

External Quality Assessment Performed by Eliot Stenzel, CIA, [www.eliotstenzel.com](http://www.eliotstenzel.com), 3-3-2023

**EXTERNAL QUALITY ASSESSMENT OF THE AUDITOR GENERAL OF  
THE NAVAJO NATION INTERNAL AUDIT ACTIVITY**

**As of March 3, 2023**

## **Independent External Quality Assessment Statement**

Eliot Stenzel, Certified Internal Auditor, was engaged to conduct an independent assessment of the operations of the Office of the Auditor General (OAG) of the Navajo Nation in Window Rock, Arizona. The primary objective of the assessment was to provide recommendations for continuous improvement of the OAG operation using the primary guidance for the OAG. This guidance is the United States Government Accountability Office, By the Comptroller General of the United States, *Government Auditing Standards*. This is also known as (AKA) the Yellow Book.

In acting as the qualified, independent external assessor from outside the organization, Eliot Stenzel, Certified Internal Auditor, is fully independent of the Office of the Auditor General (OAG) of the Navajo Nation in Window Rock, Arizona, and has the necessary skills to undertake this engagement.

The fieldwork part of the assessment began on February 21, 2023 and concluded on February 23, 2023. It consisted primarily of a review of selected and completed internal audit assignments during the period fiscal year end 9-30-2022. In addition, interviews were conducted with staff of the OAG. The budget and finance committee of the Navajo Nation as a whole has oversight of the OAG.

An exposure draft was issued January 30, 2023 by the General Accounting Office (GAO) to make changes to the Yellow Book. The comment period ends April 28, 2023. This exposure draft was not considered in evaluating the operation of the Office of the Auditor General of the Navajo Nation for the purposes of this peer review. The standards as in effect from 2018 were operative for this review.

The yellow book standards are principles based rather than rules based. Thus the criteria used is that the design and operation of the system of audit generally conforms to the standards.

In accordance with section 5.72 of the revised Yellow Book standards (2018) the audit organization's system of quality control has been generally designed and complied with to provide the audit organization with reasonable assurance of performing and reporting in conformity with professional standards and applicable legal and regulatory requirements in all material respects. The rating is pass in accordance with this section 5.72.

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Eliot Stenzel, Certified Internal Auditor, has provided recommendations to the OAG management to consider in accordance with the objective of continuous improvement. These recommendations are in the form of a Supplemental Information paragraph. These recommendations do not impact the rating in the foregoing paragraph, but are offered in the spirit of a shared perspective for continuous improvement. Implementation of the recommendations contained in the report will improve the effectiveness, enhance the value, and support the OAG mission.

Thank you for this opportunity to be of service.



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*Eliot Stenzel/Independent External Peer Assessor*

3-3-2023

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*Date*

### *Supplemental Information*

There are currently 5 vacancies within the internal audit (Office of the Auditor General) department. There has been considerable turnover since the last peer review in 2018.

The major challenges facing internal audit are attracting staff to the department, retention, and training.

The department generates audit reports annually within the constraints of its' budget and number and skill level of personnel. Many audits have been performed on an as requested basis from other areas, personnel and departments of the Navajo Nation. However the scope of coverage could be increased with more personnel. Further, the annual audit cycle plan can be more by design than on an as requested basis. As discussed in the next paragraph the nation contains many areas for potential audit contact.

The budget for fiscal 2023 of the Navajo Nation as a whole is a little over \$2.5 billion. Some program areas and operations of the Navajo Nation have never had an audit. A report by the OAG issued August 9, 2021 identified chapters and program areas of the nation susceptible to potential audit. This report is a good baseline to identify the audit universe of the Navajo Nation. The nation as a whole is an audit rich environment and the opportunity for oversight and continuous improvement of the nation as a whole could be enhanced with more audit scope coverage.

Some suggestions include:

- Assess pay levels to attract personnel to internal audit
- Cross training between operational areas and internal audit to increase the know-how of auditors and operating personnel. You might try a pilot project with 1 or 2 auditors to spend time in let's say the controller's office on specific tasks. This could be designed as half time or full time. The minimum period should be about 6 months to allow for sufficient time to have some effectiveness. In exchange the controller's office would lend 1 or 2 staff to OAG to work on and prepare audits. The plan would not be unique to the controller's office, but could be in any area of the Navajo Nation operation. Any area that provides services to the population could be considered. This would be a lending of personnel project.

(a)An added consideration might be to solicit personnel from other areas to come work in OAG for say 6 months without an exchange of personnel. Other departments that are fully or extra staffed could lend to OAG to help out during this period of vacancies for OAG.

- Recognize - most internal audit findings can be classified into one of two categories
  1. Design better policies and procedures
  2. Better segregation of dutiesTherefore, design audits with shorter or smaller scopes. This means breaking down objectives into smaller units with milestones and reporting on each milestone reached. This could lessen the hours on each audit and conceivably generate more reports with focused results. For instance a chapter audit could focus solely on controls over fixed assets and then write a report on fixed assets. A chapter audit could focus on deposit and cash account management and write a report solely on that topic.
- Training in all areas of internal audit to accelerate the knowledge of newer auditors
  1. Internal audit process
  2. Work-paper development
  3. Interview technique
  4. Report writing