

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

23RD NAVAJO NATION COUNCIL - Third Year, 2017

AN ACTION

RELATING TO RESOURCES AND DEVELOPMENT COMMITTEE AND THE BUDGET
AND FINANCE COMMITTEE; AMENDING BFMA-01-16 TO EXTEND THE TIME
PERIOD FOR DENNEHOTSO CHAPTER TO IMPLEMENT ITS 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 for Navajo Nation chapters. 2 N.N.C. §§ 500(A) and 501(C)(1). As the oversight committee for chapters, RDC is to receive audit reports and corrective action plans. 12 N.N.C. § 7(E).
- B. The Budget and Finance Committee (BFC) is a standing committee of the Navajo Nation Council. 2 N.N.C. § 300(A). The BFC is charged with receiving and approving chapter audit reports from the Auditor General. 12 N.N.C. § 6(A) and 12 N.N.C. § 7(D).
- C. The Auditor General Plan of Operation provides, "the Auditor General will conduct a follow-up review to document the status of the implementation of the corrective action plan". 12 N.N.C. § 7(G). This follow-up review is to occur "12 months after the release of the audit report." 12 N.N.C. § 7(G).

SECTION TWO. FINDINGS

- A. The BFC approved Resolution BFMA-01-16 on March 1, 2016, which accepted Audit Report 15-22, and approved the Corrective Action Plan (CAP) submitted by Dennehotso Chapter. See BFMA-01-16, attached as **Exhibit B**.

- B. The Auditor General conducted a follow-up review of Dennehotso Chapter's implementation of its CAP. The Follow-Up Report, No. 17-47, dated July 18, 2017, is attached as **Exhibit A**.
- C. The Follow-Up Report concluded that Dennehotso Chapter implemented 8 out of 36 corrective measures. Additional details are available in **Exhibit A**.
- D. The Auditor General recommends the time to complete the CAP be extended until January 12, 2018 in order to allow the current chapter officials twelve months in which to implement the CAP. See Letter to Chapter President, dated July 18, 2017, included in **Exhibit A**.

SECTION THREE. ACCEPTANCE AND APPROVAL

- A. The Navajo Nation hereby amends BFMA-01-16 by extending the time period for Dennehotso Chapter to implement the CAP until January 12, 2018.
- B. The Navajo Nation hereby directs the Office of the Auditor General to conduct a follow-up review after January 12, 2018 to determine if Dennehotso Chapter has implemented its CAP, and to make recommendations to the Resources and Development Committee, as well as the Budget and Finance Committee.
- C. The Navajo Nation hereby authorizes the Auditor General to implement recommended sanction if Dennehotso Chapter does not meet the requirements of the Corrective Action Plan; Dennehotso Chapter shall pay the Office of the Auditor General for the cost of the follow-up review.

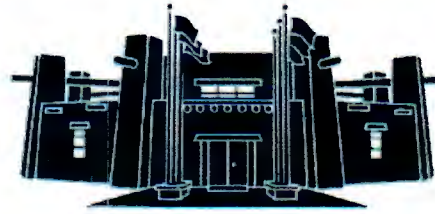
CERTIFICATION

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 7th day of November, 2017.



Seth Damon, Chairperson
Budget and Finance Committee

Motion: Honorable Dwight Witherspoon
Second: Honorable Lee Jack, Sr.



OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

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

**Report No. 17-47
July 2017**

Performed by:
Stacy Manuelito, Auditor
Derek Echohawk, Associate Auditor



July 18, 2017

Katherine Benally, President
DENNEHOTSO CHAPTER
P.O. Box 2301
Dennehotso, AZ 86535

Dear Ms. Benally:

The Office of the Auditor General herewith transmits Audit Report No. 17-47, a Follow-Up Review of the Dennehotso 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. The Dennehotso Chapter developed their corrective action plan in response to the May 19, 2015 audit report no. 15-22. The audit report and the corrective action plan were approved by the Budget and Finance Committee on March 1, 2016, per resolution no. BFMA-01-16. The resolution directed the Dennehotso Chapter to implement their Corrective Action Plan and for the Office of the Auditor General to conduct a follow-up review by March 1, 2017. The Office of the Auditor General scheduled the follow-up on May 9, 2017.

We reviewed the Dennehotso Chapter's records for the six month period of November 2016 to April 2017. The Corrective Action Plan listed 36 corrective measures to address the 5 audit findings. Of the 36 corrective measures, the Chapter implemented 8 (or 22%) corrective measures. The Chapter did not implement 18 (or 50%) corrective measures and 10 (or 28%) were considered as cannot be determine due to no activity. A summary of the current status of the corrective measures is presented below. See attached Exhibit A for the detailed explanation of the follow-up results.

