

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

23RD NAVAJO NATION COUNCIL - Second Year, 2016

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

BE IT ENACTED:

SECTION ONE. AUTHORITY

- A. The Resources and Development Committee (RDC) is a standing committee of the Navajo Nation Council with oversight authority over the Chapters of the Navajo Nation. 2 NNC §§ 500 (A), 501 (B) (1), 501 (C) (1).
- B. The RDC as the oversight committee of the Chapters of the Navajo Nation is to receive audit reports and corrective action plans. 12 NNC §7 (E).
- C. The Budget and Finance Committee (B&F) is a standing committee of the Navajo Nation Council and is charged with receiving and approving chapter audit reports from the Auditor General. 2 NNC § 300 (A), 12 NNC §§ 6 (A), 7 (D).

SECTION TWO. FINDING

- A. Pursuant to 12 N.N.C § 7 (D), the Auditor General submits an audit report of the Dilkon Chapter and Dilkon Chapter's Corrective Action

Plan for approval. See Exhibit A (Audit Report 16-13, Mar. 2016); See also Exhibit B (Corrective Action Plan).

B. The internal audit of Dilkon Chapter was conducted by the Office of the Auditor General with the assistance of Finley & Cook, certified Public Accountants, to determine whether Dilkon Chapter was implementing sound internal controls in managing chapter finances. See Exhibit A.

C. The objective of the audit was to test Dilkon Chapter's day to day operations versus the approved Five Management System policies and procedures. See Exhibit A.

D. Dilkon Chapter is a Certified Local Government Agency (LGA). See TCDCD-49-10.

E. The internal audit findings lists twenty-five (25) findings for the twenty-two (22) month period review from October 1, 2013 through July 31, 2015. See Exhibit A.

F. The twenty-five (25) findings are as follows:

1. Expenditures were made without approved annual budgets for fiscal year 2014 and 2015.
2. Expenditures were made without proper support documentation to justify the expense.
3. Purchases were made without obtaining the proper quotes from three different vendors.
4. The required documentation established by fund program checklists for Veterans, Housing Discretionary, and Scholarship funds were missing from the support provided for multiple transactions.

5. Payroll duties have been performed solely by the Acting Chapter Manager since May 1, 2015.
6. Requisition forms were not prepared or attached to the supporting documentation on several expenditures tested.
7. Debit card transactions were not supported by backup documentation and the existence of the debit card was unknown to Chapter officials as reported by Chapter staff.
8. Subpoenaed documentation received from vendors did not match payments recorded by the Chapter and were not budgeted.
9. Capital assets were not recorded by fund source.
10. There are outstanding travel advances dating back to March 2015.
11. Travel advance records did not contain proof of insurance or a driver's license for those using personal vehicles.
12. Cash is not being deposited in an accurate and timely manner.
13. As of May 1, 2015, the Acting Chapter Manager is the sole custodian of cash.
14. Bank reconciliations within the MIP accounting software did not agree with the trial balance.
15. Payroll checks were issued outside of the established pay dates for fiscal year 2014.
16. Health insurance premiums were not paid timely to the Navajo Nation and included payments on behalf of terminated employees.
17. Timesheets were missing from some of the payroll samples selected.

18. Personnel Action Forms (PAF) not provided for some of the payroll samples selected.
19. Hourly rates on employees paychecks varied from the rates stated on PAF in their personnel file.
20. PAF are missing proper signatures.
21. A financial audit has not occurred for the Chapter since it was certified as a LGA Certified Chapter in December 2010.
22. Arizona state unemployment returns and contributions were not paid in a timely manner.
23. Quarterly Federal payroll reporting was not filed timely and the monthly Federal tax deposits were not paid timely.
24. Checks were issued before fund approval forms were signed.
25. Several payroll and expenditure items selected for testing were not provided during fieldwork or after an additional two weeks was granted to provide the information requested.

G. Based on the audit report and the recommendations the Dilkon Chapter Corrective Action Plan was completed. See Exhibit B.

SECTION THREE. ACCEPTANCE AND APPROVAL

A. The Navajo Nation hereby accepts the Audit Report No. 16-13, Audit of the Dilkon Chapter, attached hereto as Exhibit A, and approves the Dilkon Chapter Corrective Action Plan, attached hereto as Exhibit B.

- B. The Navajo Nation hereby directs that copies of the Dilkon Chapter Corrective Action Plan be provided to the Office of the President and the Vice President and the Resources and Development Committee, as part of their oversight responsibility for the Dilkon Chapter.
- C. The Navajo Nation hereby directs the Dilkon Chapter to submit a written status report on its progress in implementation of the Corrective Action Plan to the Office of the Auditor General six months after the approval of this resolution.
- D. The Navajo Nation hereby directs the Office of the Auditor General to review the written status report to be submitted by the Dilkon Chapter and report to the Resources and Development Committee, as well as the Budget and Finance Committee.
- E. The Navajo Nation hereby directs the Office of the Auditor General to conduct a follow-up review twelve months after the approval of this resolution to verify to actions claimed to have been taken by the Dilkon Chapter, to issue a written follow-up report indicating the Dilkon Chapter progress in implementing the Corrective Action Plan, and to make recommendations to the Resources and Development Committee, as well as the Budget and Finance Committee.

CERTIFICATION

I hereby certify that the foregoing resolution was duly considered by the Budget and Finance Committee of the Navajo Nation Council at a duly called meeting held at Window Rock, Navajo Nation (Arizona), at which a quorum was present and that the same was passed by a vote of 4 in favor, 0 opposed, this 5th day of July, 2016.



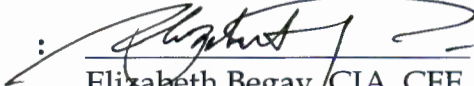
Honorable Dwight Witherspoon, Vice Chairperson
Budget and Finance Committee

Motion: Honorable Tom T. Chee

Second: Honorable Tuchoney Slim, Jr.

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

TO : Levon Henry, Chief Legal Counsel
OFFICE OF LEGISLATIVE COUNSEL

FROM : 
Elizabeth Begay, CIA, CFE
Auditor General
OFFICE OF THE AUDITOR GENERAL

DATE : May 18, 2016

SUBJECT : Request for Legislation -Dilkon Chapter

The Office of the Auditor General in conjunction with Finley & Cook PLLC, Certified Public Accountants have completed the Dilkon Chapter Internal Audit. Therefore, we request your office to prepare the legislation "An Action Relating to Resources and Development and Finance; Accepting the Dilkon Chapter Internal Audit submitted by the Office of the Auditor General and approving the Corrective Action Plan submitted by the Dilkon Chapter." The legislation sponsor will be Council Delegate Lee Jack, Sr.

