

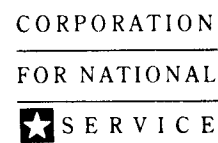
Office of the Inspector General

**Audit of
Corporation for National Service
Award Number 94ADMAZ033
Navajo Nation**

**Report Number 98-15
April 23, 1998**

This report was issued to Corporation management on June 29, 1998. Under the laws and regulations governing audit follow up, the Corporation must make final management decisions on the report's findings and recommendations no later than December 26, 1998, and complete its corrective action by June 29, 1999. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented or the amount of disallowed costs.

Office of the Inspector General
Audit of
Navajo Nation
Corporation for National Service
Award Number 94ADMAZ033



Leonard G. Birnbaum and Company, under contract to the Office of the Inspector General, performed an audit of the amounts claimed by Navajo Nation under Grant No. 94ADMAZ033. The audit covered the costs (\$2,984,460) claimed during the grant period from July 1, 1994 through December 31, 1997, and included tests to determine whether financial reports prepared by the auditee presented fairly the financial condition of the award and the award costs reported to the Corporation were documented and allowable in accordance with the terms and conditions of the award. We have reviewed the report and work papers supporting its conclusions and agree with the findings and recommendations presented.

The firm found that

- Progress reports were not submitted on a timely basis and one progress report was not submitted at all.
- Living allowances were paid based on an hourly basis rather than a stipend basis.
- Depending on the program year, either Member contracts were not used or all of the Members did not sign contracts.
- Documentation supporting Member eligibility was not always maintained.
- Written evaluations of each Member's performance were not available during our review.
- Staff salaries and wages charged to the grant were not supported by signed and approved timesheets nor was an after-the-fact labor distribution system used for one employee who worked on the AmeriCorps program and other activities.
- Controls over the submission of progress reports were inadequate.

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- Separation of duties in the payroll cycle regarding the payment of Members' living allowances was inadequate.
- The Navajo Nation lacked an adequate system to evaluate the program.

Based on the audit, we are questioning \$10,848 (less than one percent) of the costs claimed under the award.

In its response to the report, the Corporation stated that it was unable to provide detailed comments or specifically concur with the report's findings or recommendations (see Appendix A). The Navajo Nation disagreed with most of the questioned costs and generally offered further explanation for the internal control and compliance findings (see Appendix B). The Navajo Nation's comments, and the auditor's response, are also summarized after each finding.

Office of the Inspector General
Corporation for National Service
Report Number 98-15

Corporation for National Service
Grant Number 94ADMAZ033
to
Navajo Nation
Window Rock, AZ 86515

Financial Schedules
and
Independent Auditor's Reports

For the Period
July 1, 1994 to December 31, 1997

Prepared by
Leonard G. Birnbaum and Company
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Alexandria, Virginia 22310
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Office of the Inspector General
Corporation for National Service
Audit of Navajo Nation

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REPORT SUMMARY AND HIGHLIGHTS

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Inspector General
Corporation for National Service

We have performed an audit of the funds awarded by the Corporation for National Service (Corporation) to the Navajo Nation for its AmeriCorps program under Grant No. 94ADMAZ033. Our audit covered the costs claimed during the period July 1, 1994 through December 31, 1997.

SUMMARY OF AUDIT RESULTS

Our audit of the costs incurred by Navajo Nation for its AmeriCorps program disclosed the following:

Award Budget	\$3,422,714
Claimed Costs	2,984,460
Questioned Costs	10,848

As a result of our audit of the aforementioned award, we are questioning costs totaling \$10,848 which are summarized below and detailed in Exhibit A to the Independent Auditor's Report. Questioned costs are costs for which there is documentation that the recorded costs were expended in violation of the law, regulations or specific conditions of the award, or those costs which require additional support by the grantee or which require interpretation of allowability by the Corporation.

Inspector General
Corporation for National Service

The following summarizes the costs questioned on the above award by reason:

<u>Explanation</u>	<u>Amount</u>
• Costs that did not benefit the program or were unnecessary	\$10,141
• Health care costs paid for participants after they had left the program	<u>707</u>
Total Questioned Costs	<u>\$10,848</u>

We used a judgmental sampling method to test the costs incurred. Based upon this sampling plan, questioned costs in this report may not represent total costs that may have been questioned had all expenditures been tested. In addition, we have made no attempt to project such costs to total expenditures incurred, based on the relationship of costs tested to total costs. For a complete discussion of these questioned costs, refer to the Independent Auditor's Report.

COMPLIANCE

Our audit disclosed the following instances of noncompliance:

- Progress reports were not submitted on a timely basis and, in fact, one progress report was not submitted at all. (Independent Auditor's Report on Compliance, Finding No. 1)
- Living allowances were paid based on an hourly basis rather than a stipend basis. (Independent Auditor's Report on Compliance, Finding No. 2)
- Depending on the program year, either Member contracts were not used or all of the Members did not sign contracts. (Independent Auditor's Report on Compliance, Finding No. 3)
- Documentation supporting Member eligibility was not always maintained. (Independent Auditor's Report on Compliance, Finding No. 4)
- Written evaluations of each Member's performance were not available during our review. (Independent Auditor's Report on Compliance, Finding No. 5)

Inspector General
Corporation for National Service

- Staff salaries and wages charged to the grant were not supported by signed and approved timesheets nor was an after-the-fact labor distribution system used for one employee who worked on the AmeriCorps program and other activities. (Independent Auditor's Report on Compliance, Finding No. 6)

INTERNAL CONTROL STRUCTURE

Our audit disclosed the following weaknesses in the Navajo Nation's internal control structure and its operation:

- Controls over the submission of progress reports were inadequate. (Independent Auditor's Report on Internal Control Structure, Finding No. 1)
- An after-the-fact labor distribution system was not used for one employee who worked on the AmeriCorps program and other activities. (Independent Auditor's Report on Internal Control Structure, Finding No. 2)
- Separation of duties in the payroll cycle regarding the payment of Members' living allowances was inadequate. (Independent Auditor's Report on Internal Control Structure, Finding No.3)
- The Navajo Nation lacked an adequate system to evaluate the program. (Independent Auditor's Report on Internal Control Structure, Finding No. 4)

PURPOSE AND SCOPE OF AUDIT

Our audit covered the costs claimed under Grant No. 94ADMAZ033 during the period July 1, 1994 through December 31, 1997, which was the award period. The objectives of our audit were to determine whether:

1. Financial reports prepared by the Navajo Nation presented fairly the financial condition of the award;
2. The internal control structure was adequate to safeguard Federal funds;
3. Navajo Nation had adequate procedures and controls to ensure compliance with Federal laws, applicable regulations and award conditions;

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Corporation for National Service

4. The award costs reported to the Corporation were documented and allowable in accordance with the award terms and conditions; and
5. Navajo Nation had adequate procedures and controls to track and report progress toward achievement of the program objectives.

We performed the audit in accordance with generally accepted auditing standards, and *Government Auditing Standards* (1994 Revision) issued by the Comptroller General of the United States. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the amounts claimed against the grant award, as presented in the schedule of award costs (Exhibit A), are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in Exhibit A. An audit also includes assessing the accounting principles used and significant estimates made by the auditee, as well as evaluating the overall financial schedule presentation. We believe our audit provides a reasonable basis for our opinion.

