

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
COMMITTEES; ACCEPTING THE FOLLOW-UP REVIEW OF THE MARIANO LAKE
CHAPTER CORRECTIVE ACTION PLAN IMPLEMENTATION AND IMPOSING SANCTIONS
FOR FAILURE TO IMPLEMENT THE CORRECTIVE ACTION PLAN

BE IT ENACTED:

SECTION ONE. AUTHORITY

- A. The Resources and Development Committee is a standing committee of the Navajo Nation Council with oversight authority over the chapters of the Navajo Nation. 2 NNC §§ 500(A); 500(C)(1); 501(B)(1).
- B. The Budget and Finance Committee is a standing committee of the Navajo Nation Council. 2 NNC § 300(A). The Budget and Finance Committee is charged with receiving chapter audit reports from the Auditor General. 12 NNC §§ 6(A), 9(B).

SECTION TWO. FINDINGS

- A. In 2011, the Auditor General conducted a compliance audit of the Mariano Lake Chapter (Chapter); subsequently the Auditor General issued an audit report and a corrective action plan was developed by Mariano Lake Chapter; the Budget and Finance Committee approved the audit and the corrective action plan on March 19, 2013, per resolution BFMA-10-13. See Exhibit A.

B. The Auditor General's office conducted a follow-up review, Report No. 16-24, of the Mariano Lake Chapter to determine the status of the Chapter's corrective action plan and to identify barrier(s), if any, that hindered implementation efforts. Auditor General's Report No. 16-24. See Exhibit B.

C. The Auditor General's follow-up review states that the Chapter has not fully implemented the corrective action plan, did not resolve nineteen (19) of the twenty-two (22) issues previously reported, has not demonstrated improvements to ensure accountability and safeguarding of chapter assets and resources, and as a result the Chapter's internal controls remain deficient and the Chapter remains non-compliant with laws and funding guidelines. See Exhibit B.

D. As of June 2016, the Chapter has not demonstrated improvements to ensure accountability and safeguarding of the Chapter's assets and resources; and as a result the Chapter's internal controls remain deficient and non-compliant with laws and funding guidelines. See Exhibit B.

E. The unresolved deficiencies as cited by the Auditor General are as follows:

1. The Chapter did not develop budgets and obtain community approval before expending chapter funds resulting in unauthorized expenditures of \$13,300.
2. The Chapter did not monitor the budget resulting in fund balance deficits of \$6,000.
3. The Chapter does not ensure all cash receipts are posted and deposited in a timely manner. There is no reconciliation of cash receipt records to cash prior to deposit resulting in the Chapter officials were unaware that \$518 was not deposited and went missing.

4. Travel expenditures were not supported with approved travel authorizations, expense reports and trip reports. Travel cost is not accurately calculated resulting in unjustified payments to travelers.
5. The Chapter did not maintain a complete and accurate inventory of wood distributed to the chapter membership and cannot account for approximately ten (10) of twenty-two (22) loads of wood.
6. There were no controls for rental activities. The Chapter did not consistently collect rental forms, security deposits and did not document inspection of the facility after usage to support the return or retaining of security deposits collected from customers.
7. The Chapter cannot justify all wages paid to temporary employees because sign-in sheets and timesheets were missing or timesheets were missing approval signatures.
8. Personnel files were missing approved personnel action forms and new hire forms were not timely submitted to the State.
9. The Chapter did not comply with the procurement code. Required documents were missing to support the procurement of goods and services resulting in questionable expenditures.
10. The Chapter did not have all required public employment program project documents resulting in questionable expenditures.
11. The Chapter did not have all required student financial assistance documents resulting in ineligible students receiving assistance.
12. The Chapter expended emergency funds without required documents resulting in questionable expenditures.
13. Although the Chapter made unemployment contribution payments to the State these payments were untimely and reports were not on file to support the payments made. There is a risk the Chapter could be penalized.

14. The Chapter officials did not monitor the Chapter operation to ensure the five management system is fully implemented. The Chapter officials did not take action when Chapter staff arbitrarily closes the Chapter house during regular business hours.

F. 12 N.N.C. § 8 imposes upon the Mariano Lake Chapter the duty to implement the corrective action plan according to the terms of the plan; Mariano Lake Chapter has failed implement the corrective action plan.

