

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

23RD NAVAJO NATION COUNCIL - Third Year, 2017

AN ACTION

RELATING TO RESOURCES AND DEVELOPMENT AND BUDGET AND FINANCE;
ACCEPTING THE SPECIAL REVIEW OF TONALEA CHAPTER SUBMITTED BY
THE OFFICE OF THE AUDITOR GENERAL AND APPROVING THE CORRECTIVE
ACTION PLAN APPROVED BY TONALEA CHAPTER

BE IT ENACTED:

SECTION ONE. COMMITTEE AUTHORITY

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

SECTION TWO. FINDINGS

- A. The Auditor General conducted a special review of Tonalea Chapter and issued findings and recommendations. The review covered activities for the 6 - month period of October 1, 2015 through March 31, 2016. The report, "A Special Review of the Tonalea Chapter," Report Number 17-17, dated January 2017, is attached as **Exhibit A**.
- B. The review concluded that Tonalea Chapter's five management system is not operating effectively and does not meet its intended purpose. The review determined the findings to be as follows:
 - 1. There is no segregation of duties within the cash receipt process,

2. The Chapter does not have sufficient controls in place for the management of the open account with a local store,
 3. The Chapter awarded financial assistance to ineligible applicants,
 4. Complete information on the Chapter finances was not provided to the membership,
 5. The Chapter cannot account for its property and did not report fixed assets to the financial statements,
 6. The Chapter cannot justify \$6,068 in operating expenditure,
 7. The Chapter filing system was in disarray, and
 8. The Chapter's accounting system is not safeguarded from loss.
- C. Tonalea Chapter developed a Corrective Action Plan, which is attached as **Exhibit B**.
- D. Tonalea Chapter submitted a Resolution supporting the implementation of the Corrective Action Plan. Chapter Resolution, TN17-06-07, is included in **Exhibit B**.

SECTION THREE. ACCEPTANCE AND APPROVAL

- A. The Navajo Nation hereby accepts Audit Report No. 17-17, dated January 2017, "A Special Review of the Tonalea Chapter, attached as **Exhibit A**, and approves Tonalea Chapter's Corrective Action Plan, attached as **Exhibit B**.
- B. The Navajo Nation hereby directs that copies of the Tonalea Chapter Corrective Action Plan be provided to the Budget and Finance Committee and the Resources and Development Committee as part of their oversight responsibility for Tonalea Chapter.
- C. The Navajo Nation hereby directs Tonalea 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 Tonalea Chapter and report to the Resources and Development Committee and the Budget and Finance Committee.

- E. The Navajo Nation hereby directs the Office of the Auditor General to conduct a follow-up review in twelve months after the approval of this resolution to verify all actions claimed to have been taken by Tonalea Chapter, to issue a written follow-up report on Tonalea Chapter's progress in implementing its Corrective Action Plan, and to make recommendations to the Resources and Development Committee and 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 Nahata Dziil, Navajo Nation (Arizona), at which a quorum was present and that the same was passed by a vote of 4 in favor and 0 opposed, this 21st day of November, 2017.



Dwight Witherspoon, Vice Chairperson
Budget and Finance Committee

Motion: Honorable Dwight Witherspoon
Second: Honorable Leonard Tsosie



OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

A Special Review of the Tonalea Chapter

**Report No. 17-17
January 2017**

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



January 25, 2017

Sarah Slim, Chapter President
TONALEA CHAPTER
PO Box 207
Tonalea, AZ 86044

Dear Ms. Slim,

The Office of the Auditor General herewith transmits Audit Report No. 17-17, A Special Review of the Tonalea Chapter. The Office of the Auditor General conducted the special review pursuant to the authority vested in the Office of the Auditor General by 12 N.N.C., Chapter 1, § 1 - 10. Listed below are the eight issues identified in the special review.

There is no segregation of duties within the cash receipt process. The Accounts Maintenance Specialist is responsible for each step of the process including collecting cash, recording cash received on the cash receipt tickets, and posting them in the accounting system. The Chapter Manager did not verify the Accounts Maintenance Specialist's work.

The Chapter does not have sufficient controls in place for the management of the open account with a local store. The Chapter Manager, who is the only individual charging purchases to the open account, did not put restrictions on the type of authorized purchases.

The Chapter awarded financial assistance to ineligible applicants. \$2,486 (or 38%) of the \$6,486 financial assistance awarded that were examined did not have documentation to support eligibility.

Complete information on the Chapter finances were not provided to the Chapter membership. In the absence of complete financial reports, the Chapter membership cannot make informed financial decisions.

The Chapter cannot account for its property and did not report fixed assets to the financial statements. 28 (or 80%) of 35 property items reviewed did not have property numbers affixed to the item and six property items could not be located on Chapter premises.

The Chapter cannot justify \$6,068 operating expenditures. It is possible that the Chapter paid more for goods and services than necessary and may not have received the goods and services that they paid for.

The Chapter filing system was in disarray. Records were sitting in piles on desks, shelves, and tables. The Chapter Manager and Accounts Maintenance Specialist had difficulty retrieving files because each staff thought the other had the files.

