

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

25TH NAVAJO NATION COUNCIL - Second Year, 2024

AN ACTION

RELATING TO THE RESOURCES AND DEVELOPMENT COMMITTEE AND THE
BUDGET AND FINANCE COMMITTEE; ACCEPTING THE INTERNAL AUDIT OF
THE SHONTO CHAPTER AND APPROVING THE SHONTO CHAPTER'S PROPOSED
CORRECTIVE ACTION PLAN

BE IT ENACTED:

SECTION ONE. AUTHORITY

- A. The Resources and Development Committee is the oversight committee for all 110 Navajo Nation Chapters. 2 N.N.C. § 501(C)(1).
- B. As the oversight authority for Chapters, the Resources and Development Committee reviews audit reports and proposed corrective action plans regarding Chapter financial matters. 12 N.N.C. § 7(E).
- C. The Budget and Finance Committee has the final authority to review and approve audit reports issued by the Auditor General, as well as proposed corrective action plans. 12 N.N.C. § 6(A) and § 7(D).

SECTION TWO. FINDINGS

- A. In accordance with 12 N.N.C. § 6, the Navajo Nation Office of the Auditor General has provided an internal audit report of the Shonto Chapter. This 21-page internal audit report is dated March 2020 (hereinafter referred to as "Audit Report"), and is attached hereto as **EXHIBIT 1**.
- B. The Shonto Chapter responded with a letter to the Auditor General regarding the Audit Report. The Chapter's response is dated March 5, 2020 and is attached as **EXHIBIT 2**.

- C. The Chapter prepared a detailed Corrective Action Plan ("CAP") that was submitted to the Auditor General on September 6, 2023. The CAP addresses the findings in the Audit Report, and the Chapter proposes to cure the Audit Report findings by September 30, 2024. The Chapter's proposed Corrective Action Plan is attached hereto as **EXHIBIT 3**.
- D. In Resolution No. SHO 09-118-23, the Shonto Chapter acknowledges the findings in the Audit Report and approves a final revised Corrective Action Plan to address and resolve the findings. Resolution No. SHO 09-118-23 is attached hereto as **EXHIBIT 4**.

**SECTION THREE. ACCEPTING THE AUDIT OF THE SHONTO CHAPTER AND
APPROVING THE SHONTO CHAPTER'S PROPOSED CORRECTIVE
ACTION PLAN**

- A. The Navajo Nation hereby accepts the Audit General's Audit Report of the Shonto Chapter dated March 2020, attached hereto as **EXHIBIT 1**.
- B. The Navajo Nation hereby approves the Corrective Action Plan proposed by the Shonto Chapter, attached hereto as **EXHIBIT 3**. This Corrective Action Plan is approved for use by the Shonto Chapter in addressing and resolving the findings explained in the Audit Report.
- C. The Shonto Chapter is expected to resolve the unfavorable findings in the Audit Report no later than September 30, 2024, which is the projected date proposed by the Chapter in its Corrective Action Plan.

SECTION FOUR. DIRECTIVES

- A. The Shonto Chapter shall prepare and submit a written status report on its progress at implementing all tasks set forth in its approved Corrective Action Plan. In compliance with 12 N.N.C. § 7(F), the Shonto Chapter shall submit said report to the Office of the Auditor General no later than six months after the effective date of this Action.
- B. Pursuant to 12 N.N.C. § 7(F)(2), the Office of the Auditor General shall receive and review the Shonto Chapter's six-month status report and shall prepare a memorandum explaining the Auditor General's opinion about the success of the Shonto

Chapter's corrective efforts and the Chapter's compliance with its approved Corrective Action Plan during the noted six-month period.

- C. The Office of the Auditor General shall then promptly submit such memorandum along with the Shonto Chapter's status report to the Resources and Development Committee and the Budget & Finance Committee, in accordance with 12 N.N.C. § 7(F)(2).
- D. Twelve months after the effective date of this Action, the Office of the Auditor General shall conduct a follow-up review of the Shonto Chapter to determine whether or not the Chapter has successfully implemented its approved Corrective Action Plan. See 12 N.N.C. § 7(G).
- E. The Office of the Auditor General shall then promptly prepare its twelve-month report on its findings resulting from the follow-up review. Such report shall include the Auditor General's recommended sanctions, if any, to be imposed upon the Shonto Chapter for failing to sufficiently implement its Corrective Action Plan. See 12 N.N.C. § 7(G).
- F. The Auditor General's follow-up report shall be presented to the Resources and Development Committee and the Budget and Finance Committee. 12 N.N.C. § 7(G); 12 N.N.C. §7(H).

SECTION FIVE. EFFECTIVE DATE

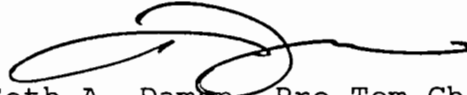
This Action shall become effective pursuant to 2 N.N.C. § 221(C), 12 N.N.C. § 6(A), and 12 N.N.C. § 7(D).

SECTION SIX. SAVING CLAUSE

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

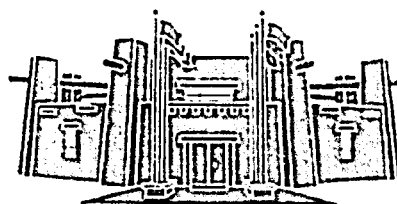
CERTIFICATION

I, hereby, certify that the foregoing resolution was duly considered by the Budget and Finance Committee of the Navajo Nation Council at a duly called meeting held at Window Rock, Navajo Nation (Arizona) at which a quorum was present and that the same was passed by a vote of 3 in favor and 0 opposed, this 17th day of January 2024.

A handwritten signature in black ink, appearing to read 'Seth A. Damon', with a large, stylized loop at the end.

Seth A. Damon, Pro Tem Chairperson
Budget and Finance Committee

Motion: Honorable Shaandiin Parrish
Second: Honorable Carl R. Slater



OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

A Special Review of Shonto Chapter

Report No: 20-09
March 2020

Performed by:
Stacy Manuelito, Senior Auditor
Kimberly Jake, Associate Auditor
Marcale Kaskalla, Associate
Auditor



March 31, 2020

Felix R. Fuller, President
SHONTO CHAPTER
P.O. Box 7800
Shonto, AZ 86054

Dear Mr. Fuller:

The Office of the Auditor General herewith transmits Audit Report No. 20-09, A Special Review of the Shonto Chapter. The main audit objective was to determine whether internal controls are functioning as designed to ensure the Chapter spent funds in accordance with Navajo Nation laws, rules and regulations and Chapter policies and procedures. During the audit scope of October 1, 2018 to September 30, 2019, \$495,820 of Chapter funds were disbursed.

Our review revealed control deficiencies and as a result, the Shonto Chapter cannot provide reasonable assurance it complies with laws, policies and procedures. The following issues were identified:

- FINDING I:** Five Management System policies and procedures are inconsistent with applicable Navajo Nation law.
- FINDING II:** The Chapter was LGA certified in 1999 but to date, only two financial audits were completed with no corrective action plans to address the findings.
- FINDING III:** The Chapter's accounting system does not provide reliable financial information.
- FINDING IV:** The Chapter does not comply with cash receipt policies and procedures.
- FINDING V:** Chapter property is not insured.
- FINDING VI:** Poor property controls impede proper identification, tracking and recordkeeping of Chapter property.
- FINDING VII:** Fixed assets are not reported in the financial statements and cannot be supported with documentation.
- FINDING VIII:** Contractors are hired contrary to procurement policies and procedures.
- FINDING IX:** A contractor was paid \$30,400 for work that could not be verified.
- FINDING X:** Travel expenditures are not properly approved, accurately calculated, and supported with appropriate documentation.
- FINDING XI:** Wages totaling \$19,454 were paid for hours not worked by employees.
- FINDING XII:** Staff earned and used leave hours that were not due to them.
- FINDING XIII:** \$129,952 of PEP/SYE expenditures cannot be supported with documentation.

Ltr. to Felix R. Fuller
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FINDING XIV: The Chapter arbitrarily changed the Office Specialist's employment status from temporary to permanent without following personnel policies and used PEP funds for a permanent position.

