

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

23<sup>RD</sup> NAVAJO NATION COUNCIL - Fourth Year, 2018

AN ACTION

RELATING TO THE RESOURCES AND DEVELOPMENT COMMITTEE AND THE  
BUDGET AND FINANCE COMMITTEE; ACCEPTING THE SPECIAL REVIEW OF  
HARDROCK CHAPTER SUBMITTED BY THE OFFICE OF THE AUDITOR  
GENERAL, AND APPROVING THE CORRECTIVE ACTION PLAN SUBMITTED BY  
HARDROCK CHAPTER

BE IT ENACTED:

SECTION ONE. AUTHORITY

- A. The Resources and Development Committee (RDC) is the oversight committee of Navajo Nation Chapters. 2 N.N.C. § 501(C)(1).
- B. As the oversight committee of chapters, RDC is to receive audit reports and corrective action plans. 12 N.N.C. § 7(E).
- C. The Budget and Finance Committee (BFC) is charged with receiving and approving audit reports from the Auditor General. 12 N.N.C. §§ 6(A) and 7(D).

SECTION TWO. FINDINGS

- A. The Auditor General submitted an Audit Report for the Special Review of Hardrock Chapter, in accordance with 12 N.N.C. § 7(D). The Report, "A Special Review of Hardrock," No. 18-23, dated April, 2018, is attached as **Exhibit A**.
- B. The Report lists eight (8) findings and recommendations for correction; details of the findings and recommendations from the special review are included in **Exhibit A**.

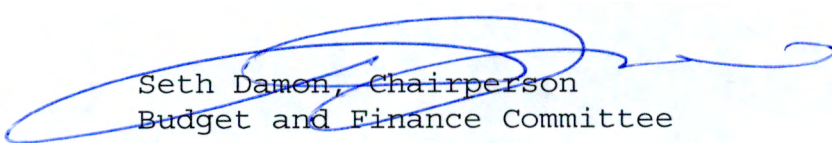
- C. Hardrock Chapter provided a corrective action plan ("CAP"), which is attached as **Exhibit B**.

### SECTION THREE. ACCEPTANCE AND APPROVAL

- A. The Navajo Nation hereby approves, "A Special Review of Hardrock Chapter", No. 18-23, dated April, 2018 which is attached as **Exhibit A**.
- B. The Navajo Nation approves the CAP submitted by Hardrock Chapter, which is attached as **Exhibit B**.
- C. The Navajo Nation directs that copies of the CAP be provided to RDC as part of its oversight responsibility for the Navajo Nation chapters. The Navajo Nation directs that Hardrock Chapter submit a written status report on its progress in implementing the corrective action plan to the Office of the Auditor General six months after the approval of this resolution.
- D. The Navajo Nation directs the Office of the Auditor General to review the written status report submitted by Hardrock Chapter and to report the results to RDC and BFC.
- E. The Navajo Nation directs the Office of the Auditor General to conduct a follow-up review twelve months after the approval of this resolution to verify the actions claimed to have been taken by Hardrock Chapter, to issue a written follow-up report indicating the Department's progress in implementing the CAP, and to make recommendations to RDC and BFC.

**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 4 in favor and 0 opposed, this 22<sup>nd</sup> day of October 2018.



Seth Damon, Chairperson  
Budget and Finance Committee

Motion: Honorable Tom T. Chee  
Second: Honorable Leonard Tsosie



## OFFICE OF THE AUDITOR GENERAL

### The Navajo Nation

### A Special Review of Hardrock Chapter

**Report No. 18-23**  
**April 2018**

Performed by:  
Karen Briscoe, Principal Auditor  
Summer Tracy, Associate Auditor



April 24, 2018

Timothy Johnson, President  
**HARDROCK CHAPTER**  
P.O. Box 20  
Kykotsmovi, AZ 86039

Dear Mr. Johnson:

The Office of the Auditor General herewith transmits Audit Report No. 18–23, A Special Review of the Hardrock Chapter, to verify whether the Chapter spent funds in accordance with the Navajo Nation and Chapter policies and procedures. A total of \$666,913 was disbursed during the period of our examination from October 1, 2015 to March 31, 2017. Our review revealed that the Chapter has not implemented appropriate controls. Listed below were the audit issues identified in the special review:

Finding I: Checks paid to the Chapter President and Accounts Maintenance Specialist and their relatives totaling \$47,230 were not authorized and supported with required documentation in the following areas:

- Bonus payments of \$13,500 paid out of the sales tax fund,
- Travel expenses totaling \$12,088,
- Payments for services totaling \$7,800,
- Payments of \$13,842 to relatives.

Finding II: Food purchases of \$19,900 may not have been for Chapter related events and were not community approved.

Finding III: Housing assistance totaling \$21,510 was awarded to recipients whose eligibility was not verified, the Chapter could not demonstrate the completion of housing assistance projects, and the Chapter did not track the use of building materials.

Finding IV: Consulting services totaling \$33,219 were not procured competitively, and a contract was not established and reviewed and approved by the Navajo Nation.

Finding V: Property records are incomplete, property is not tagged with identification numbers, and the fixed assets amount of \$138,553 reported in the financial statements cannot be verified with documentation.

Finding VI: Personnel files for 32 hires were not supported with required documentation.

Finding VII: The Accounts Maintenance Specialist earned duplicate pay because she did not take leave to attend Community Land Use Planning Committee meetings.


Ltr. to Timothy Johnson  
Page 2

Finding VIII: Complete financial reports were not provided to the community each month.

Detailed explanation on all audit issues can be found in the body of the report. The audit report provides recommendations to correct the reported findings. The Hardrock Chapter has agreed to resolve the audit findings.

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

Sincerely,



Elizabeth Begay, CIA, CFE  
Auditor General

xc: Byron Wesley, Vice President  
Valencia Edgewater, Secretary/Treasurer  
Rachel Goy, Community Services Coordinator  
Dwight Witherspoon, Council Delegate  
**HARDROCK CHAPTER**  
Johnny Johnson, Department Manager II  
**ADMINISTRATIVE SERVICE CENTER/DCD**  
Chrono



## TABLE OF CONTENTS

<b>INTRODUCTION AND BACKGROUND.....</b>	<b>Page 1</b>
<b>OBJECTIVES, SCOPE AND METHODOLOGY.....</b>	<b>2</b>
<b>REVIEW RESULTS.....</b>	<b>3</b>
<b>Finding I:</b> Checks paid to the Chapter President and Accounts Maintenance Specialist and their relatives totaling \$47,230 were not authorized and supported with required documentation.....	<b>3</b>
<b>Finding II:</b> \$19,900 in food purchases may not have been for Chapter related events and were not community approved.....	<b>6</b>
<b>Finding III:</b> Housing assistance totaling \$21,510 was awarded to recipients whose eligibility was not verified, the Chapter could not demonstrate the completion of housing assistance projects, and the Chapter did not track the use of building materials.....	<b>7</b>
<b>Finding IV:</b> Consulting services totaling \$33,219 were not procured competitively and a contract was not established and reviewed and approved by the Navajo Nation.....	<b>9</b>
<b>Finding V:</b> The Chapter's property records are incomplete, property is not tagged with identification numbers, and the fixed assets amount of \$138,553 reported in the financial statements cannot be verified with documentation.....	<b>10</b>
<b>Finding VI:</b> Personnel files documenting the hiring of 32 employees were not supported with required documentation.....	<b>12</b>
<b>Finding VII:</b> The Accounts Maintenance Specialist earned duplicate pay because she did not take leave to attend Community Land Use Planning Committee meetings.....	<b>13</b>
<b>Finding VIII:</b> Complete financial reports were not provided to the community each month.....	<b>13</b>
<b>Conclusion.....</b>	<b>14</b>
<b>AUDITEE RESPONSE .....</b>	<b>15</b>

## INTRODUCTION AND BACKGROUND

The Office of the Auditor General has conducted a special review of the Hardrock Chapter for the 18-month period ending March 31, 2017 pursuant to the authority vested in the Office of the Auditor General by 12 N.N.C., Chapter 1, § 1 - 10.