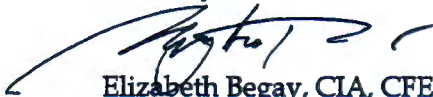
Prior Audit Findings	Number of Corrective Action Components			Audit Finding Resolved
	IMPLEMENTED	NOT IMPLEMENTED	CANNOT BE DETERMINED DUE TO NO ACTIVITY	
I. Direct service funds were expended contrary to policies.	0	2	10	No
II. Over \$70,000 of compensation paid to chapter employees is questionable.	3	9	0	No
III. \$19,000 incurred for travel may not have benefitted the chapter.	3	1	0	No
IV. Value of chapter's fixed assets is unknown and therefore uninsurable against loss.	0	3	0	No
V. Chapter does not comply with Navajo Nation and State reporting requirement.	2	3	0	No
Total:	8	18	10	36

CONCLUSION

Title 12, Navajo Nation Code (N.N.C.) Section 8 imposes upon the Dennehotso Chapter the duty to implement the corrective action plan according to the terms of the plan. As an LGA Certified Chapter, the Dennehotso Chapter is held to a higher standard regarding the implementation of their Five Management System. However, during this follow-up review, the Chapter did not fully implement the corrective action plan to resolve the audit findings reported to the Chapter since 2015. More importantly, the Chapter did not provide needed services to the Chapter membership. Pursuant to 12 N.N.C., section 9, the Dennehotso Chapter is subject to sanctions as follows: 1.) withhold 10% of the Dennehotso Chapter's operating budget per section 9(b) and 2.) withhold 20% of the stipend of the Chapter officials per section 9(c).

However, the current Chapter officials were sworn in on January 12, 2017 and the Chapter Manager was hired December 12, 2016. Consequently, they did not have sufficient time to fully implement the corrective action plan. Therefore, the Office of the Auditor General recommends amending the Budget and Finance Committee resolution no. BFMA-01-16 to extend the Dennehotso Chapter's implementation of their corrective action plan 12 months after the Chapter officials were sworn in or until January 12, 2018. The purpose of the extension is to allow the newly elected Chapter officials sufficient time to implement their corrective action plan. Thereafter, the Office of the Auditor General will schedule a supplemental follow-up review. Based on the outcome of the supplemental follow-up review, the Auditor General will provide the appropriate recommendation pursuant to 12 N.N.C. section 9.

Sincerely,



Elizabeth Begay, CIA, CFE
Auditor General

xc: Tully Begay, Vice-President
Julia Richards, Secretary/Treasurer
Matthew Austin, Chapter Manager
Nathaniel Brown, Council Delegate
DENNEHOTSO CHAPTER
Chrono

PRIOR FINDINGS, CORRECTIVE ACTIONS AND CURRENT STATUS

PRIOR FINDING I: Direct service funds were expended contrary to policies.

Chapter Corrective Actions	Status of Corrective Actions
Issue 1: Housing financial assistance was approved despite missing support documentation.	
1. The Chapter Manager will review all completed applications with supporting documents the Administrative Assistant collected for compliance with policy and procedures.	<i>Cannot be determined due to no activity.</i> During the audit scope, the Chapter did not have any housing assistance activity. Additionally, during the entrance meeting the Chapter officials acknowledge that they did not have any housing assistance activity. As of the end of the audit period April 30, 2017, the Chapter had \$23,779 unspent housing fund.
2. The Administrative Assistant will send letters to applicants with missing documents.	
3. The Chapter Manager will review and approve the applications the Housing Committee evaluated.	
4. The approved applications will be recommended for approval by chapter resolution.	
5. The Administrative Assistant will file documents at the chapter.	
Audit Issue Resolved? No	
Issue 2: Housing assistance may not have been used as intended by recipients.	
1. The Chapter Manager will conduct pre-construction assessments and take photos.	<i>Cannot be determined due to no activity.</i> During the audit scope, the Chapter did not have any housing assistance discretionary activity. Additionally, during the entrance meeting the Chapter officials acknowledge that they did not have any housing assistance activity. Although the Chapter hired seven PEP workers, they worked as the office aide, maintenance, and on projects not related to housing.
2. The Chapter Manager will develop a scope-of-work for each Housing Discretionary recipient and hire PEP workers to complete projects.	
3. The Chapter Manager will conduct post-work assessments to evaluate the completion of projects.	
4. The Administrative Assistant will file all documents in the chapter administration office.	
Audit Issue Resolved? No	
Issue 3: All 16 emergency fund disbursements totaling about \$31,000 were unsupported and unjustified.	
1. The Chapter Manager and Community Emergency Response Team Secretary will ensure all supporting documents as required by the Chapter emergency response plan are filed at the chapter administration office with meeting minutes attached for verification.	<i>Cannot be determined due to no activity.</i> During the audit scope, the Chapter did not have any emergency expenditure. Additionally, during the entrance meeting the Chapter officials acknowledge that they did not have any emergency activity.

