

RESOLUTION OF THE  
BUDGET AND FINANCE COMMITTEE  
OF THE NAVAJO NATION COUNCIL

23<sup>RD</sup> NAVAJO NATION COUNCIL - Third Year, 2017

AN ACTION

RELATING TO THE BUDGET AND FINANCE COMMITTEE; ACCEPTING THE  
SPECIAL REVIEW OF THE OFFICE OF THE CONTROLLER ACCOUNTS  
PAYABLE DEPARTMENT AND APPROVING THE CORRECTIVE ACTION PLAN  
SUBMITTED BY THE OFFICE OF THE CONTROLLER

BE IT ENACTED:

SECTION ONE. AUTHORITY

- A. The Budget and Finance Committee serves as the oversight committee for the Office of the Controller. 2 N.N.C. § 301(B) (13).
- B. The Budget and Finance Committee is charged with receiving and approving audit reports from the Auditor General. 12 N.N.C. §§ 6(A) and 7(D).

SECTION TWO. FINDINGS

- A. The Auditor General submitted an audit report for the Special Review of the Office of the Controller Accounts Payable Department and Corrective Action Plan for approval. Audit Report No. 17-14 is attached as **Exhibit A** and the Corrective Action Plan is attached as **Exhibit B**.
- B. The memorandum included with the Office of the Auditor General's report noted the special review analyzed invoices over a four year period for fiscal years 2011-2014.
- C. The review identified 4,263 invoices that were potentially paid twice. From these invoices, supporting documentation for 246 invoices was examined. Of those invoices, 70 or 28 percent were duplicate payments. Additional details are available in **Exhibit A**.

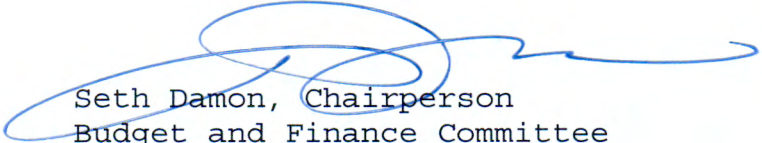
- D. As a result, the Office of the Controller has submitted the Corrective Action Plan, attached as **Exhibit B**.

### SECTION THREE. ACCEPTANCE AND APPROVAL

- A. The Navajo Nation hereby accepts Audit Report No. 17-14, Special Review of the Accounts Payable Duplicate Payments to Vendors, attached as **Exhibit A**, and approves the Office of the Controller Corrective Action Plan, attached as **Exhibit B**.
- B. The Navajo Nation hereby directs the Office of the Controller to submit a written status report on its progress in implementation of the Corrective Action Plan to the Office of the Auditor General six months after the approval of this resolution.
- C. The Navajo Nation hereby directs the Office of the Auditor General to review the written status report to be submitted by the Office of the Controller and report to the Budget and Finance Committee.
- D. The Navajo Nation hereby directs the Office of the Auditor General to conduct a follow-up review twelve months after the approval of this resolution to verify to actions claimed to have been taken by the Office of the Controller, to issue a written follow-up report indicating the Office of the Controller's progress in implementing the Corrective Action Plan, and to make recommendations to the Budget and Finance Committee.

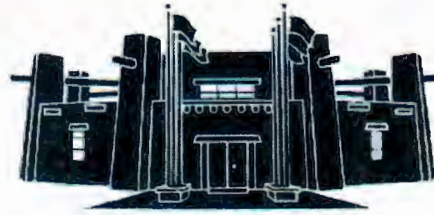
CERTIFICATION

I hereby certify that the foregoing resolution was duly considered by the Budget and Finance Committee of the Navajo Nation Council at a duly called meeting held at Window Rock, Navajo Nation (Arizona), at which a quorum was present and that the same was passed by a vote of 3 in favor and 2 opposed, this 10<sup>th</sup> day of October, 2017.