FINDING XV: The Chapter's current filing is inconsistent with its FMS records management policy.

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

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

Sincerely,



Helen Brown, CFE, Principal Auditor
Delegated Auditor General

xc: Winnifred Bronston, Vice-President
Arlene Laughter, Secretary/Treasurer
Elizabeth Whitethorne-Benally, Chapter Manager
Herman M. Daniels, Jr., Council Delegate
SHONTO CHAPTER
Sonlasta Jim-Martin, Department Manager II
Calvin Tsosie, Senior Program & Project Specialist
ADMINISTRATIVE SERVICES CENTER/DCD
Chrono

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REVIEW RESULTS

FINDING I: Five Management System policies and procedures are inconsistent with applicable Navajo Nation law.

Criteria: Local Governance Act (LGA), Section 3, requires all chapters to adopt and operate under a Five Management System (FMS) consistent with applicable Navajo Nation law.

Condition: The Chapter approved its Five Management System on July 26, 1998 via resolution no. SH06-50-99. However, the Navajo Nation Department of Justice (DOJ) developed and approved a standard Five Management System for Navajo Nation chapters to utilize as of April 16, 2010. In comparison to the standard FMS, the Chapter's current FMS is missing policies and procedures that would ensure compliance with Navajo Nation laws, rules and regulations.

The Shonto Chapter FMS has the following key deficiencies:

- Policies do not cite Title 26, the Local Governance Act.
- Travel policies are inconsistent with the Navajo Nation travel policies.
- The Chapter Manager and Administrative Assistant roles are not defined in the personnel policies and these personnel policies are inconsistent with the Navajo Nation personnel policies.
- The chapter procurement policies do not include the Navajo Sovereign Immunity Act, Navajo Business Opportunity Act, Navajo Business and Procurement Act, etc.
- Internal controls are vague and do not facilitate accountability by staff and officials.
- The chapter fiscal policies do not address reporting capital assets to the financial statements, processing journal vouchers, and procedures for Interfund transfers.

Effect: In the absence of clearly defined policies and procedures, the Chapter is at risk of circumventing controls which can result in potential fraud or violation of laws, rules, and regulations.

Cause: The Chapter administration did not recognize the need to strengthen its Five Management System by amending its policies and procedures.

- Recommendations:**
1. Since the Navajo Nation Department of Justice reviewed the standard FMS for legal sufficiency, the Chapter should adopt the 2010 DOJ approved Five Management System policies and procedures manual for assurance that its operational activities will not violate Navajo Nation law.
 2. The Administrative Services Center should assist the Chapter in updating its Five Management System including policies, procedures, and standard forms used by the Chapter.

FINDING II: The Chapter was LGA certified in 1999 but to date, only two financial audits were completed and no corrective action plans to address the findings.

Criteria: Fiscal Policy and Procedures, Section X, states the Chapter can obtain the services of the Auditor General of the Navajo Nation or at its option can contract with an independent licensed Certified Public Accountant to have the biennial financial audit.

It is also good business practice for local governments to have independent financial audits on an annual basis to provide independent assurance to constituents and other stakeholders that the government's financial statements present a true and fair representation of its financial position. Overall, it adds credibility to the reported financial position and performance of the local government.

Condition: The Chapter became LGA certified in 1999 but did not obtain a financial audit until fiscal year 2012 which concluded with a qualified opinion due to material weaknesses. For the second audit completed in 2016, the independent auditors issued a disclaimer (no opinion) due to material weaknesses and significant deficiencies with internal controls and noncompliance material to the financial statements. No corrective action plans were prepared to address the audit findings including repeat findings pertaining to capital assets, general ledger, journal entries, expenditures, and employee compensated absences.

Effect: As a certified Navajo Nation chapter, the Shonto Chapter was given full responsibility for its finances and operations. Without independent financial audits, the Chapter cannot provide assurance its financial management system generates reliable and accurate financial statements. Further, without corrective action plans, control deficiencies were not addressed timely and this contributed to the independent auditor's inability to issue an opinion on the Chapter's 2016 financial statements.

Cause: The Chapter administration did not understand the importance of a financial audit which could explain why there were no corrective action plans to address the findings from the 2012 and 2016 financial audits.

Recommendations:

1. When chapter funds are identified annually, the Chapter Manager should budget for independent financial audit services and procure these services with a Certified Public Accountant.
2. The Chapter administration should develop a corrective action plan to ensure outstanding audit findings from the financial audits are addressed.
3. The Chapter administration should obtain technical assistance from the Administrative Services Center on audit requirements including corrective action plans to address audit findings.

FINDING III: The Chapter's accounting system does not provide reliable financial information.

Criteria: Fiscal Policy and Procedures, Section II, states the Chapter shall implement an effective accounting system of internal control to provide a plan of organization, adequate internal checks and balances, and sufficient supporting records to: (1) ensure the safeguarding of assets and records; (2) provide reliable data to support the accuracy and reliability of the financial records; (3) promote efficiency; and (4) encourage adherence to policies.

Condition: The Chapter's accounting system does not provide reliable financial information as a result of the following issues:

No approved budgets:

The Chapter did not prepare budgets for the following revenues totaling \$30,828 but still posted the revenues in the accounting system:

- o Internally Generated Revenue: \$20,204
- o Donations: \$5,150
- o Income Interest: \$111
- o County fund: \$4,000
- o Government Service Complex fund: \$1,363

Posting errors:

- The Chapter prepared a PEP fund (fund code 15) budget for \$89,409, however, the Chapter posted only \$74,110 into the Personnel fund (fund code 01).
- The Chapter prepared a Personnel fund budget for \$107,166, however, the Chapter posted a higher amount of \$126,181 by including fringe benefit expenditures.
- Reimbursements totaling \$1,020 were not posted to the funds the expenditures were disbursed from originally but posted to the Chapter General Activities Fund (fund code 07).

Overall, the Chapter provided misleading financial information on available resources to the Chapter membership.

Effect: In the absence of reliable financial information, the Chapter cannot make informed financial decisions. This is indicative by \$26,628 of unauthorized expenses that were incurred due to inaccurate budget information in the accounting system. The unauthorized expenses can lead to unnecessary budget deficits.

Cause:

- The Chapter Manager did not review the posted budgets in the accounting system against the approved budgets to verify the Administrative Assistant accurately posted all budget information.

- The Chapter Manager does not monitor the Administrative Assistant's work with the accounting system to ensure the system provides reliable information.

Recommendations:

1. The Administrative Assistant should use the approved budget to make sure all budgets are posted in the accounting system.
2. The Chapter Manager should review the MIP posted transaction report on a monthly basis to make sure the Administrative Assistant posted all transactions accurately.

FINDING IV: The Chapter does not comply with cash receipt policies and procedures.

Criteria: Fiscal Policy and Procedures, Section VII, states at the end of each business day, the Chapter shall reconcile the daily incoming cash against the cash receipts book and recorded on the daily cash receipts record and on a weekly basis, each daily cash receipt record shall be reviewed and signed by the Chapter Manager to indicate the cash/check received and the balance recorded on the daily cash receipts record are accurate. The Chapter Manager will update the cash receipt journal and deposit the cash into the checking account.

Condition: A cash count conducted on December 10, 2019 revealed a total of \$717 in cash, currency and money orders. However, this amount is less than the total cash receipt of \$1,781 reported on the balance sheet. The variance of \$1,064 is cash receipts that were not posted in the accounting system.

The Chapter staff is also using cash on hand as petty cash. The petty cash fund is replenished by using the cash receipts. However, there are no petty cash policies and procedures, no Chapter resolution approving the petty cash fund and no supporting documents for petty cash expenses.

Effect: Due to these discrepancies, there is a risk that lost or stolen cash receipts will go undetected. There is also a risk of unauthorized expenditure of cash receipts.

Cause:

- The Administrative Assistant is the sole custodian of the cash receipts.
- The Chapter administration established a petty cash fund without proper controls.
- The Chapter Manager does not conduct a daily count of the cash on hand.
- The Administrative Assistant does not post cash receipts in a timely manner.
- The Chapter Manager does not make weekly cash deposits.

