

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

23RD NAVAJO NATION COUNCIL - Third Year, 2017

AN ACTION

RELATING TO THE HEALTH, EDUCATION AND HUMAN SERVICES COMMITTEE
AND THE BUDGET AND FINANCE COMMITTEE; ACCEPTING THE INTERNAL
AUDIT OF THE NAVAJO NATION VETERANS ADMINISTRATION - VETERANS
HOUSING PROGRAM SUBMITTED BY THE OFFICE OF THE AUDITOR GENERAL
AND APPROVING THE CORRECTIVE ACTION PLAN SUBMITTED BY THE
NAVAJO NATION VETERANS ADMINISTRATION

BE IT ENACTED:

SECTION ONE. AUTHORITY

- A. The Navajo Nation established the Health, Education and Human Services Committee (HEHSC) as a Navajo Nation Council standing committee and as such empowered HEHSC to review and recommend resolutions regarding veterans. 2 N.N.C. §§ 164 (A)(9), 400(A) and 401(B)(6)(a)(2015); See also CO-45-12.
- B. The HEHSC as the oversight committee for veterans receives audit reports and corrective action plans. 12 N.N.C. § 7(E).
- C. The Budget and Finance Committee (B&F) is a standing committee of the Navajo Nation Council and is charged with receiving and approving chapter audit reports from the Auditor General. 2 N.N.C. 300(A); 12 N.N.C. §§ 6(A) and 7(D).

SECTION TWO. FINDING

- A. Pursuant to 12 N.N.C. § 7(D), the Auditor General submits an audit report of the Navajo Nation Veterans Administration - Veterans Housing Program and Corrective Action Plan for approval. Audit Report No. 17-15 is attached as **Exhibit A** and Corrective Action Plan is attached as **Exhibit B**.

- B. The internal audit was conducted by the Office of the Auditor General with the assistance of REDW LLP, Certified Public Accountants, to determine whether the Navajo Nation Veterans Administration was operating the Veterans Housing Program in a manner that would ensure that the goals of the program were achieved.
- C. The internal audit findings list eight (8) findings and recommendations to correct the reported findings.
- D. Based on the audit report and the recommendations the Navajo Nation Veterans Administration Corrective Action Plan was completed.


SECTION THREE. ACCEPTANCE AND APPROVAL

- A. The Navajo Nation hereby accepts the Audit Report No. 17-15, Audit of the Navajo Nation Veterans Administration - Veterans Housing Program, attached hereto as **Exhibit A**, and approves the Navajo Nation Veterans Administration Corrective Action Plan, attached hereto as **Exhibit B**.
- B. The Navajo Nation hereby directs that copies of the Navajo Nation Veterans Administration Corrective Action Plan be provided to the Office of the President and Vice President and the Health, Education and Human Services Committee, as part of their oversight responsibility for the Navajo Nation Veterans Administration.
- C. The Navajo Nation hereby directs Navajo Nation Veterans Administration to submit a written status report on its progress in implementation of the Corrective Action Plan to the Office of the Auditor General and Chief of Staff, Office of the President/Vice President six months after the approval of this resolution.
- D. The Navajo Nation hereby directs the Office of the Auditor General and Chief of Staff, Office of the President/Vice President to review the written status report to be submitted by the Navajo Nation Veterans Administration and report to the Health, Education and Human Services Committee, as well as the Budget and Finance Committee.
- E. 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 Nation Veterans Administration, to issue a written follow-up report indicating the Navajo Nation Veterans Administration progress in implementing the Corrective Action Plan, and to make recommendations to the Health, Education and Human Services Committee, as well as the Budget and Finance Committee.

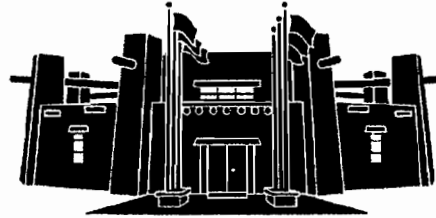
CERTIFICATION

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 3 in favor and 2 opposed, this 1st day of August, 2017.

A handwritten signature in black ink that reads "Dwight Witherspoon". The signature is written in a cursive, flowing style.

Dwight Witherspoon, Vice Chairperson
Budget and Finance Committee

Motion: Honorable Lee Jack, Sr.
Second: Honorable Tuchoney Slim, Jr.



OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

Navajo Nation Veterans

Administration -

Veterans Housing

Program Internal Audit

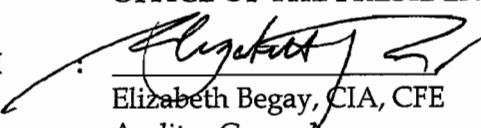


Report No. 17-15
January 2017

Performed by:
REDW LLC

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

TO : Arbin Mitchell, Chief of Staff
OFFICE OF THE PRESIDENT/VICE-PRESIDENT

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

DATE : January 13, 2017

SUBJECT : Navajo Nation Veterans Administration – Veterans Housing Program
Internal Audit

The Office of the Auditor General herewith transmits Audit Report No. 17-15, Navajo Nation Veterans Administration – Veterans Housing Program Internal Audit. The internal audit was conducted, in conjunction with REDW LLP, Certified Public Accountants to determine whether the Navajo Nation Veterans Administration was operating the Veterans Housing Program in a manner that would ensure that the goals of the program were achieved.

The auditors reported eight (8) findings:

- Because of poor supporting documentation, the Veterans Administration was unable to show exactly how \$1.9 million of lump sum payment to Home Depot for materials for year one Veterans Housing Program were spent.
- Veterans Housing Program's employee application files were incomplete and qualified employees were not hired.
- Contrary to the intent of the Veterans Housing Program, non-veterans were hired.
- Veterans Housing Program did not have support showing that only eligible veterans were assisted through the program and in some cases, people that were not eligible received a home.
- Veterans Housing Program exposes itself to liability risks because post-award requirements were not adhered to after veterans were selected.
- With over \$6.4 million spent on the Veterans Housing Program in the first three years, veterans were still dissatisfied with the Veterans Housing Program.
- Completed veterans homes were not in livable and safe condition.
- Insufficient project communication and tracking led to increased costs, construction delays and dissatisfied veterans.

The audit report provides recommendations to correct the reported findings. The Navajo Nation Veterans Administration/Veterans Housing Program has agreed to resolve the audit findings.

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

xc: Hon. Jonathan Nez, Navajo Nation Vice-President
OFFICE OF THE PRESIDENT/VICE-PRESIDENT
Chrono

Navajo Nation Veterans Administration – Veterans Housing Program Internal Audit

Executive Summary

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

REDW performed an internal audit to determine whether the Navajo Nation Veterans Administration (NNVA) was operating the Veterans Housing Program (VHP) in a way that would ensure that the goals of the program were achieved. To gain an understanding of the processes and controls in place, we interviewed selected personnel and read policies and procedures (P/Ps) and other program resource documentation. Our audit focused on evaluating the five objectives below and performing the related detailed procedures described:

- 1) *Determine if there was an accurate detailed listing of expenditures that related to the VHP that could be tied to respective homes/projects.*
 - We tested a sample of expenditures charged to the VHP for appropriate support, assessed whether they could be traced to a specific home/project, and analyzed whether they appeared to be reasonable expenses in accordance with the intent of the VHP.
- 2) *Determine if NNVA hired skilled workers, giving preferential treatment to Veterans, and had required documentation on file supporting the hiring process.*
 - We selected a sample of employees hired for the VHP to assess whether all hiring and pre-qualification documents were on file, and whether Veteran preference was applied.
- 3) *Determine if there was documentation that VHP home recipients met the program qualifications.*
 - We tested a sample of Veteran home recipients and determined if the required application, evaluation, award, pre-construction and post construction procedures were followed.
- 4) *Assess whether Veteran homes constructed under the VHP appeared to have been constructed in a way that resulted in safe and livable conditions.*
 - Utilizing a licensed Home Inspector, we performed 36 home inspections (28 listed as “completed” and eight listed as “in-progress” on the NNVA internal project tracking list), and assessed for compliance with certain standards. We solicited feedback from 36 Veterans who received a home under the VHP.

5) *Assess whether the VHP's project tracking processes and controls were adequate and accurate.*

- For each in-progress home inspected, we tested the accuracy of the related project tracking information maintained by the VHP.

We utilized the results of our internal audit procedures and the home inspections performed to determine whether the funds were being used appropriately to further the intended purpose of the VHP.

Summary of Findings and Recommendations

Because of poor supporting documentation, NNVA was unable to show exactly how \$1.9 million of lump sum payment to Home Depot for materials for year one were spent – Expenses related to the VHP were not properly supported and recorded in year one of the program, which resulted in the NNVA not being able to show which projects the \$1.9 million of materials purchased from Home Depot were used for. The purchasing function was handled independently by all of the agencies with limited or no oversight. The purchasing function should be centralized and all supporting documentation should be maintained and tracked, by individual project, by the central office.

Employee application files were incomplete and qualified employees were not hired – The NNVA did not have an adequate system in place for verifying that required documentation was on file and that applicants had the required skills and experience and were qualified for a position prior to hiring an employee. There was no centralized oversight function to ensure that only qualified applicants were hired and that all required documentation was obtained. An application checklist should be developed and all hiring documentation should be reviewed by the central office prior to making a hiring decision. This review should help to ensure the applicant has the required skills and experience and qualifies for the position and that these factors were verified by the agency.

Contrary to the intent of the VHP, Non-Veterans were hired – Outreach efforts were not effective to ensure that Veterans were applying for and being hired for VHP positions, in compliance with the intent of the VHP. There were several instances identified where there was no supporting documentation indicating if an employee was a Veteran, and several instances where non-Veterans were hired without documentation indicating that a qualified Veteran had not applied for the same position. A consistent process for ensuring Veteran preference is given should be implemented. If Veterans are not applying for VHP positions, the NNVA should work with the Personnel Office to improve outreach efforts, if this remains a goal of the VHP.

VHP did not have support showing that only eligible Veterans were assisted through the program, and in some cases, people that were not eligible received a home – There were several instances where recipients who had already received a home, or were in the process of receiving a home, did not have required pre-qualification documentation on file showing that they were eligible to receive a home under the VHP. In addition, there were several instances where the file documentation showed that the recipient was ineligible; however, they were awarded a home. A standardized application evaluation and selection process, utilizing a representative evaluation committee, should be developed and implemented. An application checklist should be developed to help ensure that all required documents are obtained and all eligibility requirements are met.

VHP exposes itself to liability risks because post-award requirements were not adhered to after Veterans were selected – There were several instances where post award requirements (i.e., Letter of Selected Application and Navajo Veteran Housing Program Pre Conference Agreement) and best practices (i.e., home inspection) were not adhered to. This resulted in missing required records/forms which could result in the NNVA being liable if homes were not built to acceptable standards. Construction should not begin until required pre-construction documents are completed and the recordkeeping for documentation should be centralized. Veterans should not be given access to the completed home until a full inspection occurs and significant findings are resolved.

With over \$6.4 million spent on the VHP in the first three years, veterans were still dissatisfied with the VHP – The five Veterans who responded to the survey expressed significant dissatisfaction with the overall application and approval process, the communication throughout the process, and the design/layout and quality of the home they received. Each of the agencies were processing applications, communicating with Veterans, and constructing homes rather than having centralized processes and assigned personnel. The NNVA should seek detailed feedback from selected Veteran recipients to identify ways to improve the process, communication, and the resources available. Assigned VHP personnel should receive training in those areas identified as problematic or inadequate by the Veteran recipients, such as on the application process and how to get it completed and the resources available to Veterans.