2. The Chapter President will appoint Community Emergency Response Team members by resolution.	<i>Not Implemented.</i> The Chapter did not appoint the Community Emergency Response Team members and develop an emergency response plan.
3. The Chapter Administrative Staff, Chapter Officers, and Community Emergency Response Team members will complete Emergency Management Training and develop an emergency response plan to be adopted by resolution.	
Audit Issue Resolved? No	

PRIOR FINDING II: Over \$70,000 of compensation paid to chapter employees is questionable.

Chapter Corrective Actions	Status of Corrective Action
Issue 1: \$68,000 wages paid may have been for hours not worked.	
1. The Administrative Assistant will collect sign-in sheets and approved leave forms from all employees.	Not Implemented. 35 payroll expenditures were reviewed. 6 or 17% did not have sign in sheets; 2 or 6% timesheets did not match to the accounting system recorded hours; 7 or 20% timesheets were not reviewed and approved. The Chapter Administration did not verify that all supporting documents were attached before signing payroll checks.
2. The Administrative Assistant will prepare a master timesheet and ensure it is accurate for each pay period ending.	
3. The Chapter Manager will ensure accuracy by review and approval of all timesheets.	
4. The Chapter Manager and Chapter Officials will verify all supporting documents are attached before signing payroll checks.	
5. The Administrative Assistant will ensure proper filing of all documents in the chapter administration office.	
Audit Issue Resolved? No	
Issue 2: Staff earned and used leave hours that were not due to them.	
1. The Administrative Assistant will keep track and ensure that leave is earned consistently with the pay date schedule.	Not Implemented. The Chapter did not set up their leave accrual schedule until June 2017 several months after the staff was hired when the auditors brought it to their attention. The Chapter staff did not know that they were eligible to accrue leave upon their hiring. Even after establishing their leave accrual schedule, the hours were not accurately set up to the authorized accrual rate based on policies. The Chapter Manager does not review and verify the leave report for each pay period.
2. The Administrative Assistant will use the MIP payroll module to manage the accrual and use of leave.	
3. The Administrative Assistant will ensure that used leave hours are deducted from earned leave hours.	
4. The Chapter Manager and Chapter Officials will review and verify the leave report is accurate each pay period.	
Audit Issue Resolved? No	

Issue 3: Farm Board stipends totaling about \$4,000 paid to Chapter Manager could be duplicate compensation.	
1. The Chapter Manager will ensure a leave form is completed and approved prior to farm board meetings.	<i>Implemented</i>
2. The Chapter Officials will ensure that leave is approved prior to the issuance of compensation.	<i>Implemented</i>
3. The Chapter Manager will ensure that all Farm Board meeting documents, including leave forms are properly filed at the chapter house.	<i>Implemented</i>
Audit Issue Resolved? Yes	

PRIOR FINDING III: \$19,000 incurred for travel may not have benefitted the Chapter.

Chapter Corrective Actions	Status of Corrective Action
1. The Chapter Manager will ensure each traveler has an approved travel authorization on file prior to travel.	<i>Implemented</i>
2. The Administrative Assistant will ensure required documents are attached i.e; off reservation travel authorizations, trip report, mileage reports, expense reports and receipts, in accordance with travel policies and procedures.	<i>Implemented</i>
3. The Administrative Assistant will establish travel authorization log book to properly track all travel for the chapter.	<i>Implemented</i>
4. The Chapter President and Chapter Manager will conduct Five Management System and Navajo Nation Travel Policies and Procedures review and work session.	<i>Not Implemented.</i> The Chapter President and Chapter Manager had not conducted a work session on the Five Management System travel policies and procedures. As a result the Chapter Manager, Administrative Assistant, and Office Assistant all had a different understanding of the travel policies such as travel advance limits, per diem rates, and lodging rates.
Audit Issue Resolved? No	

PRIOR FINDING IV: Value of Chapter fixed assets is unknown and therefore uninsurable against loss.