Attached as Exhibit "A" is Audit Report No. 16-13 "Dilkon Chapter Internal Audit", and Exhibit "B" is the Corrective Action Plan submitted by the Dilkon Chapter with the attached chapter resolution dated May 10, 2016.

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

Attachment

Xc: Lee Jack, Sr., Council Delegate
DILKON CHAPTER
Chrono



OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

Dilkon Chapter Internal Audit

Report No. 16-13
March 2016

Performed by:
Finley & Cook, PLLC



March 7, 2016

Lorenzo Lee, Sr., President
DILKON CHAPTER
HR 63 Box E
Winslow, AZ 86047

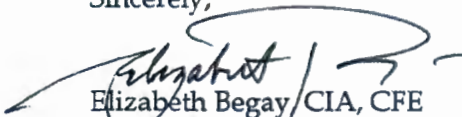
Dear Mr. Lee:

The Office of the Auditor General herewith transmits Audit Report No. 16-13, Dilkon Chapter Internal Audit. The internal audit was conducted, in conjunction with Finley & Cook, Certified Public Accountants to determine whether Dilkon Chapter was implementing sound internal controls in managing chapter finances. In December 2010, Dilkon Chapter was LGA-Certified by the Transportation and Community Development Committee of the Navajo Nation via resolution no. TCDCD-48-10. As LGA-Certified, Dilkon Chapter officials and staff are expected to uphold a higher standard over the management of the chapter.

The auditors reported twenty-five (25) findings for the 22-month period reviewed from October 1, 2013 through July 31, 2015. The significant deficiencies compromise the overall integrity of the chapter's five management system. Consequently, the auditors concluded that the chapter's five management system is not operating effectively, and does not meet its intended purpose. The audit report provides recommendations to correct the reported findings and improve chapter operations. The Dilkon Chapter has agreed to resolve the audit findings.

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

Sincerely,



Elizabeth Begay, CIA, CFE
Auditor General

Enclosure

xc: Daryl Joe, Vice President
Rudie John, Secretary Treasurer
Melanie James, Acting Chapter Manager
Lee Jack, Sr., Council Delegate
DILKON CHAPTER
Jayne Mitchell, Senior Accountant
Robert Begay, Department Manager II
DIVISION OF COMMUNITY DEVELOPMENT
Chrono



February 29, 2016

Lorenzo Lee, Sr.
Chapter President
DILKON
CHAPTER
HR 63 Box E
Winslow, Arizona 86047

Dear Mr. Lee:

Pursuant to our engagement letter with the Office of the Auditor General, Finley & Cook, PLLC hereby transmits the internal audit report of the Dilkon Chapter. Finley & Cook conducted the internal audit of the Chapter to determine compliance with the approved Five Management System (FMS) policies as originally approved by the Chapter on December 18, 2006, and further validated on June 11, 2010, and July 11, 2010, via additional resolutions or affidavits found in the FMS Manual. The Navajo Nation Council further acknowledged these actions on December 13, 2010.

The scope for this review was for the 22-month period from October 1, 2013 to July 31, 2015. The results of our audit include 25 findings.

These findings are detailed in the enclosed report.

In addition to the audit findings, the report provides recommendations for corrective action. If you have any questions about this report, please call our office at (405) 395-5000.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin Huddleston", written over a horizontal line.

Kevin Huddleston
Partner

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INTRODUCTION AND BACKGROUND

Finley & Cook, PLLC has conducted an internal audit of Dilkon Chapter for the 22-month period ending July 31, 2015. This audit was requested by the Office of Auditor General after selecting the Dilkon Chapter for an audit.

Dilkon Chapter is a political subdivision of the Navajo Nation and is considered a general purpose local government for reporting purposes. Navajo Nation Chapters are required to operate under Title 26 of the Navajo Nation Code, the Local Governance Act (LGA). Per discussions with Chapter officials, the Dilkon Chapter was LGA certified by the Resources and Development Committee of the Navajo Nation in December 2010. As LGA-certified, Dilkon Chapter is expected to uphold a higher standard over the management of the Chapter.

The majority of the Chapter's resources are provided through appropriations from the Navajo Nation central government. These appropriations are intended to fund direct services and indirect services at the local chapter government. Funds for the direct services are considered restricted funds with specific intended purposes.

The Chapter also generates internal revenues from rentals, resale of goods, and miscellaneous services. Any unexpended funds at the end of the fiscal year are carried over to the next fiscal year.

Objective, Scope, and Methodology

The objective of this audit was to test the Chapter's day to day operations versus the approved FMS policies and procedures.

The scope included a review of the 22-month period from October 1, 2013 to July 31, 2015.

In performing our tests, we interviewed Chapter officials and the administration, tested chapter operations, and examined available records. More specifically, we tested samples of expenditures for internal controls and compliance requirements by using a non-statistical, judgmental method. Chapter property was also examined to determine whether it is adequately safeguarded from loss.

Government Auditing Standards

We conducted this internal audit 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.

Finley & Cook expresses its appreciation to the Dilkon Chapter officials and administration for their cooperation and assistance throughout the audit.

FINDINGS

Finding 1: Expenditures were made without approved annual budgets for fiscal year 2014 and 2015.

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

Condition: Upon review of the Chapter minutes, there were no budgets formally approved for fiscal year 2014 or 2015.

Effect: All expenditures for fiscal year 2014 and 2015 are in question, totaling \$394,521.83 and \$683,807.76, respectively.

Recommendation: The Chapter Secretary or their designee should properly record the actions of the membership during Chapter meetings to comply with FMS policies

Finding 2: Expenditures were made without proper support documentation to justify the expense.

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

Condition: No supporting documentation was ever provided for 13 of the 117 items selected for fiscal year 2015 expenditure testing. For fiscal year 2014 items tested, 34 of the 96 items tested were not provided by the vendors subpoenaed.

Effect: The fiscal year 2015 expenditures totaling \$3,442.34 and the fiscal year 2014 expenditures of \$17,499.57 may not have been allowable.

Recommendation: The Chapter Manager and staff should ensure that proper source documents are attached to payment requests before processing payments.

Finding 3: Purchases were made without obtaining the proper quotes from three different vendors.

Criteria: Section IV (K-1) of the Procurement Section of the FMS Manual states that on any purchase from \$0 to \$2,500 total purchase, the Administrative Assistant may verbally obtain purchase and vendor information. The three verbal quotations shall be documented and include the vendor's name, identity of the individual's contacted, price quotation, date of contact, phone numbers, and the method of contact. Information gathered via the internet is valid.

Condition: There were 22 expenditures out of 117 tested where the Chapter did not document that verbal quotes were obtained.

Effect: The Chapter may not be treating all vendors fair and equitably as stated in the FMS Manual. Additionally, overpaying vendors may be at risk.

Recommendation: The Chapter Manager and staff should ensure that quotes are obtained for those purchases of \$2,500 or less in accordance with the FMS Manual.

