

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

24<sup>TH</sup> NAVAJO NATION COUNCIL - First Year, 2019

AN ACTION

RELATING TO RESOURCES AND DEVELOPMENT AND BUDGET AND FINANCE  
COMMITTEES; ACCEPTING THE FOLLOW-UP REVIEW OF KAIBETO CHAPTER  
CORRECTIVE ACTION PLAN IMPLEMENTATION; IMPOSING SANCTIONS FOR  
NOT IMPLEMENTING THE CORRECTIVE ACTION PLAN

BE IT ENACTED:

SECTION ONE. AUTHORITY

- A. The Resources and Development Committee serves as the oversight committee for Chapter of the Navajo Nation. 2 N.N.C. § 501(C)(1).
- B. The Auditor General's Plan of Operation, codified in 12 N.N.C. §§ 1-10, provides that "12 months after the release of the audit report, the Auditor General conduct a follow-up to determine the status of implementation [of the corrective action plan.]" 12 N.N.C. § 7(G).
- C. The Budget and Finance Committee is charged with receiving post-audit follow-up reports from the Auditor General. 12 N.N.C. §§ 6(B) and 7(H).
- D. As part of the follow-up report, the Auditor General shall recommend action to be taken by the Budget and Finance Committee and present the report to the standing committee or committees having oversight responsibility for the audited program. 12 N.N.C. § 7(G).
- E. Based on the follow-up review and any recommendations made by the standing committee having oversight responsibility for the audited program, the Budget and Finance Committee will determine what actions should be taken. 12 N.N.C. § 7(I).
- F. The Auditor General Plan of Operation provides for the imposition of sanctions under 12 N.N.C. §§ 9(B) and (C),

upon the recommendation of the Auditor General in accordance with 12 N.N.C. § 7(G).

- G. The Auditor General Plan of Operation provides that "[a]ny director or chapter official whose salary or other payments are withheld pursuant to § 9(C) shall have the right to have the withholding reviewed by the Navajo Nation Office of Hearing and Appeals." 12 N.N.C. § 9(D).

## SECTION TWO. FINDINGS

- A. The Auditor General previously conducted an audit of Kaibeto Chapter. The Budget and Finance Committee approved the audit report and the corrective action plan on March 6, 2018 in resolution BFMA-09-18, which is attached as **Exhibit B**.
- B. The Auditor General conducted a follow-up review to determine if the corrective action plan had been implemented. The Auditor General's report titled, "A Follow-Up Review of the Kaibeto Chapter Corrective Action Plan Implementation" (Report No. 19-13, March 2019) is attached as **Exhibit A**.
- C. The corrective action plan listed eight (8) corrective measures. The Kaibeto Chapter implemented 3 (or 38%) of the corrective measures in the corrective action plan. As a result, the Chapter's corrective action plan has not been implemented.
- D. The Auditor General recommended sanctions be imposed upon Kaibeto Chapter and its officials in accordance with 12 N.N.C. §§ 9(B) and 9(C). The Budget and Finance Committee is authorized to make the final determination on what actions should be taken.

## SECTION THREE. ACCEPTANCE AND APPROVAL

- A. The Navajo Nation hereby accepts **Exhibit A**. Auditor General's Report, "A Follow-Up Review of the Kaibeto Chapter Corrective Action Plan Implementation (Report No. 19-13, March, 2019).
- B. The implementation of sanctions as identified in paragraphs C and D, below, is delayed for a period of three months from the date of the approval of this



resolution. The Office of the Auditor General shall conduct a follow-up review by November 15, 2019 to determine if the corrective action plan has been implemented.

- C. The Navajo Nation Controller shall cause ten percent (10%) of monies payable from any governmental fund on the Navajo Nation as defined at 12 N.N.C. § 810(S) to be withheld after the recommended sanction is approved by the Budget and Finance Committee and issued to Kaibeto Chapter until such time as the Kaibeto Chapter demonstrates to the Auditor General that the corrective action plan has been implemented per 12 N.N.C. § 9(B).
- D. The Navajo Nation Controller shall cause twenty percent (20%) of the chapter officials stipend payments to be withheld per 12 N.N.C. § 9(C).
- E. The Chapter Officials may appeal the imposition of sanctions immediately in accordance with 12 N.N.C. § 9(D).
- F. The Kaibeto Chapter shall provide proof of implementation of the corrective action plan at which time the Auditor General shall immediately report the compliance to the Controller who shall then release all withheld funds in accordance with 12 N.N.C. §§ 9(B) and (C).