Recommendations:

1. The Chapter officials should ensure that duties within its cash receipt process are properly segregated.

2. The Chapter Manager should conduct a daily count of cash on hand and compare to the cash receipt book to account for all receipts; any discrepancies should be addressed immediately.
3. The Administrative Assistant should post cash receipts daily into the accounting system.
4. The Chapter Manager should review the posted cash receipts to the cash receipt book for accuracy and make cash deposits weekly.
5. The Secretary/Treasurer should periodically review the MIP posted transaction report to verify cash receipts are being reconciled and review deposits tickets to ensure weekly deposits are made by the Chapter Manager.

FINDING V: Chapter property is not insured.

- Criteria:** Property Policy and Procedures, Section V, requires the Chapter to provide a copy of the most current inventory to the Navajo Nation Risk Management Program on an annual basis, or upon new purchases or disposition of any real property, for Insurance purposes. The Navajo Nation Budget Instructions Manual requires all Navajo Nation Chapters to submit an annual Underwriting Exposure Summary with the latest property inventory to the Risk Management Program to determine chapter insurance premiums.
- Condition:** The Shonto Chapter has not insured its property and equipment since 2012. This was confirmed by the 2016 financial audit which reported there was no insurance coverage for the chapter property. This internal audit found that contrary to policy, the Chapter did not submit an Underwriting Exposure Summary and current inventory for FY2020 to the Navajo Nation Risk Management Program.
- Effect:** Without insurance coverage, the Chapter is exposed to risks of significant financial loss due to property theft or damages.
- Cause:** The Chapter Manager does not monitor chapter property to ensure inventory records are complete and applicable reports are remitted to ensure adequate insurance coverage is maintained by the Chapter.
- Recommendations:**
1. The Administrative Assistant should prepare the Underwriting Exposure Summary and the property inventory for the Chapter Manager's review and approval.
 2. The Chapter Manager should review the Underwriting Exposure Summary, property inventory and supporting documentation for accuracy and upon approval with signature, remit applicable documents to the Risk Management Program.
 3. The Chapter Manager and Secretary/Treasurer should monitor the chapter expenditures to ensure annual insurance premiums are paid in full and in a timely manner.

FINDING VI: Poor property controls impede proper identification, tracking and recordkeeping of Chapter property.

Criteria: Property Policy and Procedures, Section V, requires the Chapter property inventory to disclose the date of purchase, purchase price, serial number, description, chapter property number, date of disposition and salvage value. The inventory shall be verified by the Chapter Manager for accuracy and accountability on a periodic basis.

Condition: Based on a judgmental sample of 14 property items, we noted the following control deficiencies:

Type of Exception	No. of Exceptions
Property tag number did not exist or did not match the identification number recorded on the property inventory.	10 of 14 (71%)
Property item was not on the chapter premise.	5 of 14 (36%)

We also noted the property inventory does not have pertinent information such as property numbers, acquisition cost, acquisition date, and condition about existing property.

Effect: Due to an unreliable property inventory, the Chapter cannot fully account for its property. This poses a risk that chapter property can be stolen, destroyed, or disposed of without the Chapter's knowledge. Therefore, the chapter property inventory is unreliable.

Cause: Contrary to policies and procedures, the Chapter does not perform annual physical counts and inspections to update its property inventory. The Administrative Assistant acknowledged that most of the property items have not been tagged with identification numbers. However, no plausible reason was given for why the staff does not perform physical counts and inspections of chapter property.

Recommendations:

1. The Administrative Assistant should purchase pre-numbered identification tags available on the market, affix the tags to the property items, and record the identification numbers on the property inventory.
2. The Administrative Assistant should complete physical counts and inspections of the chapter property each year prior to the new fiscal year and update the chapter property inventory with pertinent information and to verify all property have identification tags.
3. The Chapter Manager and officials should periodically inspect property items to ensure they have identification tags and verify the property inventory is kept current.

FINDING VII: Fixed assets are not reported in the financial statements and cannot be supported with documentation.

Criteria: Local Governance Act (LGA), Section 2, defines capitalized assets as nonexpendable property having acquisition value of one thousand dollars (\$1,000) or more.

Property Policy and Procedures, Section V, requires the Chapter to have pertinent records, and documentation of all chapter property shall be kept, including: requisitions, purchase orders, receiving records, invoices, warranties, and copies of cancelled checks.

GASB Statement 34 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* states governments should report all capital assets, including infrastructure assets, in government-wide statement of net assets and generally report depreciation expense in the statement of activities.

Condition: A judgmental sample of eight property items totaling \$684,124 was examined and the following exceptions were noted:

Type of Exception	No. of Exceptions
Fixed asset value did not match the supporting documentation found on file.	8 of 8 (100%)
Fixed asset value is not reported in the financial statements.	8 of 8 (100%)

Based on the property inventory, the Chapter's total fixed assets is valued at approximately \$2 million but the Chapter did not have documents such as receipts, titles, invoices, or appraisals on file to support the fixed asset values. As a result, the Chapter has no basis to report this total value on the financial statements.

The independent financial audit conducted in 2016 also found that the Chapter did not perform physical inventory verification of its fixed assets, there was no documentation of historical cost and no depreciation schedule. To date, there is no evidence these issues have been addressed by the Chapter.

Effect: The Chapter's financial statements are unreliable; the balance sheet reports only \$670,000 in total assets as of September 30, 2019 and is understated as \$2 million in fixed assets are not reported due to lack of supporting documentation. The Chapter cannot make informed financial decisions based on unreliable financial statements.

Cause:

- The Chapter administration does not maintain an adequate record keeping of chapter property.
- The Chapter administration did not realize records such as invoices and appraisals were needed in order to properly report fixed assets in the financial statements.

- Recommendations:**
1. The Chapter administration should obtain a certified appraiser to appraise the Chapter's fixed assets.
 2. The Chapter Manager should verify the fixed asset values are supported with documentation such as invoices, receipts, appraisals, etc.
 3. The Chapter staff should maintain proper records of the fixed assets.
 4. The Administrative Assistant should seek technical assistance from the Administrative Services Center on how to properly post the fixed assets to the accounting system.
 5. The Administrative Services Center should verify that the fixed assets value reported in the Chapter's financial statements can be supported with documentation.

FINDING VIII: Contractors are hired contrary to procurement policies and procedures.

Criteria:

Procurement Policy and Procedures, Section IV states that purchases must comply with the Navajo Nation Business Preference Law and the Navajo Business and Procurement Act.

Procurement Policy and Procedures, Section V, Bidding Procedures, requires the following by the Chapter:

- a) Solicitation package: Invitation for bids which include specifications, terms and conditions and bidder's instructions.
- b) The preparation by prospective contractors of a bid to produce the specified supplies and the timely delivery of a sealed bid to the Chapter.
- c) Public opening of the sealed bids and award of the contract to the lowest priced.
- d) Approval at a duly called Chapter meeting.

Condition:

During the audit period, two contractors were paid \$40,400. A review of their contracts revealed the following:

Type of Exception	No. of Exceptions
Request for proposals were not developed	2 of 2 (100%)
Bid tabulation sheets were not completed	2 of 2 (100%)
Contract deliverables were not met.	1 of 2 (50%)
Payments were not supported with original invoice/receipt.	2 of 2 (100%)

Overall, the Chapter did not conduct a bidding process to select the contractors. In addition, the Chapter entered into direct professional service contracts that were not reviewed and approved in accordance with the Navajo Business and Procurement Act. Lastly, the Chapter did not ensure compliance with the Navajo Nation Business Preference Law since one of the contractors was not on the Navajo Nation source list of Certified Navajo/Indian-owned Businesses.

Effect: The Chapter may have hired unqualified contractors at higher costs and for services that did not adequately benefit the Chapter. In addition, chapter funds paid for contracts that were not properly procured could be deemed as misuse of funds.

Cause:

- The Chapter administration does not use a bidding process to procure professional services.
- The Chapter Manager does not verify that all professional service agreements are being reviewed and approved through the Navajo Nation review process.
- The Chapter administration does not seek guidance from the Administrative Services Center or Department of Justice when entering into contractual agreements.