G. The Auditor General, based on the unresolved audit issues by the Mariano Lake Chapter, recommends the imposition of sanctions for failure to implement the corrective action plan in accordance with 12 N.N.C. § 8. *See also* 12 N.N.C. §§ 9(B) and 9(C).

SECTION THREE. ACCEPTANCE AND APPROVAL

A. The Navajo Nation hereby accepts the Auditor General's Report No. 16-24, June 2016, Follow-Up Review of the Mariano Lake Chapter. *See* Exhibit B.

B. The Navajo Nation hereby approves the imposition of sanctions on the Mariano Lake Chapter pursuant to 12 N.N.C. §§ 9(B) and 9(C).

C. The Navajo Nation Controller shall cause ten percent (10%) of monies payable from any governmental fund of the Navajo Nation as defined at 12 N.N.C. § 810(S) to be withheld after the recommended sanction is approved by the Budget and Finance Committee and issued to the Chapter until such time as the Chapter demonstrates to the Auditor General that the corrective action plan has been implemented. 12 N.N.C. § 9(B).

D. The Navajo Nation Controller shall withhold twenty percent (20%) of any payment prospectively due the chapter officials until such time proof of implementation of the corrective action plan is demonstrated at which time the Auditor General shall immediately report the compliance to the Controller, and the Chapter government, who shall then release the withheld salary to the Chapter official. 12 N.N.C. § 9(C).

E. The Mariano Lake Chapter shall provide proof of implementation of the corrective action plan at which time the Auditor General shall immediately report the compliance to the Controller who shall then release all withheld funds to the Chapter. 2 N.N.C. § 9(C).

CERTIFICATION

I hereby certify that the foregoing resolution was duly considered by the Budget and Finance Committee of the Navajo Nation Council at a duly called meeting held at Window Rock, Navajo Nation (Arizona), at which a quorum was present and that the same was passed by a vote of 5 in favor, 0 opposed, this 21st day of September, 2016.



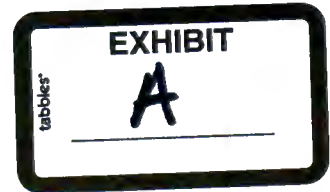
Honorable Seth Damon, Chairperson
Budget and Finance Committee

Motion: Honorable Tuchoney Slim, Jr.

Second: Honorable Leonard Tsosie

BFMA-10-13

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



22ND NAVAJO NATION COUNCIL - Third Year, 2013

AN ACTION

RELATING TO BUDGET AND FINANCE; ACCEPTING THE FINANCIAL AUDIT OF
THE MARIANO LAKE CHAPTER SUBMITTED BY THE OFFICE OF THE AUDITOR
GENERAL AND APPROVING THE CORRECTIVE ACTION PLAN SUBMITTED BY
THE MARIANO LAKE CHAPTER

BE IT ENACTED:

1. The Navajo Nation hereby accepts the Audit Report No. 12-20, a Financial Audit of the Mariano Lake Chapter, attached hereto as Exhibit A, and approves the Mariano Lake Chapter Corrective Action Plan, attached hereto as Exhibit B.
2. The Navajo Nation hereby directs that copies of the Mariano Lake Chapter Corrective Action Plan be provided to the Office of the President and the Vice-President and the Resources and Development Committee, as part of their oversight responsibility for the Mariano Lake Chapter.
3. The Navajo Nation directs the Mariano Lake Chapter to submit a written status report on its progress in implementation of the Corrective Action Plan to the Office of the Auditor General six months after the approval of this resolution.
4. The Navajo Nation hereby directs the Office of the Auditor General to review the written status report to be submitted by the Mariano Lake Chapter and report to the Resources and Development Committee, as well as the Budget and Finance Committee.
5. The Navajo Nation hereby directs the Office of the Auditor General to conduct a follow-up review twelve months after the approval of this resolution to verify to actions claimed to have been taken by the Mariano Lake Chapter, to issue a written follow-up report indicating the Mariano Lake Chapter progress in implementing the Corrective Action Plan, and to make recommendations to the Resources and Development Committee, as well as the Budget and Finance Committee.

