

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

23RD NAVAJO NATION COUNCIL - Third Year, 2017

AN ACTION

RELATING TO THE RESOURCES AND DEVELOPMENT COMMITTEE AND THE
BUDGET AND FINANCE COMMITTEE; ACCEPTING THE FOLLOW-UP
REVIEW OF THE ALAMO CHAPTER CORRECTIVE ACTION PLAN
IMPLEMENTATION AND IMPOSING SANCTIONS FOR FAILURE TO
IMPLEMENT THE CORRECTIVE ACTION PLAN

BE IT ENACTED:

SECTION ONE. AUTHORITY

- A. The Resources and Development Committee (RDC) is a standing committee of the Navajo Nation Council with oversight authority over the Chapters of the Navajo Nation. 2 N.N.C. §§ 500 (A), 501 (B) (1), 501 (C) (1).
- B. The RDC as the oversight committee of the Chapters of the Navajo Nation is to receive 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), 7 (D).

SECTION TWO. FINDING

- A. Pursuant to 12 N.N.C. § 7 (D), the Auditor General submits an audit report of the Follow-up Review of the Alamo Chapter's Corrective Action Plan Implementation for approval. See **Exhibit A** (Audit Report 16-27, Sept. 2016).
- B. The follow-up audit was conducted to determine the current status of the corrective action plan which was developed by the Alamo Chapter in response to the 2013 audit Report No. 13-11, approved by B&F resolution BFMA-10-14, attached as **Exhibit B**.

- C. The internal audit findings lists seventeen (17) issues for the six (6) month period review from October 1, 2015 through March 31, 2016.
- D. The fourteen (14) unresolved issues are as follows:
1. Chapter did not present a detailed carry-over budget on the approximately \$425,000 unexpended funds that were carried over into fiscal year 2016.
 2. The Chapter also did not develop a budget and obtain community approval for the Chapter Activities General Fund in the amount of \$6,150 and the Tri-State Fund in the amount of \$21,912.
 3. Tri-State Fund was not utilized for direct services to the Chapter membership.
 4. Chapter did not properly complete and review bank reconciliations.
 5. Chapter did not properly authorize travel activities.
 6. Chapter did not complete property/equipment inventory.
 7. Chapter did not adequately insure property.
 8. Chapter officials did not conduct work performance evaluation for the Chapter Community Services Coordinator to ensure the assigned responsibilities are carried out.
 9. Chapter did not support procurement of good with documentation.
 10. Chapter does not pay IRS 941 employer federal tax deposits in timely manner.
 11. Chapter did not remit state unemployment quarterly tax reports and payments.
 12. Chapter did not support awarded housing assistance with documentation.

- 13. Chapter did not complete financial reporting to the Chapter membership.
- 14. Chapter officials did not monitor Chapter operations to ensure that the staff completed assignments in accordance with policies and procedures, rules and regulations, and applicable laws.
- E. 12 N.N.C. § 8 imposes upon the Alamo Chapter the duty to implement the corrective action plan according to the terms of the plan; Alamo Chapter has failed to implement the corrective action plan.
- F. The Auditor General, based on the unresolved audit issues by the Alamo Chapter, recommends the imposition of sanctions for failure to implement the corrective action plan in accordance with 12 N.N.C. § 8. See also 12 N.N.C. §§ 9(B) and 9(C).

SECTION THREE. ACCEPTANCE AND APPROVAL

- A. The Navajo Nation hereby accepts the Auditor General's Report No. 16-27, September 2016, Follow-Up Review of the Alamo Chapter, attached hereto as **Exhibit A**.
- B. The Navajo Nation hereby approves the imposition of sanctions on the Alamo Chapter pursuant to 12 N.N.C. §§ 9(B) and 9(C).
- C. The Navajo Nation Controller shall cause ten percent (10%) of monies payable from any governmental fund of the Navajo Nation as defined at 12 N.N.C. § 810(S) to be withheld after the recommended sanction is approved by the Budget and Finance Committee and issued to the Chapter until such time as the Chapter demonstrates to the Auditor General that the corrective action plan has been implemented. 12 N.N.C. § 9(B).
- D. The Navajo Nation Controller shall withhold twenty percent (20%) of any payment prospectively due the current Vice President and the current Secretary-Treasurer until such time proof of implementation of the corrective action plan is demonstrated at which time the Auditor General shall immediately report the compliance to the Controller, and the Chapter government, who shall then release the withheld salary to the Chapter official. The current Chapter President is a newly elected official and was