Recommendations:

1. The Chapter administration should procure professional services using the bidding process to select qualified contractors at the most economical prices.
2. The Chapter Manager should have all professional service agreements reviewed and approved through the Navajo Nation review process.
3. The Chapter administration should seek guidance from the Administrative Services Center or Department of Justice when addressing professional services.

FINDING IX: A contractor was paid \$30,400 for work that could not be verified.

Criteria: Procurement Policy and Procedures, Section V, requires the Chapter have all goods and services received be documented on a receiving report, inspected for quality, if acceptable, then payment is rendered. All supporting documents are then filed.

Condition: 18 checks totaling \$30,400 was paid to a contractor that was hired by the Chapter to address the following: Grant proposals, Shonto Springs Store/Post Office, Stealing Rock & Scattered Power Line Extension Project, Non-Profit Certification, Shonto Youth Center, Shonto Hotel, Summer Youth Employment, Gasification, Strategic Work Session, Land Withdrawals for future projects, Shonto Water Line Extensions, and the Shonto South Power Line Extensions Phase 2 A & B.

Our review noted the following issues:

- The service agreement between the Chapter and the contractor was split into three agreements of smaller amounts. Rather than modifying the initial contract, the Chapter executed the second and third contracts in order to extend the contract period.
- No progress reports were on file to show that the former and current Chapter Manager verified that the contractor completed the assigned projects.
- There was no documentation to show the proposed deliverables were met by the contractor. Rather, the contractor performed tasks such as managing the front office and answering phone calls which were not within the contractor's scope of work but are administrative tasks that are the responsibility of the chapter administration.
- The contractor's travel expenses were paid by the Chapter when those travel expenses should have been included in the service agreement.
- The contractor carried over 15-18 hours from the last service agreement however, there was no evidence the Chapter Manager or officials verified these hours as fulfilled by the contractor.
- The Chapter Manager and officials approved contractor payments although no invoices, progress report, or completion reports were provided.

Effect:

There is a risk that Shonto Chapter paid the contractor for work that was not completed or deliverables that were not met. Also, since the Chapter paid the contractor to perform Chapter administration duties, the Chapter paid for duplicate efforts by the contractor and its administration which are unnecessary costs.

Cause:

- The Chapter staff does not know how to manage contracts.
- The Chapter's policies and procedures are too general and do not provide proper guidance to the staff on procuring and managing professional service contracts.

Recommendations:

1. The Chapter administration should seek technical assistance and training from the Administrative Services Center to make sure all chapter contracts comply with appropriate Chapter and Navajo Nation policies and procedures.
2. The Chapter administration should update its procurement section within its Five Management System to strengthen controls over procurement activities.

FINDING X: Travel expenditures are not properly approved, accurately calculated, and supported with appropriate documentation.

Criteria:

Fiscal Policy and Procedures, Section VII, requires Chapter officials and employees to prepare a travel request form before leaving on assignment and travel advances (80% of total estimated cost) to be reviewed by the Chapter Manager for approval and signature. Each traveler is required to submit a trip report, expense report, and receipts to support travel

expenses. The Chapter Manager shall review all supporting documents the traveler submits. Also, travel requests for officials shall be approved at a duly called chapter meeting.

Condition:

For the 12-month audit period, Chapter travel expenditures totaled \$47,625. Of this amount, 35 travel expenditures totaling \$16,940 were examined and the following exceptions were noted:

Type of Exception	No. of Exceptions and Amounts
Travel authorization has inaccurate POV mileage rate or travel authorization was not on file.	9 of 35 (26%) \$3,302
Travel advance exceeded the 80% threshold allowed per travel policies.	30 of 30 (100%) \$15,613
Travel expense report was not on file to itemize the travel expenses and show their relevance to the trip.	35 of 35 (100%) \$16,940
Supporting documentation such as trip reports, mileage reports, lodging receipts for travel expenditures were not on file.	35 of 35 (100%) \$16,940
Travel request for Chapter officials were not approved at a duly called chapter meeting.	4 of 4 (100%) \$560

In reviewing the travel expenditures, we also noted the following issues:

- The Chapter allowed travelers to be paid travel advances at 100% of the total estimated cost but the actual expenses were less than the estimated cost. The travelers were not required to reimburse the Chapter for overpaid travel expenses.
- The travelers were not required to submit travel expense reports for travel.
- The travelers were not required to submit mileage reports for mileage reimbursement when privately owned vehicles were used for travel.
- The Chapter Manager is not verifying travel authorizations are accurate prior to approving travel.
- The Chapter Manager is not verifying travel is supported with travel documentation such as travel expense report, trip report, mileage report, sign-in sheet, agendas, or off-reservation travel approval.
- The Chapter Manager and officials are approving travel advances and travel reimbursements without verifying supporting travel documents prior to signing travel-related checks.

Effect:

Unauthorized travel is improper use of chapter funds. For travel funds advanced at 100%, there is no incentive for travelers to submit supporting documents to justify their travel expenses for legitimate chapter business. Additionally, travelers could incur expenses unrelated to chapter business, and receive reimbursements based on erroneous travel claims.

Cause:

- The Administrative Assistant does not comply with the Chapter's travel policies and procedures.
- The Chapter Manager is aware of travel policies and procedures but does not effectively enforce such policies and procedures.
- The Chapter officials do not seem to understand the importance of the travel policies and procedures.

- Recommendations:**
1. The Chapter administration should seek training from the Administrative Services Center on how to properly implement the travel policies and procedures.
 2. The Chapter Manager should review the travel authorization for accuracy before approving travel requests and travel advances.
 3. The Chapter Manager should not advance more than 80% of the total estimated travel cost and travelers who are advanced more than the actual travel costs should be required to reimburse the Chapter promptly.
 4. The Chapter Manager and officials should verify that all appropriate travel documents are attached before issuing any travel-related checks.

FINDING XI: Wages totaling \$19,454 were paid for hours not worked by employees.

Criteria: Fiscal Policy and Procedures, Section VII, states attendance records shall be reviewed and signed by the immediate supervisor and submitted to the designated employee to prepare payroll.

Condition: For the audit period, 35 payroll expenditures totaling \$41,587 were reviewed to verify Chapter staff was paid the correct payroll. The Chapter did not provide documents for two payroll expenditures totaling \$2,811. The remaining 33 payroll expenditures had the following exceptions:

Type of Exception	No. of Exceptions and Amounts
Sign-in sheets did not reconcile to the timesheet due to employees receiving the full 8 hours per day regardless of leave and holidays taken by employees.	14 of 33 (42%) \$14,764
Absences reported on the timesheet were not supported with an approved leave form.	13 of 13 (100%) \$13,610

Effect: The Chapter paid approximately \$19,454 to temporary employees for hours they did not actually work or for leave that was not properly authorized.

Cause:

- The Chapter Manager approved administrative leave hours claimed by the temporary employees for holidays although temporary employees are not entitled to holiday pay.

- The Chapter Manager approved a full 8 hours of work per day for temporary workers who were absent due to leave and did not verify their leave slips.

- Recommendations:
1. The Chapter Manager should review and approve leave slips prior to an employee taking leave.
 2. The Chapter Manager should reconcile the chapter staff and temporary worker's sign in sheet, leave slips and timesheet for accuracy prior to payroll approval.
 3. The Chapter officials should review payroll vouchers to make sure supporting documents such as sign in sheets, leave slips, timesheets and MIP payroll reports were reconciled prior to approving payroll checks.

FINDING XII: Staff earned and used leave hours that were not due to them.

Criteria: Fiscal Policy and Procedures, Section VII, requires the Chapter to maintain a system to account for the accrual and use of vacation, personal, sick and compensatory leave for all employees.

Condition: We examined 13 pay periods during the 12-month audit period. The following exceptions were noted:

Type of Exception	No. of Exceptions
Leave is not accrued each pay period based on the accrual rate as stated in the personnel policy.	10 of 13 (77%)
Used leave hours are not reflected on the timesheet.	1 of 13 (8%)
Leave report is not reviewed and signed by the Chapter Manager and a Chapter official.	13 of 13 (100%)

In addition, the accounting system revealed the following discrepancies with employee leave hours:

- The number of hours accrued between pay periods were inconsistent.
- The timesheet for one pay period shows 8 hours of leave taken but the leave report shows 24 hours taken.

