

The Navajo Nation Office of the Auditor General

Authority, Services and Processes

Office of the Auditor General

- ▶ OAG is under the Legislative Branch
- ▶ OAG Staff
 - ▶ 13 auditors
 - ▶ 2 administrative staff
- ▶ Auditor General is a politically-appointed position by the Speaker of the Council.

Mission Statement

- ▶ The Office of the Auditor General serves the Navajo Nation Council, other elected officials and managers at all levels in providing high quality government services to the Navajo people through independent and objective assessments of Navajo Nation programs, enterprises, and political subdivisions (Navajo Nation Chapters).

Vision Statement

- ▶ The Office of the Auditor General will relentlessly pursue waste, inefficiency and abuse within the Navajo Nation government so that all resources available to the Navajo people are used to enhance the quality of life for all Navajos and their communities.

What is the Office Of the Auditor General?

- ▶ Designated as internal auditors of the Navajo Nation Government.
- ▶ Primary focus is performing audits of the local governments and generally funded programs.
 - ▶ What is your perception of auditors?
 - ▶ What do you think when you hear audit?
- ▶ Adhere to professional standards (Red Book and Yellow Book) when conducting audits.

What is auditing?

- ▶ Auditing - An examination of accounts or records to check their accuracy

NN Office of the Auditor General Authority

- ▶ The Office of the Auditor General is established by Title 12, Chapter 1, Sections 1-10 of the Navajo Nation Code.

Examples of Auditing Standards

► Independence and Objectivity

The internal audit activity should be independent and internal auditors should be objective in performing their work.

Examples of Auditing Standards (Cont.)

► Proficiency and Due Professional Care

Internal auditors should possess the knowledge, skills and other competencies needed to perform their individual responsibilities.

Internal auditors should apply care and skill expected of a reasonably prudent and competent internal auditor.

Services

- ▶ The Navajo Nation Office of the Auditor General provides various types of services in the areas of auditing and consulting.
- ▶ Audit services are categorized into three general categories: performance, financial-related and special reviews.
- ▶ Non audit services are the management/advisory services provided to the Navajo Nation Council and various programs, departments and entities.

Audit Services

- ▶ Performance Audits - Assess the operation of Navajo Nation government programs, departments and entities to provide information on the efficiency of operations and effectiveness in achieving program results.
- ▶ Financial-Related Audits - Evaluate the adequacy of the internal control structure and accounting system of Navajo Nation Chapters to provide information on whether resources are accounted for, operations comply with applicable laws and financial reporting is reliable and accurate.
- ▶ Compliance
- ▶ Fraud Investigations

Audit Services (Cont.)

- Special Reviews - Limited examination with much narrower scope than an audit, undertaken for the purpose of addressing specific issues.
- Corrective Action Plan Follow Up review
- Local Governance Certification review

Non Audit Services

Technical assistance provided by the Office of the Auditor General to help government officials and employees improve performance. Technical assistance include:

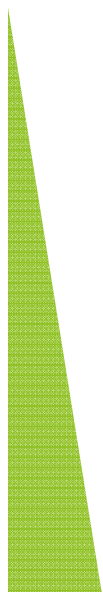
- ▶ Evaluating corrective action plan that will adequately address audit findings
- ▶ Participating in meetings or work session

Internal Controls

Internal controls are the practical techniques employed by management to provide reasonable assurance that:

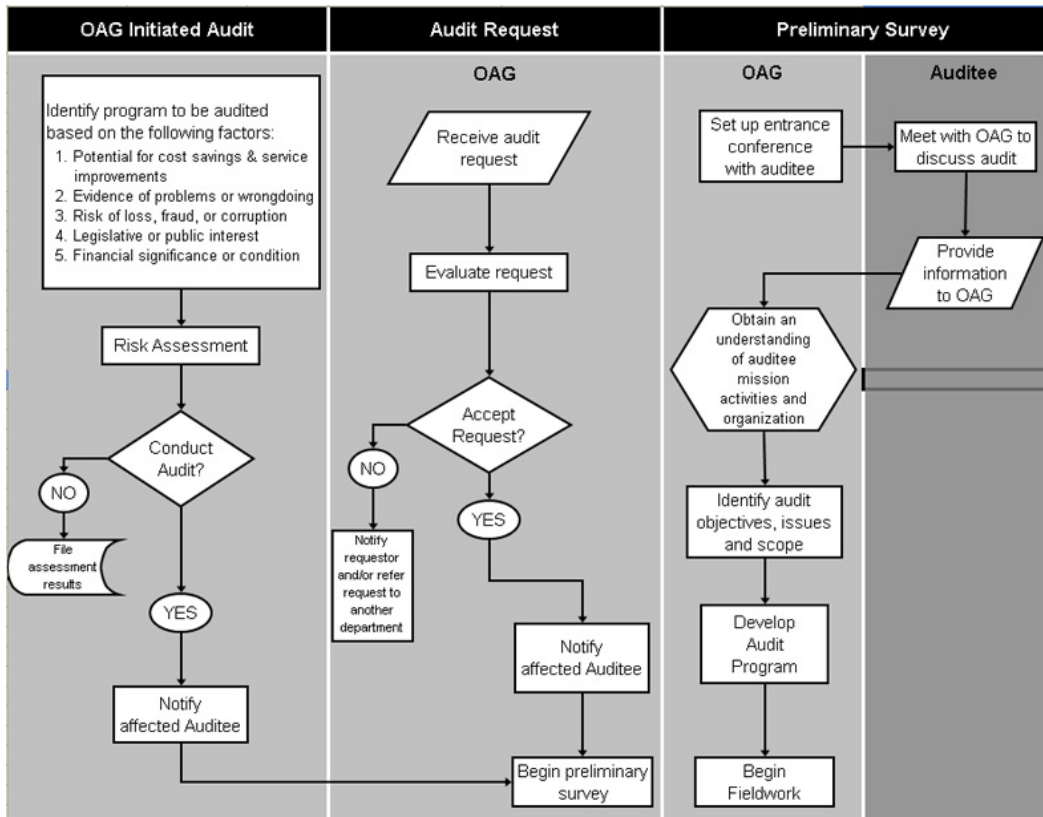
- ▶ Objectives are achieved
- ▶ Operations are in compliance with laws and regulations
- ▶ Financial reports and records fairly reflect financial transactions
- ▶ Assets are safeguarded
- ▶ Assigned responsibilities are met