Completed Veteran homes were not in livable and safe condition – During our inspections of 25 completed homes, only eight were occupied. We identified several instances where completed homes were not in a safe or livable condition and did not meet safety and quality standards. Many homes were not in move-in condition, did not have electricity and/or water, were not deemed safe, and had other significant findings. A licensed construction contractor should be considered for remediating current issues as well as completing in process homes and any future homes. Approved blueprints should be used for construction, minimum standards for building the homes should be defined and adhered to, and full home inspections should be required prior to allowing a Veteran to move into a VHP home. A moratorium on new homes should be considered until all current construction issues are fixed.

Insufficient project communication and tracking led to increased costs, construction delays and dissatisfied veterans – During our inspection of eight homes listed as “in-progress” on the NNVA internal tracking listing, four were not in the phase recorded on the NNVA project tracking list. In addition, three homes listed as “completed” were not actually complete. It was clear that an effective project tracking process was not in place for the VHP. Communication tools, such as weekly progress reports, should be implemented. Reports should be reviewed and compared to the phase on the tracking list and to expenses incurred to date. Project delays should be adequately communicated and reacted to timely.

Further details on these findings are included in the attached report.

REDW LLC

Albuquerque, New Mexico
January 9, 2017

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Office of the Auditor General – Navajo Nation
Navajo Nation Veterans Administration
Veterans Housing Program Internal Audit

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Navajo Nation Veterans Administration – Veterans Housing Program Internal Audit Report

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

Introduction and Background

Program Background

The Navajo Nation Veterans Administration (NNVA) is primarily funded through annual appropriations from the Navajo Nation central government. The NNVA was formerly referred to as the Department of Navajo Veterans Affairs which was under the Division of Human Resources, is now an executive office within the Office of the President/Vice President. The department's main goal is to identify services and opportunities to support Navajo Veterans. The department focuses on providing services and opportunities for Veterans to address their housing, healthcare, transportation and financial needs.

In fiscal year 2014, the NNVA received a supplemental appropriation through Legislation Number 0193-13 for \$4.6 million dollars per year for four years to assist 75 Navajo Veterans per year throughout the Navajo Nation with safe, quality, and affordable new homes under a four-year housing program. Through this new appropriation that NNVA received, the Veterans Housing Program (VHP) was developed to provide outreach to homeless Navajo Veterans through the five agencies (i.e., Chinle, Crownpoint, Fort Defiance, Shiprock, and Western) and to provide funding for labor and material costs associated with home building. Each agency was to receive approximately 25% of the yearly allocation to:

- Reduce the amount of dilapidated and substandard housing;
- Reduce the high amount of overcrowded housing conditions;
- Increase pride in home ownership among families; and,
- Reduce the unemployment rate, particularly among veterans who should be utilized in every aspect of employment through the housing assistance program.

Concerns About Program

Over the first two years of the VHP, there were concerns regarding whether or not the NNVA had operated in ways that would achieve the goals and objectives that the VHP was based upon. Construction for year one of the VHP began in October 2013 and ended in July 2015. This implies that year two homes for the program could not be started until 22 months into the beginning of the VHP. In relation to year one of the VHP, the following concerns were voiced by community members or communicated to us during audit planning:

- **Expenditures** – The NNVA awarded a \$1.9 million check to Home Depot, through the request for proposal (RFP) process, for all five agencies to obtain materials for the homes being built under the VHP. Each agency was informed that they could spend \$380,000 for year one materials; however, designated purchasers were not assigned resulting in any employee being able to make purchases and receive materials from Home Depot. Purchasing support, such as purchase requisitions and purchase orders, was not documented/tracked, making it difficult to account for how each agency spent their designated funds and resulted in an additional \$21,000 being given to Home Depot to cover reported overages. In addition, there were concerns questioning why refunds were allowed, and whether they were being properly tracked and controlled when they did occur, including the tracking of credits or cash received.
- **Housing Recipient Eligibility** – There were claims that the eligibility qualification process was not adequate and that some housing recipients were not qualified to receive a home under the VHP, including concerns that some Veterans were using the VHP as a way to get a second home for free.
- **Employees** – To help Veterans in need, all VHP employment opportunities were to be based on Veteran preference. However, there were concerns raised about whether Veteran preference was being applied and if employees hired for construction actually qualified for the position.

As a result of the concerns above, the quality of the homes built under the VHP was questioned. Year one construction ran ten months longer than expected; therefore, construction for year two homes did not begin until August 2015. In year two of the program, new VHP policies and procedures (P/Ps) were developed and the Department endeavored to increase consistency across all agencies through centralizing purchasing and implementing a “phased” approach for building each home type.

Internal Audit

We performed the internal audit services described below at the request of the Navajo Nation Office of the Auditor General (NNOAG) to determine if the NNVA was operating in a way that would result in safe, quality and affordable homes being built for recipients in line with the intent of the Navajo Nation Council.

We held an entrance conference with personnel from the NNOAG and management of the NNVA on May 24, 2016, to discuss the timing and scope of the audit. We held an exit conference on December 12, 2016, to discuss the findings and recommendations. Client responses to the findings below are presented at the end of this report.

Financial Data

Expenses by Type each Fiscal Year					
Expense Type	FY 2014 (10/1/13- 9/30/14)	FY 2015 (10/1/15- 9/30/15)	FY 2016 (10/1/15- 9/30/16)	3 Yr. Total	Percent
Payroll & Benefits	\$ 725,052	\$1,463,984	\$1,253,316	\$3,442,353	53.7%
Housing Construction Materials*	2,001,905	23,183	596,078	2,621,166	40.9%
Equipment & Supplies Rental	28,727	10,570	15,584	54,881	0.9%
Electrical	193,978	37,018	-	230,996	3.6%
Architecture & Design Fees	8,786	2,725	-	11,511	0.2%
Non Capital Furniture & Equipment	21,592	1,584	1,249	24,426	0.4%
Other Expenses	9,165	4,768	10,149	24,082	0.4%
Total	\$2,989,206	\$1,543,833	\$1,876,376	\$6,409,415	
* Total homes completed, based on NNVA records, were 70 as of the time of the audit. Refer to page 17 of the report for details.					

Unexpended Balances by Agency				
AGENCY	CUMULATIVE BUDGET AMOUNT (as of Dec. 2016)	CUMULATIVE EXPENSES (as of Dec. 2016)	CUMULATIVE UNEXPENDED BALANCE (as of Dec. 2016)	% UNEXPENDED BALANCE
Eastern	\$ 3,605,500	\$ 1,400,840	\$ 2,204,660	20%
Fort Defiance	3,605,500	1,425,285	2,180,215	20%
Chinle	3,605,500	1,674,674	1,930,826	18%
Western (Tuba City)	3,605,500	1,251,530	2,353,970	21%
Shiprock	3,605,500	1,285,329	2,320,171	21%
TOTAL:	\$ 18,027,500	\$ 7,037,658	\$ 10,989,842	

Objectives, Scope, and Methodology

The objectives of this internal audit were to:

1. Determine if there was an accurate detailed listing of expenditures that related to the VHP that could be tied to respective homes/projects.
2. Determine if NNVA hired skilled workers, giving preferential treatment to Veterans, and had required documentation on file supporting the hiring process.
3. Determine if there was documentation that VHP home recipients met the program qualifications.
4. Assess whether Veteran homes constructed under the VHP appeared to have been constructed in a way that resulted in safe and livable conditions.
5. Assess whether the VHP's project tracking processes and controls were adequate and accurate.

Policies and Procedures and Interviews: In order to gain an understanding of processes and controls in place for VHP, we read the related resolutions of the Navajo Nation Code (CS-48-13), NNVA policies and procedures related to the program, and applicable sections of the Navajo Nation Personnel Policies Manual (the "Personnel Manual") and interviewed or received information from the following personnel:

1. Edsel Pete, Department Manager II
2. Anthony Spencer, Pro Temp Senior Planner
3. Elfrieda Woodman, Accounts Maintenance Specialist

Sample Selection and Testing: Based on our understanding of the VHP, we assessed the related risks and developed the detailed audit procedures presented below. For procedures four, five and six presented below, we obtained listings prepared internally by the NNVA, for the audit, to select our samples. Given the NNVA was not adequately tracking applicants, completed homes and homes in-progress, reliable listings were not available; therefore, we utilized their internally prepared listings for sample selection. Refer to the findings presented in the report that relate to the lack of adequate tracking systems.

1. *Accuracy of expense listing:* We obtained year one and year two VHP expense listings, focusing solely on non-payroll related expenses, and tested the accuracy of those listings as follows:
 - a. Year One: The Financial Management Information System (FMIS) showed a \$1.9 million lump sum expense for year one; therefore, we obtained a detailed invoice listing from Home Depot and a listing prepared by the OAG, which was based on the invoices submitted by Home Depot. We were able to materially agree the FMIS lump sum amount to both invoice listings.
 - b. Year Two: We obtained the FMIS expense listing, which detailed all individual purchase orders (under the new centralized purchasing function).
 - c. Fiscal Year Analysis: We combined all FMIS expenditures for the first three fiscal years of the VHP to assess expenditures by type and by agency.
2. *Expenditure testing:* From the expense listings described in step #1 above, we selected a random sample of 60 expenditures (based on a high level of assessed risk) including 30 expenditures from year one and 30 expenditures from year two. For each expenditure selected, we performed the following:
 - a. Determined if adequate supporting documentation was maintained, including purchase requisitions, purchase orders, invoices, receiving documentation and unaltered receipts/invoices.
 - b. Analyzed the expense and determined if it appeared to be a reasonable expense in accordance with the intent of the VHP, which was to create homes for Veterans and their families in need.
 - c. Determined if each expenditure was accurately recorded in the general ledger (G/L) (i.e., correct expense category and amount).
 - d. Determined if expenses were properly tracked, including where the related materials or services were used (i.e., which agency and home).

- e. If applicable, assessed any mileage/curb side service charges related to the purchase for reasonableness. For purposes of this test, anything over \$125 was deemed unreasonable.
3. *Evaluation of labor force:* We obtained a listing of all new hires to the VHP in years one and two of the program. We selected a sample of 22 employees (based on a moderate level of assessed risk), including 13 from year one and nine from year two. For each employee selected, we performed the following:
- a. Determined if an application, references, education/training, and Certificate of Indian Blood, or other proof of Navajo Heritage, were in the employee file; and,
 - b. Determined if Veteran preference was granted and properly supported. If Veteran preference was not applied, we tested for proper documentation that there were no qualified Veteran that applied for the same position.
4. *Housing recipient eligibility:* We obtained a listing of all VHP housing recipients for years one and two. We selected a sample of 34 recipients, including 18 from year one and 16 from year two. For each housing recipient selected, we determined if the following items were present in the recipient's file:
- a. Signed and completed application;
 - b. Income verification form, if applicable;
 - c. Verification of Non-Housing Assistance from all other housing agencies;
 - d. Certificate of Indian Blood or Birth Certificate;
 - e. Home Site Lease Agreement;
 - f. Archaeological/Environmental Clearance form;
 - g. Authorization for Release of Information form;
 - h. Photograph Authorization form;
 - i. DD-214/or other Veteran release form;
 - j. Certification of Application by Agency;
 - k. Completed Preference Rating form;
 - l. Letter of Selected Applicant;
 - m. If applicable, pictures and/or statement by Senior Carpenter of housing recipient's current home situation;
 - n. If home was completed, Navajo Veteran Housing Program Pre Conference Agreement; and,
 - o. If home was completed, home inspection documentation within 90 days of completion of construction (year two requirement).
5. *Completed Home Inspections*
- We judgmentally selected 28 homes listed as "completed" on NNVA's internal tracking listing for inspection, based on home location and ensuring coverage across all five agencies and across both project years. Upon visiting the homes, it was determined that only 25 homes were actually complete; therefore, only 25 completed homes were

inspected. Using a licensed Home Inspector, a full home inspection, in compliance with International Residential Code (i.e., the “Code”), was completed and significant findings were documented. The main goal of these inspections was to determine if:

- a. The completed home was structurally sound and of move-in condition.
- b. The completed home had electricity and water/wastewater services.
- c. The completed home met the requirements of the Code.