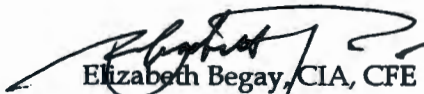
Ltr. to Sarah Slim

Page 2

The Chapter's accounting system is not safeguarded from loss. The Accounts Maintenance Specialist does not perform periodic back-ups of the accounting system and store the device at an alternate location away from the Chapter house for safety purposes.

In addition to the audit findings, the report provides recommendations to improve management of the Chapter finances and activities. If you have any questions about this report, please call our office at (928) 871-6303.

Sincerely,



Elizabeth Begay, CIA, CFE
Auditor General

xc: Marie B. Acothley, Vice President
Delores J. Claw, Secretary/Treasurer
Tuchoney Slim, Jr., Council Delegate
Betty A. Tso, Community Service Coordinator
TONALEA CHAPTER
Johnny Johnson, Department Manager II
ADMINISTRATIVE SERVICE CENTER/DCD
Chrono

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INTRODUCTION AND BACKGROUND

The Office of the Auditor General has conducted a Special Review of the Tonalea Chapter pursuant to the authority vested in the Office of the Auditor General by 12 N.N.C., Chapter 1, § 1 - 10.

The Tonalea 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). In December 2014, Tonalea Chapter was LGA-certified by the Resources and Development Committee of the Navajo Nation via resolution no. RDCD-85-14. As LGA-certified, Tonalea Chapter is expected to uphold a higher standard over the management of Chapter finances.

The majority of the Chapter resources are provided through appropriations from the Navajo Nation central government. These appropriations are intended to fund direct and indirect services at the local chapter government level. The direct service funds are considered restricted funds with specific intended purposes. The Chapter also generated internal revenues from fees collected for providing miscellaneous services.

Table 1 shows the Chapter's total resources available for the 6-month audit period October 1, 2015 through March 31, 2016.

Table 1
Chapter resources for the 6-month audit period (October 1, 2015 - March 31, 2016).

Fund Name	Fund Source	Amount
Chapter Activities	Chapter	\$ 19,911
Navajo Nation General Fund	Navajo Nation	\$ 25,170
Land Claims Trust Fund	Navajo Nation	\$ 57,385
Grazing Official Stipend Fund	Navajo Nation	\$ 357
Student Youth Employment Program Fund	Navajo Nation	\$ 12,461
Housing Discretionary Fund	Navajo Nation	\$ 189,599
Local Governance Act Grant	Navajo Nation	\$ 130,084
Chapter Stipend Fund	Navajo Nation	\$ 38,513
Scholarship Fund	Navajo Nation	\$ 116,326
Public Employment Program Fund	Navajo Nation	\$ 99,691
Veterans Fund	Navajo Nation	\$ 6,916
Emergency Fund	Navajo Nation	\$ 55,857
Navajo Nation Sales Tax Fund	Navajo Nation	\$ 186,205
Capital Outlay Fund	Navajo Nation	\$ 458,478
Local Governance Trust Fund	Navajo Nation	\$ 160,000
County Fund	External	\$ 2,000
Salt River Project Funds	External	\$ 559
TOTAL:		\$ 1,559,512

Source: The Office of the Auditor General compilation of all appropriations and revenues

Objective, Scope, and Methodology

The following objectives were established for this audit:

- Determine if there is segregation of duties within the cash receipt process.
- Determine if the Chapter has sufficient controls in place in managing the open account with a local store.
- Determine if the Chapter awarded financial assistance to eligible applicants.
- Determine if complete information on the Chapter finances were provided to the Chapter membership.
- Determine if the Chapter accounts for its property and reports fixed assets to the financial statements.
- Determine if expenditures were paid with supporting documentation.
- Determine if the Chapter maintains an organized filing system.
- Determine if the Chapter's accounting system is safeguarded from loss.

The audit covers activities for the 6-month period of October 1, 2015 through March 31, 2016.

In meeting the audit objectives, we interviewed the Chapter administration and officials, observed 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 if they are safeguarded from loss.

Government Auditing Standards

We conducted this performance 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.

The Office of the Auditor General expresses its appreciation to the Tonalea Chapter officials and administration for their cooperation and assistance throughout the audit.

REVIEW RESULTS

Finding 1: There is no segregation of duties within the cash receipt process.

Criteria:	The Tonalea Chapter's Fiscal Policies and Procedures, Section VII.A.1.e, requires the handling of all cash receipts to be segregated to ensure that no one employee is in a position to solely collect, deposit, safeguard and reconcile all cash receipts.
Condition:	The Accounts Maintenance Specialist was made responsible for collecting, recording, reconciling and preparing receipts for deposits. The extent of involvement by the Chapter Manager was to only verify the cash against the deposit slip prepared by the Accounts Maintenance Specialist.
Effect:	The Chapter Manager did not detect unposted cash receipts totaling \$1,111 (42% of total cash receipts). Although the unposted cash receipts were deposited into the Chapter's bank account, the risk of missing cash receipts remains given that one individual has total control over the cash receipt process.
Cause:	The Chapter Manager authorized the Accounts Maintenance Specialist to solely manage the cash receipts process because the Chapter Manager's office was located in Tuba City rather than Tonalea Chapter when the audit was conducted.
Recommendation:	<ol style="list-style-type: none"> 1. The Chapter Manager and Accounts Maintenance Specialist should ensure the cash receipts process has segregation of duties in place so that no one individual is responsible for each step of the process. 2. The Chapter Manager should reconcile cash to the cash receipt tickets and posted cash receipts prior to deposit. 3. The Chapter Manager and Accounts Maintenance Specialist should have their offices in one location.

