

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 BLACK MESA CHAPTER AND APPROVING THE CHAPTER'S
PROPOSED CORRECTIVE 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. In accordance with 12 N.N.C. § 6, the Office of the Auditor General has prepared a fiscal review of the Black Mesa Chapter, titled: "Internal Audit of the Black Mesa Chapter" - Report No. 21-20 - dated September 2021 ("Audit Report"). This Audit Report is attached hereto as **EXHIBIT A**.
- B. The Black Mesa Chapter responded with a letter accepting the Audit Report. The Chapter's letter, dated September 21, 2021, is attached hereto as **EXHIBIT B**.

- C. The Chapter prepared a detailed Corrective Action Plan that is submitted to the Auditor General on May 4, 2022, which addresses the findings in the Audit Report. In the Corrective Action Plan the Chapter proposes to cure the Audit Report findings by September 30, 2022. The Chapter's proposed Corrective Action Plan is attached hereto as **EXHIBIT C**.
- D. In Resolution No. BMC-22-05-065 the Chapter acknowledges the findings in the Audit Report and specifically approves the Chapter's proposed Corrective Action Plan to address and resolve the findings. Resolution No. BMC-22-05-065 is attached as **EXHIBIT D**.

SECTION THREE. ACCEPTING THE AUDITOR GENERAL'S AUDIT OF THE BLACK MESA CHAPTER AND APPROVING THE CHAPTER'S PROPOSED CORRECTIVE ACTION PLAN

- A. The Navajo Nation hereby accepts the Auditor General's fiscal review of the Black Mesa Chapter titled: "Internal Audit of the Black Mesa Chapter" - Report No. 21-20, dated September 2021, attached as **EXHIBIT A**.
- B. The Navajo Nation hereby approves the Corrective Action Plan proposed by the Black Mesa Chapter that was submitted to the Auditor General on May 4, 2022, attached hereto 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 Black Mesa Chapter 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 Black Mesa Chapter'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.

- 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 Black Mesa Chapter to determine whether or not the Chapter has successfully implemented its approved Corrective Action Plan.
- E. The Auditor General shall then promptly prepare its twelve-month report on its findings resulting from the follow-up review. Such report shall include the Auditor General's recommended sanctions, if any, to be imposed upon the Black Mesa Chapter 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).

SECTION FIVE. EFFECTIVE DATE

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

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.

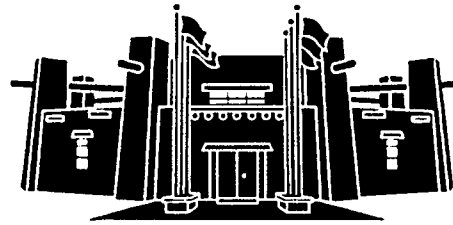
CERTIFICATION

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 6th 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 Nathaniel Brown
Second: Honorable Elmer P. Begay



OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

**Internal Audit
of the
Black Mesa Chapter**

**Report No. 21-20
September 2021**

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



September 29, 2021

Larry Biltah, President
BLACK MESA CHAPTER
P.O. Box 189
Pinon, AZ 86510

Dear Mr. Biltah:

The Office of the Auditor General, in conjunction with Newberry & Associates, LTD, herewith transmits audit report no. 21-20, Internal Audit of the Black Mesa Chapter. The audit objective was to determine whether the Chapter maintains adequate internal controls to safeguard assets, ensure reliability of its financial reporting, and comply with applicable laws, regulations, policies and procedures. During the 12-month audit period ending March 31, 2021, our review has revealed the Chapter needs to strengthen controls with activities addressed by its five-management system. The following issues were identified:

- FINDING I: The Chapter property was not consistently tagged and accounted for on the property inventory.
- FINDING II: The Chapter does not maintain detailed records of resale inventory items showing the description, cost, quantity, and location of all resale inventories.
- FINDING III: The Chapter does not consistently follow bank reconciliation policies regarding voided checks.
- FINDING IV: Cash disbursements were made without proper support documentation and Chapter approval.
- FINDING V: The Chapter does not have proper segregation of duties.
- FINDING VI: Payroll tax deposits and tax report filings are delinquent.

