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

23RD NAVAJO NATION COUNCIL - Third Year, 2017

AN ACTION

RELATING TO THE BUDGET AND FINANCE COMMITTEE; AMENDING BFO-26-14 TO EXTEND THE TIME PERIOD TO IMPLEMENT THE CORRECTIVE ACTION PLAN SUBMITTED BY THE OFFICE OF THE CONTROLLER FOR THE FMIS ADDRESS BOOK

BE IT ENACTED:

SECTION ONE. AUTHORITY

A. The Budget and Finance Committee (BFC) is a standing committee of the Navajo Nation Council. 2 N.N.C. § 300 (A). The Budget and Finance Committee serves as the oversight committee for the Office of the Controller. 2 N.N.C. § 301(B)(13).

B. The BFC is charged with receiving and approving chapter audit reports from the Auditor General. 12 N.N.C. § 6(A) and 12 N.N.C. § 7(D).

C. The Auditor General Plan of Operation provides, "the Auditor General will conduct a follow-up review to document the status of the implementation [of the corrective action plan]." 12 N.N.C. § 7(G). This follow-up review is to occur "12 months after the release of the audit report." 12 N.N.C. § 7(G).

SECTION TWO. FINDINGS

A. The BFC approved Resolution BFO-26-14 on October 9, 2014, which accepted Audit Report 14-11, and approved the Corrective Action Plan (CAP) submitted by the Office of the Controller for the FMIS Address Book. *See* BFO-26-14, attached as **Exhibit B**.

B. The Auditor General conducted a follow-up review of the Office of the Controller (FMIS Address Book). The

Follow-Up Report, dated June 29, 2017, is attached as **Exhibit A.**

C. The Follow-Up Report concluded that the Office of the Controller implemented 2 out of 18, or 18 percent, of its corrective measures. Additional details are available in **Exhibit A.**

D. The Auditor General submitted a memorandum dated July 25, 2017, which is attached as **Exhibit C.** The memorandum recommends extending the time period to implement the CAP to allow the Controller twelve months to implement the CAP approved by the BFC in Resolution BFO-26-14.

E. Extending the time period will allow the Controller a reasonable time frame to implement the CAP.

SECTION THREE. ACCEPTANCE AND APPROVAL

A. The Navajo Nation hereby amends BFO-26-14 by extending the time period for the Office of the Controller to implement the CAP until February 14, 2018.

B. The Navajo Nation hereby directs the Office of the Auditor General to conduct a follow-up review after February 14, 2018 to determine if the Office of the Controller has implemented its CAP, and to make recommendations to the Resources and Development Committee, as well as the Budget and Finance Committee.

CERTIFICATION

I hereby certify that the foregoing resolution was duly considered by the Budget and Finance Committee of the Navajo Nation Council at a duly called meeting held at Window Rock, Navajo Nation (Arizona), at which a quorum was present and that the same was passed by a vote of 3 in favor and 0 opposed, this 10th day of October, 2017.

Seth Damon, Chairperson
Budget and Finance Committee

Motion: Honorable Leonard Tsosie
Second: Honorable Tuchoney Slim, Jr.

EXHIBIT "A"

OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

A Follow-up Review of the Office of the Controller FMIS Address Book Corrective Action Plan Implementation

Report No. 17-40
June 2017

Performed by:
Alfreda Lee, Senior Auditor

Office of the Auditor General
The Navajo Nation

Elizabeth O. Begay, CIA, CFE
Auditor General

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

TO : Pearline Kirk, Controller
OFFICE OF THE CONTROLLER

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

DATE : June 29, 2017

SUBJECT : A Follow-up Review of the Office of the Controller FMIS Vendor Address Book Corrective Action Implementation

The Office of the Auditor General herewith transmits Audit Report no. 17-40, A Follow-up Review of the Office of the Controller FMIS Vendor Address Book Corrective Action Implementation. The follow-up was conducted to determine the status of the corrective action plan, which was developed by the Office of the Controller in response to the 2014 data analysis of the FMIS Vendor Address Book. The 2014 report and the corrective action plan were approved by the Budget and Finance Committee on October 9, 2014 per resolution BFO-26-14.

Follow-Up Results

The corrective action plan listed 11 key corrective measures to address the issues with the FMIS Vendor Address Book. Of the 11 corrective measures, the Office of the Controller implemented 2 (or 18%) corrective measures, leaving 9 (or 82%) not implemented. The follow-up results are summarized in the body of the report.

