

OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

**A Second Follow-up Review
of the
Parks and Recreation Department
Corrective Action Plan Implementation**

**Report No. 24-06
June 2024**

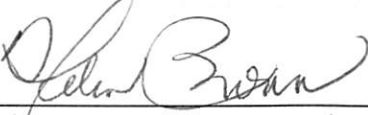
**Performed by:
Kimberly Jake, Auditor
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M-E-M-O-R-A-N-D-U-M

TO : Martin L. Begaye, Department Manager III
NAVAJO PARKS AND RECREATION DEPARTMENT

FROM : 
Helen Brown, CFE, Principal Auditor
Acting Auditor General
OFFICE OF THE AUDITOR GENERAL

DATE : June 13, 2024

SUBJECT : Audit Report No. 24-06, A 2nd Follow-up Review of the Navajo Parks and Recreation Department Corrective Action Plan Implementation

BACKGROUND

In 2009, the Office of the Auditor General performed a Special Review of the Navajo Parks and Recreation Department and issued audit report no. 09-07. A corrective action plan (CAP) was approved by the Budget and Finance Committee (BFC) on August 18, 2009.

In 2018, the Office of the Auditor General conducted a follow-up review on the Navajo Parks and Recreation Department CAP implementation and issued report no. 18-24 which recommended sanctions be imposed on the department and its manager for failure to fully implement the CAP. The BFC sanctioned the Department Manager's salary and operating budget on September 18, 2018.

In January 2024, the Department Manager requested a revisit of their CAP implementation and accordingly the 2nd follow-up review was conducted on the Navajo Parks and Recreation Department CAP implementation.

OBJECTIVE AND SCOPE

The objective of this 2nd follow-up review is to determine whether the Navajo Parks and Recreation Department fully implemented its CAP based on a six-month review period of June 1, 2023 to November 30, 2023. Our methodology included inquiries, review of records and audit test work.

SUMMARY

Of 32 corrective measures, the Navajo Parks and Recreation Department implemented 25 (78%) corrective measures, leaving 7 (22%) not fully implemented. See attached Exhibit A for the details of our 2nd follow-up review results.

CONCLUSION

Although the Navajo Parks and Recreation Department did not fully implement its corrective action plan, the measures implemented to date allow for reasonable resolution of the audit findings. Therefore, the Office of the Controller will release all withheld funds to the Navajo Parks and Recreation Department and the Department Manager in accordance with 12 N.N.C. Section 9.

Letter to Mr. Begaye

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We wish to thank the Navajo Parks and Recreation Department for assisting in this 2nd follow-up review.

xc: W. Mike Halona, Executive Director
DIVISION OF NATURAL RESOURCES
Patrick Sandoval, Chief of Staff
OFFICE OF PRESIDENT/VICE PRESIDENT
Sean McCabe, CPA, Controller
Robert Willie, Accounting Manager
OFFICE OF THE CONTROLLER
Chrono

REVIEW RESULTS
Parks and Recreation Department Corrective Action Plan Implementation
Review Period: June 1, 2023 to November 30, 2023

Audit Issues	Total # of Corrective Measures	# of Corrective Measures Implemented	# of Corrective Measures Not Implemented	Audit Issue Resolved?	Review Details
1. Cash revenues are not properly safeguarded and timely deposited.	9	7	2	Yes	Attachment A
2. Record keeping is poor.	6	5	1	Yes	
3. Improving Parks infrastructure and facilities is not a priority.	5	5	0	Yes	
4. Imprudent travel expenses.	4	4	0	Yes	
5. The Parks and Recreation Department does not properly classify expenses.	8	4	4	No	Attachment B
TOTAL:	32	25	7	4 - Yes 1 - No	

WE DEEM CORRECTIVE MEASURES: **Implemented** where the department 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.