Lastly, the 2016 financial audit reported the Chapter did not maintain records for annual leave and sick leave. As a result, there was no record of the compensated absences liability to be paid for accrued annual leave and sick leave.

Effect: Due to these discrepancies, there is a significant risk the Chapter staff used leave hours that were not actually available to them. Incorrect leave balances will also lead to unreliable financial statements.

Cause:

- Although the Administrative Assistant has been employed by the Chapter for about 12 years, she acknowledged that she does not know how to manage staff leave hours using the MIP accounting system.
- The Chapter Manager did not review the leave report each pay period and as such, discrepancies were not detected.

- Recommendations:**
1. The Administrative Assistant should seek technical assistance from the Administrative Services Center to correct the accrual rate for each permanent employee.
 2. The Administrative Assistant should generate the leave report and remit it as part of the payroll vouchers for verification by the Chapter Manager.
 3. The Chapter Manager should reconcile the leave report against the supporting documents for accuracy each pay period when processing payroll.

FINDING XIII: \$129,952 of PEP/SYE expenditures cannot be supported with documentation.

Criteria:

Transportation and Community Development Committee (TCDC) Policy, Section V, requires for each project, the chapter administration to properly complete, date, and sign the project application, personnel roster, and employment and termination notice(s). The chapter administration shall also include a copy of the chapter budget resolution keep all of the above-mentioned documents on file. All documents shall be completed and finalized prior to commencing the project.

TCDC Policy, Section VII, requires at the completion of each project, the chapter administration shall prepare a final project evaluation report describing the completed project and have that report signed by the Chapter President.

Condition:

We examined six Public Employment Program (PEP) and Summer Youth Employment (SYE) projects totaling \$129,952 during the 12-month audit period. The following exceptions were noted:

Type of Exception	No. of Exceptions
Project application was incomplete.	6 of 6 (100%)
Project was not advertised.	6 of 6 (100%)
Project personnel roster was not on file.	6 of 6 (100%)
Project completion report was not on file.	6 of 6 (100%)

Effect:

Without proper supporting documentation, the Chapter cannot justify the use of \$129,952 for six PEP/SYE projects.

Cause:

The Administrative Assistant and Chapter Manager acknowledged that they do not maintain the project documentation required by policy because they do not know how to manage such projects.

- Recommendations:
1. The Chapter administration should obtain technical assistance from the Administrative Services Center on how to properly manage PEP/SYE projects.
 2. The Administrative Assistant should develop PEP/SYE project folders by each fiscal year.
 3. The Chapter Manager should develop a checklist for the Administrative Assistant to use to make sure the PEP/SYE projects have the required documents on file.
 4. The Chapter Manager should review the PEP/SYE files to make sure all required documents have been received prior to the approval of projects and at the completion of the projects.

FINDING XIV: The Chapter arbitrarily changed the Office Specialist's employment status from temporary to permanent without following personnel policies and used PEP funds for a permanent position.

Criteria: Personnel Policy and Procedures, Section III, requires the Chapter Manager to create a permanent position, advertise, obtain employment applications, evaluate applicants, select and hire.

The Navajo Nation Budget Instructions Manual states the Public Employment Program funds are for short-term temporary employment and on-the-job training for chapter residents to work on prioritized chapter projects.

Condition: The Chapter budgeted a PEP project to hire an Office Specialist on a temporary basis. However, the Administrative Assistant confirmed the Office Specialist is a permanent employee with the Chapter. In October 2012, the Chapter converted the Office Specialist position to a permanent position but there is no record to show the Chapter followed its personnel policies in making this change. The former and current Chapter Manager did not create a permanent position for the Office Specialist. There was no evidence of advertisement, employment applications, or qualification assessment on file.

In addition, the Office Specialist is being paid wages and fringe benefits from the PEP fund which is intended for temporary employment and staff development. The FY2019 chapter budget was not amended to reflect the use of PEP funds for a permanent position.

Effect: There is risk of unfair employment practices resulting in unauthorized expenditure of \$29,515. In addition, the use of PEP funds contrary to the funding intent limits opportunities for other chapter constituents to participate in the PEP temporary employment and staff development opportunities.

Cause: The Administrative Assistant and Chapter Manager acknowledged the Office Specialist is being paid from PEP funds because there are no other funds available to fund permanent administrative positions other than their positions.

Recommendations:

1. The Chapter Manager should follow personnel policy and procedures to create a permanent Office Specialist position, advertise, obtain employment applications, evaluate applicants, select and hire.
2. Once a permanent position is properly created, the Chapter administration should identify a proper funding source to fund the position. Thereafter, the Chapter should amend its personnel budget to include the Office Specialist as a permanent position.

FINDING XV: The Chapter's current filing system is inconsistent with its FMS records management policy.

Criteria: Records Management Policy and Procedures, Section I, requires the Chapter to establish a system that enables records to be retrieved quickly and efficiently.

Record Management Policy and Procedures, Section III, states the Chapter should file all records using the most appropriate method that will enable records to be easily accessed and retrieved. Appropriate method of filing is:

1. Alphabetical – filed alphabetically
2. Geographic – filed alphabetically according to location and/or address
3. Numerical – filed by an assigned number
4. Subject – filed alphabetically according to subject
5. Chronological – filed by time or date

Record Management Policy and Procedures, Section V, states the Chapter Manager shall determine the classification of these records as:

1. Essential Records,
2. Important Records,
3. Useful Records, and
4. Non-essential Records

Condition: The Chapter's filing system is in disarray and as a result, the following was noted:

- No supporting documentation for:
 - Petty Cash
 - Journal Vouchers
 - PEP Projects
 - SYE Projects
 - Fixed Assets
- Missing and misfiled supporting documentation for:
 - Travel
 - Contracts

- Chapter policies and procedures
- Inappropriate filing method:
 - Records are comingled and filed in stacks by month.
 - Records are arranged based on check number regardless of fund type or activity.

Effect: A filing system that does not facilitate efficient retrieval and adequate safeguards of records can make it difficult for the Chapter in providing reasonable assurance it is accountable for its resources and assets.

Cause:

- The Chapter staff does not understand the filing and classification methods noted in their policy and procedures.
- The Chapter staff did not seek technical assistance to ensure they were complying with their records management policy and procedures.

Recommendations:

1. The Administrative Assistant and Chapter Manager should obtain technical assistance from the Administrative Services Center to update their records management system.
2. The Chapter administration should maintain proper records based on methods required by the records management policy and procedures.
3. The Administrative Assistant and Chapter Manager should document when the Administrative Services Center routinely inspects the Chapter's recordkeeping system and document the Administrative Services Center's feedback for continuous improvement.

Conclusion

Controls are not functioning as designed within key chapter processes. The Chapter's FMS policies and procedures are inconsistent with applicable Navajo Nation law. The Chapter was LGA certified in 1999, but to date only two financial audits were completed with no corrective action plans to address the findings. The Chapter's accounting system does not provide reliable financial information. The Chapter does not comply with the cash receipt policies and procedures. Chapter property is not insured. Poor property controls impede proper identification, tracking and recordkeeping of Chapter property. The fixed assets are not reported in the financial statements and cannot be supported with documentation.

In addition, contractors are hired contrary to procurement policies and procedures and one contractor was paid \$30,400 for work that could not be verified. Travel expenditures are not properly approved, accurately calculated, and supported with appropriate documentation. Wages totaling \$19,454 were paid for hours not worked by employees. Staff earned and used leave hours that were not due to them. \$129,952 of PEP/SYE expenditures cannot be supported with documentation. The Chapter arbitrarily changed the Office Specialist's employment status from temporary to permanent without following personnel policies and procedures, and used PEP funds for a permanent position. Lastly, the Chapter's current filing system is inconsistent with its FMS records management policy and procedures.

Overall, internal controls are not functioning as designed to ensure the Chapter spent funds in accordance with Navajo Nation and Chapter policies and procedures. These deficiencies resulted in the 15 findings identified in the audit report.