Finding 2: The Chapter does not have sufficient controls in place for the management of the open account with a local store.

Criteria:	The Tonalea Chapter's Fiscal Policies and Procedures, Section VII.B.1.h, requires the Chapter to ensure all disbursement transactions are 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.m requires the Chapter to submit timely payments.
Condition:	<p>During the 6-month audit period, the Chapter paid \$782 to a local store for an open store account in the name of the Tonalea Chapter. The Chapter does not have controls in place to manage the open store account. Currently, the Chapter Manager is the only individual charging purchases to the account. According to the Chapter Manager, the account is solely for the purpose of purchasing gasoline for the chapter vehicle.</p> <p>The following are some control issues that were noted in regards to the</p>

	<p>management of the store account.</p> <ol style="list-style-type: none"> 1. There were no policies and procedures in place to identify the type of authorized purchases, authorized users, or restrictions on the account. 2. Chapter Manager did not retain and submit store receipts to the Accounts Maintenance Specialist for reconciliation and filing purposes. 3. Accounts Maintenance Specialist did not reconcile the store invoice to the Chapter Manager's receipt and fuel control card issued by the store prior to payment to verify the accuracy of the charges, purchases were for gasoline for the chapter vehicle only, and purchases were made by an authorized individual. 4. Chapter Manager did not place restrictions on the account with store management. According to a store representative, the Chapter can place restrictions on the store account through a written request. 5. The Chapter has a vehicle mileage log which requires the Chapter Manager to document the mileage when she refuels the vehicle. However, the Chapter Manager did not consistently complete the mileage log or use it as part of the store account reconciliation. 6. Based on the payments made on the store account during the audit scope period, the Chapter is taking as long as three months to pay the store invoices.
Effect:	There is a risk that an unauthorized individual in possession of the charge card can make unauthorized charges to the Chapter's account. Without sufficient controls and monitoring increases the risk of misuse of the open account.
Cause:	According to the Chapter Manager, the open account was in place prior to the current staff being hired and the current administration retained the account without consideration for establishing policies and procedure to manage the account. The Chapter assumed their verbal in-house practices were sufficient.
Recommendation:	<ol style="list-style-type: none"> 1. The Chapter Manager and Chapter officials should develop policies and procedures for the store account and have it approved by the Chapter membership. 2. The Chapter Manager should submit store receipts to the Accounts Maintenance Specialist. 3. The Accounts Maintenance Specialist should reconcile the Chapter Manager's purchase receipts and fuel control card to the store invoice prior to payment and address any discrepancies in a timely manner. 4. The Chapter Manager and officials should establish restrictions on the store account consistent with the approved policies and procedures. 5. The Chapter Manager should document the mileage in the mileage

	log each time the vehicle is refueled.
	6. The Chapter Manager should ensure the store invoices are paid in a timely manner.

Finding 3: The Chapter awarded financial assistance to ineligible applicants.

Criteria:	The Tonalea Chapter's Fiscal Policies and Procedures, Section K, requires the Chapter to ensure that financial assistance recipients are registered members of the Tonalea Chapter and have applicable support documentation for the type of assistance being requested in accordance with applicable policies and procedures (i.e. Student Assistance Policies and Procedures).												
Condition:	<p>For the 6-month audit period, 18 of 18 financial assistance disbursements totaling \$6,486 were reviewed and the following exceptions were noted to support eligibility.</p> <table><tr><th>Type of Assistance</th><th>Exceptions</th><th>Number of Exceptions</th></tr><tr><td>Student Assistance</td><td>Grade Point Average is below the 2.5 requirement</td><td>3 of 11 (27%)</td></tr><tr><td>Burial Assistance</td><td>Missing Voter Registration</td><td>2 of 3 (67%)</td></tr><tr><td>Archaeology Survey Assistance</td><td>Missing invoices on Archaeology survey</td><td>3 of 4 (75%)</td></tr></table>	Type of Assistance	Exceptions	Number of Exceptions	Student Assistance	Grade Point Average is below the 2.5 requirement	3 of 11 (27%)	Burial Assistance	Missing Voter Registration	2 of 3 (67%)	Archaeology Survey Assistance	Missing invoices on Archaeology survey	3 of 4 (75%)
Type of Assistance	Exceptions	Number of Exceptions											
Student Assistance	Grade Point Average is below the 2.5 requirement	3 of 11 (27%)											
Burial Assistance	Missing Voter Registration	2 of 3 (67%)											
Archaeology Survey Assistance	Missing invoices on Archaeology survey	3 of 4 (75%)											
Effect:	Of the \$6,486 financial assistance files reviewed, the Chapter awarded \$2,486 (or 38%) to ineligible recipients.												
Cause:	The Chapter staff explained that the records went missing due to the staff having to relocate their office after the Chapter warehouse was closed by Environmental Health.												
Recommendation:	<ol style="list-style-type: none">1. The Chapter Manager and Accounts Maintenance Specialist should ensure all financial assistance recipients have required documentation to support eligibility in accordance with applicable policies and procedures (i.e. Student Assistance Policies and Procedures).2. The Chapter Manager and Accounts Maintenance Specialist should ensure all Chapter records are organized, maintained and secured at the Chapter's temporary office at all times.												