The Hardrock Chapter is a political subdivision of the Navajo Nation and is considered a general purpose local government for reporting purposes. Navajo Nation chapters are required to operate under Title 26 of the Navajo Nation Code, the Local Governance Act. The Chapter administrative duties are performed by the Community Services Coordinator and Accounts Maintenance Specialist. Oversight responsibility is provided by the elected Chapter officials and the Administrative Service Centers.

The majority of the Chapter resources are provided through appropriations from the Navajo Nation central government. These appropriations are intended to fund direct and indirect services at the local chapter government level. The direct services funds are considered restricted funds with specific intended purposes. The Chapter also generates internal revenues from fees collected for providing miscellaneous services.

Table 1 shows the Chapter's total resources available for the 18-month audit period ending March 31, 2017. Any unexpended funds are carried over into the next fiscal year.

**Table 1**  
**Budget and Actual Expenditures for Total Resources**  
**18-month audit period October 2015 through March 2017**

<b>Fund Name</b>	<b>Budget</b>	<b>Expenditures</b>	<b>Available</b>
Chapter Activities	\$ 102,254.56	\$ 95,391.35	\$ 6,863.21
Land Claims Trust Fund	\$ 37,175.00	\$ 30,461.26	\$ 6,713.74
Junk Food Tax Fund	\$ 21,434.00	\$ 574.11	\$ 20,859.89
Grazing Official Stipend Fund	\$ 1,466.00	\$ 1,222.66	\$ 243.34
Summer Youth Fund	\$ 32,523.00	\$ 27,972.54	\$ 4,550.46
Housing Discretionary Fund	\$ 57,071.00	\$ 21,509.97	\$ 35,561.03
Local Governance Act Fund	\$ 18,453.00	\$ 16,360.05	\$ 2,092.95
Chapter Stipend Fund	\$ 82,939.02	\$ 58,577.96	\$ 24,361.06
Scholarship Fund	\$ 19,737.24	\$ 19,800.00	\$ (62.76)
Public Employment Fund	\$ 146,995.98	\$ 134,471.06	\$ 12,524.92
Emergency Fund	\$ 44,571.00	\$ 21,457.44	\$ 23,113.56
Chapter Project Fund	\$ 484,443.00	\$ 46,822.54	\$ 437,620.46
Sales Tax Fund	\$ 363,964.00	\$ 192,292.51	\$ 171,671.49
<b>Total:</b>	<b>\$ 1,413,026.80</b>	<b>\$ 666,913.45</b>	<b>\$ 746,113.35</b>

Source: The Office of the Auditor General compilation of all appropriations and revenues.

The Chapter did not expend 90% of the Chapter funds budgeted for capital projects.



## **Objective, Scope, and Methodology**

The following objectives were established for this audit:

- Determine if checks paid to Chapter officials, staff, and relatives were authorized and supported with required documentation.
- Determine if food purchases were supported with required documentation and were for Chapter related events.
- Determine if the Chapter awarded housing assistance to applicants whose eligibility was verified, demonstrated completion of housing assistance projects, and tracked the use of building materials.
- Determine if consulting services were procured competitively and with a service contract that was reviewed by the Navajo Nation.
- Determine if the Chapter property records are complete, property is tagged with identification numbers, and the amount of fixed assets is accurately reported in the financial statements.
- Determine if personnel files were supported with required documentation.
- Determine if the Accounts Maintenance Specialist took leave to attend Community Land Use Planning Committee meetings.
- Determine if the Secretary/Treasurer provided financial reports to the community each month.

The audit covers activities for the 18-month period of October 1, 2015 through March 31, 2017.

To answer our audit objectives, we interviewed the Chapter administration and officials, observed Chapter operations, and examined available records. More specifically, we tested samples of expenditures for internal controls and compliance requirements by using non-statistical, judgmental methods.

### **Government Auditing Standards**

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The Office of the Auditor General expresses its appreciation to the Hardrock Chapter officials and administration for their cooperation and assistance throughout the audit.

## REVIEW RESULTS

**Finding I: Checks paid to the Chapter President and Accounts Maintenance Specialist and their relatives totaling \$47,230 were not authorized and supported with required documentation.**

**Issue: Unauthorized bonuses totaling \$13,500 were paid to the Accounts Maintenance Specialist and Chapter President.**

Criteria:	The Navajo Nation Personnel Policies and Procedures, Section VII.I, states that to be eligible for a bonus, an employee must be recommended by the immediate supervisor and approved by the Department of Personnel Management, have a performance rating of "Significantly Exceeds Standards" or "Outstanding", and must not have received a step increase or bonus for the same rating period. Title 26, Section 1002 states that the Chapter officials are only to be compensated for attending Chapter meetings.
Condition:	The Chapter paid \$13,500 in unauthorized bonuses from the sales tax fund. The Accounts Maintenance Specialist received three payments totaling \$5,500. The payments were not recommended by the immediate supervisor, nor approved by Department of Personnel Management, nor supported with a performance evaluation. Payments were also issued within the same rating period. The Chapter President received one payment totaling \$8,000. As an elected official, the Chapter President is not eligible to receive bonus payments.
Effect:	The Chapter diverted \$13,500 of sales tax funds that could have been otherwise used to provide services to benefit the community.
Cause:	The Accounts Maintenance Specialist and Chapter officials did not obtain guidance on the process for issuing bonus payments but, instead, chose to issue payments without consideration for the established process.
Recommendation:	<ol style="list-style-type: none"><li>1. The Chapter staff and officials should become familiar with and comply with the Navajo Nation Personnel Policies and Procedures manual regarding bonus payments to employees.</li><li>2. The Chapter staff should not allow Chapter officials to receive bonus payments.</li><li>3. The Accounts Maintenance Specialist and Chapter President should repay the Chapter for unauthorized bonus payments received.</li></ol>

**Issue:** Travel checks totaling \$12,088 paid to the Chapter President and Accounts Maintenance Specialist were not authorized and supported with required travel documentation.