AUDIT PROCESS

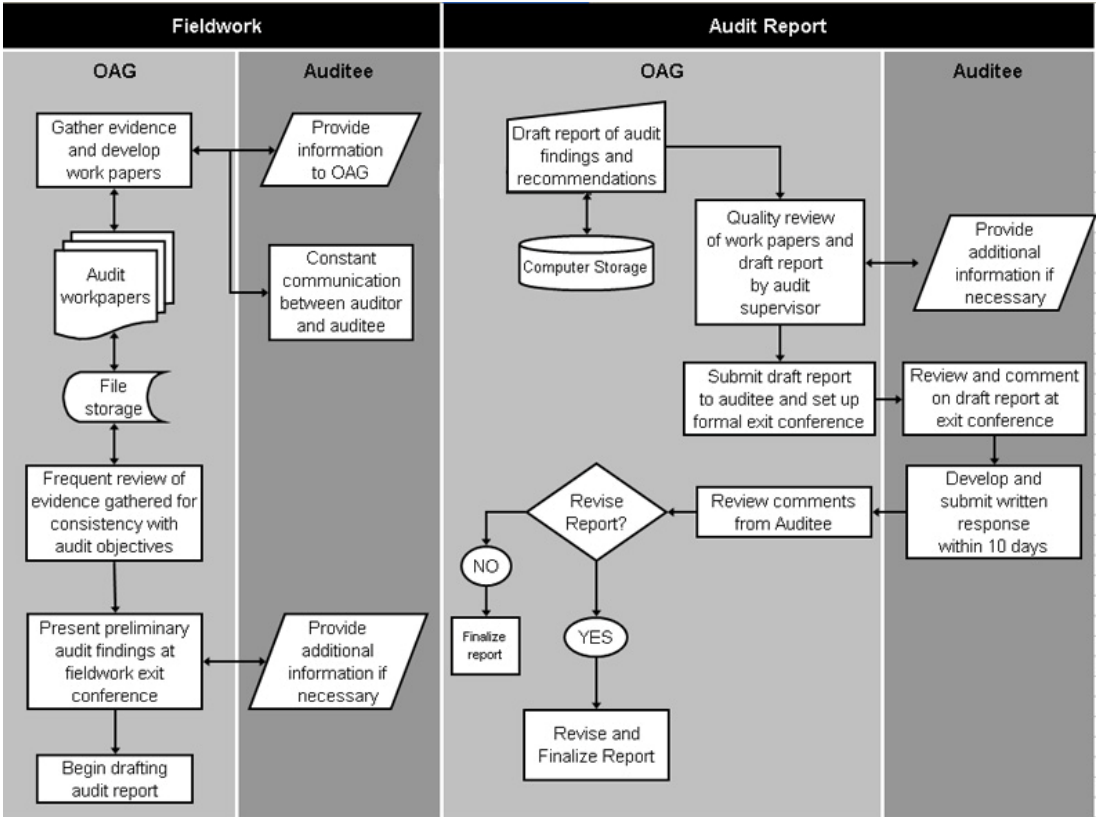


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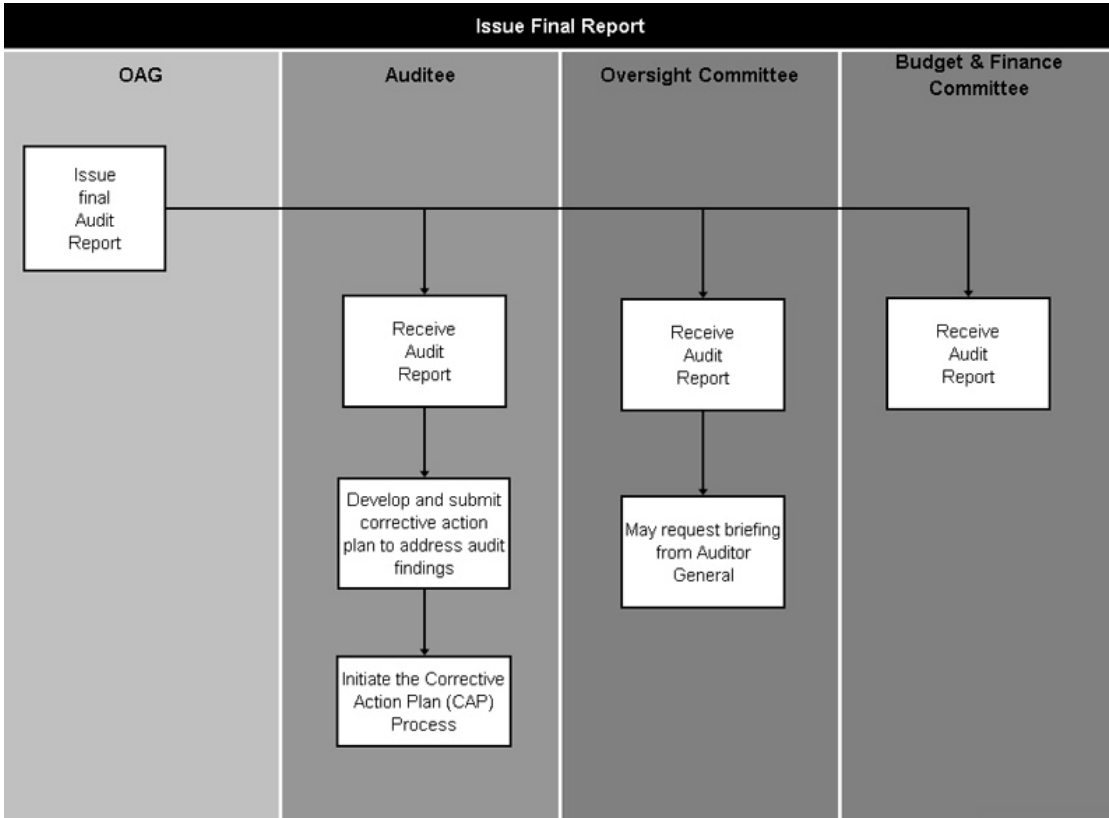
Audit Process



Audit Process



Audit Process



Audit Request

- ▶ Audit initiated by OAG
- ▶ Audit request received from:
 - ▶ Community members
 - ▶ Chapter Officials
 - ▶ Council Delegate
- ▶ Evaluation of audit request
 - ▶ Accept OR
 - ▶ Reject

Preliminary Survey

- ▶ Entrance Meeting
- ▶ Information Gathering
 - ▶ Chapter Records Inventory
 - ▶ Fraud Questionnaire
 - ▶ Obtain FMIS Info (allocations & insurance)
 - ▶ Inquiries w/ other NN offices
 - ▶ Review of Chapter financial statements
- ▶ Financial analysis will be completed to identify risk areas

Preliminary Survey (Cont'd)

- ▶ Focus will be on significant risk areas
- ▶ Identify objectives for Fieldwork
- ▶ Audit Scope determined by assigned auditor