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

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

Sincerely,

Helen Brown, CFE, Principal Auditor
Delegated Auditor General

xc: Lynn J. Dean, Vice President
Marlene Biltah, Secretary/Treasurer
Albert Lee, Community Services Coordinator
Jimmy Yellowhair, Council Delegate
BLACK MESA CHAPTER
Sonlatsa Jim-Martin, Department Manager II
Edgerton Gene, Senior Program & Projects Specialist
ADMINISTRATIVE SERVICE CENTER
Brett Newberry, CPA, CFE, Owner
NEWBERRY AND ASSOCIATES, LTD.
Chrono



Newberry & Associates, Ltd.

Certified Public Accountants

*107 South Cliff
 Gallup, NM 87301*

*505-722-6633
Fax: 505-863-7803*

September 28, 2021

Office of the Auditor General of The Navajo Nation
Black Mesa Chapter

The internal audit of the Black Mesa Chapter for the 12-month period ended March 31, 2021 was conducted in accordance with generally accepted government 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.

To meet our audit objectives, Chapter administration and officials were interviewed, data was analyzed, and documents were examined.

The results of our audit include six (6) findings. These findings and our related recommendations are described in the accompanying report.

This information is intended for the Navajo Nation Auditor General's Office and is not intended to be and should not be used by anyone other than the specified party. However, this information is a matter of public record, and its distribution is not limited.

Sincerely yours,

NEWBERRY & ASSOCIATES, LTD.

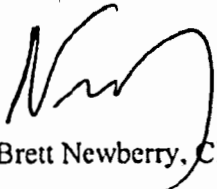
 *& Associates*
Brett Newberry, CFE, CPA

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INTERNAL AUDIT RESULTS

Finding I: The Chapter property was not consistently tagged and accounted for on the property inventory.

Criteria: Five Management System Property Management Policies and Procedures, Section IV (E) states all Chapter property shall be identified by marking and/or tagging unless such marking would impair the utility of the item. Section IV (H) states all property discovered upon annual inventory (tagged or not) shall be accounted for and recorded as Chapter property. Per Section V (A)(1)(d) the Community Service Coordinator shall keep both general and subsidiary ledgers for all Capital Assets owned, and which should permit a reconciliation of the detailed subsidiary ledger account amounts with the summary amounts and other accounts in the general ledger.

Condition: There were twenty-four (24) property and equipment items valued at \$478,128 included on the Underwriting Exposure Summary report. We examined nineteen (19) of those items valued at \$477,363 and confirmed they were tagged. The Chapter administration was in the process of updating the Underwriting Exposure Summary report.

- We identified four (4) items from a previous Underwriting Exposure Summary report valued at \$9,837 that had not been added to the current Underwriting Exposure Summary report. These four (4) items reflected a previous tagging system.
- Eight (8) items (equipment) were examined on the Chapter premises that were not tagged and were not included in the current Underwriting Exposure Summary report. These items included 1 pallet forklift, 2 steel framed shelters, 1 stove and pipe, 1 whiteboard, and 3 dollies.
- The current Underwriting Exposure Summary report of property and equipment has not been reconciled to the Fixed Assets reflected at \$325,112 on the Balance Sheet.

Effect: The Chapter property is not protected from misuse and/or neglect.

Cause: The Community Service Coordinator is not tagging and recording the property in the general ledger. The Community Service Coordinator is also not maintaining the Chapter property inventory. The Community Service Coordinator is not reconciling the Chapter property inventory on an annual basis. The Chapter Officials are not monitoring and reviewing property management and activities of the Chapter administration on a quarterly basis.

- Recommendations:**
1. The Chapter administration should designate the Account Maintenance Specialist to tag all property and equipment and record the property in the general ledger when it is received.
 2. The Account Maintenance Specialist should maintain the Chapter property inventory to ensure property internal control.
 3. The Community Service Coordinator should be reconciling the Chapter property inventory on an annual basis to ensure property internal control.
 4. The Chapter Officials should monitor and review property management and activities of the Chapter administration on a quarterly basis.