The Corporation's Office of Grants Management comments to a draft of this report are presented as Appendix A. The Corporation's Office of Grants Management did not provide detailed comments or specifically concur with the report's findings since their review was limited to information contained in the report. Navajo Nation's comments to a draft of this report are presented as Appendix B. A synopsis of the comments made in regard to a specific finding or questioned amount is presented in the body of the report immediately following the finding or questioned amount.

BACKGROUND

The Navajo Nation, is a tribe of Native American Indians existing pursuant to its inherent and retained sovereignty and recognized by the Congress of the United States under the Navajo Treaty of September 1850, and the Navajo Treaty of June 1, 1868. As a sovereign nation, Navajo Nation performs virtually all traditional public functions for its Members, including the administration of government and the protection of the public welfare.

The Corporation awarded Grant No. 94ADMAZ033 in the amount of \$3,422,714 for the period July 1, 1994 to December 31, 1997, to Navajo Nation for its AmeriCorps program. The mission of Navajo Nation's AmeriCorps program is "to promote the Navajo traditional concept of 'Hozhoogo Nasashaadoo' (walking in beauty) by strengthening the relationship between the Dine (the people) and the Natural World through the conservation and revitalization of the natural resources, educating the Dine in traditional cultural values, with a special emphasis on 'at risk' youth, and restoring harmony within the Navajo Nation through the traditional concept of helping

Inspector General
Corporation for National Service

people." The program operates seven program sites: Chinle District, Eastern Navajo Agency, Fort Defiance District, Little Colorado River District, Navajo Mountain District, Shiprock AmeriCorps and Navajo Nation AmeriCorps Program Office at Fort Defiance.

Although the AmeriCorps program was scheduled to begin in July 1994, Navajo Nation encountered delays in starting the program which included difficulty in finding an appropriate agency to house the program. The program, therefore, did not become operational until the end of February 1995. Since the start of the program was delayed, the program was restructured to incorporate two groups of AmeriCorps members over a seventeen month period (Phase I and Phase II). Phase I covered the period February 27, 1995, through December 31, 1995, and Phase II covered the period January 8, 1996, through August 31, 1996. The extension of the first program year allowed the second program year to begin in September 1996.

The Corporation has awarded Navajo Nation funding for program year three of this grant. In addition, the Navajo Nation has received funding for a second AmeriCorps program that is administered through the Navajo Nation's Department of Veterans Administration.

REPORT RELEASE

This report is intended for the information and use of the Corporation's Office of the Inspector General, as well as the management of the Corporation and Navajo Nation. However, this report is a matter of public record and its distribution is not limited.

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

We have audited the costs claimed by the Navajo Nation to the Corporation for National Service (Corporation) on the Financial Status Report - Total Federal Share for the award number listed below. The claimed costs, as presented in the schedule of award costs (Exhibit A), are the responsibility of Navajo Nation's management. Our responsibility is to express an opinion on Exhibit A based on our audit.

<u>Award Number</u>	<u>Award Period</u>	<u>Audit Period</u>
94ADMAZ033	July 1, 1994 to December 31, 1997	July 1, 1994 to December 31, 1997

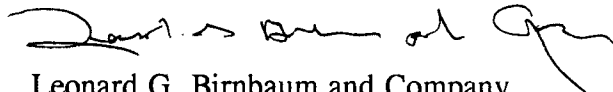
We conducted our audit in accordance with generally accepted auditing standards, and *Government Auditing Standards* (1994 Revision), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe our audit provides a reasonable basis for our opinion.

The accompanying financial schedule was prepared for the purpose of complying with the requirements of the award agreement as described in Note 1, and is not intended to be a complete presentation of financial position in conformity with generally accepted accounting principles.

Inspector General
Corporation for National Service

In our opinion, except for \$10,848 in questioned costs, the schedule of award costs (Exhibit A) referred to above presents fairly, in all material respects, the costs incurred for the period July 1, 1994 to December 31, 1997, in conformity with the award agreements.

This report is intended for the information and use of the Corporation's Office of the Inspector General, as well as the management of the Corporation and Navajo Nation. However, this report is a matter of public record and its distribution is not limited.



Leonard G. Birnbaum and Company

Alexandria, Virginia
April 23, 1998

FINANCIAL SCHEDULES

Navajo Nation
 Corporation for National Service - Award Number 94ADMAZ033
 Schedule of Award Costs
 From July 1, 1994 to December 31, 1997

<u>Cost Category</u>	Final			Exhibit B Note Reference
	<u>Approved Budget</u>	(A) <u>Claimed Costs</u>	<u>Questioned Costs</u>	
Member Support Costs:				
Living allowance	\$1,454,580	\$1,510,710	\$	
FICA & worker's comp	121,566	196,420		
Health care	<u>66,239</u>	<u>72,265</u>	<u>707</u>	1
Subtotal	<u>1,642,385</u>	<u>1,779,395</u>	<u>707</u>	
Other Member Costs:				
Training and education	158,000	9,910	1,810	2
Uniforms	<u>2,152</u>	<u>3,548</u>		
Subtotal	<u>160,152</u>	<u>13,458</u>	<u>1,810</u>	
Staff:				
Salaries	685,550	578,811		
Benefits	171,435	94,870		
Training	<u>2,750</u>	<u>-</u>		
Subtotal	<u>859,735</u>	<u>673,681</u>	<u>-</u>	
Operational:				
Travel/Transportation	443,413	286,232	101	3
Supplies	133,291	39,746	7,830	4
Equipment	7,256	9,265		
Other	<u>72,599</u>	<u>45,926</u>	<u>400</u>	5
Subtotal	<u>656,559</u>	<u>381,169</u>	<u>8,331</u>	
Internal Evaluation:	<u>12,000</u>	<u>-</u>	<u>-</u>	
Administration:	<u>91,865</u>	<u>136,757</u>	<u>-</u>	
CORPORATION FUNDS	3,422,714	2,984,460	10,848	
MATCHING FUNDS	<u>1,058,196</u>	<u>1,059,419</u>	<u>-</u>	
TOTAL FUNDS	<u>\$4,480,910</u>	<u>\$4,043,879</u>	<u>\$ 10,848</u>	

(A) The total representing claimed costs agrees with the expenditures reported on the Financial Status Report - Total Federal Share for the quarter ended December 31, 1997. Claimed costs reported above are taken directly from the auditee's books of account.

Navajo Nation
Corporation for National Service - Award No. 94ADMAZ033
Notes to Financial Schedules

1. Summary of Significant Accounting Policies

Accounting Basis

The accompanying financial schedule, Exhibit A, has been prepared from the books of account. The basis of accounting utilized differs from generally accepted accounting principles. The following information summarizes these differences.

A. Equity

Under the terms of the award, all funds not expended according to the award agreement and budget at the end of the award period are to be returned to the Corporation. Therefore, Navajo Nation does not maintain any equity in the award and any excess of cash received from the Corporation over final expenditures excluding any interest retained in accordance with the Cash Management Improvement Act, is due back to the Corporation.