<b>Criteria:</b>	The Fiscal Policies and Procedures, Section VII.I requires all travel requests, advances and reimbursements to be approved. Travel advances should not exceed 80% of total travel expenses. Travelers are required to submit expense reports, trip reports, and receipts to support travel expenses. Mileage is to be reimbursed at the actual mileage. All travelers may only be reimbursed for reasonable travel expenses.														
<b>Condition:</b>	<p>For the 18-month audit period, 48 travel expenditures totaling \$12,504 out of a total of \$28,236 were reviewed for approval and supporting documentation. The following exceptions were noted:</p> <table border="1"> <thead> <tr> <th>Type of Exception</th><th>No. of Exceptions</th></tr> </thead> <tbody> <tr> <td>Traveler was paid for mileage in excess of actual mileage.</td><td>17 of 48 (or 35%)</td></tr> <tr> <td>Travel, advances, and reimbursements were not approved.</td><td>35 of 48 (or 73%)</td></tr> <tr> <td>Off-reservation travel for Chapter staff was not approved,</td><td>8 of 9 (or 89%)</td></tr> <tr> <td>Travel expense reports were incomplete.</td><td>5 of 48 (or 10%)</td></tr> <tr> <td>Travel advances were paid at more than 80%.</td><td>37 of 38 (or 97%)</td></tr> <tr> <td>Supporting documents (trip reports, receipts) were missing.</td><td>7 of 48 (or 15%)</td></tr> </tbody> </table>	Type of Exception	No. of Exceptions	Traveler was paid for mileage in excess of actual mileage.	17 of 48 (or 35%)	Travel, advances, and reimbursements were not approved.	35 of 48 (or 73%)	Off-reservation travel for Chapter staff was not approved,	8 of 9 (or 89%)	Travel expense reports were incomplete.	5 of 48 (or 10%)	Travel advances were paid at more than 80%.	37 of 38 (or 97%)	Supporting documents (trip reports, receipts) were missing.	7 of 48 (or 15%)
Type of Exception	No. of Exceptions														
Traveler was paid for mileage in excess of actual mileage.	17 of 48 (or 35%)														
Travel, advances, and reimbursements were not approved.	35 of 48 (or 73%)														
Off-reservation travel for Chapter staff was not approved,	8 of 9 (or 89%)														
Travel expense reports were incomplete.	5 of 48 (or 10%)														
Travel advances were paid at more than 80%.	37 of 38 (or 97%)														
Supporting documents (trip reports, receipts) were missing.	7 of 48 (or 15%)														
<b>Effect:</b>	Travel expenses totaling \$12,088 (97%) out of \$12,504 did not comply with all policies and may not have benefited the Chapter.														
<b>Cause:</b>	In the absence of a Community Services Coordinator, the Accounts Maintenance Specialist had control over the travel process, and the Chapter officials did not review travel documents prior to signing travel checks.														
<b>Recommendation:</b>	<ol style="list-style-type: none"> <li>1. The Chapter staff should ensure travelers are reimbursed only for actual mileage traveled for Chapter related business.</li> <li>2. The Chapter staff should ensure all travel, advances, reimbursements, and off-reservation travel are approved prior to travel and payment.</li> <li>3. The Chapter staff should not approve travel advances for more than 80% of the total estimated travel cost.</li> <li>4. The Chapter staff should ensure all required travel documents are on file to support travel expenses prior to authorizing the expenditure of travel funds.</li> <li>5. The Chapter officials should review the travel documents prior to signing travel checks.</li> </ol>														



Issue: The Chapter expended \$7,800 for services that did not benefit the Chapter.

Criteria:	The Fiscal Policies and Procedures, Section VII.B, states the Chapter shall review each fund disbursement for necessity, reasonableness and budgetary authorization. In addition, all disbursements shall be segregated to ensure that no single employee is in a position to authorize, execute, and/or approve all phases of disbursements. The Procurement Rules and Regulations, Section IV, states that payment of services shall not be made until services have been performed.
Condition:	<p>The Chapter paid \$7,800 for services that were not budgeted and necessary expenses that would benefit the community.</p> <p>The Chapter paid the Accounts Maintenance Specialist a total of \$4,800 in fees for providing clerical services to the Voice of the People organization, which is not an organization of the Chapter. The community membership did not approve Chapter funds to be used to pay for Voice of the People expenses. Rather the Chapter President, who also serves as the President of the Voice of the People, issued a letter requesting that the Chapter compensate the Accounts Maintenance Specialist for her work for the Voice of the People organization.</p> <p>Furthermore, the Chapter President was paid a total of \$3,000 to provide materials and a workshop for the community. However, there is no evidence that the workshop occurred, and the materials were not returned to the Chapter.</p>
Effect:	The Chapter paid the Chapter President and Accounts Maintenance Specialist \$7,800 that the Chapter could have used otherwise to provide services that would have benefitted their community members.
Cause:	There was no segregation of duties in paying the Accounts Maintenance Specialist as the Chapter President both requested and approved the payments. The Accounts Maintenance Specialist did not ensure the Chapter President delivered the services for which he was paid.
Recommendation:	<ol style="list-style-type: none"> <li>1. The Chapter staff and officials should ensure Chapter funds are used to pay for authorized Chapter activities that benefit the Chapter.</li> <li>2. The Chapter staff and officials should segregate duties so that no one individual is in the position to request and approve payments.</li> <li>3. The Chapter staff should ensure that services paid for are delivered.</li> </ol>

Issue: Payments to relatives of the Chapter President and Accounts Maintenance Specialist totaling \$13,842 cannot be supported with documentation.

Criteria:	The Navajo Nation Procurement Rules and Regulations, Section V, requires purchases to be supported with receiving reports, invoices, and approval to justify the use of resources. The Fiscal Policies and Procedures, Section VII. N., requires all Chapter officials and Chapter
-----------	--

	employees to refrain from making, participating in or influencing decisions where there is any real or potential conflict of interest. In the event of a real or potential conflict of interest, where the Chapter official or employee is required to participate as part of his or her official duties, the individual should write a justification disclosing the real or potential conflict of interest and the necessity for that individual's continued participation.												
Condition:	<p>For the 18-month audit period, 60 payments to the Accounts Maintenance Specialist's and Chapter President's relatives totaling \$13,842 were reviewed for required documentation and approval. The following exceptions were noted:</p> <table border="1"> <thead> <tr> <th>Type of Exception</th><th>No. of Exceptions</th></tr> </thead> <tbody> <tr> <td>No quotes</td><td>9 of 9 (or 100%)</td></tr> <tr> <td>No receiving reports</td><td>59 of 59 (or 100%)</td></tr> <tr> <td>No invoices/receipts</td><td>55 of 60 (or 92%)</td></tr> <tr> <td>No approval for payments</td><td>12 of 60 (or 20%)</td></tr> <tr> <td>No resolutions, notices, or sign-in sheets to verify payment was for Chapter related projects</td><td>18 of 60 (or 30%)</td></tr> </tbody> </table>	Type of Exception	No. of Exceptions	No quotes	9 of 9 (or 100%)	No receiving reports	59 of 59 (or 100%)	No invoices/receipts	55 of 60 (or 92%)	No approval for payments	12 of 60 (or 20%)	No resolutions, notices, or sign-in sheets to verify payment was for Chapter related projects	18 of 60 (or 30%)
Type of Exception	No. of Exceptions												
No quotes	9 of 9 (or 100%)												
No receiving reports	59 of 59 (or 100%)												
No invoices/receipts	55 of 60 (or 92%)												
No approval for payments	12 of 60 (or 20%)												
No resolutions, notices, or sign-in sheets to verify payment was for Chapter related projects	18 of 60 (or 30%)												
Effect:	The Chapter cannot justify checks disbursed to relatives of the Accounts Maintenance Specialist and Chapter President for payment of items such as wood, use of vehicles, cleaning fees, consulting fees, etc. totaling \$13,842.												
Cause:	There was no segregation of duties, because all payments were processed by the Accounts Maintenance Specialist and primarily approved by the Chapter President creating a conflict of interest.												
Recommendation	<ol style="list-style-type: none"> <li>1. The Chapter staff and officials should ensure that payments are supported with required documentation.</li> <li>2. The Chapter staff and officials should not initiate, process and subsequently approve payments to their relatives.</li> </ol>												

**Finding II: \$19,900 in food purchases may not have been for Chapter related events and were not community approved.**

Criteria:	The Fiscal Policies and Procedures, Section VII. B., requires that the Chapter staff ensure that supporting documents for all disbursements are on file and evaluated for necessity, reasonableness, and budgetary authorization. In addition, the Navajo Nation Procurement Rules and Regulations define a standard procurement process that includes receiving reports and approval for purchases.
-----------	--