Finding 4: The required documentation established by fund program checklists for Veterans, Housing Discretionary, and Scholarship funds was missing from the support provided for multiple transactions.

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

Condition: There were nine expenditures out of the 117 items selected for fiscal year 2015 expenditure testing where payment was processed and remitted without required supporting documentation set forth in the attached program checklists.

Effect: The Chapter may be expending funds inappropriately without regard for established requirements.

Recommendation: The Chapter Manager and those in positions of authority should agree on required documentation needed for each program, update the FMS Manual with these requirements, and commit to gathering these documents as standard protocol for each expenditure.

Finding 5: Payroll duties have been performed solely by the Acting Chapter Manager since May 1, 2015.

Criteria: Section VII (H-1b) of the Fiscal Section of the FMS Manual states that appropriate segregation of duties shall be maintained to ensure that Chapter employees are not in a position to authorize, execute and approve all aspects of payroll processing and disbursements.

Condition: Per inquiry with the Acting Chapter Manager, she has been the sole performer of payroll duties since the former Chapter Manager resigned on May 1, 2015.

Effect: The Chapter's inadequate segregation of duties increases its risk for fraud and abuse, as well as errors to occur and go undetected.

Recommendation: The Chapter officials should actively seek to fill the Chapter Manager position to restore adequate internal controls. They should also increase their monitoring and verify the accuracy of payroll.

Finding 6: Requisition forms were not prepared or attached to the supporting documentation on several expenditures tested.

Criteria: Section VI (A-1) of the Procurement Section of the FMS Manual states that any Chapter staff and officials may request for goods or services on a Chapter Requisition Form through the Administrative Assistant. The Administrative Assistant shall review the request for need and necessity.

Condition: 105 out of the 117 expenditure items tested in 2015 did not have requisition forms attached to the supporting documentation.

Effect: Failure to follow the established procedures of submitting requisition form for purchases may allow for inappropriate obligation of Chapter resources.

Recommendation: The Chapter should withhold any request for payment to a vendor by Chapter staff until the requisition form has been completed and signed by the Administrative Assistant and approved by the Chapter Manager.

Finding 7: Debit card transactions were not supported by backup documentation and the existence of the debit card was unknown to Chapter officials as reported by Chapter staff.

Criteria: Section VII (D-1g) of the Fiscal Section of the FMS Manual states that the Chapter shall prohibit unauthorized direct cash withdrawals and ATM/debit card bank transactions. However, the Chapter may make cash withdrawals for cash-only transactions (e.g. coal and medicine men's services), provided that the authorized signatories (e.g. Secretary/Treasurer and Chapter Coordinator/Manager) prepare and sign memoranda of authorization and justification. Moreover, all invoices and receipts must be provided to the Chapter just as with all other financial transactions. Such a debit card must be prepaid only and controlled by the Chapter Coordinator/Manager.

Condition: It was discovered that a debit card was in use by the former Chapter Manager. This was reported as unknown to the current Chapter officials. Two items tested were charged to the GL account titled "Unidentified Expense". Based on the description in MIP, one transaction was with a weight loss website, while the other was from a parcel vendor.

Effect: At least \$16,711.71 worth of expenditures were made with a Chapter debit card. With the ease of access to funds that comes with a debit card, the Chapter is at risk of misappropriation of Chapter resources. A debit card gives the holder the opportunity to make unauthorized purchases and negates the dual signature requirement on issued checks.

Recommendation: Chapter officials should review bank statements on a monthly basis to ensure there are no improper transactions outside of the check writing process established. The use of a debit card should be discontinued immediately.

Finding 8: Subpoenaed documentation received from vendors did not match payments recorded by the Chapter and were not budgeted.

Criteria: Section VII (B-1) of the Fiscal Section of the FMS Manual 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.

Condition: In testing fiscal year 2014 expenditures, it was noted that two out of the 68 expenditures were written for amounts greater than the vendor invoice provided from subpoena's. The two expenditures were recorded for a total of \$1,128.54. Per the invoices provided an overpayment of \$119.15 was made to the vendors.

Effect: When supporting documentation does not correlate with the amount of the check, this may be an indication that Chapter assets are being improperly used.

Recommendation: Chapter officials involved in the procurement process should verify that the check amount corresponds to what is due to a vendor and that the supporting documentation clearly supports the expenditure amount.

Finding 9: Capital assets are not recorded by fund source.

Criteria: Section VII (F-2i) of the Fiscal Section of the FMS Manual states that all capital assets shall be identified by fund source.

Condition: After reviewing the Chapter's Risk Management Reports for 2014 and 2015 and discussions with the Acting Chapter Manager, it was noted that the Chapter is not keeping record of their capital assets by fund source.

Effect: Failure to record capital assets by fund source, prevents the Chapter from knowing which program 'owns' the asset, and, in turn, how the asset should be accounted for at the end of its use.

Recommendation: The Chapter officials should begin recording/tracking the funding source on all new asset purchases. In addition, fixed assets should be recorded in the Chapter's accounting system.

Finding 10: There are outstanding travel advances dating back to March 2015.

Criteria: Section VII (I-5) of the Fiscal Section of the FMS Manual states that any outstanding travel advances delinquent over ten (10) calendar days after completion of travel shall be deducted from the employee's salary or the Chapter Official's meeting stipend.

Condition: In 2014, multiple travel advances from 1/27/14, 3/11/14, and 6/20/14 comprise the balance at fiscal year-end. In fiscal year 2015, multiple travel advances from 3/20/15, 4/8/15, 4/23/15, 5/5/15, 5/11/15, 5/27/15, 6/15/15, and 7/13/15 comprise the balance at July 31, 2015. The delinquent travel advances total \$1,436.07 of the total travel advances of \$4,839.70.

Effect: Failures to reconcile, follow up on, and collect travel advances are causing incomplete expenditures within the financial reporting to the membership and Chapter officials. Additionally, it is possible that employees with outstanding travel advances are receiving additional benefit from a tax perspective by under-reporting income.

Recommendation: The Chapter should maintain a more detailed record of the outstanding travel advances in order to follow up with the traveler to get the advance reconciled as required by the FMS Manual.

Finding 11: Travel advance records did not contain proof of insurance or a driver's license for those using personal vehicles.

Criteria: Section VII (I-10c) of the Fiscal Section of the FMS Manual states that the Administrative Assistant shall be required to obtain from each traveler proof of current insurance and a valid driver's license when the traveler is using his/her personal vehicle. Photocopies shall be obtained and filed.

Condition: Four out of the 17 travel advances tested did not contain a proof of insurance. One out of the 17 travel advances tested did not contain a copy of a valid driver's license.

Effect: The Chapter is not aware if the traveler is allowed to travel via personal vehicle and puts itself at risk for liability if an accident occurs.