INTERNAL AUDIT RESULTS

Finding II: **The Chapter does not maintain detailed records of resale inventory items showing the description, cost, quantity, and location of all resale inventories.**

Criteria: Five Management System Fiscal Policies and Procedures Section VII (J) (1,2,4) states the Chapter shall maintain detail records of resale inventory, inventory shall be verified on a monthly basis, and the differences in the financial records shall be accounted for.

Condition: After reviewing the general ledger for the twelve (12) month period ended March 31, 2021, and interviewing the Community Service Coordinator, it was determined that the MIP software was not being fully utilized to maintain a perpetual hay inventory. The Chapter purchased hay in the amount of \$21,448 for the twelve-month period ended March 31, 2021. In the same time period, the revenue from hay sales was \$15,682. The quantities of the hay purchased and sold was not consistently maintained in the MIP accounting software. There is no monthly physical hay inventory being taken on a consistent basis. Due to this fact, there is no reconciliation between the physical hay inventory and the hay inventory quantities maintained in the accounting software.

Effect: The Chapter resale hay inventory is at risk related to overstocking, shortage and loss as a result of theft, spoilage, and breakage.

Cause: The Chapter has not fully implemented its resale inventory policy. There is no perpetual inventory record being maintained in the MIP accounting system by the Community Service Coordinator. There are no consistent monthly physical counts of the resale inventory.

Recommendations:

1. The Community Service Coordinator should implement fully the resale inventory policy reflected in the Five Management System Fiscal Policies and Procedures.
2. The Account Maintenance Specialist, at the time of hay inventory count, shall obtain the current perpetual hay inventory record and cross reference items during a physical count to determine whether any items are missing, damaged, spoiled, or obsolete.
3. The Account Maintenance Specialist should report any discrepancies in the hay inventory immediately to the Community Service Coordinator.
4. The Community Service Coordinator shall review the hay inventory count listings and any findings by the Account Maintenance Specialist. If there is a major deficiency or changes in the hay inventory not properly recorded, the Community Service Coordinator shall consult with the Chapter Officials as soon as possible and correct the deficiencies with the Account Maintenance Specialist. Any changes/corrections to the hay inventory shall be documented with a justification memorandum.
5. The Account Maintenance Specialist should have the responsibility to handle all daily hay inventory record keeping. The Community Service Coordinator shall designate the Account Maintenance Specialist to perform monthly physical count and reconciliation of cash receipt tickets to the hay inventory records.
6. The Chapter Officials should provide oversight to determine that the Community Service Coordinator implements the resale inventory policy.

INTERNAL AUDIT RESULTS

Finding III: The Chapter does not consistently follow bank reconciliation policies regarding voided checks.

Criteria: Five Management System Fiscal Policies and Procedures, Section VII (C)(2)(b) requires that checks that have been on the outstanding check list for three months (90 calendar days) or longer should be deleted from the list of outstanding checks and the checkbook register and the fund balance ledgers should be credited by the amount of the voided checks.

Condition: The accounting for the voided checks in the MIP accounting software does not follow the requirements of the Five Management System. During the review of the general ledger for the twelve months ended March 31, 2021, it was determined that there were multiple voided checks from April 2020 through March 2021. Due to limited bookkeeping background, the Community Service Coordinator recorded multiple debit and credit transactions related to certain voided checks that were examined. There is no written documentation to support these multiple transactions.

After the sorting of check numbers in numerical order in the general ledger bank account, it was determined that six (6) check numbers were missing. Through inquiry with the Community Service Coordinator, it was determined that these six (6) checks were never recorded in the general ledger because they had been voided. These six (6) checks were accounted for in the Chapter void file.

Effect: There is a reduction in the effectiveness of internal controls to ensure the Chapter assets and resources are protected against waste, fraud, and inefficiency. Enhanced internal controls would ensure that the accounting data is accurate, dependable, and compliant with any regulations. There is risk that voided checks that are not accounted for in a timely manner will distort the general ledger and financial reporting.

Cause: The Community Service Coordinator is not following proper bookkeeping procedures related to policy.