6. *Under Construction Home Inspections*

We judgmentally selected eight homes that were listed as “in progress” on the NNVA’s internal project tracking list at the time of the audit based on home location and ensuring coverage across all five agencies and across both project years. Using a licensed Home Inspector, site visits were performed on each home to determine:

- a. Whether the status of the home agreed to the phase documented on the NNVA’s internal project tracking list (i.e., phase 1—begin site preparation and layout through phase 4—final touch ups, general clean up, and finish grade).
- b. Whether a summary of selected expenses charged to that home/project could have reasonably been used on that home to date.
- c. Whether there were any inspection issues or problems as a result of construction to date.

7. *Veteran Survey*

Based on our understanding of the VHP and concerns that were raised about the program, we developed a customized Veteran survey to gather feedback from the Veteran recipients. The survey was seeking feedback on the application process, NNVA assistance provided, and the quality of the home they received. This survey was distributed to each of the 36 recipients of the homes selected for inspection.

Findings and Recommendations

Finding I: Because of poor supporting documentation, NNVA was unable to show exactly how \$1.9 million of lump sum payment to Home Depot for materials for year one were spent.

Criteria: The Navajo Nation Procurement Rules and Regulations, Sections I.2 and A.1.a-c, require that all purchases be supported by a purchase requisition and a receiving report. Generally accepted accounting principles require that expenditures be properly recorded.

Condition: The NNVA processed a lump sum payment through a \$1.9 million purchase order (of the \$2.0 million of Housing Construction Materials FY2014 total presented on page four above) to Home Depot in year one. During our analysis of 30 expenses included on the VHP year one expense listings, we identified the following instances where expenses were not properly supported or recorded:

- Thirty (all) expenditures tested did not have any supporting documentation other than an invoice from Home Depot. There were no purchase requisitions to show what was requested and approved and no documentation of the materials received (i.e., receiving report). In addition, two of these expenditures were actually refunds; however, the only support available was the original invoice and there was no documentation of the refund, whether cash or credit was given, and what was done with the refunded cash/credit.
- Five expenditures did not have any description of line items/materials on the invoice; therefore, there was no way to determine what was actually purchased.
- Five expenditures where the amount charged on the invoice did not agree to the G/L. In addition, two expenditures only had a quote, rather than an invoice, and the amount on the quote did not agree to the G/L.
- Eleven expenditures did not include any documentation of what home/project the materials were assigned to or purchased for.

In addition, during year one, there was no documentation of how mileage and curbside services, provided by Home Depot, would be charged, and there was no NNVA process for reviewing and approving these charges.

Effect:

A total of \$1.9 million of year one expenses could not be traced to any documentation other than invoices provided by Home Depot. Ultimately, this prevented NNVA from being able to show exactly how much each agency spent and for what project/home the expenditures were intended. The expenditures could have been utilized for individuals or programs not designated under the VHP. In addition, purchased materials may never have been received, and credit funds could have been misused. Further, there is no way to tell if NNVA was overcharged for mileage/curbside services.

Cause:

In year one, the agencies were given the freedom to utilize the \$1.9 million lump sum purchase order with Home Depot without any required process for submitting and tracking expense and receiving support.

Recommendations:

Avoid using large lump sum purchase orders. Either the NNVA central office or each agency should ensure that all expenses agree to approved purchase requisitions, all materials are verified and documented as "received", and that the corresponding project/home is consistently documented. All documentation should be reviewed and approved prior to payment of an invoice.

Home Depot and NNVA should create a written agreement detailing the terms and conditions of curbside services and mileage, and the central office should verify the validity of all charges before invoices are paid.

Finding II: Employee application files were incomplete and qualified employees were not hired.

<i>Criteria:</i>	Section XVIII.B of the Personnel Manual states that employee records should include information such as employee application, references, training/education, and Certificate of Indian Blood or other proof of heritage. Job descriptions for specific Carpenter, Plumber, Senior Carpenter, and other positions within NNVA require certain minimum qualifications such as work experience and/or certificates/training.
<i>Condition:</i>	<p>The NNVA did not have an adequate system in place to ensure that required documentation was obtained and required qualifications were met prior to hiring an employee. During our analysis of 22 employees hired under the VHP in years one and two, we found the following instances of missing required documentation:</p> <ul style="list-style-type: none">• Four were missing a completed job application;• Four were missing documentation of references;• Four were missing a Certificate of Indian Blood or other proof of heritage;• Three were missing any educational documentation, such as a high school diploma: and,• Almost all employee files were missing adequate documentation that the required skills and experience of the applicant were verified. In most cases, the only documentation of experience, references, and qualifications was from the applicant on the application, and there was no documentation of reference checks, employment verifications, or copies of qualification support (i.e., certificates, etc.).
<i>Effect:</i>	Lack of documentation to support the employee application process could result in the hiring of ineligible personnel. Without verification of required skills and experience, unqualified employees were likely hired, which resulted in low-quality homes in years one and two of the VHP.
<i>Cause:</i>	The Department of Personnel Management would prescreen applications and send them to the NNVA to conduct all additional screening, interviewing, documentation collection, and hiring decisions. The NNVA central office relied on each agency to select and hire employees for their VHP construction projects, which included verifying employment eligibility and obtaining proof of required skills and experience. At the NNVA, there was no centralized oversight function to ensure that only eligible and skilled applicants were hired and that all required documentation was obtained.
<i>Recommendations:</i>	The Nation should consider outsourcing all future construction work to a licensed construction company. If construction is still going to be done by the NNVA and if the hiring process is going to continue to be decentralized (i.e., at all agencies), a consistent application and eligibility

and skill determination process should be enforced. Consider working with the Department of Personnel Management to develop an application checklist that includes all required documentation, all eligibility requirements, and the required skills/experience, by position. Once the checklist has been completed, and a hiring recommendation has been made, the agency should send the completed checklist and all supporting documentation to the NNVA central office or the Department of Personnel Management for review and approval, prior to extending the employment offer. The review/approval should be documented, and all application and hiring documentation should be maintained at the central office.

If eligible and skilled applicants are not applying for the open VHP positions, management should work with the Department of Personnel Management to improve outreach efforts or to contract out portions of the VHP.

Finding III: Contrary to the intent of the VHP, Non-Veterans were hired.

Criteria: One of the goals outlined in Exhibit A to Resolution CS-48-13 is that VHP will create jobs for Veterans through home construction, which would reduce the unemployment rate among Veterans. The positions for the VHP would be advertised specifically to Navajo Veterans with basic carpentry experience. In addition, Section XIX of the Personnel Manual requires that Veteran preference be applied and that all hiring decisions be adequately documented.

Condition: During our analysis of 22 employee records, we identified instances where there was no documentation indicating if the employee was a Veteran, and instances where non-Veterans were hired without documentation that there were no qualified Veterans that applied for the same position. Specifically, we identified:

- Four (18%) instances where there was no application on file; therefore, there was no documentation of whether or not the employee was a Veteran.
- Sixteen (72%) instances where the employee indicated they were not a Veteran; however, there was no documentation indicating whether or not other qualified applicants who were Veterans had applied.

In addition, the NNVA did not implement a monitoring process to track the number of Veterans that applied and were hired for positions under the VHP, and there was no effective working relationship with the Department of Personnel Management to improve outreach efforts, if needed.

Effect: Veterans were not hired for the VHP; therefore, the NNVA had not accomplished one of the main goals of the VHP, which was to ensure that Veterans were given job opportunities. NNVA did not comply with the Personnel Manual.

Cause: Outreach efforts were not effective to ensure that Veterans were applying for and being hired for VHP positions, in compliance with the intent of the VHP. The NNVA central office relied on each agency, without providing adequate guidance, to apply hiring practices that would grant Veteran preference and achieve the related goals of the VHP. All employee records, and hiring/selection documentation, was maintained at the agency level rather than being sent to the central office for final approval and verification of records.

There was no process for tracking the number of Veterans applying. Consideration of the type of work being advertised, and whether or not it was possible to fill many of these positions with Veterans, was not considered and the feasibility of obtaining enough qualified Veteran applicants for the construction positions was not assessed. There was limited outreach efforts made to find qualified Veteran applicants.

Recommendations: The Nation should consider outsourcing all future construction work to a licensed construction company. If construction is still going to be done by the NNVA and the hiring process is going to continue to be decentralized (i.e., performed at all agencies), a consistent process should be implemented to ensure Veteran preference is granted and documented. Consider the following:

- For all applicants claiming Veteran preference, adequate support, in compliance with the Personnel Manual, should be obtained. If there are no qualified Veterans applying for a position, a memo should be drafted to document that.
- The agencies should send all hiring documentation to the NNVA central office for review and approval, and this documentation should be reviewed, prior to extending the employment offer. The review/approval should include an assessment of adequate Veteran preference documentation, and all hiring documentation should be maintained at the central office.
- The NNVA should implement a monitoring process to track which applicants, as well as which employees hired, are Veterans, and use the related data to monitor whether the goal of hiring Veterans is being achieved.
- The feasibility of attracting qualified Veterans for the types of positions being advertised for the VHP should be reconsidered. If this remains a goal of the VHP, and if qualified Veterans are not applying for the positions, the NNVA should work with the Personnel Office to identify improved methods of reaching qualified Veteran candidates.

Finding IV: VHP did not have supporting documentation to show that only eligible Veterans were assisted, and in some cases, people that were ineligible received a home.

Criteria: In accordance with Sections III and IV of the Navajo Veteran Housing Program P/Ps, there are specific eligibility requirements for obtaining a home under the VHP and specific supporting documentation that must be on file prior to being approved to receive a home under the VHP.

The specific eligibility requirements are that the applicant must be an enrolled Navajo Veteran, widow or Gold Star Mother, the present housing condition must be substandard/dilapidated, and the household income must be inadequate. In addition, Section V, C (c) of the P/Ps require that a Veterans waiting list be maintained by the NNVA to track the status and preference ratings of applicants to ensure that Veterans are awarded homes in the order of preference/necessity.

Condition: During our analysis of 34 VHP applications, which all related to recipients who had already received a home or were in the process of receiving a home, we identified instances where ineligible Veterans were awarded homes and instances where required pre-qualification documentation was not on file. In addition, the NNVA was not adequately tracking applicants, including those that were approved, rejected or pending. Specifically, we identified the following:

- a) One instance where the application was never signed by the housing recipient, which would have certified that all information provided was correct and four instances where the agency had not certified the application.
- b) Seven instances where there was no Verification of Housing Assistance form on file verifying that the recipient had not received housing assistance from other agencies. In addition:
 1. One application file included an anonymous letter stating that the housing recipient had multiple homes already and should not be qualified for another home. This was later verified by the central NNVA office; however, the applicant was still approved for a house under the VHP.
 2. Two application files had documentation that there were rumors that the applicants had multiple homes; however, these cases were never verified by NNVA.
 3. Two applicants stated they had received housing assistance from another agency; however, they were still approved for a home under the VHP.
- c) One instance where there was not a Certificate of Indian Blood for the housing recipient on file.
- d) Three instances where the Authorization to Release Information form was not on file.
- e) One instance where the recipient did not provide a DD-214 or any other Veteran Release form.

