

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

24TH NAVAJO NATION COUNCIL - Fourth Year, 2022

AN ACT

RELATING TO THE RESOURCES AND DEVELOPMENT COMMITTEE AND THE
BUDGET AND FINANCE COMMITTEE; ACCEPTING THE AUDITOR GENERAL'S
AUDIT OF THE NAHATA DZIIL COMMISSION GOVERNANCE AND APPROVING
THE CHAPTER'S PROPOSED CORRECTION ACTION PLAN

BE IT ENACTED:

SECTION ONE. AUTHORITY

- A. The Resources and Development Committee is the oversight committee for all Navajo Nation Chapters. 2 N.N.C. § 501(C)(1).
- B. As the oversight committee for Chapters, the Resources and Development Committee reviews audit reports and proposed corrective action plans regarding Chapter financial matters. 12 N.N.C. § 7(E).
- C. The Budget & Finance Committee has the final authority to review and approve audit reports issued by the Auditor General, and corrective action plans proposed by audited Navajo Nation programs, including all Navajo Nation Chapters. 12 N.N.C. § 6(A) and § 7(D).

SECTION TWO. FINDINGS

- A. Pursuant to 12 N.N.C. § 6 the Navajo Nation Office of the Auditor General has prepared a fiscal review of the Nahata Dziil Commission Governance, titled: "Internal Audit of the Nahata Dziil Commission Governance" - Report No. 20-04 - dated December 2019 ("Audit Report"). This Audit Report is attached hereto as **Exhibit A**.
- B. The Nahata Dziil Commission Governance ("NDCG") responded to the Audit Report findings on December 30, 2019, providing

explanations and proposing action to begin resolving the findings. **Exhibit B.**

- C. In January 2020, NDCG prepared a detailed Corrective Action Plan that was submitted to the Office of the Auditor General, to address the Audit Report 20-04 findings.
- D. The Office of the Auditor General provided corrections to the Corrective Action Plan, which NDCG adopted. In the Corrective Action Plan, NDCG proposes to cure the Audit Report findings by December 31, 2022. NDCG's proposed Corrective Action Plan is attached hereto as **Exhibit C.**
- E. Resolution No. NDCG-2022-04-019, dated April 3, 2022, recommends and approves the revised Corrective Action Plan, which is attached hereto as **Exhibit D.**

SECTION THREE. ACCEPTING THE AUDITOR GENERAL'S AUDIT OF THE NAHATA DZIIL COMMISSION GOVERNANCE AND APPROVING THE CHAPTER'S PROPOSED CORRECTIVE ACTION PLAN

- A. The Navajo Nation hereby accepts the Auditor General's fiscal review of the Nahata Dziil Commission Governance titled: "Internal Audit of Nahata Dziil Commission Governance" - Report No. 20-04, dated December 2019, attached as **Exhibit A.**
- B. The Navajo Nation hereby approves the Corrective Action Plan proposed by the Nahata Dziil Commission Governance, attached as **Exhibit C.** The Corrective Action Plan is approved for use by the Chapter in addressing and resolving the findings explained in the Audit Report.

SECTION FOUR. DIRECTIVES

- A. The Nahata Dziil Commission Governance shall prepare and submit a written status report on its progress implementing all tasks set forth in its approved Corrective Action Plan. The Chapter shall submit such report to the Auditor General no later than six months after the effective date of this Act. 12 N.N.C. § 7(F).
- B. The Auditor General shall receive and review the Nahata Dziil Commission Governance's six-month status report and shall prepare a memorandum explaining the Auditor General's opinion about the success of the Chapter's corrective efforts and the

Chapter's compliance with its approved Correction Action Plan during the previous six-month period. 12 N.N.C. § 7(F).

- C. The Auditor General shall then promptly submit such memorandum along with the Chapter's status report to the Resources and Development Committee and the Budget and Finance Committee. 12 N.N.C. § 7(F).
- D. Twelve months after the effective date of this Act, the Auditor General shall conduct a follow-up review of the Nahata Dziil Commission Governance to determine whether or not NDCG has successfully implemented its approved Correction Action Plan. 12 N.N.C. § 7(G).
- E. The Auditor General shall then promptly prepare its twelve-month report on its findings resulting from the follow-up review. The Auditor General shall recommend action, if any, to be imposed upon the Nahata Dziil Commission Governance for failure to sufficiently implement its Corrective Action Plan. 12 N.N.C. § 7(G).
- F. The Auditor General's follow-up report shall be presented to the Resources and Development Committee and the Budget and Finance Committee. 12 N.N.C. § 7(G) and § 7(H).

SECTION FIVE. EFFECTIVE DATE

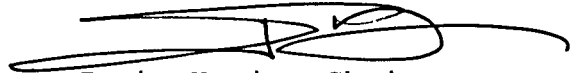
This Act shall become effective pursuant to 12 N.N.C. § 6(A) and § 7(D), and 2 N.N.C. § 221(C).

SECTION SIX. SAVING CLAUSE

If any provision of this Act is determined invalid by the Navajo Nation Supreme Court, or by a Navajo Nation District Court without appeal to the Navajo Nation Supreme Court, those provisions of this Act that are not determined invalid shall be the law of the Navajo Nation.

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 by teleconference at which a quorum was present and that the same was passed by a vote of 5 in favor and 0 opposed, this 13th day of December 2022.

A handwritten signature in black ink, appearing to read 'J. Henio', with a long horizontal line extending to the right.


Jamie Henio, Chairperson
Budget and Finance Committee

Motion: Honorable Jimmy Yellowhair

Second: Honorable Elmer P. Begay

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

TO : Dana Bobroff, Chief Legal Counsel
OFFICE OF LEGISLATIVE COUNSEL

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

DATE : April 27, 2022

SUBJECT : Request for Legislation – Nahata Dziil Commission Governance

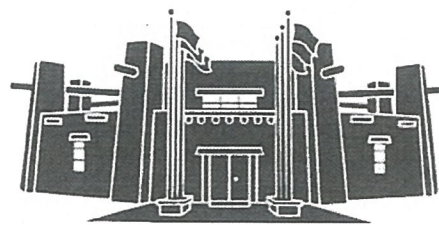
We request your office to prepare the legislation "An Action Relating to Resources and Development and Finance; accepting Report No. 20-04, Internal Audit of the Nahata Dziil Commission Governance submitted by the Office of the Auditor General and approving the Nahata Dziil Commission Governance corrective action plan submitted by the Nahata Dziil Commission Governance." The legislation sponsor will be Council Delegate Raymond Smith Jr.