B. Equipment

Equipment is charged to expense in the period during which it is purchased instead of being recognized as an asset and depreciated over its useful life. As a result, the expenses reflected in the statement of award costs include the cost of equipment purchased during the period rather than a provision for depreciation.

Title to equipment acquired under Federal grants rests in the Navajo Nation while used in the program for which it is purchased or in other future authorized programs. However, the Corporation has a reversionary interest in the equipment. Its disposition, as well as the ownership of any proceeds therefrom, is subject to Federal regulations.

C. Inventory

Minor materials and supplies are charged to expense during the period of purchase. As a result, no inventory is recognized for these items in the financial schedules.

2. Income Taxes

As a Native American Indian Tribe, Navajo Nation is exempt from Federal and state income taxes.

Navajo Nation
Corporation for National Service - Award No. 94ADMAZ033
Explanation of Questioned Costs
From July 1, 1994 to December 31, 1997
Final

1. Health care

We have questioned \$707 of costs incurred for Members' health insurance. Our review of health care costs related to the Members found that insurance premiums were paid for the following Members after they had left the program.

<u>Member</u>	<u>Amount</u>	<u>Coverage Period</u>
Sandoval, Lynch	\$ 101	10/95
Begaye, David	101	12/95
Begaye, Tracy	101	12/95
Chee, Glorita	101	12/95
Curley, Ricky	101	12/95
Deil, Leila	101	12/95
Laughter, Vernon	<u>101</u>	12/95
Total questioned	<u>\$ 707</u>	

Navajo Nation's Response

Navajo Nation agreed that seven members were covered under the health insurance policy after the members had left the program, however, the insurance premiums paid on Clifton Singer's behalf were justified as he was in the program from February 27, 1995 to January 5, 1996.

Auditor's Response

We reduced the questioned amount by \$411 which represents Clifton Singer's insurance premiums for the period February 1995 to June 1995. The enrollment and end-of-term forms indicate that Clifton Singer was enrolled in the program during this period.

Navajo Nation
Corporation for National Service - Award No. 94ADMAZ033
Explanation of Questioned Costs
From July 1, 1994 to December 31, 1997
Final

2. Training and education

Educational material totaling \$1,810 was ordered on October 24, 1997, from the Wisconsin Clearing House although the second program year was to end on December 31, 1997. The material was not received until December 16, 1997, by which time the overwhelming majority of Members had completed their required hours and were no longer in the program. As a result, this education material was not used during the second program year. Representatives of Navajo Nation, however, advised us that the materials would be used in the third program year awarded by the Corporation. Since the materials were purchased with funds for the second program year but were not used during the second program year, we have questioned the entire amount of \$1,810.

Navajo Nation's Response

Navajo Nation disagreed with our questioning of the costs. According to Navajo Nation, its Office of Contract Accounting has certain deadlines towards the end of the fiscal year and advises all of Navajo Nation's programs to submit purchase requisitions to expend their monies. Furthermore, "the Navajo Nation Program does not see a problem with materials purchased late in the year as it was used during the following year. The Navajo Nation Program is a multi-year program."

Auditor's Response

The funds designated by the Corporation for a specific program year can only be used for expenditures related to the program year funded. Paragraph 3a of Section D of Attachment A of OMB Circular A-87, *Costs Principles for State, Local, and Indian Tribal Governments*, states that "a cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received." Since the purchased materials were not used in the second program year, the costs would not be considered allocable to the program year which received no benefit from their use.

Navajo Nation
Corporation for National Service - Award No. 94ADMAZ033
Explanation of Questioned Costs
From July 1, 1994 to December 31, 1997
Final

3. Travel/Transportation

Our review of an invoice from Best Western for a Youth Conference held in Gallup, New Mexico in February 1995 disclosed charges for one individual (Jerold Cody) for whom Navajo Nation was unable to provide an AmeriCorps program enrollment form. Further, this individual was not identified on the AmeriCorps Member Roster maintained by the National Service Trust as a member of the program for the same period. Accordingly, we have questioned \$101 which represents food and lodging expenses for this individual.

Navajo Nation's Comments

Navajo Nation agreed with the finding and indicated that some of the prospective Members did not attend the youth conference but were replaced by other individuals; however, since the conference was held immediately after the acceptance of the Corporation's funding and the Members and staff were hired on the first day of the conference errors were possible. In fact, "it is surprising that more errors were not made."

4. Supplies

Our review of an invoice from Franklin Quest found the purchase of 15 Antique Leather Planners at \$150 each. We were unable to establish the reasonableness and usefulness of this purchase as it relates to the AmeriCorps program and have, therefore, questioned the total amount of \$2,250.

Our review of an invoice from CalNez Design disclosed that AmeriCorps brochures were ordered December 6, 1997 and received December 31, 1997. The brochures were purchased out of Program Year Two funds. Program Year Two ended December 31, 1997. Accordingly, these brochures were not a necessary expense of Program Year Two, therefore, we have questioned the total amount, \$5,580.

Navajo Nation
Corporation for National Service - Award No. 94ADMAZ033
Explanation of Questioned Costs
From July 1, 1994 to December 31, 1997
Final

4. Supplies - continued

Navajo Nation's Response

Navajo Nation disagreed with our questioning of the costs. According to Navajo Nation, "the AmeriCorps staff did not think it was improper or unreasonable to order these planners for the administration and field coordinators." Furthermore, since the Corporation "has been strongly recommending that all AmeriCorps Programs should have brochures, newsletters, letterheads, etc., to promote their program," the Director does not understand why the cost was questioned.

Auditor's Response

While it is not unreasonable for the program to have purchased planners for the administrative and field coordinator staff and brochures to promote the program, we feel that it was unreasonable to purchase expensive Antique Leather Planners. Furthermore, the funds designated by the Corporation for a specific program year can only be used for expenditures related to the program year funded. Paragraph 3a of Section D of Attachment A of OMB Circular A-87, *Costs Principles for State, Local, and Indian Tribal Governments*, states that "a cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received." Since the brochures were not used in the second program year, the costs would not be considered allocable to the second program year as the program did not receive any benefit.

5. Other

Our review of an invoice from the Episcopal Church in Navajoland for office space revealed that a security deposit in the amount of \$400 was charged to the grant. We have questioned this amount since it is a security deposit and not an expense of the program.

Navajo Nation
Corporation for National Service - Award No. 94ADMAZ033
Explanation of Questioned Costs
From July 1, 1994 to December 31, 1997
Final

5. Other - continued

Navajo Nation's Response

Navajo Nation disagreed with our questioning of the costs. "In order to take up the lease, it was required for our program to put up the \$400.00 security deposit. This deposit is carried forward for as long as the program occupies the offices at the Episcopal Church."

Auditor's Response

If a security deposit was required then it should have been paid with non-Corporation funds since the security deposit will be refunded to Navajo Nation when it vacates the rented space.