<p>◆ 2024 STATUS</p>	<p>Cash revenues are not properly safeguarded and timely deposited. RESOLVED</p>
<p>In the initial audit, the Monument Valley Navajo Tribal Park (MVNTP) collected cash revenue that resulted in issues with safeguarding and timely deposits of cash. However, the MVNTP has since implemented a Point of Sale (POS) system in January 2022 to accept credit/debit cards instead of cash which allows for a cashless operation and limits the intake of cash to when power/internet outages or mechanical/software errors occurs.</p> <p>During the six-month review period, the park collected cash on 11 occasions with amounts between \$8 and \$696. The park documents the cash counts and reconciliations performed by a supervisor and stores cash in a safe for safekeeping. In one instance, cash was deposited four days late during a holiday weekend but otherwise, cash was deposited the same day.</p> <p><u>Other observations:</u></p> <ul style="list-style-type: none"> • Cameras are not installed at all cash handling points. Although the park has 10 security cameras on the park premises, only one is placed to record the dropping of cash into the safe. The collection booth and reconciliation rooms do not have cameras. As a compensating control, policies require the Park Manager or Fee Collector Supervisor to approve the collection of cash with the Fee Collector Supervisor observing the intake, but there is no documented evidence that this step was completed during our review period. • One deposit had an overage of \$5. Policies require a shift audit to be completed by the Ranger, but this was not completed. The overage occurred when a park visitor declined to accept change from paying the entry fee but this was not documented or acknowledged by supervisors. • Policies require shift spot checks, but these were not implemented. • Deposit bags are pre-numbered and should be recorded to the deposit log but between August 2023 and April 2024, 6 of 22 deposit bags were not recorded or staff did not indicate the reason bags were not used. For instance, in the review of one unrecorded pre-numbered deposit bag, MVNTP used the bag for a cash deposit which was supported by a bank deposit receipt, but staff did not record this action to the deposit log. • Fee Collectors are required to sign a form acknowledging their understanding of revenue policies, but other staff who are also involved in the process are not required to sign a form. <p>NPRD management should periodically verify implementation of policies to ensure full accountability of park revenues. Although controls have improved by implementing the POS system, there is still the risk that cash could go missing if other important controls are not consistently implemented. Nonetheless, the audit issue regarding safeguarding and timely deposits of park revenues is deemed reasonably resolved.</p>	
<p>◆ 2024 STATUS</p>	<p>Record keeping is poor. RESOLVED</p>
<p>Since the initial audit, NPRD has made improvements to the records management system as noted by the following:</p> <ol style="list-style-type: none"> 1. NPRD is revising its records management handbook to include the tribal parks and will finalize the handbook by November 2024 for full implementation. 	

2. NPRD established a secure records room within the Administration building to store sensitive records. Filing of records is managed by the Records Clerk and is supervised by the Accounting Technician. Active files that are routinely used by staff are still maintained at individual workstations and secured in locked desks, file cabinets, or offices.
3. In the absence of a permanent office, the Project Development Section is currently located at the museum and maintain their park project files at this location in secured locked filing cabinets.
4. NPRD records were stamped, classified, and filed accordingly by subject, vendors, alphabetically, chronologically and/or other methods that provide better accessibility and retrieval of information.
5. NPRD also stores records in a storage container and maintains a records inventory of the files.

Other observations:

- Inspection of files to ensure records continue to be complete, stamped, classified, filed and safeguarded needs to remain consistent and performed periodically.
- Project folders need to contain all historical records including resolutions and budget forms.
- Not all NPRD records are accounted for. Therefore, records submitted to NPRD need to go through the administration to be stamped and logged in before distributing to the intended recipient and accounting records need to be submitted to the accounting section to account for all records.
- NPRD is creating a new position to supervise the Records and Property sections, however this is not cost efficient since NPRD currently has sufficient staff to provide supervision.

Overall, NPRD has reasonably improved their records management system. Therefore, the audit issue is deemed reasonably resolved.

◆ 2024 STATUS	Improving Parks infrastructure and facilities is not a priority. RESOLVED
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In the initial audit, NPRD was not prioritizing improvements to tribal parks but instead was focusing on supporting the Navajo Nation Fair and 4th of July Celebration. Since then, the two fair events have been moved to another department to manage as of 2019. Since then, NPRD has used park revenues to fund park improvements.

NPRD created a five-year project plan for all tribal parks for calendar years 2020 to 2024. Park Managers and the NPRD administration collaborated to create the plan. Each year of the plan includes 11 to 20 projects. In total, the plan has 81 projects planned and of this number, 18 (22%) are funded by Navajo Nation resolutions. These resolutions, approved between 2007 and 2016, authorized the drawdown of funds from the NPRD fund balance totaling \$13.6 million, which includes funding for the 18 projects, while 63 (78%) are not yet funded. Of the 18 funded projects, nine have been completed and nine are ongoing.

