

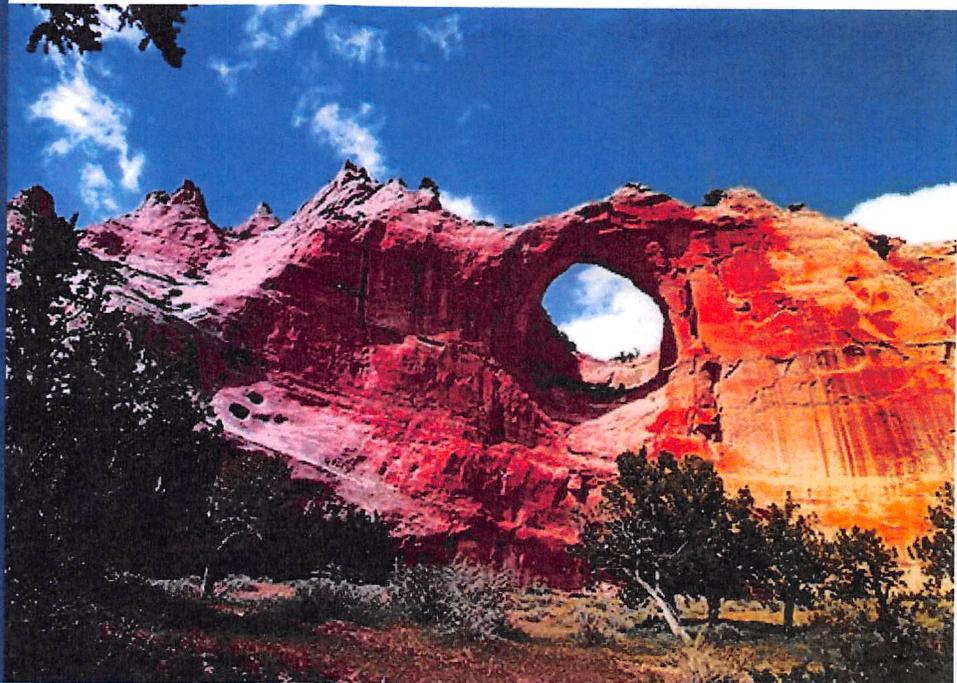
OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

**A Follow-Up Review
of the
Bahastl'ah Chapter
Corrective Action Plan Implementation**

**Report No. 15-25
June 2015**

Performed by:
Beverly Tom, Auditor
Karen Briscoe, Principal Auditor



June 29, 2015

Norman John II, President
BAHASTL'AH CHAPTER
P.O. Box 4424
Yahtahey, NM 87375

Dear Mr. John:

The Office of the Auditor General herewith transmits Audit Report No. 15-25, a Follow-up Review of the Bahastl'ah 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 Bahastl'ah Chapter corrective action plan (CAP).
- To identify the barrier(s), if any, that hindered implementation efforts.

To meet the objectives, we reviewed the six month period of July 2014 to December 2014.

Background

A compliance audit of the Bahastl'ah Chapter was conducted in 2011, and the Auditor General issued audit report no. 11-30. The audit report and the corrective action plan developed by the Bahastl'ah Chapter were approved by the Budget and Finance Committee on December 06, 2011, per resolution no. BFD-59-11. With Budget and Finance Committee approval, the Bahastl'ah Chapter has the duty to implement the corrective action plan.

Review Results

The Bahastl'ah Chapter has not fully implemented the corrective action plan and, as a result, the Chapter has not demonstrated improvements to ensure accountability and safeguarding of chapter assets and resources. The Chapter has not resolved 22 of 24 issues reported in audit report no. 11-30.

Internal controls remain deficient. Travel activities were not properly authorized to justify travel expenses. Financial assistance, personnel files, and payroll were not supported with required documentation. The Chapter did not monitor their budget. Consequently, there were deficits in several funds and unauthorized reallocation of restricted funds. Furthermore, budget changes were not community approved.

