

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

23RD NAVAJO NATION COUNCIL - Fourth Year, 2018

AN ACTION

RELATING TO THE RESOURCES AND DEVELOPMENT COMMITTEE AND THE
BUDGET AND FINANCE COMMITTEE; ACCEPTING THE INTERNAL AUDIT OF
CHURCHROCK CHAPTER SUBMITTED BY THE OFFICE OF THE AUDITOR
GENERAL AND APPROVING THE CORRECTIVE ACTION PLAN SUBMITTED BY
CHURCHROCK CHAPTER

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), and 501 (C)(1).
- B. As the oversight committee of the 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 a standing committee of the Navajo Nation Council and is charged with receiving and approving chapter audit reports from the Auditor General. 12 N.N.C. § 300(A); 12 N.N.C. §§ 6(A) and 7(D).

SECTION TWO. FINDINGS

- A. Pursuant to 12 N.N.C. § 7(D), the Auditor General submitted an internal audit report of Churchrock Chapter and Corrective Action Plan for approval. Audit Report No. 17-39, dated June 6, 2017, is attached as **Exhibit A** and the Corrective Action Plan is attached as **Exhibit B**.
- B. An internal audit was conducted by the Office of the Auditor General in conjunction with LeCompte, P.C. to determine whether Churchrock Chapter properly used funds intended for services for its chapter community members

and implemented adequate internal controls when conducting chapter business.


- C. The audit report lists sixteen (16) findings and recommendations for corrections.
- D. Churchrock Chapter provided a Chapter Resolution supporting the Corrective Action Plan prepared by the Churchrock Chapter administration. The resolution is attached as **Exhibit C**.

SECTION THREE. ACCEPTANCE AND APPROVAL

- A. The Navajo Nation hereby accepts Audit Report No. 17-39, Churchrock Chapter Internal Audit, attached as **Exhibit A**, and approves Churchrock Chapter's Corrective Action Plan, attached as **Exhibit B**.
- B. The Navajo Nation directs that copies of Churchrock Chapter's Corrective Action Plan be provided to the Resources and Development Committee, as part of their oversight responsibility for chapters.
- C. The Navajo Nation directs Churchrock 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.
- D. The Navajo Nation directs the Office of the Auditor General to review the written status report to be submitted by Churchrock Chapter and report to the Resources and Development Committee, as well as the Budget and Finance Committee.
- 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 Churchrock Chapter, to issue a written follow-up report indicating Churchrock 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.

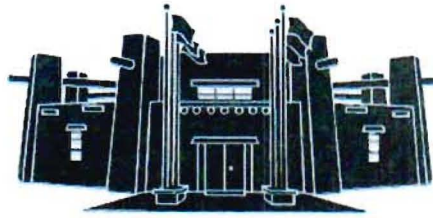
CERTIFICATION

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 and 0 opposed, this 6th day of March, 2018.



Seth Damon, Chairperson
Budget and Finance Committee

Motion: Honorable Dwight Witherspoon
Second: Honorable Tuchoney Slim, Jr.



OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

**Churchrock Chapter
Internal Audit**

**Report No. 17-39
June 2017**

Performed by:
LE COMPTE P.C.



June 6, 2017

Johnnie Henry, Jr. President
CHURCHROCK CHAPTER
P.O. Box 549
Churchrock, NM 87311


Dear Mr. Henry:

The Office of the Auditor General herewith transmits Audit Report No. 17-39, Churchrock Chapter Internal Audit. The internal audit was conducted, in conjunction with Le Compte P.C., Certified Public Accountants, to determine whether Churchrock Chapter properly used funds intended for services for its chapter community members and implemented adequate internal controls when conducting chapter business.

The auditors reported deficient or non-existent internal control procedures in a number of accounting processes critical to the operations of the chapter. The significant deficiencies resulted in sixteen (16) findings for the 24-month period reviewed from October 1, 2014 through September 30, 2016. The audit report provides recommendations to correct the audit findings and improve chapter operations.

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

Sincerely,



Elizabeth Begay, CIA, CFE
Auditor General

Enclosure

xc: Sherman Woody, Vice-President
Louise Jim, Secretary/Treasurer
Lorena Begaye, Community Services Coordinator
Edmund E. Yazzie, Council Delegate
CHURCHROCK CHAPTER
Caroline Davis, Senior Accountant
Johnny Johnson, Department Manager II
ADMINISTRATIVE SERVICE CENTER/DCD
Chrono



LECOMPTE, P.C.

CPAs & Financial Consultants

June 6, 2017

Dear Ms. Begay,

Pursuant to our engagement letter with the Office of the Auditor General, Le Compte, P.C. hereby transmits the internal audit report of the Church Rock Chapter. This is not an LGA certified chapter, however the Chapter is required to follow the policies and procedures as outlined in the standard Five Management System Manual and applicable Navajo Nation laws and regulations in conducting chapter business pursuant to Title 26.

The scope of this internal audit covered the two-year period from October 1, 2014 to September 30, 2016, and we have noted 16 findings as a result of this audit. These findings are elaborated in the enclosed report along with our recommendations for corrective action. Should there be any questions, please contact us at (505)994-3001.

Sincerely,

Craig A Le Compte, CPA

Rio Rancho, NM

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INTRODUCTION AND BACKGROUND

Le Compte, P.C. has conducted an internal audit of the Church Rock Chapter for the two-year period ending September 30, 2016. This internal audit was requested by the Office of the Auditor General after selecting the Church Rock Chapter for an audit.

Church Rock 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 (LGA). Per discussions with Chapter Officials and the new Chapter management, the Church Rock Chapter is not one of the certified chapters, however, they follow the policies and procedures as outlined in the standard Five Management Systems Manual in conducting Chapter business.

The majority of the Chapter's resources are provided by appropriations from the Navajo Nation government based in Window Rock, Arizona. These appropriations are intended to fund direct services and indirect services at the local chapter government. Funds for direct services are considered restricted funds with specific intended purposes.

The Chapter also generates internal revenues from rental of the Chapter house, resale of goods such as livestock hay, and other miscellaneous services. Any unexpended funds at the end of the fiscal year are carried over to the next fiscal year.

OBJECTIVE, SCOPE AND METHODOLOGY

The objective of this audit was to test whether the Chapter properly used funds intended for services for its membership and whether the Chapter implemented adequate internal controls when conducting Chapter business.

In performing our tests, we interviewed Chapter Officials and the management team, reviewed Chapter operations and examined available records. More specifically, we tested samples of expenditures for internal controls and compliance requirements by using a non-statistical judgmental method. We also reviewed internal controls over Chapter property and equipment to determine whether it is adequately safeguarded against loss from eventualities such as theft, vandalism and fire.

GOVERNMENT AUDITING STANDARDS

We conducted this internal audit in accordance with government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence that provides a reasonable basis for our findings and conclusions based on our audit objectives. An audit also includes review of applicable internal controls and compliance with requirements of laws and regulations to the extent that it is considered necessary to satisfy the audit objectives. We believe our audit (and the evidence obtained therefrom) provides a reasonable basis for our findings and conclusions.

Le Compte, P.C., remains thankful to the Church Rock Chapter Officials and their management team, plus the Office of the Auditor General staff and leadership, for their cooperation and assistance throughout the audit.

FINDINGS AND RECOMMENDATIONS

Finding 1: Expenditures were made without approved annual budgets for fiscal year Ended 9/30/16.

Criteria: Section VI (A) of the Fiscal Section of the FMS Manual states that no expenditure of the Chapter funds shall be made without an approved annual budget.

