



OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

A Follow-Up Review of the Red Mesa Chapter Corrective Action Plan Implementation

**Report No. 24-09
June 2024**

**Performed by:
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June 27, 2024

Herman Farley, President
RED MESA CHAPTER
P.O. Box 422
Montezuma Creek, UT 87313

Dear Mr. Farley:

The Office of the Auditor General herewith transmits audit report no. 24-09, a Follow-up Review of the Red Mesa Chapter Corrective Action Plan Implementation.

BACKGROUND

In 2019, the Office of the Auditor General performed a Special Review of the Red Mesa Chapter and issued audit report 19-34. A corrective action plan (CAP) was developed by the Red Mesa Chapter in response to the audit. The audit report and CAP were approved by the Budget and Finance Committee on November 16, 2021, per resolution no. BFN-36-21.

OBJECTIVE AND SCOPE

The objective of the follow-up review is to determine whether the Red Mesa Chapter fully implemented its corrective action plan based on a six-month review period of November 1, 2023 to April 30, 2024.

SUMMARY

Of the 27 corrective measures, the Red Mesa Chapter implemented 17 (63%) corrective measures, leaving 10 (37%) not fully implemented. See Exhibit A for the details of our review results.


CONCLUSION

Title 12 N.N.C Section 8 imposes upon the Red Mesa Chapter, the duty to implement the corrective action plan according to the terms of the plan. As of this follow-up review, the Red Mesa Chapter did not fully implement its corrective action plan. Therefore, some audit issues remain unresolved.

It has been five years since the issuance of the initial audit report and the Chapter had ample opportunity to implement the corrective action plan. However, we recognize the Chapter is making efforts to address the audit findings. Considering this, the Auditor General hereby grants the Red Mesa 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 2024 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 Red Mesa Chapter administration and officials for assisting in this follow-up review.

Sincerely,



Helen Brown, CFE, Principal Auditor
Acting Auditor General

xc: Marilyn Holly, Vice President
Marlene Dee-Bee, Secretary/Treasurer
Ronalda Joe, Community Services Coordinator
Curtis Yanito, Council Delegate
RED MESA CHAPTER
Jaron Charley, Department Manager II
Calvin Tsosie, Senior Programs & Projects Specialist
ADMINISTRATIVE SERVICE CENTER/DCD
Chrono

REVIEW RESULTS

Red Mesa Chapter Corrective Action Plan Implementation

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

Audit Issues	Total # of Corrective Measures	# of Corrective Measures Implemented	# of Corrective Measures Not Implemented	Audit Issue Resolved?	Review Details
1. Travel expenses lacked proper approval and supporting documentation.	5	5	0	Yes	Attachment A
2. Chapter property is not routinely inventoried and lack identification tags.	4	4	0	Yes	
3. The Chapter cannot fully account for building materials awarded to a housing recipient.	7	7	0	Yes	
4. \$390,000 of fixed assts reported in the balance sheet cannot be supported with documentation.	5	0	5	No	Attachment B
5. The Chapter did not properly verify eligibility of housing assistance recipient.	6	1	5	No	
TOTAL:	27	17	10	3- Yes 2- 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.

REVIEW RESULTS

Red Mesa Chapter Corrective Action Plan Implementation

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

<p>◆ 2024 STATUS</p>	<p>Travel expenses lacked proper approval and supporting documents. RESOLVED</p>
<p>Seven (7) travel expenditures totaling \$1,387 were examined for proper approval and supporting documentation. Specifically, we verified complete travel authorizations with accurate travel expense calculations, expense reports, trip reports, mileage reports, sign in sheets, agendas and receipts.</p> <p>Overall, travel expenditures were properly approved and supported with adequate documentation. Therefore, the finding was deemed reasonably resolved and the Chapter improved controls for travel activities to minimize any potential risks.</p>	
<p>◆ 2024 STATUS</p>	<p>Chapter property is not routinely inventoried and lack identification tags. RESOLVED</p>
<p>The property inventory that is attached to the annual Underwriting Exposure Summary is updated annually by Accounts Maintenance Specialist, reviewed by the Community Services Coordinator, and approved by the Chapter President prior to submitting to the Risk Management Department for insurance purposes. Based on the property inventory, 12 fixed assets totaling \$184,640 were examined and all property items were reasonably tagged with identification numbers. Further, all items were located on chapter premises.</p> <p>During the examination of property, some property items were missing identification tags. It was later determined that these items had assigned property numbers, but the chapter administration had yet to affix the tags to the items. The staff was advised to complete this task in a timely manner and update the property inventory to reflect complete information. Otherwise, the Chapter has made improvements to better account for its property. Therefore, the finding has been reasonably resolved.</p>	
<p>◆ 2024 STATUS</p>	<p>The Chapter cannot fully account for building materials awarded to a housing recipient. RESOLVED</p>
<p>A total of five (5) recipients were awarded housing assistance involving building materials and archeological clearances. The four (4) recipients awarded assistance with archeological clearances had archeological inventory reports on file from the Navajo Nation Heritage and Historic Preservation Department to support the housing-related assistance.</p> <p>One recipient was assisted with \$455 for insulation materials. The assistance was considered as self-help and no labor was provided by the Chapter. This recipient provided pictures of areas to install the insulation and after the work was completed, the Chapter obtained pictures to verify the materials were used for its intended purpose. In addition, the Chapter made no bulk purchase of building materials, and we observed no building materials being stored in the Chapter's warehouse.</p> <p>Overall, the Chapter provided reasonable assurance that building materials were used for their intended purpose as part of housing assistance. Therefore, the finding was deemed reasonably resolved.</p>	