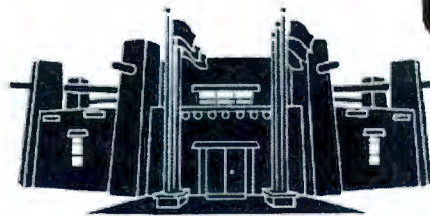
CERTIFICATION

I hereby certify that the foregoing resolution was duly considered by the Budget and Finance Committee of the Navajo Nation Council at a duly called meeting held at Window Rock, Navajo Nation (Arizona), at which a quorum was present and that the same was passed by a vote of 3 in favor, 0 opposed, this 19th day of March, 2013.

A handwritten signature in black ink, appearing to read 'Jonathan Nez', is written above the printed name.

Jonathan Nez, Vice Chairperson
Budget and Finance Committee

Motion: Mel R. Begay
Second: Jonathan Nez



OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

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

Report No. 16-24
June 2016

Performed by:
Stacy Manuelito, Auditor
Myrtis Begay, Associate Auditor
Karen Briscoe, Principal Auditor



June 22, 2016

Anthony Begay, President
MARIANO LAKE CHAPTER
P.O. Box 164
Smith Lake, NM 87365

Dear Mr. Begay:

The Office of the Auditor General herewith transmits Audit Report No. 16-24, a Follow-up Review of the Mariano Lake Chapter Corrective Action Plan Implementation. The Office of the Auditor General conducted the follow-up review with the following objectives:

- To determine the status of the Mariano Lake Chapter corrective action plan.
- To identify the barrier(s), if any, that hindered implementation efforts.

To meet the objectives, we reviewed the Mariano Lake Chapter's records for the six-month period of April 2015 to September 2015.

Background

A financial audit of the Mariano Lake Chapter was conducted in 2011, and the Auditor General issued audit report no. 12-20. The audit report and the corrective action plan developed by the Mariano Lake Chapter were approved by the Budget and Finance Committee on March 19, 2013, per resolution no. BFMA-10-13. With Budget and Finance Committee approval, the Mariano Lake Chapter has the duty to implement the corrective action plan.

Review Results

The Mariano Lake Chapter did not fully implement the corrective action plan. Consequently, the Chapter did not resolve 19 of 22 issues reported in audit report no. 12-20. The Chapter has not demonstrated improvements to ensure accountability and safeguarding of chapter assets and resources. As a result, internal controls remain deficient and the chapter remains non-compliant with laws and funding guidelines.

- The Chapter did not develop budgets and obtain community approval before expending chapter funds resulting in unauthorized expenditures of \$13,300.
- The Chapter did not monitor the budget resulting in fund balance deficits of \$6,000.
- The Chapter does not ensure all cash receipts are posted and deposited in a timely manner. There is no reconciliation of cash receipt records to cash prior to deposit resulting in the chapter officials were unaware that \$518 was not deposited and went missing.
- Travel expenditures were not supported with approved travel authorizations, expense reports and trip reports. Travel cost is not accurately calculated resulting in unjustified payments to travelers.
- The Chapter did not maintain a complete and accurate inventory of wood distributed to the chapter membership and cannot account for approximately 10 of 22 loads of wood.
- There were no controls over rental activities. The Chapter did not consistently collect rental forms, security deposits and did not document inspection of the facility after usage to support the return or retaining of security deposits collected from customers.

- The Chapter cannot justify all wages paid to temporary employees because sign-in sheets and timesheets were missing or timesheets were missing approval signatures.
- Personnel files were missing approved personnel action forms and new hire forms were not timely submitted to the State.
- The Chapter did not comply with the procurement code. Required documents were missing to support the procurement of goods and services resulting in questionable expenditures.
- The Chapter did not have all required public employment program project documents resulting in questionable expenditures.
- The Chapter did not have all required student financial assistance documents resulting in ineligible students receiving assistance.
- The Chapter expended emergency funds without required documents resulting in questionable expenditures.
- Although the chapter made unemployment contribution payments to the State these payments were untimely and reports were not on file to support the payments made. There is a risk the chapter could be penalized.
- The Chapter officials did not monitor the chapter operation to ensure the five management system is fully implemented. The Chapter officials did not take action when chapter staff arbitrarily closes the chapter house during regular business hours.