Condition: Based upon our review of the Chapter minutes, there were no formal Chapter resolution approving the budgets for the fiscal year 2016; however, for fiscal year 2017, we found a Chapter resolution that formally approved a budget for that fiscal year in their October 2016 regular Chapter meeting. Also, minutes pertaining to several monthly regular Chapter meetings for the years under audit were not made available for our review in a timely manner and this is discussed in a separate finding.

Cause : Recording of meeting minutes may have been incomplete which could have contributed to the lack of documentation of formal budget resolutions. Budgetary actions of the community at the chapter meetings were not properly recorded.

Effect: All Chapter funds expended during the two fiscal years covered by this audit should be considered unauthorized expenditures, totaling \$ 450,492.84 for fiscal year ended 9/30/16.

Recommendation: The Chapter's Secretary/Treasurer or their designee should properly record the actions and resolutions of the Chapter Officials and the membership during Chapter meetings to comply with FMS policies. Also, proper record keeping procedures should be followed that allows the Chapter to file all Chapter meeting minutes and connected resolutions in the administrative office of the Chapter house for the purpose of maintaining a proper audit trail and reference.

Finding 2: (A) Expenditures were made without proper support documentation to justify the expense. (B) Purchases were made without obtaining proper quotes from three different vendors. (C) Chapter requisition forms, purchase orders and receiving reports were not prepared or attached to the supporting documentation for several expenditures tested. (D) Cash disbursements made without adequate support or justification.

Expenditures were made without proper support documentation to justify the expense.

(A) Criteria: Section V.D.3 of the Fiscal section of the FMS Manual states that the Chapter's accounting records provide the necessary documentary support for account balances must be properly maintained to provide fiscal accountability for the Chapter. Such accounting records comprise of various source documents, journals, registers, ledgers, and other supplementary records.

Condition: No supporting documents were provided for 13 out of 86 items selected for the two fiscal years under audit for disbursements/expenditure test work.

Cause : Lack of qualified staff at the chapter during the periods covered by this audit . This is elaborated further in a subsequent finding, refer to Item # 11.

Effect: Sample expenditure items totaling \$7,227.27 that were selected for test work could be considered disallowed without adequate documentation.

Recommendation: The Chapter management should take steps to attach the necessary source documentation to payment requests before processing payments and ensure that such documentation is properly filed for future reference and review.

Purchases were made without obtaining proper quotes from three different vendors.

(B) Criteria: Section IV (K-1) of the Procurement Section of the FMS states that on any purchase up to \$2,500.00, the Chapter management may verbally obtain vendor and purchase price information from at least three vendors. Such information should be documented and include details such as vendor name, price quotation, date and method of contact. Information gathered via online sources is considered valid for this purpose.

Condition: There were 18 out of 50 samples tested that did not have documentation to substantiate any effort on the part of the Chapter to obtain the necessary quotations.

Cause: Lack of knowledge and inadequate training on the part of chapter staff.

Effect: The Chapter is not in compliance with the applicable provisions of the FMS Manual as stated, plus there is the risk of not obtaining the best possible price on purchases. Sample expenditure items totaling \$ 23,055.29 have been expended without obtaining the necessary quotations .

Recommendation: The Chapter's management should adhere to the prescribed policies and procedures as stated and obtain the best possible price on all purchases, plus document all the related steps pertaining to quotations.

Chapter requisition forms, purchase orders and receiving reports were not prepared or attached to the supporting documentation for several expenditures tested.

(C) Criteria: Section VI (A and B) of the Procurement Section of the FMS Manual states that Chapter staff and Officials may request for goods and services by submitting the relevant Chapter requisition forms to Chapter management. Chapter management will, then, review such request for need and relevance and process the request by initiating a purchase order and securing other relevant documentations such as receiving reports and invoices.

Condition: 18 of 50 expenditure items tested for the two years under audit did not have the requisition forms, purchase orders or receiving reports attached to the supporting documentation.

Cause : Absence of experienced and permanent staff at the chapter.

Effect: Lack of adherence to established policies and procedures could lead to the breakdown of internal controls that are necessary to safeguard the interests of the Chapter when making procurement decisions and expending Chapter funds. Sample expenditure items totaling \$23,055.29 have been expended without the necessary requisition forms, purchase orders and receiving reports .

Recommendation: The Chapter management should strictly follow the documentation requirements as prescribed by the FMS Manual when conducting Chapter business and expending Chapter funds.

Cash disbursements made without adequate support or justification.

(D) Criteria: Section VII(B) of the Fiscal section of the FMS Manual requires adequate support, audit trail and accountability for all cash disbursements and expenditures made by the Chapter without exception.

Condition: On 2/16/17, three check payments for a total of \$574.39 was made to three different vendors but the current Chapter management was unable to locate any supporting documents against these expenditures. According to printouts provided by the Chapter, these items have been booked into GL Code 6620 and 6352 which would fall under GL Titles "Gifts and Awards" and Food Purchases." A breakdown of the composition of the \$574.39 is as follows: Check #14133 for \$200.00, Check #14134 for \$331.41 and Check #14125 for \$42.98.

Cause: The Chapter's filing system is weak and as a result, the supporting documents in question were either misfiled or lost.

Effect: Chapter resources in the amount of \$574.39 were expended without adequate justification and support.

Recommendation: The Chapter should examine these transactions in detail and see if they were necessary and justified. Chapter membership should also be informed about the nature and background of these transactions. Since accountability is key to the operations of the Chapter, all disbursements should have support documentation.

Finding 3: The established checklists required for Housing Discretionary Fund and Chapter Stipend Fund were missing required documentation for two out of ten and one of out of twelve transactions respectively.

Criteria: Section V (D-3) of the Fiscal section of the FMS Manual states that the Chapter's accounting records provide the documentary support for account balances and

must be properly maintained to provide fiscal accountability for the Chapter. Navajo Nation Housing policies and procedures and provisions of the LGA require the maintenance of proper supporting documentation in this regard .

Condition:

1. Two out of ten items selected for test work from the Housing Discretionary fund for the two years under audit did not have the necessary Fund Approval form and the Point System Ranking sheet completed before the assistance was provided to the beneficiaries.
2. One out of twelve items selected for test work from the Chapter Stipend fund for the two years under audit did not have the necessary documentations on file before the relevant Claim forms were processed for payment. The meeting minutes and the Attendance Sign-in sheets were not on file for any of these payments and the only available document was the respective Claim form(s).

Cause: Lack of consistency and methodical implementation of documentation requirements on the part of the Chapter's temporary PEP workers who were employed at the chapter during the period covered by this audit .

Effect:

1. The Chapter expended Housing funds totaling \$1948.07 without completing all the required formalities and this could lead to providing assistance to those who do not meet the established criteria for such assistance.
2. Chapter stipend payments to Chapter Officials totaling \$431.00 have been made without adequate support and thus, the Chapter is not in compliance with the applicable requirements.

Recommendation: The Chapter management should work towards full compliance with the established documentation requirements that are specific to each fund and implement an internal review process before expenditures are given final approval for payment.

Finding 4: Travel expenditure transactions did not have adequate support such as trip reports, original lodging receipts, or proof of insurance and driver licenses for those using personal vehicles.

Criteria: Section VII (I-2) and (I-10c) of the Fiscal Section of the FMS Manual stipulates that Chapter management should obtain the applicable supporting documentation for travel which includes trip reports, proof of current insurance and driver licenses. Photocopies shall be obtained and kept on file.