Conclusion

The Office of the Controller did not implement the corrective action plan. Consequently, the issues with the FMIS Vendor Address Book reported in the 2014 report remain unresolved. Pursuant to 12 N.N.C., Section 9, the Office of the Controller is subject to sanctions as follows: 1) withhold 10% of the Office of the Controller's operating budget per Section 9 (b) and 2) withhold 20% of the salary of the Controller per Section 9 (c). However, the current Controller started employment on February 13, 2017 and was not responsible for the failure of her office to implement the Corrective Action Plan. Accordingly, we recommend to delay the enforcement of the sanctions to be effective six (6) months upon the approval of this report by the Budget and Finance Committee.

xc: Lorena Eldridge, Accounting Manager
ACCOUNTS PAYABLE SECTION/OOC
Arbin Mitchell, Chief of Staff
OFFICE OF THE PRESIDENT/VICE PRESIDENT
Pete K. Atcitty, Chief of Staff
OFFICE OF THE SPEAKER
Chrono

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Table of Contents

INTRODUCTION AND BACKGROUND

The Office of the Auditor General performed a follow-up review to determine the current status of the Financial Management Information System (FMIS) Vendor Address Book corrective action plan.

The Office of the Auditor General conducted an analysis of the Navajo Nation FMIS Vendor Address Book and issued audit report no. 14-11 in March 2014. The analysis was performed to determine whether the address book system is properly maintained and managed by the Office of the Controller. The analysis revealed six major issues with the Vendor Address Book. The report and corrective action plan developed by the Office of the Controller were approved by the Budget and Finance Committee on October 9, 2014 per resolution no. BFO-26-14.

PROGRAM PURPOSE AND ORGANIZATION

The FMIS Vendor Address Book is the foundation for the financial management information system. It is a database that serves as the central depository of data regarding vendors, suppliers, employees, participants (i.e., financial assistant recipients), etc. The database comprises of information such as names, mailing/billing/shipping addresses, tax identification and phone numbers.

As the central depository of data, the Vendor Address Book integrates with the various modules of the FMIS including, but not limited, to Accounts Payable, Accounts Receivables, Payroll, Personnel, Budgets and Fixed Assets. Further, in addition to the Office of the Controller, there are a number of departments and programs who rely on the FMIS Vendor Address Book to process their financial transactions, monitor their financial activities and generate reports.

Objective, Scope and Methodology

In accordance with 12 N.N.C., Section 7, the following objective was established for the follow-up review:

1. Determine whether the Office of the Controller implemented its corrective action plan for the FMIS Vendor Address Book.

The follow-up review primarily focused on the approved corrective action plan. However, if other significant issues were noted during the review, such issues were further evaluated for materiality and risk to determine whether the issues warranted presentation in this report. Any issues of materiality and risk could have an adverse effect on the program operations and hinder the achievement of program goals and objectives.

To meet the objective, we performed the following procedures:

- Obtained written confirmation from the Office of the Controller on the current status of the corrective actions. If corrective actions were confirmed as implemented, these actions were verified. Corrective actions that were confirmed as not implemented were reported as such.
- Reviewed applicable records to obtain an understanding of FMIS Vendor Address Book including any system or policy changes that may have occurred since the initial analysis.
- Analyzed the FMIS Vendor Address Book database as of August 2016 by an ACL certified consultant. The consultant performed the same data analysis from the initial analysis.
- Performed a comparison of the data analysis results from the current period to the initial results; noted the changes (i.e., increases, decreases).
- Collaborated with the consultant to present the results of the comparison of data analysis with the Accounts Payable staff and obtained their representation to the results.
- Interviewed Accounts Payable staff to clarify corrective actions and their progress to date.
- Interviewed JDE consultant (developer of FMIS) to clarify the FMIS system functionality with regards to detecting duplicate records and archiving Vendor Address Book records.

The scope for this follow-up review was for the period beginning October 1, 2015 through August 31, 2016. As of August 31, 2016, the FMIS Vendor Address Book has 192,871 vendor records.

The Office of the Auditor General expresses their appreciation to the Office of the Controller staff and all other entities who contributed to this audit for their cooperation and assistance through the audit.

PRIOR FINDINGS, CORRECTIVE ACTIONS AND CURRENT STATUS

Prior Finding I:

Duplicate Vendor Records. "Employees responsible for setting up vendor numbers are inconsistent in entering vendor name and address that allowed them to assign a different Address Book (AB) number to a vendor that has a unique tax identification (ID) number and physical address. In addition. Data Port users that entered incorrect vendor information which does not match in the system will automatically create a new vendor record. Overall, the analysis identified 84,806 duplicate vendor records which are 50% of the total vendor records in the FMIS Address Book."

Prior Finding II:

Duplicate Employee Records. "The analysis found 2,480 employee records were also assigned additional search types such as participants (for financial assistance recipients) and suppliers/vendors. As a result, an additional 2,770 records were created for these 2,480 employees. Employees coded as participants means the employees were able to receive financial assistance from the Navajo Nation. Also, payments to employees coded as suppliers/vendors appear to be for work-related reimbursements, but other payments appear to be regular supplier/vendor payments. This means the employees were also paid as contractors."