Finding 4: Complete information on the Chapter finances were not provided to the Chapter membership.

Criteria:	Title 26 of the Local Governance Act, Section 1002.i, states that the Chapter administration is responsible for preparing financial reports on Chapter revenues and expenditures and the Secretary/Treasurer is to present the financial reports to the Chapter membership at a duly called Chapter meeting.
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Condition:	The Balance Sheet and Income Statement were not presented to the Chapter membership during the 6-month audit scope.
Effect:	In the absence of complete financial reports, the Chapter membership cannot make informed financial decisions.
Cause:	The Secretary/Treasurer claims the community only wants to hear the fund balances and she was never told that she was required to report all revenues and expenditures. In addition, the Chapter Manager never provided the financial reports to the Secretary/Treasurer in preparation for the Chapter meeting.
Recommendation:	<ol style="list-style-type: none"> 1. The Secretary/Treasurer should provide complete monthly financial reports to the community including the budget to actual, balance sheet, and income statement and document this action in the meeting minutes with an attached copy of the financial reports. 2. The Chapter Manager should provide all financial statements to the Secretary/Treasurer each month in preparation for the Chapter meeting.

Finding 5: The Chapter cannot account for its property and did not report fixed assets to the financial statements.

Issue: Chapter inventory was incomplete and missing property identification numbers.

Criteria:	The Tonalea Chapter's Property Management Policy and Procedures, Section VII.A, requires the Chapter to maintain a complete, detailed and accurate identification of all chapter properties at all times and to ensure all property is tagged with identification numbers. Section V assigns the Chapter Manager the task of ensuring the inventory is current and complete.
Condition:	The Chapter's property inventory is missing pertinent information to adequately identify the property including property number, acquisition date, and acquisition costs. In addition, 28 of 35 (or 80%) of property items reviewed did not have property numbers affixed to the item and six property items could not be located on Chapter premises.
Effect:	The Chapter cannot provide reasonable assurance that all property owned and controlled by the Chapter is accounted for on Chapter premises. In the event of missing or stolen property, the Chapter cannot detect it for insurance purposes.
Cause:	The Chapter Manager explained that she did not verify that all property and equipment were tagged because her office was located at Tuba City. In addition, the Chapter Manager did not know of all the required information that should be documented in the property inventory.
Recommendation:	<ol style="list-style-type: none"> 1. The Chapter Manager should ensure the property inventory is complete with required information. 2. The Chapter Manager should ensure all chapter property is tagged with identification numbers and located on Chapter premises.

Issue: The value of fixed assets was not reported to the balance sheet.

Criteria:	The Tonalea Chapter's Fiscal Policy and Procedures, Section VII.F, requires the Chapter to maintain accurate and reliable records on all Capital Assets and their value shall be reported in the balance sheet.
Condition:	The Chapter did not have documentation to support the value of the Chapter tractor identified in the property inventory. The financial statements for FY2016 (as of March 31, 2016) did not disclose the Chapter fixed assets (such as buildings, heavy equipment, etc.) or their values.
Effect:	The value of Chapter assets were understated in the balance sheet.
Cause:	The Chapter Manager did not develop a fixed asset inventory.
Recommendation:	<ol style="list-style-type: none"> 1. The Accounts Maintenance Specialist should maintain accurate and reliable records to support the value of fixed assets. 2. The Chapter Manager should develop a fixed assets inventory. 3. The Chapter Manager should report the value of their fixed assets to the balance sheet.

Finding 6: The Chapter cannot justify \$6,068 operating expenditures.

Criteria:	The Tonalea Chapter's General Duties and Responsibilities, Section V.A, of the Procurement Policies and Procedures requires the Accounts Maintenance Specialist to obtain three price quotations to ensure a fair price is being paid and to verify funds availability by reviewing the appropriate ledgers. The Accounts Maintenance Specialist must also obtain and receive merchandise along with the invoice and prepare a receiving report for goods and services received. The Chapter Manager is responsible to approve or disapprove purchases.												
Condition:	<p>For the 6-month audit period, 30 out of 43 operating expenditures totaling \$10,970 were reviewed for justification and the following supporting documentation was missing.</p> <table border="1"> <thead> <tr> <th>Type of Exception</th><th>Number of Exception</th></tr> </thead> <tbody> <tr> <td>Missing approval</td><td>4 of 30 (or 13%)</td></tr> <tr> <td>Missing verification of available funds</td><td>4 of 30 (or 13%)</td></tr> <tr> <td>Missing quotations</td><td>6 of 9 (or 67%)</td></tr> <tr> <td>Missing receiving reports</td><td>5 of 30 (or 17%)</td></tr> <tr> <td>Missing invoice/receipts</td><td>5 of 30 (or 17%)</td></tr> </tbody> </table> <p>In addition, the Chapter paid \$1,307.29 to a private insurance carrier for the Chapter truck which they can obtain from Navajo Nation Risk Management for \$231.42. The Chapter is currently over paying their insurance by \$1,075.87 (or 465%).</p>	Type of Exception	Number of Exception	Missing approval	4 of 30 (or 13%)	Missing verification of available funds	4 of 30 (or 13%)	Missing quotations	6 of 9 (or 67%)	Missing receiving reports	5 of 30 (or 17%)	Missing invoice/receipts	5 of 30 (or 17%)
Type of Exception	Number of Exception												
Missing approval	4 of 30 (or 13%)												
Missing verification of available funds	4 of 30 (or 13%)												
Missing quotations	6 of 9 (or 67%)												
Missing receiving reports	5 of 30 (or 17%)												
Missing invoice/receipts	5 of 30 (or 17%)												
Effect:	The Chapter cannot justify \$6,068 operating expenditures reviewed. It is possible that the Chapter paid more for goods and services than												