sworn in on January 9, 2017. The Chapter President shall be given one year from the date of being sworn in as the President of the Alamo Chapter to implement the corrective action plan. If the corrective action plan is not implemented by January 9, 2018, the Chapter President shall be subject to 20 percent (20%) salary withholding. 12 N.N.C. § 9(C).

- E. The Attorney General shall cause the filing of a legal action against prior officials who were involved in the mismanagement of funds.
- F. The Alamo Chapter shall provide proof of implementation of the corrective action plan at which time the Auditor General shall immediately report the compliance to the Controller who shall then release all withheld funds to the Chapter. 2 N.N.C. § 9(C).
- G. During the 2017 fiscal year, if the Chapter is ready and requesting implementation review, they shall pay for a new audit.

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 and 0 opposed, this 7th day of February, 2017.



Seth Damon, Chairperson
Budget and Finance Committee

Motion: Honorable Dwight Witherspoon
Second: Honorable Tom T. Chee

EXHIBIT "A"



OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

A Follow-Up Review of the Alamo Chapter Corrective Action Plan Implementation

Report No. 16-27
September 2016

Performed by:
Stacy Manuelito, Auditor
Myrtis Begay, Associate Auditor



September 2, 2016

Stanley Herrera, President
ALAMO CHAPTER
P.O. Box 827
Magdalena, NM 87825

Dear Mr. Herrera:

The Office of the Auditor General herewith transmits Audit Report No. 16-27, a Follow-up Review of the Alamo Chapter Corrective Action Plan Implementation. The follow-up was conducted in accordance with 12 Navajo Nation Code (N.N.C.) Section 7 to determine the current status of the corrective action plan which was developed by the Alamo Chapter in response to the 2013 audit report no. 13-11. The audit report and the corrective action plan were approved by the Budget and Finance Committee on March 4, 2014, per resolution no. BFMA-10-14.

We reviewed the Alamo Chapter's records for the six month period of October 2015 to March 2016.

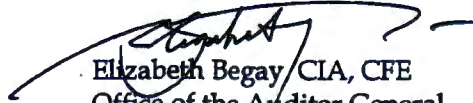
The Chapter did not resolve 14 of 17 issues reported in audit report no. 13-11.

- Chapter did not present a detailed carry-over budget on the approximately \$425,000 unexpended funds that were carried over into fiscal year 2016. The Chapter also did not develop a budget and obtain community approval for the Chapter Activities General Fund in the amount of \$6,150 and the Tri-State Fund in the amount of \$21,912.
- Tri-State Fund was not utilized for direct services to the Chapter membership.
- Chapter did not properly complete and review bank reconciliations.
- Chapter did not properly authorize travel activities.
- Chapter did not complete property/equipment inventory.
- Chapter did not adequately insure property.
- Chapter officials did not conduct work performance evaluation for the Chapter Community Services Coordinator to ensure the assigned responsibilities are carried out.
- Chapter did not support procurement of goods with documentation.
- Chapter does not pay IRS 941 employer federal tax deposits in timely manner.
- Chapter did not remit state unemployment quarterly tax reports and payments.
- Chapter did not support awarded housing assistance with documentation.
- Chapter did not support emergency fund expenditures with documentation.
- Chapter did not complete financial reporting to the Chapter membership.
- Chapter officials did not monitor Chapter operations to ensure that the staff completed assignments in accordance with policies and procedures, rules and regulations, and applicable laws.

CONCLUSION

Title 12, Navajo Nation Code (N.N.C.) Section 8 imposes upon the Alamo Chapter the duty to implement the corrective action plan according to the terms of the plan. The Chapter did not implement the corrective action plan. More importantly, the Chapter did not provide needed services to the Chapter membership. Therefore, the Office of the Auditor General recommends sanctions be imposed on the Alamo Chapter and officials in accordance with 12 N.N.C. Section 9 (b) and 9(c) for failure to implement the corrective action plan. See attached Exhibit A for the review results.