Recommendation: The Chapter officials and staff should ensure that travel advance files are complete by having all required documents, including insurance and driver's licenses, available before a travel advance is issued if using a personal vehicle.

Finding 12: Cash is not being deposited in an accurate and timely manner.

Criteria: Section VII (A-1c) of the Fiscal Section of the FMS Manual states that cash receipts shall be deposited on a weekly basis to the Chapter's checking account.

Condition: Cash receipt testing revealed that the Chapter is waiting between 10 and 14 days to deposit their cash receipts. Additionally, after comparing four months of cash deposits between October 2014 and July 2015, it was noted that a total of \$1,275.00 was not deposited when comparing bank deposit slips and Z tapes.

Effect: Failure to remit cash receipts on a timely basis exposes Chapter assets to improper use or theft.

Recommendation: Chapter officials should implement a plan to ensure deposits are made weekly or specify that when cash on hand exceeds \$100.00 a deposit must be made immediately. The Chapter staff and officials should also ensure that cash on hand is safeguarded until the deposit is made.

Finding 13: As of May 1, 2015, the Acting Chapter Manager is the sole custodian of cash.

Criteria: Section VII (A-1 d and e) of the Fiscal Section of the FMS Manual states that cash receipts shall be adequately contained in a cash box and further safeguarded in a safe or locked file cabinet at all times, promptly recorded, and accurately classified. The handling of all cash receipts shall be segregated to ensure that no one employee is in a position to solely collect, deposit, safeguard and reconcile all cash receipts.

Condition: Per discussion with the Acting Chapter Manager, it was noted that Chapter officials have tasked her with sole custody of handling cash receipts after the resignation of the former Chapter Manager.

Effect: Segregation of duties, which are the foundation of good internal controls, is compromised with this decision. The risk of loss due to theft or misuse without detection is also heightened with a lack of segregation of duties.

Recommendation: Chapter officials should re-establish segregation of duties within the cash handling processes of the Chapter. In the absence of a Chapter Manager, the Chapter officials should monitor cash receipt activity.

Finding 14: Bank reconciliations within the MIP accounting software did not agree with the trial balance.

Criteria: Section VII (C-2h) of the Fiscal Section of the FMS Manual states that the Chapter Manager shall cross reference the bank account reconciliation documents received and review for accuracy and assurance immediately. If there are discrepancies, the Chapter Manager shall consult with the Administrative Assistant for appropriate action.

Condition: In comparing the monthly trial balances for November 2013 through July 2015 to the bank reconciliations provided it was noted that 17 of the 21 months had discrepancies.

Effect: Financial information becomes less reliable as discrepancies are found between reports. When these are not investigated timely, inaccurate financial statements may be presented.

Recommendation: Chapter officials should ensure that the bank reconciliations are accurately reconciled and that all discrepancies are investigated timely and corrected for reporting purposes.

Finding 15: Payroll checks were issued outside of the established pay dates for fiscal year 2014.

Criteria: Per Navajo Nation policy, payroll shall be distributed according to the payroll schedule set by the Chapter administration.

Condition: Our testing of the payroll schedule for fiscal year 2014 for the Emergency, PEP, Sales Tax, Staff, and Summer Youth Funds found 72 paychecks that were issued between one and 10 days before the scheduled pay date.

Effect: Payroll checks issued before their designated date could cause staff to be overpaid and thus result in misappropriation of Chapter assets.

Recommendation: The Chapter Manager should abide by scheduled payroll dates to safeguard assets. If a payroll advance is needed, the employee should go through the application process as described in Section VII (K) of the Personnel section of the FMS Manual.

Finding 16: Health insurance premiums were not paid timely to the Navajo Nation and included payments on behalf of terminated employees.

Criteria: Per Navajo Nation policy, the Chapter should timely pay health insurance premiums on behalf of Chapter employees to avoid lapses in coverage and cease premium payments for individuals no longer employed by the Chapter.

Condition: In testing health insurance premium payments, it was noted that of the 22 months within the scope of the audit, no monthly premiums were paid on time. Additionally, the Chapter continued to remit premiums on behalf of the former Chapter Manager after the effective date of her termination in May 2015 for a total of \$1,592.28.

Effect: Late payments of insurance premiums could lead to termination or suspension of health insurance coverage for Chapter employees. Additionally, Chapter assets are misappropriated when paying for terminated employees' coverage.

Recommendation: The Chapter should ensure that monthly health insurance premiums are paid timely. Additionally, when employees are terminated, the Chapter should immediately notify insurance companies in order to remove them from coverage.

Finding 17: Timesheets were missing from some of the payroll samples selected.

Criteria: Section VII (H-2c) of the Fiscal Section of the FMS Manual states that the Administrative Assistant is responsible for calculating the time and hours worked for each employee and shall enter the total hours on the timesheet. Timesheets shall also document regular and overtime hours worked, annual, sick leave and leave without pay taken during each pay period.

Condition: During fiscal year 2015 payroll testing, it was noted that there were four missing timesheets out of 43 items selected for sampling.

Effect: Improper payments to employees can result due to the lack of a timesheet recording actual time worked.

Recommendation: The Chapter Manager and staff should ensure timesheets are submitted for each employee before processing payroll to safeguard Chapter assets.

Finding 18: Personnel Action Forms (PAFs) not provided for some of the payroll samples selected.

Criteria: Section VII (H-1g) of the Fiscal Section of the FMS Manual states that personnel records on each employee shall be maintained at the Chapter administration on authorized Chapter forms. These records include but are not limited to: (a) Personnel Action Form (PAF), etc.

Condition: During fiscal year 2015 payroll testing, it was noted that three samples out of the 43 selected did not have PAFs located in their employee file.

Effect: Paying employees without a completed Personnel Action Form could result in improper payments to individuals who may not be a bona fide employee.

Recommendation: The Chapter Manager and staff should ensure that all current employees have a current PAF on file and any future changes to an employee's payroll data be documented with an updated PAF.

Finding 19: Hourly rates on employees paychecks varied from the rates stated on Personnel Action Forms in their personnel file.

Criteria: Per Navajo Nation policy, changes to approved pay rates as documented on the employer's PAF need to be modified on a revised PAF and approved by an authorized individual prior to the new pay rate taking effect -OR- employees should be paid at the rate approved on the PAF.

Condition: During fiscal year 2015 payroll testing, it was noted that three out of the 24 employees tested were paid at different hourly rates than their PAF stated. The combined difference in rates was \$.07 per hour.

Effect: The Chapter is paying employees in excess of approved hourly rates within their personnel file. This is a misappropriation of Chapter assets.

Recommendation: The Chapter staff should ensure that any changes made within the payroll system are documented and the documentation placed in the respective personnel file.

Finding 20: Personnel Action Forms are missing proper signatures.

