

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

23RD NAVAJO NATION COUNCIL - Third Year, 2017

AN ACTION

RELATING TO RESOURCES AND DEVELOPMENT AND BUDGET AND FINANCE
COMMITTEES; ACCEPTING THE FOLLOW-UP INTERNAL AUDIT OF THE
NAVAJO NATION DIVISION OF TRANSPORTATION IN MANAGING THE
NAVAJO NATION ROAD FUND CORRECTIVE ACTION PLAN IMPLEMENTATION
AND IMPOSING SANCTIONS

BE IT ENACTED:

SECTION ONE. AUTHORITY

- A. The Resources and Development Committee is a standing committee of the Navajo Nation Council. 2 N.N.C. § 500 (A).
- B. The Resources and Development Committee serves as oversight over Navajo Division of Transportation (NDOT). 2 N.N.C. § 500(C)(6).
- C. The Budget and Finance Committee is a standing committee of the Navajo Nation Council. 2 N.N.C. § 300(A)
- D. The Budget and Finance Committee is charged with receiving audit reports from the Auditor General. 12 N.N.C. §§ 6(A) and 9(A).

SECTION TWO. FINDINGS

- A. In 2013, the Auditor General conducted a Special Review of the Navajo Division of Transportation (NDOT) management of the Navajo Nation Road Fund.
- B. The Special Review was to determine whether NDOT complied with the Road Fund requirements for road projects and road maintenance.
- C. The Auditor General issued an audit report and a corrective action plan was developed by NDOT management;

the Budget and Finance Committee approved the 2013 audit report and the corrective action plan on April 1, 2014, per resolution BFAP-13-14. See Exhibit "A".

- D. The Navajo Nation conducted a Follow-up Internal Audit, in conjunction with REDW, LLP, Certified Public Accountants to determine the current status of the Corrective Action Plan developed by NDOT management in response to the 2013 Special Review.
- E. The Follow-up Internal Audit was completed on January 19, 2017. See Exhibit "B".
- F. The corrective action plan listed 74 corrective measures to address the audit findings.
- G. Of the 74 corrective measures, NDOT implemented 12 (or 16%) corrective measures, leaving 62 (or 82%) not implemented.
- H. Failure to implement the corrective action plan has led to: (1) the continuance of NDOT needing improvement in managing Road Fund projects (2) Road Fund maintenance services continuing to lack accountability (3) Road fund expenditures not being able to be justified. See Exhibit "B".
- I. The Navajo Nation Code at 12 N.N.C. § 9(A) imposes sanctions on a program, division, chapter, enterprise or entity for failure to implement the corrective action plan approved by the Budget and Finance Committee within the time table established by the plan or Auditor General.
- J. Pursuant to 12 N.N.C. § 9, the Auditor General, based on NDOT's unresolved audit issues, recommends the imposition of sanctions as prescribed by the Navajo Nation Code for failure to implement the correction action plan.


SECTION THREE. ACCEPTANCE AND APPROVAL

- A. The Navajo Nation hereby accepts the Auditor General's Report No. 17-19, January 2017, Follow-Up Internal Audit of the Navajo Division of Transportation (NDOT) in managing the Navajo Nation Road fund Corrective Action Plan Implementation. See Exhibit "B".

- B. The Navajo Nation hereby approves the imposition of sanctions on the Navajo Division of Transportation effective October 1, 2017 and pursuant to 12 N.N.C. § 9(B) AND 9(C). See Exhibit "B".
- C. Pursuant to the recommendations of the Auditor General, the Navajo Nation Controller shall cause ten percent (10%) of monies payable from any governmental fund of the Navajo Nation, as defined at 12 N.N.C. § 810 (S), to be withheld after the recommended sanction is approved by the Budget and Finance Committee and issued to the Navajo Division of Transportation until such times as the Navajo Division of Transportation demonstrates to the Auditor General that the corrective action plan has been implemented. 12 N.N.C. § 9(B). See Exhibit "B".
- D. The Navajo Division of Transportation shall provide proof of implementation of corrective action plan at which time the Auditor General shall immediately report the compliance to the Controller who shall then release all withheld funds to the Division. 12 N.N.C. § 9(B).
- E. The Navajo Nation Controller shall withhold twenty percent (20%) of the salary of the Navajo Division of Transportation Director effective October 1, 2017 until such time proof of implementation of the corrective action plan is demonstrated at which time the Auditor General shall immediately report the compliance to the Controller, who shall then release the withheld salary. 12 N.N.C. 9(C). See Exhibit "B".
- F. Pursuant to 12 N.N.C. § 9(D), the Division Director shall have the right to have the withholding reviewed by the Navajo Nation Office of Hearing and Appeals. That review shall be limited to a determination of whether the audit recommendation or corrective action plan bears a rational relationship to the audit report, was approved by the Budget and Finance Committee, whether the time tables for implementation were reasonable. The withholding of the salary shall be upheld if there is a preponderance of the evidence in support of these factors. The decision of the Office of Hearing and Appeals shall be final and no appeal shall lie to the courts of the Navajo Nation.
- G. The Navajo Nation Division of Transportation agrees to pay for the follow-up audit to be conducted prior to October 1, 2017.