Chapter Corrective Actions	Status of Corrective Action
1. The Chapter Manager will ensure to complete a chapter physical inventory and develop a complete and detailed inventory of all chapter	<i>Not Implemented.</i> The Chapter inventory is incomplete. The inventory is missing the values, acquisition date,

property and equipment.	and tagging. The buildings that the Chapter own were not included on the inventory. Fixed assets were not recorded to the accounting system and therefore not reported in the financial statements. The inventory that the Chapter submitted to Risk Management for insurance purposes is deemed incomplete.
2. The Chapter Manager will ensure to enter the fixed asset values into the MIP financial software.	
3. The Chapter Manager will ensure that all property is insured and chapter inventory is on file at the chapter administration.	
Audit Issue Resolved? No	

PRIOR FINDING V: Chapter does not comply with Navajo Nation and State reporting requirement.

Chapter Corrective Actions	Status of Corrective Action
Issue 1: The Chapter's financial status is not disclosed to chapter membership.	
1. The Secretary/Treasurer shall ensure that a financial report is prepared before each chapter meeting.	<i>Not Implemented.</i> Six months of Chapter regular meeting minutes were reviewed. The minutes do not mention that financial report was provided by the Chapter Secretary/Treasurer. Nevertheless, the Chapter claims but could not substantiate that financial reports were presented to the community membership each month at the Chapter meetings.
2. The Secretary/Treasurer or Vice-President (in the absence of the Secretary/Treasurer) shall make financial reports to chapter membership during monthly chapter meetings.	
3. The Secretary/Treasurer will ensure that financial reports are recorded into the meeting minutes.	
Audit Issue Resolved? No	
Issue 2: Chapter may owe a tax liability of \$2,800 for state unemployment taxes.	
1. The Chapter Manager and Administrative Assistant shall re-establish a system to ensure SUTA taxes are reported and paid in accordance to state laws.	<i>Implemented</i>
2. The Chapter Manager and Administrative Assistant shall report and remit a payment to Arizona Department of Economic Security each quarter.	<i>Implemented</i>
Audit Issue Resolved? Yes	

BFMA-01-16

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

23RD NAVAJO NATION COUNCIL - Second Year, 2016

AN ACTION

RELATING TO RESOURCES AND DEVELOPMENT AND BUDGET AND FINANCE; ACCEPTING
AUDIT REPORT 15-22, SPECIAL REVIEW OF THE DENNEHOTSO CHAPTER SUBMITTED BY
THE OFFICE OF THE AUDITOR GENERAL AND APPROVING THE CORRECTIVE ACTION PLAN
SUBMITTED BY THE DENNEHOTSO CHAPTER

BE IT ENACTED:

Section One. Findings.

- A. The Navajo Nation Council established the Resources and Development Committee (RDC) as a Navajo Nation standing committee and as such gave RDC oversight authority over the Chapters. 2 N.N.C. §§ 164 (A) (9), 500 (A) and 501 (C) (1) (2012) *see also* CO-45-12.
- B. The Navajo Nation Council established the Budget and Finance Committee (B&F) as a Navajo Nation standing committee and as such empowered B&F to review and approve audit reports and corrective action plans by resolution. 2 N.N.C. §§ 164 (A) (9), 300 (A) (2013) *see also* CO-45-12 and 12 N.N.C. § 7 (D) (2009).
- C. The Office of Auditor General shall serve RDC with copies of Dennehotso Chapter's audit report and corrective action plan. 12 N.N.C. § 7 (E) (2009).
- D. Accepting Audit Report No. 15-22 is in the Navajo Nation's best interest.

Section Two. Accepting Audit Report No. 15-22 and Approving the Corrective Action Plan

- A. The Navajo Nation accepts Audit Report No. 15-22, a Special Review of the Dennehotso Chapter, EXHIBIT A, and approves the Dennehotso Chapter's Corrective Action Plan, EXHIBIT B.
- B. The Navajo Nation directs the Office of the Auditor General to provide copies of the Dennehotso Chapter's Corrective Action Plan to the Resources and Development Committee, as part of their oversight responsibility for the Chapters. 12 N.N.C. § 7 (F) (2009).
- C. The Navajo Nation directs the Dennehotso Chapter to 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. 12 N.N.C. § 7 (F) (2009).
- D. The Navajo Nation directs the Office of the Auditor General to review Dennehotso Chapter's written status report and report to the Resources and Development Committee, as well as the Budget and Finance Committee. 12 N.N.C. § 7 (F) (2) (2009).
- E. The Navajo Nation hereby directs the Office of the Auditor General to conduct a follow-up review twelve (12) months after the approval of this resolution to verify actions claimed to have been taken by the Dennehotso Chapter, to issue a written follow-up report indicating the Dennehotso Chapter's 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 1st day of March, 2016.



Seth Damon, Chairperson
Budget and Finance Committee

Motion: Tom T. Chee

Second: Mel R. Begay