Condition: Two out of eleven selected samples did not have a trip report to explain the purpose and accomplishments of the underlying trips and one item did not have the original

lodging receipt as required. However, a photo copy of the relevant lodging receipt was on file. In most of the instances that were tested, the travelers were using their personal vehicles for transport but the current proof of insurance or a copy of their driver licenses were not on file as mandated by the FMS requirements. Since the Chapter has been lacking its own suitable vehicle(s) for travel during the past several years, the travelers had to use their personal vehicles when travelling on account of Chapter business.

Cause: Lack of knowledge ,experience and training on the part of the chapter staff .

Effect: The Chapter is out of compliance with the FMS requirements and is exposing itself to unnecessary risks by allowing travelers to use their vehicles for Chapter business without taking the necessary steps to safeguard its own interests against possibilities such as accidents and deaths.

Recommendation: Chapter management should ensure that travel expenditure files are complete with all required documentation such as trip reports, original copies of lodging receipts, plus proof of insurance and copies of driver licenses when applicable.

Finding 5. (A) Capital assets inventory and inventory of other items have not been taken since 2013. There is currently no insurance coverage for the Chapter with the Navajo Nation's Risk Management program.(B) Lack of controls over safeguarding of Chapter's Property and Equipment items.(C) Inadequate security to safeguard Chapter premises and property.

Capital assets inventory and inventory of other items have not been taken since 2013. There is currently no insurance coverage for the Chapter with the Navajo Nation's Risk Management program.

(A)Criteria: Section VII (F.1&2)) of the Fiscal Section and Sections VII, VIII and XII of the Property Management Policies and Procedures Section of the FMS Manual state that all capital assets shall be accounted for, inventoried and identified by fund source, and that the chapter should carry adequate insurance coverage for such assets.

Condition: The Chapter's last inventory of its capital asset items or other items of value was taken in 2013 and there has been no inventory taken since then. The Chapter has not filed any of the required inventory reports (Underwriting Exposure Summary) to the Navajo Nation's Risk Management program for the past several years and consequently, there is currently no insurance coverage for any of the Chapter's capital assets or other liabilities of any kind. Currently, capital assets have not been recorded into the Chapter's accounting records.

Cause: Lack of qualified and experienced staff at the chapter during the period covered by the audit .

Effect: The Chapter runs the risk of loss of assets due to theft and accidents and other financial damages from eventualities such as third party claims for torts and other reasons due to lack of insurance. In February of 2017, a Chapter vehicle (2010 GMC Truck with License plate # G79733) was vandalized and damaged but the Chapter could not recoup the loss due to the absence of insurance coverage.

Recommendation: The Chapter management should take the necessary steps to file the required forms and reports with the Navajo Nation's Risk Management program and secure full insurance coverage as soon as possible. Once the inventory process is complete, the Chapter should record its capital assets items into its books and classify them by fund sources as required by the FMS Manual.

Lack of controls over safeguarding of Chapter's Property and Equipment items.

(B) Criteria: Section VII, VIII and X of the FMS Property Management Policies and Procedures require the Chapter to implement the necessary internal controls to protect its property and equipment items at all times and keep them accounted for at the Chapter premises.

Condition:

(1) One 580M Series 2 Backhoe with an ID # N6C400341 is a major equipment item that belongs to the Chapter which currently remains parked at a Chapter member's house that is at least 20 miles away from the Church Rock Chapter house. This backhoe was taken to that location in October of 2016 for providing some services to that particular Chapter member where it broke down and has been allowed to remain there since then. The Chapter does not seem to be making any serious efforts to repair and restore this backhoe and bring it back to the Chapter house.

(2) One 2010 GMC Truck (with VIN # IGT4K2BGXAF 142226 and License Plate # G79733) was vandalized and broken into in February of 2017 when it remained parked at the Chapter premises, and accordingly, the Chapter management has filed a police report (Police Report # 17-3915) with the Crown Point Police station on February 24, 2017 which is currently under investigation. The Chapter can't claim damages from insurance due to the fact that the Chapter has not been covered by any type of insurance protection from the Navajo Nation Risk Management Program for the past several years as discussed in Finding # 5(A).

Cause : Inadequate security at the chapter and lack of planning and direction on the part of the chapter management .

Effect: The Chapter is at the risk of losing control and accountability over its property and equipment items if sufficient measures are not taken to reverse the inadequacies of the past several years.

Recommendation: The Chapter management should expedite its efforts to obtain full insurance coverage from Navajo Nation Risk Management Program by submitting the

required inventory reports along with the necessary payment(s) which will allow for insurance claims to be made if and when needed. Also, take the necessary steps to repair the backhoe in question and restore it back to Chapter's custody.

Inadequate security to safeguard Chapter premises and property.

(C) Criteria: Section VII, VIII and X of the FMS Property Management Policies and Procedures requires the Chapter management to take adequate steps to safeguard Chapter premises and property from eventualities such as theft, vandalism and fire.

Condition: There is a security fence around the Chapter premises but the gate area remains open due to lack of provision(s) to secure the same with a proper gate and the related lock and key. Also, there is an electronic ADT security alarm system device that has been affixed to the Chapter wall in the main hall but this remains inactive due to the fact that none of the Chapter staff or Officials know the security code(s) to activate it. This ADT security alarm system that was installed at least a year ago may have become outdated by now and may need to be replaced after proper research with the relevant vendor.

Cause : Lack of planning and funding are the main reasons behind this condition.

Effect: As noted in one of the previous findings (Finding:5(B)(2)), the Chapter has recently suffered an incident of vandalism against one of its vehicles and is at further risk from similar acts of theft, burglary and break-ins.

Recommendation: The Chapter management should take the necessary steps to fix or replace the existing ADT security alarm device, plus the outside gate which will strengthen security over its premises. Additionally, the Chapter should evaluate its fire protection measures currently in place and make improvements as necessary after consultations with experts in this area.

Finding 6: (A) Quarterly Federal payroll reporting was not filed timely and the monthly Federal tax deposits were not made timely. (B) Old balances in the amount of \$1,601.46 (Supplemental Youth Fund-SUTA) and \$3,982.13 (PEP Fund-SUTA) are outstanding in the Chapter's books as of 12/31/16 and need to be reviewed . (C) Nonpayment of Navajo Nation Sales tax collections to the Navajo Nation since July 22, 2015.

Quarterly Federal payroll reporting was not filed timely and the monthly Federal tax deposits were not made timely.

(A) Criteria: Section VII(H-2j) of the Fiscal Section of the FMS Manual states that Chapter management shall ensure that timely deposits are made against the quarterly payroll tax liabilities to avoid penalties. Form 941 shall be filed with the Internal Revenue Service (IRS) on a quarterly basis according to the due dates set by the IRS. (Internal Revenue Service , Publication 15, (Circular E) , Employer's Tax Guide).

Condition: We found that at least 3 out of the 8 quarters were not filed on a timely basis. The 941's for the last three quarters of calendar year 2016 were filed on February 1, 2017.

Cause : Absence of qualified and experienced staff at the chapter during the period covered by this audit .

Effect: The Chapter has already paid at least \$ 652.06 in unnecessary penalties and interest to the IRS and may be liable to pay more subject to the relevant IRS decisions regarding this matter.

Recommendation: The Chapter management should prepare and submit timely reports to the IRS and make payments accordingly in order to avoid penalties and interest.

Old balances in the amount of \$1,601.46 (Supplemental Youth Fund-SUTA) and \$3,982.13(PEP Fund-SUTA) are outstanding in the Chapter's books as of 12/31/16 and need to be reviewed .