Attached are Exhibit "A" Audit Report No. 20-04, Internal Audit of the Nahata Dziil Commission Governance; and Exhibit "B" the Correction Action Plan submitted by the Nahata Dziil Commission Governance with the attached resolution dated April 8, 2022.

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

Attachment

xc: Raymond Smith Jr., Sponsor
NAHATA DZIIL COMMISSION GOVERNANCE
Chrono



OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

Internal Audit of Nahata Dziil Commission Governance

**Report No. 20-04
December 2019**

**Performed by:
NEWBERRY & ASSOCIATES, LTD**



December 31, 2019

Wayne Lynch, President

NAHATA DZIIL COMMISSION GOVERNANCE

P.O. Box 400

Sanders, AZ 86512

Dear Mr. Lynch:

The Office of the Auditor General, in conjunction with Newberry & Associates, Ltd, herewith transmits Audit Report No. 20-04, Internal Audit of the Nahata Dziil Commission Governance. The audit objective was to verify whether the Chapter funds were spent in accordance with Navajo Nation laws and regulations and Chapter policies and procedures. During the audit period of July 1, 2018 to June 30, 2019, our review revealed the Chapter has not implemented appropriate controls to provide reasonable assurance it complies with applicable laws, regulations, policies and procedures. Listed below are the issues identified:

- Finding I: Personnel Action Forms not provided for some of the payroll samples selected and some of the Personnel Action Forms provided were incomplete and lacked necessary signatures.
- Finding II: Hourly rates on employees' paychecks varied from rates stated on Personnel Action Forms in their personnel files.
- Finding III: Overtime is being paid to an exempt employee.
- Finding IV: Stipend checks are issued without claim forms.
- Finding V: Advances were allowed for non-family emergencies.
- Finding VI: Advances are not being re-paid in a timely manner.
- Finding VII: Disbursements approved for payroll advances were incorrectly coded to expense accounts, and disbursements approved for supplies were incorrectly coded to professional and seminar fees.
- Finding VIII: Financial assistance disbursements were paid to individual employees and were not paid directly to vendors and were more than the limit of \$250 each.
- Finding IX: Expenditures were made without proper support documentation to justify the expense.

Detailed explanations on all audit issues can be found in the body of the report. The audit report provides recommendations for remediation of the reported findings.


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

Sincerely,



Helen Brown, CFE, Principal Auditor
Delegated Auditor General

xc: Jemez Horseson, Vice-President
Darrell Tso, Secretary
Margaret Bedonie, Treasurer
Darryl Ahasteen, Member
Eunice Yesslith, Commission Manager
Raymond Smith, Jr., Council Delegate
NAHATA DZIIL COMMISSION GOVERNANCE
Sonlata Jim-Martin, Delegated Department Manager II
Patricia Begay, Senior Programs & Projects Specialist
ADMINISTRATIVE SERVICE CENTER/DCD
Chrono

INTERNAL AUDIT RESULTS

Finding I:	Personnel Action Forms (PAFs) not provided for some of the payroll samples selected and some of the Personnel Action Forms provided were incomplete and lacked necessary signatures.
Criteria:	Fiscal Policies & Procedures Manual, Section V (K-1) (k) states Personnel records on each employee shall be maintained at the administration on authorized forms. These records will include Personnel Action Forms (PAF). The Personnel Policies & Procedures Manual, Section III (E-4) states that once the applicant is selected, the Chapter Manager shall process a Personnel Action Form.
Condition:	<p>Personnel Action Forms were missing or were incomplete and lacked necessary signatures.</p> <p>Of nineteen (19) personnel files tested, the following was noted:</p> <ol style="list-style-type: none">1. No Personnel Action Form was provided for two (2) employees.2. Thirteen (13) Personnel Action Forms were incomplete and lacked the employee's signature.3. One (1) Personnel Action Form lacked the signature of the Commission President concurring with the Commission Manager.4. The effective date, acceptance date, and the concurrence date of six (6) Personnel Action Forms was December 23, 2019, a date subsequent to the date the files were tested.5. The effective date, acceptance date, and the concurrence date of one (1) Personnel Action Form was December 26, 2019, a date subsequent to the date the files were tested.
Effect:	Paying employees without completing Personnel Action Forms could result in improper payments to individuals who may not be a bona fide employee.
Cause:	The Commission Manager is not preparing Personnel Action Forms in a timely manner, and the Commissioners are not verifying the accuracy nor completeness prior to approving the Personnel Action Form.
Recommendations:	<ol style="list-style-type: none">1. The Commission Manager should ensure that a Personnel Action Form is completed by all parties before the start of employment.2. The Commission Manager and staff should ensure that all current employees have a current Personnel Action Form on file and any future changes to an employee's payroll data be documented with an updated Personnel Action Form.3. Prior to approving the Personnel Action Forms, the Commissioners should determine that the Personnel Action Form is complete, accurate, and signed by the employee.

INTERNAL AUDIT RESULTS

Finding II: **Hourly rates on employees' paychecks varied from rates stated on Personnel Action Forms in their personnel file.**

Criteria: Fiscal Policies & Procedures Manual, Section V (K-1) states the following procedures will be implemented to maintain effective internal control over payroll and disbursements: (a) The Nahata Dziil Chapter shall maintain payroll records for all personnel; (b) records shall provide support for payroll expenditures and account distribution; (c) records shall serve as a basis for preparing payroll checks and reports; and (d) appropriate segregation of duties shall be maintained.

Condition: Employees are not being paid authorized pay rates.

