

Capital Improvement Office Corrective Action Plan

12-Month Follow Up

Objective

In accordance with 12 Navajo Nation Code, Section 7(G), the Office of the Auditor General conducted a twelve month follow up review on the status of the Capital Improvement Office (CIO) corrective action plan (CAP) that was approved by the Budget and Finance Committee on September 4, 2001 per resolution number BFS-97-01. Our objective for the follow up review was to determine whether CIO implemented its CAP and resolved the findings reported in Audit Report No. 00-29.

In addition, the Transportation and Community Development Committee (TCDC) requested our office to review CIO staff qualifications because of the program's failure to develop a multi-year capital improvement plan. Therefore, to address TCDC's concern, our second objective was to determine whether CIO staff has the technical capabilities to develop a multi-year capital improvement plan.

Scope and Methodology

In meeting our objectives, we reviewed CIO's activities to gain an understanding of its functions. Our review consisted of interviews with the director and staff, observation of program operations and verification of transactions. We examined a sample of program records to verify whether CIO implemented the major phases in developing a capital improvement plan as set forth at 12 N.N.C. Chapter 7 § 800, Appropriations. Our sample was selected using non statistical, judgmental sampling methods.

Review Results

CAP IMPLEMENTATION VERIFICATION

CIO did not make a good faith effort to fully implement its CAP. Consequently, the findings reported in Audit Report No. 00-29 remain unresolved. CIO's lack of a good faith effort to implement the corrective actions resulted in the program's failure in meeting the infrastructure needs of the Navajo Nation.

CIO Director stated that several barriers prevented them in fully implementing the CAP. However, we found these barriers cited by the CIO Director to be unacceptable justifications for failure to implement the CAP. The following is a summary of these barriers

and our conclusion:

Barriers claimed by CIO director

1. The Navajo Nation Council did not approve the capital improvement plan that CIO developed.
Not acceptable. N.N.C. Section 164 reviewers expressed various concerns regarding the adequacy of CIO's proposed capital improvement plan. Records showed that CIO did not adequately address the reviewers' comments. As a result, CIO's proposed capital improvement plan was not approved by the Navajo Nation Council. The following are some of the reviewers' comments:
 - CIO did not obtain OMB and the Controller's office assistance on how the plan could be funded and at what level. (*The Appropriations Act states that CIO in conjunction with OMB and the Controller's office shall perform a financial analysis and programming to determine the amount of funding available for capital expenditures for the fiscal year, and to identify all other sources of funding.*)
 - The Community Needs Assessment is outdated. (*The assessment should be done in October of the previous year.*)
 - The proposed capital improvement plan includes capital and non-capital items, which is not in compliance with the Appropriations Act. A capital item is non-recurring and the Controller recommends \$50,000 minimum amount.
 - The proposed capital improvement plan does not fully include all data required by the Appropriations Act. For instance, the facilities inventory has not been completed.
 - CIO has missed the deadline from the timetable established by the Appropriations Act.
2. CIO did not prepare an inventory list of facilities owned by the Navajo Nation because it is not CIO's responsibility to conduct an inventory of existing tribal facilities.
Not acceptable. The Appropriations Act set forth at Title 12 N.N.C. §800 requires CIO to prepare an inventory list of existing Navajo Nation facilities. To prepare the list does not necessarily mean CIO conducting the physical inventory themselves. Rather, CIO needs to work closely with other departments such as Risk Management, Property Management and Controller's Office to gather the necessary information and compile a list.
3. CIO did not close out completed projects because contractors are not issuing close out documents.
Not acceptable. Although the corrective action plan provided specific corrective measures to close out projects, CIO did not fully implement these measures. With the detailed plan, CIO was in a reasonable position to implement the CAP and had ample opportunity to correct the audit deficiencies.
4. CIO is understaffed given the responsibilities prescribed in its plan of operation.
Not acceptable. There was no direct evidence to support the need for additional CIO staff. Currently, CIO has 12 staff members assigned to the central and agency offices. This staff size is reasonable to implement the CAP. Lack of initiative rather than staffing hindered CIO's progress with the CAP.

STAFF QUALIFICATION EVALUATION

The Office of the Auditor General also evaluated the education and skills of the CIO staff to determine if the staff is technically capable of developing a multi-year capital improvement

plan. Our evaluation found that the current CIO staff does not have the type of technical skills needed to develop the plan. Our evaluation noted the following:

- The position requirements for the CIO director calls for a Bachelors degree in public or business administration. This requirement may not be appropriate for a technical organization such as CIO. Comparable positions in state and local governments usually require engineering, architecture or planning degrees.
- Key departmental staff positions which are the CIO director, project specialist and senior accountant did not meet the minimum educational requirements. The position requirements called for a Bachelors degree, but these staff members do not have such degrees. Rather, the staff were deemed qualified based on the equivalency clause, focusing on years of work experience.
- Although the CIO director was found qualified for his position based on the equivalent clause, we question whether the equivalent experience is acceptable and if so, what constitutes equivalent experience. It's understandable that directors may qualify based on their experience, but what is necessary is the ability to understand the technical requirements of the work and have the management skills to direct the organization toward a specific goal.
- CIO was unable to fully implement the CAP. Consequently, the unresolved audit findings will hinder CIO in effectively developing the Navajo Nation capital improvement plan as required by Navajo Nation law.

Conclusion

Overall, CIO did not demonstrate a good faith effort in implementing its CAP. Therefore, we recommend that sanctions be imposed on CIO and the Department Director in accordance with 12 N.N.C. §9(B) and §9(C).

In addition, we recommend that the Division of Community Development (DCD) Executive Director evaluate the performance of the CIO Director and take appropriate disciplinary action to address the employee's lack of performance in accordance with the Navajo Nation Personnel Policies, Section XIV.G, Table of Penalties, Item 27, Unsatisfactory Work Performance. Given that the DCD Executive Director has oversight responsibility over CIO operations and staff, the Office of the Auditor General strongly advises the DCD Executive Director to mandate CIO staff to make a committed effort to fully implement the corrective actions and resolve the audit findings.