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 4 in favor and 0 opposed, this 7th day of March, 2017.



Dwight Witherspoon, Vice Chairperson
Budget and Finance Committee

Motion: Honorable Lee Jack, Sr.
Second: Honorable Tom T. Chee

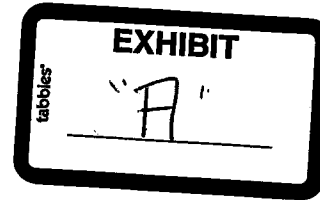


EXHIBIT "A"

FAP-13-14

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

22ND NAVAJO NATION COUNCIL - Fourth Year, 2014

AN ACTION

RELATING TO RESOURCES AND DEVELOPMENT AND BUDGET AND FINANCE;
ACCPETING THE PERFORMANCE AUDIT OF THE NAVAJO DIVISION OF
TRANSPORTATION SUBMITTED BY THE OFFICE OF THE AUDITOR GENERAL
AND APPROVING THE CORRECTIVE ACTION PLAN SUBMITTED BY THE NAVAJO
DIVISION OF TRANSPORTATION

BE IT ENACTED:

1. The Navajo Nation hereby accepts the Audit Report No. 13-14, a Performance Audit of the Navajo Division of Transportation, attached hereto as Exhibit A, and approves the Navajo Division of Transportation Corrective Action Plan, attached hereto as Exhibit B.
2. The Navajo Nation hereby directs the copies of the Navajo Division of Transportation Corrective Action Plan be provided to the Office of the President and the Vice President and the Resources and Development Committee, as part of their oversight responsibility for the Navajo Division of Transportation.
3. The Navajo Nation hereby directs the Navajo Division of Transportation 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.
4. The Navajo Nation hereby directs the Office of the Auditor General to review of the written status report to be submitted by the Navajo Division of Transportation and report to the Resources and Development Committee, as well as the Budget and Finance Committee.

5. 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 Navajo Division of Transportation, to issue a written follow-up report indicating the Navajo Division of Transportation progress in implementing the Corrective Action Plan, and to make recommendations to the Resources and Development Committee, as well as the Budget and Finance Committee.

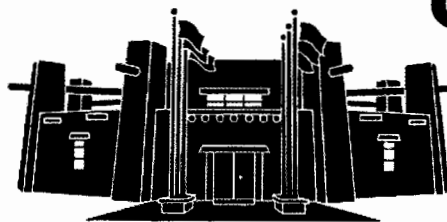
CERTIFICATION

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 4 in favor, 0 opposed, this 1st day of April, 2014.



LoRenzo C. Bates, Chairperson
Budget and Finance Committee

Motion: Nelson S. BeGaye
Second: Danny Simpson



OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

**Follow-up Internal
Audit of the Navajo**

**Division of
Transportation (NDOT)
in Managing the Navajo Nation
Road Fund Corrective Action
Plan Implementation**

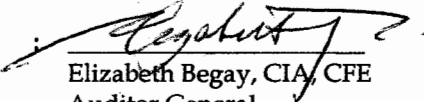
**Report No. 17-19
January 2017**

**Performed by:
REDW LLC**



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

TO : Garrett Silversmith, Division Director
NAVAJO DIVISION OF TRANSPORTATION

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

DATE : January 30, 2017

SUBJECT : Follow-up Internal Audit of the Navajo Division of Transportation

The Office of the Auditor General herewith transmits Audit Report no. 17-19, A Follow-Up Internal Audit of Navajo Division of Transportation (NDOT) in managing the Navajo Nation Road Fund Corrective Action Implementation. The Navajo Nation Follow-up Internal Audit was conducted, in conjunction with REDW LLP, Certified Public Accountants, to determine the current status of the Corrective Action Plan developed by NDOT management in response to the 2013 Special Review. The 2013 audit report and the corrective action plan were approved by the Budget and Finance Committee on April 1, 2014, per resolution BFAP-13-14.

Follow-up Results

The corrective action plan listed 74 corrective measures to address the audit findings. Of the 74 corrective measures, the Navajo Division of Transportation implemented 12 (or 16%) corrective measures, leaving 62 (or 84%) not implemented. The follow-up results were summarized in the executive summary of the audit report.