Of thirty-seven (37) payroll disbursements tested, the following was noted:

Five (5) checks were calculated using a pay rate different from the approved pay rate per the Personnel Action Form of the employee. Two employees were overpaid in three checks by \$1 per hour for a total of \$193 for three different pay periods. One employee was overpaid \$4 per hour for regular pay and \$6.50 per hour for overtime pay for a total overpayment of \$536 for one pay period. The same employee mentioned in the previous sentence was underpaid \$1 per hour for a total of \$56 for one pay period.

Effect: Paying employees using an incorrect pay rate is a misappropriation of assets of the Commission Governance.

Cause: There is not appropriate segregation of duties maintained related to payroll processing. The Commission Treasurer is not monitoring the maintenance of the accounting system to ensure accountability of all financial transactions and expenditures.

Recommendations:

1. The Commission Manager and staff should review the personnel files for all current employees and ensure a current Personnel Action Form is on file.
2. The Commission Manager should ensure that any changes to an employee's payroll data, including pay rate, are documented with an updated Personnel Action Form and approved by authorized individuals prior to changes taking effect.
3. The Commission Manager should ensure the approved hourly wage for each employee is accurately recorded in the accounting system.
4. The Commissioners should verify the accuracy of the hourly wages paid to employees prior to signing payroll checks.

INTERNAL AUDIT RESULTS

Finding III: Overtime is being paid to an exempt employee.

Criteria:	Personnel Policies & Procedures Manual, Section VII (A) states that all positions will be classified as either exempt or non-exempt to determine eligibility for overtime compensation. Part A-1 states that managerial, professional, and supervisory positions are exempt. Employees assigned to exempt positions are not eligible for overtime compensations.
Condition:	<p>The Commission Governance is paying an exempt employee not eligible for overtime.</p> <p>Of thirty-seven (37) payroll disbursements tested, the following was noted:</p> <p>Two (2) checks were payable to the Commission Manager for overtime pay. The Commission Manager is an exempt employee and is not eligible for overtime compensation.</p> <p>The earnings report for the twelve months included in the internal audit period was reviewed, and it was determined that eleven (11) total paychecks including the two mentioned in the prior paragraph were issued to the Commission Manager paying her overtime at the rate of 1.5 times her authorized pay rate. A total of \$6,843 was paid to the Commission Manager for overtime.</p>
Effect:	This is misappropriation of Commission Governance assets and is in violation of the Governance's policies and procedures.
Cause:	The Commissioners are not aware of the Personnel Policies and Procedures, and as a result, are approving overtime for exempt employees.
Recommendations:	<ol style="list-style-type: none">1. The Commission Manager should not issue overtime pay checks to exempt employees.2. The Commissioners should not approve overtime payments to exempt employees.3. The exempt employee should be required to pay back via payroll deductions the earnings the exempt employee was not entitled to receive.4. The Commissioners should review the Personnel Policies and Procedures to ensure the Commission Manager is adhering to such policies and procedures.

INTERNAL AUDIT RESULTS

Finding IV: Stipend checks are issued without claim forms.

- Criteria:** Ordinance Two of the Commission Governance Section XII states that Commissioners shall submit signed claim forms to the Treasurer for compensation at the conclusion of each Commission meeting. A claim form must be accurately filled out and signed only by the Commissioner requesting compensation.
- Condition:** Stipend checks were issued without claim forms.
Of twenty-three (23) stipend disbursements tested, sixteen (16) claim forms were missing.
- Effect:** The Commission Governance paid unauthorized stipends totaling \$4,600.
- Cause:** The Commission Manager is paying stipends without claim forms. Commissioners are approving payment of stipends without requiring claim forms.
- Recommendations:**
1. The Commission Manager should not process stipend payments unless claim forms are completed and signed by the commissioners.
 2. The Commissioners should not sign stipend checks without the claim form.

Finding V: Advances were allowed for non-family emergencies.

- Criteria:** Personnel Policies & Procedures Manual, Section VI-C(1) states that under certain circumstances, employees may receive an advance against their salary. Advances may be given for Family Emergency when an employee has been granted leave for a family emergency (serious illness or death in the immediate family).
- Condition:** Paying advances to employees and commissioners for non-family emergencies is not allowed by the policies of the Commission Governance.
Of eighty-seven (87) cash disbursements tested, the following was noted:
Four (4) disbursements totaling \$9,918 were approved as advances to employees and three (3) disbursements totaling \$4,000 were approved as advances to commissioners. However, none were for family emergencies as required in the personnel policies & procedures manual. Advances to commissioners were for personal travel and vehicle repairs. Advances to employees were for septic services, personal vehicle payments, purchasing personal vehicles, and personal travel.
- Effect:** Paying ineligible advances totaling \$13,918 is a misappropriation of the assets of the Commission Governance.
- Cause:** The Commission Manager is violating the policies by processing advances for non-family emergencies. The Commissioners are approving payment of advances to employees and to commissioners in violation of the policies and procedures of the Commission Governance.

INTERNAL AUDIT RESULTS

- Recommendations:**
1. The Commissioner Manager should not process advances for non-family emergencies.
 2. The Commissioners should not approve payments of advances for any reason other than a family emergency as defined in the Personnel Policies & Procedures Manual.

Finding VI: Advances are not being re-paid in a timely manner.

Criteria: Personnel Policies & Procedures Manual, Section VI-C (2) states that advances against employee's salary will be deducted from the employee's next payroll check. It also states in Section VI-C (3) that an employee can only have one outstanding pay advance at any one time.

Condition: Advances are not being re-paid in a timely manner. This is a repeat finding from the financial statement audit for the year ended September 30, 2015.