#### 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 10<sup>th</sup> day of September 2019.



Jamie Henio, Chairperson  
Budget and Finance Committee

Motion: Honorable Elmer P. Begay  
Second: Honorable Jimmy Yellowhair



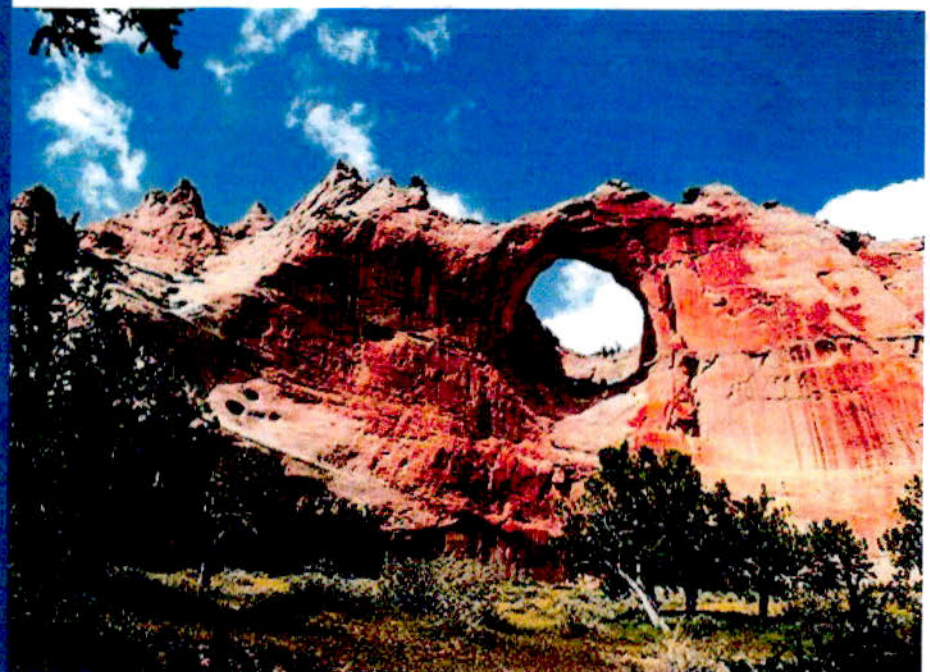
## OFFICE OF THE AUDITOR GENERAL

**The Navajo Nation**

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

**Report No. 19-13  
March 2019**

Performed by:  
Karen Briscoe, Principal Auditor  
Marcale Kaskalla, Associate Auditor





March 29, 2019

Franklin Fowler, President  
**KAIBETO CHAPTER**  
P.O. Box 1761  
Kaibeto, AZ 86053

Dear Mr. Fowler:

The Office of the Auditor General herewith transmits Audit Report No. 19-13, a Follow-up Review of the Kaibeto Chapter Corrective Action Plan Implementation.

**BACKGROUND**

In 2017, the Office of the Auditor General performed a Special Review of Checks Disbursed to the Kaibeto Chapter Accounts Maintenance Specialist and issued audit report no. 17-41. A corrective action plan was developed by the Kaibeto Chapter in response to the special review. The audit report and corrective action plan were approved by the Budget and Finance Committee on March 6, 2018, per resolution no. BFMA-09-18.

**OBJECTIVE AND SCOPE**

The objective of the follow-up review is to determine whether the Kaibeto Chapter fully implemented its corrective action plan based on a five-month review period of October 1, 2018 to February 28, 2019. Our review was based on inquiries, review of records and audit test work.

**SUMMARY**

The Kaibeto Chapter did not resolve the prior audit finding. Of 8 corrective measures, the Kaibeto Chapter implemented 3 (38%) corrective measures, leaving 5 (62%) not implemented. See attached Exhibit A for the detailed explanation of the follow-up results.

**CONCLUSION**

The Kaibeto Chapter has not reasonably addressed the audit findings from the 2017 audit of the Chapter. Therefore, the Office of the Auditor General recommends sanctions on the Kaibeto Chapter and officials in accordance with 12 N.N.C. Section 9 (B) and (C).

We wish to thank the Kaibeto Chapter staff and officials for assisting in this follow-up review.