Conclusion

NDOT did not implement the corrective action plan. Consequently, the issues in the Navajo Division of Transportation in managing the Navajo Nation Road Fund that was reported in the 2013 audit remain unresolved. Accordingly, we recommend sanctions be imposed for failure to implement the corrective action plan. Pursuant 12 N.N.C., Section 9, the recommended sanctions are: section 9 (b), withhold 10% of the Navajo Division of Transportation's operating budget and section 9 (c) withhold 20% of the salary of the division director who failed to implement the corrective action plan. Once the Navajo Division of Transportation fully implemented their corrective action plan, all withheld funds under section 9(b) and (c) will be released to the Navajo Division of Transportation.

Attachment(s)

xc: Arbin Mitchell, Chief of Staff
OFFICE OF THE PRESIDENT/VICE PRESIDENT
Pete K. Atcitty, Chief of Staff
OFFICE OF THE SPEAKER
Chrono

The Office of the Auditor General - Navajo Nation Follow-up Internal Audit of Navajo Division of Transportation (NDOT) in managing the Navajo Nation Road Fund Corrective Action Plan Implementation

Executive Summary

Elizabeth Begay, Navajo Nation Auditor General
Office of the Auditor General – Navajo Nation

The Navajo Nation Office of the Auditor General conducted a Special Review in September 2013 of the Navajo Division of Transportation (NDOT) management of the Navajo Nation Road Fund. The Special Review was to determine whether NDOT complied with the Road Fund requirements for road projects and road maintenance.

REDW performed a follow-up internal audit to determine the current status of the Corrective Action Plan (CAP), which was developed by NDOT management in response to the 2013 Special Review. To gain an understanding of the processes and controls in place, we interviewed selected personnel, read applicable portions of the Navajo Nation Road Fund Regulations, the Annual Work Plan, Blade Schedule, and snow/ice removal guidelines, as well as the policies and procedures (P&Ps) for road maintenance. In addition, we selected samples of road projects, both open and closed, and assessed supporting documentation to determine if it was adequate and in compliance with Road Fund Regulations and the CAP.

SUMMARY OF THE INTERNAL AUDIT RESULTS

Throughout the course of the follow-up internal audit, we identified areas where improvements had been made. Specifically, the following **significant CAP components had been implemented** since the 2013 Special Review:

- The Road Fund regulations were updated to coincide with the overall objectives of NDOT.
- The Road Fund Department within NDOT coordinated with the Bureau of Indian Affairs (BIA) DOT to implement a Regional Transportation Plan for routine road maintenance.

There were significant areas where the CAP had not been implemented and therefore issues were not resolved. Specifically, the following **significant CAP components had not been implemented**:

- Open projects were not supported by action plans or timelines to track how the open project would be completed. In addition, project record maintenance is not formalized or effective.
- There were three parking lot projects that were in progress at the time of the prior audit that were still considered to be “in progress” based on discussions with NDOT management and based on information in the Financial Management Information System (FMIS).
- Division management was using individual development plans (IDPs) to track training for all Road Department staff. Specifically, training on key Division documents was supposed to be tracked. However, IDPs were not being consistently completed and there was no other means of documented training that occurred on the use of key Division documents.
- Form 2 reports (budget performance forms) were not consistently supported to justify the performance results reported.
- NDOT’s website was not updated to provide pertinent project information or key department documents.
- A defined work order process or system for road maintenance services was not implemented.
- Accountability for fuel usage for heavy equipment had not been monitored or improved.
- A real-time tracking system for NDOT heavy equipment had not been implemented (i.e. GPS).
- Fixed assets purchased with the Road Fund were not adequately tracked or reconciled to the system periodically, and a process was not in place to identify discrepancies timely.
- The inventory management system, which had an original cost of \$4.6 million, had still not been implemented and other solutions had not been assessed.
- The task management system, which had an original cost of \$500,000, had still not been implemented and a feasibility assessment for completing the project had not been performed.

A summary of the current status of all 2013 CAP components is presented below.

Prior Overall Finding	Number of CAP Components <u>IMPLEMENTED</u>	Number of CAP Components <u>NOT IMPLEMENTED</u>	Audit Issue Adequately Resolved?
NDOT needs improvement in managing Road Fund projects	6	24	No
Road Fund maintenance services lack accountability	5	19	No
Road Fund expenditures cannot be justified	1	19	No
Total	12 Implemented	62 Not Implemented	

CONCLUSION

Title 12, N.N.C. Section 8 imposes upon the NDOT the duty to implement the CAP according to the terms of the plan. The NDOT did not implement the CAP. Consequently, the issues reported in the 2013 Special Review remain unresolved. Accordingly, we recommend sanctions be imposed on NDOT and management in accordance with 12 N.N.C. Section 9(b) and 9(c) for failure to implement the CAP. Details on all CAP components that were implemented and that were not implemented are included in the attached report.