The financial statements were unreliable. Community approved budgets were posted on the wrong chapter fund. Transactions were not timely posted. The Chapter had not posted their Fiscal Year 2015 annual allocation from the Navajo Nation that was received since October 2014.

Ltr. to Norman John II

Page 2

Furthermore, we calculated unaccounted cash receipts of approximately \$7,900. Although records show the Chapter regularly collected cash from user charges such as rental fees, trash disposal, copy/faxes, shower, and septic tank cleaning there was no corresponding bank deposits. The Chapter also did not review cancelled checks for forgery or alterations. Based on comparison of the check register to the cancelled checks, seven (7) checks totaling \$4,253 were altered. All seven checks were paid to the former Community Services Coordinator. However, the Community Services Coordinator posted the seven checks into the accountings system as payments to various vendors. The intentional act of the former Community Services Coordinator to conceal the chapter checks she issued to herself were not detected by the Chapter Officials.

In regards to compliance with laws and funding guidelines, inaccurate payroll taxes were reported, and untimely paid to the Internal Revenue Service. The State unemployment contributions were not reported and remitted. Furthermore, the Chapter did not comply with the Procurement Code. Supporting documentation required to support purchases was missing. Public Employment Program files were not maintained to support chapter projects. Guidelines for expending the emergency fund were not followed.

The Chapter is not implementing its Five Management System. The Chapter Officials were not monitoring chapter activities to ensure the administration is carrying out their duties and responsibilities. See attached Exhibit A for the review results.

Conclusion

Title 12, Navajo Nation Code (N.N.C.) Section 8 imposes upon the Bahastl'ah Chapter the duty to implement the corrective action plan according to the terms of the plan. The Chapter did not implement the corrective action plan. Consequently, the issues reported in the 2011 audit remain unresolved. Accordingly, the Office of the Auditor General recommends sanctions be imposed on the Bahastl'ah Chapter and Chapter Officials in accordance with 12 N.N.C. Section 9 (b) and 9(c) for failure to implement the corrective action plan.

Sincerely,


Elizabeth Begay, CIA, CFE
Office of the Auditor General

xc: Randolph Lee, Vice-President
Joan M. Nez, Secretary/Treasurer
Mel R. Begay, Council Delegate
BAHASTL'AH CHAPTER
Robert Begay, Department Manager
ADMINISTRATIVE SERVICE CENTER
Chrono

2015 REVIEW RESULTS

Finding I: Chapter Internal Controls Are Deficient.

Prior Audit Issue 1: Chapter travel activities are not properly authorized.	
Chapter Corrective Actions	Status of Corrective Action
1. The Community Services Coordinator will approve all travel request and reimbursements.	Not Implemented
Prior Audit Issue 2: Chapter financial assistance lack proper documentation.	
Chapter Corrective Actions	Status of Corrective Action
1. The Accounts Maintenance Specialist will ensure all required support documentation is provided by the applicant.	Not Implemented
2. The Community Services Coordinator will verify all requests for assistance are documented on a standard application form with supporting documentation prior to approval/disapproval of the request.	Not Implemented
Prior Audit Issue 3: Lack of segregation of duties within the cash receipts process.	
Chapter Corrective Actions	Status of Corrective Action
1. The Accounts Maintenance Specialist will receive and record all cash receipts to a pre-numbered receipt ticket and record all cash receipts to the accounting system.	Not Implemented
2. The Accounts Maintenance Specialist will prepare the cash receipts and deposit slip and the Community Services Coordinator will reconcile all cash receipts to support documentation such as cash receipt tickets and posted cash receipts in the accounting system prior to deposit.	Not Implemented
Prior Audit Issue 4: Untimely deposits of cash receipts.	
Chapter Corrective Actions	Status of Corrective Action
1. The Community Services Coordinator will deposit cash receipts to the bank on a weekly basis.	Not Implemented
Prior Audit Issue 5: Poor inventory controls over hay resale activities.	
Chapter Corrective Actions	Status of Corrective Action
1. The Accounts Maintenance Specialist will maintain a perpetual inventory of resale items to monitor the purchase and sale of items.	Cannot Determine Due to No Activity
2. The Community Services Coordinator will conduct periodic physical counts of resale items to verify the accuracy of the perpetual inventory records.	Cannot Determine Due to No Activity
Prior Audit Issue 6: Petty cash fund lacks policies and procedures.	
Chapter Corrective Actions	Status of Corrective Action
1. The Community Services Coordinator will develop and implement petty cash policies and procedures to account for petty cash funds.	Not Implemented

