



OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

A Follow-Up Review of the Upper Fruitland Chapter Corrective Action Plan Implementation

**Report No. 25-02
November 2024**

**Performed by:
Alfreda Lee, Senior Auditor
Leldon Randall, Associate Auditor**





November 8, 2024

Lynelle Lee, President
UPPER FRUITLAND CHAPTER
P.O. Box 1257
Fruitland, NM 87416

Dear Ms. Lee:

The Office of the Auditor General herewith transmits audit report no. 25-02, a Follow-Up Review of the Upper Fruitland Chapter Corrective Action Plan (CAP) Implementation.

BACKGROUND

In 2021, the Office of the Auditor General performed an Internal Audit of Upper Fruitland Chapter and issued audit report no. 21-23. A corrective action plan was developed by Upper Fruitland Chapter in response to the audit. The audit report and CAP were approved by the Budget and Finance Committee on October 4, 2022, per resolution no. BFO-32-22.

OBJECTIVE AND SCOPE

The objective of the follow-up review was to determine whether the Upper Fruitland Chapter fully implemented its CAP based on the six-month review period of January 1, 2024 to June 30, 2024.

SUMMARY

Of the 34 corrective measures, the Upper Fruitland Chapter implemented 14 (41%) corrective measures, leaving 20 (59%) not fully implemented. See Exhibit A for the details of our review results.

CONCLUSION

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

The initial audit report was issued three years ago, and the Chapter is still making efforts to address the audit findings. Considering this, the Auditor General hereby grants the Upper Fruitland 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 May 2025 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 Upper Fruitland Chapter administration and officials for assisting in this follow-up review.

Letter to Lynelle Lee
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Sincerely,



Helen Brown, CFE, Principal Auditor
Acting Auditor General

Attachments

xc: Lisa Marie Byrd, Vice-President
Dora Smith, Secretary/Treasurer
Alvis Kee, Chapter Manager
Rickie Nez, Council Delegate
UPPER FRUITLAND CHAPTER
Jaron Charley, Department Manager II
Eliza-Beth Washburne, Senior Programs & Projects Specialist
ADMINISTRATIVE SERVICE CENTER/DCD
Chrono

REVIEW RESULTS

Upper Fruitland Chapter Corrective Action Plan Implementation
 Review Period: January 1, 2024 to June 30, 2024

Audit Issues	Total # of Corrective Measures	# of Corrective Measures Implemented	# of Corrective Measures Not Implemented	Audit Issue Resolved?	Review Details
1. Bank reconciliations were not completed timely.	4	4	0	Yes	Attachment A
2. Cash receipts were not deposited in a timely manner, supported by all required documentation, consistently and accurately charged and coded, fully reconciled, or reported to the Chapter membership monthly.	6	5	1	No	Attachment B
3. Payroll activities approvals were not always being properly documented.	5	2	3	No	
4. Asset items were not always properly capitalized, tracked or insured.	10	2	8	No	
5. Cash disbursements were not properly supported by documentation, were not coded in accordance with the adopted chart of accounts or	6	0	6	No	

REVIEW RESULTS

Upper Fruitland Chapter Corrective Action Plan Implementation
 Review Period: January 1, 2024 to June 30, 2024

were not procured according to adopted policies.					
6. Effective internal controls over the use of fuel cards and distribution of gift cards were not in place.	3	1	2	No	
Total	34	14	20	1-Yes 5-No	

WE DEEM CORRECTION MEASURES: **Implemented** where the Chapter provided sufficient and appropriate evidence to support all elements of Implementation; and **Not Implemented** where evidence does not support meaningful movement towards implementation, and/or where no evidence was provided.

◆ 2024 STATUS	Bank reconciliations were not completed timely. RESOLVED
<p>A sample of three bank reconciliations from the Chapter general checking account and Senior Center Building Construction account were examined and all were 1) timely completed, 2) signed and dated by the preparer, and 3) reviewed, signed, and dated by the Chapter Manager. Further, canceled checks are cosigned by two authorized signers and monthly monitoring forms were completed and signed by the Chapter Manager and Officials.</p> <p>The Chapter has resolved the audit issue.</p>	