Criteria: Per Navajo Nation policy, employee PAF's should be signed by an authorized individual prior to the start of employment.

Condition: During fiscal year 2015 payroll testing, it was noted that three employees Personnel Action Forms did not have proper signatures.

Effect: The Chapter may have an unresolved issue with an employee who started work before their paperwork was finalized thus resulting in misappropriation of funds.

Recommendation: The Chapter Manager and staff should ensure that a Personnel Action Form is completed by all parties before the start of employment.

Finding 21: A financial audit has not occurred for the Chapter since it was certified as a Local Government Agency in December 2010.

Criteria: Section VII (M-1) of the Fiscal Section of the FMS Manual states that the Chapter shall obtain an audit of its financial operations at least every two years and which shall include funds received from all Navajo Nation, State, County, and Federal sources and other fund sources.

Condition: Per discussion with the Secretary/Treasurer, there has been no audit conducted of the Chapter since it was certified as a Local Government Agency.

Effect: The Chapter may be performing accounting processes incorrectly. An audit will identify any areas of concern within the Chapter, provide compliance with the FMS Manual and aide the Navajo Nation with necessary assurances that the funds allocated to the Chapter are being spent appropriately.

Recommendation: The Chapter officials should budget for a financial audit in the upcoming year and actively seek an auditor to ensure compliance with the FMS Manual.

Finding 22: Arizona state unemployment returns and contributions were not paid in a timely manner.

Criteria: Section VII (H-2i) of the Fiscal Section of the FMS Manual states that the Chapter shall also participate in the State Unemployment Compensation Act Fund. The Chapter Administration is responsible for submitting the requisite contribution to the Department of Economic Security or Department Employment Security on a quarterly basis.

Condition: It was noted that there was no payment or filing of State Unemployment Compensation taxes or reports for two quarters. Five quarterly reports out of the eight within the testing scope were not filed timely and five quarterly tax payments were made late or not at all as of July 31, 2015.

Effect: Former Chapter employees may not be covered under the State Unemployment Compensation Act Fund due to the late payments. The Chapter has paid unnecessary penalties and interest for late payment of taxes.

Recommendation: The Chapter staff should prepare and submit timely State Unemployment Compensation reports and payments.

Finding 23: Quarterly Federal payroll reporting was not filed timely and the monthly Federal tax deposits were not paid timely.

Criteria: Section VII (H-2j) of the Fiscal Section of the FMS Manual states that the Administrative Assistant shall ensure timely deposits are made on the quarterly payroll tax deposit to avoid penalties. Form 941 shall be filed with the Internal Revenue Service (IRS) on a quarterly basis according to the due dates set forth by the IRS.

Condition: It was noted that five out of eight quarterly reports were not filed timely.

Effect: The Chapter has paid \$2,956.60 in unnecessary penalties and interest related to Federal taxes and \$1,503.30 related to State Unemployment taxes during the eight quarters within the testing scope.

Recommendation: Chapter staff should prepare and submit timely IRS reports and tax payments.

Finding 24: Checks were issued before fund approval forms were signed.

Criteria: Section VII (B-2b) of the Fiscal Section of the FMS Manual states that the Administrative Assistant shall ensure that the Fund Approval Form indicates payment authorization and that all source documents (i. e. , invoices, quotes, claim forms, timesheets and similar documents) support each fund disbursement before preparing a check for payment.

Condition: During the testing of fiscal year 2015 expenditures, two instances were noted where the Chapter requested and issued a check before it was authorized for payment. These exceptions totaled \$1,160.00.

Effect: Failure to obtain authorization before a check is issued may lead to misappropriation of funds.

Recommendation: Cash disbursements should not be made unless all required approvals are obtained on the appropriate paperwork.

Finding 25: Several payroll and expenditure items selected for testing were not provided during fieldwork or after an additional two weeks was granted to provide the information requested.

Criteria: Section VII (D-3) of the Records Section of the FMS Manual defines "Important Records" as those that are of great value and importance to the Chapter government. These records shall be kept on file and stored for a minimum period of five (5) years. They are, but not limited to as follows: (a) Financial records (bank statements, ledgers, reports, requisitions, etc.) (b) Personnel records (c) Audit reports.

Condition: 10 out of the 50 items selected for payroll testing in 2015 were not provided during our fieldwork or the two week post-field work extension requested. In addition, 13 out of the 117 items selected for expenditure testing during fiscal year 2015 were also not provided.

Effect: Failure to maintain proper source documents for payroll and vendor expenditures subjects those costs to be questioned. Maintaining inadequate records subjects the Chapter finances to additional scrutiny of whether the information is accurate and reliable.

Recommendation: All required payroll and expenditure documentation should be retained in accordance with the FMS Manual.

CONCLUSION

As an LGA certified Chapter, the Dilkon Chapter is held to a higher standard regarding the five management system. The five management system is intended to provide reasonable assurance that Chapter financial reporting is reliable and accurate, Chapter assets are safeguarded from loss or misuse, and Chapters comply with applicable laws and regulations. During this review, we conclude that the Chapter's five management system is not operating effectively and does not meet its intended purpose. We found significant deficiencies that compromise the overall integrity of the five management system.

Chapter funds were not expended according to policies and procedures. 90% of the payments tested were issued despite missing supporting documentation or missing the required approval from Chapter officials. In addition, budgets for the various funds of the Chapter were not monitored consistently when making expenditures throughout the year.

Compensation paid to Chapter employees was not supported with required documentation. Missing documentation included essential items such as timesheets and pay rates that would verify whether or not the Chapter was paying employees for hours actually worked and at the correct rate. In addition, payroll and fringe benefit expenses were misappropriated as the former Chapter Manager received health insurance benefits after termination of employment and payroll dates fluctuated against established payroll schedules during fiscal year 2014, resulting in early release of paychecks to employees.

The remittance of Federal payroll taxes and quarterly reports were not timely in each of the seven quarters analyzed in the special review of the Chapter, resulting in the unnecessary expenditure of Chapter funds for penalties and interest related to the late payments. State unemployment tax (SUTA) reporting witnessed a similar trend of late reporting and payments, with filings and payments submitted as late as five months after quarter end.

Internal control procedures are deficient in a number of accounting processes critical to the operation of the Chapter. With the sudden resignation of the former Chapter Manager on May 1, 2015, the Administrative Assistant has stepped into the position of Acting Chapter Manager. Her dual-role status within the Chapter puts her in a position to handle the entire payroll, cash receipt, and cash disbursement process which maximizes the potential for misuse of Chapter resources and increases the risk of fraud and theft. The relatively small size of the Chapter necessitates a permanent Chapter Manager in order to efficiently carry out day-to-day business and ensures good internal controls for sound accounting practices.