INDEPENDENT AUDITOR'S REPORTS
ON
COMPLIANCE AND INTERNAL CONTROL STRUCTURE

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

We have audited the schedule of award costs, as presented in Exhibit A, which summarizes the claimed costs of the Navajo Nation under the Corporation for National Service (Corporation) award listed below, and have issued our report thereon dated April 23, 1998.

<u>Award Number</u>	<u>Award Period</u>	<u>Audit Period</u>
94ADMAZ033	July 1, 1994 to December 31, 1997	July 1, 1994 to December 31, 1997

We conducted our audit in accordance with generally accepted auditing standards, and *Government Auditing Standards* (1994 Revision), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement.

Compliance with laws, regulations, and the provisions of the award is the responsibility of Navajo Nation's management. As part of obtaining reasonable assurance about whether the financial schedules are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, and the terms and conditions of the award. However, our objective was not to provide an opinion on overall compliance with such provisions.

Inspector General
Corporation for National Service

Instances of noncompliance are failures to follow requirements, or violations of prohibitions, contained in statutes, regulations, and the provisions of the award. The results of our tests of compliance disclosed the following instances of noncompliance:

Finding No. 1

Progress reports were not submitted on a timely basis and, in fact, one progress report was not submitted at all. The Corporation provided the program with the format for which the progress reports were to be prepared, as well as the period with which each progress report was to cover. Generally, progress reports were to be submitted three times a year. The progress reports were due within 30 days after the end of the reporting period. The exception, however, was the progress report that was to be submitted at the end of the term which was due within 90 days. Since the progress reports themselves were not dated, we relied on the submission dates recorded by the Corporation and the statement made by Navajo Nation's Program Director to determine whether the progress reports were submitted on a timely basis. Navajo Nation's Program Director acknowledged that the progress reports were often submitted late. This statement is consistent with the information that we obtained from the Corporation, which showed that the reports were submitted from 1 to 81 days late. Furthermore, we found no indication from either the Corporation or Navajo Nation's records that a progress report was submitted for the period ended December 31, 1995.

Recommendation

We recommend that Navajo Nation establish and implement policies and procedures to submit progress reports on a timely basis.

Navajo Nation's Comments

"The program admits that some progress reports were submitted late but it also admits that some reports were lost or misplaced by the Corporation. The director has had to mail additional copies or hand carried (twice) the reports to the Corporation. A photo copy of the December 31, 1995, Progress Report was faxed to the auditor immediately upon request to verify that it had been submitted to the Corporation."

Auditor's Response

Although we requested the cover page of the progress report for the period ended December 31, 1995, Navajo Nation forwarded the cover page for the progress report for the period ended

Inspector General
Corporation for National Service

December 31, 1997. We, therefore, still had no evidence that a progress report for the period ended December 31, 1995, had been submitted.

Finding No. 2

Members received a living allowance which was paid on an hourly basis in relation to the hours served rather than on a stipend basis as required. Paragraph 12b of the AmeriCorps Provisions states, in part, that "programs must not pay a living allowance on an hourly basis. It is not a wage and should not fluctuate based on the number of hours Members serve in a given time period. Programs should pay the living allowance in increments, such as weekly or bi-weekly."

By paying living allowances on an hourly basis rather than a stipend basis, a Member may be paid amounts which are either more or less than the Members should have been paid. If the living allowance paid to the Member is less than the living allowance amount (prorated for less than a complete term of service) stated in the Member's contract, then the Member is entitled to the difference. If the living allowance paid to the Member results in the Member receiving more than the living allowance amount (prorated for less than a complete term of service) stated in the Member's contract, then the program runs the risk that costs may be disallowed if the Corporation share exceeds the maximum amount of \$6,753 (85 percent of the minimum living allowance amount of \$7,945) for a full-time Member (this amount is prorated for part-time Members).

Our review of the living allowances paid to 49 Members disclosed 27 shortages and 12 overages. The overages did not, however, result in disallowed costs since these overages were not claimed against the Corporation. The overages and shortages ranged between \$6 and \$1,517 as follows:

	Enrollment Date	Completion Date	% of Term Completed ₂	Allowance Earned ₃	Allowance Paid	Shortages (Overages) ₄
Year One, Phase I						
Bahe, F.	02/27/95	01/05/96	100	7,650	7,506	144
Begaye, P.	02/27/95	01/05/96	100	7,650	7,506	144
Begaye, R.	02/27/95	01/05/96	100	7,650	7,704	(54)
Bernally, R.	02/27/95	01/05/96	100	7,650	6,134	1,517
Bernally, T.	02/27/95	01/05/96	100	7,650	7,632	18
Benjamin, D.	02/27/95	01/25/96	100	7,650	7,331	320
Curley, D.	02/27/95	01/25/96	100	7,650	7,542	108
Francis, B.	02/27/95	01/05/96	100	7,650	7,160	491
Haskie, E.	09/05/95	01/05/96	40	3,060	3,100	(40)
Hillis, K.	06/12/95	01/05/96	65	4,973	4,892	81
Issac, E.	02/27/95	01/05/96	100	7,650	7,308	342

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	Enrollment Date	Completion Date	% of Term Completed ₂	Allowance Earned ₃	Allowance Paid	Shortages (Overages) ₄
Jode, Q.	03/20/95	01/05/96	95	7,268	7,047	221
Laughin-Begaye, D.	02/27/95	01/05/96	100	7,650	7,664	(14)
Lee, A.	02/27/95	01/05/96	100	7,650	7,682	(32)
Silversmith, L.	04/10/95	08/24/96	45	3,443	3,060	383
Smith, A.	02/27/95	01/05/96	100	7,650	7,515	135
Sterling, S.	02/27/95	01/05/96	100	7,650	7,704	(54)
Tsininnie, V.	02/27/95	01/05/96	100	7,650	7,659	(9)
Whitehat, T.	02/27/95	12/20/95	100	7,650	6,498	1,152
Watson, A.	02/27/95	01/05/96	100	7,650	7,569	81
Year One, Phase II						
Big, W. ₁	01/16/96	07/01/96	100	4,203	4,050	153
Haskie, E. ₁	01/16/96	07/01/96	100	4,203	2,812	1,391
Jim, C. ₁	01/16/96	07/01/96	100	4,203	4,045	158
Robertson, F ₁	01/16/96	07/31/96	100	4,203	3,978	225
Tolino, H. ₁	01/16/96	07/01/96	100	4,203	4,050	153
Year Two						
Arnold, R.	12/02/96	11/05/97	100	7,945	8,014	(69)
Collins, R.	12/23/96	11/12/97	100	7,945	7,939	6
Edison, A.	12/02/96	01/31/97	17	1,324	1,130	194
Freddie, A.	12/02/96	10/15/97	100	7,945	7,939	6
Goldtooth, J.	12/30/96	11/12/97	100	7,945	7,920	25
Goldtooth, K. ₅	12/02/96	10/09/97	100	7,945	7,902	43
Graymountain, A.	12/02/96	12/27/96	8	662	729	(66)
Hale, T. ₅	12/17/96	11/07/97	100	7,945	7,939	6
Jim, S. ₅	01/21/97	11/07/97	100	7,945	7,939	6
Johnson, J. ₅	12/02/96	10/10/97	100	7,945	7,939	6
Keams, A. ₅	12/02/96	10/10/97	100	7,945	7,939	6
Kinsel, S. ₅	12/02/96	10/30/97	100	7,945	7,911	34
Lee, C.	12/02/96	05/19/97	46	3,641	2,895	746
Little, T. ₁	01/13/97	01/31/97	8	662	467	195