Prior Finding III:

Vendor Records without a Tax ID Number. "We found 13,004 vendor records that did not have a tax identification number. The Navajo Nation is unable to issue IRS Form 1099-MISC income to vendors without a tax ID number. The Navajo Nation could face potential, fines and/or tax liabilities as a result of not issuing accurate Form 1099's for all vendors that are required to receive them."

Prior Finding IV:

Unused Vendor Records were not Archived. "We found 87,231 vendor records in which no payments had been made to these vendors for the period FY2004 through FY2013. As a result, of the total 171,768 vendor records in the FMIS Address Book, 51%were not being used."

Prior Finding V:

Duplicate Payments. "The analysis found potential duplicate payments were made as a result of input variations on the invoice number, the vendor number and/or the invoice date. For fiscal year 2011 through 2013, we identified possible overpayment to vendors totaling $663,567."

Prior Finding VI:

<u>Access to the FMIS Address Book needs Improvement</u>. "Records indicate that 34 users including two outside consultants have action security level access to the FMIS Address Book regardless of their job description. Action security level access authorizes users to add, delete, revise or copy vendor records. It appears more users have action security level access than what may be required based on their job description. There is a risk that unauthorized changes can be made to the FMIS Address Book."

Corrective Actions	*Current Status of Corrective Actions*	*Appendix – Data Analysis Results*
1. Set up vendor records according to remittance address.	*Not Implemented:* Based on the data analysis, vendor records continue to be created based on multiple addresses rather than just the remittance address.	Table 1(b) shows 7,282 vendor records that have the same tax ID number but different addresses. This is an increase of 1,520 from the initial analysis.
2. Create Parent/Child relationship and make notations on all related vendor records.	*Not Implemented.* According to the Accounts Payable Section, by defining the parent/child relationship for the vendors in the Vendor Address Book, this would clarify the 7,282 vendor records with duplicate tax ID numbers detected by the data analysis. However, since the initial analysis, the parent/child relationship was defined for only 209 vendor records.	Table 1(b) shows 7,282 vendor records that have the same tax ID number but different addresses.
3. Verify correct tax ID and classification before: a) allowing data port users to add new vendor records b) issuing payments to any vendor	*Not Implemented.* The data analysis shows there are vendors that do not have a tax ID number. The Office of the Controller paid vendors with no tax ID number approximately $266,490 in 2016 and $92,144 in 2015. In addition, the analysis revealed increases in duplicate vendor records due	Table 1(a)(b)(d) all show increases in duplicate vendor records based on analyses involving tax ID numbers. Table 3 shows over 12,000 vendor records with no tax ID number.

Corrective Actions	*Current Status of Corrective Actions*	*Appendix – Data Analysis Results*
	to multiple tax ID numbers and/or tax ID numbers with multiple addresses.	
4. Modify how all data ports are processed, utilizing the original data port configuration provided through JDE.	***Not Implemented.*** Currently, there are eight data port users utilizing the Vendor Address Book. However, the data port processes have not been modified to utilize the original data port configuration. This may explain why the overall number of vendor records increased since the initial analysis and these are attributable to all users rather than just the data port users.	Table 1 shows increases in duplicate vendor records.
5. Work with the Department of Personnel Management to utilize only one address book number in the future to decrease the number of duplicate employee records set up.	***Not Implemented.*** The current data analysis revealed a nominal decrease in duplicate employee records. Despite this decrease, there are still over 2,000 duplicate records that have not been addressed. As of March 2017, the Office of the Controller has finally began to collaborate with Department of Personnel Management to start addressing the duplicate employee records.	Table 2 shows 2,750 duplicate employee records that have not been addressed.
6. Continue to update W-9s with correct vendor information.	***Not Implemented:*** W-9 forms were not updated for all vendors. The data analysis revealed approximately 12,000 vendor records that still have no Tax ID numbers.	Table 3 shows over 12,000 vendor records detected with no tax ID number.
7. Move all old data into the new Archive module.	***Not Implemented.*** Upon further discussions with the JDE consultant, the vendor records within the Vendor	Table 4 shows an increase of approximately 6,900 vendor records that