- f) Nine instances where the Preference Rating Form, used by the agency to rate the housing recipient's application, was not on file.
- g) Twenty-two instances where the housing recipient had a higher income than the allowed income threshold stated in the Navajo Veterans Housing Program P/Ps, and one instance in which no support was on file to verify whether the applicant's income was below the threshold. The 22 instances identified would imply that these recipients were not eligible to receive a home under the VHP.
- h) All files were missing the Photograph Authorization form.
- i) Seven instances where a housing recipient stated that they were employed; however, the required Employment Verification form was not on file.
- j) Seven housing recipients, who had stated that they were currently living in a dilapidated home, did not have any pictures, or a statement from the Senior Carpenter, supporting their current home conditions.
- k) The NNVA was not able to provide a Veteran waiting list showing the status and preference ratings of current VHP applicants.
- l) The NNVA did not have an adequate process in place for tracking applicants and their approved, rejected or pending status. There was not a means of ensuring that all recipients went through the same consistent process before being assigned to a home.

Effect:

A consistent application and evaluation process was not in place across the five agencies. The NNVA awarded VHP houses to ineligible applicants, based on the eligibility requirements for the program, which could result in eligible applicants being denied the opportunity to receive a home. Without consistency across all agencies, there could be accusations of unfair treatment, such as granting homes to friends/family of employees, and adequate support would not be available to prove otherwise. If an accurate applicant and waiting list is not on file, delays or accusations of unfair treatment could occur.

Cause:

The application evaluation and selection process for all VHP candidates was performed at the agency level, rather than being centralized. There was not a control in place, such as a NNVA central office review/approval process, to ensure that only eligible Veterans received a home, that P/Ps were being followed and that the selection process was fair and documented.

Recommendations:

In order to ensure that the VHP goals are achieved and that the related funds benefit qualified Veterans, a standardized application evaluation and selection process should be developed. Consider creating an application checklist to ensure all required documentation is obtained, and implementing a uniform evaluation committee with representation from all five agencies and the NNVA central office. This committee could review all applications, provide preference ratings for all applicants, and make all recipient determinations. A current Veterans waiting list should be maintained by the committee and the accuracy of that listing, as well as

an approved/rejected status, should be checked regularly. This would help to reduce the risk of unfair bias, improve consistency across all agencies, help to ensure all documentation is in recipient files, and ensure that all applicants are tracked and are required to go through the same standard process.

Finding V: VHP exposes itself to liability risks because post-award requirements were not adhered to after Veterans were selected.

Criteria:

Under Section VI, G of the Navajo Veteran Housing Program P/Ps, once an applicant is approved for a home, the following must be performed:

- a) A Letter of Selected Application, prepared by the agency to notify the recipient of selection, must be issued to the selected recipient.
- b) A Navajo Veteran Housing Program Pre Conference Agreement must be in place prior to the beginning of construction, which encompasses the rights and responsibilities of the NNVA and the recipient.
- c) A Home Site Lease Agreement must be prepared.
- d) An Archeological/Environmental Clearance form must be prepared.

Best practices for construction projects requires specific standards to be met and for inspections to occur to ensure compliance.

Condition:

During our analysis of 34 VHP recipient files, we identified instances where post-award requirements and best practices were not adhered to including:

- a) Twenty-one instances where the Letter of Selected Application was not on file.
- b) All 19 completed homes tested were missing the Navajo Veteran Housing Program Pre Conference Agreement.
- c) One instance where there was no Home Site Lease Agreement on file.
- d) Seven instances where there was no Archeological/Environmental Clearance form on file.
- e) All 15 of the year one completed homes tested did not have a home inspection completed.

Effect:

- a-b) In the absence of the Letter of Selected Application and the Navajo Veteran Housing Program Pre Conference Agreement, the recipient would be unaware of their award and his/her rights and responsibilities as a homeowner under the VHP.
- c-d) In the absence of the required Home Site Lease Agreement and Archeological/Environmental Clearance form, the home construction site may not be legal or safe.

- e) If homes are not being built in accordance with a consistent set of quality and safety standards (such as the Code), and if inspections are not performed, substandard and unsafe homes will be built under the VHP which could result in liability risks to the Nation.

Cause: Each agency was responsible for obtaining all recipient documentation. The NNVA did not have a centralized process in place to ensure that all agencies obtained the pre-construction forms and that procedures were completed prior to beginning construction. The Navajo Nation does not follow a specific set of standards and home inspections were not required in year one of the VHP.

- Recommendations:**
- a) The NNVA should ensure that all Letters of Selected Applications are issued timely. Senior Carpenters should be responsible for completing the Navajo Veteran Housing Program Pre Conference Agreement and ensuring that responsibilities are understood by the recipient prior to construction beginning. Construction should not begin until all required documentation is submitted. Consider requiring that all documentation be sent to the central NNVA office for review and approval.
 - b) Identify which set of standards will be followed for construction projects on the Navajo Nation. Ensure these standards are approved, as required, and that all agencies are trained on the requirements. A full home inspection should occur prior to allowing a recipient to take ownership.

Finding VI: With over \$6.4 million spent on the VHP in the first three years, veterans were still dissatisfied with the VHP.

Criteria: Section VI, F of the NNVA Veterans Housing Program P/Ps require that every effort be made to ensure assistance is provided to Veterans through meetings, homebuyer education and appropriate notices/communications. Expectations are that the NNVA will develop and carry out an effective application process, ensure proper and timely communication with Veterans, and complete homes in a timely manner.

Condition: Approximately \$6.4 million of appropriated funds had been spent on the VHP as of September 30, 2016 (three years into the program), and Veteran recipients of the VHP, who replied to the survey, were still not satisfied with the overall application process and the quality of homes that they received. Of the 36 surveys sent out to gather feedback on the VHP, only five responded. All five of the respondents conveyed dissatisfaction with the VHP including:

- a) Three stated it was not easy to access information about the program;

- b) One stated that the application was difficult to complete, and three stated that they did not receive a timely response to their application;
- c) Two stated that they did not receive open and timely communication throughout the application and construction process;
- d) Three stated that the NNVA staff were not knowledgeable about what was needed to complete the process;
- e) Three rated their overall experience with the Veteran's Administration Office Staff low;
- f) Three stated that their home's design (layout) was not functional for living purposes; and,
- g) Three reported significant issues with their home such as plumbing, leaking, lack of water/electricity, a lack of adequate handicap access/additions, etc.

Effect: Although \$6.4 million has been spent to date, the overall goals of the VHP are not being achieved.

Cause: Each of the five agencies were processing applications, communicating with Veterans, and constructing homes; however, they were not equipped to handle all of these various responsibilities. There was no centralized review or oversight function ensuring timely and effective communication occurred, there were no consistent standards/regulations that the homes were required to be built in accordance with, and there was not an inspection process prior to Veterans moving into their homes.

Recommendations:

- a) The NNVA should consider seeking feedback from Veterans on how VHP processes applications and how communication could be improved.
- b) Consider developing and implementing training on areas where concern is raised such as providing resources for Veterans application assistance and communication requirements.
- c) Consider centralizing the function of assisting Veterans through the application and construction process, and assigning responsibility for overseeing the process to ensure timely communication occurs.

Finding VII: Completed Veteran Homes were not in Livable and Safe Condition.

Criteria: Under the NNVA Veteran Housing Program P/Ps, one of the main goals was to reduce the high amount of substandard and dilapidated housing. While the Navajo Nation does not specifically follow the International Residential Code (the "Code"), it is best practice to comply with the Code to ensure homes are built to standard and are safe to occupy. The Code requires specific minimum requirements to be met.

Although home inspections were not mandatory in year one, best practices would dictate that an inspection take place to ensure that the newly constructed home is safe and in livable condition. During year two, the NNVA added to Section VIII of the P/Ps a requirement for home inspections to be performed within 90 days after completion of construction.

Condition:

During our inspection of 25 completed homes, only eight were occupied fulltime, and the remaining homes were not being used and in some cases, their owners were living in other existing buildings/homes on the property. During the inspections, we identified instances where homes were not in a safe or livable condition and did not meet the Code or other minimum standards, including:

- a) Twenty-two of the completed homes were not deemed to be in “move in condition”, primarily because many of the homes were missing water and/or electricity or had significant findings.
- b) Eleven of the completed homes did not have water and electricity. In addition, five additional completed homes did not have water and three did not have electricity.
- c) One of the homes was deemed “unsafe” and not a healthy environment to live in given the fact that wet insulation and a black substance (possibly mold) was found during the inspection.
- d) All of the 25 homes inspected had significant findings identified, in addition to those summarized above, including findings related to the structure, heating, plumbing, roof/gutter, exterior, grounds, interiors, etc.
- e) No home inspections were performed on the 25 homes prior to or within 90 days of the housing recipient taking ownership.
- f) In addition, thirteen of the homes could not be inspected on the inside given that the homeowner was not present; therefore, we could not determine if the home was safe to live in.

Refer to Appendix A “Summary of Significant Inspection Results” for the details of the significant inspection findings and the estimated costs to repair the findings identified. Below is a table presenting the actual homes NNVA states were completed compared to the homes that were supposed to be completed based on the appropriations in years one and two.

Agency	Total Year 1&2 Homes Completed per NNVA*	Total Year 1&2 Expected Homes to be Completed	Variance	Estimated Cost to Fix Completed Homes**
Eastern	13	30	(15)	\$42,978
Chinle	20	30	(10)	\$66,120
Western	14	30	(16)	\$46,284
Fort Defiance	12	30	(18)	\$39,672
Shiprock	11	30	(19)	\$36,366
Total	70	150	(80)	\$231,420
<p>* Actual homes completed in years 1 and 2 are based on the Completed Homes Listing provided by NNVA. Actual homes completed are likely less. Year 1 is defined as 10/1/13 through 7/31/15 and year two is defined as 8/1/15 through 9/30/16 based on internal NNVA reporting. Therefore, the numbers above are representative of the homes completed almost three calendar years into the program.</p> <p>** Estimated cost to fix completed homes is based on the average cost to fix the 25 completed homes inspected. As described in Appendix A, the total cost is likely significantly higher.</p>				

Effect:

The quality of homes that the VHP was producing in years one and two was not conducive to providing a safe and healthy environment for Veterans and their families to live. This resulted in many homes not being in line with one of the main goals of the project and has likely resulted in significant increased costs. The estimated cost to fix only the items identified during the inspections of the 25 completed homes, as described in Appendix A, is approximately \$83,000. However, as described in Appendix A, some homes could not be fully inspected; therefore, the actual cost to fix all issues and bring these 25 completed homes up to Code is likely significantly more. The estimated cost to fix the 70 homes NNVA claims are completed at the end of year two of the program is \$231,420; however, based on the limitations of the inspections performed, the cost is likely significantly higher.

Given that the NNVA was responsible for constructing these homes utilizing Navajo Nation funds, they could be liable if homes were not built to acceptable standards. In some cases, this led to homes having to be torn down and rebuilt because they were not built in safe and livable conditions.

Cause:

- a) The NNVA did not hire employees that were qualified/skilled to construct safe and livable homes;
- b) There was no adequate oversight of the construction process;

- c) There was no set of uniform blueprints during year one; therefore, many homes were not built utilizing a blueprint plan;
- d) There was no home inspection process for all of year one and most of year two; and,
- e) There were no standards (i.e., the Code) that the homes were required to meet. In addition, the expected 90 day inspections were not being enforced in year two.