Condition:	<p>For the 18-month audit period, 45 procurement files for food purchases totaling \$19,901 out of \$20,853 were reviewed to verify if the required documentation was on file. The following exceptions were noted:</p> <table border="1" data-bbox="483 358 1372 600"> <thead> <tr> <th>Type of Exception</th><th>No. of Exceptions</th></tr> </thead> <tbody> <tr> <td>No receiving reports</td><td>41 of 45 (or 91%)</td></tr> <tr> <td>No meeting minutes, agendas, sign-in-sheets or other documents to verify purchase was for a Chapter related event</td><td>30 of 45 (or 67%)</td></tr> <tr> <td>No approved budgets</td><td>42 of 45 (or 93%)</td></tr> </tbody> </table>	Type of Exception	No. of Exceptions	No receiving reports	41 of 45 (or 91%)	No meeting minutes, agendas, sign-in-sheets or other documents to verify purchase was for a Chapter related event	30 of 45 (or 67%)	No approved budgets	42 of 45 (or 93%)
Type of Exception	No. of Exceptions								
No receiving reports	41 of 45 (or 91%)								
No meeting minutes, agendas, sign-in-sheets or other documents to verify purchase was for a Chapter related event	30 of 45 (or 67%)								
No approved budgets	42 of 45 (or 93%)								
Effect:	Food purchases totaling \$19,901 selected for testing during the period examined may not have been for Chapter related events. Without the supporting documentation, it was unclear what type of meeting or event the food was purchased for. There is a risk that personal purchases may have been made.								
Cause:	The Chapter officials signed checks for food purchases without verifying documents to support the purchase of food.								
Recommendation:	<ol style="list-style-type: none"> <li>1. The Chapter staff should complete receiving reports to document the receipt of all goods from vendors.</li> <li>2. The Chapter staff should ensure that meeting minutes, agendas and sign-in-sheets are on file to support the purchase of food for Chapter related events.</li> <li>3. The Chapter staff should ensure all expenditures are supported with approved budgets.</li> <li>4. The Chapter officials should not sign checks without verifying documents to support the purchases.</li> </ol>								

**Finding III: Housing assistance totaling \$21,510 was awarded to recipients whose eligibility was not verified, the Chapter could not demonstrate the completion of housing assistance projects, and the Chapter did not track the use of building materials.**

**Issue:** The Chapter awarded housing assistance to seven applicants whose eligibility was not verified.

Criteria:	The Chapter Housing Policies and Procedure, Section IV, requires the Chapter to verify eligibility of housing applicants against required documents, to complete home assessments to evaluate the applicant's needs, and to evaluate applicants for priority.
Condition:	For the 18-month audit period, the Chapter awarded \$21,510 (100%) of housing assistance to seven recipients. The following exceptions were noted:

	<b>Type of Exception</b>	<b>No. of Exceptions</b>
	No verification of income	2 of 7 (or 29%)
	No leases for home sites.	2 of 7 (or 29%)
	No home assessments to evaluate the applicant's need.	7 of 7 (or 100%)
	No evaluations/ranking sheets.	5 of 7 (or 71%)
<b>Effect:</b>	The Chapter awarded \$21,510 to seven recipients whose eligibility was not verified.	
<b>Cause:</b>	The Accounts Maintenance Specialist did not effectively use the check-off list for ensuring all required documents were on file. No one independent of the Accounts Maintenance Specialist verified that all required documents were on file prior to approving assistance.	
<b>Recommendation:</b>	<ol style="list-style-type: none"> <li>1. The Accounts Maintenance Specialist should use the check-off list to verify all required documents have been submitted by the applicant prior to approving assistance.</li> <li>2. The Chapter Officials should ensure that someone independent of the Accounts Maintenance Specialist verifies all required documents are on file prior to approving assistance.</li> </ol>	

**Issue:** The Chapter cannot demonstrate that the housing assistance projects are complete.

<b>Criteria:</b>	The Chapter Housing Policies and Procedures, Section VI, requires the Chapter to prepare a report upon completion of each housing assistance project.
<b>Condition:</b>	3 of 7 (or 43%) recipient files did not have completion reports on file to evidence that housing assistance projects were completed. Although the Chapter approved the purchase of building materials to assist these recipients, the Chapter was not able to demonstrate that the materials were used to complete the housing projects.
<b>Effect:</b>	There is a risk that building materials for three housing projects totaling \$7,446 were used for unauthorized purposes other than housing assistance.
<b>Cause:</b>	The Chapter's process is to have temporary employees close out the housing projects by taking pictures and documenting the work completed. The Accounts Maintenance Specialist did not monitor and verify the work of the temporary employees to ensure that he carried out his duties and responsibilities to document completion reports of housing assistance projects.
<b>Recommendation:</b>	<ol style="list-style-type: none"> <li>1. The Chapter staff should review housing recipient files to verify that project completion reports are documented in the recipient's file.</li> <li>2. The Chapter staff should review and verify the work of temporary employees to ensure that completion reports of housing assistance projects are documented.</li> </ol>

**Issue:** The Chapter does not track the use of building materials.

<b>Criteria:</b>	The Chapter Housing Policies and Procedures, Section VI, requires the Chapter to ensure that all acquired building materials are used for their intended purpose and are fully accounted for.
<b>Condition:</b>	The Chapter did not track the use of building materials used on housing assistance projects. The Chapter purchased a total of \$21,510 of building materials for housing assistance recipients. The Chapter stored all materials at the Chapter warehouse until the temporary employees began work on the recipient's home to make the approved home improvements.
<b>Effect:</b>	There is no assurance that all building materials were used for housing assistance projects.
<b>Cause:</b>	The Accounts Maintenance Specialist allowed the temporary employees to monitor and manage the building materials without supervision and did not verify that an inventory control sheet was developed to account for materials used.
<b>Recommendation:</b>	<ol style="list-style-type: none"> <li>1. The Chapter staff should establish an inventory control sheet for building materials.</li> <li>2. The Chapter staff should supervise the temporary employees to ensure that an inventory control sheet is used to account for materials.</li> </ol>

**Finding IV: Consulting services totaling \$33,219 were not procured competitively and a contract was not established and reviewed and approved by the Navajo Nation.**

**Issue:** Consulting services were not procured competitively.

<b>Criteria:</b>	The Navajo Nation Procurement Rules and Regulations, Section V.D. requires the bidding process to be followed to ensure the selection of the best qualified contractors and vendors at competitive prices.
<b>Condition:</b>	For the 18-month audit period, the Chapter obtained consulting services from four vendors at a cost of \$33,219 without going through the bidding process.
<b>Effect:</b>	The Chapter may have paid higher prices for service providers who may not have been the most qualified consultants.
<b>Cause:</b>	The Chapter did not seek guidance on the procurement process of obtaining competitive prices for consulting services.
<b>Recommendation:</b>	<ol style="list-style-type: none"> <li>1. The Chapter staff should ensure that the procurement of consulting services goes through the bidding process.</li> <li>2. The Chapter should seek guidance on obtaining competitive prices for consulting services.</li> </ol>



**Issue:** Consulting services were obtained without a service contract that was reviewed and approved by the Navajo Nation.

<b>Criteria:</b>	The Navajo Nation Procurement Rules and Regulations, Section V.D. requires a contract to document the services procured. The contract is required to be reviewed and approved through the Navajo Nation review process.
<b>Condition:</b>	For the 18-month audit period, the Chapter obtained consulting services from four vendors at a cost of \$33,219. Two of the four vendors were not under contract. The other two vendor's contracts were not reviewed and approved through the Navajo Nation review process.
<b>Effect:</b>	The Chapter is not protecting Chapter assets if issues arise with the services provided by the vendor.
<b>Cause:</b>	The Chapter did not seek guidance from the Department of Justice when entering into contracts with service providers.
<b>Recommendation:</b>	<ol style="list-style-type: none"> <li>1. The Chapter staff should ensure that all consulting services are procured through a contract that has been reviewed and approved by the Navajo Nation.</li> <li>2. The Chapter should seek the advice and guidance of the Administrative Service Center or Department of Justice when entering into contractual agreements.</li> </ol>

**Finding V:** The Chapter's property records are incomplete, property is not tagged with identification numbers, and the fixed assets amount of \$138,553 reported in the financial statements cannot be verified with documentation.