Recommendations:

1. One person, who must be other than the primary signatories, shall be designated to prepare the bank reconciliation. The Account Maintenance Specialist, using the MIP software, generates the list of outstanding checks. If the list of outstanding checks discloses checks that have been outstanding for three months (90 calendar days) or longer, the Account Maintenance Specialist shall delete those checks from the list of outstanding checks and shall credit the checkbook register and the fund balance ledgers by the amount of the voided checks.
2. The Community Service Coordinator shall approve the re-issuance of every voided check based on proper justification.
3. The Chapter officials should provide oversight to determine that the Chapter administration is following bank reconciliation policies.

INTERNAL AUDIT RESULTS

Finding IV: Cash Disbursements were made without proper support documentation and Chapter approval.

Criteria: Five Management System Fiscal Policies and Procedures Section VII (B)(1)(h) states that all disbursement transactions shall be reconciled on a monthly basis to ensure funds are disbursed with proper approval, based on adequate documentation and in compliance with funding guidelines and budget stipulations. Section VII (B)(1)(i) states that disbursements of funds which were not budgeted are prohibited. Disbursements of Chapter funds require Chapter membership approval during a scheduled regular Chapter Meeting to be documented in the Chapter meeting minutes.

Condition: Of thirty-two (32) cash disbursements totaling \$185,144 examined, the following was noted:

- There were twenty-two (22) incomplete Fund Approval Forms, including the following issues: no Fund Number nor general ledger number, date of signatures missing, Community Service Coordinator signature missing, and Chapter official signature missing.
- There were six (6) disbursements that did not have required written quotes.
- There was one (1) disbursement that did not have written documentation to support a qualified contractor.
- There was one (1) disbursement that did not have written documentation to support a stipend paid related to a Chapter meeting.
- One (1) disbursement was made payable to an individual when it should have been made payable to the contracted vendor.
- One (1) disbursement of \$23,643 was not budgeted and a resolution was not provided.

Effect: The Chapter assets and resources are not protected against waste, fraud, and inefficiency, and to ensure that accounting data are accurate, dependable, and compliant with any other regulations.

Cause: The Community Service Coordinator is not ensuring that the Fund Approval Form indicates payment authorization and that all source documents, including applicable Chapter meeting minutes and/or approved resolutions for nonbudgeted items, support each fund disbursement before preparing a check for payment. The Community Service Coordinator is not reviewing the check to determine that it is made payable to the vendor. The Community Service Coordinator and the Chapter official are not reviewing the completed check with all supporting documentation before co-signing the check.

- Recommendations:**
1. The Account Maintenance Specialist should determine that all required documentation is attached and verified before preparing a check for payment.
 2. The Community Service Coordinator should review the check to determine that it is payable to the vendor and should determine that all required supporting documentation is attached prior to authorizing the payment.
 3. The Chapter official should review the completed check with all supporting documentation before authorizing the payment.

INTERNAL AUDIT RESULTS

Finding V: The Chapter does not have proper segregation of duties.

Criteria: Five Management System Fiscal Policies and Procedures Section VII(B)(1)(a) states the handling of all cash disbursements shall be properly segregated to ensure that no single employee is in a position to authorize, execute, and/or approve all phases of cash disbursements. Section VII(C)(1)(a) states that one person, who must be other than the primary signatories, shall be designated to prepare the bank reconciliation.

Condition: The Community Service Coordinator is preparing the Fund Approval Forms and the checks. The Community Service Coordinator is also signing the checks and preparing the monthly bank reconciliation. Therefore, the current duties of the Community Service Coordinator are not segregated.

Effect: The Chapter assets and resources are not protected against waste, fraud, and inefficiency. The lack of segregation of duties increases the risk that accounting data is inaccurate, undependable, and not compliant with any other regulations.

Cause: The position of Account Maintenance Specialist is currently unfilled. There is no independent review of the cash disbursement and bank reconciliation processes.

Recommendations: 1. The Chapter administration should coordinate with the Navajo Nation to hire an Account Maintenance Specialist.

2. During the interim period, the Chapter administration should either designate another employee or utilize the Administrative Services Center staff to perform certain duties, including cash disbursements and bank reconciliations.