The general ledger accounts for payroll advances and the financial statements as of June 30, 2018, were examined and the following was noted:

- a) The Commissioner who received two large advances in January 2019 for a total of \$6,000 has not repaid these as of June 30, 2019. The second advance was in violation of the policy in Section VI-C (3) stated above – having more than one outstanding pay advance at any one time.
- b) The Commission Manager received several non-family emergency advances during the twelve-month period ending June 30, 2019, and still owes the Commission Governance \$11,428 as of June 30, 2019. There was more than one outstanding pay advance many times during the twelve-month period.
- c) A total of \$33,311 is owed to the Nahata Dziil Commission Governance by employees and commissioners as of June 30, 2019, including \$25,637 owed by employees and \$7,674 owed by commissioners.
- d) The balance in payroll advances at June 30, 2018 was \$18,489. \$4,280 of that amount was paid during the twelve-month period under review.

Effect: Continuing to pay advances that cannot be repaid in a timely manner is a misappropriation of assets by overspending personnel and other operating funds.

Cause: The Commission Manager is violating policies by continuing to process advances knowing that prior advances have not been repaid. The Commissioners are violating policies by approving these advances.

INTERNAL AUDIT RESULTS

- Recommendations:**
1. The Commission Manager should not process any more advances until all outstanding advances have been repaid.
 2. The Commission Manager should begin deducting advances from payroll checks and stipend payments to re-coup the outstanding amounts.
 3. The Commissioners should not approve any more advances until all outstanding advances have been repaid.

Finding VII: Disbursements approved for payroll advances were incorrectly coded to expense accounts, and disbursements approved for supplies were incorrectly coded to professional and seminar fees.

Criteria: Fiscal Policies & Procedures Manual Section V-D (1-f) states the chapter chart of accounts will be used to determine the appropriate account to which the billing will be charged. It also states in Part 1(i) that all disbursement transactions shall be reconciled periodically to ensure funds are disbursed with proper approval, based on adequate documentation and in compliance with the fund guidelines and budget stipulations. The Ordinance Two, Section XI, states that the Commission Treasurer shall monitor, in conjunction with the Manager, the maintenance of an accounting system to ensure accountability of all financial transactions, expenditures, and activities of the Commission.

Condition: Disbursements are being approved for payroll advances but recorded to expenses. Disbursements are being approved for supplies and paid to an employee but are being recorded incorrectly as seminar and professional fees.

Of eighty-seven (87) cash disbursements tested, the following was noted:

Seven (7) disbursements totaling \$22,375 were approved as payroll advances to two employees, including the Administrative Assistant and the Commission Manager. However, each of the seven (7) disbursement checks were not recorded as payroll advances receivable from these employees, but rather were recorded as expenses, including personnel travel, training and tuition fees, operating supplies, and donations and fundraising expenses.

After reviewing the general ledger accounts, it was determined that two (2) additional checks totaling \$5,455 were paid to the Commission Manager. One check for \$3,575 was approved to purchase furniture and supplies but was miscoded to other professional fees. The other check was approved for meeting/conference/supplies but was only coded to seminar and registration fees. Neither of these checks were examined to determine that each was documented, but the transaction description does not match the general ledger title name. The other questionable issue is the checks should have been made payable directly to the vendor, rather than to an employee.

INTERNAL AUDIT RESULTS

- Effect:** The miscoded payroll advances will result in the underreporting of payroll taxes to the IRS, as well as, the W-2 form that will be issued to the employees. In addition, it will go undetected that these employees have not repaid their advances. The Commission Manager is violating the policies by not using appropriate accounts to which the billing will be charged.
- Cause:** The Commission Treasurer or a person who is independent of the Commission Manager did not verify the payroll advances or other expenses are posted accurately as receivables or as appropriate expenses in the accounting system, which allowed the Commission Manager to post payroll advances as expenses without detection, and to post expenses to incorrect expense accounts.
- Recommendations:**
1. The Commission Manager should correct all miscoded payroll advances to receivables, and the Commission Treasurer should verify this task is completed immediately.
 2. The Commission Treasurer or someone independent of the Commission Manager should monitor the accurate posting of transactions in the accounting system.
 3. The Commission Manager and Commissioners should ensure that applicable taxes are reported and paid to the IRS and reported on the W-2 forms that will be issued to employees.

Finding VIII: Financial assistance disbursements were paid to individual employees and were not paid directly to the vendors and were more than the limit of \$250 each.

- Criteria:** Fiscal Policies and Procedures Manual, Section V-N states that it shall be the policy that regardless of the type of assistance, the following criteria shall be complied with for emergency assistance, funeral assistance, scholarship, and regular requests for assistance: (a) requests for assistance shall be documented on a standard assistance application form and other supporting documentation as required depending on the type of assistance request, e.g. scholarship, utility bills, septic services awards will need proof of enrollment, prior semester transcript, etc.; (b) checks shall be made payable directly to the vendor(s); and (c) the amount shall not exceed \$250.

INTERNAL AUDIT RESULTS

Condition: The Commissioners are approving payment of financial assistance to individual rather than directly to vendors in violation of policies and procedures and in excess of \$250 per incident.

Of eighty-seven (87) cash disbursements tested, the following was noted:

Three (3) disbursements were approved as financial assistance to three (3) different individuals. Each of the three (3) disbursements was more than \$250. One check was for financial assistance for scholarship and was for \$500. In addition to being more than \$250, the documentation was lacking the class schedule for the semester which is required by the checklist. The other two disbursements were made payable to employees rather than to the vendors as required by the policies. One check was for \$800 and the other check was for \$1,300; therefore, each of these checks were more than the \$250 maximum financial assistance and were not made payable to a vendor.

After reviewing the general ledger accounts, it was determined that a total of \$9,120 was paid to one employee with five (5) different checks for financial assistance during the twelve-month period examined. Each check was more than the \$250 maximum financial assistance and were made payable to an employee, rather than to a vendor.

Effect: The Commission Governance cannot provide assurance financial assistance totaling \$11,720 was used for its intended purposes and that the current process is fair in awarding financial assistance.

Cause: The Commission Manager and Commissioners are violating the policies by issuing and approving financial assistance checks that exceed \$250 per check and issuing and approving the checks made payable to individuals rather than directly to vendors.

Recommendations:

1. The Commission Manager and the Commissioners should review the financial assistance policies.
2. The Commission Manager should issue financial assistance checks for amounts less than \$250 and made payable directly to vendors.
3. The Commissioners should only approve financial assistance checks for amounts less than \$250 and only made payable directly to vendors. Commissioners should review financial assistance documentation before approving payments.