As a local governance certified chapter, the Shonto Chapter is held to a higher standard which requires the Chapter to consistently and continuously implement controls to ensure chapter funds are spent in accordance with Navajo Nation and chapter policies and procedures. However, current audit issues do not demonstrate adequate internal controls are being implemented. Some of the current audit issues are repeat findings from a previous external audit of the Chapter. There is no accountability and responsibility from the elected chapter officials and there is no ownership by the current Chapter Manager and Administrative Assistant of their duties. This is concerning as it means the Shonto Chapter is not maintaining an acceptable standard for accountability and fiscal responsibility.

In light of these issues, the Office of the Auditor General recommends that the Administrative Services Center take on a more active and significant role with Shonto Chapter operations and finances. The Administrative Services Center needs to maintain an ongoing presence at the Chapter to provide close technical assistance and monitoring to bring the Chapter back to acceptable status and instill better accountability for Chapter resources. Therefore, the Administrative Services Center should complete the following:

1. Provide Navajo Nation and chapter policies and procedures training and guidance to the chapter administration.
2. Assist the Chapter to develop and update policies and procedures for processes not addressed in the Chapter Five Management System policies and procedures manual.
3. Ensure chapter funds are used in accordance with funding guidelines.
4. Review financial reports for accuracy and assist the Chapter in correcting deficiencies.
5. Assist the Chapter in addressing external and internal audit issues.
6. Review the chapter filing system on a monthly basis to ensure required documents are on file to support the implementation of the Navajo Nation and chapter policies and procedures.
7. Complete monthly on-site visits to the Chapter to verify consistent implementation of Navajo Nation and chapter policies and procedures.

BACKGROUND

The Shonto 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. In September 1999, Shonto Chapter was LGA certified by the Transportation and Community Development Committee of the Navajo Nation Council via resolution no. TCDCS-98-99. With LGA certification, Shonto 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 and indirect services at the local chapter government level. Funds for direct services are considered restricted funds with specific intended purposes. The Chapter also generates internal revenues from fees collected for providing miscellaneous services.

The Chapter expended a total of \$495,820 for the 12-month audit period ending September 30, 2019.

OBJECTIVE, SCOPE AND METHODOLOGY

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

The following objectives were established for this audit:

Determine if controls are functioning as designed to ensure:

- Five Management System policies and procedures are consistent with Navajo Nation law, as required by Title 26, the Local Governance Act.
- Financial audits are completed and audit issues are corrected by the Chapter in a timely manner in accordance with Fiscal Policy and Procedures.
- The Chapter's accounting system provides reliable financial information in accordance with Fiscal Policy and Procedures.
- The Chapter implements cash receipt controls in accordance with Fiscal Policy and Procedures.
- Chapter property is insured in accordance with Property Policy and Procedures.
- Property controls allow for proper identification, tracking, and recordkeeping of property in accordance with Property Policy and Procedures.
- Fixed assets are reported in the financial statements and supported with documentation in accordance with Property Policy and Procedures.
- Contractors are properly hired in accordance with Procurement Policy and Procedures.
- The Chapter verified contract deliverables are fully completed prior to paying for services in accordance with Procurement Policy and Procedures.
- Travel expenditures are approved, accurately paid, and supported with documentation in accordance with Fiscal Policy and Procedures.
- Wages are supported with documentation in accordance with Fiscal Policy and Procedures.
- Staff accurately accrue and use leave hours in accordance with Fiscal Policy and Procedures.
- Chapter projects are supported with documentation in accordance with TCDC approved PEP Policy and Procedures.
- Changes to employment status is documented, approved, and authorized in accordance with Personnel Policy and Procedures.
- The Chapter implements controls for establishing and maintaining an adequate filing system in accordance with Records Management Policy and Procedures.

The audit covers activities for the 12-month period of October 1, 2018 to September 30, 2019.

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.

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 Shonto Chapter officials and administration for their cooperation and assistance throughout the audit.

President
FELIX R FULLER
Vice-President
WINNIFRED BRONSTON
Secretary / Treasurer
ARLENE LAUGHTER
Grazing Representative
ROLAND SMALLCANYON
Council Delegate
HERMAN DANIELS



STANLEY YAZZIE
West Representative
JERRY MANHEIMER
North Representative
CHERYL COLE
Governance Manager
ELIZABETH WHITETHORNE-
BENALLY

March 5, 2020

Navajo Nation
Office of Auditor General
Helen Brown, CFE, Principal Auditor
Delegated Auditor General

Dear Ms. Brown,

Shonto Chapter accepts the final draft of the Special Review as presented at the Final Audit Exit Meeting on February 20, 2020 at 1:00 p.m. Shonto will now proceed on the recommended course of Compliance Action Plan pursuant to Title N.N.C. §7A as advised by your office within thirty (30) days.

Please feel free to contact Shonto Chapter if you should have any questions at 928.672.2910 or ewbenally@navajochapters.org Thank you.

Sincerely,

Elizabeth Whitethorne-Benally
Governance Manager
Shonto Chapter

Concurrence:

Felix R. Fuller, President

Winnifred Bronston, Vice-President

SEP - 6 2023

OFFICE OF THE AUDITOR GENERAL

Shonto Chapter
Corrective Action Plan (CAP)
Audit Report 20-09

Finding	Corrective Action	Responsible Party(ies)	Complete by
Finding I: Five Management System policies and procedures are inconsistent with applicable Navajo Nation Law.	1) The Governance staff and Officials shall amend the Shonto Community Governance (SCG) Five Management System (FMS) to be consistent with Navajo Nation laws and obtain a DOJ legal review of the amended FMS.	Governance Manager Governance Staff Governance Officials	9/30/2024
	2) The Governance Manager shall seek technical assistance from Administrative Services Center (ASC) when needed to ensure policies, procedures, and standard forms are in place.	Governance Manager	9/30/2024
	3) The Governance staff and Officials shall hold a public hearing for the approval of the amendments.	Governance Manager Governance Staff Governance Officials	9/30/2024
	4) The Governance staff and Officials shall adopt the amended SCG FMS Manual thru a Chapter resolution.	Governance Manager Governance Staff Governance Officials	9/30/2024

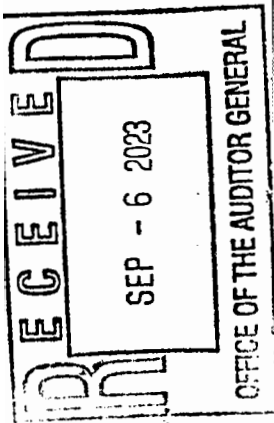
Finding	Corrective Action	Responsible Party(ies)	Complete by
Finding II: The Chapter was LGA certified in 1999, but to date, only two financial audits have been completed with no corrective action plans to address the findings.	1) The Governance Administration shall budget for financial statement audit services each fiscal year and procure these services with a Certified Public Accountant	Governance Administration	9/30/2024
	2) The Governance Administration shall develop a corrective action plan addressing the findings from the FY2014 and FY2016 and any subsequent financial statement audits.	Governance Administration	9/30/2024
	3) The Governance Manager shall seek technical assistance from Administrative Services Center in developing the Corrective Action Plan to address the noted audit findings.	Governance Manager	9/30/2024

Finding	Corrective Action	Responsible Party(ies)	Complete by
Finding III: The Chapter's accounting system does not provide reliable financial information.	1) The Governance Administration shall develop budgets for all funds prior to expending funds.	Governance Administration	9/30/2024
	2) The Governance Manager shall present the detailed budget during the Annual Budget Session to the nine	Governance Manager	9/30/2024

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EXHIBIT

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Finding	Corrective Action	Responsible Party(ies)	Complete by
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	2) The Governance Manager shall seek technical assistance from Administrative Services Center (ASC) when needed to ensure policies, procedures, and standard forms are in place.	Governance Manager	9/30/2024
	3) The Governance staff and Officials shall hold a public hearing for the approval of the amendments.	Governance Manager Governance Staff Governance Officials	9/30/2024
	4) The Governance staff and Officials shall adopt the amended SCG FMS Manual thru a Chapter resolution.	Governance Manager Governance Staff Governance Officials	9/30/2024