	necessary and may not have received the goods and service that they paid for.
Cause:	The Chapter Manager and Chapter officials did not review the voucher packets to verify all required documentation was attached before signing checks and did not ensure the lowest prices were obtained for goods and services.
Recommendation:	<ol style="list-style-type: none"> 1. The Accounts Maintenance Specialist should ensure all required documents are attached to the voucher packet prior to submitting to the Chapter Manager and Chapter officials for approval of payment. 2. The Chapter Manager and Chapter officials should review voucher packets to ensure all required documents are attached before signing checks and verify the lowest prices were obtained for goods and services.

Finding 7: The Chapter filing system was in disarray.

Criteria:	The Tonalea Chapter's Records Policies and Procedures, Section VI.A, requires the Chapter to maintain a complete and updated permanent filing system that will enable records to be easily accessed and retrieved. Section V.B requires the Chapter Manager to conduct an annual records inventory with the Accounts Maintenance Specialist to ensure proper storage, disposal, transfer or filing of all records.
Condition:	<p>The Chapter's filing system was in disarray. The following are some of the deficiencies noted with the Chapter's filing system.</p> <ol style="list-style-type: none"> 1. No store receipts for gas purchases. 2. No supporting documentation for financial assistance awarded. 3. No fixed assets inventory. 4. No supporting documentation for the purchase of goods and services. 5. During field work, auditors noted that the Chapter Manager and Accounts Maintenance Specialist had difficulty retrieving files because each staff thought the other had the files. 6. During field work, auditors noted that the warehouse and storage bins contained prior year Chapter records but they were not organized and filed, instead documents are sitting in piles on desks, shelves, and tables. 7. No records inventory to document proper storage, disposal, transfer or filing of all records.
Effect:	The Chapter records are not easily accessible and retrievable.
Cause:	The Chapter Manager explained that the staff had their offices in two different locations and with all the moving around the staff lost track of some of the files and the filing system became disorganized.
Recommendation:	<ol style="list-style-type: none"> 1. The Chapter Manager and Accounts Maintenance Specialist should ensure all required documents to support the purchase of goods and services and financial assistance awarded are on file at the Chapter.

	<ol style="list-style-type: none"> 2. The Chapter Manager and Accounts Maintenance Specialist should ensure the fixed assets inventory is on file at the Chapter. 3. The Chapter Manager and Accounts Maintenance Specialist should organize and file all Chapter records including prior year files. 4. The Chapter Manager should develop a records inventory to ensure proper storage, disposal, transfer or filing of all records.
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Finding 8: The Chapter's accounting system is not safeguarded from loss.

Criteria:	The Tonalea Chapter's Records Management Policies and Procedures, Section X.A and D require all essential, useful, important records to be preserved by a backup document or on an electronic memory storage device in case of damage or accidental loss. It shall be the responsibility of the Administrative Assistant to perform back-up procedures on a bi-weekly basis and the Chapter Manager will authorize access to the back-up system if needed. Records stored on an electronic storage memory device shall be kept at a separate and secured location.
Condition:	The Accounts Maintenance Specialist does not perform periodic back-ups of the accounting system and store the device at an alternate location away from the Chapter house for safety purposes.
Effect:	The Chapter's accounting system is not safeguarded from loss. With the loss of the database, the Chapter will be unable to resume daily operations and pay obligations until the data is restored.
Cause:	The Accounts Maintenance Specialist assumed that the automatic back-up performed directly on her computer when she logs off at the end of the work day was sufficient to back-up the accounting system. The Chapter Manager did not verify that the back-up procedures were completed by the Accounts Maintenance Specialist.
Recommendation:	<ol style="list-style-type: none"> 1. The Accounts Maintenance Specialist should complete periodic back-ups of the accounting system and store it at a separate and secured location. 2. The Chapter Manager should ensure the Accounts Maintenance Specialist completes the back-up procedures.

CONCLUSION

As an LGA certified chapter, the Tonalea 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 chapter complies with applicable laws and regulations. In 2014, our review of the Tonalea Chapter's five management system concluded that the Chapter was meeting this higher governance standard. However, during this review, we conclude that the Tonalea 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. In addition, after the Chapter received governance certification in December 2014 they delayed the transition of staff from Navajo Nation employees to Chapter employees. The Chapter did not initiate the process to transition until November 2016 approximately two years after the Chapter became certified.

There is no segregation of duties within the cash receipts process, therefore the Chapter Manager did not detect unposted cash receipts totaling \$1,111 or 42% of total cash receipts. In addition, the Chapter does not have sufficient controls in place for the management of the open account with a local store which increases the risk of unauthorized purchases. Also, the Chapter awarded financial assistance to ineligible applicants totaling \$2,486 or 38% of total recipients reviewed.