Fieldwork

- ▶ Select transaction samples for verification
- ▶ Notify Chapter of fieldwork dates & sample selection
- ▶ Information reviewed:
 - ▶ Supporting Documents (voucher packets, etc.)
 - ▶ Observations
 - ▶ Inquiry
 - ▶ Site Visits
- ▶ Fieldwork results will be present during pre-exit meeting.

Audit Report

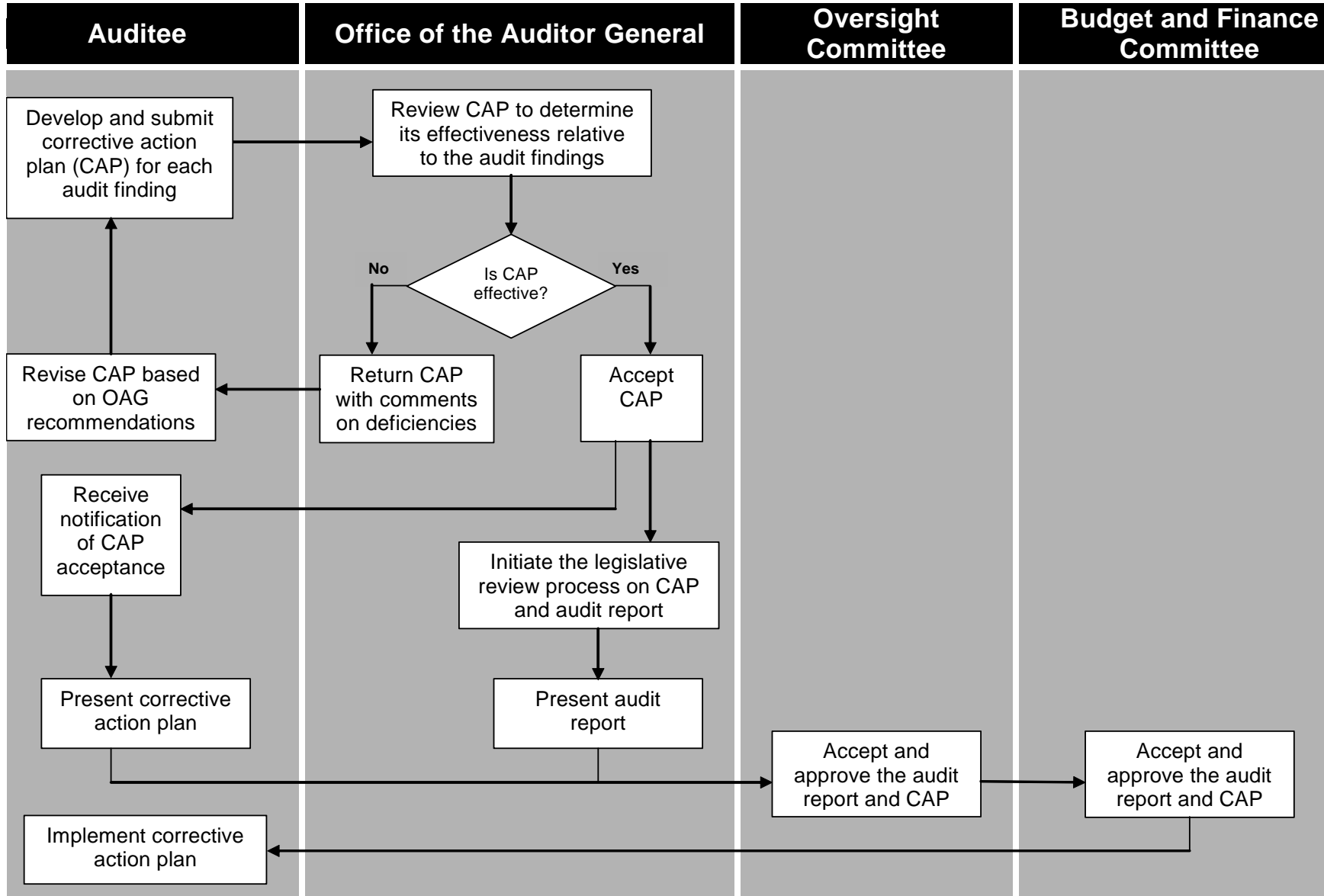
- ▶ Draft report will be presented at an exit meeting
- ▶ Chapter given 10 working days to submit an audit response to draft report
- ▶ Changes may be made if additional documentation provided
- ▶ Updated draft report will be presented
- ▶ Audit response will be included with final audit report
- ▶ Audit report becomes a public document when assigned an audit report number (ex. 17-01)
- ▶ Audit report will include recommendations for improving Chapter operations
- ▶ Two types of reports issued
 - ▶ Favorable
 - ▶ Unfavorable