Conclusion

Title 12, Navajo Nation Code (N.N.C.) Section 8 imposes upon the Mariano Lake Chapter the duty to implement the corrective action plan according to the terms of the plan. The Chapter did not implement the corrective action plan. Consequently, the issues reported in the 2011 audit remain unresolved. More importantly, needed services to the community members were not provided. Therefore, the Office of the Auditor General recommends sanctions be imposed on the Mariano Lake Chapter and officials in accordance with 12 N.N.C. Section 9 (b) and 9(c) for failure to implement the corrective action plan. See attached Exhibit A for the review results.

Sincerely,



Elizabeth Begay, CIA, CFE
Auditor General

xc: Jay DeGroat, Vice-President
Bessie L. Tsosie, Secretary/Treasurer
Leandra James, Community Service Coordinator
Edmund Yazzie, Council Delegate
MARIANO LAKE CHAPTER
Robert Begay, Department Manager
ADMINISTRATIVE SERVICE CENTER/DCD
Chrono

2016 REVIEW RESULTS

Finding I: Chapter internal controls are deficient.

2011 Audit Issue 1: Inaccurate carryover budget amount was presented to the Chapter membership for adoption.	
Chapter Corrective Actions	Status of Corrective Action
1. The Chapter Secretary/Treasurer shall prepare the resolution with the accurate carryover amount to present to the Chapter membership for approval.	Implemented
Audit issue resolved: Yes	
2011 Audit Issue 2: Detailed budget was not developed to support the budget resolution.	
Chapter Corrective Actions	Status of Corrective Action
1. The Accounts Maintenance Specialist shall ensure the detailed budget includes the object code categories and budget amount and provide it to the Community Services Coordinator for review.	Not Implemented
2. The Community Services Coordinator shall review and provide the budget to the Secretary/Treasurer to present to the chapter membership.	Not Implemented
3. The Community Services Coordinator shall assist the Secretary/Treasurer in the development of the budget resolution for membership approval.	Not Implemented
Audit issue resolved: No	
2011 Audit Issue 3: Poor budget monitoring resulted in deficit balances.	
Chapter Corrective Actions	Status of Corrective Action
1. The Chapter administration and officials will verify availability of funds before issuing a check and refrain from processing checks unless there is sufficient funds.	Not Implemented
2. The Community Services Coordinator shall review the monthly budget and actual report to ensure there are no deficits.	Not Implemented
Audit issue resolved: No	
2011 Audit Issue 4: Budget and expenditure transactions were not properly posted to the appropriate chart of accounts in the accounting system.	
Chapter Corrective Actions	Status of Corrective Action
1. The Accounts Maintenance Specialist shall post the budgets and expenditures and the Community Services Coordinator shall review the transactions for accuracy. The Secretary/Treasurer shall also assist with the monitoring of chapter finances.	Implemented
Audit issue resolved: Yes	

2011 Audit Issue 5: Cash deposit was not properly posted to the bank account in the accounting system.	
Chapter Corrective Actions	Status of Corrective Action
1. The Accounts Maintenance Specialist shall post cash deposits.	Not Implemented
2. The Community Services Coordinator shall regularly review the financial reports to verify the posting of deposits and the Secretary/Treasurer shall monitor the process.	Not Implemented
Audit issue resolved: No	
2011 Audit Issue 6: There is no segregation of duties in the bank reconciliation activities.	
Chapter Corrective Actions	Status of Corrective Action
1. The Accounts Maintenance Specialist shall open the bank statements and reconcile all accounts and forward to the Community Services Coordinator upon completion for review.	Not Implemented
2. The Community Services Coordinator and Secretary/Treasurer shall review the bank reconciliations for accuracy.	Not Implemented
3. The Chapter officials and administration shall verify the bank reconciliations are prepared and independently reviewed.	Not Implemented
Audit issue resolved: No	
2011 Audit Issue 7: Not all cash receipts was recorded in the cash receipt tickets and/or the accounting system.	
Chapter Corrective Actions	Status of Corrective Action
1. The Accounts Maintenance Specialist shall receive and record all cash receipts into the accounting system on a daily basis.	Not Implemented
2. The Community Services Coordinator shall reconcile recorded cash receipts against the deposited amounts.	Not Implemented
Audit issue resolved: No	
2011 Audit Issue 8: Inadequate control over travel expenditures.	
Chapter Corrective Actions	Status of Corrective Action
1. The Community Services Coordinator and Accounts Maintenance Specialist shall ensure the travel authorization process is complete and approved prior to authorizing the chapter officials and staff to travel.	Not Implemented
2. The Accounts Maintenance Specialist shall obtain complete travel reports and receipts with the Community Services Coordinator and chapter official's approval upon completion of travel prior to the issuance of the reimbursement check.	Not Implemented
Audit issue resolved: No	