Seth Damon, Chairperson  
Budget and Finance Committee

Motion: Honorable Seth Damon  
Second: Honorable Tom T. Chee



## **OFFICE OF THE AUDITOR GENERAL**

### **The Navajo Nation**

### **Special Review of Accounts Payable Duplicate Payments to Vendors**

**Report No. 17-14  
January 2017**

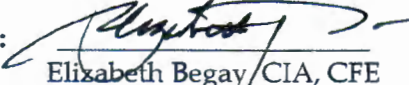
**Performed by:  
Alfreda Lee, Senior Auditor**





## M-E-M-O-R-A-N-D-U-M

TO : Bobby White, Acting Controller  
OFFICE OF THE CONTROLLER

FROM :   
Elizabeth Begay, CIA, CFE  
Auditor General  
OFFICE OF THE AUDITOR GENERAL

DATE : January 11, 2017

SUBJECT : Special review of duplicate payments processed by the Office of the Controller  
Accounts Payable Section

The Office of the Auditor General herewith transmits Audit Report No. 17-14, A Special Review of Accounts Payable Duplicate Payments to Vendors. The audit was conducted with the following objectives:

1. Determine whether Accounts Payable processed duplicate payments.
2. Determine whether Accounts Payable detected duplicate payments.

Analysis of the vendor invoices over a four-year period for fiscal years 2011 through 2014 identified 4,263 invoices that were potentially paid twice. From these invoices, we examined supporting documentation for 246 invoices.

Our examination of these 246 invoices found that 70 (or 28%) were duplicate payments. This percentage of actual duplicate payments is an indication that duplicate payment processing could be a significant issue within Accounts Payable.

Accounts Payable did not detect that the 70 invoices totaling \$48,370 were paid twice. Accounts Payable does not have written policies and procedures to prevent, detect, correct, and recover duplicate payments.

If you have any questions about this report, please contact our office at (928) 871-6303.

Attachment

xc: Lorena Eldridge, Accounting Manager  
OFFICE OF THE CONTROLLER  
Chrono

## TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION AND BACKGROUND .....	1
OBJECTIVES, SCOPE AND METHODOLOGY .....	1
REVIEW RESULTS .....	3
FINDING I: Accounts Payable Processed Duplicate Payments .....	3
FINDING II: Accounts Payable did not detect invoices that were paid twice .....	5
CONCLUSION .....	6
CLIENT RESPONSE .....	7

## **INTRODUCTION AND BACKGROUND**

The Office of the Auditor General has conducted a special review of Accounts Payable duplicate payments to vendors. This review extends from a prior analysis (report no. 14-11 issued March 31, 2014) that was performed on the Vendor Address Book maintained by the Office of the Controller.

### **Accounts Payable Section and Payment Process**

A duplicate payment involves more than one payment on the same invoice and the subsequent payments are considered overpayments that should be recovered.

The Office of the Controller Accounts Payable Section is responsible for ensuring that payments are made in a timely, accurate, and efficient manner to vendors. The Navajo Nation Council Budget and Finance Committee have oversight authority for the Office of the Controller.

The Accounts Payable Section utilizes an automated accounting system, referred to as the Financial Management Information System, to process payments. Accounts Payable processes payments using four common payment methods: 1) procurement cards (i.e. credit card), 2) request for direct payments, 3) purchase order payments, and 4) wire transfers.

There is a risk for duplicate payments on all the four payment methods; however, this special review on duplicate payments to vendors focused only on analyzing two of the voucher payment processing methods, those using the request for direct payment and those using the purchase order payment methods.

### **Objective, Scope, and Methodology**

For this special review, the Office of the Auditor General established the following audit objectives:

1. Determine whether Accounts Payable processed duplicate payments.
2. Determine whether Accounts Payable detected duplicate payments.

We used data analytic software in fiscal years 2011 through 2014 to identify the 4,263 potential duplicate payments of vendor invoices based on input variations. These variations included the invoice number, vendor number, invoice amount, and invoice date. The 4,263 vendor invoices totaled \$1,218,100. The analysis from the 2014 audit report stated these as "potential" duplicate payments since there was no review of support documentation on the Vendor Address Book data analysis.

The scope of this audit was limited to these 4,263 vendor invoices flagged as potential duplicate payments from this data analysis for fiscal years 2011 through 2014 (October 1, 2010 through September 30, 2014).