<p>◆ 2024 STATUS</p>	<p>Cash receipts were not deposited in a timely manner, supported by all required documentation, consistently and accurately charged and coded, fully reconciled, or reported to the Chapter membership monthly. NOT RESOLVED</p>
<p>A sample of 18 cash receipt tickets totaling \$8,942 were examined and all receipts were 1) supported with receipt tickets, cash count forms and deposit slips, 2) charged based on the fee schedule, 3) posted daily, 4) reconciled before deposit, 5) accurately charged and coded, and 6) timely deposited. Further, a fund management plan was approved to provide additional guidance on how to expend the internally generated revenues.</p> <p>The chapter staff indicated that revenues are reported at the monthly chapter meetings. However, this claim could not be substantiated because the Secretary/Treasurer did not document the reporting of chapter finances including revenues in the monthly meeting minutes. There was also no public posting of monthly financial reports at the chapter house for review by community members.</p> <p>The lack of reporting of chapter finances is contrary to the Local Governance Act and fiscal policies and procedures. Therefore, the Chapter has not fully resolved the audit issue.</p>	
<p>◆ 2024 STATUS</p>	<p>Payroll activities approvals were not always being properly documented. NOT RESOLVED</p>
<p>A sample of 20 payroll disbursements were examined and all disbursements were supported with timesheets. 18 timesheets were approved by the Chapter Manager or official, but the Chapter Manager was approving his own timesheets. Of the timesheets examined, five were for the Chapter Manager and of this number, two were approved by the Chapter Manager rather than his immediate supervisor.</p> <p>The practice of approving your own timesheet as an employee poses a significant risk for potential misuse of funds and does not provide assurance that wages paid are legitimate. The Chapter will need to instill compensating controls if the Chapter Manager's immediate supervisor is not readily available to review and approve timesheets.</p> <p>The Chapter has not resolved the audit issue.</p>	
<p>◆ 2024 STATUS</p>	<p>Asset items were not always properly capitalized, tracked or insured. NOT RESOLVED</p>
<p>The Chapter continues to capitalize assets valued less than \$5,000 and incorrectly coded Chapter renovations to the building subaccount instead of building improvement subaccount. Further, five property items totaling \$87,024 had no documentation to support the value reported in the balance sheet and were not tagged with identification numbers.</p> <p>The annual physical count of property was completed by summer students, but their work was not verified for accuracy by the Chapter Manager. In addition, the Underwriting Exposure</p>	

Summary (UES) forms are used as the property inventory, but these forms did facilitate the recording of pertinent property information such as property identification number, acquisition date, serial number, current condition, last inventory and date of disposition. Nonetheless, the UES is updated annually by the Chapter Manager and submitted to Risk Management for insurance purposes. The FY2024 property insurance was paid in December 2023. However, five assets totaling \$24,892 were not reported on the UES and therefore not insured.

Overall, the fixed assets reporting remains unreliable, and the Chapter is at risk for financial loss in the event of stolen or damaged property that is not insured. The Chapter has not resolved the audit issue.

◆ 2024 STATUS	Cash disbursements were not properly supported by documentation, were not coded in accordance with the adopted chart of accounts or were not procured according to adopted policies. NOT RESOLVED
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Review of 15 expenditures totaling \$26,734 noted the following discrepancies:

1. 13 expenditures totaling \$23,871 did not have three or more quotes.
2. Three expenditures totaling \$2,128 did not have the original invoice or receipt.
3. One expenditure totaling \$642 did not have an approved Fund Approval Form.
4. 10 expenditures totaling \$19,241 were not verified against the approved purchase.
5. Three expenditures totaling \$4,038 were not accurately posted in MIP.

The Chapter remains at risk of improper disbursements to vendors and inaccurate financial statements. Therefore, the Chapter has not resolved the audit issue.

◆ 2024 STATUS	Effective internal controls over the use of fuel cards and distribution of gift cards were not in place. NOT RESOLVED
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Although the Chapter no longer distributes gift cards, the Chapter continues to use fuel cards purchased from Smith's grocery store. A draft fuel card policy remains incomplete and missing key controls such as segregation of duties, authorization, reconciliation, review, and monitoring.

The Chapter Records Clerk uses a fuel log to track the gas receipts and card usage with no review by the Chapter Manager or Administrative Assistant. Five fuel card purchases totaling \$2,400 were examined and the purchase of a \$300 fuel card was not recorded to the fuel log. In addition, gas receipts for \$97 of \$2,400 were not on file.

Overall, the Chapter remains at risk for potential abuse of the fuel cards for personal use or other unauthorized purposes. Therefore, the Chapter has not resolved the audit issue.