INTERNAL AUDIT RESULTS

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

Criteria: Fiscal Policies and Procedures Section V(D)(1.)(i) states all disbursement transactions shall be reconciled periodically to ensure funds are disbursed with proper approval, based on adequate documentation. Section V(D)(2)(a) states the clerk typist will ensure that all invoices and requests for payments are supported by proper documentations before preparing a check.

Condition: Proper documentation is not being used prior to issuing checks nor is documentation being retained in the accounting files.

Of eighty-seven (87) cash disbursements tested, the following was noted:

No support documentation was available to review for twelve (12) disbursement checks including five (5) checks totaling \$10,110 payable to the Commission Manager; one (1) check to an employee totaling \$2,800; one (1) check to another employee totaling \$5,000; two (2) checks totaling \$1,781 payable to commissioners; and three (3) checks totaling \$260 issued to other individuals. These twelve (12) checks totaled \$19,951.

Effect: This is misappropriation of assets and a violation of the Governance's policies.

Cause: The Commission Manager is violating the policies by issuing checks without proper documentation. The Commissioners are violating the Governance's policies by approving and signing checks without proper documentation that justifies the expense.

Recommendations:

1. The Commission Manager should prepare checks after reviewing the supporting documentation.
2. The Commissioners should approve and sign checks after reviewing supporting documentation.
3. A copy of the check and supporting documentation should be retained in the accounting files by the Governance staff.

CONCLUSION

Personnel Action Forms are not being prepared in a timely manner. Completed and accurate Personnel Action Forms are not maintained in each employee's personnel file. Employees are being paid using unauthorized pay rates. There is a violation of policies related to overtime payments to an exempt employee; payroll advance payments for non-family emergencies; unauthorized stipend payments; advances not being re-paid in a timely manner; miscoding of advances and expenses; paying financial assistance in excess of maximum amounts and paying financial assistance directly to individual employees rather than to vendors. Expenditures are not supported by proper documentation.

Overall, the Commission Governance has not complied with its Policies and Procedures and applicable Ordinance Two while expending funds, and there are control weaknesses posing various risks. These deficiencies resulted in the nine findings identified in the audit report.

BACKGROUND

Newberry & Associates, Ltd has conducted an internal audit of Nahata Dził Commission Governance for the twelve (12) month period ending June 30, 2019. This audit was requested by the Office of Auditor General after selecting Nahata Dził Commission Governance for an audit.

Nahata Dził Commission Governance is a political subdivision of the Navajo Nation and is considered a general purpose local government for reporting purposes. The Five Management System Policies and Procedures of the Nahata Dził Chapter was certified pursuant to 26 N.N.C. Section 102(B) on August 16, 2002, by the Navajo Nation Council Transportation and Community Development Committee (now known as the Resources and Development Committee). On January 20, 2008, the Nahata Dził Chapter adopted an alternative form of government, and is currently referred to as the Nahata Dził Commission Governance. The authorities, duties and responsibilities of the Commission Governance are enumerated in Title 26, Local Governance Act of the Navajo Nation Code. The Commission Governance has the responsibility and authority to promote, protect and preserve the interest and general welfare including the safety of its community, people, programs, property. The Commission Governance is also certified by the Navajo Nation in accordance with its Community Based Land Use Plan to administer its community lands with the New Lands Chapter boundaries and to decide on the best options for its land use.

The Commission Manager is primarily responsible to lead and direct the daily operations of the Commission Governance. Oversight is provided by the Nahata Dził commissioners comprising of five elected members (President, Vice-President, Secretary, Treasurer, and Member). Additional oversight is provided by the Navajo Nation Division of Community Development/Administrative Service Centers.

The majority of the Commission Governance's resources are provided through appropriations from the Navajo Nation central government. Other revenue is generated from a surface use and damage agreement with the Ranger Development, LLC and a rural business development grant from the United States Department of Agriculture. Nahata Dził Commission Governance fiscal year 2019 operating budget was approximately \$1,114,596.

OBJECTIVE, SCOPE AND METHODOLOGY

The objective of this audit was to assess overall risk of the Commission Governance and to determine that the Commission Governance follows its stated policies and procedures regarding its daily operations. The Commission Governance policies and procedures are stated in the Five Management System Manual and in Ordinance Two of the Commission Governance.

The audit covers activities for the 12-month period of July 1, 2018 through June 30, 2019.

In meeting the audit objectives, we interviewed the Commission Manager and the five commissioners, observed Commission Governance operations, and examined available records. We tested samples of expenditures, including payroll disbursements for internal controls and compliance requirements by using a non-statistical judgmental method

GOVERNMENT AUDITING STANDARDS

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

Newberry & Associates, Ltd. Expresses its appreciation to the Nahata Dziil Commission Governance officials and administration for their cooperation and assistance throughout the audit.

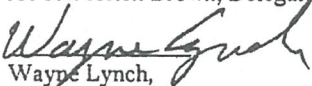
CLIENT RESPONSE

NAHATA DZIIL COMMISSION GOVERNANCE

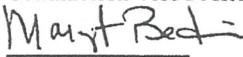
Darrell Tso – President
Wayne Lynch – Vice President
Margaret Bedonie – Secretary
Jemez Horseson – Treasurer

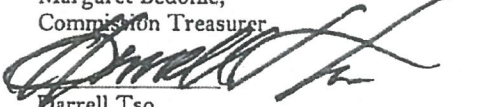
Darryl Ahasteen – Member
Eunice Yesslith – Commission Manager
Lyndale Curley – Account Maintenance Specialist


To: Navajo Nation Auditor General
ATTN: Helen Brown, Delegated Auditor General

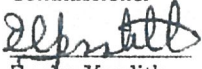
From: 
Wayne Lynch,
Commission President


Jemez Horseson,
Commission Vice President


Margaret Bedonie,
Commission Treasurer


Darrell Tso,
Commission Secretary


Darryl T. Ahasteen,
Commissioner


Eunice Yesslith,
Commission Manager

Date: December 30, 2019
NDCG-123019-01

Re: Response Letter to Audit Findings by Newberry and Associates, LTD.