In this special review we examined supporting documentation for a sample of these invoices and performed other procedures as follows:

- Reviewed applicable Accounts Payable policies and procedures for processing payments.
- Interviewed staff from the Office of the Controller, Accounts Payable, Payroll, and General Accounting Sections to obtain an understanding of payment methods and applicable processes.
- Evaluated the process for direct payment and purchase order methods to gain a better understanding of the internal controls.
- Selected a judgmental sample of 376 invoices of 4,263 invoices (or 9% of transactions) totaling \$150,441 out of the \$1,218,000 total dollar amount of invoices (or 12%) for test work.
- Examined available support documentation to confirm the duplicate payments.

#### **Government Auditing Standards**

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The Office of the Auditor General and staff express their appreciation to the Accounts Payable staff and all other entities who contributed to this audit for their cooperation and assistance throughout this audit.



## REVIEW RESULTS

### FINDING I: Accounts Payable processed duplicate payments.

While 376 vendor invoices were selected as a sample from the identified 4,263 vendor invoices Accounts Payable was only able to provide support documentation for 246 (or 65%) of the selected sample.

We examined these 246 vendor invoices and found 70 (or 28%) of these payments were actual duplicate payments. This percentage of actual duplicate payments is an indication that duplicate payment processing could be significant issues within Accounts Payable. Table 1 summarizes the audit sample population, selected payments, and verification results.

**Table 1**  
**Verified Duplicate Payments Stated as % of Number of Invoices**  
**and % of Dollar Value of Invoices**  
**FY 2011 - FY 2014**

	Number (#) of invoices	Number of invoices (% of #)	Value (\$) of invoices	Value of invoices (% of \$)
<b>Sample Population</b>				
Vendor invoices analyzed	4,263		\$1,218,100	
<b>Selected Sample</b>				
Judgmentally selected invoices for current review	376	9% of vendor invoices analyzed	\$150,441	12% of vendor invoices analyzed
<u>Less:</u> Invoices without documentation	(130)	35% of sampled invoices	(\$41,507)	28% of sampled invoices
Examined invoices for current review	246	65% of sampled invoices	\$108,934	72% of sampled invoices
<b>Test Results</b>				
Verified duplicate payments	70	28% of examined invoices	\$48,740	45% of examined invoices
Vendor had more than one unique address book number <sup>(a)</sup>	62	89% of verified duplicate payments	\$47,904	98% of verified duplicate payments
Staff accepted copies of invoices <sup>(a)</sup>	35	50% of verified duplicate payments	\$24,042	50% of verified duplicate payments
Copies of invoices had no justification letter <sup>(a)</sup>	15	43% of accepted copies of invoices	\$4,080	17% of accepted copies of invoices
Staff entered inconsistent invoice numbers <sup>(a)</sup>	6	9% of verified duplicate payments	\$2,064	4% of verified duplicate payments

<sup>(a)</sup> The test work results are overlapping.

Source: Auditor General verification of invoices.

The following control issues contributed to duplicate payments:

- **The Accounts Payable staff processed invoices to vendors that have multiple address book numbers in the Financial Management Information System Vendor Address Book.**

The Accounts Payable Standard Procedures states that each vendor within the Financial Management Information System Vendor Address Book shall have a unique vendor address book number assigned to each vendor. Of the 70 verified duplicate payments, 62 (or 89%) were made to vendors with more than one unique address book number assigned in the address book. Since the Office of the Controller's internal process for creating and managing address book numbers for vendors within the Financial Management Information System was not clearly defined, Accounts Payable staffs were creating multiple vendor numbers for the same vendor.

- **The Accounts Payable staff accepted copies of invoices without written justification.**

Accounts Payable Invoice Entry Guidelines requires original invoices in order to make payments to vendors. In the absence of original invoices, the Accounts Payable manager requires written justifications to support payments based on copies of invoices. 35 of 70 verified duplicate payments did not have original invoices and were processed based on a copy of the invoice. 15 of these 35 (or 43%) were paid without an attached written justification. The duplicate payments occurred because the departments/programs had re-submitted invoice copies after the original invoices were processed for payment. The Accounts Payable supervisors did not monitor its processes to ensure staffs were processing payments only from original invoices or copy of invoices with written justification.