Recommendations:

- a) The NNVA should consider outsourcing future construction of homes to a licensed construction company.
- b) Developing a set of blueprints that all of the agencies would use for construction would help ensure that homes were built based on a plan, that was accepted by NNVA, to ensure the goals of the VHP are being followed through.
- c) Specifically defining the minimum standards that must be met prior to a Veteran moving into a home, such as the Code, and deploying a uniform inspection process would ensure that substandard construction issues are identified and corrected prior to a Veteran taking ownership of their home. An independent inspector should be utilized to provide unbiased inspection results. Before handing ownership of a home over to a housing recipient, the NNVA should ensure that the home is inspected and that the results of that inspection are documented. All issues found by the inspector should be addressed and fixed according to code by a licensed contractor.
- d) All homes completed to date, including those that could only be partially inspected during this audit and those that were not selected for inspection during this audit, should be fully inspected by a certified inspector. Based on the completed inspections, the full cost of remedial action should be documented, which will allow the Nation to assess the full extent of the deficiencies, as well as the cost to address them.
- e) All homes that are currently under construction should be temporarily halted and the completion of the homes should be outsourced to a licensed construction company. Any identified repairs that are needed on these homes, that are a result of the initial construction, should be remediated by the licensed construction company. As homes are completed, a full inspection should be completed by a certified inspector to ensure they are livable for Veterans prior to being occupied.
- f) Homes currently lacking electricity and/or running water should be evaluated to determine the cost/benefit of alternatives such as solar energy and/or septic pump systems.
- g) A moratorium should be placed on starting any new homes until current homes are deemed safe and livable for veterans. Once the moratorium is lifted, any additional housing should be outsourced to a licensed contractor.

Finding VIII: Insufficient project communication and tracking led to inadequate reporting, increased costs, and construction delays.

Criteria: Best practices for construction management require that project tracking is completed for each home from pre-construction through home completion to ensure homes are completed timely and that materials/labor can be adequately tracked.

Condition: During our inspection of eight in-progress homes, four of them were not in the phase that NNVA showed on their tracking list. As of the construction phase, five of the homes needed corrective actions in order to bring the homes up to Code. In addition, three of the homes listed as "Completed" on the tracking list were not actually completed as of the time of our inspection. Refer to Appendix A "Summary of Significant Inspection Results" for the details of the significant inspection findings and the estimated costs for repairs of the findings identified.

Effect: The lack of adequate tracking of homes during pre-construction through completion led to

- a) Inaccurate VHP performance reporting for Committee or Council reports.
- b) Increased project cost including the \$21,000 of overages to Home Depot and the \$64,600 reported in Appendix A for the in-progress homes. However, due to the inaccurate tracking, the total increased project costs are not known.
- c) Delays in Veterans receiving their homes. Several homes from years one and two were not completed timely and Veterans were upset with the delays and the miscommunication. Even though the original legislation called for 75 homes to be completed each year, only 70 total had been completed in the first two program years based on the NNVA's internal tracking list.

Cause: The NNVA did not have an effective and centralized project tracking system in place. There was a lack of overall communication between the agencies and the NNVA, and there was no centralized responsibility for ensuring projects stay on schedule and are accurately tracked.

Recommendations: The DVNA should implement communication tools, such as weekly progress reports completed by each agency, to track the progress of constructing the homes in a consistent and centralized manner. Responsibility for comparing the progress reports to budgeted timelines and to expenses incurred to date should be delegated to someone at the central office. Any delays or inconsistencies in the reporting should be followed up on immediately to ensure they are adequately justified and resolved timely. Veterans should receive regular communication from consistent NNVA personnel.

Conclusion

The findings identified in this internal audit report showed that there were significant issues with the operations of the VHP during the first two years of the program. Expenses in year one were not adequately tracked and it is impossible to determine if the housing materials costing \$1.9 million were exclusively used for the VHP. Employee hiring decisions were not adequately documented, Veteran preference was not applied, and it is clear that unskilled workers were hired to construct homes given the significant inspection findings. The application and selection process for the VHP was not consistent and was not adequately documented, resulting in questionable eligibility decisions. Home inspection results showed that 22 of the 25 completed homes inspected were not deemed to be in "move in condition," and several were built without electricity and/or water/sewer, were unsafe and did not provide a healthy living environment for recipients. Based on the results of this audit, the Navajo Nation should reconsider whether the NNVA is equipped to manage this housing program and consider outsourcing all future construction to a licensed construction company.

* * * * *

The above represents the items that constitute significant conditions. Other, less significant items were addressed with management during the audit and are not included.

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

REDW LLC

Albuquerque, New Mexico
January 9, 2017

Appendix A – Summary of Significant Inspection Results

Note: The information below represents a high-level summary of the home inspection results, and does not represent a complete representation of the inspections performed. Please refer to the full Home Inspection reports for more information. The “Home Number” below is based on our sample selection of 36 homes inspected and can be traced to the 36 full Home Inspection reports. Our original sample of 36 homes included 28 listed as “completed” and eight listed as “in process” on the NNV A tracking list; however, upon inspection, two of the “in process” homes had not been started, and therefore, the results are not included below. For privacy purposes, we have not included the home address or Veteran recipient in this appendix. Finally, the “Estimated Cost of Repairs” is a general estimate to fix the findings reported in the Home Inspection reports. In some cases, we were unable to fully inspect certain parts of the home; therefore, the costs could be significantly different than the estimates below.

In-Progress Homes

Home Number (from Sample)	Agency	Summary of Significant Findings	Estimated Cost of Repairs
17	Crownpoint	Phase reported by the NNV A was not accurate. Phase one had not been fully completed even though Phase 2 had been started. There was Earth to wood contact noted which could increase the potential for moisture or pest intrusion. Gaps were noted in siding/fascia where the board meets the soffits and the fascia was water damaged. Holes were noted on the side of the structure. The grade slowed toward the structure.	\$21,000
18	Crownpoint	Phase of the home was not known by the NNV A. Materials were wasted due to water damage. Vapor barrier was not visible/not installed below the home. The soil is not the required height top of the concrete footing which is a phase 1 requirement. Insulation was missing or misplaced between the floor trusses (crawl space), on the crawl space access cover, and on the attic floor. The soffit vents were missing/not installed at the soffits which was added according to the plan design for the year two homes. There were construction materials that were wasted as they were not protected from weather elements. The main water valve could not be found. No water was connected to this home. The main water line into the home is not capped which allows debris to get into the fresh water supply lines. The supply piping was not insulated/covered (crawl space). The main drain line was not connected to a sewer/septic system. A drip pan had not been installed beneath the water heater to prevent water damage. A drain pipe was not installed. A pan/pipe should be installed from the drip pan to the exterior to reduce the potential for interior moisture penetration. Overhead electrical mast was not properly secured with blocks in between the conduit/siding. Overhead electrical connections were not connected to a power source/utility. The main	\$3,900

Home Number (from Sample)	Agency	Summary of Significant Findings	Estimated Cost of Repairs
		electrical panel was not properly/fully labeled. Oven/Range/Cooktop: Exhaust fan was not wired, duct was not properly sealed and duct was loose/not connected. Window in kitchen was difficult to open/close. Gutters were not installed correctly (2' short on each end). Earth to wood contact noted which could cause increased potential for moisture or pest intrusion. Holes noted at the side of the structure and the grade slopes toward the structure.	
19	Crownpoint	Phase reported by NNVA was not accurate and some phase one items were incomplete even though phase two had started. Materials were stored outside which could be damaged or stolen. Drip edge flashing had not yet installed on roof edge and grade slopes toward the structure.	\$28,000
26	Fort Defiance	Phase reported by NNVA was not accurate. There was an adjoining structure adjacent to the home which was a fire hazard. No vapor barrier was visible/installed. The main drain line was not connected to a sewer system/septic system. For the water heater, a drain pipe was not installed. The TPRV discharged under the water heater rather than to the building exterior.	\$1,850
28	Shiprock	The home was started in year one, and still had items from various phases incomplete and the house was still not occupied. The cause of the delays is unknown. Portions of the visible stem wall joints were deteriorated/missing. No ridge boards were installed between the trusses. Moisture was able to seep through the crawl space. Insulation was missing/misplaced on the attic floor. The main water valve could not be found and there was no water connection provided. The main drain line was not connected to a sewer system/septic system. For the water heater, a drain pipe was not installed. The hand rail was not installed in the shower. Overhead electrical connections were not connected to a power source/utility and several other electrical issues were identified. Several issues were identified with the oven/range/cooktop. Several door, window and exterior issues identified. Landscaping was sloping towards the structure, and steps/handrail were not installed.	\$5,100
29	Shiprock	Phase reported by NNVA was not accurate and there were items from phase one incomplete. Several issues identified including: building had no ridge boards installed between trusses, no crawl space was installed in phase 1 and no vapor barriers were installed, insulation was missing, tiles were not installed under the stove, the main water valve was not located and there was no water connection found and the main drain line was not connected to the sewer/septic system, and handrail for shower was missing. In addition, there were several electrical issues, exterior issues and evidence of possible leaks.	\$4,750
Total Estimated Cost to Fix Issues Identified in Inspections and Complete Homes			\$64,600

Completed Homes

Home Number (from Sample)	Agency	Was the home being occupied (lived in) at the time of inspection?	Completed home is structurally sound and of move-in condition (yes/no)*	Completed home has electricity and water/wastewater services (yes/no)	Summary of Significant Findings	Estimated Cost of Repairs
1	Chinle	No	Yes (Structure), No (Move-in condition)	No Electric or Water	The homeowner was not present so we did not have access to the inside of the house. There was no water or electric connected to the house leaving it unlivable. Several other deficiencies were identified on the outside including gaps in window frame/trim, steps that did not have concrete post/pad installed, and Earth to wood contact.	\$2,000
2	Chinle	No	Yes (Structure), No (Move-in condition)	Yes Solar Electric/No Water	The homeowner was not present so we did not have access to the inside of the house. There was no water connected to the house making the home unlivable. Several other deficiencies were identified on the outside including the vapor barrier was not installed, the block stem wall grout was missing, the main sewer line was not connected to a sewer system/septic system, there were several electrical issues, there was Earth to wood contact and there were holes on the side of the structure.	\$2,500

Home Number (from Sample)	Agency	Was the home being occupied (lived in) at the time of inspection?	Completed home is structurally sound and of move-in condition (yes/no)*	Completed home has electricity and water/wastewater services (yes/no)	Summary of Significant Findings	Estimated Cost of Repairs
3	Chinle	No	Yes (Structure), No (Move-in condition)	No Electric/Yes Water	The homeowner was not present so we did not have access to the inside of the house. There was no electric connected to the house leaving it unlivable. Several other deficiencies were identified on the outside including water heater issues, electrical panel issues, there was Earth to wood contact, the grade sloped toward the structure and the surface of the steps were cracked.	\$1,500
4	Chinle	Yes	Yes	Yes	Several issues identified including missing insulation, base/tile not installed under stove, no vapor barrier installed in the crawlspace, there was a leak into the crawlspace area and possibly behind the walls, there were deficiencies with the water heater, and there were issues with the oven/range/cooktop. In addition, the shower does not appear to have been installed correctly and the railings were not secure. The shower leak resulted in wet insulation and a black substance (possibly mold) making the home unsafe. There were several issues on the exterior including Earth to wood contact and gaps in window frames/trim.	\$5,500
5	Chinle	Yes	Yes (Structure), No (Move-in condition)	Yes Solar Electric/No Water	There was no water connected to the house making the home unlivable. Several issues identified including missing insulation, no ridge boards installed between trusses, gaps in the block stem wall, no vapor barrier below the	\$4,200

Home Number (from Sample)	Agency	Was the home being occupied (lived in) at the time of inspection?	Completed home is structurally sound and of move-in condition (yes/no)*	Completed home has electricity and water/wastewater services (yes/no)	Summary of Significant Findings	Estimated Cost of Repairs
					home, the main drain line was not connected to a sewer/septic system, several electrical issues, several exterior issues, and the floor inside the home was uneven and appeared to slope.	
7	Chinle	No	Yes (Structure), No (Move-in condition)	No Electric or Water	There was no water or electricity present in the home which makes it unlivable. The home was built partially on land that was leased, not owned so the utilities cannot be added until this is resolved. Several other deficiencies were identified including no vapor barrier in the crawl space, missing insulation, water heater issues, several electrical setup issues, several internal issues (i.e., range, cabinets, counters, etc.), grounds issues including the dirt sloping towards the structure, steps did not have a handrail, and the surface steps were cracked.	\$4,500
8	Chinle	Yes	Yes	Yes	Several deficiencies were identified including cracks/gaps on the building and the concrete piers were installed, which the contractor tried to fix with inadequate solutions, missing insulation, vapor barrier missing in crawl space, water supply piping was not secured and there was indication of leaking, there were water heater and electrical issues, the floor in the home was uneven, there were cracks in the home walls and ceilings, moisture identified in the building interior, and several roof and exterior structure issues.	\$8,000