REDW LLC

Albuquerque, New Mexico
January 19, 2017

REDW CONTACT INFORMATION

Halie Garcia, Principal
(505) 998-3452
hgarcia@redw.com

**The Office of the Auditor General - Navajo Nation
Follow-up Internal Audit of NDOT in Managing the Navajo
Nation Road Fund Corrective Action Plan
Implementation**

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The Office of the Auditor General - Navajo Nation Follow-up Internal Audit of NDOT in managing the Navajo Nation Road Fund Corrective Action Plan Implementation

Elizabeth Begay, Navajo Nation Auditor General
Office of the Auditor General – Navajo Nation

INTRODUCTION AND BACKGROUND

The Navajo Nation Office of the Auditor General (OAG) conducted a Special Review in August 2013 of the Navajo Division of Transportation's (NDOT) management of the Navajo Nation Road Fund. The review was to determine whether 1) NDOT complied with the Road Fund requirements for road projects and road maintenance, 2) all Road Fund expenditures directly related to the purpose of the fund, and 3) NDOT performance measures were being met for the road projects and road maintenance services. The audit resulted in three significant findings with related recommendations.

REDW performed a follow-up internal audit to determine the current status of the Corrective Action Plan (CAP), which was developed by NDOT management in response to the 2013 Special Review. To gain an understanding of the processes and controls in place, we interviewed selected personnel, read applicable portions of the Navajo Nation Road Fund Regulations, the Annual Work Plan, Blade Schedule, and snow/ice removal guidelines, as well as the policies and procedures (P&Ps) for road maintenance. In addition, we selected samples of road projects, both open and closed, and assessed supporting documentation to determine if it was adequate and in compliance with Road Fund Regulations.

FUND ESTABLISHMENT AND PURPOSE

The Navajo Nation Road Fund was established in July 2001 by the Navajo Nation Council with the adoption of a fund management plan. In the plan, the Road Fund is defined as a special fund account to defray the cost of government services for the development, construction, and maintenance of Navajo Nation transportation projects that have not been included in the current short-term plans of the federal, state and county governments.

In 2003, the Road Fund regulations were initially adopted and later amended in 2006. These regulations set forth the requirements for administering the Navajo Nation Road Fund. The Road Fund is intended for road projects and road maintenance. Road projects involve major transportation work such as new construction, rehabilitation, or reconstruction. Road maintenance refers to everyday maintenance work such as filling potholes, crack sealing, replacing damaged signs, and mowing.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of this follow-up internal audit was to determine the status of the CAP and to assess whether adequate progress had been made to consider the CAP “implemented.”

The scope of this follow-up internal audit was limited to those policies, reports, processes and controls that related to the NDOT CAP for the period of September 2013 to September 2016. We focused on evaluating the progress made subsequent to the 2013 Special Review towards implementing all components of the CAP.

To gain an understanding of the processes and controls in place, we interviewed selected personnel and performed the following follow-up procedures:

- Read selected guidelines and P&Ps to assess whether they had been updated based on the Special Review and the related CAP.
- Selected a sample of ten open projects and assessed the current status of each open project. Specifically, we tested each open project file to determine if:
 - The current status of each open project had been assessed.
 - An action plan on how to complete each project had been established.
 - Any additional resources required to complete the project had been identified.
 - A timeline for project completion had been established.
 - Quarterly communication about the project, between project lead agents and stakeholders, had occurred.
- Selected two quarters in fiscal year 2016 and assessed whether all required Form 2 reports (budget performance forms) were completed prior to the due date and that documentation was on file to support performance results reported.
- Selected two business days for each agency to determine if the daily logs were completed for road projects to justify performance results.
- Identified parking lot projects that were pending from the prior audit and viewed supporting documentation to determine if the projects were either completed or properly extended.

PRIOR FINDINGS, CORRECTIVE ACTIONS AND CURRENT STATUS

Prior Finding I: NDOT needs improvement in managing Road Fund projects

Prior Finding Summary: “There have been no new road projects since 2008 and NDOT lacks a defined project management system which contributes to the outstanding projects since 2003. We noted the following issues with Road Fund projects:

- A. NDOT has not implemented the Road Fund project selection process since 2008.
- B. Project selection process needs improvement.
- C. No documents to verify compliance with Road Fund project selection requirements.
- D. Road Fund parking lot projects are not a typical road project.
- E. Routine maintenance work characterized as road project is questionable.
- F. NDOT lacks a well-defined project management system.
- G. NDOT website does not provide pertinent project information.
- H. Actual performance results for completed road projects were inflated.
- I. NDOT will take a minimum of 5 more years to complete outstanding road projects.
- J. No feasibility study to justify NDOT proposal to use the Road Fund only on road maintenance.”