Corrective Actions	*Current Status of Corrective Actions*	*Appendix – Data Analysis Results*
	Address Book cannot be archived and can be purged but only after they are verified as unnecessary. Currently, there are over 192,000 vendor records and the data analysis revealed over 94,000 of unused vendor records that could be purged. To date, the Office of the Controller has only purged approximately 2,000 vendor records. Under the direction of a new controller, the Office of the Controller has devised a plan to better define their current process for purging and deactivating unused vendor records in the address book.	were unused. Table 7 shows an increase in vendor records by 21,103 since the initial analysis.
8. Train: a) All data port users to research vendor records before setting up new address book numbers b) Staff on all capabilities of FMIS c) Staff on setting up vendor records using remittance addresses d) Staff on invoice entry methods without clear invoice numbers	***Not Implemented.*** The Office of the Controller provided FMIS recertification records for its Accounts Payable staff to show their proficiency with the FMIS including the Vendor Address Book. However, there were no records to show training for data port users and staff specifically on creating vendor records using remittance addresses and implementing invoice entry methods. From the data analysis, the increase in potential duplicate payments also supports the notion that training was not provided.	Table 5 shows potential duplicate payments in fiscal years 2015 ($536,734) and 2016 ($1,161,593).
9. Create a Section within the Office of the	***Not Implemented:*** The Office of the Controller did not	Table 6 shows a decrease in the

Corrective Actions	*Current Status of Corrective Actions*	*Appendix - Data Analysis Results*
Controller primarily to work on FMIS Vendor Address Book.	create a section specifically designated for the Vendor Address Book. Although a position was created in the Accounts Payable Section to work primarily on the database, this position is currently vacant. The Office of the Controller also has not reviewed security access to the Vendor Address Book to ensure only those authorized can add, delete, revise or copy vendor records. Overall, not much progress has been made with the address book since the initial analysis. The current data analysis revealed an increase in the total number of vendor records within the Vendor Address Book database since the initial review.	number of users that can add, delete, revise or copy vendor records by 10, resulting in 24 total users that still have access to the Vendor Address Book. Table 7 shows an increase in vendor records by 21,103 since the initial analysis, resulting in an overall total of 192,871 Vendor Address Book records.
10. Incorporate into the FMIS Address Book training manuals: a) updating W-9 b) creating parent/child relationships c) modifying how data ports are processed d) moving old data to new archive module e) incorporating cross usage search type f) implementing the automation process flow g) using remittance addresses to set up vendor records	***Implemented.***	

Corrective Actions	*Current Status of Corrective Actions*	*Appendix – Data Analysis Results*
h) verifying tax ID numbers		
11. Provide standard invoice methodology to staff for processing stipends, veteran assistance, etc.	***Implemented.***	

APPENDIX - Data Analysis Results

The appendix of this report summarizes the comparison of the data analysis results from the initial analysis to the current analysis. These results further support the status of the corrective actions noted in the body of the report.

Table 1 shows the comparison of the results from the 2014 duplicate vendor records analysis to the results from the current analysis of the FMIS Address Book:

Table 1
Duplicate Vendor Records Analysis
Prior and Current

Analysis	Prior Analysis	Current Analysis	Overall Results
	Vendor Records		
a. Unique vendors, based on tax ID number, were assigned more than one vendor records.	5,699	6,318	619 (Increase)
b. Duplicate vendor records were created where the vendor tax ID number was the same but the address field was different.	5,762	7,282	1,520 (Increase)
c. Unique vendors were assigned more than one vendor record, although the vendor had the same name and address.	5,168	5,396	228 (Increase)
d. Vendors with the same name and same physical address have more than one tax ID number assigned.	632	667	35 (Increase)
e. Unique vendors, based on name and address, were identified where the vendor name and the physical address were the same, but multiple long address numbers (alternate vendor identification numbers) were assigned to these vendors creating additional vendor records.	2,389	2,755	366 (Increase)
f. Vendor records with the same physical address was used by more than one vendor.	81,959	81,389	570 (Decrease)

Table 2 shows the comparison of the results from the 2014 duplicate employee records analysis to the results from the current analysis of the FMIS Address Book:

Table 2
Duplicate Employee Records
Prior and Current

Analysis	Prior Analysis	Current Analysis	Overall Results
		Vendor Records	
a. Employees were assigned more than one AB number.	12	6	6 (Decrease)
b. Employee records in the FMIS Address Book were also assigned additional Search Types.	2,770	2,750	20 (Decrease)

Table 3 shows the comparison of the results from the 2014 duplicate vendor records without a Tax ID number analysis to the results from the current analysis of the FMIS Address Book:

Table 3
Vendor Records without a Tax ID Number
Prior and Current

Analysis	Prior Analysis	Current Analysis	Overall Results
		Vendor Records	
Based on vendor records that did not have a tax ID number.	13,004	12,033	971 (Decrease)

Table 4 shows the comparison of the results from the 2014 unused vendor records not archived analysis to the results from the current analysis of the FMIS Address Book:

Table 4
Unused Vendor Records Not Archived
Prior and Current

Analysis	Prior Analysis	Current Analysis	Overall Results
		Vendor Records	
Based on no payments to vendors from fiscal year 2004 through fiscal year 2016.	87,231	94,122	6,891 (Increase)

Table 5 shows the comparison of the results from the 2014 potential duplicate payments analysis to the results from the current analysis of the FMIS Address Book:

Table 5
Potential Duplicate Payments
Prior and Current

Analysis	Prior Analysis	Current Analysis
Based on potential duplicate payments.	FY11 - $ 881,461	
	FY12 - $ 175,129	
	FY13 - $ 76,318	
	FY14 - $ 85,192	
		FY15 - $ 536,734
		FY16 - $1,161,593

Table 6 shows the comparison of the results from the 2014 FMIS security level users analysis to the results from the current analysis of the FMIS Address Book:

Table 6
Security level access users
Prior and Current

Analysis	Prior Analysis	Current Analysis	Overall Results
Action Security Level Users	34	24	10 (Decrease)

Table 7 shows the comparison of the 2014 total address book vendor records to the total vendor records in the current FMIS Vendor Address Book along with a summary of the current vendor records based on key search types:

Table 7
Total address book vendor records
Prior and Current

Analysis	Prior Analysis	Current Analysis	Overall Results
Address Book Vendor Records	171,768	192,871	21,103 (Increase)

Search Type	Search Description	Number of Vendor Records	Percent of Population
V	Suppliers	61,715	32%
E	Employees	5,690	3%
P	Participants	79,028	41%
All others	All others	46,438	24%
TOTAL:		192,871	100%

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

22ND NAVAJO NATION COUNCIL - Fourth Year, 2014

AN ACTION

RELATING TO BUDGET AND FINANCE COMMITTEE; ACCEPTING THE OFFICE OF THE AUDITOR GENERAL'S ANALYSIS OF THE FINANCIAL MANAGEMENT INFORMATION SYSTEM VENDOR ADDRESS BOOK AND APPROVING THE CORRECTIVE ACTION PLAN OF THE OFFICE OF THE CONTROLLER

BE IT ENACTED:

Section One. Findings:

A. Pursuant to 2 N.N.C. § 301(B)(13) the Budget and Finance Committee has oversight authority over the Office of the Controller

B. Pursuant to 2 N.N.C. §301(B)(13), the Budget and Finance Committee has oversight authority over the Office of the Auditor General

C. Pursuant to 12 N.N.C. § 6(A) the Auditor General shall submit all Navajo Nation program, division, chapter, and enterprise audit reports with findings and recommendations to the Budget and Finance Committee of the Navajo Nation Council for their review.

D. The Office of the Auditor General conducted an analysis of the Financial Management Information System Vendor Address Book to determine whether the address book system is properly maintained and managed by the Office of the Controller, and identified several issues to be addressed, Report No. 14-11 attached as Exhibit A

E. The Office of the Controller submitted a response to the Office of the Auditor General with a Corrective Action Plan relative to the Financial Management Information System Vendor Address Book, attached as Exhibit B.

Section Two. Approval and Directives

A. The Navajo Nation hereby accepts Report No. 14-11, Analysis of Financial Management Information (FMIS) Vendor Address Book, attached hereto as Exhibit A, and approves the Office of the Controller's Corrective Action Plan, attached hereto as Exhibit B.

B. The Navajo Nation hereby directs the Office of the Controller to submit a written status report on its progress in implementation of the Corrective Action Plan to the Office of the Auditor General six months after the Committee's approval of this resolution, 12 N.N.C. § 7(F).

C. The Navajo Nation hereby directs the Office of the Auditor General to review the written status report to be submitted by the Office of the Controller and report to the Budget and Finance Committee, 12 N.N.C. § 7(F)(2).

D. The Navajo Nation hereby directs the Office of the Auditor General to conduct a follow-up review six months after the approval of this resolution to verify the actions claimed to have been taken by the Office of the Controller, to issue a written follow-up report indicating the Office of the Controller's progress in implementing the Corrective Action Plan, and to make recommendations to the Budget and Finance Committee, 12 N.N.C. § 7(G).

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 5 in favor, 0 opposed, this 9th day of October, 2014.

Jonathan Nez, Vice Chairperson
Budget and Finance Committee

Motion: LoRenzo C. Bates
Second: Danny Simpson

EXHIBIT "B"

THE NAVAJO NATION

BEN SHELLY PRESIDENT
REX LEE JIM VICE PRESIDENT

RECEIVED
JUL 24 2014
OFFICE OF THE AUDITOR GENERAL

MEMORANDUM

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

Thru: Mark Grant
Mark Grant, Controller
OFFICE OF THE CONTROLLER

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

DATE: July 22, 2014

SUBJECT: **FMIS Address Book**

On behalf of the Office of the Controller, attached is the final draft analysis of the Corrective Action Plan (CAP), pertaining to the FMIS Address Book, which we arrive at on July 16, 2014.