Home Number (from Sample)	Agency	Was the home being occupied (lived in) at the time of inspection?	Completed home is structurally sound and of move-in condition (yes/no)*	Completed home has electricity and water/wastewater services (yes/no)	Summary of Significant Findings	Estimated Cost of Repairs
9	Chinle	No	Yes (Structure), No (Move-in condition)	No Electric or Water	The homeowner was not present so we did not have access to the inside of the house. There was no water or electric connected to the house leaving it unlivable. Several other deficiencies were identified on the outside including flashing, gutter and downspout issues, wall cladding issues, there was Earth to wood contact by the steps, holes in the side of the structure, the dirt sloped towards the house, and the concrete post/pier was not installed at the top of the steps.	\$2,700
11	Chinle	No	Yes (Structure), N/A Unable to determine (Move-in condition)	Yes	The homeowner was not present so we did not have access to the inside of the house and security shutters had been installed over all windows/doors so we could not inspect them. Several deficiencies were identified on the outside including the TPRV did not have a discharge pipe installed to the exterior of the home, there were several electrical issues, and there was Earth to wood contact identified.	\$1,500
12	Chinle	No	Yes (Structure), No (Move-in condition)	Yes Solar Electric/No water	The homeowner was not present so we did not have access to the inside of the house. There was no water connected to the house making the home unlivable. Several other deficiencies were identified on the outside including there was no vapor barrier installed in the crawl space, the main sewer line was not connected to a sewer system/septic system and several exterior issues.	\$1,250

Home Number (from Sample)	Agency	Was the home being occupied (lived in) at the time of inspection?	Completed home is structurally sound and of move-in condition (yes/no)*	Completed home has electricity and water/wastewater services (yes/no)	Summary of Significant Findings	Estimated Cost of Repairs
13	Crownpoint	No	Yes (Structure), No (Move-in condition)	No Electric or Water	There was no water or electricity present in the home which makes it unlivable. Several other deficiencies were identified including gaps in the stem wall block walls, missing vapor barrier in crawl space, missing insulation, the main drain line was not connected to a sewer system/septic system, several water heater and appliance issues, doors did not close properly, and several exterior issues.	\$3,500
14	Crownpoint	Yes – Appeared to be occupied.	Yes (Structure), No (Move-in condition)	No Electric/Yes Water	The homeowner was not present so we did not have access to the inside of the house. There was no electric connected to the house leaving it unlivable. Several other deficiencies were identified on the outside including no vapor barrier in crawl space, the spark arrest was missing on the heating system and it appeared there was burning on the roof, several water heater issues, the water to the home was not turned on, and exterior issues including no gutters installed and Earth to wood contact. In addition, since the overhead electrical connections were not connected to a power source/utility, the homeowner had connected an extension cord to a generator for power.	\$3,100

Home Number (from Sample)	Agency	Was the home being occupied (lived in) at the time of inspection?	Completed home is structurally sound and of move-in condition (yes/no)*	Completed home has electricity and water/wastewater services (yes/no)	Summary of Significant Findings	Estimated Cost of Repairs
15	Crownpoint	Yes – Appeared to be occupied.	Yes (Structure), No (Move-in condition)	No water/Yes Electric	The homeowner was not present so we did not have access to the inside of the house. There was no water connected to the house leaving it unlivable. Several other deficiencies were identified on the outside including no vapor barrier, the main drain was not connected to a sewer system/septic system, water heater issues, several electrical problems, missing foam edge on the roof (which would allow insects to nest) and several other exterior issues including Earth to wood contact, chipped/fading paint that was likely a result of no primer or watered down paint used, and a landing, steps and handrails were not installed.	\$2,850
16	Crownpoint	Yes – Appeared to be occupied.	Yes (Structure), No (Move-in condition)	No water/Yes Electric	There was no water connected to the house leaving it unlivable. In addition, several significant deficiencies were identified including missing insulation, missing screws on heating system, no ridge block installed between trusses at the ridge, the main drain line was not connected to a sewer system/septic system, water heater issues, plumbing issues, shower installation problems including handrails, several electrical and appliance issues, cracks in the ceilings and walls, inadequate ventilation, and several exterior issues including chipped/fading paint that was likely a result of no primer or watered down paint used. In addition, the	\$4,300

Home Number (from Sample)	Agency	Was the home being occupied (lived in) at the time of inspection?	Completed home is structurally sound and of move-in condition (yes/no)*	Completed home has electricity and water/wastewater services (yes/no)	Summary of Significant Findings	Estimated Cost of Repairs
20	Fort Defiance	No	Yes (Structure), No (Move-in condition)	No water/Yes Electric	homeowner stated that this home had settled in the middle of the home and several repairs had been attempted; however, they were not effective and we could see this during the inspection. There was no water connected to the house leaving it unlivable. In addition, several significant deficiencies were identified including The block CMU was not sealed at some joints, ridge boards and vapor barrier were not installed, insulation was missing, the main drain was not connected to a sewer line/septic system, there were water heater and appliance issues, several electrical problems, excessive moisture in the interior surface (crawl space) and several exterior issues.	\$3,200
21	Fort Defiance	No	No - Home not complete	No - Home not complete	The home was listed as a completed home; however, it had not even been started at the time of our visit. The future homeowners stated that it had been over 1.5 years of waiting.	N/A - Home not Complete
22	Fort Defiance	No	No - Home not complete	No - Home not complete	The home was listed as a completed home; however, it was only barely started (i.e., Phase 1, 30%). Some of the cement materials were damaged and unusable because they were exposed/water damaged.	N/A - Home not Complete
23	Fort Defiance	No	No - Home not complete	No - Home not complete	The home was listed as a completed home; however, it was only barely started (i.e., Phase 1,	N/A - Home not Complete

Home Number (from Sample)	Agency	Was the home being occupied (lived in) at the time of inspection?	Completed home is structurally sound and of move-in condition (yes/no)*	Completed home has electricity and water/wastewater services (yes/no)	Summary of Significant Findings	Estimated Cost of Repairs
					50%). For the work completed to date, several blocks were missing grout/mortar which can result in future issues, and the wood was likely exposed to weather/rain/sun for a period of time and someone has pulled all of the decking/trusses/beams off of the stem walls. The homeowner was very dissatisfied/mad.	Complete
24	Fort Defiance	No	Yes (Structure), No (Move-in condition)	No Electric or Water	There was no water or electric present in the home which makes it unlivable. Several other deficiencies were identified including the vapor barrier was not installed and there was excessive moisture in the crawl space, insulation was missing, the main drain line was not connected to a sewer system/septic system, windows were difficult to open/close, and the gutter leaks at the seam.	\$2,300
25	Fort Defiance	No	Yes (Structure), No (Move-in condition)	No Electric or Water	The homeowner was not present so we did not have access to the inside of the house. There was no water or electricity connected to the house making the home unlivable. Several other deficiencies were identified on the outside including no vapor barrier, water heater issues, the stair landing sloped towards the structure, holes in the side of the structure, and there was evidence of moisture buildup in the yard that may be an indication of adverse drainage.	\$1,500

Home Number (from Sample)	Agency	Was the home being occupied (lived in) at the time of inspection?	Completed home is structurally sound and of move-in condition (yes/no)*	Completed home has electricity and water/wastewater services (yes/no)	Summary of Significant Findings	Estimated Cost of Repairs
27	Fort Defiance	Yes	Yes (Structure), No (Move-in condition)	No water/Yes Electric	There was no water present in the home which makes it unlivable. Several other deficiencies were identified including the vapor barrier was not installed, the block stem wall grout was missing, insulation was missing, the main line was not connected to a sewer system/septic system, the vent pipes discharged to the attic rather than the exterior/roof, water heater issues, several electrical and cosmetic issues, the interior floor was uneven and appears to slope where the center beam is under the floor, and several exterior issues. In addition, a family member of the homeowner stated that several handicap items requested were not present.	\$5,250
30	Shiprock	No	Yes (Structure), No (Move-in condition)	No Electric or Water	There was no water or electric present in the home which makes it unlivable. Several other deficiencies were identified including missing ridge boards and insulation, no raised floor under stove, the main water drain was not connected to a sewer system/septic system, the cleanout cap for the kitchen and hall bath were never installed, water heater issues, several cosmetic and appliance issues, several roof and exterior issues. There were no stairs/steps/ramp provided for the home and the future homeowner uses a walker and stated they cannot enter the home. The Senior Carpenter stated they did not have enough material for this.	\$3,500

Home Number (from Sample)	Agency	Was the home being occupied (lived in) at the time of inspection?	Completed home is structurally sound and of move-in condition (yes/no)*	Completed home has electricity and water/wastewater services (yes/no)	Summary of Significant Findings	Estimated Cost of Repairs
31	Shiprock	No	Yes (Structure), No (Move-in condition)	No Electric or Water	There was no water or electric present in the home which makes it unlivable. Several other deficiencies were identified including there was no access to the crawlspace, the flooring around the wood burning stove was not fire rated, the main drain was not connected to a sewer system/septic system, several appliance and interior cosmetic issues, windows were difficult to operate or did not lock, and several exterior issues including no landing/stairs/ramp installed.	\$3,350
32	Shiprock	No	Yes (Structure), No (Move-in condition)	No Electric/Yes Water	There was no electric present in the home which makes it unlivable. Several other deficiencies were identified including ridge board 2x4's were not installed, the vapor barrier was missing, there were water heater issues, several cosmetic and internal issues including unpainted doors, difficult windows, drawers that do not fit, etc., and several exterior issues including the stairs/handrail were not installed for the entryways.	\$4,900

Home Number (from Sample)	Agency	Was the home being occupied (lived in) at the time of inspection?	Completed home is structurally sound and of move-in condition (yes/no)*	Completed home has electricity and water/wastewater services (yes/no)	Summary of Significant Findings	Estimated Cost of Repairs
33	Western	No	Yes (Structure), No (Move-in condition)	No Electric or Water	The homeowner was not present so we did not have access to the inside of the house. There was no water or electric connected to the house leaving it unlivable. Several other deficiencies were identified on the outside including the vapor barrier was not installed, sub-standard flashing detail, holes in the side of the structure, landscaping slopes towards the structure and no steps/handrail installed to the house (east/west).	\$2,700
34	Western	No	Yes (Structure), No (Move-in condition)	No Electric or Water	The homeowner was not present so we did not have access to the inside of the house. There was no water or electric connected to the house leaving it unlivable. Several other deficiencies were identified on the outside including portions of the visible stem wall are not mortared/grouted, no vapor barrier installed, the main drain was not connected to a sewer/septic, sub-standard flashing identified, drip edge flashing was improperly installed, and several other exterior issues.	\$3,100
35	Western	Yes – Appeared to be occupied.	Yes (Structure), No (Move-in condition)	No water/Yes Electric	The homeowner was not present so we did not have access to the inside of the house. There was no water connected to the house leaving it unlivable. Several other deficiencies were identified on the outside including no vapor barrier installed, the main sewer line was not connected to the sewer system/septic system, there were several electrical issues, sub-standard	\$2,700