Corrective Actions	Current Status of Corrective Actions
A. Issue: NDOT has not implemented the Road Fund project selection process since 2008	
A.1 Develop and implement a project management action plan; and complete all outstanding road projects within budget and timeline.	A.1 Not Implemented: Two out of three open projects tested did not have the proper documentation to support that the Amended Road Fund Regulations had been complied with.
A.2 Establish project tracking system on NDOT website; and provide written project status reports to project lead agents on a quarterly basis.	A.2 Not Implemented: NDOT had not updated their website to incorporate project tracking. However, they did implement quarterly communication reports for key stakeholders.
B. Issue: Project selection process needs improvement.	
B.1 Revise the Road Fund regulations to ensure the regulations coincide with NDOT’s vision, goals, objectives and long-range transportation plan.	B.1 Implemented
B.2 Develop and implement a heavy road maintenance and road improvement strategic plan in coordination with the Federal Highway Administration and Bureau of Indian Affairs Department of Transportation (BIA DOT) based on chapter priority list.	B.2 Implemented

Corrective Actions	<i>Current Status of Corrective Actions</i>
C. Issue: No documents to verify compliance with Road Fund project selection requirements.	
C.1 Select and hire qualified Project Managers to undertake and manage the remaining Federal Excise Tax (FET) Projects in conjunction with an On-Call engineering firm.	<i>C.1 Implemented</i>
C.2 Establish an internal record management and policy to safeguard pertinent project records.	<i>C.2 Not Implemented:</i> Management acknowledged this corrective measure was not implemented.
C.3 Identify and secure training on project management and record keeping to make sure pertinent records are consistently maintained.	<i>C.3 Not Implemented:</i> Management acknowledged this corrective measure was not implemented.
C.4 Enforce and ensure appropriate project records are systematically maintained during any future road improvement processes once the Road Fund Management and Road Fund regulations are amended.	<i>C.4 Not Implemented:</i> Management acknowledged this corrective measure was not implemented.
D. Issue: Road Fund parking lot projects are not a typical road project.	
D.1 Develop eligible heavy road maintenance and road improvement pursuant to amendments of the Road Fund regulations. Parking lot(s) are no longer a part of the eligible heavy road maintenance and road improvement.	<i>D.1 Not Implemented:</i> For two of the three open projects tested, there was a lack of documentation to clarify if the project was in compliance with the amended Road Fund regulations.
D.2 Complete the existing parking lots projects within OMB's approved extension of project end dates.	<i>D.2 Not Implemented:</i> There have not been any new parking lot projects started since the prior audit. However, there were three parking lot projects that were in progress at the time of the prior audit and based on discussions with NDOT management, those three parking lot projects are still not complete. REDW also confirmed that these projects were still listed as "in progress" in the FMIS since there was not a reliable project tracking system maintained by the project managers to confirm these open projects.

Corrective Actions	Current Status of Corrective Actions
E. Issue: Routine maintenance work characterized as road project is questionable.	
E.1 Coordinate with BIA DOT and chapter(s) and implement the Regional Transportation Plan for routine road maintenance activities.	E.1 Implemented
F. Issue: NDOT lacks a well-defined project management system.	
F.1 Select and procure contractual services with an on-call engineering firm to manage project development, project management, undertake engineering/design, construction oversight of Road Maintenance and Road Improvement work and project closeouts.	F.1 Implemented
F.2 Develop and implement project management guidelines.	F.2 Not Implemented: Management acknowledged this corrective measure was not implemented.
F.3 Employ qualified personnel to enforce and undertake the project management guidelines.	F.3 Not Implemented: Management acknowledged this corrective measure was not implemented.
F.4 Review and assess the feasibility of completing the task management system on a quarterly basis.	F.4 Not Implemented: Management acknowledged this corrective measure was not implemented.
G. Issue: NDOT website does not provide pertinent project information.	
G.1 Employ an IT Manager and/or perform a feasibility assessment of establishing an internal IT component versus outsourcing IT needs.	G.1 Not Implemented: Management acknowledged this corrective measure was not implemented.
G.2 Based on assessment, develop internal policies and procedures on maintaining IT infrastructure.	G.2 Not Implemented: Management acknowledged this corrective measure was not implemented.
G.3 Research other DOT entities to solicit ideas and develop and improve website.	G.3 Not Implemented: Management acknowledged this corrective measure was not implemented.
G.4 NDOT's IT Manager and IT staff will develop, update and manage website periodically with pertinent road project status for viewing by the public.	G.4 Not Implemented: Management acknowledged this corrective measure was not implemented.

