

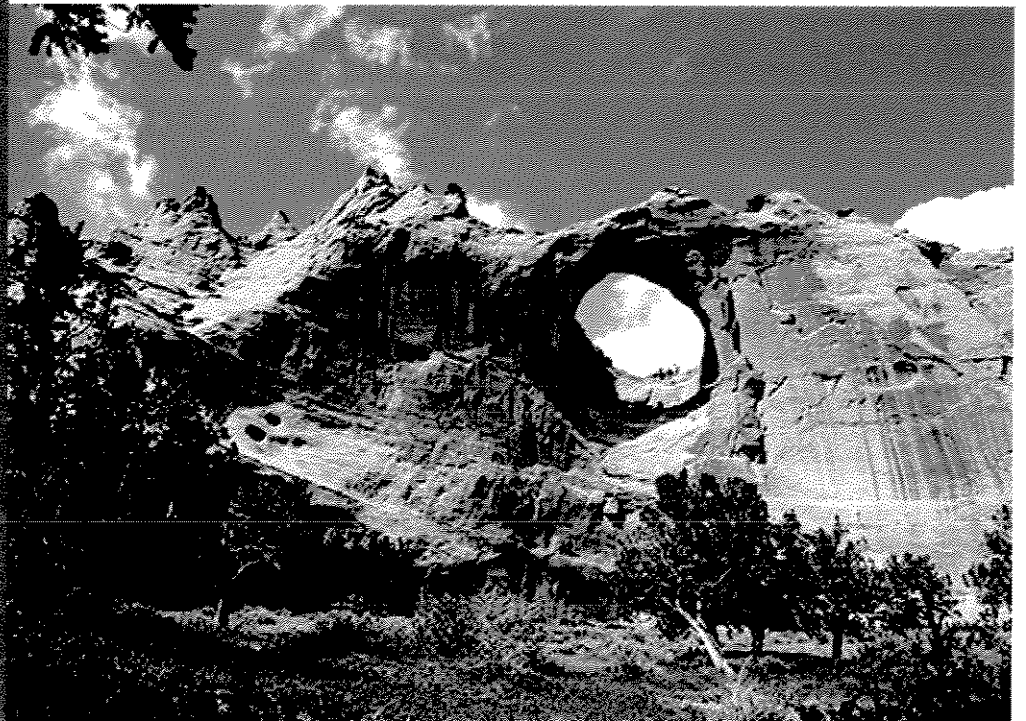
OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

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

**Report No. 15-19
March 2015**

**Performed by:
Jeanine Jones, Auditor
Jonathan Harrison, Associate
Auditor**



March 31, 2015

Rita Capitan, President
CROWNPOINT CHAPTER
P.O. Box 336
Crownpoint, NM 87313

Dear Ms. Capitan:

The Office of the Auditor General herewith transmits Audit Report No. 15-19, a Follow-up Review of the Crownpoint Chapter Corrective Action Plan Implementation. The Office of the Auditor General conducted the follow-up review with the following objectives:


- To determine the status of the Crownpoint Chapter corrective action plan.
- To identify the barrier(s), if any, that hindered implementation efforts.

Review Results

The Crownpoint Chapter has implemented the majority of corrective actions outlined in the corrective action plan and has demonstrated improvements to ensure accountability and safeguarding of Chapter assets and resources. The Crownpoint Chapter has resolved 18 of 22 findings or issues from the last audit report and the Chapter officials and staff are working on resolving the remaining four issues.

The Crownpoint Chapter has strengthened internal controls and complied with policies and procedures, laws and guidelines. Therefore, the Office of the Auditor General does not recommend sanctions on the Crownpoint Chapter and officials in accordance with 12 N.N.C. Section 9.

Sincerely,


Elizabeth Begay, CIA, CFE
Auditor General

xc: Cecilia J Nez, Vice-President
Jerrilene King, Secretary/Treasurer
Rosie Otero, Community Service Coordinator
Jonathan Perry, Council Delegate
CROWNPOINT CHAPTER
Robert Begay, Department Manager II
ADMINISTRATIVE SERVICE CENTER/DCD
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INTRODUCTION AND BACKGROUND

The Navajo Nation Office of the Auditor General conducted a follow-up review on the Crownpoint Chapter corrective action plan implementation in accordance with 12 Navajo Nation Code (N.N.C.) § 7. The follow-up review was to determine whether the Crownpoint Chapter implemented its corrective action plan to resolve the findings presented in audit report no. 11-18.