CORRECTIVE ACTION PLAN PROCESS

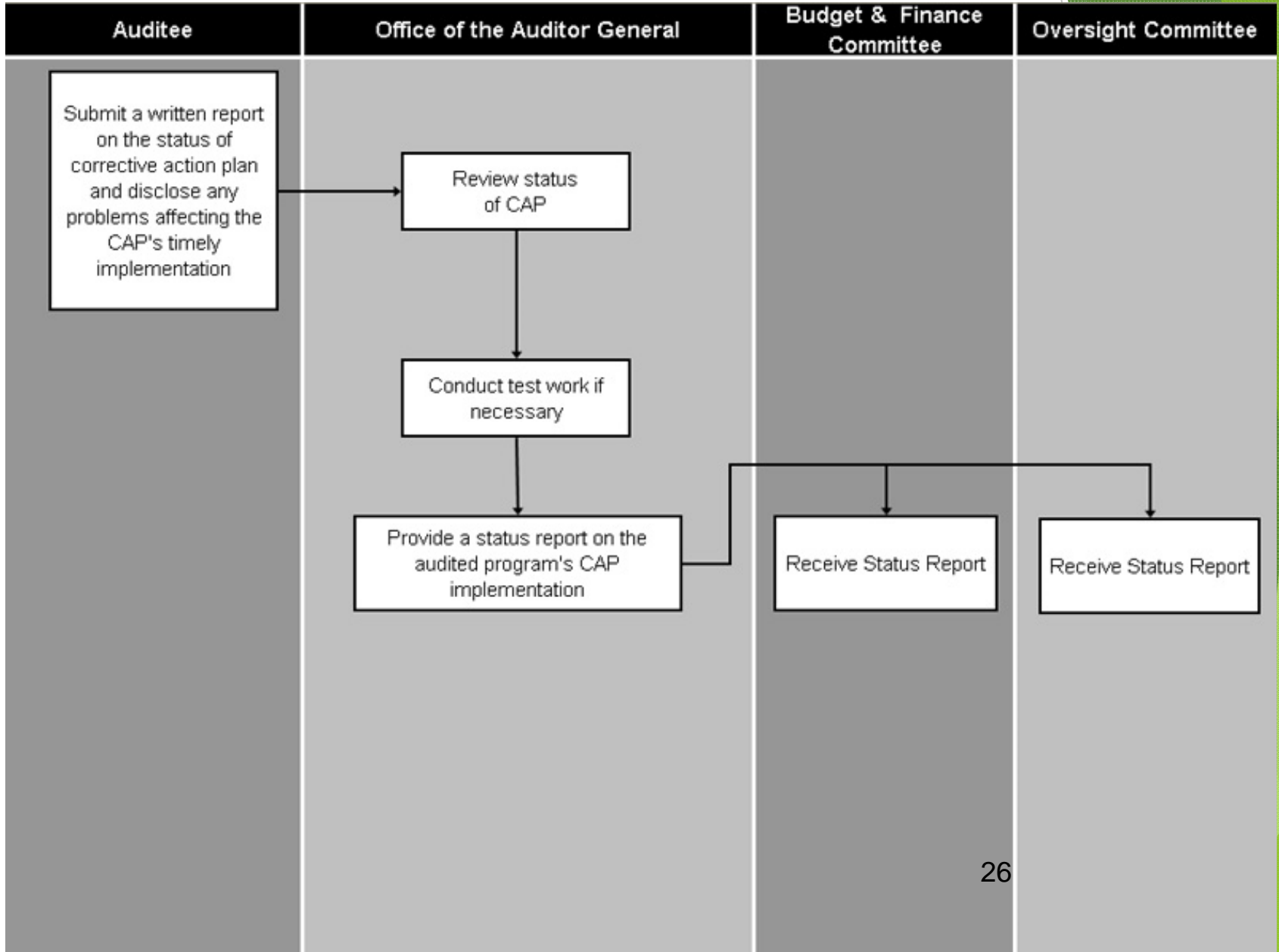


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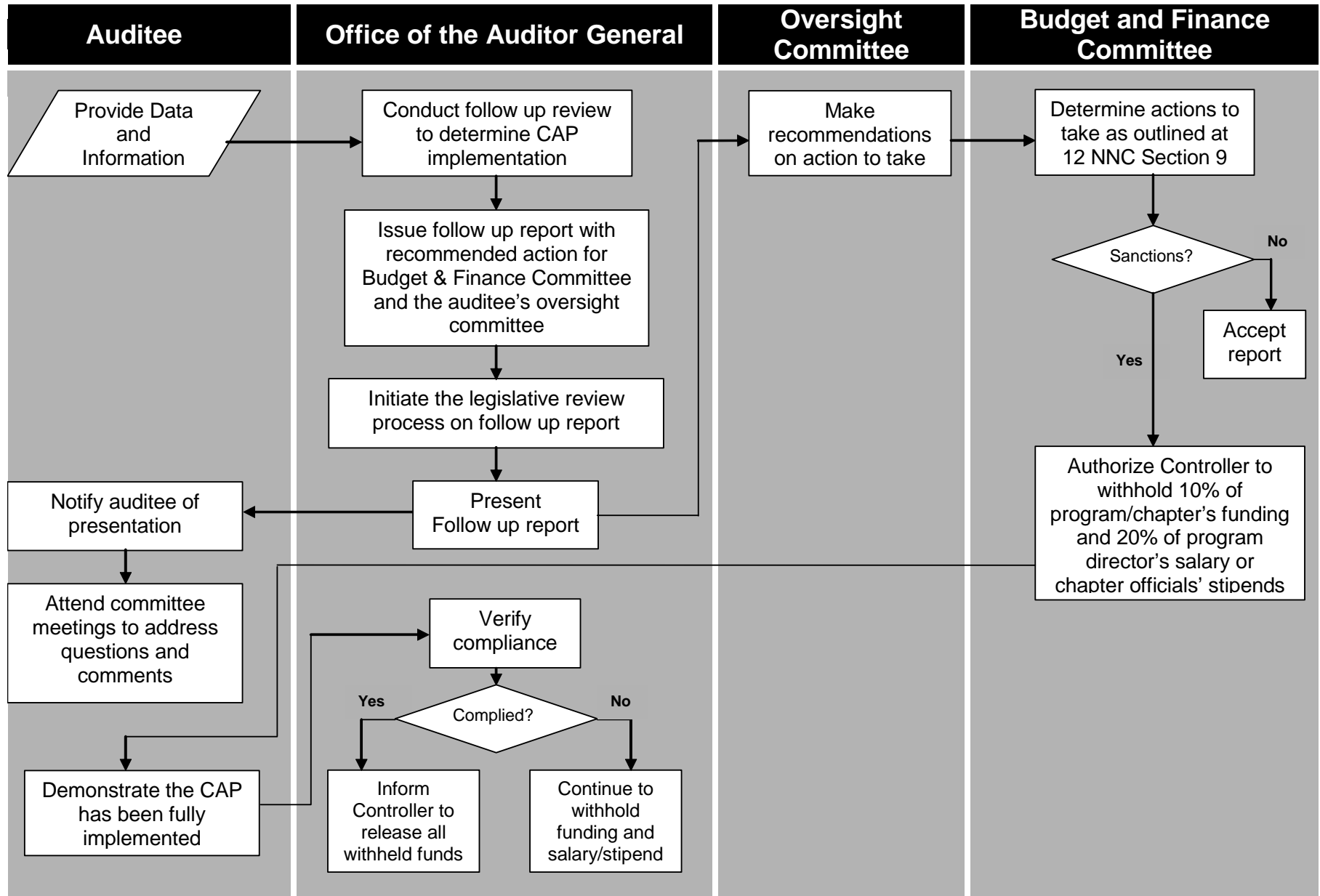
Corrective Action Plan Process



6-Months After



12-Months After



Corrective Action Plan (CAP) Process

- ▶ Chapter given 30 calendar days to submit CAP
- ▶ CAP will be reviewed by assigned auditor
- ▶ Comments will be provided to Chapter
- ▶ Final CAP will be submitted w/ a memo and Chapter resolution approving CAP
- ▶ CAP documentation will be submitted as legislative packet
- ▶ Sponsor of legislation will be Chapter's Council Delegate
- ▶ CAP will be heard by RDC and BFC of the NN Council

Corrective Action Plan Format

- ▶ CAP must include:
 - ▶ Audit Finding
 - ▶ Corrective Measure
 - ▶ Responsible Parties
 - ▶ Timeline (Date of Completion)

Six-Month Status Report

- ▶ After final approval by Budget & Finance Committee (BFC) of the Navajo Nation Council, Chapter will submit a status report to Auditor General
- ▶ Status report will indicate if corrective measure is implemented or not implemented
- ▶ Memo from Auditor General will be sent to Resources & Development Committee (RDC) of the Navajo Nation Council and BFC