(B) Criteria: Sound accounting and management principles and practices require that all outstanding account balances be reviewed on an ongoing basis for validity and reasonableness and also cleared in a timely manner through payment or accounting adjustments such as write-offs and reclassifications.

Condition: As of 12/31/16, the Chapter's accounting records disclose an outstanding SUTA tax payable balance of \$1,601.46 for Supplemental Youth Fund and \$3,982.13 for the PEP Fund. Clearly, these deductions are tied to temporary Supplemental Youth workers and PEP workers who were employed at the Chapter during the past two years but the workers in question are no longer employed at the Chapter ; however , these balances have been allowed to remain in the books without any steps towards resolution .

Cause: Chapter staff have not been reviewing these accounts regularly and probably lacked the required experience to perform these functions .

Effect: The Chapter may be carrying a liability in its books which could be outdated, inaccurate and no longer valid, pending further analysis and resolution.

Recommendation: The current Chapter management should discuss this issue with the appropriate Navajo Nation Officials and the New Mexico state authorities to seek their input and guidance to resolve the outstanding balances through payment or other forms of adjustments. In the future , the applicable New Mexico rules and regulations with regard to the collection and payment of SUTA must be followed and complied with .

Nonpayment of Navajo Nation Sales tax collections to the Navajo Nation since July 22, 2015.

(C) Criteria: Section VII (A&B) of the Fiscal Section of the FMS Manual requires the Chapter management to make timely payments against all tax obligations, including sales

tax collections, by submitting the applicable reports in the prescribed format along with remittances of underlying funds.

Condition: Our review disclosed that the last time the Chapter filed its required quarterly Sales Tax Form 600 along with its remittance of \$141.60 to the Navajo Nation was on July 22, 2015. Thus, the Chapter is delinquent for several quarters since July 2015.

Cause : Absence of experienced and permanent staff at the chapter.

Effect: The sales tax liability is not expected to be significant in terms of dollar amounts but the Chapter's reputation (and funding) are at stake when significant errors of omission of this kind are made over a sustained period of time.

Recommendation: The Chapter management should expedite its efforts to file the required forms and make payments accordingly in order to meet its obligations under Navajo Nation Sales Tax laws and regulations.

Finding 7: Use of personal email addresses by elected Chapter Officials when conducting Chapter business.

Criteria: Sound management practices suggest that elected officials demonstrate professionalism and a business-like approach when performing their duties and functions as elected representatives.

Condition: It has been noted that the elected Chapter Officials are frequently using their personal email addresses to send emails to third parties when such communications were made to conduct Chapter business. It appears that these Chapter Officials currently do not have official Chapter email addresses assigned to them.

Cause : It is likely that this issue has not been brought to the attention of the chapter officials until now, and thus, they did not see a need for change in this area .

Effect: Such use of personal email addresses to conduct Chapter business gives the appearance of a lack of professionalism and introduces an element of casualness as opposed to a systematic and business-like interaction between the communicating parties.

Recommendation: Chapter management should assign official email addresses to all elected Chapter Officials and encourage them to use those designated email addresses when sending emails on behalf of the Chapter.

Finding 8: (A) PEP workers were employed for extended periods of time. (B) Nonpayment of Workmen compensation dues to the Navajo Nation Workmen Compensation Insurance Program for the past several quarters.

PEP workers were employed for extended periods of time.

(A) Criteria: The intent of the Public Employment Program is to reduce the unemployment rate within the community by offering short-term employment to community members. Such short-term employment is usually offered for a period of six consecutive months and could be extended up to one year if the Chapter is able to justify such an extension.

Condition: During the two years under audit, the Chapter employed at least two employees who worked throughout the audit period and until February 2017, and they were, in effect, functioning as acting AMS, CSC and the Office Assistant for the Chapter. Thus, the Chapter had employed these PEP workers for extended periods of time which added up to at least 27 months on a consecutive basis without proper justification to support such actions. The Chapter Officials are of the view that they had no choice in the matter due to the absence of a permanent Chapter management team to run the Chapter during the last two years in question.

Cause: Chapter officials were pressing their case to obtain the services of a qualified and permanent team of chapter staff to manage the chapter but such efforts did not produce timely results which contributed to the dependence on temporary staff .

Effect: PEP workers are not substitutes for permanent Chapter management and can't be held accountable for their actions as much as permanent Chapter employees would be subject to. During the past two years, the Chapter has suffered many inadequacies such as the lack of submission of inventory reports to the Navajo Nation Risk Management Program and the consequent loss of insurance coverage, late submission of 941's, nonpayment of Navajo Nation sales tax and workmen compensation dues and other issues as discussed in this report.

Recommendation: The Chapter management should adhere to PEP funding guidelines and its own policies and procedures in this regard which stipulate that these funds are intended for short-term employment and on-the-job training.

Nonpayment of Workmen compensation dues to the Navajo Nation Workmen Compensation Insurance Program for the past several quarters.

(B) Criteria: In accordance with the Chapter's PEP policies and procedures, PEP workers are eligible for Navajo Nation Workers' Compensation coverage during the term of their temporary employment, and thus, the Chapter is obligated to make such payments to the Navajo Nation Workers' Compensation Insurance Program on a quarterly basis.

Condition: Based upon our review and related discussions with the Navajo Nation Officials in this regard, we found that the Chapter has not paid its quarterly Workers' Compensation Insurance payments since the first quarter of 2016 and thus, they are delinquent for at least four quarters including the current first quarter of 2017.

Cause : Lack of qualified and experienced staff at the chapter .

Effect: The Chapter is currently open and vulnerable to liability litigations and damages related to on-the-job injuries, if any, suffered by PEP workers, and this is a serious risk that is subject to mitigation by making the necessary payments to the Navajo Nation agency on a timely basis.

Recommendation: The Chapter management should file the required quarterly reports to the Navajo Nation Workers' Compensation Insurance Program and make the necessary payments that will reinstate the coverage and protect the interests of the Chapter and its employees

Finding 9: Chapter membership does not receive monthly financial reporting and several regular Chapter meeting minutes were not available for audit review in a timely manner.

Criteria: Section 1001 (B) (i), Financial Reporting of the LGA requires the Secretary/Treasurer to report the financial position of the Chapter at duly called monthly Chapter meetings. Also, the Secretary/Treasurer is required to document and create the necessary meeting minutes for all Chapter meetings without exception and keep them on file at the administrative office of the Chapter house .

Condition: Review of available meeting minutes indicated that financial reports were not presented to the Chapter membership for at least ten months during 2016 and 2017, even though there were discussions regarding various financial issues connected to the Chapter at these meetings. Also, the meeting minutes pertaining to April, June, September to December of 2015, and January 2016 were not made available for our review in a timely manner. Meeting minutes were not kept filed at the chapter house and the Chapter's Secretary /Treasurer had to search for them elsewhere before they were produced for our review. Also, the Chapter resolutions that were passed and approved at the Chapter meetings were not being kept on file at the Chapter house.

Cause : Lack of discipline and training on the part of the temporary PEP workers who worked at the chapter during the period covered by the audit.

Effect: The Chapter membership has not received the necessary input from the Chapter leadership on key financial activities of the Chapter which is not conducive to promoting public trust and fiduciary responsibility between the various stakeholders. Also, the practice of not keeping meeting minutes and resolutions filed at the Chapter house could result in loss of documents and audit trail over time .