A special review of the Crownpoint Chapter was conducted in 2011, and the Auditor General issued audit report no. 11-18. The audit report and the corrective action plan developed by the Crownpoint Chapter were approved by the Budget and Finance Committee on August 2, 2011, per resolution no. BFAU-31-11. With Budget and Finance Committee approval, the Crownpoint Chapter had the duty of implementing the corrective action plan.

Objectives, Scope, and Methodology

In accordance with 12 N.N.C. § 7(G), the following objectives were established for the follow-up review:

- To determine the status of the Crownpoint Chapter corrective action plan.
- To identify the barrier(s), if any, that hindered implementation efforts.

The follow-up review specifically focused on the corrective action plan. In meeting the objectives, the Office of the Auditor General reviewed the Crownpoint Chapter's records for the six-month period of July 1, 2014 through December 31, 2014. In addition to reviewing Chapter records, the Office of the Auditor General conducted inquiries with Chapter staff, observed Chapter operations, and performed audit test work of a sample of financial transactions.

The Auditor General and staff express appreciation to Crownpoint Chapter for their cooperation and assistance throughout this review.

REVIEW RESULTS

FINDING I

Chapter Lacks Adequate Internal Controls over Accounting of Revenues and Expenditures

Issue 1: Lack of oversight over cash receipts contributed to missing cash of approximately \$25,000.

Corrective Actions:

1. Cash receipts will be recorded on pre-numbered cash receipt tickets.
2. Cash receipt will be posted on cash receipts journal on a daily basis.
3. Cash-on hand will be deposited on weekly basis or when it reaches \$200.
4. Cash receipt tickets and cash receipts journal will be reconciled to actual cash before each deposit.

Follow-up results:

The Chapter has fully implemented the corrective actions.

Issue 2: The Chapter cannot account for hay resale activities.

Corrective Actions:

1. Perpetual inventory will be established for all resale items.
2. Pre-numbered receipt form will be used to record daily revenue.

Follow-up results:

The Chapter has fully implemented the corrective actions.

Issue 3: Unsupported Chapter operating expenditures led to \$83,000 questioned costs.

Corrective Actions:

1. Fund Approval Form will be prepared prior to procuring goods & services.
2. Three quotes will be obtained.
3. Invoices/receipts will be retained for all goods & services procured.
4. Procurement packages with all supporting documents will be reviewed prior to authorizing payments.
5. All operation expenditures supporting documents will be filed.

Follow-up results:

The Chapter has fully implemented the corrective actions.

Issue 4: Lack of documentation to support travel expenditures led to approximately \$13,000 questioned costs.

Corrective Actions:

1. Pre-numbered travel authorization forms will be completed and approved prior to initiating travel.
2. Fund available and budget will be recorded on the Fund Approval Form.
3. Reimbursement request with supporting documents will be reviewed prior to authorizing payments.
4. All travel expenditures supporting documents will be filed.

Follow-up results:

The Chapter has fully implemented the corrective actions.

Issue 5: Lack of documentation to support Chapter funds disbursed for financial assistance.

Corrective Actions:

1. All financial assistance will be documented on the financial assistance request form with required documents.
2. All applications will meet the Chapter's financial assistance criteria.
3. All financial assistance expenditures supporting documents will be filed.
4. Chapter financial assistance policies & procedures will be established and adopted.

Follow-up results:

The Chapter has fully implemented the corrective actions.

Issue 6: The Chapter payroll expenditures were not properly documented.

Corrective Actions:

1. Temporary employees will use daily sign-in sheet and each approved timesheets will be reviewed prior to processing payroll.
2. Required payroll withholdings and deductions will be withheld.
3. Check distribution log will be prepared and maintained by each pay period.
4. All payroll expenditures supporting documents will be filed.