- **The Accounts Payable staff was inconsistent in processing invoices that lacked invoice numbers.**

Many invoices received from vendors did not contain invoice numbers. As such, the Invoice Entry Guidelines were established to provide consistent procedures for Accounts Payable staff on how to enter invoice numbers when processing invoices that lack pre-numbers. A pre-number on an invoice identifies a specific transaction for the vendor and once entered into the accounting system, the number can be used to track the status of the payment processing for that specific transaction. Out of the 70 verified duplicate payment invoices reviewed, the invoice numbers for 6 invoices (or 9%) were inconsistent because the staff did not follow the format outlined in the guidelines.

**Recommendations:**

1. The Accounts Payable manager should clearly define and implement standards for setting up vendor addresses.
2. The Accounts Payable staff should accept only original invoices or copies of invoices with written justification. In addition, Accounts Payable supervisor should monitor the payment processing to ensure staff is paying from original invoices or copies of invoices with justification attached.
3. The Accounts Payable manager should require consistent invoice numbers when the original invoice lacks a number according to the Invoice Entry Guidelines.

**FINDING II: Accounts Payable did not detect invoices that were paid twice.**

Accounts Payable did not detect the 70 invoices paid twice totaling \$48,370. The invoices paid twice were to 11 vendors and ranged from \$120 to \$18,425 each.

Written policies and procedures serve as important control measure to assist management and staff in preventing, detecting and correcting errors, and recovering funds as a result of such errors. Accounts Payable was unable to detect the invoices that were paid twice because it does not have policies and procedures for detecting duplicate payments to vendors.

**Recommendation:**

1. Accounts Payable should develop written policies and procedures that address how to:
  - a. detect duplicate payments
  - b. document duplicate payment detection and recovery activities
  - c. obtain reimbursements from vendors that received payment twice
  - d. monitor the recovery of invoices paid twice



## CONCLUSION

Analysis of the vendor invoices over a four-year period for fiscal years 2011 through 2014 identified 4,263 invoices that were potentially paid twice. From these invoices, we examined supporting documentation for 246 invoices.

Our examination of these 246 invoices found that 70 (or 28%) were duplicate payments. This percentage of actual duplicate payments is an indication that duplicate payment processing could be a significant issue within Accounts Payable.

Accounts Payable did not detect that the 70 invoices totaling \$48,370 were paid twice. Accounts Payable does not have written policies and procedures to prevent, detect, correct, and recover duplicate payments.



## **CLIENT RESPONSE**



# THE NAVAJO NATION

RUSSELL BEGAYE  
JONATHAN NEZ

## MEMORANDUM

**TO:** Elizabeth Begay, CIA, CFE  
Auditor General  
OFFICE OF THE AUDITOR GENERAL

**Thru:**   
Jim R. Parris, Controller  
OFFICE OF THE CONTROLLER

**FROM:**   
Lorena Eldridge, Accounting Manager  
OFFICE OF THE CONTROLLER

**DATE:** December 20, 2016

**SUBJECT:** FMIS (Address Book=AB) Special Review of Duplicate Payments

On behalf of the Office of the Controller, the Special Review of Accounts Payable Duplicate Payments to Vendors-Report No. 17-xx December 2016; hereby updated as a Management Summary; several key status indicators for the delays have to do with implementation of the new archive module within the FMIS. We hired an Accounts Maintenance Specialist in April 2016 to handle the Navajo Nation (NN) FMIS AB setups and is still going through training to be a well prepared specialist that is a critical issue for us now. In conjunction with this initiative we also hired a new Accounting Supervisor. Critical risks, trends, similar factors to achieve the CAP will go beyond 12/30/2016. A significant issue with implementing the Archive module after upgrading the FMIS is the necessary testing by all Office of the Controller's Accounting Departments. Quality plan status, significant deviations from plan thus far is the financial support.

The root problems for duplicate payments are multiple AB number for the same vendor, incorrect invoice number, copy of invoice used, and departments/programs submitting more than one invoice.