Sincerely,



Elizabeth Begay CIA, CFE
Office of the Auditor General

xc: Earl Apachito, Vice-President
Yvette Betone, Secretary/Treasurer
Inez Apachito, Community Service Coordinator
Norman Begay, Council Delegate
ALAMO CHAPTER
Jayne Mitchell, Senior Accountant
Robert Begay, Department Manager II
ADMINISTRATIVE SERVICE CENTER/DCD
Chrono

PRIOR FINDINGS, CORRECTIVE ACTIONS AND CURRENT STATUS

Prior Finding I: Chapter Internal Controls Are Deficient.

Chapter Corrective Actions	Status of Corrective Action
Issue 1: Chapter funds were expended without an approved budget.	
1. Develop a detailed budget for all funds received by the Chapter.	<i>Not Implemented.</i> The Chapter did not present a detailed carry-over budget on approximately \$425,000 unexpended funds that was carried over into fiscal year 2016. The Chapter also did not develop a budget and obtain community approval for the Chapter Activities General Fund in the amount of \$6,150 and the Tri-State Fund in the amount of \$21,912. As a result, the Chapter membership was not informed on the intended expenditures of the funds.
2. Present the budget(s) to the Chapter officials at a duly called planning meeting.	
3. Present the detailed budget to the Chapter membership at a duly called Chapter meeting.	
4. Ensure the approved budget is in place prior to expending funds.	
Issue 2: Tri-state Fund was not utilized for direct services to the Chapter membership.	
5. Develop funding guidelines for the Tri-State Fund to provide direct services and present the proposed funding guidelines to the Chapter membership for approval.	<i>Not Implemented.</i> The Chapter did not develop funding guidelines for the Tri-State fund; therefore, there was no funding guideline that can be presented to the chapter membership. Fiscal year 2016 Tri-State Fund allocation was used to cover prior year over expenditure on travel resulting in a negative fund balance.
6. Follow the Tri-State Funding Guidelines.	
Issue 3: Bank reconciliations were not properly reviewed.	
7. Ensure all bank accounts statements are received from the bank for the AMS to perform bank reconciliations.	Implemented
8. The Chapter Community Services Coordinator and Chapter Secretary/Treasurer will verify the bank reconciliation is accurate and complete.	<i>Not Implemented.</i> The Chapter Secretary/Treasurer did not review the bank reconciliations prepared by the Community Services Coordinator for accuracy. As a result, the \$38 million variance on the October 31, 2015 bank reconciliation was not detected until May 2016

EXHIBIT "A"

	(during audit fieldwork). In addition, the seven outstanding checks that were carried over since 2011 were not corrected.
Issue 4: Unaccounted for building materials purchased through a store prepaid account.	
9. The Chapter shall have no prepaid open account(s) with any vendor(s).	Cannot be determined due to no activity.
Issue 5: Chapter Travel activities are not properly authorized.	
10. All travelers shall have an approved travel authorization prior to actual travel.	<i>Not implemented.</i> Samples of 50 travel authorization forms were reviewed. There were 25 (or 50%) travel authorizations not complete with the proper authorization signature.
11. All travel advances will comply with applicable Travel Advance Policies and Procedures.	<i>Not Implemented.</i> Samples of 38 travel authorizations with travel advances were reviewed. There were 33 (or 87%) travel authorizations that were granted travel advances at 100% of the estimated travel cost, instead of the 80% travel advance per travel policies and procedures.
12. All supporting documents shall be submitted upon return of the traveler.	<i>Not Implemented.</i> All travel authorizations reviewed (50 of 50 or 100%) did not have supporting documentation to support the travel expenses.
Issue 6: Chapter property/equipment inventory is incomplete.	
13. The Chapter Community Services Coordinator will conduct an annual physical inventory of chapter property/ equipment and complete a comprehensive inventory.	<i>Not Implemented.</i> The Chapter did not conduct an annual physical inventory and has an incomplete property/equipment listing.
14. The Chapter Community Services Coordinator will ensure Chapter property/equipment is tagged with pre-numbered identification tag.	Implemented.
15. Chapter property/equipment values meeting the \$1,000 threshold will be categorized and recorded to the Chapter fixed assets and reported in the financial statements.	<i>Not Implemented.</i> The Chapter did not categorize its fixed assets (capital). Therefore, the total fixed asset value is not reported on the financial statement.
Issue 7: Chapter property is not adequately insured.	
16. The Chapter Community Services Coordinator will ensure the Underwriter Exposure Summary is complete and submitted to Risk Management in a timely manner.	<i>Not Implemented.</i> The Chapter has not submitted its Underwriter Exposure Summary for fiscal year