Prior Audit Issue 7: Personnel file are incomplete.	
Chapter Corrective Actions	Status of Corrective Action
1. The Community Services Coordinator will ensure all documentation required by the policies and procedures are filed in employee personnel files.	Not Implemented
2. The Accounts Maintenance Specialist will ensure all personnel actions forms are approved by an authorized individual prior to the beginning of employment.	Implemented
Prior Audit Issue 8: Cancelled checks are not reviewed.	
Chapter Corrective Actions	Status of Corrective Action
1. The Community Services Coordinator, Accounts Maintenance Specialist, and Secretary/Treasurer will review cancelled checks to ensure only authorized signatures are on the checks and no alternations or irregular endorsements were made to the check.	Not Implemented
Prior Audit Issue 9: Poor monitoring of cash flows have resulted in excessive overdraft withdrawals.	
Chapter Corrective Actions	Status of Corrective Action
1. The Community Services Coordinator will ensure the Chapter checking account has available funds prior to issuing checks and ensure no disbursements are made from savings accounts.	Implemented
2. The Community Services Coordinator and Chapter Officials will work with its bank to set up accounts with minimum bank service fees.	Implemented
Prior Audit Issue 10: Chapter property lack proper identification numbers.	
Chapter Corrective Actions	Status of Corrective Action
1. The Community Services Coordinator will ensure all chapter property is tagged with pre-numbered identification tags.	Implemented
Prior Audit Issue 11: Chapter property is not adequately insured.	
Chapter Corrective Actions	Status of Corrective Action
1. The Community Services Coordinator will ensure there is insurance coverage for chapter property by remitting payment to Risk Management in a timely manner.	Not Implemented
Prior Audit Issue 12: Wages paid cannot be fully justified.	
Chapter Corrective Actions	Status of Corrective Action
1. The Community Services Coordinator will ensure daily attendance sheets are maintained by employees to document hours worked and to have the Accounts Maintenance Specialist prepare timesheets.	Not Implemented
2. The Community Services Coordinator will reconcile the daily attendance sheets to the timesheets and	

approve the timesheets prior to approving the processing of payroll to ensure employees are only paid for hours actually worked.	Not Implemented
3. The Accounts Maintenance Specialist will process payroll based on the approved timesheets.	Not Implemented
Prior Audit Issue 13: Unreliable financial statements.	
Chapter Corrective Actions	Status of Corrective Action
1. The Community Services Coordinator will ensure the accounting system is accurately maintained.	Not Implemented
2. The Chapter President will ensure the Community Services Coordinator prepares reliable basic financial statements.	Not Implemented
Prior Audit Issue 14: Poor budget monitoring resulted in budget deficits.	
Chapter Corrective Actions	Status of Corrective Action
1. The Accounts Maintenance Specialist and Community Services Coordinator will use MIP control measures to verify funds availability and refrain from processing checks unless there are sufficient funds.	Not Implemented
2. The Community Services Coordinator and Secretary/Treasurer will routinely review financial reports to ensure there are no deficits in any funds or line items.	Not Implemented
Prior Audit Issue 15: Capital Outlay funds were reallocated to cover fund deficits.	
Chapter Corrective Actions	Status of Corrective Action
1. The Community Services Coordinator will become familiar with funding guidelines and ensure all expenditures are in compliance with funding guidelines.	Not Implemented
Prior Audit Issue 16: Budget changes were not community approved.	
Chapter Corrective Actions	Status of Corrective Action
1. The Community Services Coordinator will follow budget transfer policies and procedures for any budget changes.	Not Implemented
2. The Chapter Officials will ensure all budget transfers are approved by the community membership.	Not Implemented

Finding II: Chapter Does Not Consistently Comply with Applicable Laws and Funding Guidelines.

