



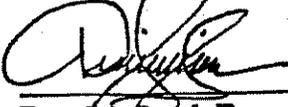
**THE  
NAVAJO  
NATION**

PRESIDENT  
**JOE SHIRLEY, Jr.**  
VICE PRESIDENT  
**FRANK J. DAYISH, Jr.**

April 4, 2005

**MEMORANDUM**

**TO :** Divisions / Offices, and Navajo Nation Enterprises

**FROM :**   
Dominic Beyer, Executive Director  
The Office of Management and Budget

**SUBJECT :** Guidelines on Single Audit Act and Other Monitoring Review Findings

The Navajo Nation issues the attached "*Guidelines on Single Audit Act and Other Monitoring Review Findings*". This Guideline is proposed at this time and will become an official administrative policy pending the review and adoption by the appropriate NNC oversight committee/s. However, compliance with this guidance is still required during the interim. Effective with 2003 Single Audit and unresolved findings, this applies to all Navajo Nation programs (all Branches) and Enterprises who receive financial assistance from sources other than the Navajo Nation general funds (commonly referred to as "external funds"). A separate memo will be sent to Division offices that have outstanding findings.

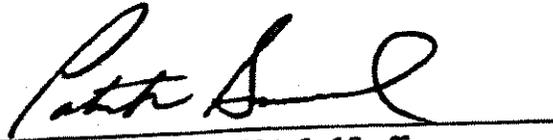
The Navajo Nation has a growing concern with respect to compliance with audit findings. All too often recipients of external funding fail to respond to audit findings with appropriate information and timely corrective action. The net effect of the Nation's non-compliance affects all Navajo Nation programs. Any number of sanctions can be imposed upon the Nation from funding providers when we fail to respond to and/or close audit findings. Clearly, the funds used to operate the Nation's government are overwhelmingly external funds. Therefore, the impact of neglectful compliance affects all of the Nation's programs as well as the enterprises under the Nation.

As found at Section IV, B. 6, of the Guidelines, the Contracts and Grants Section of OMB is the lead office with this effort and we ask for your full cooperation in addressing the findings from the '03 audits. Mr. Cordell Shortey, Contracting Officer, Contracts and Grants Section, is the Nation's contact person with external funding sources. Please address any questions regarding this memo to Mr. Shortey at extension 6470 .

This guideline can also be downloaded and printed from the OMB website,  
[www.omb.navajo.org](http://www.omb.navajo.org).

As always, we appreciate your efforts and service to the Navajo Nation.

OFFICE OF THE PRESIDENT

A handwritten signature in black ink, appearing to read "Patrick Sandoval", written over a horizontal line.

Patrick Sandoval, Chief of Staff

Attachment

xc: chrono  
Division Distribution  
Enterprise Distribution

## Interim Guidelines on Single Audit Act and Other Monitoring Review Findings

### I. Overview.

The Single Audit Act requires that certain Navajo Nation programs receiving federal funds be audited. The provisions of other federal statutes under which specific Navajo Nation programs receive federal funding also require monitoring reviews or audits in addition to the Single Audit.

In general, an audit or monitoring review is an assessment by an independent auditor or federal review team (reviewer), through the use of sampling methods, as to whether a Navajo Nation program is complying with the terms of its federal contract or grant agreement, including, but not limited to, compliance with:

1. financial, purchasing/procurement, and property policies and procedures;
2. corrective action plans on prior findings;
3. reporting and documentation requirements;
4. applicable cost principles;
5. training requirements;
6. eligibility determinations; and
7. governing laws and regulations.

The auditor or reviewer usually convenes an entrance and exit conference on the audit with the client (Navajo Nation). The scope of the audit and the preliminary results of the same, respectively, are provided then. After the auditors or reviewer have completed their preliminary review or audit, initial or preliminary findings of noncompliance are provided to the Program Managers for response and resolvment. If all initial findings are not resolved, the auditor or review team will issue its final findings. The Program Managers must then provide a corrective action plan for each individual finding which will be included in the final audit or review report.

The federal grantor will access the findings and corrective action plans in the final audit or review report to assess whether the proposed corrective action plan(s) are sufficient or whether further corrective actions are required, such as expanded corrective action plan(s), funding restrictions, or the issuance of cost disallowances.