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Corporation for National Service

	Enrollment Date	Completion Date	% of Term Completed ₂	Allowance Earned ₃	Allowance Paid	Shortages (Overages) ₄
Livingston, J. ₅	12/02/96	10/20/97	100	7,945	7,939	6
Manygoats, T. ₅	12/05/96	10/16/97	100	7,945	7,939	6
Noble, D. ₅	12/02/96	10/16/97	100	7,945	7,939	6
Robinson, L. ₅	12/02/96	10/09/97	100	7,945	7,939	6
Sandoval, M.	12/02/96	11/25/97	100	7,945	7,939	6
Tsosise, C.	12/16/96	11/07/97	100	7,945	7,098	847
Vanwinkle, Laurie ₅	12/16/96	10/30/97	100	7,945	7,939	6
Vanwinkle, Laverne	12/02/96	11/13/97	100	7,945	7,939	6
Yazzie, A.	01/13/97	11/24/97	100	7,945	7,939	6

₁ Member was enrolled on a part-time basis.
₂ The terms of the grant provide that a full term consists of 1,700 hours for full-time Members and 900 hours for part-time Members. Navajo Nation established that a full term would be completed over the following period for each phase/year:

Year One, Phase I	Ten months
Year One, Phase II	Six months
Year Two	Twelve months

The percentage of term completed was calculated by dividing the number of months enrolled in the program by the number of months constituting a full term.
₃ A full-time Member would have earned \$7,945 for a complete term and a part-time Member would have earned \$4,203 for a complete term.
₄ The overages and shortages are the difference between the living allowances earned and paid.
₅ These Members completed the 1,700 service hours in less than twelve months.

Recommendation

We recommend that living allowances be paid as was intended by the AmeriCorps Provisions. We further recommend that Navajo Nation review the living allowances paid to all Members under this grant and attempt to contact the Members to rectify the shortages.

Navajo Nation's Comments

Although Navajo Nation concurs that Members were paid on an hourly basis and that some Members were either under or over paid if a stipend basis had been used, it contends that "the AmeriCorps Program being funded through the Navajo Nation is required to adhere to tribal polices. The tribe requires that a person be paid for each hour worked...". In addition, "the program has a problem with the recommendation by the auditors to pay members by the allotted stipend on a bi-weekly basis." The main concern is that based on experience, Members start to

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abuse the policies when it is realized that a Member can miss a day or two of service and still receive their full stipend amount. It is perceived that "at the end, the program will wind up with no money and several hundred hours short of meeting the required 1700 service hours per member. Therefore, this recommendation will only create a bigger problem."

Auditor's Response

Irrespective of Navajo Nation's concerns regarding the payment of living allowances on a stipend basis, by acceptance of the grant Navajo Nation accepted the terms and conditions of the grant which stipulates that living allowances not be paid on an hourly basis, therefore, the recommendation remains.

Finding No. 3

Depending on the program year, either member contracts were not used at all or all Members did not sign contracts. Paragraph 8b of the AmeriCorps Provisions states that "the grantee must require that Members sign contracts that stipulate the following:

- i. the minimum number of service hours and other requirements (as developed by the Program) necessary to be eligible for the educational award;
- ii. acceptable conduct;
- iii. prohibited activities;
- iv. requirements under the Drug-Free Workplace Act (41 U.S.C. §701 *et seq.*);
- v. suspension and termination rules;
- vi. the specific circumstances under which a Member may be released for cause;
- vii. grievance procedures; and
- viii. other requirements as established by the Program."

Member contracts were not used at all during Phase I of program year one. Navajo Nation began using member contracts during Phase II of program year one. We reviewed 5 files of those Members who participated in Phase II and determined that all 5 files contained signed member contracts. Of the 24 files reviewed for those Members that participated in program year two, we determined that 5 files did not contain signed member contracts. The use of a detailed member contract helps to eliminate confusion with the Members during the program, such as what is expected of them and what the consequences may be for unacceptable behavior.

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Recommendation

We recommend that Navajo Nation establish and implement policies and procedures requiring the Members to sign contracts, thereby acknowledging that they have read and understand the contract.

Navajo Nation's Comments

The Navajo Nation indicated that the program director was not aware of the requirement regarding signed member contracts since the program director had not been given a copy of the Director's Handbook until well into the fiscal year but since then, all Members have been required to have signed contracts on file.

Auditor's Response

Prior to the program's execution of the grant agreement, it should be aware of the requirements of the grant. Section V of the Grant Agreement Terms states that "the recipient Grantee will implement the AmeriCorps program in accord with the National and Community Service Trust Act (42 U.S.C. 12501, et seq.), the Corporation's regulations (45 CFR 2510. 2513, et al.), the AmeriCorps National Direct Application and the terms of this agreement." The AmeriCorps Provisions were an attachment to the grant agreement.

Finding No. 4

Navajo Nation did not maintain documentation regarding the Members as required by Paragraph 15a of the AmeriCorps Provisions which states, in part, that "the Grantee must maintain verifiable records which document each Member's eligibility to serve based upon citizenship or lawful permanent residency, birthdate, level of educational attainment, date of high school diploma or equivalent certificate (if attained), participation start date and end date, hours of service per week, location of service activities and project assignment." Our testing of 48 Member files (20 files from Phase I of program year one, 5 files from Phase II of program year one, and 23 files from program year two) disclosed the following number of instances where required documentation had not been maintained:

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Corporation for National Service

Lacking Documentation For:	Number of Files Lacking Documentation	Program Year
Eligibility to enroll	1	Two
Enrollment	1	Two
End of term	2 1	One, Phase II Two

In addition, one file could not be located for a Member who participated in the second program year. We did, however, verify that the National Service Trust had been notified of the Members' enrollment in, and termination from, the program by reviewing the AmeriCorps Member Roster maintained by the National Service Trust.

Recommendation

We recommend Navajo Nation establish and implement policies and procedures to obtain and retain documentation as required by AmeriCorps Provision 15.

Navajo Nation's Comments

According to Navajo Nation, about 95 percent of the documentation which we had requested was provided during the audit and that we had recommended that the remaining documentation not be sent unless requested by the Corporation.

Auditor's Response

While we acknowledge that Navajo Nation forwarded documentation to us after we had completed our on-site visit, we did not state that additional proof of documentation should not be forwarded if it was located prior to the issuance of the audit report as indicated by Navajo Nation. In fact, we accept and analyze all documentation provided during and after the on-site visit including documentation provided as attachments to the comments to the draft report. We must assume that Navajo Nation misinterpreted one of the discussions we had with them. We may have informed them that if they located the missing enrollment and end-of-term documentation after the issuance of the audit report that it would not be necessary to forward it to the Corporation, unless requested, since the records of National Service Trust indicate that these forms were submitted.