This is the first time the Navajo Nation FMIS Address Book has been audited since its implementation in 2003.

Since its implementation, there have been many changes to the procedures to address issues as they arose. Issues outlined in the audit report contained: old data from the previous Financial Reporting System (FRS), erroneous data from data port, issues regarding accessibility of multiple users, many of these stemming from the lack of training. These issues have all contributed to the deficiencies of the Address Book.

It has taken us time to put a Corrective Active Plan (CAP) for each issue, as recommended. As we go forward, with the new modules and the new CAP's, we will continue to make improvements to the FMIS Address Book; many of the improvements should take effect well within the year.

In closing, we will be sure to let you know of any changes that occur to our target completion date, or CAPs. I look forward to seeing the final report as it should address all position of the Address Book module.

Please find the attached matrix response by OOC regarding the analysis. Should you have any questions please contact me at 928 871-6306 or leldridge@nnooc.org.

Cc: Accounting Managers/OOC
Nicole A. Begay, Accounting Supervisor
Elsie Julian, Senior Accountant/Program Administrator
Nahnbah Ciccarello, AMS/Address Book designee

Office of the Controller
Corrective Action Plan/Written Response
FMIS Vendor Address Book Audit

Issue I. Duplicate Vendor Records -Each unique vendor should have one vendor record in the FMIS w/one unique vendor address book number.

	Corrective Action Plan Strategies	Procedures to Implement Corrective Action Plan Strategies	Responsible	Target Completion Date
1. Based on Tax ID number, more than one address book number.				
	State government, Colleges/Universities, Corporations, Subdivisions and Satellite Sites may be under 1 Tax ID number.	Continue to update W9. Create Parent/Child relationships when applicable and make notations on all related AB records. Incorporate in FMIS Address Book training manuals	AP AMS AB set up	9/30/2015
	Data port from Legislative, scholarship, Foster Care, General Assistance Vouchers, Initial Grant Vouchers, LIHEAP, CCDF-Child Care Provider & WIA-Workforce will create a new AB Number if no match under search type P which will cause the unnecessary vendor records.	Modify how all data ports are processed, utilizing the original data port configuration provided through JDE. Incorporate in the training manuals for FMIS	OOC IT & AP Power User	9/30/2015
	Historical data from the old FRS accounting system converted bad data which still is part of the 8,734 number of records under search type V suppliers.	Move all old data that are not currently used into new Archive module. Incorporate in the training manuals for FMIS	OOC IT & AP Power User	9/30/2015
2. Vendors with unique Address Book numbers, same Tax ID number, and different addresses.				
	State government, Colleges/Universities, Corporations, Subdivisions and Satellite Sites may be under one Tax ID number, yet have different addresses. For example, Arizona State Government entities and Arizona State Universities share the same Tax ID, but will have different remittance addresses.	Continue to verify information provided on the W9. Create Parent/Child relationships when applicable and make notations on all related AB records. Continue to set up address book numbers according to remittance address and verify Tax ID numbers. Control of all Special Factor and Parent and Child relation would be used to full potential. Incorporate in FMIS Address Book training manuals	AP AM S- AB set up	7/31/2015
3. Unique Address Book Number focusing on same name and same addresses.				
	Due to data ports utilizing the Long Address field many new vendor records are set up when the Long Address field is blank, or the department submitting the data port is submitting an incorrect Tax ID number in the Long Address field.	Move all old data into new Archive module. Modify how all data ports are processed, utilizing the original data port configuration provided through JDE, which would force data port users to verify Tax ID numbers and to utilize Address Book numbers that have already been created, rather than creating a new AB# with the same address and same name. Obtain updated W9 and with correct vendor information, verifying for correct Tax ID number and classification. Notate changes and which AB number should be utilizing on all related Address Book numbers. Less duplicate vendors being set up through data port. Control of all new vendor records being set up, ensuring tax classification is included in set up.	AP AM S- AB set up	9/30/2015
4. Duplicate Vendors focusing on same Tax ID number same name and same physical address.				