**Issue:** The Chapter's property inventory records are incomplete.

<b>Criteria:</b>	The Property Policies and Procedures, Section VII, requires the Chapter to protect Chapter assets by implementing the following: 1) perform an annual physical inventory of property, 2) maintain a complete and accurate inventory of all property, 3) tag all property with an identification number, and 4) keep property on Chapter premises.
<b>Condition:</b>	The Chapter's property records are missing pertinent information (including serial numbers, property numbers, acquisition dates, values, and locations,) required to adequately identify the existing property and new purchases costing \$42,100. In addition, 21 of 40 (or 53%) property items reviewed did not have property identification numbers affixed to the item, and 3 of 40 (8%) property items are missing from Chapter premises.
<b>Effect:</b>	Chapter assets are not safeguarded. In the event of a loss or stolen property, the Chapter will not be able to identify the property for insurance purposes.

Cause:	The Accounts Maintenance Specialist explained that the inventory has not been updated in two years. Because without a Community Services Coordinator, she had an increased workload that prevented her from maintaining the property inventory. She did not use the temporary employees to assist with maintaining the property inventory.
Recommendation:	<ol style="list-style-type: none"> <li>1. The Chapter staff should complete an annual physical inventory of Chapter property.</li> <li>2. The Chapter staff should ensure the property inventory is complete with required information.</li> <li>3. The Chapter staff should ensure all Chapter property is tagged with identification numbers and kept on Chapter premises.</li> <li>4. The Chapter staff should use temporary employees to assist with maintaining the property inventory in the absence of a Community Services Coordinator.</li> </ol>

Issue: The fixed assets value of \$138,553 that is reported in the financial statements cannot be supported with documentation.

Criteria:	The Fiscal Policies and Procedures, Section VII, requires the Accounts Maintenance Specialist to maintain fixed assets records and to report the total dollar value of fixed assets in the financial statements. The Chapter is also required to establish internal controls to ensure that accounting data is accurate.
Condition:	The Chapter does not have records that would support the fixed assets value reported in the financial statements totaling \$138,553. 40 of 40 (or 100%) fixed assets reviewed did not have records, such as invoices, to support the fixed assets value reported by the Chapter.
Effect:	Without records to support the fixed assets amount of \$138,553, the financial statements are unreliable.
Cause:	There are no established controls in place that require someone, independent of the Accounts Maintenance Specialist, to verify that the fixed assets value reported in the financial statements is accurate and can be supported with documentation.
Recommendation:	<ol style="list-style-type: none"> <li>1. The Chapter staff should maintain a file of all invoices for fixed assets purchased to support the fixed assets amount reported in the financial statements.</li> <li>2. The Chapter should establish controls that will require someone, independent of the Accounts Maintenance Specialist, to verify that the fixed assets value reported in the financial statements can be supported with documentation.</li> </ol>



**Finding VI: Personnel files documenting the hiring of 32 employees were not supported with required documentation.**

<b>Criteria:</b>	The Fiscal Policies and Procedures, Section VII. H, requires the Chapter to maintain personnel records for each employee including employment applications, Personnel Action Forms, W-4 forms, voter registrations, driver licenses, new hire forms, and parent consent forms. Personnel records should support the hiring of employees.																
<b>Condition:</b>	<p>For the 18-month audit period, personnel files of all 32 employees hired were reviewed to verify required documentation was on file. The following exceptions were noted:</p> <table border="1"> <thead> <tr> <th>Type of Exception</th><th>No. of Exceptions</th></tr> </thead> <tbody> <tr> <td>No employment application</td><td>1 of 32 (or 3%)</td></tr> <tr> <td>No Personnel Action Forms</td><td>32 of 32 (or 100%)</td></tr> <tr> <td>No W-4 Federal Withholding Allowance Certificate</td><td>2 of 32 (or 6%)</td></tr> <tr> <td>No voter registrations</td><td>6 of 32 (or 19%)</td></tr> <tr> <td>No driver's licenses/identification cards</td><td>6 of 25 (or 24%)</td></tr> <tr> <td>No new hire reporting</td><td>3 of 32 (or 9%)</td></tr> <tr> <td>No parent consent forms</td><td>1 of 9 (or 11%)</td></tr> </tbody> </table>	Type of Exception	No. of Exceptions	No employment application	1 of 32 (or 3%)	No Personnel Action Forms	32 of 32 (or 100%)	No W-4 Federal Withholding Allowance Certificate	2 of 32 (or 6%)	No voter registrations	6 of 32 (or 19%)	No driver's licenses/identification cards	6 of 25 (or 24%)	No new hire reporting	3 of 32 (or 9%)	No parent consent forms	1 of 9 (or 11%)
Type of Exception	No. of Exceptions																
No employment application	1 of 32 (or 3%)																
No Personnel Action Forms	32 of 32 (or 100%)																
No W-4 Federal Withholding Allowance Certificate	2 of 32 (or 6%)																
No voter registrations	6 of 32 (or 19%)																
No driver's licenses/identification cards	6 of 25 (or 24%)																
No new hire reporting	3 of 32 (or 9%)																
No parent consent forms	1 of 9 (or 11%)																
<b>Effect:</b>	The Chapter cannot provide assurance that its employees were authorized to work for the Chapter and were approved to be compensated at the hourly rate they were paid.																
<b>Cause:</b>	The Accounts Maintenance Specialist said that some of the missing records may have been misfiled by temporary employees without her detection since she did not review their work to ensure they accurately filed records.																
<b>Recommendation:</b>	<ol style="list-style-type: none"> <li>1. The Chapter staff should ensure all required documents (including employment applications, Personnel Action Forms, W-4 forms, voter registrations, driver's licenses or other identification, new hire forms, and parent consent forms) are included in the personnel file.</li> <li>2. The Chapter staff should review the filing completed by temporary employees to ensure they accurately filed records.</li> </ol>																

**Finding VII: The Accounts Maintenance Specialist earned duplicate pay because she did not take leave to attend Community Land Use Planning Committee meetings.**

<b>Criteria:</b>	The Navajo Nation Personnel Policies and Procedures, Section XVI, states that an employee who has been appointed or elected to serve on a board, commission, or committee which pays a stipend shall be required to take annual leave to attend to appointed or elected duties. This policy prevents employees from earning pay from the Chapter while working in another capacity.
<b>Condition:</b>	The Accounts Maintenance Specialist did not take leave to attend Community Land Use Planning Committee meetings and, therefore, was paid her regular hours from the Navajo Nation and committee stipends simultaneously. We selected all 30 stipends to identify the date and time of the meetings and compared them to the Accounts Maintenance Specialist's recorded hours on the timesheets. 30 of 30 (or 100%) timesheets showed that the Accounts Maintenance Specialist did not take leave for a total of 40 hours while attending Community Land Use Planning Committee meetings that occurred during business hours.
<b>Effect:</b>	The Accounts Maintenance Specialist's leave hours is overstated by 40 hours which is \$464 in wages.
<b>Cause:</b>	The Chapter officials were not allowed to review the timesheets submitted by the staff to the Administrative Service Center. The Administrative Service Center does not verify the timesheet for accuracy before forwarding to the Navajo Nation payroll section. This process allowed the Chapter staff to submit inaccurate hours without detection.
<b>Recommendation:</b>	<ol style="list-style-type: none"> <li>1. The Accounts Maintenance Specialist should have approved leave in place prior to attending Community Land Use Planning Committee meetings.</li> <li>2. The Accounts Maintenance Specialist should report leave hours on her timesheet for attending the Community Land Use Planning Committee meetings.</li> <li>3. The Administrative Service Center should review the Chapter staff timesheets for accuracy.</li> <li>4. The Administrative Service Center should reduce the Accounts Maintenance Specialist's accrued leave by 40 hours.</li> </ol>