12-Months - Follow-Up Review of the CAP

- ▶ Chapter will be scheduled for a follow-up review
- ▶ Follow-up review will focus on corrective action plan
- ▶ Follow-up reviews are typically the prior six months (ex. September 2016 to February 2017)
- ▶ Two possible outcomes
 - ▶ No Sanctions, Chapter has cleared CAP
 - ▶ Sanctions, 20% stipends withheld and 10% operating budget withheld
- ▶ Final approval is BFC

LOCAL GOVERNANCE ACT CERTIFICATION REVIEW PROCESS



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Title 26 LGA Certification

- ▶ Title 26 Chapter 1
- ▶ § 102 Governance Procedure Requirements
- ▶ A. The Navajo Nation Auditor General's Office shall review the Chapter's Five Management System policies and procedures and recommend governance certification of the policies and procedures to the Resources and Development Committee.
- ▶ B. Upon review and recommendation by the Auditor General's Office, the Resources and Development Committee of the Navajo Nation Council shall certify the Five Management System policies and procedures.

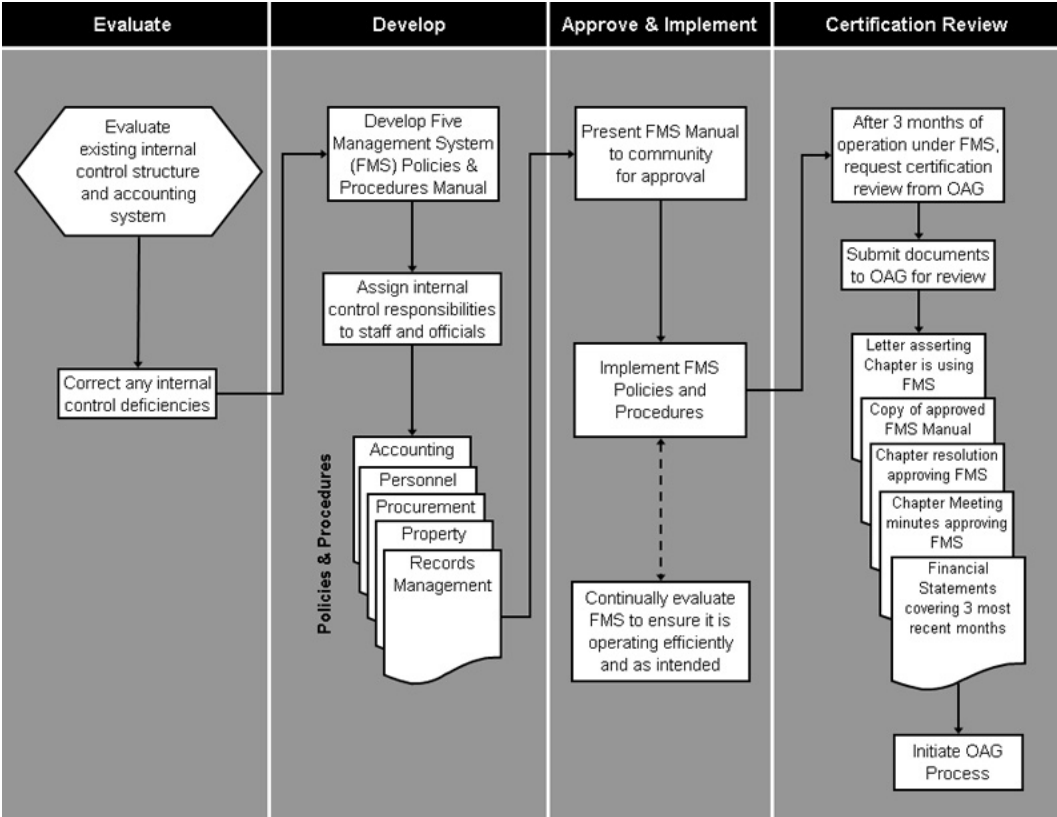
LGA Certification Review

- ▶ The Office of the Auditor General's review of the chapter's five management system policies and procedures includes the following:
- ▶ obtaining an understanding of the internal control policies and procedures established by the chapter's five management system
- ▶ evaluating the design effectiveness of the internal control procedures
- ▶ determining whether such procedures have been placed in operation

