahodishgish Chapter is advised to resolve the remaining audit finding in a timely manner. We thank the Nahodishgish Chapter administration and Officials for assisting in this 2<sup>nd</sup> follow-up review.

Sincerely,

A handwritten signature in black ink, appearing to read "Helen Brown", written in a cursive style.

Helen Brown, CFE, Principal Auditor  
Acting Auditor General

xc: Ervin Johnson, Vice President  
Brenda Holgate, Secretary/Treasurer  
Sylvia Morgan, Community Services Coordinator  
Danny Simpson, Council Delegate  
**NAHODISHGISH CHAPTER**  
Jaron Charley, Department Manager II  
Tyrone Begay, Senior Programs & Projects Specialist  
**ADMINISTRATIVE SERVICE CENTER/DCD**  
Chrono

**REVIEW RESULTS**

Nahodishgish Chapter Corrective Action Plan Implementation  
Review Period: June 1, 2023 to November 30, 2023


<b>Audit Issues</b>	<b>Total # of Corrective Measures</b>	<b># of Corrective Measures Implemented</b>	<b># of Corrective Measures Not Implemented</b>	<b>Audit Issue Resolved?</b>	<b>Review Details</b>
1. There is no segregation of duties in the management of the accounting system to detect errors or unauthorized activity.	5	5	0	Yes	Attachment A
2. Consulting services totaling \$44,058 were obtained without a service contract.	5	1	4	No	Attachment B
<b>TOTAL:</b>	<b>10</b>	<b>6</b>	<b>4</b>	<b>5 - Yes 5 - No</b>	

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.

**REVIEW RESULTS**

Nahodishgish Chapter Corrective Action Plan Implementation

Review Period: November 1, 2023 to April 30, 2024


 2024 STATUS	<b>There is no segregation of duties in the management of the accounting system to detect errors or unauthorized activity.</b> <b>RESOLVED</b>
<p>The Account Maintenance Specialist (AMS) maintains the MIP accounting system by posting financial transactions and generating various financial reports. The Community Services Coordinator (CSC) and Officials review monthly reports prepared by the AMS including the bank reconciliation and financial reports. The standard Monitoring Form required by the Budget Instructions Manual is used and signed by the CSC and Officials to ensure the AMS is accurately maintaining the accounting system. In addition, the CSC monitors the Chapter's bank account activities to verify that no unauthorized bank activity occurs.</p> <p>Overall, the Chapter has provided reasonable assurance that chapter administrative duties for managing the accounting system are properly segregated. The risk of undetected errors that can lead to unreliable financial reporting or unauthorized activities has been reasonably minimized and therefore, the finding has been resolved.</p>	



**REVIEW RESULTS**

Nahodishgish Chapter Corrective Action Plan Implementation

Review Period: November 1, 2023 to April 30, 2024

 2024 STATUS	<b>Consulting services totaling \$44,058 were obtained without a service contract.</b> <b>NOT RESOLVED</b>
<p>For the review period, the Chapter did not enter into any contractual agreements. However, records showed the Chapter procured catering services for the community Christmas dinner. Therefore, this transaction was reviewed against procurement policies for compliance. The services met the requirement of Micro-Purchases of the Navajo Nation Procurement Regulations which has been revised and approved by the Budget and Finance Committee on May 9, 2023.</p> <p>In the procurement of catering services, the Chapter obtained three quotations, a receiving record was completed that community members were provided the dinner, the vendor selected was a Priority One vendor, and the catering services was approved by chapter resolution. The catering service was quoted for \$2,437.50 and required payment of \$1,462.50 or 60% before services could be rendered, which was paid. The remaining balance of \$975 or 40% was paid after catering services were rendered. However, the Chapter did not request for a vendor invoice but instead paid the vendor using the quote which did not include the Navajo Nation sales tax. The CSC explained the vendor had specific conditions by requiring partial payment before services were rendered to ensure payment is received in a timely manner. Therefore, invoices were not provided by the vendor. Nonetheless, the Fund Approval Form was signed by the CSC and Vice-President to authorize payment without the required invoices and applicable sales taxes to be paid to the Navajo Nation.</p> <p>A professional services contract was not initiated for these services. In using such contracts, the Chapter would only be obligated to pay the vendor for acceptable services once they are completed. Such contracts also protect the Chapter from any potential liability, especially in this instance when food was served to the public and there could be potential health and safety risks. In the absence of a contractual agreement, the Chapter exposed itself to unnecessary risks and could have led to financial losses.</p> <p>Furthermore, the Priority Listing from the Navajo Nation Business Regulatory Department has several Priority One vendors offering catering services. This presents the opportunity for competitive procurement for such services, but the Chapter did not obtain quotes from other Priority One vendors. Rather, the Chapter obtained other quotations from non-priority vendors. Overall, the catering services obtained by the Chapter is an indication there is still a lack of adequate understanding and compliance with procurement policies and regulations.</p> <p>Lastly, the Chapter shared its plans to repair the chapter's sewer lines. A scope of work with an estimated quote was provided by a vendor who helped the chapter determine the work that will be needed to make repairs to the sewer lines. The scope of work and estimated quote was referred to Capital Projects Management Department (CPMD) for their review and consideration. The Chapter further explained that a request for proposal, bid evaluation and service contract will be done by CPMD, and the project will be fully funded with chapter funds. This approach may present an unfair advantage for the vendor should they also bid on the project and any actions that circumvent procurement regulations may hinder the chapter project.</p> <p>Overall, these procurement compliance issues mean the audit finding has not been resolved and the applicable risks have not been adequately mitigated.</p>	