**Finding VIII: Complete financial reports were not provided to the community each month.**

<b>Criteria:</b>	Title 26 of the Local Governance Act, Section 1002 (i) and the Fiscal policies and procedures, Section VII.L requires that the Chapter administration generate basic financial statements including the balance sheet, the statement of revenue and expenditures, and the budget to actual report. The Secretary/Treasurer is responsible for presenting the financial reports to the Chapter membership at a duly called Chapter meeting.
------------------	--

Condition:	Complete financial reports to explain the financial transactions of the Chapter were not presented to the Chapter membership during the 18-month audit period. The balance sheet and the budget to actual expenditure reports were not presented to the community.
Effect:	In the absence of complete financial reports, the Chapter membership cannot make informed financial decisions.
Cause:	The Chapter staff was only providing the statement of revenue and expenditures to the Secretary/Treasurer.
Recommendation:	<ol style="list-style-type: none"> <li>1. The Chapter staff should provide all financial statements to the Secretary/Treasurer each month in preparation for the Chapter meeting.</li> <li>2. The Secretary/Treasurer should report the budget to actual, balance sheet, and income statement to the community membership to explain the financial position of the Chapter and document this action in the meeting minutes with an attached copy of the financial reports.</li> </ol>

## Conclusion

The Chapter disbursed a total of \$666,913 from all funding sources during the period of our examination. A total of \$121,859 (75%) out of \$162,866 of the disbursements tested was not spent in accordance with the Chapter and Navajo Nation policies and procedures.

Checks paid to the Chapter President and Accounts Maintenance Specialist and their relatives totaling \$47,230 were not authorized and supported with required documentation in the following areas:

- Bonus payments of \$13,500 paid out of the sales tax fund,
- Travel expenses totaling \$12,088,
- Payments for services totaling \$7,800,
- Payments of \$13,842 to relatives.

Food purchases of \$19,900 may not have been for Chapter related events and were not community approved. Housing assistance totaling \$21,510 was awarded to recipients whose eligibility was not verified. The Chapter could not demonstrate the completion of housing assistance projects and did not track the use of building materials.

Consulting services totaling \$33,219 were not procured competitively and a contract was not established and reviewed and approved by the Navajo Nation. Property records are incomplete, and property is not tagged with identification numbers. The fixed assets amount of \$138,553 reported in the financial statements cannot be verified with documentation.

Personnel files for 32 hires were not supported with required documentation. The Accounts Maintenance Specialist earned duplicate pay because she did not take leave to attend Community Land Use Planning Committee meetings. Complete financial reports were not provided to the community each month.

## **AUDITEE RESPONSE**



**HARDROCK CHAPTER**

17 Miles North of Hopi Cultural Center Hwy 264  
P.O. Box 20  
Kykotsmovi, Arizona 86039  
Phone: 928-725-3732 Fax: 928-725-3731  
[hardrock@navajochapters.org](mailto:hardrock@navajochapters.org)

*Chapter President, Timothy Johnson*  
*Chapter Vice-President, Byron Wesley*  
*Chapter Secretary/Treasure, Valencia Edgewater*  
*Council Delegate, Dwight Witherspoon*  
*Community Service Coordinator, Rachel Goy*  
*Accounts Maintenance Specialist, Leta M. Fatt*

---

To : Elizabeth Begay, Auditor General  
**NAVAJO NATION OFFICE OF AUDITOR GENERAL**

Karen Briscoe, Senior Auditor  
**NAVAJO NATION OFFICE OF AUDITOR GENERAL**

FROM : *Rachel Goy*  
Rachel Goy, Community Service Coordinator  
**HARDROCK CHAPTER**

THUR : *[Signature]*  
Timothy Johnson, President  
**HARDROCK CHAPTER**

DATE : March 30, 2018

SUBJECT : **SPECIAL AUDIT REVIEW – HARDROCK CHAPTER**  
**CENTRAL CHINLE AGENCY**

---

Please accept this Memorandum as an acknowledgement and in receipt of a final draft of the Special Audit Review. Hardrock Chapter will begin the process of a Corrective Action Plan with the recommendations made by the Office of Auditor General within thirty (30) days. As part of the Corrective Action Plan, Hardrock Chapter will provide orientation and trainings to the Chapter Officials and Administrative Staff on the Five Management System, Duties and Responsibilities and other applicable regulations, policies and procedures of Hardrock Chapter and Navajo Nation.

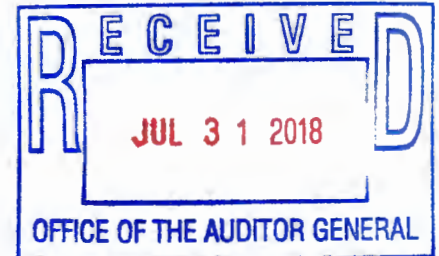
With the Special Audit Review, we recognize where our weakness are and need to improve and strengthen in those area. If you should have any questions, please do not hesitate to contact the Hardrock Chapter Administration at (928) 725-3732/3733. Thank you.



**HARDROCK CHAPTER**

17 Miles North of Hopi Cultural Center Hwy 264  
 P.O. Box 20  
 Kykotsmovi, Arizona 86039  
 Phone: (928)725-373  
 Fax: (928)725-3731  
[hardrock@navajochapters.org](mailto:hardrock@navajochapters.org)

Chapter President, Timothy Johnson  
 Chapter Vice-President, Byron Wesley  
 Chapter Secretary/Treasurer, Valencia EdgeWater  
 Council Delegate, Dwight Witherspoon  
 Community Service Coordinator, Rachel Goy  
 Accounts Maintenance Specialist, Vacant

**MEMORANDUM**

**To:** Karen Briscoe, Principal Auditor  
 Stacy R. Manuelito, Auditor  
 Elizabeth Begay, Auditor General  
**NAVAJO NATION OFFICE OF AUDITOR GENERAL**

**FROM:**   
 Timothy Johnson, President  
**HARDROCK CHAPTER**

**DATE:** July 11, 2018

**SUBJECT:** Corrective Action Plan

As requested by the Navajo Nation Office of the Auditor General, attached is the finalized Hardrock Chapter Corrective Action Plan (CAP) and the chapter's approved resolution to support the CAP.

Please contact me via email at [rgoy@navajochapters.org](mailto:rgoy@navajochapters.org), if you have any questions or concerns.

**Cc:** Bryon Wesley, Vice President  
 Valencia Edgewater, Secretary/Treasure  
**HARDROCK CHAPTER**  
 Honorable Dwight Witherspoon, Council Delegate  
**OFFICE OF LEGISLATIVE SERVICES**  
**23<sup>rd</sup> NAVAJO NATION COUNCIL**

**Hardrock Chapter  
Corrective Action Plan  
Audit Report No. 18-23**

**Audit Finding 1:** Check paid to the Chapter President and Account Maintenance Specialist and their relatives totaling \$47,230 were not authorized and supported with required documentations.