Finding	Corrective Action	Responsible Party(ies)	Complete by
Finding II: The Chapter was LGA certified in 1999, but to date, only two financial audits have been completed with no corrective action plans to address the findings.	1) The Governance Administration shall budget for financial statement audit services each fiscal year and procure these services with a Certified Public Accountant.	Governance Administration	9/30/2024
	2) The Governance Administration shall develop a corrective action plan addressing the findings from the FY2014 and FY2016 and any subsequent financial statement audits.	Governance Administration	9/30/2024
	3) The Governance Manager shall seek technical assistance from Administrative Services Center in developing the Corrective Action Plan to address the noted audit findings.	Governance Manager	9/30/2024

Finding	Corrective Action	Responsible Party(ies)	Complete by
Finding III: The Chapter's accounting system does not provide reliable financial information.	1) The Governance Administration shall develop budgets for all funds prior to expending funds.	Governance Administration	9/30/2024
	2) The Governance Manager shall present the detailed budget during the Annual Budget Session to the nine	Governance Manager	9/30/2024

Shonto Chapter
Corrective Action Plan (CAP)
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	members of the Council of Na'taa/Atsilasdai and community membership for approval.		
	3) The Administrative Assistant shall post the approved budgets into the accounting system.	Administrative Assistant	9/30/2024
	4) The Governance Manager shall review the posted budgets according to the approved budgets.	Governance Manager	9/30/2024
	5) The Governance Manager shall review the MIP posted transaction report against the source document on a weekly basis to verify all transactions are posted accurately, then shall sign the report.	Governance Manager	9/30/2024
	6) The Secretary/Treasurer shall review the posted budgets according to the approved budgets and review the MIP posted transaction report against the source document on a weekly basis to verify all transactions are posted accurately, then shall sign the report.	Secretary/Treasurer	9/30/2024

Finding	Corrective Action	Responsible Party(ies)	Complete by
Finding IV: The Chapter does not comply with cash receipt policies and procedures.	1) The Governance Administration and Officials shall not co-mingle cash receipts with petty cash and shall eliminate all petty cash activities.	Governance Administration Governance Officials	9/30/2024
	2) The Office Specialist shall record all cash, currency, and money orders to a pre-numbered cash receipt ticket, conduct a daily cash count, and record the count to a cash count form before submission to the Administrative Assistant.	Office Specialist	9/30/2024
	3) The Administrative Assistant shall receive the daily cash count form from the Office Specialist and reconcile it to the incoming cash/checks and cash receipt book.	Administrative Assistant	9/30/2024
	4) The Administrative Assistant shall post cash receipts daily into the MIP accounting system.	Administrative Assistant	9/30/2024
	5) The Governance Manager shall review the cash, post cash receipts to the cash receipt book and deposit for accuracy, and document reconciliation with a signature.	Governance Manager	9/30/2024

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	6) The Administrative Assistant shall prepare the deposit slips, cash, and supporting documents for weekly deposit and submit them to Governance Manager.	Administrative Assistant	9/30/2024
	7) The Governance Manager shall reconcile the cash, posted cash receipts, cash receipt book, and deposits for accuracy and provide a signature of approval.	Governance Manager	9/30/2024
	8) The Governance Manager shall make weekly deposits.	Governance Manager	9/30/2024
	9) The deposit tickets shall be forwarded to the Administrative Assistant to post to the MIP accounting system.	Administrative Assistant	9/30/2024
	10) The Secretary/Treasurer shall review the deposit ticket to verify weekly deposits by the Governance Manager.	Secretary/Treasurer	9/30/2024

Finding	Corrective Action	Responsible Party(ies)	Complete by
Finding V: Chapter property is not insured.	1) The Office Specialist and Administrative Assistant shall prepare the Underwriting Exposure Summary (UES) and the property inventory prior to the new fiscal year.	Office Specialist Administrative Assistant	9/30/2024
	2) The Governance Manager shall review the UES, property inventory, and supporting documentation for accuracy, approve with a signature, and submit to Risk Management before the new fiscal year.	Governance Manager	9/30/2024
	The Administrative Assistant shall immediately process and remit insurance payment upon receiving the invoice.	Administrative Assistant	
	3) The Governance Manager and Secretary/Treasurer shall monitor the Chapter's expenditures to ensure annual insurance premiums are paid in full and in a timely manner to avoid lapses in coverage.	Governance Manager Secretary/Treasurer	9/30/2024
	4) The Administrative Assistant shall obtain a payment confirmation from Risk Management or keep a copy of the chapter check with the invoice on file with the posted expenditure report.	Administrative Assistant	9/30/2024

Shonto Chapter
Corrective Action Plan (CAP)
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Finding	Corrective Action	Responsible Party(ies)	Complete by
Finding VI: Poor property controls impede proper identification, tracking, and recordkeeping of Chapter property.	1) The Administrative Assistant shall purchase pre-numbered identification tags to affix to SCG's property items.	Administrative Assistant	9/30/2024
	2) The Office Specialist shall affix the tags to the property items and record the identification numbers on the property inventory.	Office Specialist	9/30/2024
	3) The Office Specialist shall complete physical counts and inspections of the SCG property before the new fiscal year, update the SCG property inventory with pertinent information, and verify that all properties have identification tags.	Office Specialist	9/30/2024
	4) The Administrative Assistant shall verify that the Office Specialist completed the physical counts and inspections of the SCG property and that the SCG property inventory is updated with accurate and pertinent information.	Administrative Assistant	9/30/2024
	5) The Governance Manager and Governance Officials shall conduct a quarterly inspection of property items to ensure they have identification tags and check the condition of the item.	Governance Manager Governance Officials	9/30/2024

Finding	Corrective Action	Responsible Party(ies)	Complete by
Finding VII: Fixed assets are not reported in the financial statements and cannot be supported with documentation.	1) The Governance Manager shall procure a certified and licensed Accessor to appraise the SCG Property/Fixed Assets.	Governance Manager	9/30/2024
	2) The Governance Administration shall maintain fixed asset records by using the Chapter's FMS Records Management System.	Governance Administration	9/30/2024
	3) The Governance Manager shall verify that the fixed asset values are supported with documentation such as invoices, receipts, appraisals, etc.	Governance Manager	9/30/2024
	4) The Administrative Assistant shall properly post the fixed assets to the accounting system.	Administrative Assistant	9/30/2024

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	5) The Governance Manager shall verify that the fixed assets value is accurately reported in the Chapter's balance sheet based on supporting documents.	Governance Manager	9/30/2024
	6) The Secretary/Treasurer shall verify that the fixed assets value is reported in the SCG's balance sheet.	Secretary/Treasurer	9/30/2024

Finding	Corrective Action	Responsible Party(ies)	Complete by
Finding VIII: Contractors are hired contrary to procurement policies and procedures.	1) The Governance Administration and Governance Officials shall seek guidance and training from the Administrative Services Center and/or Department of Justice when addressing professional services.	Governance Administration Governance Officials	9/30/2024
	2) The Governance Administration and Governance Officials shall procure professional services using the bidding process to select qualified contractors at the most economical prices using the FMS Procurement policies and procedures.	Governance Administration Governance Officials	9/30/2024
	3) The Governance Manager shall have the selected contractor agreements reviewed and approved through the Navajo Nation and signed by Governance President prior to starting the Scope of Work.	Governance Manager	9/30/2024
	4) The Administrative Assistant shall file the contract documentation according to the SCG FMS Records Management System.	Administrative Assistant	9/30/2024

Finding	Corrective Action	Responsible Party(ies)	Complete by
Finding IX: A contractor was paid \$30,400 for work that could not be verified.	1) The Governance Administration and Governance Officials shall seek technical assistance and training from the Administrative Services Center and/or Department of Justice to ensure all contracts comply with Chapter and Navajo Nation policies and procedures.	Governance Administration Governance Officials	9/30/2024
	2) The Governance Administration and Governance Officials shall update its procurement section within its Five Management System to strengthen controls over procurement activities and obtain DOJ legal review of the amended FMS.	Governance Administration Governance Officials	9/30/2024