Recommendation: The Chapter Officials and the Chapter management should work together to prepare and present the necessary financial reports at each meeting. Also, they should ensure that detailed meeting minutes (and related resolutions) are generated for all meetings as applicable and kept on file in the administrative office at the Chapter house.

FINDING 10: Chapter's warehouse building needs renovation and improvement of security.

Criteria: Section VII, VIII, X and XII of the FMS Property Management Policies and Procedures requires the Chapter management to take adequate steps to safeguard Chapter premises and property from eventualities such as theft, vandalism and fire. Also, Section VII (J) of the Fiscal Section of the FMS Manual provides guidelines to Chapters regarding purchase and resale of inventory items such as livestock hay and grain.

Condition: We inspected the condition of the Chapter's warehouse that is located about a few miles away from the main Chapter building and found that the warehouse premises are desperately in need of repair and renovation. The building roof appears to be fairly secure but the floor is very unclean, and full of dirt, garbage and unwanted material spread throughout the building. There is also no security fence around the building which leaves it vulnerable to break-ins, vandalism and theft.

About 120 bales of livestock hay was purchased for resale over six months ago, it remains stored in one section of the warehouse building and it is not clear if the Chapter will be able to sell them within a reasonable time frame to recover its investment on these items. The Chapter paid around \$10.00 per bale when they acquired the hay for resale but it seems they may not be able to fully recover their investment due to the fact that the hay is losing value over time.

Cause : Lack of funds and inadequate managerial review are the primary factors behind this condition. Also, the Chapter did not have a stable management team in place during the last few years which could have contributed to the lack of attention and priority in this regard.

Effect: The warehouse building remains unclean, unsafe and unprotected and this condition could deteriorate further over time if measures to renovate are not implemented on a timely basis. Also, the chapter is not following the guidelines in Section VII (J) of the Fiscal Section of the FMS Manual regarding the purchase and resale of inventory items such as livestock hay.

Recommendation: One solution would be to seek the necessary funding from the Navajo Nation based upon a thorough evaluation of the renovation requirements and the budgetary estimates thereof. Timely action is crucial to prevent further deterioration and risks associated therewith. With regard to the hay inventory that has been lying idle for more than six months, the Chapter should consider reducing the resale price and see if that would quicken the resale process and recover part of their investment. In the future, the Chapter should be more judicious and conservative when making investments in perishable items such as hay.

Finding 11: Inadequate filing system that requires organization, effort and timely action.

Criteria: Section V(D)(4) of the Fiscal Section and various sections of the Records Management Policies and Procedures of the FMS Manual require the Chapter to maintain an adequate filing system to organize and store all the supporting documents in filing cabinets to be kept at the Chapter house for the purpose of reference, record and audit trail.

Condition: The Chapter's filing system seems to have been in disarray for over six months or longer which has placed the current Chapter management at a disadvantage by requiring them to spend considerable amount of time and effort to organize and restore the filing system to an acceptable level and status. This effort is still ongoing and could take many more months to complete and achieve the desired results. Also, the current Chapter management believes that a USB drive which contains the Chapter's accounting data and other information was not turned over to their possession and custody when the previous Chapter employees left their positions and accordingly, efforts are underway to retrieve this drive from former employee(s) who may still be in possession of it.

Cause: For close to two years, the Chapter did not have management staff in place to work on these issues. As a result, temporary PEP workers were discharging the functions of Chapter management which resulted in deficiencies of this nature.

Effect: The Chapter has an incomplete and disorganized filing system that is currently undergoing restoration. A USB drive with accounting information and data may be missing or lost and it is unclear as to what type of information, if any, has been recorded and stored onto this drive.

Recommendation: The current Chapter management should expedite its efforts to rebuild and restore the filing system and bring it up to par, plus work with the Chapter Officials to retrieve the missing USB drive in question.

Finding 12: The Chapter needs to create a PAF for a long-time volunteer worker.

Criteria: Section V(A)(6) Navajo Nation Personnel Policies and Procedures are followed by the Chapter when making personnel management decisions for the conduct of Chapter business, and accordingly, one requirement that is relevant to the Chapter is creating and maintaining PAF's for all its employees, including volunteer workers who work for the Chapter for extended periods of time or on an ongoing basis.

Condition: At least one community member has been donating services to the Chapter for the past several years which seems to be a mutually beneficial and productive arrangement; however, the Chapter has not obtained a PAF for this worker as recommended by the Navajo Nation policies and procedures referred to above.

Cause: Lack of awareness and the absence of a steady management team at the Chapter.

Effect: The Chapter is not in compliance with the applicable Navajo Nation policies and procedures as cited. Also, the absence of a PAF would keep the Chapter from providing the

requisite coverage for the volunteer worker in question under the Chapter's Workmen Compensation plan with the Navajo Nation .

Recommendation: We recommend that the new management take steps to fulfill the requirement as noted. Providing workmen compensation insurance coverage to all workers including volunteer workers is necessary and crucial to the smooth conduct of Chapter business and meeting its obligations thereof.

Finding 13: Bank reconciliations have not received any supervisory review and approval.

Criteria: As per Section VII(C) of the Fiscal Section of the FMS Manual, all bank reconciliations should be subjected to a review and approval process by a member of the management in order to verify their accuracy and completeness.

Condition: Our review of the Chapter's bank reconciliations for several months covered by this audit disclosed that there was no formal review and approval process in place at the Chapter and consequently, no such review or approval was performed.

Cause : The chapter did not have adequate and qualified staff to perform such supervisory reviews and approvals .

Effect: Review and approval of bank reconciliations on a timely basis is an important element of internal control and a lack of these could lead to future material errors.

Recommendation: The new management should establish and follow a formal practice whereby bank reconciliations are reviewed and approved on a periodic basis. Such reconciliations should also be made a part of the financial reporting package that is submitted to the Chapter membership at their monthly meetings.

Finding 14: Chapter's Public Employment Program Policies and Procedures have not been revised and updated since October 2015.

Criteria: Chapter's Public Employment Program Policies and Procedures, as adopted by the Chapter in October 2015, are used as standard guidelines that govern the various terms and conditions of employment of temporary Chapter workers under the PEP and the SYEP programs. Since the adoption of these policies in late 2015, various changes have occurred with regard to the funding and management of PEP and SYEP programs which, in turn, calls for corresponding revisions in the PEP policies and procedures so as to make them current and more responsive to the requirements of the new environment.

Condition: The existing policies and procedures refer to payment of minimum wage but are not specific as to whether New Mexico state minimum wage (\$7.50 per hour) or the Federal minimum wage (\$7.25 per hour) is applicable. Providing short term employment is the primary objective of the existing policies, however, there is no definition of what is

meant by short term. Short term is currently interpreted to mean anywhere from 6 months to a year.

Cause : Lack of a stable and committed management team did not allow the Chapter to update the Chapter's Public Employment Program Policies and Procedures .

Effect: Without revision, the existing policies make it difficult for the Chapter to plan and hire PEP workers.

Recommendation: Chapter's new management should work with their Officials to revise and update these policies and procedures as needed .

Finding 15: M.I.P. accounting records are at least three months behind at the Chapter. WIND accounting system not updated since July 2016.

Criteria: Section V(A,B,C&D) of the Fiscal Section of the FMS Manual requires the Chapter to keep its M.I.P. accounting records current and updated at all times so as to maintain its accountability and provide for the required audit trail. Also, the Chapter is required to input the necessary data into their "WIND" (Woven Integrated Navajo Data) integrated accounting system on a monthly basis.