Follow-up results:

The Chapter has fully implemented the corrective actions.

Issue 7: The Chapter cannot support stipend payments to Chapter officials and committee members.

Corrective Actions:

1. Claim forms, meeting minutes, agendas and sign-in sheets will be submitted to support payments.
2. Fund available and budget will be recorded on the Fund Approval Form prior to processing stipend payments.
3. All stipend expenditures supporting documents will be filed.

Follow-up results:

The Chapter has fully implemented the corrective actions.

FINDING II

Chapter is Not in Compliance with Navajo Nation Laws, Rules and Regulations

Issue 1: The Chapter was not reporting and remitting Navajo sales taxes.

Corrective Actions:

1. Form 600 will be submitted and sales tax collected will be remitted to Navajo Nation Tax commission on a quarterly basis

Follow-up results:

The Chapter has fully implemented the corrective actions.

Issue 2: The Chapter was not reporting and remitting payroll taxes.

Corrective Actions:

1. Federal and state taxes collected will be reported and remitted.
2. Form 941 (federal) and form 903a (state) will be submitted on a quarterly basis to the IRS and State of NM Workforce Solutions, respectively.

Follow-up results:

The Chapter has fully implemented the corrective actions.

Issue 3: Financial reports were not provided to the Chapter membership.

Corrective Actions:

1. Financial Reports will be prepared each month and provided to the Secretary/Treasurer.
2. Secretary/Treasurer will provide monthly reports to the Chapter members at the Chapter meetings.
3. Secretary/Treasurer will document the financial reporting in the meeting minutes and attach the financial reports.

Follow-up results:

The Chapter has implemented the corrective actions. However, the Chapter financial status was not reported in detail, only a summary of expenditures was reported. The Secretary/Treasurer did not report the appropriations from the Navajo Nation and internally generated revenue, expenditures from each Chapter fund and posted and unexpended budget. Consequently, the community was not aware of the \$130,000 unexpended fund available to hire temporary workers under the Summer Youth and Public Employment Program.

Issue 4: Chapter lacked compliance with Housing funding guidelines.

Corrective Actions:

1. Housing assistance applications will be completed with supporting documents attached.
2. Applications will be assessed and evaluated to determine eligibility and rank housing application based on priority.
3. Fund available and budget will be recorded on the Fund Approval Form prior to processing housing assistance.

4. Housing expenditures supporting documents will be filed.
5. Chapter housing assistance policies and procedures will be established and adopted.

Follow-up results:

The Chapter has not fully implemented the corrective actions. Our selection of 11 housing assistance awarded, found 9 out of 11 (82%) did not have supporting documentation and 11 out of 11 (100%) of the applications were not assessed, evaluated and ranked. There was no assurance that priority was given to the neediest and assistance was equitable.

Issue 5: The Chapter lacked compliance with PEP funding guidelines.

Corrective Actions:

1. PEP Policies and Procedures will be implemented and followed to established PEP projects files and complete project monitoring.
2. PEP project application will be presented at the Chapter planning meeting for approval at the regular Chapter meeting.
3. PEP projects supporting documents will be filed.

Follow-up results:

The Chapter has fully implemented the corrective actions.

Issue 6: Chapter lacked compliance with Veterans funding guidelines.

Corrective Actions:

1. Administration, officials and Veterans committee will update the Veterans' Policies and Procedures.
2. Veterans' financial assistance requests will be documented on the applications with supporting documents attached.
3. Applicants will meet the veterans' criteria and requested assistance will be in accordance with the funding guidelines.
4. Assistance will be evaluated and recommended by the local Veterans Organization.

Follow-up results:

The Chapter has fully implemented the corrective actions.

Issue 7: The Chapter budgets were not community approved.

Corrective Actions:

1. Proposed fiscal year budget will be presented at the regular Chapter meeting for approval.
2. Chapter resolution will be used document community approval.
3. Approved fiscal year budget will be submitted to the Navajo Nation.

Follow-up results:

The Chapter has implemented the corrective actions on the Navajo Nation appropriation. However, a budget was not created for the internally generated revenue that was posted under the Chapter Activity Fund. Consequently, the subsequent expenditures of the fund were not approved by the Chapter members.