7/22/2014 2:34 PM

Office of the Controller
Corrective Action Plan/Written Response
FMIS Vendor Address Book Audit

	Corrective Action Plan Strategies	Procedures to implement Corrective Action Plan Strategies	Responsible	Target Completion Date
	Tax ID number field does not allow for duplicate Tax ID numbers in the "Tax ID" field. When old data was converted from the old FRS system some duplicate vendor address book numbers were brought over as well. Since conversion to the new JD Edwards system constraints were put in place to prevent duplicate Tax ID numbers to be entered. Data ports do not utilize the Tax ID field, but use the Long Address field which does allow for duplicate entries.	Move all old data into new Archive module. Modify how all data ports are processed, utilizing the original data port configuration provided through JDE, which would force data port users to verify Tax ID numbers and to utilize Address Book numbers that have already been created, rather than creating a new AB# with the same address and same name. Obtain updated W9 and with correct vendor information, verifying for correct Tax ID number and classification. Notate changes and which AB number should be utilizing on all related Address Book numbers. Train all data port users to research vendor numbers before setting up new Address Book numbers. Less duplicate vendors being set up through data port. Control of all new vendor records being set up, ensuring tax classification is included in set up.	AP AM S- AB set up	9/30/2015
5. Duplicate Long Address Numbers				
	The long address field was used for informational purpose only when conversion of FRS Address Book data to FMIS Address Book. As time evolve the long address field was programmed for data port purpose which allows for duplicate long address numbers. The long address field is also used to send "messages" to other Address Book users to utilize a certain AB number in the case of duplicate address book numbers for a particular vendor.	Move all old data into new Archive module. Modify how all data ports are processed, utilizing the original data port configuration provided through JDE, which would force data port users to verify Tax ID numbers and to utilize Address Book numbers that have already been created, rather than creating a new AB# with the same address and same name. Obtain updated W9 and with correct vendor information, verifying for correct Tax ID number and classification Notate changes and which AB number should be utilizing on all related Address Book numbers. All data ports will link to the 6B Rollout so the burden is not only on OOC. OOC recommends again that all three branches take advantage and use the FMIS system capabilities available through 6B Rollout. Per JD Edwards FMIS consultant ; it is possible to go back to the original standard of the data port processing.	FMIS Project Manager/ Systems Office Staff/AP Power User	9/30/2015
6. Duplicate Vendors focusing on Vendor names and same address.				
	Some vendors may have different vendor names, share the same address and be owned by the same person/entity. For example, Ernie's Fire Extinguisher, Abeita Oil Company, and Ernie's Supply Company are all owned by the individual but share the same remittance address. In some instances it is necessary to set up a vendor record for each separate entity although they share the same address due to differing tax classifications.	Continue to verify information provided on the W9. Create Parent/Child relationships when applicable and make notations on all related AB records. Continue to set up address book numbers according to remittance address and verify Tax ID numbers. Less duplicate vendors being set up through data port. Control of all new vendor records being set up, ensuring tax classification is included in set up.	AP AM S- AB set up	July 31, 2015

Office of the Controller
Corrective Action Plan/Written Response
FMIS Vendor Address Book Audit

Issue II. Duplicate Employee Records

	Corrective Action Plan Strategies	Procedures to implement Corrective Action Plan Strategies	Responsible	Target Completion Date
1. Vendor records focusing on employees assigned more than one AB number.				
	Employee may have more than 1 AB number with exception rule per PPM for 2nd job. All duplicate employee vendors should be purged/removed from the FMIS Address Book. OOC can not purge any records that have transactions tied to them for audit purposes. Other records will be labeled "Do not use"	Continue to require W9 and move duplicate AB number to new Archive module. Incorporate in the training manuals in AB module to cross usage search type.	OOC and DPM	9/30/2015
2. Vendor records focusing on the Search Type "E" employee also assigned additional Search Type.				
	Accounts Payable cannot utilize search type X (Ex-Employees) and E (employees) per DPM, but payments must still be processed for reimbursement and for events that require a change fund, e.g. Navajo Nation Fair. Payments made through Accounts Payable module cannot be picked up by HRIS module and vice versa, this would affect tax preparations for taxable items.	Continue to require W9 and move duplicate AB number to new Archive module. Work with DPM to utilize only one Address Book number in the future to decrease the number of duplicate vendors set up. Train staff on all capabilities of JD Edwards. Incorporate in the training manuals in AB module to cross usage search type.	OOC and DPM	9/30/2015

Office of the Controller
Corrective Action Plan/Written Response
FMIS Vendor Address Book Audit

Issue III: Vendor Records without a Tax ID Number

	Corrective Action Plan Strategies	Procedures to Implement Corrective Action Plan Strategies	Responsible	Target Completion Date
1. Vendor record created, a unique tax identification number must be obtained and input for each vendor.				
	Data port entries do not use Tax ID field to search for duplicate entries, which may change search type E address book records if a similar entry was found. When a new vendor is set up through data port it does not automatically set up a Tax ID number, Accounts Payable staff must manually copy the Tax number into Tax ID field, but only once there is confirmation that the Tax ID is correct. Vendors who are 1099 reportable must have a Tax ID number and the tax classification must be set up by AP.	Continue to require W9 and move duplicate AB number to new Archive module. Do not allow data port users to add new vendors to the system without verifying Tax ID and tax classification is correct. Do not issue payments to any vendor who does not have a Tax ID number on file, per IRS regulations. Incorporate in the training manuals in AB module to cross usage search type.	OOC and Data Port users	9/30/2015

Office of the Controller
Corrective Action Plan/Written Response
FMIS Vendor Address Book Audit

Issue IV: Unused Vendor Record were not Archived.