Condition: M.I.P. accounting records at the Chapter are at least three months behind as of March 2017. Also, the Chapter has not updated its WIND system since July 2016. The new management team consisting of the new AMS(Accounts Maintenance Specialist) and the CSC(Community Services Coordinator) has been in charge since the beginning of this year (2017) and are currently working to update the M.I.P accounting records which are at least three months behind . The new AMS has attended M.I.P training courses with ITG, Inc., the standard consulting firm working with a large number of Navajo Nation chapters, and this should assist with her efforts to update the Chapter's accounting records.

Cause : Absence of a steady management team at the chapter is the sole source of all these difficulties. However, it is likely to improve with the arrival of the new management team on the scene .

Effect: Until the necessary data is input into the M.I.P and the WIND system, the Chapter would not be able to finalize its budgetary carryover of funds from the previous fiscal year to the current fiscal year. Based upon information provided by the Chapter management, the Chapter may be entitled to a carryover of at least \$90,553.00. Without updated accounting records, efficient and smooth operation of the Chapter business would be rendered difficult.

Recommendation: The Chapter should expedite and input the required data into their M.I.P. system and update accordingly so as to be able to make the budgetary carryover of funds. Also, updating accounting records (M.I.P as well as WIND) and making them current should be given priority.

Finding 16: Lack of a stable management team has weakened the operations and accountability at the Chapter.

Criteria: Strong and stable management is key to the productive and smooth conduct of Chapter business and serving the Chapter membership which currently stands close to 3,000 members. Temporary workers or volunteers can't be substitutes for permanent Chapter employees such as the CSC and AMS, given the fact that temporary workers would have less at stake as opposed to permanent ones.

Condition: Based upon our inquiries and related understanding of the Chapter's operations, it appears that the Chapter has not had a steady management team for the past several years and mostly depended upon the services of temporary PEP workers to run its operations. This has resulted in a steady and overall decline of the Chapter's operations and accountability at various levels such as non-payment of various dues, insurance and taxes, disorganized record-keeping and filing systems, failure to follow established policies and procedures and so forth.

Cause :As explained in earlier findings, the Chapter officials were pressing their case with the appropriate Navajo Nation authorities to secure a permanent management team at the Chapter to replace the temporary workers but could not achieve a breakthrough on a timely basis.

Effect: As explained in most of the prior findings, the Chapter has suffered heavily on various counts as a direct consequence of the absence of a stable management team.

Recommendation: Members of the new management team and the elected Officials should work together to rebuild and restore normalcy to the Chapter operations and accountability and should also seek the support and guidance of the appropriate Navajo Nation Officials as they deem fit and necessary.

CONCLUSION

Each year, the Church Rock Chapter receives annual appropriations to fund direct and indirect services to its local community members. To ensure that these services are provided in a timely and effective manner, the Chapter is required to administer the funds in accordance with established guidelines, policies and procedures. In addition, an adequate internal control structure ensures that the Chapter is meeting its objectives in providing these services to the local Chapter community.

Our review of the Church Rock Chapter expenditures and operations has disclosed various deficiencies in providing direct services to its membership and these deficiencies have been elaborated in the findings section along with our recommendations. As explained in the findings section, internal control procedures have been deficient or non-existent in a number of accounting processes critical to the operations of the Chapter. In the absence of a CSC and an AMS since at least March 2016, the Chapter has been left to depend upon the

temporary services of PEP workers to conduct Chapter business which directly contributed to most of the inadequacies as listed in the findings section. Since the beginning of this year, a new CSC and an AMS have assumed responsibilities for the Chapter operations and this new management team is working to rebuild and rectify the deficiencies of the past. It is a challenging and time consuming process but could succeed provided the Chapter Officials and membership extend their support to this new management team and work with them accordingly.

CHAPTER'S RESPONSE

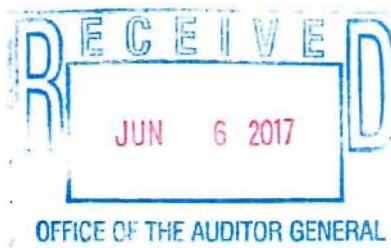
**THE NAVAJO NATION
CHURCHROCK CHAPTER**
Kin Łitsó Sinlį



Edmund E. Yazzie, Council Delegate
Johnnie Henry Jr., President
Sherman Woody, Vice-President
Louise Jim, Secretary/Treasurer
Donald Arviso, Land Board Member

June 5, 2017

Navajo Nation Office the Auditor General
Elizabeth Begay, CIA, CFE
Acting Auditor General



Dear Ms. Begay

We are in receipt of your final draft of the Compliance Audit Findings of the Churchrock Chapter dated May 19, 2017. Pursuant to Title N.N.C. 57A, we agree to the audit findings and will begin the process of the Corrective Action Plan based on the recommendations made by your office within thirty (30) days.


If you should have any questions, please feel free to contact the Churchrock Chapter at 505-488-2166 or by email; churchrock@navajochapters.org. Thank you.

Sincerely,


Lorena Begay
Community Service Coordinator
Churchrock Chapter

CC: Chapter Officials
ASC; Johnny Johnson, Department Manager
Donny Jones, Accountant
Carol Davis, Accountant

CONCURRENCE:


Churchrock Chapter Official

**THE NAVAJO NATION
CHURCHROCK CHAPTER**

Kin Łitsó Sinilí

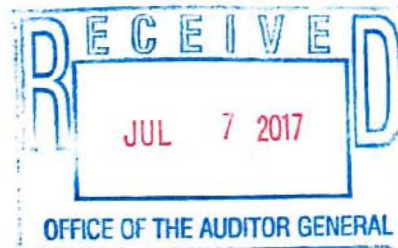
Lorena Begaye, Community Service Coordinator
Vera Marianito, Accounts Maintenance Specialist



Edmund E. Yazzie, Council Delegate
Johnnie Henry Jr., President
Sherman Woody, Vice-President
Louise Jim, Secretary/Treasurer
Donald Arviso, Land Board Member

July 7, 2017

Mrs. Elizabeth Begay, CIA, CFE
OFFICE OF THE AUDITOR GENERAL
THE NAVAJO NATION
Window Rock, Arizona 86515



Dear Mrs. Elizabeth Begay:

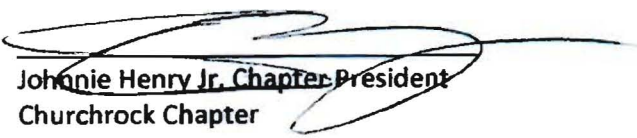
The Churchrock Chapter has received a finalized copy of the Audit Report 17-39.

Attached for your review is a copy of the Corrective Action Plan (CAP) we developed to correct the sixteen (16) audit findings based on your recommendation and those of REDW.

We thank you for your time and consideration in this matter. If there are any questions, please feel free to contact our office at 505-488-2166.