REVIEW RESULTS

Red Mesa Chapter Corrective Action Plan Implementation

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<p style="text-align: center;">◆</p> <p>2024 STATUS</p>	<p>\$390,000 of fixed assets reported in the balance sheet cannot be supported with documentation.</p> <p>NOT RESOLVED</p>
<p>In the initial audit, the Chapter reported \$390,000 of fixed assets in the balance sheet and the former Community Services Coordinator was unable to locate the records to support the fixed assets amounts. The current Community Services Coordinator was hired in February 2024 and Accounts Maintenance Specialist in March 2024, and upon their hiring, they were informed of the corrective action plan to resolve audit findings. However, despite the new staff, the balance sheet as of April 30, 2024 still does not report any fixed assets. This lack of reporting understates the value of the Chapter's total assets.</p> <p>A total of 23 fixed assets totaling \$530,771 were identified for the review period. A sample of 12 fixed assets totaling \$184,640 was reviewed and of this number, 10 assets did not have supporting documentation to justify their reported values.</p> <p>The Chapter acknowledged the finding remains unresolved as they seek a certified appraiser to appraise the buildings and equipment. The current staff has researched chapter records and was able to locate some invoices and titles to determine property values that were previously lacking. However, the Chapter requires further assistance from the Administrative Service Center on alternative methods to value the fixed assets for which documentation cannot be found. Overall, the finding remains unresolved and Chapter financial statements such as the balance sheet remain incomplete and unreliable.</p>	
<p style="text-align: center;">◆</p> <p>2024 STATUS</p>	<p>The Chapter did not properly verify eligibility of housing assistance recipients.</p> <p>NOT RESOLVED</p>
<p>Five (5) recipients received housing assistance totaling \$1,555 from the Chapter. Of this amount, \$455 was for building materials and \$1,100 for archeological clearances. In verifying recipient eligibility, the following deficiencies were noted:</p> <ul style="list-style-type: none"> • One recipient was awarded archeological clearance totaling \$275 but did not provide proof of income verification required by policy. In addition, this recipient did not inform the Chapter that an archeological clearance was previously completed. Rather, the vendor hired to complete the archaeological clearance discovered through the Navajo Nation Heritage and Historic Preservation Department that an archeological clearance was already completed in 1993, which caused the Chapter to unnecessarily hire and pay the vendor for this applicant. • The Chapter's Housing Committee approved an archeological clearance applicant without supporting documentation and prior approval by the Community Services Coordinator. The Housing Committee insisted the Community Services Coordinator award the applicant and being a new employee at the time, the Community Services Coordinator went ahead and included the applicant when identifying a vendor to complete archaeological clearance services for several applicants. • Lastly, although the chapter staff uses a checklist to verify the receipt of required documents, not all documents were attached to the housing assistance packets. In addition, the checklist is inconsistent with the housing policies as noted by the following: <ul style="list-style-type: none"> • One recipient provided a picture identification card that is not on the checklist and policies. • Social security cards are not required in the policies but are on the checklist. • Point allocation sheet and quotes are not on the checklist but are required by policies. 	

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- Policies do not identify the required documents needed for archeological clearance projects but this type of assistance is provided.

Overall, the current staff and Officials acknowledged they still need to make improvements such as revising the Housing Assistance policies to ensure there is fairness in awarding housing assistance. Therefore, the finding remains unresolved and by continuing to award recipients who could be ineligible, the risk for misuse of chapter funds remains.