Furthermore, complete financial information on the Chapter finances were not provided to the Chapter membership which leaves the community membership unable to make informed financial decisions.

The Chapter inventory was incomplete and missing property identification numbers leaving the Chapter unable to account for all Chapter owned property. In addition, the total value of fixed assets was not reported to the balance sheet resulting in Chapter assets being understated.

Expenditures totaling \$6,068 were paid without supporting documentation resulting in expenditures that cannot be justified by the Chapter.

The Chapter filing system was in disarray which resulted in difficulty in accessing and retrieving documents.

The Chapter's accounting system is not safeguarded from loss because the Chapter is not completing periodic back-up procedures and storing it off-site which could leave the Chapter unable to resume daily operations and pay obligations in the event the accounting system is stolen or destroyed.

CLIENT RESPONSE



TO' NIHALII'

President: Darryl Jim

District One - Western Navajo Agency

Council Delegate: Tauchoney Slim Jr.

Vice President: Colbert Dayzie

Tonalea Chapter

Grazing Official: Bruce Daw

Phone: (928) 283.3342

Email: tonaleachapter@yahoo.com

Fax: (928) 283.3435

MEMORANDUM

TO : Elizabeth Begay, Auditor General
NAVAJO NATION OFFICE OF AUDITOR GENERAL

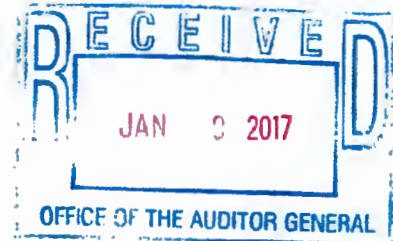
Karen Briscoe, Senior Auditor
NAVAJO NATION OFFICE OF AUDITOR GENERAL

FROM : Betty A. Tso
Betty A. Tso, Chapter Manager
TONALEA CHAPTER

THUR : Darryl Jim
Darryl Jim, President
TONALEA CHAPTER

DATE : January 06, 2017

SUBJECT : SPECIAL AUDIT REVIEW - TONALEA CHAPTER
WESTERN NAVAJO AGENCY



Please accept this Memorandum as an acknowledgement and in receipt of a final draft of the Special Audit Review. Tonalea Chapter will begin the process of a Corrective Action Plan with the recommendations made by the Office of Auditor General within thirty (30) days. As part of the Corrective Action Plan, Tonalea Chapter will provide orientations and trainings to the Chapter Officials and Administrative Staff on the Five Management System, Duties and Responsibilities and other applicable regulations, policies and procedures of Tonalea Chapter and Navajo Nation.

With the Special Audit Review, we recognize where our weakness are and need to improve and strengthen in those area. If you should have any questions, please do not hesitate to contact the Tonalea Chapter Administration at (928) 283-3430/331. Thank you.

Chapter Manager: Betty A Tso

Administrative Assistant: Marlinda White rock



TO' NIHALII'

President: Sarah Slim
Vice President: Marie Acothley
Secretary/Treasurer: Delores Claw

District One - Western Navajo Agency
Tonalea Chapter
P.O. Box 207
Tomb, Arizona 86044-0207

Council Delegate: Tuchoney Slim, Jr.
Grazing Official: Vicki R. Kee

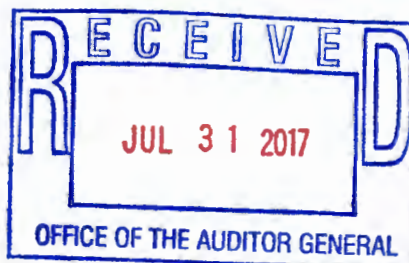
Phone: (928) 844-1111

Email: tonalea@navajochapters.org

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MEMORANDUM

TO: Karen Briscoe, Principal Auditor
Stacy R. Manuelito, Auditor
Elizabeth Begay, Auditor General
NAVAJO NATION OFFICE OF AUDITOR GENERAL



FROM: Marlinda Whiterock
Marlinda Whiterock, Chapter Manager
TONALEA CHAPTER

THRU: Sarah Slim
Sarah Slim, President
TONALEA CHAPTER

DATE: July 11, 2017

SUBJECT: Corrective Action Plan

As requested by the Navajo Nation Office of the Auditor General, attached is the finalized Tonalea Chapter Corrective Action Plan (CAP) and the chapter's approved resolution to support the CAP.

Please contact me via email at mwhiterock@navajochapters.org, if you have any questions or concerns.

Cc:

Marie Acothley, Vice-President
Delores Claw, Secretary/Treasurer
TONALEA CHAPTER
Honorable Tuchoney Slim, Jr., Council Delegate
OFFICE OF LEGISLATIVE SERVICES
23RD NAVAJO NATION COUNCIL