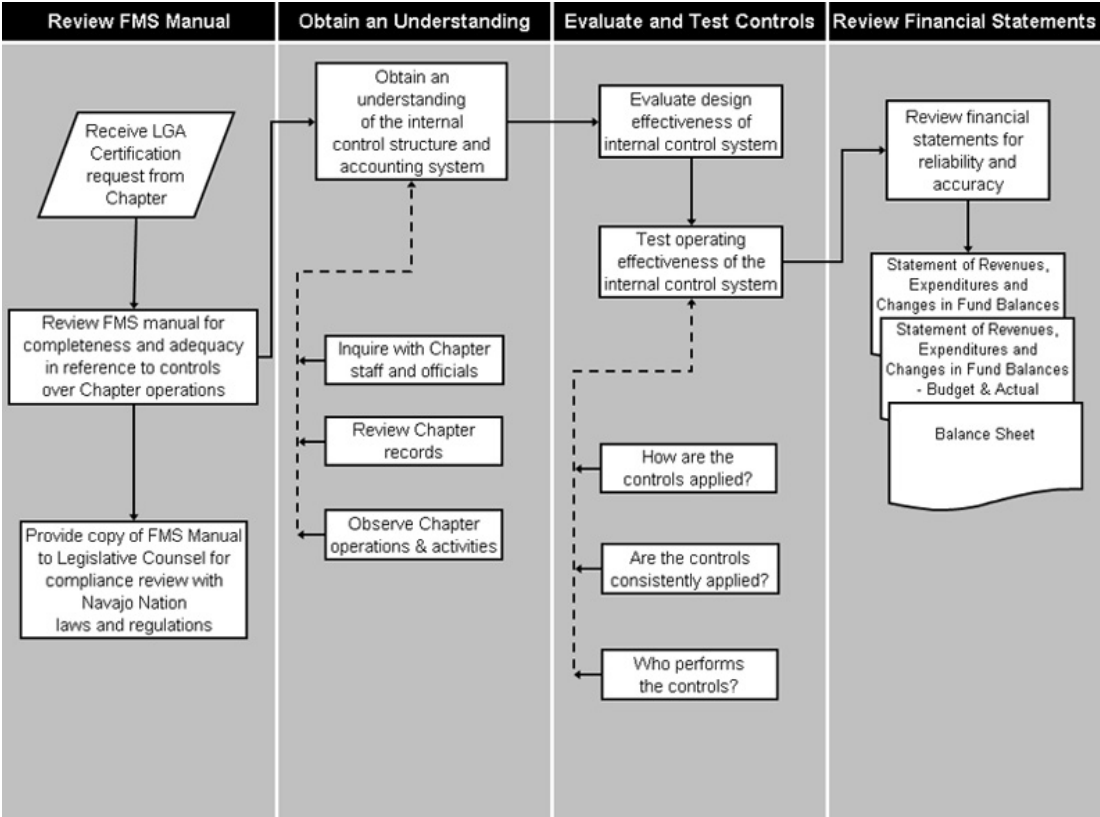
LGA CERTIFICATION PROCESS

- ▶ The LGA certification process is best described by the responsibilities of the three primary parties:
 - ▶ Chapter
 - ▶ Office of the Auditor General
 - ▶ Navajo Nation Council Resources and Development Committee