Issue 8: The Chapter has not fully implemented the Five Management System Policies and Procedures.

Corrective Actions:

1. Five Management System Policies and Procedures will be put together.
2. Five Management System Policies and Procedures will be presented to the community for adoption.
3. Five Management System Policies and Procedures will be implemented.

Follow-up results:

The Chapter has fully implemented the corrective actions.

Issue 9: Chapter did not establish personnel files for temporary employees.

Corrective Actions:

1. Personnel files for temporary employees will be established.
2. Personnel information will be filed.

Follow-up results:

The Chapter has fully implemented the corrective actions.

FINDING III

Lack of Management and Monitoring Over the Chapter Operation

Issue 1: There was a lack of oversight by the Chapter officials.

Corrective Actions:

1. Officials will obtain training on their roles and responsibilities for providing monitoring and oversight of the administration.
2. Officials will implement monitoring and oversight of the administration.
3. Officials will ensure segregation of duties is practiced in the chapter operation and activities.
4. Regular monthly meeting will be established and scheduled with the officials and the administration.

Follow-up results:

The Chapter has implemented the corrective actions. However, the officials do not consistently attend the monthly scheduled meeting with the administration. Therefore, the Chapter officials still need to strengthen communication with the administration to be fully informed on Chapter operation, projects and activities.

Issue 2: The Chapter lacked accurate and reliable accounting ledgers.

Corrective Actions:

1. The Administration will establish accurate and reliable accounting journals and ledgers.
2. Chart of accounts will be used to accurately post all transactions on a daily basis.
3. Ledgers & journals will be reviewed and reconciled to detect and timely correct errors.
4. Five Management System Policies and Procedures will be complied with.

Follow-up results:

The Chapter has fully implemented the corrective actions.

Issue 3: Bank reconciliations were inaccurate.

Corrective Actions:

1. Bank reconciliations will be accurately prepared on a monthly basis.
2. Bank reconciliations will be reviewed and verified.
3. Bank reconciliations will be verified by signature for accuracy.
4. Training will be obtained to prepare accurate and reliable bank reconciliations for all bank accounts and investments.
5. Stale dated checks, voided, spoiled checks will be filed.

Follow-up results:

The Chapter has fully implemented the corrective actions.

Issue 4: The bank account was poorly managed.

Corrective Actions:

1. Bank statements will be obtained and filed.
2. Updated bank signature will be filed for authorized signatories' verification.
3. No Pre-signed of blank checks.

4. Voided and spoiled checks will be properly marked and filed.
5. Training and technical assistance will be obtained.

Follow-up results:

The Chapter has fully implemented the corrective actions.

Issue 5: Chapter property/equipment was not accounted for and safeguarded.

Corrective Actions:

1. Inventory form will be developed to account for all property/equipment.
2. Property/equipment will be tagged.
3. Physical inventory will be conducted on annual basis to reconcile against the inventory record.
4. Loss on theft of property/equipment will be documented and reported on the Underwriting Exposure Summary.
5. Fixed assets will be reported on the financial statements.

Follow-up results:

The Chapter has fully implemented the corrective actions.

Issue 6: The Chapter does not have an effective record-keeping system.

Corrective Actions:

1. Record keeping system will be organized per record policies and procedures.
2. Maintenance of records will be monitored on a bi-monthly basis to ensure an organized record-keeping system kept.

Follow-up results:

The Chapter has fully implemented the corrective actions.

CONCLUSION

The Crownpoint Chapter has implemented the majority of corrective actions outlined in the corrective action plan and has demonstrated improvements to ensure accountability and safeguarding of Chapter assets and resources. The Crownpoint Chapter has resolved 18 of 22 findings or issues from the last audit report and the Chapter officials and staff are working on resolving the remaining four issues.

The Crownpoint Chapter has strengthened internal controls and complied with policies and procedures, laws and guidelines. Therefore, the Office of the Auditor General does not recommend sanctions on the Crownpoint Chapter and officials in accordance with 12 N.N.C. Section 9.