Chapter Manager: Marlinda Whiterock

Administrative Assistant: Alfonda Watson

**TONALEA CHAPTER
CORRETIVE ACTION PLAN**

FINDING	RESPONSIBLE PERSON & TITLE	CORRECTIVE MEASURES	COMPLETION DATE
There is no segregation of duties within the cash receipt process.	Administrative Assistant	1. The Administrative Assistant upon receipt of cash. Administrative Assistant will record all check or currency. To a numbered receipts form and daily sales report and post the cash receipts in the MIP Accounting System on a daily basis.	May 16, 2018
	Administrative Assistant	2. Administrative Assistant will safeguard all un-deposited cash in a lock cash box at all time.	May 16, 2018
	Administrative Assistant and Chapter Manager	3. Administrative Assistant will prepare the bank deposit slip, forward all cash, cash receipt tickets, Daily Sales Report, and posted Cash Receipt. Report for review and approval to the Chapter Manager.	May 16, 2018
	Chapter Manager	4. Chapter Manager will ensure the cash reconciles to the cash receipt tickets, Daily Sales Report, Deposit slips and posted cash receipt journal and sign all documents to indicate the reconciliation was completed and resolve any variances prior to deposit.	May 16, 2018
	Chapter Manager/Administrative Assistant	5. Chapter Manager will Deposit all cash and obtain receipts for cash deposit on a weekly basis and return the bank deposit receipts to Administrative Assistant who will record the deposit in the MIP Accounting System in 01 Chapter Activity Fund subsidiary ledger.	May 16, 2018

TONALEA CHAPTER
Corrective Action Plan

FINDING	RESPONSIBLE PERSON & TITLE	CORRECTIVE MEASURES	COMPLETION DATE
The Chapter does not have sufficient control in place for the management of the Open account with a local store.	Administrative Assistant, Chapter Manager and Chapter Officials	1. Tonalea Chapter Administration and Chapter Officials will develop policies and procedures to identify the type of authorized purchases, authorized users, or restrictions on the account and obtain community approval.	May 16, 2018
	Chapter Manager and Administrative Assistant	2. The authorized users will submit gas receipts to Administrative Assistant to reconcile the account and file document.	May 16, 2018
	Administrative Assistant	3. The Administrative Assistant shall reconcile the purchase receipts of fuel purchase to the store invoice to payment and address any discrepancies.	May 16, 2018
	Chapter Manager and chapter officials	4. The Chapter Manager and Chapter Officials will establish restrictions on the store account with store management consistent with the approval policies and procedures.	May 16, 2018
	Chapter Manager	5. The Chapter shall ensure that mileage is documented in the mileage log each time the vehicle is used and refueled.	May 16, 2018
	Chapter Manager and chapter Secretary/Treasurer	6. The Chapter Manager will ensure invoices are paid in a timely matter. The Secretary/Treasure will monitor and ensure all invoices are paid in timely matter.	May 16, 2018

**TONALEA CHAPTER
CORRETIVE ACTION PLAN**

FINDING	RESPONSIBLE PERSON & TITLE	CORRECTIVE MEASURES	COMPLETION DATE
The Chapter awarded financial assistance to ineligible applications.	Chapter Manager and Administrative Assistant	1. The Chapter Manager and Administrative Assistant will ensure all requests for assistance is documented on a standard assistance application form with supporting documents as required by the applicable policies and procedures based on the types of assistance requested (i.e. scholarship award will need transcripts, etc.)	May 16, 2018

**TONALEA CHAPTER
CORRECTIVE ACTION PLAN**

FINDING	RESPONSIBLE PERSON & TITLE	CORRECTIVE MEASURES	COMPLETION DATE
Complete information on the Chapter finances were not provided to the Chapter Membership	Chapter Manager and Administrative Assistant	1. The Chapter Manager and Administrative Assistant will provide the financial reports to the Secretary/treasurer each month prior to the chapter meeting.	May 16, 2018
	Secretary/ Treasurer	2. The Secretary/Treasurer will provide detailed financial reports to the chapter membership each month at the chapter meeting and document this action in the meeting minutes.	May 16, 2018

**TONALEA CHAPTER
CORRECTIVE ACTION PLAN**

FINDING V. The Chapter can not account for its property and did not report fixed assets to the financial statements.

ISSUE	RESPONSIBLE PERSON & TITLE	CORRECTIVE MEASURES	COMPLETION DATE
Chapter inventory was incomplete and was missing identification numbers.	Chapter Manager	1. Complete the Chapter inventory of all equipment's, furniture's, heavy equipment's, vehicle and ensure the inventory is completed with the required information in accordance with the policies and procedures.	May 16, 2018
	Chapter Manager	2. The Chapter Manager will ensure all Chapter property is tagged with identification numbers and located on the chapter premises.	May 16, 2018
The value of fixed assets was not reported to the balance sheet.	Chapter Manager	1. The Chapter Manager will ensure a fixed asset inventory is developed and includes all required information in accordance with captial assets policies and procedures.	May 16, 2018
	Chapter Manager	2. The Chapter Manager will ensure all fixed asset values can be supported with documentation.	May 16, 2018
	Chapter Manager	3. The Chapter Manager will develop the fixed assets inventory on the MIP Computerized Accounting to ensure the fixed assets value is properly reflected on the financial statements.	May 16, 2018

**TONALEA CHAPTER
CORRECTIVE ACTION PLAN**

FINDING	RESPONSIBLE PERSON & TITLE	CORRECTIVE MEASURES	COMPLETION DATE
The Chapter cannot justify \$6,068 operating expenditures.	Administrative Assistant	1. The Administrative Assistant will ensure all required documents is obtained for the procurement of goods and services and approved in accordance with the procurement policies and procedures.	May 16, 2018
	Chapter Manager and Secretary/Treasurer	2. The Chapter Manager and Secretary/Treasurer will review and verify all required documents are obtained prior to authorizing payment in accordance with procurment policies and procedures.	May 16, 2018
	Chapter Manager	3. The chapter will obtain Navajo Nation insurance coverage for the chapter vehicle.	May 16, 2018