CLIENT RESPONSE

Lee Jack, Sr., Council Delegate
Lorenzo Lee, Sr., President
Daryl Joe, Vice President
Rudie L. John, Secretary Treasurer
(Vacant), Grazing Committee Officer
Melanie James, Acting Chapter Manager

DILKON CHAPTER
HCR 63 BOX E • WINSLOW, AZ • 86047

Russell Begaye
PRESIDENT

Jonathan Nez
VICE PRESIDENT

February 26, 2016

Elizabeth Begay, Auditor General
Auditor Generals Office
Post Office Box
Window Rock, Arizona 86515

RE: Draft Audit Report

Dear Mrs. Begay:

Please accept this response letter on behalf of the draft audit report for Dilkon Chapter prepared by Finley & Cooke, and provided to the Dilkon Chapter Administration and Chapter Officials on February 4, 2016 via telephone conference, where all the Chapter Officials were present.

Please consider the frustration of the aftermath of the total loss of our Chapter Administration building structural fire on September 6, 2014; which directly compromised our filing system, records management documentation, and much of our property inventory. As a result, we lost everything and we have been dealing with this traumatic event within our community, while working to re-establish our administrative capacities. Our day to day operations have been severely impacted and to date we continue to address the daily challenges. We have reached out to several offices for backup records, reports, resolutions, and maps that were once submitted on behalf of our Chapter, but we have not retrieved any substantive records to re-create the records and filing system that existed prior to the fire.

We understand Dilkon Chapter is held to a higher standard since Dilkon Chapter is a LGA Certified Chapter. Dilkon Chapter has hired a Clerical Aide and has continuously advertised for a Chapter Manager since November 2015. Dilkon Chapter has prioritized the important task of immediately hiring and selecting a Chapter Manager to restore adequate internal controls. In the meantime, Chapter Officials are diligent in monitoring and verifying the accuracy of payroll, requisitions, financial assistance requests, and all other disbursements.

Our administration has accepted the report and would like to move forward in a positive approach by resolving these deficiencies and implementing a Corrective Action Plan which our office will develop in a collaborate effort and in consultation with the Navajo Nation Office of the Auditor General.

Thank you for your time and understanding. If you have any questions please email dilkon@navajochapters.org or call our office at (928) 657-8100.

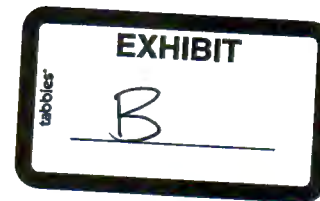
Sincerely,


Melanie James, Acting Chapter Manager
DILKON CHAPTER

CC: Lorenzo Lee Sr., Chapter President
Daryl Joe, Chapter Vice President
Rudie John, Chapter Secretary Treasurer
Robert Jumbo, Senior Auditor - Office Auditor General
PHONE (928) 657-8100 • FAX (928) 657-8103
Website: www.dilkon.navajochapters.org Email: dilkon@navajochapters.org

Lee Jack, Sr., Council Delegate
 Lorenzo Lee, Sr., President
 Daryl Joe, Vice President
 Rudie L. John, Secretary Treasurer
 Willie Foster Sr., Grazing Committee Officer
 Melanie James, Acting Chapter Manager

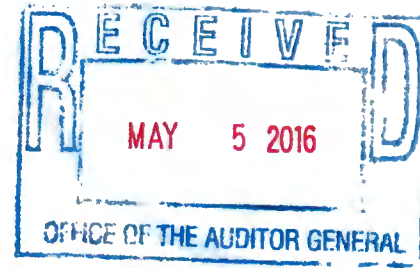
DILKON CHAPTER
 HCR 63 BOX E • WINSLOW, AZ • 86047



THE NAVAJO NATION
 Russell Begaye
 PRESIDENT
 Jonathan Nez
 VICE PRESIDENT

May 5, 2016

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



Dear Mrs. Begay:

The Dilkon Chapter had received a finalized copy of the Audit Report 16-13.

Attached for your review is a copy of the Corrective Action Plan (CAP) we developed to correct the twenty five (25) audit findings based on your recommendation and those of Finley and Cooke.

We thank you for your time and consideration in this matter. If there are any questions, please feel free to contact our office at (928)657-8100.

Respectfully,

Melanie James, Acting Chapter Manager
 DILKON CHAPTER

CONCURRENCE:

Lorenzo Lee Sr., Chapter President
 DILKON CHAPTER

CC: Lorenzo Lee Sr., Chapter President
 Daryl Joe, Chapter Vice President
 Rudie John, Chapter Secretary/Treasurer
 Lee Jack Sr., Council Delegate
 Robert Begay, Department Manager II

Dilkon Chapter			
Corrective Action Plan			
Audit Report No. 16-13			
Audit Finding	Corrective Measure	Timeline	Responsible Party
1. Expenditures were made without approved annual budgets for fiscal year 2014 and 2015.	1. Upon notification of the Chapter's base allocation from the Navajo Nation, Dilkon Chapter Manager will review OMB Budget Instruction Manual. 2. Chapter Manager and Chapter Officials will prepare, present and explain the proposed budget to the Chapter Membership for discussion and approval at a duly called Chapter Meeting. 3. The Chapter Manager will ensure to follow the steps in FMS, Budget Preparation and Procedures, Section C, VI Dilkon Chapter Operating Budget. 4. Chapter Manager and Chapter Officials will ensure that no expenditures of funds is made without an approved budget.	10/31/2016 10/31/2016 10/31/2016 10/31/2016	Chapter Manager Chapter Manager Chapter Officials Chapter Manager Chapter Manager Chapter Officials
2. Expenditures were made without proper support documentation to justify the expense.	1. The Chapter Manager will ensure to mandate and practice all procurement policies for all expenditures per FMS Procurement Policy.	10/31/2016	Chapter Manager Accounts Maintenance Specialist Clerical Aide
3. Purchases were made without obtaining the proper quotes from three different vendors.	1. Any purchases \$0-\$2500 will require the Chapter Administration to document three verbal quotations and include the vendor's name, identify the individual(s) contacted, price quotation, date of contact, phone numbers and the method of contact. Information gathered via internet is valid.	10/31/2016	Chapter Manager Accounts Maintenance Specialist Clerical Aide
4. The required documentation established by fund program checklists for Veterans, Housing Discretionary, and Scholarship funds was missing from the support provided for multiple transactions.	1. Chapter Manager will ensure all record management practices are mandated.	10/31/2016	Chapter Manager Accounts Maintenance Specialist Clerical Aide
5. Payroll duties have been performed solely by the Acting Chapter Manager since May 1, 2015.	2. Chapter Manager will ensure the check list of required documents are attached to each application.	10/31/2016	Chapter Manager Accounts Maintenance Specialist Clerical Aide
	3. Chapter Manager will ensure the required documents are provided by the applicants according to policies and procedures.	10/31/2016	Chapter Manager Accounts Maintenance Specialist Clerical Aide
	1. Chapter Officials will ensure the Chapter Manager position is filled in a timely manner.	6/1/2016	Chapter Officials
6. Requisitions forms were not prepared or attached to the supporting documentation on several expenditures.	2. Chapter Officials will review and approve the timecards before disbursement of payroll.	10/31/2016	Chapter Officials
	1. Chapter Manager will ensure all Chapter Procurement Policies and Procedures and Records Management Policies and Procedures are implemented to prevent any discrepancies from reoccurring.	10/31/2016	Chapter Manager Accounts Maintenance Specialist Clerical Aide
	2. Review and properly orientate new and current staff on the Five Management System Manual.	10/31/2016	Chapter Manager Accounts Maintenance Specialist Clerical Aide