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Finding No. 5

Written evaluations of each Member's performance were not available during our review. Paragraph 8g of the AmeriCorps Provisions states that "the grantee must conduct at least a mid-term and end-of-term written evaluation of each Member's performance, focusing on such factors as:

- i. whether the Member has completed the required number of hours;
- ii. whether the Member has satisfactorily completed assignments; and
- iii. whether the Member has met other performance criteria that were clearly communicated at the beginning of the term of service."

Although the Project Director stated performance evaluations were performed, as of the date of this report we were not provided with any documentation to support this statement.

Recommendation

We recommend that Navajo Nation establish and implement policies and procedures to conduct and document the required evaluations of each Member's performance.

Navajo Nation's Comments

According to Navajo Nation, all evaluations were conducted for the Members and are on file, except for the mid-term evaluations for those Members who participated during Phase One of the first program year because the program was not aware of the requirement to conduct evaluations of Members.

Auditor's Response

Navajo Nation did not provide these evaluations to us prior to the issuance of this report in final form. Prior to the program's execution of the grant agreement, it should have been aware of the requirements of the grant. Section V of the Grant Agreement Terms states that "the recipient Grantee will implement the AmeriCorps program in accord with the National and Community Service Trust Act (42 U.S.C. 12501, et seq.), the Corporation's regulations (45 CFR 2510. 2513, et al.), the AmeriCorps National Direct Application and the terms of this agreement." The AmeriCorps Provisions were an attachment to the grant agreement.

Finding No. 6

Staff salaries charged to the grant were not supported by individual timesheets nor was an after-the-fact labor distribution system used for one employee who worked on the AmeriCorps program and other activities. Paragraph 23c of the AmeriCorps Provisions states, in part, that “salaries and wages charged directly to this grant or charged to matching funds must be supported by signed time and attendance records for each individual employee regardless of position, and by documented payrolls approved by a responsible official of the Grantee. Salaries and wages chargeable between this Grant and other programs or functions of the Grantee organization must be supported by individual time distribution records.” Staff do not complete individual timesheets which are signed by the employee and approved by a supervisor. The staff informs the Project Accountant of the number of hours worked during the payperiod which is recorded on a summary schedule that is forwarded to the payroll department for processing. The Project Director does, however, sign the summary schedule. All of the staff charged to this grant worked exclusively on the AmeriCorps program except for the Project Accountant. The Project Accountant’s time is divided between this program and the payroll department under Navajo Nation’s Department of Agriculture based on a predetermined percentage. Each payperiod, 75 percent of her time is charged to this grant.

Recommendation

We recommend that Navajo Nation implement policies and procedures requiring the use of timesheets for all staff which are signed by the employee and approved by a supervisor. We further recommend that Navajo Nation implement an after-the-fact labor distribution for all employees that work on multiple programs or activities.

Navajo Nation’s Comments

Although Navajo Nation agreed with the finding it stated that “the program feels that it would be meaningless and not be feasible to back track and monitor the labor distribution for year one and two, but to focus on a tracking system for the current year.” As such, the Director and Compliance Officer have developed a timesheet to reflect the proportionate amount of time spent on direct and administration activities.

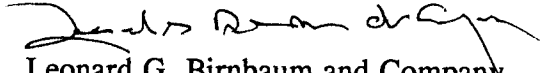
Auditor’s Response

Our recommendation remains. Resolution of this issue with respect to years one and two is the responsibility of the Corporation’s Office of Grants Management.

Inspector General
Corporation for National Service

Except as described above, the results of our tests of compliance indicate that, with respect to the items tested, the grantee has complied in all material respects, with the provisions referred to in the third paragraph of this report. We considered these instances of noncompliance in forming our opinion on whether Exhibit A is presented fairly in all material respects, in conformity with Corporation policies and procedures, and this report does not affect our report dated April 23, 1998, on this financial schedule.

This report is intended for the information and use of the Corporation's Office of the Inspector General, as well as management of the Corporation and Navajo Nation. However, this report is a matter of public record and its distribution is not limited.


Leonard G. Birnbaum and Company

Alexandria, Virginia
April 23, 1998

LEONARD G. BIRNBAUM AND COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS

WASHINGTON OFFICE

6285 FRANCONIA ROAD

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Inspector General
Corporation for National Service

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE

We have audited the schedule of award costs, as presented in Exhibit A, which summarizes the claimed costs of the Navajo Nation under the Corporation for National Service (Corporation) award listed below, and have issued our report thereon dated April 23, 1998.

<u>Award Number</u>	<u>Award Period</u>	<u>Audit Period</u>
94ADMAZ033	July 1, 1994 to December 31, 1997	July 1, 1994 to December 31, 1997

We conducted our audit in accordance with generally accepted auditing standards, and *Government Auditing Standards* (1994 Revision), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement.

In planning and performing our audit of Exhibit A for the period July 1, 1994 to December 31, 1997, we considered the grantee's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial schedule and not to provide assurance on the internal control structure.

The Navajo Nation's management is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs on internal control structure policies and procedures. The objectives of an internal control structure are to provide management with

Inspector General
Corporation for National Service

reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial schedules in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

- Cash Disbursements
- Cash Receipts
- Payroll/timekeeping
- Recordkeeping

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we have assessed control risk.

We noted the following matters involving the internal control structure and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure, that, in our judgement, could adversely affect the entity's ability to record, possess, summarize and report financial data consistent with the assertions of management in the financial schedules.

Finding No. 1

Controls over the submission of progress reports were inadequate. As detailed in Finding No. 1 of the Independent Auditor's Report on Compliance, progress reports were not submitted on a timely basis and one progress report does not appear to have been submitted at all.

Recommendation

We recommend that Navajo Nation establish and implement policies and procedures to submit the progress reports on a timely basis.

Inspector General
Corporation for National Service

Navajo Nation's Comments

Navajo Nation agreed with the finding. Refer to Navajo Nation's comments to Finding No. 1 in the Independent Auditor's Report on Compliance.

Finding No. 2

Navajo Nation did not have an after-the-fact labor distribution system to charge employees' time if the employee did not work exclusively on a program or administration. AmeriCorps Provision 23c states, in part, that "salaries and wages chargeable to this grant and other programs or functions of the Grantee organization must be supported by individual time distribution records." As detailed in Finding No. 6 of the Independent Auditor's Report on Compliance, the Project Accountant's time is divided between this AmeriCorps program and Navajo Nation's general administrative function based on predetermined percentages instead of timesheets prepared on an after-the-fact basis.

Recommendation

We recommend that Navajo Nation implement an after-the-fact labor distribution system as required under the grant.

Navajo Nation's Comments

Navajo Nation agreed with the finding. Refer to Navajo Nation's comments to Finding No. 6 in the Independent Auditor's Report on Compliance.

A material weakness is a reportable condition in which the design or operation of the specific internal control elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial schedules being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses as defined above. However, we noted the following matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

Finding No. 3

Navajo Nation lacked adequate separation of duties in the payroll cycle regarding Members' living allowances. The same individual that informs the program office of the Members who are to receive a check for living allowances during that payperiod is also the individual that receives the Members' checks from the program office in order to distribute the checks to the Members. By the same individual performing these duties, the program is at risk that living allowances are being paid to fictitious Members or for Members that are no longer in the program.