Recently in January 2024, NPRD prepared a funding request of \$35 million for Monument Valley Tribal Park projects to be paid from park revenues. This request is currently going through the review process. In addition, NPRD was funded Hotel Occupancy Tax from 2016 to 2021 and spent over \$1.5 million on tribal park improvements.

Other observations:

- NPRD budgets for the Parks Enterprise fund include projects involving park improvements and maintenance. However, NPRD does not include these projects on the five-year project plan.
- The project plan is confusing and does not identify the oversight committee resolution numbers and approved budget amounts to trace back to the project plan.
- The project plan is ambitious, leaving most planned projects with no activity. Further, the project plan is unreliable since NPRD did not update the plan to reflect the actual progress and accomplishments within the five-year period.

Overall, NPRD has made efforts to prioritize park improvements but more clarity is needed with the five-year project plan. Nonetheless, the audit issue is reasonably resolved.

◆ 2024 STATUS	Imprudent travel expenses. RESOLVED
<p>Based on inquiries and review of meeting schedules for five NPRD central and tribal park staff, we noted staff meetings were conducted virtually, in Window Rock, or near tribal park locations. Off-reservation strategic planning meetings were limited. Overall travel expenses have declined since the initial follow up review in 2018. Nonetheless, FY2024 travel budget has doubled from FY2023. Therefore, NPRD should remain prudent with travel activities to focus on furthering the Department’s objectives.</p> <p>Overall, NPRD has been more prudent in travel activities. Therefore, the audit issue is deemed resolved.</p>	

<p>◆ 2024 STATUS</p>	<p>The Parks and Recreation Department does not properly classify expenses. NOT RESOLVED</p>
<p>The initial audit reported that NPRD commingled funds by recording the 4th of July Celebration and Navajo Nation Fair expenses to the Parks Enterprise Fund. The two fair events had their own enterprise fund at the time. Since then, NPRD revised its plan of operation to move the two fair events to another department, along with the two enterprise funds.</p> <p>Although the funds that were the source of the finding are no longer under NPRD management, the issue of incorrectly classifying expenses remains an issue. During the review period, NPRD managed seven other accounts in addition to the NPRD Enterprise Fund. These additional funds are for the purpose of funding projects at the parks for improvement, maintenance, or development. In reviewing all NPRD accounts, the following discrepancies were noted:</p> <ol style="list-style-type: none"> 1. Project funds, totaling \$875,154, approved by the Resources and Development Committee (formerly Resources Committee), for Monument Valley and Antelope Canyon parks, were used to purchase a modular building for the NPRD administration located in Window Rock, AZ. NPRD did not obtain approval to use the funds for other purposes. 2. NPRD was allocated Hotel Occupancy Tax (HOT) funds from the Tourism Department to fund projects for Monument Valley and Little Colorado River tribal parks. However, in FY2023, HOT funds totaling \$169,860 was used to purchase playground equipment for the Navajo Nation Zoo. NPRD could not provide documented approval that authorized the use of funds for other purposes. 3. According to the fund management plan for the NPRD enterprise fund, funds shall be used for tribal parks, monuments, and recreational areas/facilities, and other special events under the responsibility of NPRD. However, enterprise funds totaling \$292,869 (buildings line item) was used to fund the construction of restroom facilities for the Navajo Nation Zoo, contrary to the fund management plan, which was paid between the months of November 2023 and February 2024. 4. The corrective action plan also requires NPRD to monitor budgets and expenses and reconcile to the Financial Management Information System (FMIS). The accounting section of NPRD manages ledgers for the enterprise fund while the project development section of NPRD manages ledgers for project funds, but neither of these ledgers are updated and do not reconcile to the FMIS. <p>Overall, the use of funds for purposes it was not intended for is an improper classification of expenses. NPRD should identify proper funds, obtain authorization, and/or make applicable budget modifications to properly use the funds. The Department Manager authorized payments from these applicable funds without first verifying that the funding intent was met. As a result, the risk for the misclassification of expenses remains and consequently, NPRD cannot provide reasonable assurance funds are used for proper projects.</p>	