Our resolution is to purge AB numbers with no activity from 2003 to 2016 FMIS report R550101 will show evidences, monitor the dependability of invoice entry guidelines manual and run FMIS report R04601 suspected duplicate payments every Friday going forward, copies of invoices will be returned to departments/programs for an original.

Our action plan is to flag (H=hold) duplicate AB number with security access only, the invoice entry guidelines will be revised, continue to train OOC staff and NN departments and programs on AB consequence, adding a check-off list to the AB policy will limit and restrict adding new AB numbers and will apply for TIN matching with the IRS to verify W9 and require TIN for all vendors doing business with the NN.

In conclusion the Office of the Controller is appreciative of the special review on duplicate payments which stem from the NN departments submission of financial documents and working to clean up the vendor AB is our mission. Should you have any questions please contact me at 928 871-6306 or [leldridge@nnooc.org](mailto:leldridge@nnooc.org)

Cc: Accounting Managers/OOC  
Yolanda Gene, Accounting Supervisor  
Elsie Julian, Senior Accountant/Program Administrator  
Natalie Conley, AMS/Address Book designee





# THE NAVAJO NATION

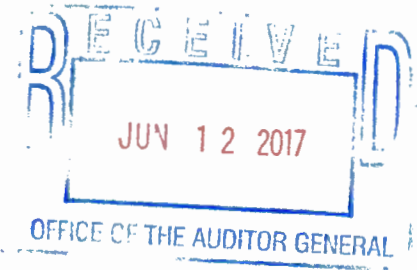
RUSSELL BEGAY R II  
JONATHAN NEZ IC P I D

## MEMORANDUM

**TO:** Elizabeth Begay, CIA, CFE  
Auditor General  
OFFICE OF THE AUDITOR GENERAL

**Thru:**   
Pearlne Kirk, Controller  
OFFICE OF THE CONTROLLER

**FROM:**   
Lorena Eldridge, Accounting Manager  
OFFICE OF THE CONTROLLER



**DATE:** June 5, 2017

**SUBJECT: FMIS Address Book (AB) Special Review of Duplicate Payments**

On behalf of the Office of the Controller, the Special Review of Accounts Payable Duplicate Payments to Vendors-**Report No. 17-14**; hereby updated as a Management Summary; several key status indicators to implementation of the CAP within the FMIS. We are encountering some setback on hiring an Accounts Maintenance Specialist to handle the Navajo Nation (NN) FMIS AB setups. We recently advertised however the applicant has accepted another job therefore we will be resubmitting the JVA.

Many, if not all, of the issues identified during the review of duplicate payments can be attributed to the state of the address book and have started the enhance training to the staff on May 5, and 31, 2007. Please find the CAP outlined in the attachment.

In conclusion the Office of the Controller is appreciative of the special review on duplicate payments which stem from the NN departments submission of financial documents and working to clean up the vendor AB is our mission. Should you have any questions please contact me at 928 871-6306 or [leldridge@nnooc.org](mailto:leldridge@nnooc.org)

**Cc:** Accounting Managers/OOC  
Yolanda Gene, Accounting Supervisor  
Elsie Julian, Senior Accountant/Program Administrator  
Vacant, AMS/Address Book designee