Sincerely,



Helen Brown, Principal Auditor  
Delegated Auditor General

xc: Tom Franklin, Vice President  
Yolanda Ellis-Bileen, Secretary/Treasurer  
Ella Dodson-Slick, Accounts Maintenance Specialist  
Vacant, Community Services Coordinator  
Paul Begay, Council Delegate

**KAIBETO CHAPTER**

Johnny Johnson, Department Manager II

**ADMINISTRATIVE SERVICES CENTER/DCD**


Chrono



REVIEW RESULTS  
 Kaibeto Corrective Action Plan Implementation  
 Review Period: October 1, 2018 to February 28, 2019

<b>Audit Issues</b>	<b>Total # of Corrective Measures</b>	<b># of Corrective Measures Implemented</b>	<b># of Corrective Measures Not Implemented</b>	<b><i>Audit Issue Resolved?</i></b>	<b>Review Details</b>
1. Chapter Community Services Coordinator and officials pre-signed blank checks.	1	1	0	<b>Yes</b>	See Attachment A
2. Weak controls in the Chapter cash disbursement process.	5	1	4	<b>No</b>	
3. The Community Services Coordinator and Secretary Treasurer were not consistently monitoring the Accounts Maintenance Specialist's activities.	2	1	1	<b>No</b>	
<b>TOTAL:</b>	<b>8</b>	<b>3</b>	<b>5</b>	<b>1- Yes 2- No</b>	

WE DEEM CORRECTIVE MEASURES: **Implemented** where the Chapter provided sufficient and appropriate evidence to support all elements of the implementation; and **Not Implemented** where evidence did not support meaningful movement towards implementation, and/or where no evidence was provided.

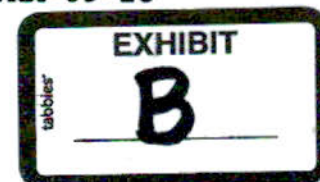


 2019 STATUS	<b>Issue #1: The Chapter Community Services Coordinator and officials pre-signed blank checks.</b> <b>RESOLVED</b>
The Chapter is no longer pre-signing checks.	

 2019 STATUS	<b>Issue #2: Weak controls in the Chapter cash disbursement process.</b> <b>NOT RESOLVED</b>
<p>During the five month review period, the Administrative Services Center (ASC) was managing the accounting system from mid-October 2018 to mid-February 2019 because the Chapter did not have a Community Services Coordinator (CSC) and Accounts Maintenance Specialist (AMS). As such, ASC required the Chapter to have all documents in place prior to issuing checks. Therefore, the review of 40 disbursement files totaling \$25,710 were approved and supported with documentation before checks were signed. Nonetheless, the continued implementation of the process is contingent upon the new AMS, hired in mid-January 2019, and officials to maintain this process.</p> <p>The accounting system was returned to the Chapter in February 2019 but our comparison of chapter records, bank records, and the accounting system revealed the following:</p> <ol style="list-style-type: none"> <li>1. Missing original voided checks.</li> <li>2. Unposted voided checks.</li> <li>3. Unposted disbursements.</li> <li>4. A manual check totaling \$250 was issued by a Chapter official without documentation and approval.</li> <li>5. A check amount of \$1,148.16 was altered to \$1,094.08 and never adjusted in the accounting system.</li> <li>6. Not all bank reconciliations are completed and reviewed for accuracy.</li> <li>7. An unauthorized individual from the ASC was signing Chapter checks.</li> </ol> <p>These issues indicate a lack of improvement in the disbursement process. The Chapter officials relied on ASC in managing the system. Although the Chapter receives monthly bank statements and has access to accounting system reports, the officials did not monitor the maintenance of an adequate accounting system to detect discrepancies. Lastly, although there was no CSC or AMS, the Chapter continued to expend chapter funds. Overall, the risks for misappropriation of funds to occur still exist.</p>	
 2019 STATUS	<b>Issue #3: The Community Services Coordinator and Secretary/Treasurer were not consistently monitoring the Accounts Maintenance Specialist's activities.</b> <b>NOT RESOLVED</b>
<p>In the initial audit, the former AMS was able to misappropriate Chapter funds because no one reviewed her work. This risk still exist. Since the Chapter does not have a CSC, the work of the current AMS should be reviewed by the Chapter officials but this was not done. Therefore, discrepancies with the accounting system went undetected. This creates an opportunity for unauthorized transactions and misuse of Chapter funds.</p>	

BFMA-09-18

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



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

AN ACTION

RELATING TO THE RESOURCES AND DEVELOPMENT AND BUDGET AND  
FINANCE; ACCEPTING THE SPECIAL REVIEW OF CHECKS DISPERSED TO  
THE KAIBETO CHAPTER ACCOUNTS MAINTENANCE SPECIALIST SUBMITTED  
BY THE OFFICE OF THE AUDITOR GENERAL AND APPROVING THE  
CORRECTIVE ACTION PLAN SUBMITTED BY THE KAIBETO CHAPTER

BE IT ENACTED:

SECTION ONE. AUTHORITY

- 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 resolutions. 2 N.N.C. §§ 164(A)(9), 300(A)(2013) *see also* CO-45-12 and 12 N.N.C. § 7(D)(2009).