EXHIBIT "A"

17. The Chapter Community Services Coordinator will ensure the property insurance payment is submitted in a timely manner and properly file insurance documents.	2015 and 2016. As a result, the chapter property/equipment is not insured.
Issue 8: Personnel Action Forms were not processed.	
18. The Chapter Community Services Coordinator will ensure a Personnel Action Form is in place for each employee prior to employment with the Chapter.	Implemented
Issue 9: The Chapter Community Services Coordinator is not carrying out assigned responsibilities.	
19. The Chapter will establish performance objectives for the Chapter Community Services Coordinator according to the Department of Personnel Job Description.	<i>Not Implemented.</i> The Chapter did not establish performance objectives to evaluate the Chapter Community Services Coordinator work performance. The Chapter officials did not develop a training plan for the Community Services Coordinator to improve her work performance.
20. The Chapter officials will evaluate performance of the Chapter Community Services Coordinator on a quarterly basis and develop a training plan accordingly.	
21. Chapter officials will take immediate action for failure to meet performance objectives.	

Prior Finding II: Chapter Does Not Consistently Comply with Applicable Laws and Regulations.

Chapter Corrective Actions	Status of Corrective Action
Issue 1: Non-compliance with Navajo Nation Procurement Code and regulations.	
1. The Chapter Community Services Coordinator and Accounts Maintenance Specialist shall obtain applicable price quotations from vendors for procurement of goods and services.	<i>Not Implemented.</i> 23 of 23 (or 100%) expenditures reviewed did not have three (3) quotations to demonstrate competitive prices were obtained.
2. The Chapter Community Services Coordinator and Accounts Maintenance Specialist will use receiving report to document the receipt of goods and services.	<i>Not Implemented.</i> 20 of 23 (or 87%) expenditures reviewed did not have a receiving report to document that all goods and services were received.
3. The Chapter Community Services Coordinator and Accounts Maintenance Specialist will ensure the original invoices/receipts are filed at the chapter.	Implemented
Issue 2: FY 2012 Appropriations were used to pay IRS unpaid taxes in 2006 and 2007.	
4. The Chapter Community Services Coordinator will submit quarterly reports and remit monthly payments to the IRS in a timely matter.	<i>Not implemented.</i> The Chapter is not making timely payments to the Internal Revenue Service.

EXHIBIT "A"

5. The Chapter officials will monitor monthly and quarterly reports remitted to the IRS.	
Issue 3: State unemployment quarterly tax reports and payments were not remitted.	
6. The Chapter Community Services Coordinator will submit quarterly reports and payments to New Mexico Workforce Solution in a timely matter.	<i>Not Implemented.</i> The Chapter has not paid unemployment taxes nor submitted SUTA quarterly reports to New Mexico Workforce Solution. The Chapter has not established on-line access to the New Mexico Department of Workforce Solutions website to create an account for reporting and submitting on-line SUTA payments.
7. The Chapter officials will monitor quarterly reports and payments remitted to New Mexico Workforce Solution.	
8. The Chapter Community Services Coordinator will verify electric access to the New Mexico Department of Workforce Solutions website and report any problems in a timely manner.	
Issue 4: Non-compliance with Housing Discretionary policies and procedures.	
9. Develop chapter housing discretionary policies and procedures and present it to the chapter membership for approval.	Implemented
10. The Chapter Community Services Coordinator will ensure the housing discretionary policies and procedures are followed.	<i>Not Implemented.</i> The Chapter did not evaluate or follow-up to make sure that funds were used as intended on any of the 3 housing assistance projects funded during the audit scope.
Issue 5: Use of Emergency Funds cannot be justified.	
11. The Chapter administration and officials shall refrain from using Emergency Fund for non-emergency expenditures.	<i>Not Implemented.</i> All five emergency expenditures were reviewed for the required documentation in disbursing Emergency Funds. The results showed that all expenditures did not have required documentation before disbursing the fund such as a declaration of emergency, assessment of the emergency situation, meeting minutes, recipient listing and approved budget. The Chapter did not develop an emergency response plan or response team. The Chapter officials and staff did not follow the Five Management System policies and procedures in expending the Emergency Fund.
12. The Chapter administration and officials will adhere to the emergency response plan, Five Management System policies and procedures, and the emergency funding guidelines when administering the emergency funds.	