2011 Audit Issue 9: Poor accounting over distribution of wood.	
Chapter Corrective Actions	Status of Corrective Action
1. The Accounts Maintenance Specialist shall ensure a perpetual inventory is maintained and reflects the inventory, issuances, and balance.	Not Implemented
2. The Community Services Coordinator shall ensure distribution of inventory is accounted for by performing regular physical counts.	Not Implemented
3. The Chapter officials shall review inventory and verify the Community Services Coordinator maintains a physical inventory record.	Not Implemented
Audit issue resolved: No	
2011 Audit Issue 10: Lack of controls over rental activities.	
Chapter Corrective Actions	Status of Corrective Action
1. The Accounts Maintenance Specialist shall ensure all rental forms are properly filled out and inform renters of the conditions of renting the facility and equipment.	Not Implemented
2. The Community Services Coordinator shall review and approve all rental fees and waivers and ensure the facility is cleaned by performing inspections prior to returning the cleaning deposit.	Not Implemented
3. The Community Services Coordinator and Chapter officials shall ensure the equipment plan of operation is developed.	Not Implemented
Audit issue resolved: No	
2011 Audit Issue 11: Lack of accountability over Chapter property and equipment.	
Chapter Corrective Actions	Status of Corrective Action
1. The Community Services Coordinator and Accounts Maintenance Specialist shall ensure the chapter property and equipment is tagged and an inventory is maintained.	Not Implemented
2. The Community Services Coordinator shall ensure the Vice-President is informed of the inventory process according to the five management system policies and procedures and assist the Community Services Coordinator in completing the inventory.	Not Implemented
3. The Community Services Coordinator and Vice-President shall record the fixed assets in the accounting system and report it in the financial statements.	Not Implemented
4. Equipment stored off the Chapter premises shall be authorized with a resolution in place.	Not Implemented
Audit issue resolved: No	
2011 Audit Issue 12: Chapter property is not adequately insured.	
Chapter Corrective Actions	Status of Corrective Action
1. The Community Services Coordinator and Accounts	Not Implemented

Maintenance Specialist shall ensure the insurance liability is appropriated in the annual budget.	
2. The Community Services Coordinator shall ensure the exposure summary report is completed and submitted to the Risk Management Department.	Not Implemented
3. The Vice-President shall ensure the insurance of the property is kept updated.	Not Implemented
Audit issue resolved: No	
2011 Audit Issue 13: The Chapter cannot justify wages paid to temporary employees.	
Chapter Corrective Actions	Status of Corrective Action
1. The Accounts Maintenance Specialist shall ensure attendance sheets and timesheets are completed and submitted to the Community Services Coordinator for review and approval.	Not Implemented
2. The Secretary/Treasurer shall review for accuracy all payroll documents prior to co-signing checks.	Not Implemented
Audit issue resolved: No	
2011 Audit Issue 14: Incomplete personnel files.	
Chapter Corrective Actions	Status of Corrective Action
1. The Community Services Coordinator and Accounts Maintenance Specialist shall ensure temporary employees are properly hired to work and required personnel documents are in the employee's folder.	Not Implemented
Audit issue resolved: No	

Finding II: Chapter did not consistently comply with applicable laws and funding guidelines.