Respectfully,


Lorena Begaye
Community Service Coordinator


Johnnie Henry Jr., Chapter President
Churchrock Chapter

cc: Johnnie Henry Jr, President
Sherman Woody, Vice President
Louise Jim, Secretary-Treasurer
Johnny Johnson, ASC/DCD-Department Manager II
Caroline Davis, Senior Accountant
Edmund Yazzie, Council Delegate
Chapter Chrono/File

* P.O. Box 549 * Churchrock, NM 87311 * Ph. (505) 488-2166 * Fax (505) 488-2190 *
* E-mail: churchrock@navajochapters.org * www.churchrock.navajochapters.org

Churchrock Chapter			
Corrective Action Plan			
Audit Report No. 17-39			
Issue	Corrective Action	Responsible Parties	Timeline
Finding 1: Expenditures were made without approved annual budgets for fiscal year Ended 9/30/16.	1. Properly record all activities discussed during the Chapter meeting.	Secretary/Treasurer	7/31/2018
	2. Maintain copies of the meeting minutes at the Chapter house.	Accounts Maintenance Specialist Community Services Coordinator Secretary/Treasurer	7/31/2018
Finding 2: (A) Expenditures were made without proper support documentation to justify the expense.	1. Required documentation (FAF, quotes, etc.) will be included with the voucher packet prior to disbursement.	Accounts Maintenance Specialist Community Services Coordinator	7/31/2018
(B) Purchases were made without obtaining proper quotes from three different vendors.	1. Obtain three (3) quotations for each disbursement.	Accounts Maintenance Specialist	7/31/2018
(C) Chapter requisition forms, purchase orders and receiving reports were not prepared or attached to the supporting documentation for several expenditures tested.	1. Complete a requisition form, purchase order, and receiving report for each disbursement packet.	Accounts Maintenance Specialist	7/31/2018
(D) Cash disbursements made without adequate support or justification.	1. Required documentation (FAF, quotes, etc.) will be included with the voucher packet prior to disbursement.	Accounts Maintenance Specialist Community Services Coordinator	7/31/2018
Finding 3: The established checklists required for Housing Discretionary Fund and Chapter Stipend Fund were missing required documentation for two out of ten and one of out of twelve transactions respectively.	1. Include all required documentation (FAF, Ranking Sheet, Claims Form, etc.) for housing discretionary and Chapter Officials stipend disbursements.	Accounts Maintenance Specialist Community Services Coordinator	7/31/2018
Finding 4: Travel expenditure transactions did not have adequate support such as trip reports, original lodging receipts, or proof of insurance and driver licenses for those using personal vehicles.	1. Include all supporting travel documents (trip reports, lodging receipt, current insurance, valid driver's license, etc.) with each travel packet.	Accounts Maintenance Specialist	7/31/2018
	2. Conduct a review of the travel packets for compliance.	Community Services Coordinator Secretary/Treasurer	7/31/2018
Finding 5. (A) Capital assets inventory and inventory of other items have not been taken	1. Complete the Underwriter's Exposure Summary report each fiscal year.	Accounts Maintenance Specialist Community Services Coordinator	7/31/2018

since 2013. There is currently no insurance coverage for the Chapter with the Navajo Nation's Risk Management program.	2. Submit the Underwriter's Exposure Summary report to Risk Management.	Community Services Coordinator	7/31/2018
	3. Remit timely payment for the issued invoice.	Accounts Maintenance Specialist	7/31/2018
(B) Lack of controls over safeguarding of Chapter's Property and Equipment items.	1. Lock the front gate to Chapter premise.	Accounts Maintenance Specialist Community Services Coordinator Chapter Officials	7/31/2018
	2. Secure all property and equipment on Chapter grounds.	Accounts Maintenance Specialist Community Services Coordinator Chapter Officials	7/31/2018
(C) Inadequate security to safeguard Chapter premises and property.	1. Lock the front gate to Chapter premise.	Accounts Maintenance Specialist Community Services Coordinator Chapter Officials	7/31/2018
	2. Secure all property and equipment on Chapter grounds.	Accounts Maintenance Specialist Community Services Coordinator Chapter Officials	7/31/2018
Finding 6: (A) Quarterly Federal payroll reporting was not filed timely and the monthly Federal tax deposits were not made timely.	1. Complete the 941 report for the applicable quarter.	Accounts Maintenance Specialist	7/31/2018
	2. Review the 941 report for accuracy and completeness.	Community Services Coordinator Secretary/Treasurer	7/31/2018
	3. Submit the 941 report and remit payment to the Internal Revenue Service by the applicable due date.	Accounts Maintenance Specialist Community Services Coordinator	7/31/2018
(B) Old balances in the amount of \$1,601.46 (Supplemental Youth Fund-SUTA) and \$3,982.13(PEP Fund-SUTA) are outstanding in the Chapter's books as of 12/31/16 and need to be	1. Work with Department of Workforce Solutions in resolving matter.	Community Services Coordinator	7/31/2018
	2. Obtain clarification on on-the-job training programs from Department of Workforce Solutions.	Community Services Coordinator	7/31/2018
(C) Nonpayment of Navajo Nation Sales tax collections to the Navajo Nation since July 22, 2015.	1. Prepare form 600 for the applicable quarter.	Accounts Maintenance Specialist	7/31/2018
	2. Review form 600 for completeness and accuracy.	Community Services Coordinator Secretary/Treasurer	7/31/2018
	3. Submit form 600 and remit payment for the applicable quarter.	Accounts Maintenance Specialist Community Services Coordinator	7/31/2018

Finding 7: Use of personal email addresses by elected Chapter Officials when conducting Chapter business.	1. Complete a new email request form from Division of Community Development for each Chapter official.	Accounts Maintenance Specialist Community Services Coordinator	7/31/2018
	2. Notify the Chapter officials of their email address assign by the Division of Community Development.	Accounts Maintenance Specialist Community Services Coordinator	7/31/2018
Finding 8: (A) PEP workers were employed for extended periods of time.	1. Employ PEP workers for no more than six (6) consecutive months.	Accounts Maintenance Specialist Community Services Coordinator Chapter Officials	7/31/2018
(B) Nonpayment of Workmen compensation dues to the Navajo Nation Workmen Compensation Insurance Program for the past several quarters.	1. Prepare the workmen's compensation insurance report for the applicable quarter.	Accounts Maintenance Specialist	7/31/2018
	2. Review the report for completeness and accuracy.	Community Services Coordinator Secretary/Treasurer	7/31/2018
	3. Submit the report and remit payment for the applicable quarter.	Accounts Maintenance Specialist Community Services Coordinator	7/31/2018
Finding 9: Chapter membership does not receive monthly financial reporting and several regular Chapter meeting minutes were not available for audit review in a timely manner.	1. Obtain the monthly financial reports.	Secretary/Treasurer	7/31/2018
	2. Present the financial reports at a duly called chapter meeting.	Secretary/Treasurer	7/31/2018
	3. Record the presentation of the financial reports in the meeting minutes.	Secretary/Treasurer	7/31/2018
FINDING 10: Chapter's warehouse building needs renovation and improvement of security.	1. Obtain an approving resolution to demolish warehouse building.	Community Services Coordinator Chapter Officials	7/31/2018
	2. Locate a sufficient site to build a new warehouse building.	Community Services Coordinator Chapter Officials	7/31/2018
Finding 11: Inadequate filing system that requires organization, effort, and timely action.	1. Organize the records system by fiscal year.	Accounts Maintenance Specialist Community Services Coordinator	7/31/2018
	2. Dispose of records exceeding the retention schedule.	Accounts Maintenance Specialist Community Services Coordinator	7/31/2018
Finding 12: The Chapter needs to create a PAF for a long-time volunteer worker.	1. Maintain a Personnel Action Form (PAF) for volunteer workers.	Accounts Maintenance Specialist Community Services Coordinator	7/31/2018
	2. Submit a copy of the PAF to the workmen's compensation program.	Accounts Maintenance Specialist Community Services Coordinator	7/31/2018
Finding 13: Bank reconciliations have not received any supervisory review and approval.	1. Complete a monthly review of the bank reconciliation.	Community Services Coordinator Secretary/Treasurer	7/31/2018
	2. Correct any discrepancies in a timely manner.	Community Services Coordinator Secretary/Treasurer	7/31/2018