		FMIS ADDRESS BOOK (AB) SPECIAL REVIEW OF DUPLICATE PAYMENTS		
FINDING/ ISSUE	Audit recommendation	CORRECTIVE MEASURES	Responsible Party	Timeline
<b>FINDING 1. Accounts Payable processed duplicate payments.</b>				
Sub 1-1 The AP staff processed invoices to vendors that have multiple address book # in FMIS vendor AB.	The AP manager should clearly define and implement standards for setting up vendor addresses.	<ul style="list-style-type: none"> <li>• Fill open position of AB AMS and train cross functionally to manage all aspects of the AB.</li> <li>• Develop OOC AB Policy to define the role and responsibility of AB AMS which will be to accept all AB change requests, determine if the change is warranted, monitoring FMIS warnings, and moving changes through process as considered necessary.</li> <li>• Continue to clean master vendor file by identifying inactive vendors imported from FRS to FMIS and delete as necessary. A thorough search will be made prior to entering a vendor.</li> <li>• Enhance policies &amp; procedures to have AP staff clearly checking the name by various spellings, abbreviation in the name or try various combinations during the search.</li> <li>• Create tips or hints to ensure that staffers choose the correct vendor by developing a cheat sheet that warns of these similarities, i.e. similar vendor or with same name.</li> <li>• Continue process to identify and document duplicate vendor records. The FMIS consultant will assist with the setup of security to prevent entry of new vouchers for these vendors. Discuss process at staff meetings.</li> <li>• Consider hiring an AB Manager to oversee the overall AB.</li> <li>• Consider to hire a consultant to clean the AB upon availability of funds.</li> </ul>	Controller, Accounting Manager, Accounting Supervisor, Associate Accountant, AMS Staff, Power User and JDE Consultant as needed.	12/30/2017
Sub 1-2 The AP staff accepted copies of invoices without written justification.	The AP staff should accept only original invoices or copies of invoices with written justification. In addition, AP supervisor should monitor the payment processing to ensure staff is paying from original invoices or copies of invoices with justification attached.	<ul style="list-style-type: none"> <li>• Develop AP payment policy to address the following:               <ol style="list-style-type: none"> <li>a. Type of invoice to be accepted by AP. i.e. original invoice and electronic version in PDF format.</li> <li>b. All invoices are to be sent from the supplier directly to AP.</li> <li>c. AP receives the invoice first no exceptions. If buyers or program need invoice copies, those copies should come from AP.</li> <li>d. If no invoices are provided a written justification is required.</li> <li>e. On a periodic basis and based on supplier ledger, Accounting Supervisor will select test sample of payments to verify that AP staff are consistent in accepting a correct form of invoices.</li> </ol> </li> </ul>	Accounting Supervisor, Associate Accountant, AMS Staff and JDE Consultant as needed.	12/30/2017

Sub 1-3 The AP staff was inconsistent in processing invoices that lacked invoice numbers.	The AP manager should require consistent invoice numbers when the original invoice lacks number according to the Invoice Entry Guidelines.	<ul style="list-style-type: none"> <li>• Revise invoice entry guidelines.</li> <li>• Continue to implement established in-house invoice entry guidelines for how invoices are to be identified in the system.</li> <li>• Once the guidelines are revised training for the AP staff will be scheduled.</li> <li>• Supervisor will monitor the consistency by reviewing the FMIS based on invoice posted in the supplier ledger.</li> <li>• Consider an OOC policy that will insist all vendors that deal with the NN must provide invoice numbers.</li> </ul>	Accounting Manager, Accounting Supervisor, AMS Staff and JDE Consultant as needed.	12/30/2017
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**FINDING II: Accounts Payable did not detect invoices that were paid twice.**

	AP should develop written policies and procedures that address how to: <ul style="list-style-type: none"> <li>a. Detect duplicate payments.</li> <li>b. Document duplicate payment detection and recovery activities.</li> <li>c. Obtain reimbursements from vendors that received payment twice</li> <li>d. Monitor the recovery of invoices paid twice.</li> </ul>	<ul style="list-style-type: none"> <li>• Revisit FMIS features to make sure all system features that can prevent duplicate payments are activated and functioning properly.</li> <li>• Develop a policy for detecting duplicate payment. The policy will include steps such as: <ul style="list-style-type: none"> <li>a. Run the FMIS Suspected Duplicate Payments report.</li> <li>b. Utilizing the existing duplicate payment report, pull supporting documentation for all items to verify if an actual duplicate payment was made.</li> <li>c. The monitoring process will include the duplicate payment reports to review for false positive and duplicate payment on a monthly base.</li> <li>• Develop a policy for recovery process. Conduct cost benefits analysis benchmark on the amount of duplicate payments to pursue i.e. duplicate payments exceed a designed threshold amount.</li> <li>• Develop a policy for monitoring process. The Accounting Supervisor will monitor the collection of duplicate payments after they are remitted to Accounts Receivable on a monthly basis.</li> </ul> </li> </ul>	Accounting Manager, Accounting Supervisor, Associate Accounting, Power User, Accounts Receivable and JDE Consultant as needed.	12/30/2017
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