Home Number (from Sample)	Agency	Was the home being occupied (lived in) at the time of inspection?	Completed home is structurally sound and of move-in condition (yes/no)*	Completed home has electricity and water/wastewater services (yes/no)	Summary of Significant Findings	Estimated Cost of Repairs
36	Western	No	Yes (Structure), No (Move-in condition)	No Electric or Water	<p>flashing detail, drip edge flashing improperly installed, gaps in window frame/trim, the soffit had become loose, and the landscaping was sloping towards the structure.</p> <p>The homeowner was not present so we did not have access to the inside of the house. There was no water or electric connected to the house leaving it unlivable. Several other deficiencies were identified on the outside including no vapor barrier installed, the main drain was not connected to a sewer/septic, sub-standard flashing, drip edge flashing was bent/damaged, holes in side of structure, surface steps were cracked (East) and there was no handrail.</p>	\$2,750
Total Estimated Cost to Fix Issues Identified in Inspections <i>(Note: Estimate does not include the cost to complete the two homes above that were not completed)</i>						
\$82,650 <i>*For purposes of this question, testing whether a home was structurally sound consisted of concluding on the overall structural integrity of the home (i.e., are the walls and roof intact). The testing of whether a home was in "move-in condition" consisted of assessing if someone could functionally live in the home (i.e., had water/electricity, a person could access the home, etc.).</i>						

Client Response

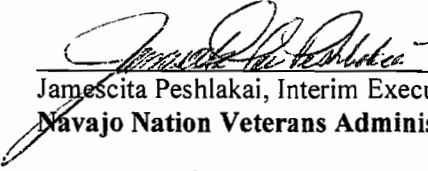
THE NAVAJO NATION



RUSSELL BEGAYE PRESIDENT
JONATHAN NEZ VICE PRESIDENT

MEMORANDUM

TO : Elizabeth Begay, CIA, CFE
Auditor General
Office of the Auditor General

FROM : 
Jamescita Peshlakai, Interim Executive Director
Navajo Nation Veterans Administration

DATE : December 27th, 2016

SUBJECT : Follow-up response to DVNA veterans housing audit report, FY14-15

The Navajo Nation Veterans Administration accepts the Auditor General's findings in the Housing Audit Report in whole on 12/27/16. This memorandum is to clarify the unique circumstances of the veterans housing program. The former Department of Navajo Veterans Affairs is no longer in existence as it was operating during the years assessed in the FYs 2014-15 audit.

In 2016, by Enabling Legislation 0006-16 Navajo Nation, President Russell Begaye signed into law the establishment of the Navajo Nation Veterans Administration and Navajo Nation Veterans Advisory Council, amending 2 N.N.C. SS 1703 and 1704. The purpose of the legislation is to establish the NNVA (formerly the DNVA within the Division of Human Resources) under the Office of the President and Vice-President, as a free standing administration with an executive director reporting directly to the President. The legislation also established a Navajo Nation Veterans Advisory Council.

Due to the Reorganization of the DVNA into the new Navajo Nation Veterans Administration this first Quarter of FY2017, it is the intent of the new Administration to address these findings and create a general plan of action within the next quarter. Therefore a formal "plan of action" was not included. An Executive Director will be hired; the Veterans Advisory Council consulted, before recommendations of addressing findings.

Your time and work on this matter is appreciated. Please feel free to contact our office at 928-871-6413.

Distribution
President Russell Begaye
Vice President Jonathan Nez
Arbin Mitchell, Chief of Staff
Office File

THE NAVAJO NATION



RUSSELL BEGAYE
JONATHAN NEZ

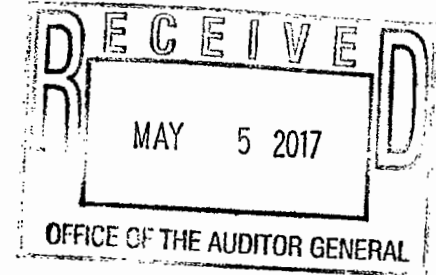


TO : Ms. Elizabeth Begay
Navajo Nation Auditor General

FROM : Hubert Smith, Acting Executive Director
Navajo Nation Veterans Administration
P.O. Box 430
Window Rock, AZ. 86515

DATE : February 17, 2017

SUBJECT : Navajo Nation Veterans Administration Housing Program Audit Report



Dear Ms. Begay,

The Navajo Nation Veterans Administration is respectfully asking your office to accept our Corrective Action Plan. The CAP is for the Navajo Nation Department of Navajo Veterans Affairs Housing Program for Fiscal Year 2014 and 2015. We accept this audit wholeheartedly and will use it as a guide to improve services and accomplish our objectives with the program.

The purpose of the Navajo Nation Veterans Administration is to identify, assess and prioritize the housing, health care, transportation, and financial needs of eligible Navajo Veterans, their surviving spouses, and Gold Star Mothers. Our administration is actively advocating for additional funding sources and making recommendation for the implementation, expansion and improvement of existing and new programs. This helps to ensure that Navajo Veterans receive the benefits and services they are entitled to as permitted by Federal, State and Navajo Nation laws.

The department monitors, advocates and promotes Navajo Nation efforts toward employment and educational training of Navajo Veterans. We are also advocating for the establishment and funding of health care facilities and Navajo Veterans Housing Program for eligible Navajo Veterans on the Navajo Nation along with other services and benefits for Navajo Veterans provided by other Veterans agencies and special interest groups pursuant to established rules and regulations of the Navajo Nation.

On July 20, 1998 by Resolution CYJ-46-98, NNC established the Veterans Trust Fund to further the cause of the future financial stability of the Navajo Nation Veterans Organizations. On November 02, 2006, by Resolution CN-55-06, NNC amended the Navajo Nation Veteran Trust Fund by authorizing a mandatory annual appropriation of 4% of all projected revenues of the Navajo Nation. The Veteran's Housing Program was funded through a funding proposal by Department of

THE NAVAJO NATION



**RUSSELL BEGAYE
JONATHAN NEZ**

Navajo Veterans Affairs (DNVA) in response to Legislation 0193-13. The Veterans Housing Program consists of a four year appropriation of Veterans Trust Fund equal to 2% of the 4% set aside on incoming Navajo Nation revenues each year. The appropriated funds intended to build 75 homes per year for four years totaling 300 homes by year 2017. The overall goal of the Navajo Veterans Housing Program is to:

1. Reduce homeless Veterans;
2. Reduce the high amount of substandard and dilapidated housing;
3. Reduce the high amount of overcrowded housing conditions.

The Navajo Nation in general is considered a third world country in the midst of so many upgrades in technology. Annually, the NNVA office receives enormous amount of requests from our Veterans for housing assistance. We still have a waiting list that was started years ago with over 350 applications in our office at the moment. The NNVA staff, agency commanders, local chapter veterans' organizations and veterans would like to keep the housing program going.

Our program would like to express their appreciation as you safeguard our great Navajo Nation's resources. We would also like to thank REDW, LLC for their help identifying our deficiencies. Again we will use this audit to definitely learn from and as a golden guide to do a better job spending our Nation's resources serving our Navajo Veteran's Administration. Please feel free to contact me at (928)871-6413 or hsmith@navajo-nsn.gov.

Respectfully yours,

A handwritten signature in dark ink, appearing to read "Hubert Smith", is written over the typed name.

Hubert Smith
Acting Executive Director
Navajo Nation Veterans Administration

Distribution:
Arbin Mitchell, Chief of Staff
Office of the President and Vice President
Office File

Report No. 17-15 - Navajo Nation Veterans Administration - Veterans Housing Program Internal Audit

NG 2:	Consider outsourcing all future construction work to a licensed construction company.	1. NNVA is currently working on the ongoing projects, which are homes that are in the process of being completed for the 2nd year. NNVA will be awaiting a decision from the Office of the President & Vice-President if we are moving forward with the VHP as is or if it will be	June 2017
Employee application files incomplete and	A consistent application and	Hubert Smith, Interim Executive Director Eunice Begay, Veterans Service Officer Bobbie Baldwin, Veterans Service Officer Wallace Charley, Veterans Service Officer	
ified employees were			

not hired.	<p>eligibility and skill determination process should be enforced. Work with the Department of Personnel Management to develop an application checklist that includes all required documentation:</p> <ul style="list-style-type: none"> a) eligibility requirements b) required skills/experience by position c) once checklist has been completed and a hiring recommendation has been made, agency should send completed checklist and all supporting documentation to NNVA central office or DPM for review and approval d) Review and approval should be documented e) All application and hiring documentation should be maintained at the central office <p>If eligible and skilled applicants are not applying for the open VHP positions, management should work with DPM to improve outreach efforts or to contract out portions of the VHP</p>	<p>outsourced to a licensed construction company.</p> <ul style="list-style-type: none"> 2. NNVA forwards all construction worker's applications to DPM for eligibility and skill determination. DPM does the qualifying assessment on all applicants according to the Navajo Nation Policies and Procedures. NNVA will continue this process. 3. NNVA ensures that all applicants have the required documents in personnel file. 4. NNVA will continue to work with DPM for review and approval prior to hiring construction workers. 5. NNVA will maintain all applications and hiring documentation at the central office. 6. NNVA will work with DPM on outreach to employ eligible and skilled applicants for any open positions with VHP. 	<p>Marie Zwierlein, Veterans Service Officer Evangelene Shorty, Office Assistant (VHP) Dickerson Smith, Construction Supervisor</p>	<p>#2, 3, 4 & 5 has been implemented as of: October 2016</p> <p>June 2017</p>
<p>Finding 3: Contrary to the intent of the VHP, Non-Veterans were</p>	<p>NNVA should consider outsourcing future construction work to a licensed construction</p>	<ul style="list-style-type: none"> 1. NNVA will await decision on whether we are outsourcing future construction by OPVP. 2. NNVA will work with DPM on ensuring that Veteran preference is 	<p>Hubert Smith, Interim Executive Director Eunice Begay, Veterans Service Officer Bobbie Baldwin, Veterans Service Officer</p>	<p>June 2017 June 2017</p>

hired.	company	granted, we will also work on outreach for qualified veterans to fill open positions with VHP.	Wallace Charley, Veterans Service Officer Marie Zwierlein, Veterans Service Officer	#3, 4 & 5 has been implemented as of: October 2016
	A consistent process should be implemented to ensure Veteran preference is granted and documented	3. Upon employment vacancy announcement, each VSO will submit the respective Veterans application with all supporting documents attached:		
	NNVA should consider:	a) DD214		
	a) All applicants claiming Veterans preference, adequate support, in compliance with the Personnel Manual, should be obtained. If there are no qualifying veterans applying for a position, a memo should be drafted to document that	b) Veterans Preference Form		
	b) Agencies should send all hiring documentation to the NNVA central office for review and approval, documentation should be reviewed, prior to extending the employment offer. It should include an assessment of adequate Veteran preference documentation, and all hiring documentation should be maintained at the central office.	c) Driver's License		
	NNVA should implement a monitoring process to track which applicants, as well as which employees hired, are Veterans, and use the related data to monitor whether the goal of	d) Diplomas/Certificates		
		e) Licenses		
		to DPM for an immediate assessment per Navajo Nation Department of Personnel Policy. Referral of qualified Veteran applicants will be interviewed by NNVA.		
		4. In the event a Veteran is deemed unqualified for employment, the VSO will inform the Veteran in writing within 10 days.		
		5. NNVA will receive and maintain all hiring documentation at the central office.		
		6. NNVA will implement a monitoring process to track Veterans applications that are hired, to easily monitor the goal of hiring Veterans under VHP.		June 2017