## II. Outstanding Issues On Audit and Review Findings.

- A. Some programs are not responding to initial audit or review findings in a timely fashion causing final audit or review findings to be issued that could have been resolved through program response.
- B. Some programs are not providing Corrective Action Plans to the Single Audit findings in a timely fashion causing delay in the issuance of the Navajo Nation's Single Audit Report which could subject the Navajo Nation overall to sanctions or designation as a "high risk" contractor.
- C. Some programs are not providing Corrective Action Plans to final review findings in a timely fashion allowing final review reports to be issued without Navajo Nation or program input as to corrective measures required.
- D. Corrective action plans are not being implemented causing repetitive findings; increased audits; and cost disallowances.

## III. Findings Resolvment Process.

- A. Initial or Preliminary Audit or Review Findings
  1. The initial findings are provided to program management by the auditor or reviewer for response by a specific date.
  2. The program management's response should be in writing and include full explanation or justification for each finding, including but not limited to, dispute and/or explanation of any findings that the Program Manager believes to be incorrect; and inclusion of missing paperwork or documentation or explanation as to why such paperwork or documentation is missing.
  3. After receiving the program management's response, the auditor or reviewer may request additional information from program management which should be provided as soon as possible.
  4. The failure of program management to provide a timely or adequate response to the initial findings and any follow-up may result in the auditor or reviewer including such findings in the final audit or review report.
- B. Final Audit or Review Findings.
  1. The final audit or review findings are those which were not cleared or satisfied through the program management's response and are those findings that will be reported in the final audit or review report.
  2. The auditors or reviewers will provide program management with notice of which findings will be included in the final audit or review report.

3. Program management will be provided the opportunity to provide a corrective action plan for individual findings by a specific date. The corrective action plan will be included in the final audit or review.

#### **IV. Rules and Responsibilities As To Audit Findings**

##### **A. Division and Program Management**

1. It is the responsibility of program and division management to comply with and/or enforce this guideline.
2. It is the responsibility of program management to attend entrance and exit conferences on the audit at hand.
3. It is the responsibility of program management to prepare a response to the initial findings and any requested follow-up to that response. Such responses must be provided to the auditor or reviewer, with a copy to Contracts and Grants Section ("CGS"), by the specified date.
4. It is the responsibility of program management to work with the auditor or reviewer to resolve any initial audit findings.
5. It is the responsibility of program management to prepare a corrective action plan for each individual final audit finding. Such corrective action plan(s) shall be submitted to CGS by the specified date.
6. It is the responsibility of program management, as well as division management, to ensure that the corrective action plan(s) are implemented and complied with, and provide a quarterly report on implementation and status of the same.

##### **B. Contracts and Grants Section ("CGS")**

1. CGS shall promulgate rules, if necessary, to supplement or amend these guidelines and ensure timely closure and resolvment of audit or review findings. This includes conducting periodic monitoring review on the corrective action plans and reporting the results to Navajo Nation officials concerned e.g., the respective Oversight Committees.
2. CGS shall attend entrance and exit conferences on the audit at hand.
3. At the request of program management, CGS shall assist program management in developing responses to the initial findings and in developing appropriate corrective action plan(s).
4. CGS shall review the corrective action plan(s) for completeness before final submission to the auditor or reviewer.

5. CGS shall provide division and program management with status reports on the submission of initial finding responses and final finding corrective action plans.
6. CGS shall serve as the clearinghouse and coordinator for communication between the auditor or reviewer and the Navajo Nation.

V. Components of Effective Corrective Action Plan(s).

- A. Before the corrective action plan(s) are finalized, systems and/or processes should be reviewed to identify problems in the implementation of the corrective action plan.
- B. Corrective action plan(s) should contain specific, quantifiable measures, e.g. identifiable actions and procedures, person responsible, timelines, etc. that the Navajo Nation is capable of implementing.

VI. Accountability

The failure to comply with these guidelines, as well as the failure to comply with the Single Audit Act and other federal laws and regulations concerning audit and monitoring reviews, may subject personnel to disciplinary action under the Navajo Nation Personnel Policies.

End of Guidelines.