Issue:	Corrective Action Plan:	Responsible Person:	Completion Date:
<p>1. Unauthorized bonuses totaling \$13,500 were paid to the Account Maintenance Specialist and Chapter President.</p>	<ol style="list-style-type: none"> <li>1. The Community Service Coordinator, Account Maintenance Specialist and Chapter Officials will comply with the Navajo Nation Personnel Policies and Procedures manual regarding bonus payments to employees.</li> <li>2. The Community Service Coordinator and Account Maintenance Specialist will obtain guidance from the Administrative Service Center relating to any payments to the Administrative staff.</li> <li>3. The Community Service Coordinator and Account Maintenance Specialist will ensure that bonus payments are not issued to Chapter officials and will comply with Title 26 regarding compensation to Chapter officials.</li> <li>4. Community Service Coordinator and Chapter Secretary /Treasurer will create a payment plan to ensure that Account Maintenance Specialist and Chapter President repay the Chapter for unauthorized bonus payments received.</li> </ol>	<ul style="list-style-type: none"> <li>• Community Service Coordinator</li> <li>• Accounts Maintenance Specialist</li> <li>• Chapter Officials</li> </ul>	<p>October 1, 2018</p>
<p>2. Travel checks totaling \$12,088 paid to the Chapter President and Account Maintenance Specialist were not authorized and supported with required travel documentations.</p>	<ol style="list-style-type: none"> <li>1. Community Service Coordinator and Accounts Maintenance Specialist and Chapter officials will comply with the Navajo Nation Travel Policies and Procedures by: <ul style="list-style-type: none"> <li>• ensuring all supporting documentation are included in each travel request.</li> <li>• ensuring travelers are reimbursed only for actual mileage traveled for Chapter related</li> </ul> </li> </ol>	<ul style="list-style-type: none"> <li>• Community Service Coordinator</li> <li>• Accounts Maintenance Specialist</li> <li>• Chapter Officials</li> </ul>	<p>October 1, 2018</p>

	business by recalculating miles for each request. <ul style="list-style-type: none"> <li>ensuring all travel advances, reimbursements, and off reservation travel are approved prior to travel and payment.</li> </ul>		
3. The Chapter paid \$7,800 for services that did not benefit the Chapter.	<ol style="list-style-type: none"> <li>The Chapter staff and officials will ensure and have documents to support that Chapter funds are used to pay for authorized Chapter activities that benefit the Chapter.</li> <li>The Chapter staff and officials will segregate duties so that no one individual is in the position to request and approve payments.</li> <li>The Chapter staff will ensure that services paid for are delivered.</li> </ol>	<ul style="list-style-type: none"> <li>Community Service Coordinator</li> <li>Accounts Maintenance Specialist</li> <li>Chapter Official</li> </ul>	October 1, 2018
4. Payments to relatives of the Chapter President and Account Maintenance Specialist totaling \$13,842 cannot be supported with documentation.	<ol style="list-style-type: none"> <li>The Chapter staff and officials will ensure that payments are supported with required documentation in accordance with Navajo Nation and Chapter policies and procedures.</li> <li>The Chapter staff and officials will no longer initiate process and subsequently approve payments to their relatives.</li> </ol>	<ul style="list-style-type: none"> <li>Community Service Coordinator</li> <li>Accounts Maintenance Specialist</li> <li>Chapter Official</li> </ul>	October 1, 2018

**Audit Finding II:** \$19,900 in food purchases may not have been for Chapter related events and were not community approved.

Issue:	Corrective Action Plan:	Responsible Person:	Completion Date:
1. Chapter officials signed checks for food purchases without verifying documents to support the purchase of food.	<ol style="list-style-type: none"> <li>The Chapter staff will complete receiving reports to document the receipt of all goods from vendors.</li> <li>The Chapter staff will ensure that meeting minutes, agendas and sign –in-sheets are on file to support the purchase of food for Chapter related events.</li> <li>The Chapter staff will ensure all expenditures are supported with approved budgets.</li> <li>The Chapter officials will not sign checks without verifying documents to support the purchases.</li> </ol>	<ul style="list-style-type: none"> <li>Community Service Coordinator</li> <li>Accounts Maintenance Specialist</li> <li>Chapter Official</li> </ul>	October 1, 2018

**Audit Finding III:** Housing assistance totaling \$21,510 was awarded to recipients whose eligibility was not verified, the Chapter could not demonstrate the completion of housing assistance projects, and the Chapter did not track the use of building materials.

Issue:	Corrective Action Plan:	Responsible Person:	Completion Date:
<p>1. The Chapter awarded housing assistance to seven applicants whose eligibility was not verified.</p>	<ol style="list-style-type: none"> <li>1. The Accounts Maintenance Specialist will create and use the check-off list for ensuring all required documents have been submitted by the applicant in accordance with approved housing policies and procedures prior to approving assistance.</li> <li>2. The Chapter Officials should ensure that the Community Service Coordinator, independent of the Accounts Maintenance Specialist verifies all required documents are on file prior to approving assistance.</li> <li>3. The Hardrock Chapter will establish a Housing Committee to review all applications and utilize the Housing Score Sheet to select eligible applicants for assistance.</li> </ol>	<ul style="list-style-type: none"> <li>• Community Service Coordinator</li> <li>• Accounts Maintenance Specialist</li> <li>• Chapter Officials</li> </ul>	<p>October 1, 2018</p>
<p>4. The Chapter cannot demonstrate that the housing assistance projects are complete.</p>	<ol style="list-style-type: none"> <li>1. The Chapter Community Services Coordinator will review housing recipient files to verify that project completion reports are documented in the recipient's file.</li> <li>2. The Community Services Coordinator and Accounts Maintenance Specialist will verify and document the completion of housing projects, if this task is assigned to temporary employees the Chapter staff will review and verify the work of temporary employees to ensure that completion reports of housing assistance projects are documented.</li> </ol>	<ul style="list-style-type: none"> <li>• Community Services Coordinator</li> <li>• Account Maintenance Specialist</li> </ul>	<p>October 1, 2018</p>
<p>3. The Chapter does not track the use of building materials.</p>	<ol style="list-style-type: none"> <li>1. The Chapter staff will establish an inventory control sheet for building materials to track the purchase of the building materials.</li> <li>2. The Chapter staff will supervise the temporary employees to ensure that an inventory control sheet is used to account for materials.</li> </ol>	<ul style="list-style-type: none"> <li>• Community Services Coordinator</li> <li>• Account Maintenance Specialist</li> </ul>	<p>October 1, 2018</p>



**Finding IV:** Consulting services totaling \$33,219 were not procured competitively and a contract was not established and reviewed and approved by the Navajo Nation

Issue:	Corrective Action Plan:	Responsible Person:	Complete Date:
1. Consulting services were not procured competitively.	<ol style="list-style-type: none"> <li>1. The Chapter staff and officials will ensure that the procurement of consulting services goes through the bidding process.</li> <li>2. The Chapter will seek guidance on obtaining competitive prices for consulting services.</li> </ol>	<ul style="list-style-type: none"> <li>• Community Services Coordinator</li> <li>• Account Maintenance Specialist</li> <li>• Chapter Officials</li> </ul>	October 1, 2018
2. Consulting services were obtained without a service contract that was reviewed and approved by the Navajo Nation.	<ol style="list-style-type: none"> <li>1. The Chapter staff and officials will ensure that all consulting services are procured through a contract that has been reviewed and approved by the Navajo Nation,</li> <li>2. The Chapter and officials will seek the advice and guidance of the Administrative Service Center or Department of Justice when entering into contractual agreements.</li> </ol>	<ul style="list-style-type: none"> <li>• Community Services Coordinator</li> <li>• Account Maintenance Specialist</li> <li>• Chapter Officials</li> </ul>	October 1, 2018

**Finding V:** The Chapter's property records are incomplete, property is not tagged with identification numbers, and the fixed assets amount of \$138,553 reported in the financial statement cannot be verified with documentation.