On Monday December 16, 2019 we met with Newberry and Associates, LTD., and Navajo Nation Auditor General Karen Briscoe, at our Conference Room at Nahata Dziil and we were issuing the final draft to NDCG Audit.

There were (9) nine findings and we were asking to do a written response to that audit.

Finding I:

Personnel Action Forms not provided for some of the payroll samples selected and some of the Personnel Action Form provided were incomplete and lacked necessary signatures.

Response:

Revisit our Five Management System on Personnel under Fiscal Policy and Procedures and update on how employees are hired.

Completed Personnel Action Form must be prepared to first day of employment.

Policy Makers along with Staff of NDCG has set up a Strategic Work Session on Wednesday January 15th to Friday January 17th to make these corrections.

Finding II:

Hourly rate on employees' paychecks varied from rates stated on Personnel Action Forms in their Personnel File.

Response:

Revisit our Five Management System on Personnel under Fiscal Policy and Procedures and update on how employees are compensated for hours work base on their approved pay grade. Approval process with signatures prior to printing a payroll check. Once a check is generated because it's very hard (difficult) to VOID and generate a corrected pay roll check.

ASC needs to put on training for Non-Certified and Certified Chapters' Elected Officials.

Set up a specific date to sign payroll check and maybe only the President and Treasurer should be the only elected officials to sign these.

Policy Makers along with Staff of NDCG has set up a Strategic Work Session on Wednesday January 15th to Friday January 17th to make these corrections.

Finding III:

Overtime is being paid to an exempt employee.

Response:

Our former Commission Manager set this up and she had classified herself as Non-Exempt and the practice continued.

Policy Makers along with Staff of NDCG has set up a Strategic Work Session on Wednesday January 15th to Friday January 17th to make these corrections.

Finding IV:

Stipend checks are issued without claim forms.

Response:

NDCG has never done Claim Forms since 2013 that I know of, we have always just done a Sign-In Sheet with an Agenda.

We will incorporate this and start using them.

Policy Makers along with Staff of NDCG has set up a Strategic Work Session on Wednesday January 15th to Friday January 17th to make these corrections.

Finding V:

Advances were allowed for non-family emergencies.

Response:

There will be no Advances issued and Approved Resolution is attached.

Policy Makers along with Staff of NDCG has set up a Strategic Work Session on Wednesday January 15th to Friday January 17th to make these corrections.

Finding VI:

Advances are not being paid in a timely manner

Response:

There will be no Advances issued until all advances are repaid back in full and Approved Resolution is attached.

Policy Makers along with Staff of NDCG has set up a Strategic Work Session on Wednesday January 15th to Friday January 17th to make these corrections.

Finding VII:

Disbursements approved for payroll advances were incorrectly coded to expense account, and disbursements approved for supplies were incorrectly coded to professional and seminar fees.

Response:

Our Account Maintenance Specialist (AMS) shall attend additional training to correct this issue and Commission Manager Eunice Yesslith was instructed to draft an unsatisfactory appraisal on this issue, and with the upcoming Close Out with W-2, 491 and 10-99's that need to be done, this needs to be corrected as soon as possible.

Policy Makers along with Staff of NDCG has set up a Strategic Work Session on Wednesday January 15th to Friday January 17th to make these corrections.

Finding VIII:

Financial assistance disbursement were paid to individual employee and were not paid directly to vendors and were more than the limit of \$250.00 cash.

Response:

There were several changes made to Financial Assistance, i.e.: Scholarships where we issued checks to individuals and not vendors, we will revisit several programs and make amendments to only issue Financial Assistance with a limit of \$250.00 for everyone.

Policy Makers along with Staff of NDCG has set up a Strategic Work Session on Wednesday January 15th to Friday January 17th to make these corrections.

Finding IX:

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

Response:

NDCG will not be signing any checks for anyone unless "ALL" supporting documents are attach to the Fund Approval Form,

Policy Makers along with Staff of NDCG has set up a Strategic Work Session on Wednesday January 15th to Friday January 17th to make these corrections.

Thank you in advance

NAHATA DZIIL COMMISSION GOVERNANCE

Darrell Tso – President
Wayne Lynch – Vice President
Margaret Bedonie – Secretary
Jemez Horseson – Treasurer

Darryl Ahasteen – Member
Eunice Yesslith – Commission Manager
Lyndale Curley – Account Maintenance Specialist

RESOLUTION OF NAHATA DZIIL COMMISSION GOVERNANCE

NDCG-2019-12-159

Resolution of Nahata Dziil Commission Governance approving and authorizing the Response Letter to Navajo Nation Auditor General on the (9) Findings in Newberry and Associates, LTD's Final Report

WHEREAS:

1. The Nahata Dziil Commission Governance is certified by the Navajo Nation Council Resolution CAP-36-91 as a local governmental entity of the Navajo Nation Government which has the responsibility and authority to promote, protect and preserve the interest and general welfare including the safety of its community, people, programs, property, etc.; and
2. Transportation and Community Development Committee of the Navajo Nation by Resolution TCDCAU-66-02, approved governance certification of the Nahata Dziil Commission Governance Five Management Policies and Procedures pursuant to 26 N.N.C. Section 102(B), which permit's the Nahata Dziil Commission Governance to exercise local governance authorities contained within 26 N.N.C. Section 103 (D)(1); and
3. The Nahata Dziil Commission Governance is further certified by the Navajo Nation in accordance with its Community Based land Use Plan, pursuant to Resolution of the Transportation and Community Development Committee of the Navajo Nation Council, to administer its community lands with the New Lands Chapter boundaries and to decide on the best options for its land use; and
4. On January 20, 2008, the Nahata Dziil Chapter converted its Governmental entity into the Nahata Dziil Commission Governance, and
5. On Monday December 16th, NDCG was in receipt of the Final Report to an Audit Report by Newberry and Associate, LTD; and
6. On Wednesday December 18th, NDCG held a Special Meeting to draft a Letter to the Navajo Nation Auditor General in form of a Response Letter