Prior Audit Issue 17: IRS report was inaccurate.	
Chapter Corrective Actions	Status of Corrective Action
1. The Community Services Coordinator will ensure the payroll tax worksheets are prepared from the accounting system, verified for accuracy and used to prepare the Form 941 to report payroll taxes to the	Not Implemented

Internal Revenue Service. The Chapter Officials will review the report for accuracy in the absence of the Community Services Coordinator.	
Prior Audit Issue 18: IRS report was overdue.	
Chapter Corrective Actions	Status of Corrective Action
1. The Community Services Coordinator and Chapter Officials will ensure the Form 941 tax report is submitted to the Internal Revenue Service in a timely manner each quarter.	Not Implemented
2. The Community Services Coordinator and Chapter Officials will ensure payroll taxes are electronically paid each month by the established due date.	Not Implemented
Prior Audit Issue 19: State unemployment tax report was overdue.	
Chapter Corrective Actions	Status of Corrective Action
1. The Community Services Coordinator and Chapter Officials will ensure accurate State Unemployment Tax Reports and unemployment contributions are remitted to the state in a timely manner each quarter.	Not Implemented
Prior Audit Issue 20: Non-compliance with Procurement Code and Regulations.	
Chapter Corrective Actions	Status of Corrective Action
1. The Accounts Maintenance Specialist will obtain three price quotations from vendors for review and approval/disapproval by the Community Services Coordinator and Chapter Officials.	Not Implemented
2. The Accounts Maintenance Specialist will prepare a check with the required supporting documentations for the Community Services Coordinator review and approval/disapproval.	Not Implemented
3. The Accounts Maintenance Specialist will inspect the goods/services and document verification of receipt.	Not Implemented
4. The Chapter Officials shall verify supporting documentation before signing the check.	Not Implemented
Prior Audit Issue 21: Non-compliance with PEP policies and procedures.	
Chapter Corrective Actions	Status of Corrective Action
1. The Community Services Coordinator will establish project files for each project and ensure Public Employment Project policies and procedures are implemented.	Not Implemented
2. The Community Services Coordinator will prepare project reports upon their completion to justify the resources used for the project.	Not Implemented
Prior Audit Issue 22: Use of emergency funds cannot be justified.	
Chapter Corrective Actions	Status of Corrective Action
1. The Community Services Coordinator will develop an emergency response plan, obtain chapter membership approval, and ensure the plan is implemented.	Not Implemented

2. The Community Services Coordinator will ensure emergency funds are used to provide relief services to chapter members in the event of an emergency and based on priority needs in accordance to the funding guidelines, FMS policies and procedures, and emergency response plan.	Not Implemented
Prior Audit Issue 23: Monitoring by Chapter Officials Is insufficient.	
Chapter Corrective Actions	Status of Corrective Action
1. The Chapter Secretary/Treasurer will monitor chapter finances and ensure funds are expended in accordance to guidelines and policies.	Not Implemented
2. The Chapter President will ensure administrative staff and Chapter Officials are carrying out all duties, directives, and responsibilities pertaining to the Chapter in accordance to Five Management System policies and procedures and the Local Governance Act.	Not Implemented
Prior Audit Issue 24: Contrary to LGA, the Chapter has not fully implemented a five management system.	
Chapter Corrective Actions	Status of Corrective Action
1. The Chapter Officials will work closely with the Chapter staff to implement the Five Management System policies and procedures.	Not Implemented