EXHIBIT "A"

Issue 6: Capital outlay appropriations were not used as intended.	
13. The Chapter administration and officials will adhere to the capital outlay funding guidelines.	Implemented
Issue 7: Financial reports are not consistently reported to the community membership.	
14. The Chapter Community Services Coordinator will ensure the monthly financial reports are prepared for the Chapter Secretary/Treasurer to present at a duly called chapter meeting and document into the meeting minutes.	<i>Not Implemented.</i> The Chapter Community Services Coordinator did not prepare complete financial reports. As a result, detailed financial reports were not provided to the community by the Chapter Secretary/Treasurer.
Issue 8: Monitoring by Chapter officials is inconsistent with LGA.	
15. The Chapter officials will utilize the monthly monitoring tool to document the reviews of chapter operations.	<i>Not Implemented.</i> There were no monthly reviews and monitoring sheet on file to show that the Chapter officials reviewed documentation and Chapter operation.



EXHIBIT "B"

BFMA-10-14

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

22ND NAVAJO NATION COUNCIL - Fourth Year, 2014

AN ACTION

**RELATING TO RESOURCES AND DEVELOPMENT AND BUDGET AND FINANCE;
ACCEPTING THE FINANCIAL AUDIT OF THE ALAMO CHAPTER SUBMITTED BY
THE OFFICE OF THE AUDITOR GENERAL AND APPROVING THE CORRECTIVE
ACTION PLAN SUBMITTED BY THE ALAMO CHAPTER**

BE IT ENACTED:

1. The Navajo Nation hereby accepts the Audit Report No. 13-11, a Financial Audit of the Alamo Chapter, attached hereto as Exhibit A, and approves the Alamo Chapter Corrective Action Plan, attached hereto as Exhibit B.
2. The Navajo Nation hereby directs that copies of the Alamo Chapter Corrective Plan be provided to the Office of the President and the Vice President and the Resources and Development Committee, as part of their oversight responsibility for the Alamo Chapter.
3. The Navajo Nation hereby directs the Alamo Chapter to submit a written status report on its progress in implementation of the Corrective Action Plan to the Office of the Auditor General Six months after the approval of this resolution.
4. The Navajo Nation hereby directs the Office of the Auditor General to review the written status report to be submitted by the Alamo Chapter and report to the Resources and Development Committee, as well as the Budget and Finance Committee.
5. The Navajo Nation hereby directs the Office of the Auditor General to conduct a follow-up review twelve months after the approval of this resolution to verify to actions claimed to have been taken by the Alamo Chapter, to issue a written follow-up report indicating the Alamo Chapter progress in implementing the Corrective Action Plan, and to make recommendations to the Resources and Development Committee, as well as the Budget and Finance Committee.

CERTIFICATION

I hereby certify that the foregoing resolution was duly considered by the Budget and Finance Committee of the Navajo Nation Council at a duly called meeting held at Window Rock, Navajo Nation (Arizona), at which a quorum was present and that the same was passed by a vote of 3 in favor, 0 opposed, this 4th day of March, 2014.

A handwritten signature in blue ink, appearing to read 'LoRenzo C. Bates', with a large, stylized initial 'L'.

LoRenzo C. Bates, Chairperson
Budget and Finance Committee

Motion: Lorenzo Curley
Second: Mel R. Begay