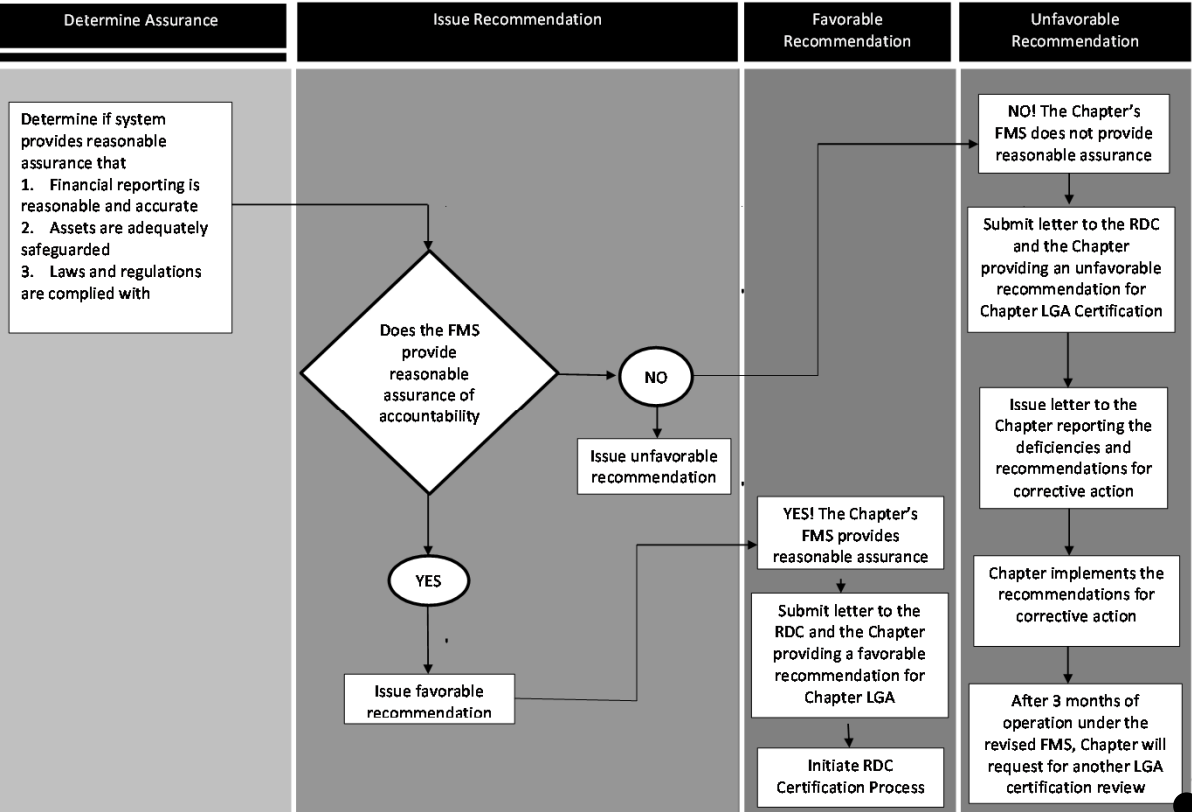
LGA Certification Process - Chapter



LGA Certification Process - OAG

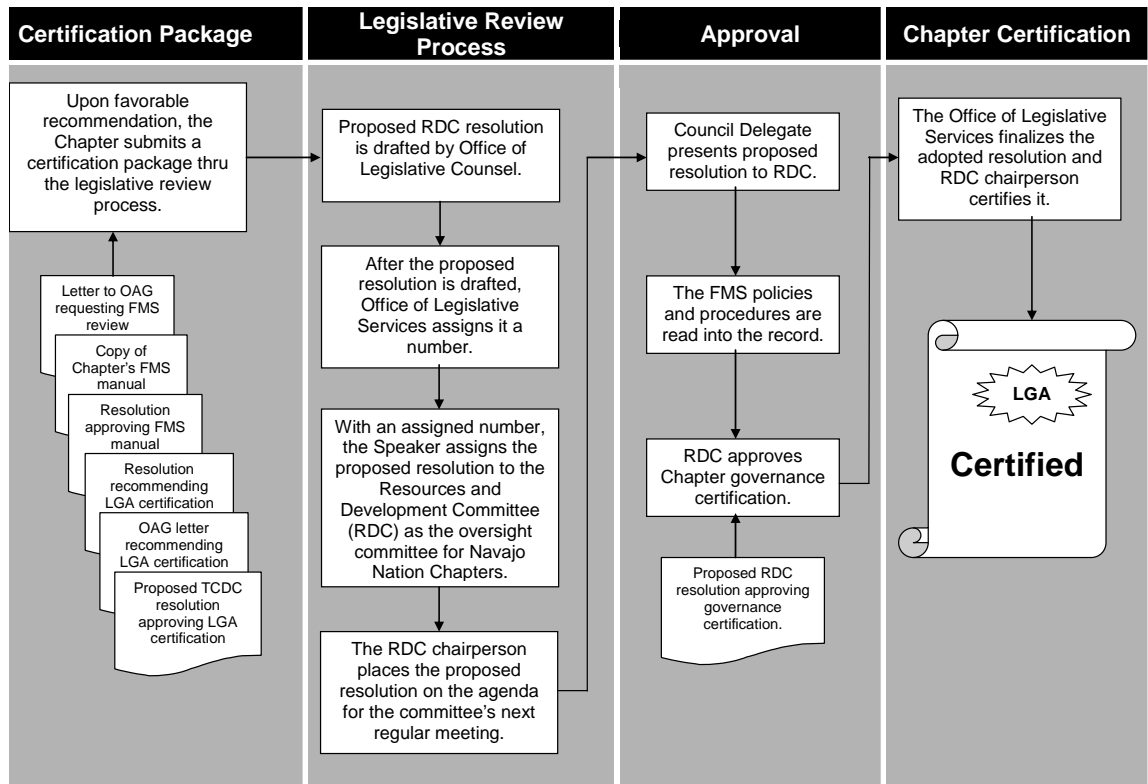


LGA Certification Process - OAG



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LGA Certification Process - RDC



Five Management Systems Manual

- ▶ Dept. of Justice standardized manual during 2010
- ▶ Chapters are required to operate under standardized manual
- ▶ Manual cannot be amended until LGA-Certification is obtained
- ▶ OAG will verify manual maintains standard wording
 - ▶ What are the five areas of the manual?

LGA Review Request

- ▶ Chapter can make LGA review request to Auditor General
- ▶ Financial information will be analyzed
- ▶ Standard Five Management Systems (FMS) Manual will be evaluated
- ▶ Objectives will be established for each of area of the FMS

LGA Review Fieldwork

- ▶ Select transaction samples for verification
- ▶ Schedule fieldwork date(s) with Chapter
- ▶ Verify FMS policies and procedures are operating efficiently and effectively.
 - ▶ Supporting Documentation
 - ▶ Inquiry with staff and officials
 - ▶ Observation of Chapter operations
 - ▶ Site Visits

LGA Review Report

- ▶ Two outcomes
 - ▶ Favorable
 - ▶ Unfavorable
- ▶ Favorable reports will be presented before RDC
 - ▶ Final approval through legislation
- ▶ Unfavorable reports will have a memo issued from the Auditor General
 - ▶ Corrective Action Plan will need to be developed
 - ▶ New LGA Review Request must be submitted to Auditor General

LGA Review - Favorable Outcome

- ▶ Legislation packet
 - ▶ Chapter's FMS Manual
 - ▶ Chapter resolution accepting FMS Manual
 - ▶ Meeting Minutes from public hearing
 - ▶ Public Meeting Notice
 - ▶ Signed Affidavit
 - ▶ Favorable Audit Report
 - ▶ Supporting Memo from Auditor General
- ▶ Sponsor will be Chapter's Council Delegate
- ▶ Incentive is \$160K grant to assist with local governance

Continuous Monitoring/ Continuous Auditing

Background

- ▶ BFJA-05-12 granted access to the Chapter's accounting system and bank account(s)
- ▶ Allows Auditor General to analyze financial data of the 110 Chapter's including compilation of unspent funds
- ▶ Data Analysis results will allow OAG to schedule Chapters for an audit sooner

Accounting Systems

- ▶ Type of Accounting Systems
 - ▶ Abila MIP (105 Chapters)
 - ▶ What does MIP stand for?
 - ▶ FundWare (2 Chapters)
 - ▶ QuickBooks (1 Chapter)
 - ▶ Excel Ledgers (2 Chapters)

Due Dates for Backups

- ▶ Accounting System Backups are due on a quarterly basis
- ▶ FY 2017 due dates for:
 - ▶ 2nd quarter - Monday, April 17th
 - ▶ 3rd quarter - Monday, July 17th
 - ▶ 4th quarter - Monday, October 16th

OAG Contact Information

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