SECTION TWO. FINDINGS

- A. There is established the Office of the Auditor General under the Navajo Nation Council. *See* 12 N.N.C. § 1.
- B. The purpose of the Office of the Auditor General shall be to provide continuing professional audit and management services to the Navajo Nation government with regard to the adequacy of management and accounting systems, procedures, practices and internal controls, including but not limited to ... [c]onducting financial audits and reviews of financial records of chapters, related Navajo Nation entities and contractors. *See* 12 N.N.C. § 2(A)(1).



- C. In June, 2017, the Auditor General conducted a Special Review of the Kaibeto Chapter, Report No. 17-41 and attached hereto as **Exhibit A**.
- D. A corrective action plan was developed by the Kaibeto Chapter in August, 2017 and is attached hereto as **Exhibit B**.

**SECTION THREE. ACCEPTING REPORT NO. 17-41 AND APPROVING THE CORRECTIVE ACTION PLAN**

- A. The Navajo Nation accepts Audit Report No. 17-41, a Special Review of the Checks Disbursed to the Kaibeto Chapter Accounts Maintenance Specialist as found in attached **Exhibit A**, and approves the Kaibeto Chapter Corrective Action Plan as found in attached **Exhibit B**.
- B. The Navajo Nation directs the Office of the Auditor General to provide copies of the Kaibeto Chapter 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 Kaibeto 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 Kaibeto 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 the have been taken by the Kaibeto Chapter, to issue a written follow-up report indicating the Kaibeto 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 6<sup>th</sup> day of March, 2018.




Seth Damon, Chairperson  
Budget and Finance Committee

Motion: Honorable Dwight Witherspoon  
Second: Honorable Leonard Tsosie



**M-E-M-O-R-A-N-D-U-M**

**TO** : Ed McCool, Acting Chief Legal Counsel  
**OFFICE OF LEGISLATIVE COUNSEL**

**FROM** :   
Helen Brown, Principal Auditor  
Delegated Auditor General  
**OFFICE OF THE AUDITOR GENERAL**

**DATE** : April 30, 2019

**SUBJECT** : Request for Legislation –Kaibeto Chapter

We request your office to prepare the legislation "An Action Relating to Resources and Development and Finance; Accepting the Follow-Up Review of the Kaibeto Chapter Corrective Action Plan Implementation, and Imposing Sanctions against the Kaibeto Chapter and officials for failure to implement the corrective action plan. The legislation sponsor will be Council Delegate Paul Begay.

Attached as Exhibit "A" is Audit Report No. 19-13 "A Follow-Up Review of the Kaibeto Chapter Corrective Action Plan Implementation" and Exhibit "B" Resolution BFMA-09-18.

If you have any questions, please contact our office at extension 6303. Thank you.

Attachment

xc: Paul Begay, Council Delegate  
**KAIBETO CHAPTER**  
Chrono

## BUDGET AND FINANCE COMMITTEE

10 September 2019

Special Meeting

### VOTE TALLY SHEET:

**Legislation No. 0138-19:** An Action Relating to Resources and Development and Budget and Finance Committees; Accepting the Follow-up Review of Kaibeto Chapter Corrective Action Plan Implementation; Imposing Sanctions for not Implementing the Corrective Action Plan *Sponsored by Paul Begay, Council Delegate*

*Main Motion: Elmer P. Begay*


*Second: Jimmy Yellowhair*

*Vote: 4-0, Chairman not voting (with 1 amendment)*

### Vote Tally:

Jamie Henio		
Jimmy Yellowhair		
Raymond Smith Jr.	<b>yea</b>	
Elmer P. Begay	<b>yea</b>	
Amber K. Crotty	<b>yea</b>	
Nathaniel Brown	<b>yea</b>	

*Absent: Jimmy Yellowhair*

  
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Jamie Henio, Chairman  
Budget & Finance Committee  
\_\_\_\_\_  
Peggy Nakai, Legislative Advisor  
Budget & Finance Committee