NOW THEREFORE, BE IT RESOLVED THAT

Resolution of Nahata Dziil Commission Governance approving and authorizing the Response Letter to Navajo Nation Auditor General on the (9) Findings in Newberry and Associates, LTD's Final Report

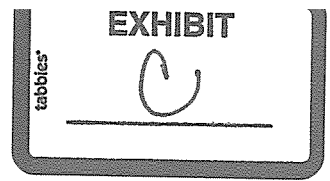
CERTIFICATION

I hereby certify that the foregoing resolution was duly considered by Nahata Dziil Commission Governance at a duly called SPECIAL meeting at Nahata Dziil Commission Governance Meeting Hall, NAVAJO NATION, Sanders, (Arizona), at which a quorum was present and that same was passed by a vote of 04 in favor, 00 opposed and 01 abstained, on this 30th day of December 2019.


Wayne Lynch, Commission President
Nahata Dziil Commission Governance

Motion by: Darryl Ahasteen
Second by: Darrell Tso

**Nahata Dziil Commission Governance
Corrective Action Plan
Audit Report No. 20-04**



Issue	Corrective Action	Responsible Parties	Completed By:
Finding I: Personnel Action Form not provided for some of the payroll samples selected and some of the Personnel Action Form provided were incomplete and lacked necessary signatures.	1. Commission Administration Staff and Commissioners shall review and follow the Personnel Policy and Procedures.	Commission Manager, AA/AMS, and Commissioners	12-31-2022
	2. Commission Administrative Staff and Commissioners shall make sure all documents are complete prior to first day of employment of hired personnel. <ul style="list-style-type: none"> Administrative Assistant (AA) shall prepare all the PAF Commission Manager shall explain to the new hire the contents of the PAF or if there are any corrections explain to the employee in questions and prepare an updated PAF and obtain signature and date Commission Manager and Commissioners shall review the contents of the PAF and approve it prior to the first day of work of employee 	Commission Manager, AA/AMS and Commissioners	
	3. Commission Manager shall file the PAF in the employee's personnel file.	Commission Manager	
	4. Commission Manager and Commissioners shall quarterly monitor and sign the monitoring tool to ensure the Commission's record keeping system is complete and provide feedback, up to and including saving information on Flash Drive.	Commission Manager and Commissioners	

**Nahata Dziil Commission Governance
Corrective Action Plan
Audit Report No. 20-04**

Issue	Corrective Action	Responsible Parties	Completed By:
Finding II: Hourly rate on employees' paychecks varied from rates stated on Personnel Action Forms in their Personnel Files.	1. Commission Administration Staff and Commissioners shall review and follow the Fiscal Policy and Procedures.	Commission Manager, AA/AMS, and Commissioners	12-31-2022
	2. Commission Manager shall require the AA to process a PAF for any changes to an employee's payroll including title, pay rate, effective/end date, personal information, etc. and the Commission Manager shall approve prior to changes taking effect.	Commission Manager, AA/AMS.	
	3. Upon the approval of a PAF, the Commission Manager shall obtain the employee listing report from the accounting system and ensure the approved PAF hourly wage for each employee is accurately recorded in the accounting system by the AA and document and sign the report after verification.	Commission Manager, AA/AMS.	
	4. Each pay period, the AA shall prepare payroll documents and submit to the Commission Manager and Commissioner for review and verification of all documents including the hourly wages to be paid to the employees prior to signing payroll checks.	Commission Manager, AA/AMS, and Commissioners	

**Nahata Dziil Commission Governance
Corrective Action Plan
Audit Report No. 20-04**

Issue	Corrective Action	Responsible Parties	Completed By:
Finding III: Overtime is being paid to an exempt employee	1. Commission Administration Staff and Commissioners shall review and follow the Personnel Policy and Procedures.	Commission Manager, AA/AMS, and Commissioners	12-31-2022
	2. The Commission Manager, AA and Commissioners shall not issue or approve overtime pay checks to exempt employees.	Commission Manager, AA/AMS, and Commissioners	
	3. Each month, the Commission Manager and Commissioners shall review the payroll register to verify no overtime was paid to exempt employee's and sign the report after verification.	Commission Manager and Commissioners	
	4. If overtime was paid to exempt employee, the Commission Manager and Commissioners shall require the exempt employee to immediately pay back earnings paid via payroll deductions.	Commission Manager, AA/AMS, and Commissioners	

**Nahata Dziil Commission Governance
Corrective Action Plan
Audit Report No. 20-04**

	<div>reporting to the Social Security Administration</div> <ul style="list-style-type: none">• The Commissioners shall review the Commission Manager’s work on 941 Form and W-2 reporting		
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**Nahata Dziil Commission Governance
Corrective Action Plan
Audit Report No. 20-04**

Issue	Corrective Action	Responsible Parties	Completed By:
Finding VIII: Financial assistance disbursement was paid to individual employee and were not paid directly to vendors and were more than the limit of \$250.00 each.	1. Commission Administration Staff and Commissioners shall review and follow the Fiscal Policy and Procedures on how to deal with Financial Assistance.	Commission Manager, AA/AMS, and Commissioners	12-31-2022
	2. Commission Administration Staff and Commissioners shall create a check list to be used by staff for verifying that applicants submitted all require document and meet all eligibility criteria prior to approving assistance. This will be verified by the Commission Manager and Commissioners prior to approving assistance.		
	3. Commissioners shall include policies to limit the number of assistances any one individual can receive in a single fiscal year.		
	4. Prior to approving assistance, the Commission Manager shall use support documents submitted by the applicant to identify the vendor and issue financial assistance check for amounts no more than \$250 an made payable directly to vendors	Commission Manager and Commissioners	
	5. Commissioners shall only approve financial assistance checks for amounts less than \$250 and only made payable directly to vendors. Commissioners will review financial assistance documentation to verify the vendor before approving payments.	Commissioners	