Corrective Actions	Current Status of Corrective Actions
H. Issue: Actual performance results for completed road projects were inflated.	
H.1 Implement and keep record (consistent with BIA DOT 82 IAM Road Maintenance Handbook) of Date, Employee Name/Identifier, Organization, Route Number, Location on Route, Miles, Equipment used (Type and number), and type of road maintained for all work performed under Regional Transportation Plan, BIA 638 Contract and FET routes.	H.1 Not Implemented: During our analysis of 68 required daily logs, we identified three that were missing the route numbers that were worked and locations. In addition, there were also unexplained variances between the numbers of daily logs submitted each day for each chapter. Management did not know the reason for the day-to-day variances. It appeared that some employees were not reporting their work on the daily log.
H.2 Submit records quarterly to the appropriate BUREAU Agency Road Engineer, at the Department of Roads, Navajo DOT, for forwarding of Federal Highway Administration (FHWA) and Navajo Regional Office Division of Transportation for review, verification, and use in the Office of Management and Budget (OMB) Form 2 (budget performance forms) reporting.	H.2 Not Implemented: Form 2 reports (budget performance reports) were received and submitted for each department on a quarterly basis; however, two of the five departments could not provide supporting documentation for the performance results reported.
I. Issue: NDOT will take a minimum of 5 more years to complete outstanding road projects.	
I.1 Assess the current status of each open project.	I.1 Not Implemented: Three of the ten open projects tested were not supported by an action plan showing how the open project would be completed. These projects were on hold due to the lack of expertise internally at NDOT to manage the projects.
I.2 Establish an action plan on how to complete each project.	I.2 Not Implemented: Five of the ten projects tested did not have adequate documentation to verify that the project was going to be finished in a timely manner according to an action plan and/or timeline.
I.3 Identify additional resources needed to complete the project.	I.3 Not Implemented: Five of the ten projects tested did not have sufficient documentation to verify if additional funding was needed. If additional funding was needed on the projects, it was not apparent from the project file.

Corrective Actions	<i>Current Status of Corrective Actions</i>
I.4 Establish a timeline for completion.	<i>I.4 Not Implemented:</i> Nine of the ten projects tested did not have a supporting timeline showing expected completion dates.
I.5 Communicate plans and update quarterly with project lead agent and stakeholders.	<i>I.5 Implemented</i>
J. Issue: No feasibility study to justify NDOT proposal to use the Road Fund only on road maintenance.	
J.1 Conduct a feasibility study and cost benefit analysis to justify the changes to the intent and use of the Road Fund.	<i>J.1 Not Implemented:</i> Management acknowledged this corrective measure was not implemented.
J.2 Ensure the study addresses any and all potential risks that may arise from these changes.	<i>J.2 Not Implemented:</i> Management acknowledged this corrective measure was not implemented.
J.3 Obtain input from stakeholders about the changes and potential impacts.	<i>J.3 Not Implemented:</i> Management acknowledged this corrective measure was not implemented.
J.4 Share the results of the study with the oversight committee(s) of the Navajo Nation Council.	<i>J.4 Not Implemented:</i> Management acknowledged this corrective measure was not implemented.

Prior Finding II: Road Fund maintenance services lack accountability.

Prior Finding Summary: “Road Fund expenditures for road maintenance totaled \$25 million over a 10-year period but NDOT lacks a defined work order system to control expenses or to readily determine cost of services. We noted the following issues with Road Fund maintenance services:

- A. NDOT lacks key documents to govern its Road Fund maintenance services.
- B. NDOT lacks a defined work order process for road maintenance services.
- C. Reporting of road maintenance services is incomplete.
- D. Poor accountability of fuel usage for heavy equipment.
- E. Real-time tracking system of NDOT heavy equipment has limitations.
- F. Actual performance results for road maintenance services are questionable.”

Corrective Actions	Current Status of Corrective Actions
A. Issue: NDOT lacks key documents to govern its Road Fund maintenance services.	
A.1 Research other DOT entities to identify appropriate skill sets needed for road maintenance management and staff.	A.1 Not Implemented: Management acknowledged this corrective measure was not implemented.
A.2 Develop and implement a training plan and budget for staff to strengthen knowledge base and acquire necessary skills.	A.2 Not Implemented: Based on discussions with management, individual development plans (IDP) were the only documentation of training that would occur for Division personnel and should be on file for all employees. There was no other documentation of a training plan for personnel. For all three Road Department personnel selected, an IDP or any documentation of a training plan was not on file.
A.3 Compile and establish key documents such as Blading Schedule, Annual Work Plan, Snow and Ice Removal Plan, Traffic Control Plan and Road Maintenance Standards Annual Work Plans that governs the routine road maintenance services/activity.	A.3 Implemented
A.4 Train management and staff on key documents.	A.4 Not Implemented: Based on discussions with management, meetings are held monthly and these key documents are discussed. However, there is no documentation of the meetings or any related trainings.
A.5 Post key documents available on the Navajo DOT website for reference and public information.	A.5 Not Implemented: NDOT's website has not been updated with any relevant information since 2011.
B. Issue: NDOT lacks a defined work order process for road maintenance services.	
B.1 Perform a cost-benefit analysis of the current reporting system of road maintenance services/activities.	B.1 Not Implemented: Management acknowledged this corrective measure was not implemented.

