

Sawmill Chapter Corrective Action Plan

Supplemental Follow Up Review

Background

Per directive by the Transportation and Community Development Committee (TCDC), the Office of the Auditor General (OAG) conducted a supplemental follow-up review on the status of the Sawmill Chapter (Chapter) implementation of its corrective action plan (CAP). The CAP was approved by the Budget and Finance Committee (BFC) on May 09, 2000, by resolution BFMY-45-00 to resolve the findings in OAG Audit Report 00-07. Title 12 Navajo Nation Code section 8 requires Sawmill Chapter to implement the CAP. Section 7 further directs OAG to conduct a follow-up review twelve months after BFC's approval of the CAP. Sawmill Chapter's failure to implement the CAP will result in the Chapter and its officials to be sanctioned.

On March 21, 2003, OAG issued the results of its twelve-month follow-up review and recommended that the Sawmill Chapter and its officials be sanctioned for failure to implement the CAP to resolve the findings in report 00-07. On May 27, 2003, the Chapter represented before TCDC that they needed an additional 30 days to resolve the findings. This prompted TCDC to give the Chapter an additional 30 days to fully implement its CAP.

Objective, Scope and Methodology

OAG conducted the supplemental review to determine whether the Sawmill Chapter complied with TCDC's directive to fully implement its CAP. The Chapter was required to resolve fifteen findings presented in report 00-07, by implementing its CAP. However, our twelve-month follow-up found that only one finding was resolved because the Chapter did not implement all of the corrective actions outlined in its CAP. This left fourteen unresolved findings.

In meeting our objective, we interviewed Chapter staff and examined available documentation for the five-month period beginning February 01, 2003 through June 30, 2003. We examined cash receipts documentation to determine whether all cash receipts are recorded, reconciled and deposited intact. We selected a sample of expenditures using a non statistical, judgmental approach. The sampled expenditures were reviewed to verify community approval, adequacy of supporting documentation, and compliance to applicable laws, policies and fund guidelines. In addition, we reviewed documentation to assess the progress of the Chapter's implementation of its five management system.

Review Results

Our supplemental review found the Chapter has resolved four additional findings by:

- Recording all revenue in the cash receipts journal
- Ensuring checks issued are for expenditures that have been reviewed for propriety
- Implementing a chart of accounts and establishing fund ledgers for each fund
- Monitoring of budgets by using fund ledgers and by posting revenues and expenditures

However, the Chapter has yet to resolve ten findings. The following are the ten unresolved findings that the Chapter still needs to resolve:

- Check register and fund ledgers are not reconciled
- Cash receipts are not deposited intact
- Policies and procedures that ensure fairness in awarding financial assistance from the Housing Discretionary Fund was not established
- A complete and accurate inventory of property and equipment was not performed
- Established policies and procedures regarding property and equipment are not adhered to
- Monthly reporting of Chapter finances to the community are not performed
- Policies and procedures for financial reporting are not adhered to
- Five management system policies and procedures are not fully implemented
- Basic financial statements generally required for governmental entities are not accurately generated
- The internal controls over cash receipts and property have not improved

The ten unresolved findings expose the Chapter to financial risks. For instance, cash receipts that are not deposited intact result in loss of revenue and fund ledgers that are not reconciled to the check register result in inaccurate fund ledger balances. For Sawmill Chapter, such circumstances result in understated revenues and expenditures, and overstated fund balances. This further leads to financial statements, which are generated from the fund ledgers, to be inaccurate and unreliable.

Conclusion

Sawmill Chapter has not demonstrated a good faith effort to implement its corrective action plan to resolve all findings. The Chapter has had more than three years to implement its CAP. The lack of effort to implement corrective actions resulted in minimal improvement of the Chapter's internal control structure. The Chapter cannot provide reasonable assurance that assets and resources are accurately accounted for and adequately safeguarded.

Therefore, the Office of the Auditor General reaffirms its recommendation that the Chapter be sanctioned for failure to implement its corrective action plan, in accordance to title 12 Navajo Nation Code sections 9(B) and 9(C). In addition, we reaffirm our previous recommendation that the Sawmill Chapter officials evaluate the community services coordinator's performance or lack thereof and take appropriate disciplinary personnel action(s). Further, we recommend Ft. Defiance Local Governance Support

Center to closely monitor Chapter activities and provide technical assistance to the Chapter.