Recommendation

We recommend that Navajo Nation implement policies and procedures to ensure proper separation of duties, such as having different individuals perform these functions, having the operating sites submit the timesheets used to track the number of service hours performed as these are to be signed by the Member, or having the operating sites require that the Members sign for the checks and then forwarding the check signature sheets to the program office.

Navajo Nation's Comments

Navajo Nation agreed with the finding as "the Navajo Nation AmeriCorps has implemented a system whereby the accountability of timesheets are signed by individual members. The Compliance Officer submits timesheets to the payroll department and the Career Development Coordinators distribute all checks. All members are required to sign a form indicating that they have received their stipend for each pay period. These signature forms of checks are forwarded to the Compliance Officer upon completion for program files."

Finding No. 4

Navajo Nation lacked an adequate system to evaluate the program. The internal evaluation process should include procedures to track progress toward achievement of the program objectives, as well as monitor the quality of service activities, satisfaction of both service recipients and participants, and management effectiveness. Such a system should allow for frequent feedback and the quick correction of weaknesses. Based on our discussion with program personnel and our review of documentation provided during the audit, we determined that Navajo Nation had an unstructured and informal method of collecting data which would be used in an evaluation process. No formal process, however, had been developed.

Inspector General
Corporation for National Service

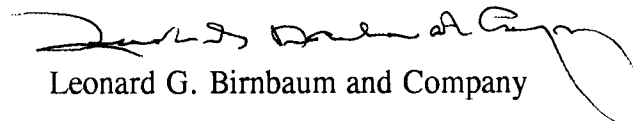
Recommendation

We recommend that Navajo Nation develop and implement policies and procedures to evaluate the program, track the progress toward achievement of the program's objectives, and monitor the quality of service activities, satisfaction of both service recipients and participants, and management effectiveness.

Navajo Nation's Comments

Navajo Nation agreed with the finding as "the Navajo Nation AmeriCorps Program has developed forms to indicate progress towards achievement of program objectives, to monitor the quality of service activities and to receive feedback from recipient and participants. Upon compilation of all materials the program will submit a formal evaluation report to the Corporation."

This report is intended for the information and use of the Corporation's Office of the Inspector General, as well as the management of the Corporation and Navajo Nation. However, this report is a matter of public record and its distribution is not limited.



Leonard G. Birnbaum and Company


Alexandria, Virginia
April 23, 1998

Appendix A

Response of the Corporation's Office of Grants Management

May 27, 1998

Ms. Leslie A. Leiper
Senior Partner
Leonard G. Birnbaum and Company
6285 Franconia Road
Alexandria, VA 22310-2510

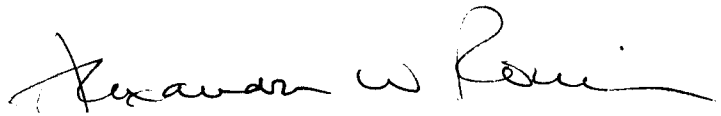
CORPORATION
FOR NATIONAL
 SERVICE

Dear Ms. Leiper:

The Office of Grants Management has received the draft audit report for Cooperative Agreement number 94ADMAZ033 awarded to the Navajo Nation.

Our review primarily was limited to information contained in the report. We have not conducted a more comprehensive review and analysis, obtained comments from the awardee, or considered other information, factors or alternatives to the recommendations. Therefore we are unable to provide detailed comments or specifically concur with the report's findings or recommendations at this time. Nevertheless, we have no objections to the report being issued.

Sincerely yours,



Alexandra W. Rollins
Senior Grants Officer

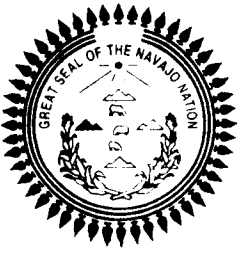
cc. CNS Audit Coordinator
CNS Inspector General

1201 New York Avenue, NW
Washington, DC 20525
Telephone 202-606-5000

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Appendix B

Response of the Navajo Nation



**THE
NAVAJO
NATION**

P. O. BOX 9000 • WINDOW ROCK, ARIZONA 86515 • (520) 871-6000

**ALBERT A. HALE
PRESIDENT**

**THOMAS E. ATCITY
VICE PRESIDENT**

Friday, June 5, 1998

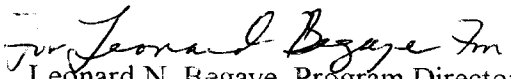
Leslie A. Leiper
Senior Partner
Leonard G. Birnbaum and Company, LLP
6285 Franconia Road
Alexandria, VA. 22310-2510

Dear Leslie,

Enclosed is the response to the audit report submitted to the Inspector General dated May 7, 1998.

Should you have any questions, please call our office at (520) 729-4092 at your convenience.

Sincerely,


Leonard N. Begaye, Program Director
Navajo Nation AmeriCorps

Navajo Nation's Response

to

**Explanation of Questioned
Costs**

1. **Health Care**

Questioned, \$1,118.00 of cost incurred for Members' health insurance.

Navajo Nation's Response:

During the period 2/95 - 12/31/95, seven (7) members were covered under the health insurance policy when members had left the program early in the year. The request for payment of the insurance premiums was not received until late August 1995, as a result the program was subjected to pay for this statement, although members had already left the program.

Clifton Singer, a member of the Fort Defiance District served 1700 hours. Mr. Singer's date of employment was from February 27, 1995, to January 5, 1996. The allowable cost incurred for his insurance in the amount of \$411.00 is justifiable. If you should need additional documents verifying his employment, please do not hesitate to call me.

2. **Training and Education**

Questioned, \$1,810.00 of training and education, materials purchased, not used by the members of second program year.

Navajo Nation Response:

The process of ordering equipment and materials through the Navajo Nation system takes time. The office of Contract Accounting have certain deadlines towards the end of the fiscal year, they advise all programs to submit purchase requisitions to expend their moneys. Based on this advise and the lengthy processing of Purchase Orders, it takes time for the Purchase Requisition to get to the vendors.

The Navajo Nation Program does not see a problem with materials purchased late in the year as it was used during the following year. The Navajo Nation Program is a multi-year program.

3. **Travel/Transportation**

Questioned, charges for one individual who is not identified as a member on the AmeriCorps Member Roster maintained by the National Service Trust, \$101.00 cost incurred.

Navajo Nation Response:

The orientation held on February 27, 1995, in Gallup, NM. was held immediately after the acceptance of the Corporation of National Service fundings. Members and staff were hired on February 27, 1995, during this conference errors can be made as some selected members did not show up and were replaced by other people. So errors are possible, it is surprising that more errors were not made.

Due to the late start of the program, it left little, if any time for careful preparation for the orientation to be properly organized. Seeing that the three (3) staff members were also hired on the same day, February 27, 1995, they had no role on the planning and coordination of the conference.

4. **Supplies**

4.a. Questioned, purchase of daily planners in the amount of \$2,250.00.