Finding 14: Chapter's Public Employment Program Policies and Procedures have not been revised and updated since October 2015.	1. Obtain recommendations for the PEP and SYEP policy updates from community.	Community Services Coordinator Chapter Officials	7/31/2018
	2. Revise PEP and SYEP policies and procedures with recommendations.	Community Services Coordinator Chapter Officials	7/31/2018
	3. Seek approval for updated PEP and SYEP policies and procedures at a duly called chapter meeting.	Community Services Coordinator Chapter Officials	7/31/2018
Finding 15: M.I.P. accounting records are at least three months behind at the Chapter. WIND accounting system not updated since July 2016.	1. Complete monthly reconciliation of the MIP system.	Accounts Maintenance Specialist	7/31/2018
	2. Upload the reconciled fund balances onto the WIND system for the applicable month.	Accounts Maintenance Specialist Community Services Coordinator	7/31/2018
Finding 16: Lack of a stable management team has weakened the operations and accountability at the Chapter.	1. Maintain daily chapter operations by applying applicable policies and procedures, laws, and rules and regulations.	Accounts Maintenance Specialist Community Services Coordinator Chapter Officials	7/31/2018

THE NAVAJO NATION CHURCHROCK CHAPTER

Kin Łitsó Sinilí

Lorena Begaye, Community Service Coordinator
Vera Marianito, Accounts Maintenance Specialist



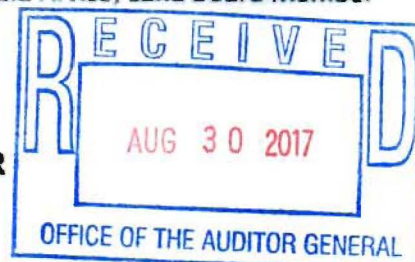
Edmund E. ...
Johnnie H. ...
Sherman V. ...
Louise Jim, Secretary/Treasurer
Donald Arviso, Land Board Member

EXHIBIT

C

RESOLUTION OF THE CHURCHROCK CHAPTER

Resolution No. CRC-170809-61



ACCEPTING AND APPROVING THE CORRECTIVE ACTION PLANS ESTABLISHED BY THE CHAPTER ADMINISTRATION REGARDING THE RESULTS OF THE AUDIT REPORT NO. 17-39 CONDUCTED BY THE NAVAJO NATION AUDITOR GENERAL'S OFFICE.

WHEREAS:

1. The Churchrock Chapter is recognized Chapter of the Navajo Nation government, vested with certain authority and responsibilities to consider and take action on matters of local concern that are in the best interest of health, safety and welfare of the Chapter's members and residents; and
2. Pursuant to an "Internal Audit" of the Churchrock Chapter's finances by the Office of the Auditor General conducted to determine whether Chapter Funds were expended according to the policies and procedures; and
3. The Scope of this review was the twenty four month period (two years) of October 01, 2014 to September 30, 2016
4. The Churchrock Chapter Internal Audit review results were as follows:

Finding 1: Expenditures were made without approved annual budgets for fiscal year ended 9/30/2016

Finding 2: (A) Expenditures were made without proper support documentation to justify expense

(B) Purchase were made without obtaining proper quotes from three different vendors

(C) Chapter requisition forms, purchase orders and receiving reports were not prepared or attached to the supporting documentation for several expenditures tested.

(D) Cash disbursements made without adequate support or justification.

Finding 3: The established checklists required for Housing Discretionary Fund and Chapter Stipend Fund were missing required documentation for two out of ten and one out of twelve transactions respectively

Finding 4: Travel expenditure transactions did not have adequate support such as trip reports, original lodging receipts, or proof of insurance and driver licenses for those using personal vehicles.

Finding 5: (A) Capital assets inventory and inventory of other items have not been taken since 2013.

There is currently no insurance coverage for the Chapter with the Navajo Nation's Risk Management program.

(B) Lack of Controls over safeguarding of Chapter's Property and Equipment Items.

(C) Inadequate security of safeguard Chapter premises and property

Finding 6: (A) Quarterly Federal payroll reporting was not filed timely and the monthly Federal Tax deposits were not made timely.

(B) Old balances in the amount of \$1,601.46 (Supplemental Youth Fund-SUTA) and \$3,982.13 (PEP Fund-SUTA) are outstanding in the Chapter's books as of 12/31/2016 and need to be reviewed.

(C) Nonpayment of Navajo Nation Sales Tax collections to the Navajo Nation since July 22, 2015.

Finding 7: Use of personal email addresses by elected Chapter Officials when conducting Chapter business.

* P.O. Box 549 * Churchrock, NM 87311 * Ph. (505) 488-2166 * Fax (505) 488-2190 *

* E-mail: churchrock@navajochapters.org * www.churchrock.navajochapters.org

THE NAVAJO NATION CHURCHROCK CHAPTER

Kin Łitsó Sinili

Lorena Begaye, Community Service Coordinator
Vera Marianito, Accounts Maintenance Specialist



Edmund E. Yazzie, Council Delegate
Johnnie Henry Jr., President
Sherman Woody, Vice-President
Louise Jim, Secretary/Treasurer
Donald Arviso, Land Board Member

- Finding 8: (A) PEP workers were employed for extended periods of time.
(B) Nonpayment of Workmen compensation dues to the Navajo Nation Workmen Compensation Insurance Program for the past several quarters.
- Finding 9: Chapter membership does not receive monthly financial reporting and several regular Chapter meeting minutes were not available for audit review in a timely manner.
- Finding 10: Chapter's warehouse building needs renovation and improvement of security.
- Finding 11: Inadequate filing system that requires organization, effort, and timely action.
- Finding 12: The Chapter needs to create a PAF for a long-time volunteer worker.
- Finding 13: Bank reconciliations have not received any supervisory review and approval.
- Finding 14: Chapter's Public Employment Program Policies and Procedures have not been revised and updated since October 2015.
- Finding 15: M.I.P. accounting records are at least three months behind at the Chapter. WIND accounting system not updated since July 2016.
- Finding 16: Lack of a stable management team has weakened the operations and accountability at the Chapter.

5. And the Chapter Administration has through coordination with the Office of Auditor General developed Corrective Action Plans to ensure that the Chapter is in compliance with the Five Management System in how it expends its funds in the future.

NOW THEREFORE BE IT RESOLVED:


The Churchrock Chapter Membership hereby directs the Chapter Administration to adhere to the Five Management System Policies and Procedures established and approved by the Chapter Membership.

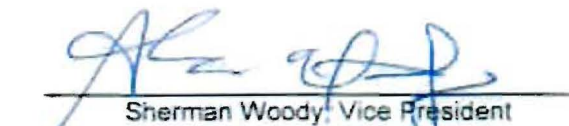
CERTIFICATION

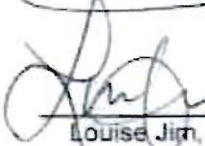
WE HEREBY CERTIFY, that the foregoing resolution was duly considered by the Churchrock Chapter at a duly called meeting at Churchrock, New Mexico, Navajo Nation, McKinley County, at which a quorum was present and the same was passed by a vote of 46 in favor, 00 opposed, and 02 abstained, this 09th day of August, 2017.

Motion: Julie Livingston

Second: Louise Begay


Johnnie Henry, Jr. President


Sherman Woody, Vice President


Louise Jim, Secretary/Treasurer


Chapter Administrative Staff