**Nahata Dziil Commission Governance
Corrective Action Plan
Audit Report No. 20-04**

Issue	Corrective Action	Responsible Parties	Completed By:
Finding IX: Expenditures were made without proper supporting documentations to justify the expense.	1. Commission Administration Staff and Commissioners shall review and follow the Fiscal Policy and Procedures on how to deal with disbursements.	Commission Manager, AA/AMS, and Commissioners	12-31-2022
	2. Commission Manager, AA/AMS and Treasurer shall prepare checks after reviewing the supporting documentation. <ul style="list-style-type: none"> The AA shall be responsible to collect and prepare required the supporting documents. The Commission Manager shall be responsible to review and verify that all required support documentation is included for review and approval. 	Manager, AA/AMS and Treasurer	
	3. Commissioners shall approve and sign checks after reviewing and verify the accuracy and completeness of supporting documentations.	Commissioners	
	4. A copy of the check and supporting documentation will be retained in the accounting files by the AA. The Commission Manager shall be required to review the filing system to ensure disbursements made during the month have all supporting documents on file.	AA/AMS, and Commission Manager	

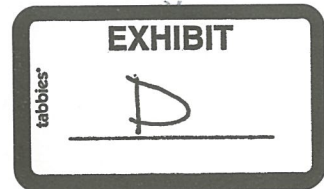
NAHATA DZIIL COMMISSION GOVERNANCE

Darryl Ahasteen – President
Lyndale Curley – Vice President
LaVonne Tsosie – Secretary

– Treasurer
Loretta Bahe – Member

RESOLUTION OF NAHATA DZIIL COMMISSION GOVERNANCE

NDCG-2022-04-019



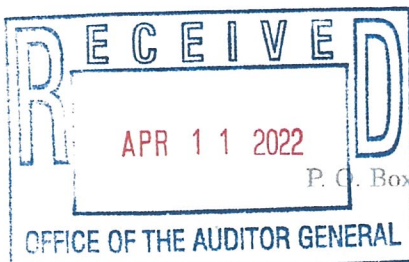
Nahata Dziil Commission Governance recommends and approves a Revised Correction Action Plan prepared for Navajo Nation Auditor General reference to Audit Number 20-04 on Tuesday March 22, 2022, conducted by Newberry and Associate, Inc.

WHEREAS:

1. The Nahata Dziil Commission Governance is certified by the Navajo Nation Council Resolution CAP-36-91 as a local governmental entity of the Navajo Nation Government which has the responsibility and authority to promote, protect and preserve the interest and general welfare including the safety of its community, people, programs, property, etc.; and
2. Transportation and Community Development Committee of the Navajo Nation by Resolution TCDCAU-66-02, approved governance certification of the Nahata Dziil Commission Governance Five Management Policies and Procedures pursuant to 26 N.N.C. Section 102(B), which permit's the Nahata Dziil Commission Governance to exercise local governance authorities contained within 26 N.N.C. Section 103 (D)(1); and
3. The Nahata Dziil Commission Governance is further certified by the Navajo Nation in accordance with its Community Based land Use Plan, pursuant to Resolution of the Transportation and Community Development Committee of the Navajo Nation Council, to administer its community lands with the New Lands Chapter boundaries and to decide on the best options for its land use; and
4. On January 20, 2008, the Nahata Dziil Chapter converted its Governmental entity into the Nahata Dziil Commission Governance, and
5. Commissioners and Administrative Staff from NDCG prepared their Corrective Action Plan on Wednesday January 15 to Friday January 17, 2020 during their Strategic Work Session.
6. On Tuesday August 3, 2021, with the technical assistance from Fort Defiance Agency – ASC Derek Echohawk and at the advice from the Navajo Nation Auditor General, revised the Correction Action Plan that was submitted on January 22, 2020.
7. On Tuesday March 22, 2022, NDCG received an email from Karen Briscoe, the Principal Auditor from the Office of the Auditor General with suggestion on revising the Correction Action Plan; and
8. On Monday March 14, 2022, with the technical assistance from Fort Defiance Agency – ASC Derek Echohawk and at the advice from the Navajo Nation Auditor General, revised the Correction Action Plan that was submitted on Tuesday March 22, 2022; and
9. On Tuesday March 23, 2002 received an email from Karen Briscoe, the Principal Auditor from the Office of the Auditor General indicating that the corrections look good and that it should be forwarded and approved by the Commissioners at the next Commissioner's Meeting; and
10. Once they get an approved resolution, we can move forward in getting it approved by the oversight committee and the Budget and Finance Committee.

NOW THEREFORE, BE IT RESOLVED THAT

Nahata Dziil Commission Governance recommends and approves a Revised Correction Action Plan prepared for Navajo Nation Auditor General reference to Audit Number 20-04 on Tuesday March 22, 2022, conducted by Newberry and Associate, Inc.



CERTIFICATION

I hereby certify that the foregoing resolution was duly considered by Nahata Dziil Commission Governance at a duly called meeting at Nahata Dziil Commission Governance Meeting Hall, NAVAJO NATION, Nahata Dziil, (Arizona), at which a quorum was present and that same was passed by a vote of 02 in favor, 00 opposed and 01 abstained, on this 8th day of April 2022.



Darryl Ahasteen, Commission President
Nahata Dziil Commission Governance

Motion by: LaVonne Tsosie
Second by: Loretta Bahe

BUDGET AND FINANCE COMMITTEE

13 December 2022

Special Meeting

VOTE TALLY SHEET:

Legislation No. 0172-22: An Act Relating to the Resources and Development Committee and the Budget and Finance Committee; Accepting the Auditor General's Audit of the Nahata Dziil Commission Governance and Approving the Chapter's Proposed Corrective Action Plan *Sponsored by Raymond Smith, Jr., Council Delegate*

Motion: Jimmy Yellowhair

Second: Elmer P. Begay

Vote: 5-0, Chairman not voting

Final Vote Tally:

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



Jamie Henio, Chairman
Budget & Finance Committee



Peggy Nakai, Legislative Advisor
Budget & Finance Committee