INTERNAL AUDIT RESULTS

Finding VI: Payroll tax deposits and tax report filings are delinquent

- Criteria:** Five Management System Fiscal Policies and Procedures, Section VII (H)(2)(j) states that the Account Maintenance Specialist shall ensure that timely deposits are made on the quarterly payroll tax deposits to avoid penalties. Form 941 shall be filed with the Internal Revenue Service on a quarterly basis according to the due dates set forth by the IRS.
- Condition:** The Chapter administration is not in compliance with the IRS rules and regulations. Three (3) of the eight (8) payroll tax deposits that were examined were deposited late. Two (2) of the payroll tax deposits examined were deposited one month late and one (1) was deposited two months late. All four (4) Form 941 tax reports were filed with the Internal Revenue Service late.
- Effect:** The late payroll tax deposits and filing of payroll tax reports causes the Chapter to be at risk for interest and penalty assessments.
- Cause:** The Community Service Coordinator is not depositing the payroll taxes and filing the payroll tax reports in a timely manner. The Chapter officials are not monitoring and reviewing the payroll tax issue.
- Recommendations:**
1. The Account Maintenance Specialist should be preparing the payroll tax deposits and payroll tax reports on a timely basis.
 2. The Community Service Coordinator should be monitoring payroll tax compliance related to the IRS rules and regulations.
 3. The Chapter officials should monitor and review payroll management and activities of the Chapter administration on a regular basis.

CONCLUSION

The Chapter property is not consistently being tagged and accounted for in the Chapter property inventory. The Chapter does not maintain detailed records including reconciliations related to the resale inventory. The Chapter is not following bank reconciliation internal control procedures related to voided checks. Disbursements are not supported by proper documentation and Chapter approval. Proper segregation of duties is not present related to Chapter administration. The payroll tax deposits and tax report filings are delinquent per IRS tax compliance.

Overall, the Black Mesa Chapter internal controls are not functioning as designated to ensure the Chapter spent funds in accordance with Navajo Nation and Chapter policies and procedures. These deficiencies resulted in the six findings identified in the audit report.

APPENDIX A

INTRODUCTION AND BACKGROUND

Newberry & Associates, Ltd has conducted an internal audit of Black Mesa Chapter for the twelve (12) month period ending March 31, 2021. This audit was requested by the Office of Auditor General after selecting Black Mesa Chapter for an audit.

Black Mesa Chapter is a political subdivision of the Navajo Nation and is considered a general purpose local government for reporting purposes. The Black Mesa Chapter is located within the Central Agency of the Navajo Nation.

The local chapter government is managed by the Community Services Coordinator (CSC) with administrative support provided by an Accounts Maintenance Specialist. Oversight is provided by the elected Chapter officials comprising of the President, Vice-President and Secretary/Treasurer. Additional oversight is provided by the Navajo Nation Division of Community Development/Administrative Service Centers.

The Black Mesa Chapter operates under a five-management system with policies and procedures addressing five key system components: fiscal management, personnel management, property management, records management and procurement. The authorities, duties, and responsibilities of the Black Mesa Chapter are enumerated in Title 26, Local Governance Act of the Navajo Nation Code.

The majority of the Chapter's resources are provided through appropriations from the Navajo Nation central government. Other revenue is generated from miscellaneous user charges assessed by the Chapter for services and/or goods provided to its community members. Black Mesa Chapter fiscal year 2021 total budget was approximately \$1,177,737 which includes carryover funds from the prior fiscal year.

APPENDIX B

OBJECTIVE, SCOPE AND METHODOLOGY

The objective of this audit was to evaluate the Chapter's internal controls, including how well controls are designed, implemented and operated to meet the Chapter's objectives in the following areas:

1. Financial transactions are authorized, valid and properly recorded to permit the preparation of financial statements and other financial reports.
2. Assets are safeguarded against loss or misuse.
3. Chapter activities addressed by the five-management system comply with applicable laws and regulations.

The audit covers activities for the 12-month period of April 1, 2020 through March 31, 2021.

In meeting the audit objectives, we interviewed the Community Services Coordinator, three Chapter Officials, and the Administrative Services Center Staff, and we examined available records. Our interviews were conducted by written questionnaires, email, and telephone conversations. Most of the documents we requested were provided to us. We tested samples of expenditures 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 Black Mesa Chapter administration and officials for their cooperation and assistance throughout the audit.