	hiring Veterans is being achieved. The feasibility of attracting qualified Veterans for the types of positions being advertised for the VHP should be reconsidered. If this remains a goal of the VHP, and if qualified Veterans are not applying for the positions, the NNVA should work with the Personnel Office to identify improved methods of reaching qualified Veteran candidates.			
Finding 4: VHP did not have supporting documentation to show that only eligible Veterans were assisted, and in some cases, people that were ineligible received a home.	<p>To ensure that the VHP goals are achieved and the related funds benefit qualified Veterans, a standardized application evaluation and selection process should be developed.</p> <p>Consider creating an application checklist to ensure all required documentation is obtained, and implementing a uniform evaluation committee with representation from all five agencies and the NNVA central office.</p> <p>The committee could review all applications, provide preference ratings for all applicants, and make all recipient determinations.</p> <p>A current Veterans waiting list should be maintained by the</p>	<p>1. NNVA will develop a standardized housing application with point system.</p> <p>2. NNVA has developed a screening committee, to review each file and ensure that selections will be made with high preference to the Veterans with the highest points. Selection committee consists of the five agency VSO's and Construction Supervisor from central office.</p> <p>3. NNVA will create a listing to obtain the committee signatures of approval and kept at the central office.</p> <p>4. NNVA will create a waiting list to keep track of approval or rejected status, and will be monitored regularly.</p> <p>5. NNVA receives complete application and is ready for review and approval by the selection committee.</p> <p>6. NNVA will be using the docket checklist to make sure all required documents are obtained to complete applications.</p>	<p>Hubert Smith, Interim Executive Director</p> <p>Eunice Begay, Veterans Service Officer</p> <p>Bobbie Baldwin, Veterans Service Officer</p> <p>Wallace Charley, Veterans Service Officer</p> <p>Marie Zwierlein, Veterans Service Officer</p> <p>Evangelene Shorty, Office Assistant (VHP)</p> <p>Dickerson Smith, Construction Supervisor</p>	<p>June 2017</p> <p># 2 has been implemented as of: October 2016</p> <p>June 2017</p> <p>June 2017</p> <p>October 2016</p> <p># 6 has been implemented as of: October 2013</p>

	committee and the accuracy of that listing, as well as an approval or rejected status, should be checked regularly. This would help to reduce the risk of unfair bias, improve consistency across all agencies, help to ensure all documentation is in recipient files, and ensure that all applicants are tracked and are required to go through the same standard process.			
FINDING 5: VHP exposes itself to liability risks because post-award requirements were not adhered to after Veterans were selected.	<p>NNVA should ensure that all Letters of Selected Applications are issued timely.</p> <p>a) Senior Carpenters should be responsible for completing the Navajo Veteran Housing Program Pre Conference Agreement and ensuring that responsibilities are understood by the recipient prior to construction beginning.</p> <p>b) Construction should not begin until all required documentation is submitted.</p> <p>c) Consider requiring that all documentation be sent to the NNVA office for review and approval.</p> <p>Identify which set of standards will be followed for construction projects on the Navajo Nation.</p>	<p>1. NNVA will issue out letters within 10 working days of when Veteran's application has been selected to receive a home.</p> <p>2. Construction Supervisor will conduct a Navajo Veteran Housing Program Pre Conference Agreement and ensure the responsibilities are understood by homeowner before any construction is started.</p> <p>3. Veterans application are received at central office once they are complete. Any applications that are pending any documents is not forwarded to our office. The application will stay at the agency until all required documents are submitted.</p> <p>4. NNVA will ensure that all carpenters are required to get training under NOSHA prior to submitting applications.</p> <p>5. NNVA will have a certified inspector on board to do a full home inspection before allowing recipient to take ownership.</p> <p>6. NNVA will have a recordkeeping of all required documents prior to selection of a home recipient. Assessment will not be considered until post-award requirements are completed.</p> <p>7. NNVA will utilize the International Residential Code (utilized by all Licensed Home Contractors). When NNVA is unable to use International Residential Code, best practices will be utilized.</p>	<p>Hubert Smith, Interim Executive Director</p> <p>Dickerson Smith, Construction Supervisor</p> <p>Eunice Begay, Veterans Service Officer</p> <p>Bobbie Baldwin, Veterans Service Officer</p> <p>Wallace Charley, Veterans Service Officer</p> <p>Marie Zwiwerlein, Veterans Service Officer</p>	<p>June 2017</p> <p>June 2017</p> <p>#3 and 4 has been implemented as of: June 2017</p> <p>June 2017</p> <p>June 2017</p> <p>June 2017</p> <p>June 2017</p>

	<p>a) Ensure these standards are approved, as required, and that all agencies are trained on the requirements.</p> <p>b) A full home inspection should occur prior to allowing a recipient to take ownership.</p>			
<p>Finding 6:</p> <p>With over \$6.4 million spent on the VHP in the first three years, veterans were still dissatisfied with the VHP.</p>	<p>NNVA should consider seeking feedback from Veterans on how VHP processes applications and how communication could be improved.</p> <p>Consider developing and implementing training on areas where concern is raised such as providing resources for Veterans application assistance and communication requirements.</p> <p>Consider centralizing the function of assisting Veterans through the application and construction process, and assigning responsibility for overseeing the process to ensure timely communication occurs.</p>	<p>1. NNVA will attend the agency meetings and meet with veterans at the central and agency offices to talk with veterans on how VHP can improve on processing applications.</p> <p>a) NNVA will develop a flowchart on the processing of a VHP application. This will give the veteran a visual understanding on how their application is processed.</p> <p>b) NNVA will help assist with an application by their agency, VSO or a staff member can be assigned to help when a veteran needs assistance with completing an application.</p> <p>2. NNVA has moved all completed housing applications and data pertaining to VHP. It is called the Central Logistics Center (CLOC). The Central Housing Operations Center will have staff assigned to oversee the Housing Operations Center to maintain command and control of the housing construction.</p> <p>a) A delegated lead carpenter will monitor daily housing construction phase, site delivery point of contact, manifest approval, quality control, delivery journal and submission of receiving reports (delivery tickets).</p> <p>3. Each agency will have started on two homes at a time, and no additional home should be started until the first set are complete and inspected.</p>	<p>Hubert Smith, Interim Executive Director Dickerson Smith, Construction Supervisor Evangelene Shorty, Office Assistant (VHP)</p>	<p>June 2017</p> <p>#2 has been implemented as of: October 2016</p> <p>June 2017</p>
<p>Finding 7:</p> <p>Completed Veterans Homes were not in Livable and Safe Condition.</p>	<p>NNVA should consider outsourcing future construction of homes to a licensed construction company.</p>	<p>1. NNVA will await decision made by OPVP on if our VHP will continue or contract the 3rd and 4th year homes to a licensed construction company.</p> <p>2. NNVA will develop a set of blueprints and distribute to all five</p>	<p>Hubert Smith, Interim Executive Director Eunice Begay, Veterans Service Officer Bobbie Baldwin, Veterans Service Officer Wallace Charley, Veterans Service Officer</p>	<p>June 2017</p> <p>June 2017</p>

<p>Develop a set of blueprints that all agencies would use for construction would help ensure that homes were built based on a plan, that was accepted by NNVA, to ensure goals of the VHP are being followed through.</p> <p>Define the minimum standards that must be met prior to a Veteran moving into a home, such as the Code, and deploying a uniform inspection process would ensure that substandard construction issues are identified and corrected prior to a Veteran taking ownership of their home.</p> <p>An independent inspector should be utilized to provide unbiased inspection results.</p> <p>Prior to handing ownership of a home over to a housing recipient, NNVA should ensure that the home is inspected and that the results of that inspection are documented.</p> <p>All issues found by the inspector should be addressed and fixed according to code by licensed contractor.</p> <p>All homes completed to date, including those that could only be partially inspected during the audit, should be fully inspected by a certified inspector.</p>	<p>agencies. This will ensure that all homes are equally built and based on floor plans.</p> <p>3. NNVA will work on behalf of the veterans to communicate and work with the following for Infrastructure Assistance:</p> <ul style="list-style-type: none"> a) Navajo Nation Council b) Budget and Finance c) Office of the President and Vice President d) SIHASIN Program e) Southwest Indian Foundation f) VA Grants g) and outside funding sources <p>4. NNVA will have a certified inspector to inspect all homes, and document any issues and results. All issues found by the inspector will be addressed and fixed in a timely manner.</p> <p>5. NNVA will begin the process of inspecting homes that were not fully inspected in the first year. NNVA will develop a tracking sheet on the homes that have been inspected.</p> <p>6. NNVA has developed an infrastructure list for each agency in the first and second year. NNVA will be working with NHA, creating a Memorandum of Agreement to help with infrastructure.</p> <p>7. NNVA will research and negotiate possible solar electrical sources and water cistern systems. This will include cost share initiative with Office of Environmental Health, Chapter House and Navajo Area Agency on Aging.</p> <p>8. NNVA will maintain a cost feasibility scale on each Veteran home. The cost feasibility scale will consist of information pertaining to the distance of:</p> <ul style="list-style-type: none"> a) water lines b) electrical power sources c) waste water management (septic tank) <p>9. Veterans homes that were in progress are being completed as we started the construction workers on the "ongoing projects". NNVA has a projected date of April 2017 to complete the ongoing project.</p> <p>10. Moratorium has been developed by our Acting Executive Director.</p>	<p>Marie Zwierlein, Veterans Service Officer Veteran Recipient of Home</p>	<p>June 2017</p> <p>June 2017</p> <p>June 2017</p> <p>#6 has been implemented as of March 2017 June 2017</p> <p>June 2017</p> <p>November 2016</p> <p>#10 has been</p>
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	Based on completed inspections, the full cost of remedial action should be documented, which will allow the Nation to assess the full extent of the deficiencies, as well as the cost to address them. All homes that are currently under construction should be temporarily halted and the completion of the homes should be outsourced to a licensed construction company. Any identified repairs that are needed on these homes, that are the result of the initial construction, should be remediated by the licensed construction company. Homes that are lacking electricity and/or running water should be evaluated to determine the cost/benefit of alternatives such as solar energy and/or septic pump systems. A moratorium should be placed on starting any new homes until current homes are deemed safe and livable for Veterans. Once moratorium is lifted, any additional housing should be outsourced to a licensed contractor.				implemented as of: April 2017
Finding 8: Insufficient project	NNVA should implement communication tools, such as weekly	1. NNVA has developed a construction weekly report that is submitted on Fridays, the weekly report is done by the Lead Carpenter from each	Dickerson Smith, Construction Supervisor Lead Carpenter at Construction Site	#1, 3, has been implemented as	

communication and tracking led to inadequate reporting increased costs, and construction delays.	<p>progress reports completed by each agency, to track the progress of constructing the home in a consistent and centralized manner.</p> <p>Responsibility for comparing the progress reports to budgeted timelines and to expenses incurred to date should be delegated to someone at the central office.</p> <p>Any delays or inconsistencies in the reporting should be followed up on immediately to ensure they are adequately justified and resolved timely.</p> <p>Veterans should receive regular communication from consistent NNVA personnel.</p>	<p>agency.</p> <p>2. NNVA will delegate a staff at the central office to be responsible for comparing the progress reports to budgeted timelines and expenses incurred to date.</p> <p>3. NNVA ensures that any delays or inconsistencies are reported and addressed immediately and in a timely manner.</p> <p>4. NNVA will conduct weekly safety meetings by Construction Supervisor and Lead Carpenters at the central office or construction site. This will ensure that everyone is updated of any delays or issues with the construction.</p> <p>5. NNVA VHP staff will be available to give any updates on the veterans home. NNVA will also write monthly updates and provide to Veteran housing recipient.</p>	<p>Evangelene Shorty, Office Assistant (VHP)</p> <p>Hubert Smith, Interim Executive Director</p> <p>Veteran Recipient of Home</p>	<p>of October 2017</p> <p>June 2017</p> <p>April 2017</p> <p>April 2017</p>
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