**TONALEA CHAPTER
CORRECTIVE ACTION PLAN**

FINDING	RESPONSIBLE PERSON & TITLE	CORRECTIVE MEASURES	COMPLETION DATE
The Chapter filing system was in disarray	Chapter Manager and Administrative Assistant	1. The Chapter Manager and Administrative Assistant will ensure that all required documents to support the purchase of goods and services and financial assistance awarded are on file at the Chapter. The files will be organized and secure in a locked filing cabinet.	May 16, 2018
	Chapter Manager and Administrative Assistant	2. The Chapter Manager and Administrative Assistant's office will be located at the Tonalea Chapter.	May 16, 2018
	Chapter Manager and Administrative Assistant	3. The Chapter Manager and Administrative Assistant will organize all prior years files by fiscal year, develop filing guides and records inventory to ensure proper storage, disposal, transfer or filing of all records.	May 16, 2018

**TONALEA CHAPTER
CORRECTIVE ACTION PLAN**

FINDING	RESPONSIBLE PERSON & TITLE	CORRECTIVE MEASURES	COMPLETION DATE
The Chapter's Accounting system is not safeguarded from loss.	Administrative Assistant	1. The Administrative Assistant will purchase external drive to back-up the accounting system on a daily bases.	May 16, 2018
	Chapter Manager	2. The Chapter Manager will ensure the accounting system is back up on the external hard drive on a daily bases. Secure the external hard drive away from the Chapter.	May 16, 2018



Chapter Manager - Marlinda Whiterock

5/16/2017



Office Assistant - Alfonda Watson

5/16/2017



Chapter President - Sarah Slim



Chapter Vice President - Marie Acotley



Chapter Secretary/Treasurer - Delores Claw



TO' NIHALII'

President: Sarah Slim

District One - Western Navajo Agency

Council Delegate: Tauchoney Slim, Jr.

Vice President: Mario Acothloy

Tonalea Chapter

Grazing Official: Vicki R. Kee

Secretary/Treasurer: Delores Claw

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WESTERN NAVAJO AGENCY TONALEA CHAPTER RESOLUTION NO. TN17-06-07

ACCEPTING AND APPROVING THE AUDIT REPORT 17-17, SPECIAL REVIEW OF THE TONALEA CHAPTER SUBMITTED BY THE OFFICE OF THE AUDITOR GENERAL AND APPROVING THE CORRECTIVE ACTION PLAN SUBMITTED BY THE TONALEA CHAPTER

WHEREAS:

1. The Tonalea Chapter of the Navajo Nation acts on this resolution pursuant to the authority conferred on the Chapter through Navajo Nation Code Title 26, Chapter 1, Section 1, B. Purpose which states "Through adoption of this Act, the Navajo Nation delegates to Chapters governmental authority with respect to local matters consistent with Navajo Law, including custom and tradition" and the inclusivity provided by the Dine Fundamental Law, in that "it is entirely appropriate for the government itself to openly observe these fundamental laws"; and
2. 26 N.N.C., Section 1004(A) further states: "The Chapter shall enact, by resolution, plans of operation for all executive functions and administrative policies of the Chapter, including but not limited to: record-keeping, accounting, personnel, payroll, property management, contracting procurement and program management; and
3. Tonalea Chapter recognizes The Audit Report 17-17, Special Review of the Tonalea Chapter submitted by the Office of the Auditor General; and
4. The audit scope of this review was for the six-month period of October 1, 2015 to March 31, 2016; and
5. The audit review results were as follows:
 - Finding 1: There is no segregation of duties within the cash receipts process
 - Finding 2: The Chapter does not have sufficient controls in place for the management of the open account with a local store
 - Finding 3: The Chapter awarded financial assistance to ineligible applicants
 - Finding 4: Complete information on the Chapter finances were not provided to the Chapter membership
 - Finding 5: The Chapter cannot account for its property and did not report fixed assets to the financial statements
 - Finding 6: The Chapter cannot justify \$6,068 operating expenditures
 - Finding 7: The Chapter filing system was in disarray
 - Finding 8: The Chapter's accounting system is not safeguarded from loss
6. And the Tonalea Chapter Administration has through coordination with the Office of the Auditor General developed a Corrective Action Plan to ensure that the Tonalea Chapter

is in compliance with the Five Management System in how it expends it funds in the future.

NOW, THEREFORE, BE IT RESOLVED THAT:

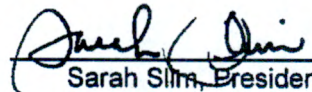
The Tonalea Chapter accepts and approves the Audit Report 17-17, Special Review of the Tonalea Chapter submitted by the Office of the Auditor General and approves the Corrective Action Plan submitted by the Tonalea Chapter.

CERTIFICATION

We hereby certify that the foregoing resolution was presented and considered at a duly called Chapter meeting at which a quorum was present and that the same was approved by a vote of 24 in favor, 0 opposed and 1 abstention on this 20th day of June, 2017.

Motioned by: **Helen Maloney**

Seconded by: **Eddie Toledo**



Sarah Slim, President