Corrective Actions	Current Status of Corrective Actions
B.2 Based on analysis, identify resources to invest in applicable software such as database software application called Pub Works to track road improvement work, work orders, fleet maintenance, service request, create/print status reports and task management system.	B.2 Not Implemented: Although NDOT has purchased Pub Works, the Road Department has not implemented and began using the system.
B.3 Arrange for proper training of staff on hardware and software.	B.3 Not Implemented: Management acknowledged this corrective measure was not implemented.
B.4 Monitor the system and host periodic retaining to achieve intended results.	B.4 Not Implemented: Management acknowledged this corrective measure was not implemented.
C. Issue: Reporting of road maintenance services is incomplete.	
C.1 Assess the current reporting system for road maintenance services/activities to identify limitations.	C.1 Not Implemented: Management acknowledged this corrective measure was not implemented.
C.2 Based on assessment, identify options of how to address the limitations.	C.2 Not Implemented: Management acknowledged this corrective measure was not implemented.
C.3 Earmark funds to implement options.	C.3 Not Implemented: Management acknowledged this corrective measure was not implemented.
C.4 Develop an action plan to ensure project will be completed on schedule and within budget.	C.4 Not Implemented: Management acknowledged this corrective measure was not implemented.
D. Issue: Poor accountability of fuel usage for heavy equipment.	
D.1 Establish internal policies and procedures of its reporting processes.	D.1 Not Implemented: NDOT has drafted internal P&Ps for fuel usage but the P&Ps had not been approved, finalized and implemented.
D.2 Provide ongoing training to field staff on policies and procedures.	D.2 Not Implemented: Management indicated that they have not provide any formal training to their employees concerning fuel usage.
D.3 Perform monitoring of fuel activities such as spot checks of fuel levels in tanks based on meters against running balances on transfer logs.	D.3 Not Implemented: Management indicated that they have not performed any spot checking or to monitor fuel usage.

Corrective Actions	<i>Current Status of Corrective Actions</i>
D.4 Address any anomalies in a timely manner.	<i>D.4 Not Implemented:</i> Management indicated that they do not have a process in place to address anomalies in a timely manner.
E. Issue: Real-time-tracking system of NDOT heavy equipment has limitations.	
E.1 Research other DOT entities to identify other methodologies for tracking heavy equipment.	<i>E.1 Implemented</i>
E.2 Ensure that GPS are equipped and operational on all modern equipment.	<i>E.2 Not Implemented:</i> GPS are not operational for all heavy equipment.
E.3 Implement a cost-feasible alternative to compensate for limitations by current systems.	<i>E.3 Not Implemented:</i> Management indicated that they have not implemented a cost feasibility plan for a new GPS system.
E.4 Develop an asset management plan for its vehicles and heavy equipment.	<i>E.4 Not Implemented:</i> Management indicated that they have not implemented an asset management plan for vehicles and heavy equipment.
F. Issue: Actual Performance results for road maintenance services are questionable.	
F.1 Obtain training from OMB on preparing the quarterly performance reports.	<i>F.1 Implemented</i>
F.2 Require management to review the performance reports before they are submitted to OMB.	<i>F.2 Implemented</i>
F.3 Incorporate the Annual Work Plan for road maintenance services/activities into the Annual Performance measures.	<i>F.3 Implemented</i>

Prior Finding III: Road Fund expenditures cannot be justified.

Prior Finding Summary: “Overall Road Fund expenditures over a 10-year period totaled \$74 million but NDOT cannot justify certain expenditures. We noted the following with Road Fund expenditures:

- A. Fixed assets purchased with the Road Fund are not properly accounted for.
- B. Property purchased with the Road Fund are not tagged and inventoried.
- C. \$4.6 million of Road Fund used for inventory management system cannot be fully justified.
- D. \$500,000 of Road Fund was used for a task management system that is dormant.
- E. Road Fund was used to subsidize maintenance services under federal contract.”