EXHIBIT B

LARRY BILIAH
CHAPTER PRESIDENT

LYNN DEAN
CHAPTER VICE-PRESIDENT

MARLENE BILIAH
CHAPTER SECRETARY/TREASURER

The Navajo Nation



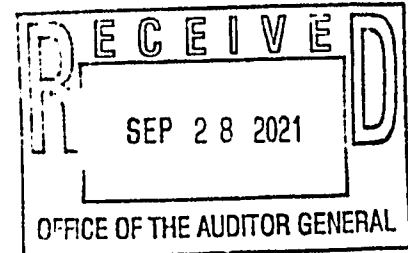
JIMMY YELLOWHAIR
COUNCIL DELEGATE

FRANCIS HONIE
GRAZING COMMITTEE MEMBER

ALBERT LEE
COMMUNITY SERVICE COORDINATOR

September 21, 2021

Beverly Tom, MBA, CFI
Senior Auditor
Office of the Auditor

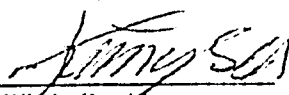



Dear Ms. Tom

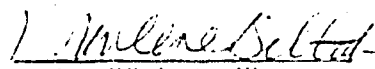
We are in receipt of our final draft of the Special Review of Black Mesa Chapter, dated September 14, 2021. Black Mesa Chapter has reviewed the audit findings and agreed to the findings and will begin the process of Corrective Action Plan based on the recommendations made by your office within (30) days.

If you should have any questions, please feel free to contact the Black Mesa Chapter at (928) 675-0009 or by email at blackmesa@navajochapter.org.

Sincerely,


Larry Biliah, President
Black Mesa Chapter


Lynn Dean, Vice-President
Black Mesa Chapter


Marlene Biliah, Sec. Tres.
Black Mesa Chapter

cc: Jimmy Yellowhair, Council Delegate
Edgerton Gene, Chinde SPPS

Black Mesa Chapter
Audit Report No. 21-20
CORRECTIVE ACTION PLAN

RECEIVED
MAY - 4 2022

OFFICE OF THE AUDITOR GENERAL

EXHIBIT C

Finding	Responsible Parties	Timeline	CORRECTIVE ACTIONS
FINDING I: The Chapter property was not consistently tagged and accounted for on the property inventory.	Community Services Coordinator	9/30/2022	With technical assistance by Chinle ASC, CSC will be responsible for inventoring and tagging all chapter properties and equipment until an AMS is hired.
	Community Services Coordinator	9/30/2022	CSC will be responsible to maintain the property and equipment listing and records such as invoices, appraisals, and fair value until an AMS is hired.
	Administrative Service Center	9/30/2022	Assigned ASC staff will reconcile, sign and date the property and equipment listing and records on a quarterly basis by signing and dating the the Property Listing.
	Community Services Coordinator	9/30/2022	CSC will verify assigned ASC staff work on a quarterly basis. If there are any discrepancies, CSC will be responsible to address the discrepancy of the property and equipment listing and records.
	Accounts Maintenance Specialist	9/30/2022	Until AMS is hired, CSC will continue working with assigned Chinle ASC Staff for inputting all properties into MIP Accounting System for equipment and property that are valued at \$1,000.
	Chapter Officials	9/30/2022	Secretary/Treasurer will be responsible to monitor the property inventory and records for completeness and accuracy on a monthly basis and sign off on the Monitoring Tool Form after review. CSC will report at the monthly planning meeting before Chapter Officials and sign the Monitoring Tool Forms; file the report with meeting minutes.
		9/30/2022	CSC and chapter workers will be responsible to create resale inventory list of all resale items upon receiving the items.
FINDING II: The Chapter does not maintain detailed records of resale inventory items showing the description, cost, quantity, and location of all resale inventories.	Community Services Coordinator	9/30/2022	CSC will supervise and develop a reconciliation form for resale activities conducted by chapter workers and reconcile the cash receipts against the resale inventory on a daily basis. CSC will be responsible for resolving any inconsistencies found in the inventory count on daily basis.
	Accounts Maintenance Specialist Community Services Coordinator	9/30/2022	Until AMS is hired, assigned ASC staff will conduct the reconciliation of the resale records against the cash receipts and MIP accounting system. ASC will sign and date the reconciliation form.
	Community Services Coordinator	9/30/2022	Chapter Secretary/Treasurer will review the reconciliation forms and documents, on weekly basis, including if correction actions were made by CSC.
	Community Services Coordinator Chapter Officials	9/30/2022	CSC will report at the chapter planning meeting for accuracy and completeness of revenues and any discrepancies with corrective actions. The Chapter Officials will acknowledge by signing the monthly Monitoring Tool Forms.
		9/30/2022	