Audit Finding	Corrective Measure	Timeline	Responsible Party
7. Debit card transactions were not supported by backup documentation and the existence of the debit card was unknown to the Chapter Officials as reported by Chapter staff.	1. Debit card was cancelled by Chapter President. To prevent any other discrepancies the Chapter Manager and Officials will no longer allow a debit card. 2. The Chapter Manager will ensure to implement the Monitoring Tool to ensure checks and balances.	Implemented	Chapter Manager Chapter Officials
8. Subpoenaed documents received from vendors did not match payments recorded by the Chapter and were not budgeted.	1. Chapter Manager and officials will ensure checks are issued in the amount of the invoice prior to signing checks. 2. The Chapter Manager and officials will ensure all required documents are attached prior to signing all fund approval forms.	10/31/2016	Chapter Manager Chapter Officials
9. Capital assets are not recorded by fund source.	1. The Chapter Manager will ensure all capital asset expenditures are identified by fund source on the listing and recorded in the accounting system.	10/31/2016	Chapter Manager Chapter Officials
10. There are outstanding travel advances dating back to March 2015.	1. The Chapter Administration will schedule and attend training for MIP related to travel advances and other types of receivables.	10/31/2016	Chapter Manager Accounts Maintenance Specialist
11. Travel advance records did not contain proof of insurance or a driver's license for those using personal vehicles.	2. The Chapter Manager will ensure to reconcile travel advances and maintain a detail ledger of travel authorization for a better traction record to prevent and timely address overdue travel advance.	10/31/2016	Chapter Manager Accounts Maintenance Specialist Clerical Aid
12. Cash is not being deposited in an accurate and timely manner.	1. The Chapter Manager will ensure all travel authorizations (TA) have driver's licenses and proof of insurance cards attached to each TA. 2. The Chapter Manager will ensure all revenues are secured and safeguarded until deposited. If any revenues are equal to or greater than \$100, then it will be converted into a money order until deposited to prevent any discrepancies.	10/31/2016	Chapter Manager Accounts Maintenance Specialist
	2. The Chapter Officials will ensure to implement the monitoring tool to ensure checks and balances. The Chapter administration will create binded monthly reports for Chapter officials to sign acknowledgement form to ensure compliance and monitoring of cash receipts.	10/31/2016	Chapter Manager Accounts Maintenance Specialist Chapter Officials

Audit Finding	Corrective Measure	Timeline	Responsible Party
13. As of May 1, 2015, the Acting Chapter Manager is the sole custodian of cash.	1. Until the Chapter hires a Chapter Manager, the Clerical Aide will be temporarily assigned to collect cash receipts and ensure those receipts are safeguarded in the cash box secured in a lockable file cabinet. 2. The Acting Chapter Manager will ensure all cash receipts are recorded and posted in the accounting system. In addition, the Acting Chapter Manager will make the deposits to the bank. 3. The Secretary/Treasurer will complete a periodic reconciliation of cash receipts to ensure all receipts are accounted for before deposit.	10/31/2016	Clerical Aide
	1. The Chapter Manager will contact the MIP consultant for a one on one review to ensure accounting system is reconciled. 2. The Chapter Officials will periodically utilize the monitoring tool for checks and balances on all funds. 3. The Chapter Manager will complete the bank reconciliation each month and reconcile to the financial statements and investigate and resolve discrepancies in a timely manner.	10/31/2016	Acting Chapter Manager
14. Bank reconciliations within the MIP accounting software did not agree with the trial balance.	1. The Chapter Manager will ensure the Chapter Administration has implemented compliance by keeping payroll on the regular pay schedule and disallowing any payroll to be remitted outside of the authorized payroll schedule.	10/31/2016	Secretary/Treasurer
15. Payroll checks were issued outside of the established pay dates for fiscal year 2014.	1. The Chapter Administration will remit timely payment of insurance premiums to the Navajo Nation. 2. The Chapter Administration will work directly with the insurance provider to obtain any credit due to the chapter. 3. The Chapter Administration will provide timely notice to the insurance provider of any terminated employees to prevent any future premium charges.	10/31/2016	Chapter Manager Accounts Maintenance Specialist
16. Health insurance premium were not paid timely to the Navajo Nation and includes payments on behalf of terminated employees.	1. The Chapter Administration will ensure the Records Management Procedures have been implemented. All timesheets are completed, reviewed, and approved prior to payroll process. 2. Chapter Manager will ensure all timesheets are submitted to prevent any discrepancies.	7/31/2016	Chapter Manager Accounts Maintenance Specialist
17. Timesheets were missing from some of the payroll samples selected.	1. The Chapter Manager will ensure the Records Management Procedures have been implemented. All timesheets are completed, reviewed, and approved prior to payroll process. 2. Chapter Manager will ensure all timesheets are submitted to prevent any discrepancies.	7/31/2016	Chapter Manager Accounts Maintenance Specialist
18. Personnel Action Form (PAFs) not provided for some of the payroll samples selected.	1. The Chapter Manager will ensure the Records Management Procedures have been implemented. All PAFs are completed, reviewed, and approved prior to payroll process. 2. The Chapter Manager will address any discrepancies in a timely manner and ensure all PAFs are on file at the Chapter.	10/31/2016	Chapter Manager Accounts Maintenance Specialist Clerical Aide
		10/31/2016	Chapter Manager Accounts Maintenance Specialist Clerical Aide