Navajo Nation's Response:

Most, of not all, tribal employees have these daily planners that they use in the course of their daily activities for reporting and planning purposes. Therefore, the AmeriCorps staff did not think it was improper or unreasonable to order these planners for the administration and field coordinators.

Contract Accounting, Purchasing and Office Supply Center also did not question the purchase of these planners. If they felt the order was improper it would have been stopped immediately. The AmeriCorps director is surprised that this has been deemed a questionable expenditure.

4.b. Questioned, purchase of brochures from Cal Nez Designs in the amount of \$5,580.00.

Navajo Nation's Response:

Brochures purchased from Cal Nez Design was also questioned by the auditors. The Corporation for National Service has been strongly recommending that all AmeriCorps Programs should have brochures, newsletters, letterheads, etc., to promote their program. The Director does not see the reasoning for questioning the cost.

For three years, we have been trying to have these brochures printed. We found that Cal Nez and Company had the capabilities to print what we wanted.

These brochures were used in recruiting new members and to share with the communities throughout the reservation for promotional purposes.

5. **Other**

Questioned, \$400.00 security deposit paid to the Episcopal Church in Navajoland.

Navajo Nation's Response:

In order to take up the lease, it was required for our program to put up the \$400.00 security deposit. This deposit is carried forward for as long as the program occupies the offices at the Episcopal Church.

There is a severe lack of office space within the Window Rock and Fort Defiance areas, so that there was no choice but to accept this requirement by the lessor.

Navajo Nation's Response

to

**Compliance and Internal
Control Structure**

Finding No. 1

Progress Reports were not submitted on a timely basis.

Navajo Nation's Response:

The program admits that some progress reports were submitted late but it also admits that some reports were lost or misplaced by the Corporation. The director has had to mail additional copies or hand carried (twice) the reports to the Corporation.

A photo copy of the December 31, 1995, Progress Report was faxed to the auditor immediately upon request to verify that it had been submitted to the Corporation.

No where on the Progress Report is there a space for when reports are submitted.

Recommendation:

The Progress Reports submitted to the Corporation usually has a cover letter with a date showing when it was mailed. The program will start keeping a log of when these reports are submitted to the Corporation.

The program has hired a full time secretary which will improve record keeping and submittal of all required reports and documents.

Career Development Coordinators will be required to submit all their reports, (3 weeks prior to submittal date) on a timely basis to the administration to ensure that progress reports are submitted on time.

All staff members with responsibilities for the submittal of reports will be required to comply with the mandates in the contractual agreement between the Nation and the Corporation.

The program recommends that a line be inserted on the Progress Report form to indicate when reports are being submitted to the Corporation.

Finding No. 2

Members paid on an hourly basis, rather than on a stipend.

Navajo Nation's Response:

The AmeriCorps Program being funded through the Navajo Nation is required to adhere to tribal policies. The tribe requires that a person be paid for each hour worked, members are paid on an hourly basis according to the submitted timesheets. These members will meet their required 1700 service hours and will receive their allotted stipend of \$7,945.00 regardless.

Some members were not able or willing to finish their required number of hours by the end of the fiscal or their contract year. The contract term of dates was ample for the members to complete their required number of hours. At the end of the member contract dates, the program had begun with a new program year and did not have the time or personnel to supervise these members for an extension to their contracts. The end of the fiscal year and grant ending dates does not permit an extension beyond these dates.

Looking at the sample, it is true that some members were paid more than what was due to them, other members resigned prior to the ending of their service term.

The program has a problem with the recommendation by the auditors to pay members by the allotted stipend on a bi-weekly basis. Experiences have shown that when members realized that they can mess a day or two of service and still get their stipend. They will start to abuse the policies. At the end, the program will wind up with no money and several hundred hours short of

meeting the required 1700 service hours per member. Therefore, this recommendation will only create a bigger problem.

An attempt will be made by the Program to contact the past year members to pay them the difference. But it will require the authorization of the Corporation and the Navajo Nation to do so.

Finding No. 3

Member contracts were not used at all or Members did not sign contracts.

Navajo Nation's Response:

The program director was not aware that members had to have written signed contracts, as he had not been given a Director's Handbook, until well into the fiscal year. Since then, all members have been required to have signed contracts on file.

The program has implemented a system which requires that all members have a signed contract prior to being assigned to the work sites.

The five (5) files in questioned, those members were unavailable to sign their contracts and had all exited the program immediately thereafter for personal reasons.

Finding No. 4

Did the Navajo Nation maintain documentation on member eligibility to serve, i.e., birthdate, level of education, etc.

Navajo Nation's Response:

The documentation of these members were faxed to the auditor which was about 95% of the requests. The others in questioned, the auditor recommended not to sent unless requested by the Corporation.

The Corporation has also stated that it will sent a monthly listing to the grantees of members enrolled, which has never happened.

Recommendation:

The program has implemented a check list for each enrolled member indicating all required documentation have been submitted, signed and on file to show proof of compliance for enrollment.

This requirement will also improve the maintaining of members who have exited the program and of new enrollees.

Finding No. 5

Written evaluations of each Member's performance not on file for review.

Navajo Nation's Response:

As far as the director's knowledge, all members have been evaluated and that all forms are on file in the program office. The only evaluation forms missing is the first year. First phase members, again, because the program was not aware of the evaluation of members. But at the end of the term evaluations were completed for these members and are on file.

Procedures have been implemented and that all Career Development Coordinators are required to submit 2 evaluations of each member during the program year.

Finding No. 6

Staff salaries charges were not supported by timesheets nor labor distributions.

Navajo Nation's Response:

The Director and Compliance Officer have developed a timesheet to show the propionate amount of time spent on direct and administration activities. All other staff are funded 100% under the direct program and not paid by any other program or activities.

Due to the lack of a secretary, 75% of the Program Accountant's time that was charged to administrative is not unreasonable. The program feels that it would be meaningless and not feasible to back track and monitor the labor distribution for year one and two, but to focus on a tracking system for the current year. To comply with the recommendation for individual time distribution.

Navajo Nation's Response

on

Internal Control Structure

Finding No. 1

Controls over the submission of the progress reports.

Navajo Nation's Response:

Please refer to Compliance issue Finding No. 1.

Finding No. 2

Nation did not have after-the-fact labor distribution system.

Navajo Nation's Response:

Please refer to Finding No. 6 under Compliance.

Finding No. 3

Duties in the payroll cycle regarding Members' living allowances.

Navajo Nation's Response:

The Navajo Nation AmeriCorps has implemented a system whereby the accountability of timesheets are signed by individual members. The Compliance Officer submits timesheets to the payroll department and the Career Development Coordinators distribute all checks. All members are required to sign a form indicating that they have received their stipend for each pay period. These signature forms of checks are forwarded to the Compliance Officer upon completion for program files.

Finding No. 4

Nation did not have adequate system to evaluate the program.

Navajo Nation's Response:

The Navajo Nation AmeriCorps Program has developed forms to indicate progress towards achievements of program objectives, to monitor the quality of service activities and to receive feedback from recipient and participants. Upon compilation of all materials the program will submit a formal evaluation report to the Corporation.