FINDING III: The Chapter does not consistently follow bank reconciliation policies regarding voided checks.	Accounts Maintenance Specialist	9/30/2022	Until AMS is hired, assigned ASC staff will prepare and conduct monthly bank reconciliation and provide a list of outstanding checks that have been outstanding for 3 months to CSC to review for accuracy and completeness. CSC and ASC will sign and date the bank reconciliation report.
	Community Services Coordinator	9/30/2022	Assigned ASC staff will work with CSC by following the FMS policies when reviewing and verifying the list of outstanding checks against check register and fund balance ledger before voiding them.
	Community Services Coordinator	9/30/2022	CSC will develop and use an Approval Form to obtain authorization from Chapter President by attaching voided checks and supporting documents before re-issuing any outstanding checks.
	Community Services Coordinator Chapter Officials	9/30/2022	Chapter Secretary/Treasurer will review the completeness and accuracy of the monthly bank reconciliation and sign the bank reconciliation report.
FINDING IV: Cash disbursements were made without proper support documentation and Chapter approval.	Community Services Coordinator	9/30/2022	CSC will develop a checklist of supporting documents for disbursement packets.
	Accounts Maintenance Specialist	9/30/2022	Until AMS is hired, assigned ASC staff will verify the checklist for supporting documentations before signing the Fund Approval Form and checklist.
	Community Services Coordinator Chapter Officials	4/30/2022	Chapter Secretary/Treasurer or authorized official and CSC will review disbursement packets against the checklist and Fund Approval Form before signing any checks.
	Community Services Coordinator Chapter Officials	10/31/2022	Chapter Officials and CSC will work with Chinle ASC Office to continue to advertise the AMS position and fill the position immediately.
FINDING V: The Chapter does not have proper segregation of duties.	Community Services Coordinator Chapter Officials	10/31/2022	Until AMS is hire, Chapter Officials and CSC will work with Chinle ASC to assist with segregation of duties. When AMS comes on board, AMS and CSC will follow FMS policies and procedures to exercise the segregation of duties.
	Accounts Maintenance Specialist	9/30/2022	Until AMS is hired, assigned ASC staff will prepare and use the Fund Approval Form for monthly payroll tax liability before making any payment through Electronic Federal Tax Payment System (EFTPS).
FINDING VI: Payroll tax deposits and tax report filings are delinquent.	Accounts Maintenance Specialist	9/30/2022	Until AMS is hired, assigned ASC staff will generate and prepare the Form 941 Quarterly Report after the end of each quarter to avoid late submission. If payment is to be made, ASC staff will follow the Fund Approval procedures.
	Community Services Coordinator	9/30/2022	CSC will review and verify the monthly and quarterly payroll tax liability through MIP Reports prior to scheduling payment through EFTPS and submitting reports according to the due dates set by Internal Revenue Service..

Community Services Coordinator	9/30/2022	After verification by CSC, assigned ASC staff will sign 941 reports before CSC remit monthly payroll tax liability according to the due dates set by Internal Revenue Service.
Community Services Coordinator Chapter Officials	9/30/2022	Chapter Officials and CSC will review financial statements and payroll tax liability reports to ensure payments are made prior to signing Monitoring Tool Forms during chapter planning meeting.

LARRY BILTAH
CHAPTER PRESIDENT

Lynn Dean
CHAPTER VICE PRESIDENT

MARLENE BILTAH
CHAPTER SECRETARY/TREASURER

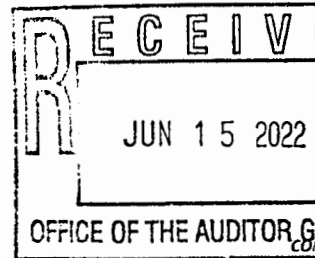


EXHIBIT D

Jimmy Yellowhair
COUNCIL DELEGATE

FRANCIS HONIE
GRAZING COMMITTEE MEMBER

ALBERT LEE
COMMUNITY SERVICE COORDINATOR

BLACK MESA CHAPTER PO BOX 189 PINON, AZ 86510

NO. BMC-22-05-065

Supports and approving the Corrective Action Plans (CAP) for Black Mesa Chapter Financial Audit Report No. 21-20 Internal Findings.