Issue:	Corrective Action Plan:	Responsible Person:	Complete Date:
1. The Chapter's property inventory records are incomplete.	<ol style="list-style-type: none"> <li>1. The Chapter staff will complete an annual physical inventory of Chapter property.</li> <li>2. The Chapter staff will ensure the property inventory is complete with required information.</li> <li>3. The Chapter staff will ensure all Chapter property is tagged with identification numbers and kept on Chapter premises.</li> <li>4. The Chapter staff will use temporary employees to assist with maintaining the property inventory.</li> </ol>	<ul style="list-style-type: none"> <li>• Chapter staff</li> </ul>	October 1, 2018
2. The fixed assets value of \$138,553 that is	<ol style="list-style-type: none"> <li>1. The Chapter staff will maintain a file of all invoices for fixed assets purchased to support the fixed assets</li> </ol>	<ul style="list-style-type: none"> <li>• Chapter staff</li> </ul>	October 1, 2018



reported in the financial statements cannot be supported with documentation.	<p>amount reported in the financial statements.</p> <p>2. The Chapter Community Services Coordinator will establish controls that will require someone, independent of the Account Maintenance Specialist, to verify that the fixed assets value reported in the financial statements is accurate and can be supported with documentation.</p>	
--	--	--

**Finding VI:** Personnel files documenting the hiring of 32 employees were not supported with required documentation.

Issue:	Corrective Action Plan:	Responsible Person:	Complete Date:
<p>1. For the 18 months audit period, personnel files of all 32 employees hired were reviewed to verify required documentation was on file.</p> <ul style="list-style-type: none"> <li>No employment application</li> <li>No Personnel Actions Forms</li> <li>No W-4 Federal Withholding Allowance Certificate.</li> <li>No voter registrations</li> <li>No driver's licenses / identification cards</li> <li>No new hire reporting</li> <li>No parent consent forms</li> </ul>	<p>1. The Chapter staff will ensure all required documents (including employment applications, Personnel Action Forms, W-4 forms, voter registrations, driver's license or other identification, new hire forms, and parent consent forms) are included in the personnel file.</p> <p>2. The Chapter Community Services Coordinator will review the filing completed by staff to ensure they are accurately filed.</p>	<ul style="list-style-type: none"> <li>Chapter staff</li> </ul>	October 1, 2018

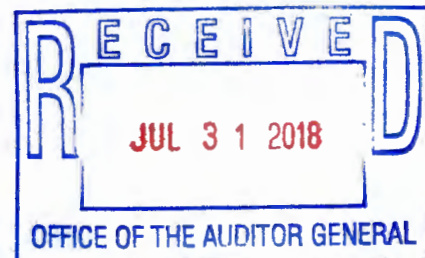
**Finding VII:** The Accounts Maintenance Specialist earned duplicate pay because she did not take leave to attend Community Land Use Planning Committee meetings.

Issue:	Corrective Action Plan:	Responsible Person:	Complete Date:
<p>1. The Accounts Maintenance Specialist did not take leave to attend Community Land Use Planning Committee meetings and, therefore, was paid her regular hours from the Navajo Nation and committee stipends simultaneously.</p>	<p>1. The Accounts Maintenance Specialist will not be receiving any more stipends for attending Community Land Use Planning Committee.</p> <p>2. The Accounts Maintenance Specialist's will request to the Administrative Service Center to reduce accrued leave by 40 hours immediately.</p>	<ul style="list-style-type: none"> <li>Chapter staff</li> </ul>	<p>October 1, 2018</p>

**Finding VIII:** Complete financial report was not provided to the community each month.

Issue:	Corrective Action Plan:	Responsible Person:	Complete Date:
<p>1. Complete financial reports to explain the financial transactions of the Chapter were not presented to the Chapter membership during the 18-month audit period. The balance sheet and the budget to actual expenditure reports were not presented to the community.</p>	<p>1. The Community Service Coordinator will ensure the Accounts Maintenance Specialist provides all financial statements to the Secretary / Treasurer, who will report the budget to actual, balance sheet, and income statement to the community membership to explain the financial position of the Chapter and document this action in the meeting minutes with an attached copy of the financial reports.</p> <p>2. The Financial Reports will be posted at the Chapter front office and in the meeting hall for public review.</p>	<ul style="list-style-type: none"> <li>Account Maintenance Specialist</li> <li>Chapter Secretary / Treasurer</li> <li>Community Services Coordinator</li> </ul>	<p>October 1, 2018</p>

RESOLUTION OF HARDROCK CHAPTER  
HR-07/18-06  
THE NAVAJO NATION



**APPROVING THE HARDROCK CHAPTER'S CORRECTIVE ACTION PLAN FOR AUDIT 18-23.**

Whereas:

1. The Navajo Nation Council by Resolution CS-34-98 enacted the Navajo Nation Local Governance Act and codified it under Title 26 of the Navajo Nation Code; and
2. Pursuant to Title 26 NNC, Section B – 1 & 2, the purpose of the Local Governance Act is to recognize at the local level and to delegate to chapter government with respect to local matters consistent with Navajo Nation laws including costume and tradition and to make decisions over local matters; and
3. At the June, 2018 Chapter Meeting, representatives from the Auditor General's Office came to the Chapter Meeting and gave a general presentation to the public of the Hardrock Chapter Audit, and;
4. The Hardrock Chapter Officials and Administrative staff are aware of the weaknesses in the Chapter's fiscal management has begun to address some of the Audit Findings; and
5. The Hardrock Chapter will seek technical assistance from the Administrative Support Center to implement the Corrective Action.

**NOW, THEREFORE, BET IT RESOLVED THAT:**

1. The Hardrock Chapter hereby Approves the Hardrock Chapter's Corrective Action Plan for Audit 18-23.
2. The Hardrock Chapter Officials and Staff will work collectively to implement the Corrective Action Plan.

**CERTIFICATION**

We hereby certify that the foregoing resolution was duly considered by the Hardrock Chapter at a duly called meeting in Hardrock, Navajo Nation, Arizona which quorum was present that same was passed by vote of 25 in favor 0 opposed and 4 abstained on this 27<sup>th</sup> day July, 2018.

  
\_\_\_\_\_  
Timothy Johnson, President

  
\_\_\_\_\_  
Byron Wesley, Vice President

  
\_\_\_\_\_  
Valencia Edgewater, Secretary/Treasurer

\_\_\_\_\_  
Dwight Witherspoon, Council Delegate

Resolution No. HR-07/18-06

## BUDGET AND FINANCE COMMITTEE

22 October 2018

Special Meeting

### VOTE TALLY SHEET:

#### Legislation No. 0298-18:

An Action Relating to Resources and Development Committee and the Budget and Finance Committee; Accepting the Special Review of the Hardrock Chapter Submitted by the Office of the Auditor General, and Approving the Corrective Action Plan Submitted by Hardrock Chapter  
*Sponsored by Dwight Witherspoon, Council Delegate*

*Motion: Tom T. Chee*

*Second: Leonard Tsosie*

*Vote: 4-0, Chairman not voting*

#### Vote Tally:

Seth A. Damon		
Dwight Witherspoon	yea	
Tom T. Chee	yea	
Lee Jack, Sr.		
Tuchoney Slim, Jr.	yea	
Leonard Tsosie	yea	

Absent: *Lee Jack, Sr.,*



Seth A. Damon, Chairman  
Budget & Finance Committee



Peggy Nakai, Legislative Advisor  
Budget & Finance Committee