	Corrective Action Plan Strategies	Procedures to Implement Corrective Action Plan Strategies	Responsible	Target Completion Date
1. Unused vendor records must be archived from the FMIS Address Book file in a timely manner.				
	All duplicate vendors who do not have a payment associated with it should be archived from the FMIS Address Book. Other records are necessary for payment processing through HRIS, not all employees will have vendor payments attached to them if they have never received any type of reimbursement, yet they are necessary for payments through payroll. Search type O payments are necessary for payment processing, they are attached to Business Units and necessary for Tax purposes, they will not have any voucher payments attached to them and will show as unused. Some vendors are set up in a parent/child relationship for tax purposes only and the "parent" may appear unused. Purchasing department also creates address book records utilizing W9 information which may not reflect the remittance address.	Continue to require W9 and move duplicate AB number to new Archive module. Train staff to set up Address Book records utilizing vendor remittance address only, and set up vendors only when payment will be getting processed. Incorporate in the training manuals in AB module to cross usage search type.	OOC and DMP	9/30/2015

Office of the Controller
Corrective Action Plan/Written Response
FMIS Vendor Address Book Audit

Issue V: Duplicate Payments

	Corrective Action Plan Strategies	Procedures to implement Corrective Action Plan Strategies	Responsible	Target Completion Date
1. Vendor payments should only be processed and paid once, for each unique vendor invoice.				
	JD Edwards does not allow duplicate invoice entry and will return an error when the invoice number has already been used. Stipend payments for the same purpose but different place and time would allow payments to the same vendor and are not considered a duplicate payment. NN Department submitting same payment request on different date would cause duplicate payment.	Train staff on invoice entry methods when no clear invoice number is provided. Provide standard invoice methodology for stipends, veteran assistance, etc. Incorporate in the training manuals in AB module to implement automation process flow.	OOC and NN Dept	10/30/2015

Office of the Controller
Corrective Action Plan/Written Response
FMIS Vendor Address Book Audit

Issue VI: Access to the FMIS Address Book needs Improvement

	Corrective Action Plan Strategies	Procedures to implement Corrective Action Plan Strategies	Responsible	Target Completion Date
1. There is a risk that unauthorized changes can be made to the FMIS Address Book.				
	The number of individuals with full access to the AB module needs to be limited.	Create a Section within OOC primarily to work on Address Book	OOC IT, AP, GA, Purchasing	9/30/2015

Office of the Auditor General
The Navajo Nation

Elizabeth O. Begay, CIA, CFE
Auditor General

EXHIBIT
C

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

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

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

DATE : July 25, 2017

SUBJECT : Request for Legislation – Office of the Controller

We request your office to prepare the legislation "An Action relating to Finance; Amending BFO-26-14 to extend the Office of the Controller implementation of their Corrective Action Plan on the Financial Management Information System (FMIS) Address Book and the Office of the Auditor General to conduct a follow-up review 12 months after the Controller hire date or after February 12, 2018." The legislation sponsor for the amendment will be Council Delegate Tom Chee.

On March 31, 2014, audit report 14-11 reported that the Office of the Controller did not properly maintain and manage the FMIS address book. On October 9, 2014, the Budget and Finance Committee approved resolution BFO-26-14 approving the Office of the Controller corrective action plan and directed the Office of the Auditor General to conduct a follow-up review on the implementation of the corrective action plan 12 months after the approval of the resolution. Pursuant to BFO-26-14, the Office of the Auditor General conducted the follow-up review and analyzed the FMIS address book for the period October 1, 2015 through August 31, 2016. The follow-up review concluded that the Office of the Controller failed to implement their corrective action plan.

The current Controller just started employment on February 13, 2017 and was not responsible for the failure of her office to implement the corrective action plan. Therefore, pursuant to 12 N.N.C. §9, the Auditor General recommended to delay the enforcement of the sanctions against the Office of the Controller. However, based on the advice of our legal counsel, amending BFO-26-14, will give due process to the Controller rather than a delayed sanction.

Attached are Exhibit "A" Audit Report No. 17-40, a Follow-up Review of the Office of the Controller FMIS Address Book Corrective Action Plan Implementation and Exhibit "B", Resolution BFO-26-14.

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

Attachment

xc: Tom Chee, Sponsor
COUNCIL DELEGATE
Chrono