2011 Audit Issue 15: Non-compliance with Navajo Nation Procurement Code and Regulations.	
Chapter Corrective Actions	Status of Corrective Action
1. The Community Services Coordinator and Accounts Maintenance Specialist shall ensure the procurement of goods and services are in compliance with the Procurement Code.	Not Implemented
2. The Accounts Maintenance Specialist shall ensure that all purchases made by the chapter have all required documents attached to the check request before issuing payment and maintain copies of all transactions at the chapter.	Not Implemented
3. The wireless phone shall be disconnected and/or the user will be responsible for payments of the phone.	Not Implemented
Audit issue resolved: No	
2011 Audit Issue 16: Non-compliance with Public Employment Program policies and procedures.	
Chapter Corrective Actions	Status of Corrective Action

1. The Community Services Coordinator and Accounts Maintenance Specialist shall ensure compliance and approval of the Public Employment Program policies and procedures.	Not Implemented
2. The Community Services Coordinator shall ensure appropriate outreach and recruitment through public announcement.	Implemented
3. The Community Services Coordinator shall ensure project reports are prepared upon completion of the projects.	Not Implemented
4. The Chapter officials shall review the Public Employment Program files to ensure compliance.	Not Implemented
Audit issue resolved: No	
2011 Audit Issue 17: Non-compliance with scholarship policies and procedures.	
Chapter Corrective Actions	Status of Corrective Action
1. The Community Services Coordinator shall ensure the chapter implements the scholarship policies and procedures.	Not implemented
2. The Community Services Coordinator and Accounts Maintenance Specialist shall accept all complete applications with the date and time of receipt.	Not Implemented
3. The Chapter officials shall announce the names of eligible applicants at a regular chapter meeting for approval.	Implemented
4. The Community Services Coordinator shall ensure a follow-up is made with the students submitting transcripts to ensure a 2.0 grade point average is maintained.	Not Implemented
Audit issue resolved: No	
2011 Audit Issue 18: Emergency Fund was expended contrary to its intended purpose.	
Chapter Corrective Actions	Status of Corrective Action
1. The Chapter administration and officials shall have supporting documents to declare an emergency and for the cost to address the emergency.	Not Implemented
2. In cases of extreme and immediate emergency, the Chapter officials shall assume responsibility for any expenditures necessary and the Secretary/Treasurer shall submit the expenditures and supporting resolution for ratification at the next chapter meeting.	Not Implemented
3. The Community Services Coordinator and Chapter officials shall ensure the emergency funds are used in emergency situations only.	Not Implemented
Audit issue resolved: No	
2011 Audit Issue 19: Capital outlay appropriations were not used as intended.	
Chapter Corrective Actions	Status of Corrective Action
1. The Chapter staff and officials shall expend capital outlay fund in accordance to the guidelines.	Implemented

2. The Chapter Secretary/Treasurer shall review expenditures prior to co-signing checks to ensure funds are used as intended.	Implemented
Audit issue resolved: Yes	
2011 Audit Issue 20: State Unemployment Tax reports and payments were not remitted.	
Chapter Corrective Actions	Status of Corrective Action
1. The Community Services Coordinator and Accounts Maintenance Specialist shall avoid any penalties for non-payments of taxes and shall address any delinquent payment(s) in a timely manner.	Not Implemented
2. The Community Services Coordinator and Accounts Maintenance Specialist shall prepare accurate state unemployment tax reports and the Secretary/Treasurer shall verify the accuracy of the reports and payments.	Not Implemented
Audit issue resolved: No	
2011 Audit Issue 21: Monitoring by Chapter Officials was insufficient.	
Chapter Corrective Actions	Status of Corrective Action
1. The Chapter officials shall request training on how to monitor chapter operations.	Not Implemented
2. The Chapter officials shall utilize the monitoring tool from the budget instruction manual.	Not Implemented
3. The Chapter officials shall document all delegations and assignments to staff to ensure administrative operations are in compliance with policies and procedures, plans and agreements.	Not Implemented
Audit issue resolved: No	
2011 Audit Issue 22: Contrary to Local Governance Act, the Chapter has not formally adopted and fully implemented a five management system policies and procedures.	
Chapter Corrective Actions	Status of Corrective Action
1. The Chapter staff and officials shall obtain approval and implement the five management system manual.	Not Implemented
2. The Chapter staff and officials shall present in-house policies and procedures such as the public employment program, housing assistance, summer youth employment program and scholarship assistance for community approval. The staff and officials shall comply with the approved in-house policies and procedures.	Not Implemented
Audit issue resolved: No	