WHEREAS:

1. The Navajo Nation Council by Resolution CS-34-98 enacted the Navajo Nation Local Governance Act and codified it under Title 26 of the Navajo Nation Code; and
2. Pursuant to Title 26 NNC, Section B-1&2, the purpose of the Local Governance Act is to recognize at the local level and to delegate to chapter government with respect to local matters consistent with Navajo Nation laws including custom and tradition and to make decision over local matters; and
3. The Black Mesa Chapter has been selected for an internal audit by the Navajo Nation Office of Auditor General under the authority of Title 12 NNC Chapter 1 which has been outsourced to Newberry & Associates, LTD to be conducted in 2021 for the time period of Fiscal Years 2020 and 2021; and
4. The Black Mesa Chapter was subsequently notified of six areas of findings needing to strengthen their controls of with Five Management System as follows:
 - a. The Chapter property was not consistently tagged and accounted for on the property inventory.
 - b. The Chapter does not maintain detailed records of resale inventory items showing the description, cost, quantity, and location of all resale inventories.
 - c. The Chapter does not consistently follow bank reconciliation policies regarding voided checks.
 - d. Cash disbursements were made without proper support documentation and Chapter approval.
 5. The Chapter does not have proper segregation of duties.
 6. Payroll tax deposits and tax report filings are delinquent.
5. The Black Mesa Chapter in accordance with Title 12 Chapter 1 Section 7 (C) has completed and submitted Corrective Action Plan to the Navajo Nation Office of the Auditor General to resolve the findings along with time lines of when the process will be completed; and
6. The Black Mesa Chapter administration, elected officials and the Chinle Agency Administrative Service Center have implemented corrective measures and will continue to analysis their policy and procedures to strengthen the chapter's Five Management System, the Corrective Action Plan applicable to this Internal Audit (attached).

THEREFORE, BE IT RESOLVED THAT:

The Black Mesa Chapter Hereby Supports and Approves the Corrective Action Plan (CAP) for the 2021 Internal Audit Findings.

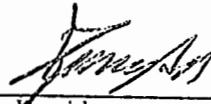
BMC-22-03-065

CERTIFICATION

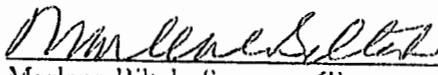
We hereby certify that the foregoing resolution was fully considered by the Black Mesa Chapter at a duly called meeting at Black Mesa, Arizona at which a quorum was present and that same was passed by a vote of 21 in favor, 00 opposed, and 05 abstained, on this 16th day of May 2022.

Motioned by: Jane Baloo

Seconded by: Roger Bahe


Larry Biltah, President


Lynn Dean, Vice -President


Marlene Biltah, Secretary/Treasurer


Jimmy Yellowhair, Council Delegate

BUDGET AND FINANCE COMMITTEE

December 6, 2022

Regular Meeting

VOTE TALLY SHEET:

Legislation No. 0171-22: An Act Relating to the Resources and Development Committee and the Budget and Finance Committee; Accepting the Auditor General's Audit of the Black Mesa Chapter and Approving the Chapter's Proposed Corrective Action Plan *Sponsored by Jimmy Yellowhair, Council Delegate*

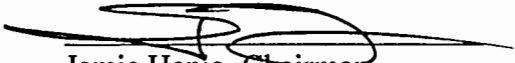
Motion: Nathaniel Brown

Second: Elmer P. Begay

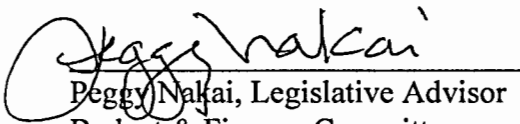
Vote: 5-0, Chairman not voting

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