Audit Finding	Corrective Measure	Timeline	Responsible Party
19. Hourly rates on employees paychecks varied from the rates stated on Personnel Action Forms in their personnel files.	1. The Chapter Manager will ensure any payroll increases such as new minimum wage increases are reflected in an updated Personnel Action Form.	10/31/2016	Chapter Manager
20. Personnel Actions Forms are missing proper signatures.	1. The Chapter administration and officials will conduct a periodic review of the Personnel Action Forms for completeness and address any discrepancies in a timely manner.	10/31/2016	Chapter Manager Accounts Maintenance Specialist Clerical Aide Chapter Officials
21. A financial audit has not occurred for the Chapter since it was certified as a Local Government Agency in December 2010.	1. The Chapter Manager will ensure a financial audit is completed on a biennial basis. 2. The Chapter Manager will ensure to budget for a financial audit each fiscal year.	10/31/2016	Chapter Manager
22. Arizona state unemployment returns and contributions were not paid in a timely manner.	1. The Chapter Administration will submit a quarterly SUTA report in a timely manner to the Department of Economic Security.	10/31/2016	Chapter Manager Accounts Maintenance Specialist
23. Quarterly Federal payroll reporting was not filed timely and the monthly Federal tax deposits were not paid timely.	2. The Chapter Administration will remit quarterly payments in a timely manner to the Department of Economic Security. 3. The Chapter Officials will periodically review the quarterly SUTA reports and notify the Chapter Administration of any discrepancies.	10/31/2016	Chapter Manager Accounts Maintenance Specialist
24. Checks were issued before fund approval forms were signed.	1. The Chapter Administration will ensure monthly deposits are remitted through the IRS's EFTPS system in a timely manner. 2. The Chapter Administration will submit a quarterly 941 report in a timely manner to the IRS. 3. The Chapter Officials will periodically review the quarterly 941 reports and notify the Chapter Administration of any discrepancies.	10/31/2016	Chapter Manager Accounts Maintenance Specialist Chapter Manager Accounts Maintenance Specialist
25. Several payroll and expenditure items selected for testing were not provided during fieldwork or after an additional two weeks was granted to provide the information requested.	1. The Chapter Manager will ensure all expenditures will be processed according to the procurement policy to prevent the issuance of checks prior to approval of the fund approval form. 1. The Chapter Manager will ensure chapter records are retained on file in accordance to the records management policies and procedures.	10/31/2016	Chapter Officials Chapter Manager

Lee Jack, Sr., Council Delegate
Lorenzo Lee, Sr., President
Daryl Joe, Vice President
Rudie L. John, Secretary Treasurer
Willie Foster Sr., Grazing Committee Officer
Melanie James, Acting Chapter Manager

DILKON CHAPTER

HCR 63 BOX E • WINSLOW, AZ • 86047

THE NAVAJO NATION

Russell Begaye
PRESIDENT

Jonathan Nez
VICE PRESIDENT

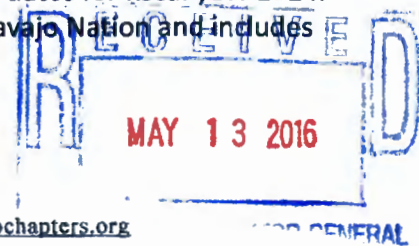
RESOLUTION OF THE DILKON CHAPTER

DIL-05-073-16

ACCEPTING AND APPROVING THE CORRECTIVE ACTION PLANS ESTABLISHED BYT THE CHAPTER ADMINISTRATION REGARDING THE RESULTS OF AUDIT REPORT NO. 16-13 CONDUCTED BY THE EXTERNAL AUDITORS FINLEY AND COOK.

WHEREAS:

1. Pursuant to 26 N.N.C., Section 3 (A) the Dilkon Chapter is a duly recognized certified chapter of the Navajo Nation Government, as listed at 11 N.N.C., part 1, section 10, and
2. Pursuant to 26 N.N.C., Section 1 (B) Dilkon Chapter is vested with the authority to review all matters affecting the community and to make appropriate correction when necessary and make recommendation to the Navajo Nation and other local agencies for appropriate actions, and
3. The scope of this review was for the twenty-two (22) month period of October 1, 2013 to July 31, 2015
4. The review results were as follows:
 - Finding 1: Expenditures were made without approved annual budgets for fiscal year 2014 and 2015.
 - Finding 2: Expenditures were made without prior support documentations to justify the expense.
 - Finding 3: Purchases were made without obtaining the proper quotes from three different vendors.
 - Finding 4: The required documentation established by the fund program checklist for the Veterans, Housing Discretionary, and Scholarship funds was missing from the support provided from multiple transaction.
 - Finding 5: Payroll duties have been performed solely by the Acting Chapter Manager since May 1, 2015.
 - Finding 6: Requisitions forms were not prepared or attached to the supporting documentation on several expenditures.
 - Finding 7: Debit card transactions were not supported by backup documentation and the existence of the debit card was unknown to the Chapter Officials as reported by Chapter staff.
 - Finding 8: Subpoenaed documents received from vendors did not match payments recorded by the Chapter and were not budgeted.
 - Finding 9: Capital assets are not recorded by fund source.
 - Finding 10: There are outstanding travel advances dating back to March 2015.
 - Finding 11: Travel advances records did not contain proof of insurance or a driver's license for those using personal vehicles.
 - Finding 12: Cash is not being deposited in an accurate and timely manner.
 - Finding 13: As of May 1, 2015, the Acting Chapter Manager is the sole custodian of cash.
 - Finding 14: Bank reconciliations within the MIP accounting software did not agree with the trial balance.
 - Finding 15: Payroll checks were issued outside of the established pay dates for fiscal year 2014.
 - Finding 16: Health insurance premium were not paid timely to the Navajo Nation and includes payments on behalf of terminated employees.



RESOLUTION OF THE DILKON CHAPTER

DIL-05-073-16

- Finding 17: Timesheets were missing from some of the payroll samples selected.
- Finding 18: Personnel Action Form (PAF) not provided for some of the payroll samples selected.
- Finding 19: Hourly rates on employees paychecks varied from the rates stated on Personnel Action Forms in their personnel files.
- Finding 20: Personnel Actions Forms are missing proper signatures.
- Finding 21: A financial audit has not occurred for the Chapter since it was certified as a Local Government Agency in December 2010.
- Finding 22: Arizona state unemployment returns and contributions were not paid in a timely manner.
- Finding 23: Quarterly Federal payroll reporting was not filed timely and the monthly Federal tax deposits were not paid timely.
- Finding 24: Checks were issued before fund approval forms were signed.
- Finding 25: Several payroll and expenditures items selected for testing were not provided during fieldwork or after an additional two weeks was granted to provide the information requested.

NOW, THEREFORE, BE IT RESOLVED THAT:

1. The Dilkon Chapter membership hereby directs the Chapter Administration to adhere to the Five Management System Policies and Procedures established and approved by the Chapter membership.

CERTIFICATION

I, hereby, certify that the foregoing resolution was duly considered by the Dilkon Chapter at a duly called meeting in Dilkon, Navajo Nation, Arizona at which a quorum of Chapter members was present and that the same was passed by a vote of 28 in favor, 00 opposed and 02 abstained this 10th day of May 2016. Motion: **Emma Paddock**; Second: **Jonathan Manygoats**

PRESIDING CHAIR:


Lorenzo Lee Sr., Chapter President
DILKON CHAPTER