Corrective Actions	<i>Current Status of Corrective Actions</i>
A. Issue: Fixed assets purchased with the Road Fund are not properly accounted for.	
A.1 Establish internal policies and procedures on asset management.	<i>A.1 Not Implemented:</i> While NDOT drafted internal P&Ps for asset management, the P&Ps had not been approved, finalized and implemented.
A.2 Ensure that property staff obtains proper training on asset management and controls.	<i>A.2 Not Implemented:</i> Management acknowledged this corrective measure was not implemented.
A.3 Require Senior Property Clerk to establish a process of reconciling NDOT records to OOC records on a periodic basis.	<i>A.3 Not Implemented:</i> Management acknowledged this corrective measure was not implemented.
A.4 Require Senior Property Clerk to report and address any discrepancies in a timely manner.	<i>A.4 Not Implemented:</i> Management acknowledged this corrective measure was not implemented.
A.5 Request for a formal asset management review.	<i>A.5 Not Implemented:</i> Management acknowledged this corrective measure was not implemented.
B. Issue: Property purchased with the Road Fund are not tagged and inventoried.	
B.1 Assess current property controls to identify areas of improvement.	<i>B.1 Not Implemented:</i> Management acknowledged this corrective measure was not implemented.
B.2 Clarify supervision for the Senior Property Clerk.	<i>B.2 Implemented</i>
B.3 Monitor the Senior Property Clerk's activities to ensure NDOT's property needs are being prioritized.	<i>B.3 Not Implemented:</i> Management acknowledged this corrective measure was not implemented.
C. Issue: \$4.6 million of Road Fund used for inventory management system cannot be fully justified.	
C.1 Assess the current status of the inventory management system and identify the work and resources needed to get the GPS station network operational.	<i>C.1 Not Implemented:</i> There had been no progress made to complete the implementation of the inventory management system (Eagle Point) or to assess another alternative for inventory management.
C.2 Evaluate the feasibility of completing the project based on assessment.	<i>C.2 Not Implemented:</i> A feasibility study or other assessment had not been performed.

Corrective Actions	Current Status of Corrective Actions
C.3 Develop a plan and budget on how to complete the inventory management system.	C.3 Not Implemented: Management acknowledged this corrective measure was not implemented.
C.4 Review applicable records and make site visits to inventory all equipment purchased under previous contracts.	C.4 Not Implemented: Management was not able to provide a listing of all inventory within the department.
C.5 Ensure the Senior Property Clerk includes the equipment on NDOT's overall property listing.	C.5 Not Implemented: Management acknowledged this corrective measure was not implemented.
D. Issue: \$500,000 of Road Fund was used for a task management system that is dormant.	
D.1 Assess the current status of the task management system.	D.1 Not Implemented: Management stated that the task management system (Real Time Solutions) was never assessed.
D.2 Evaluate the feasibility of completing the project based on assessment.	D.2 Not Implemented: Management stated that the feasibility of completing the Real Time Solutions project was not assessed.
D.3 Develop a plan and budget on how to complete the task management system.	D.3 Not Implemented: Management acknowledged this corrective measure was not implemented.
D.4 Implement the system and ensure applicable staff proper training on the system.	D.4 Not Implemented: Management acknowledged this corrective measure was not implemented.
E. Issue: Road Fund was used to subsidize maintenance services under federal contract.	
E.1 Develop and implement a proper reporting system for road maintenance services/activities such as database software application called Pub Works to track road improvement work, work orders, fleet maintenance, and service requests, create/print status reports and task management system.	E.1 Not Implemented: Management acknowledged this corrective measure was not implemented.
E.2 Compile data of fuel purchases and enforce equipment usage applicable to the BIA, FHWA and FET routes.	E.2 Not Implemented: Based on discussions with management, a system or process was never implemented to compile data of fuel purchases and to enforce equipment usage.
E.3 Seek cost reimbursements to BIA in a timely manner.	E.3 Not Implemented: Management acknowledged this corrective measure was not implemented.

* * * * *

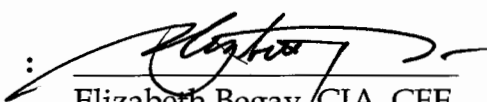
We received excellent cooperation and assistance from NDOT personnel during the course of our internal audit. We very much appreciate the courtesy and cooperation extended to our personnel. We would be pleased to meet with you to discuss our finding and answer any questions.

REDW LLC

Albuquerque, New Mexico
January 19, 2017

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

TO : Levon Henry, Chief Legal Counsel
OFFICE OF LEGISLATIVE COUNSEL

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

DATE : February 1, 2017

SUBJECT : Request for Legislation - Navajo Division of Transportation Road
Fund Corrective Action Plan

We request your office to prepare the legislation "An Action Relating to Resources and Finance; Accepting the Follow-up Internal Audit of the Navajo Division of Transportation in Managing the Navajo Nation Road Fund Corrective Action Plan Implementation, and Imposing Sanctions against the division director for failure to implement the corrective action plan. The legislation sponsor will be Council Delegate Walter Phelps.

Attached as Exhibit "A" is Audit Report No. 17-19 "Follow-up Internal Audit of the Navajo Division of Transportation in Managing the Navajo Nation Road Fund Corrective Action Plan Implementation", and Exhibit "B" Resolution BFAP-13-14, Budget and Finance Committee resolution approving the corrective action plan.

If you have any questions, please contact our office at extension 6303. Thank you.

Attachment

xc: Walter Phelps, Sponsor
COUNCIL DELEGATE
Chrono