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	3) The Administrative Assistant shall verify the contractor's progress and completion of projects based on the Scope of Work and develop a progress/completion report.	Administrative Assistant	9/30/2024
	4) The Governance Manager shall reconcile the invoice to the completion report and physically inspect that the deliverables are complete prior to authorizing payment. The Governance Manager shall immediately notify the parties to arrange a corrective measure per the established agreement if any discrepancies are found during the review.	Governance Manager	9/30/2024
	5) The Governance Officials shall review the deliverables against the professional service agreement and verify that terms are met prior to authorizing payment.	Governance Officials	9/30/2024

Finding	Corrective Action	Responsible Party(ies)	Complete by
Finding X: Travel expenditures are not properly approved, accurately calculated, and supported with appropriate documentation.	1) The Governance Administration shall seek training from Administrative Services Center for travel policies and procedures.	Governance Administration	9/30/2024
	2) The Office Specialist shall prepare a Travel Authorization (TA) form for SCG Administration and Officials. Google Maps and NN CONUS rates shall be used to prepare travel authorization.	Office Specialist	9/30/2024
	3) The Administrative Assistant shall review the Travel Authorization (TA) to verify the correct Per Diem, Lodging Rates, mileage, and supporting documents are attached.	Administrative Assistant	9/30/2024
	4) The Governance Manager shall review the Travel Authorization for accuracy before approving travel requests and advances.	Governance Manager	9/30/2024
	The Governance Manager's Travel Authorization shall be reviewed and approved by the Direct Local Supervisor, and the Chapter Officials' travel shall be approved by the community membership.	Direct Local Supervisor	

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	5) The Governance Manager shall not advance more than 80% of the total estimated travel cost and require travelers advanced more than the actual travel expenses to reimburse the Chapter.	Governance Manager	9/30/2024
	6) The Governance Manager and Officials shall verify that all appropriate documents, such as Travel Expense Report (TER), trip report, mileage report, agenda, sign-in sheet, training material, receipts, etc., are attached to support travel expenses before issuing any reimbursement payments.	Governance Manager Governance Officials	9/30/2024

Finding	Corrective Action	Responsible Party(ies)	Complete by
Finding XI: Wages totaling \$19,454 were paid for hours not worked by employees.	1) The Governance Manager shall require leave slips for absences and review and approve leave slips prior to any permanent and temporary employees taking leave.	Governance Manager	9/30/2024
	2) The Office Specialist shall reconcile the staff and temporary workers' sign-in sheets, leave slips, and timesheets for approval.	Office Specialist	9/30/2024
	3) The Administrative Assistant and Governance Manager shall review the sign-in sheets, leave slips, and timesheets for accuracy before payroll approval.	Administrative Assistant Governance Manager	9/30/2024
	4) The Administrative Assistant shall post payroll into the accounting system based on approved timesheets.	Administrative Assistant	9/30/2024
	5) The Governance Manager shall review posted hours with sign-in sheets, leave slips, and timesheets prior to approval for processing payroll checks.	Governance Manager	9/30/2024
	6) The Governance Officials or Direct Local Supervisor shall review the sign-in sheet to the timesheet and the timesheet to the accounting system to make sure they all reconcile prior to approving payroll checks.	Governance Officials Direct Local Supervisor	9/30/2024

Shonto Chapter
Corrective Action Plan (CAP)
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Finding	Corrective Action	Responsible Party(ies)	Complete by
Finding XII: Staff earned and used leave hours that were not due to them.	1) The Administrative Assistant shall seek technical assistance and training from the Administrative Services Center on input, review, and corrections of leave accrual/use in MIP.	Administrative Assistant	9/30/2024
	2) The Administrative Assistant shall set up accrued leave rates for permanent employees based on Personnel Policies and Procedures.	Administrative Assistant	9/30/2024
	3) The Governance Manager shall review the posted accrued rate against the permanent employee's Personnel Action Form (PAF) and date of hire for accuracy. The Governance Manager shall refer to the Shonto Community Governance Policies and Procedures: Personnel Policy, Employee Benefits, Annual Leave, and Accrued Leave.	Governance Manager	9/30/2024
	4) The Administrative Assistant shall input the leave hours into the accounting system.	Administrative Assistant	9/30/2024
	5) The Governance Manager shall reconcile the leave report against the timecard and Master Timesheet for accuracy each pay period before authorizing payroll processing.	Governance Manager	9/30/2024
	6) The Governance Officials shall review the leave report, timesheet, and monthly accrued leave for completeness and accuracy.	Governance Officials	9/30/2024

Finding	Corrective Action	Responsible Party(ies)	Complete by
Finding XIII: \$129,952 of PEP/SYE expenditures cannot be supported with documentation.	1) The Governance Administration and Governance Manager shall obtain technical assistance from the Administrative Services Center on how to manage Public Employment Project (PEP)/Summer Youth Employment (SYE) projects.	Governance Administration Governance Manager	9/30/2024
	2) The Administrative Assistant shall develop PEP/SYE project folders for each project and by each fiscal year.	Administrative Assistant	9/30/2024

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	3) The Governance Manager shall develop a checklist for the Office Specialist to utilize to verify that each PEP/SYE project has the required documents on file to include a project application, advertisement, personnel roster, progress completion report, and other required documents.	Governance Manager	9/30/2024
	4) The Governance Manager shall complete a project application with a description of benefits gained from the project, tasks, timelines, resources needed, readiness, monitoring and evaluation, and a breakdown of project costs and signature of approvals.	Governance Manager	9/30/2024
	5) The Office Specialist shall complete the advertisement, the handing out of applications, the collection of applications with required documents, and maintain the personnel roster for each project and complete the personnel folders with Personnel Action Form, including the start and end dates.	Office Specialist	9/30/2024
	6) The Governance Manager, after completion of the project shall complete the completion report and present the report to the Governance Officials for approval.	Governance Manager Governance Officials	9/30/2024
	7) The Governance Manager shall review the PEP/SYE files each month to verify that all required documents are on file according to the PEP/SYE policies and procedures.	Governance Manager	9/30/2024

Finding	Corrective Action	Responsible Party(ies)	Complete by
Finding XIV: The Chapter arbitrarily changed the Office Specialist's employment status from temporary to permanent without following personnel policies and used PEP funds for a permanent position.	1) The Administrative Assistant and Governance Manager shall amend the personnel budget to identify the Office Specialist as a permanent position and use a proper funding source.	Administrative Assistant Governance Manager	9/30/2024
	2) The Administrative Assistant and Governance Manager shall create a permanent Office Specialist position and advertise the position.	Administrative Assistant Governance Manager	9/30/2024
	3) The Governance Manager shall obtain and evaluate the applications, conduct interviews, make a selection of qualified applicants, and extend the offer of employment.	Governance Manager	9/30/2024


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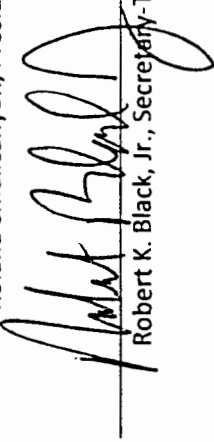
	4) The Administrative Assistant shall file the application, interview questionnaires, Personnel Action Form, New Hire Form, W-4, orientation packet, the scope of work, liability, etc., to support the hiring an Office Specialist.	Administrative Assistant	9/30/2024
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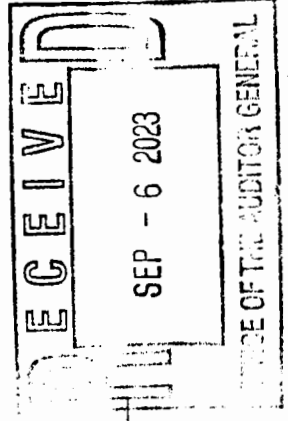
Finding	Corrective Action	Responsible Party(ies)	Complete by
Finding XV: The Chapter's current filing system is inconsistent with its FMS records management policy.	1) The Administrative Assistant and Governance Manager shall obtain technical assistance from the Administrative Services Center (ASC) to update their record-keeping system in accordance with its FMS Records Management policy.	Administrative Assistant Governance Manager	9/30/2024
	2) The Office Specialist and Administrative Assistant shall maintain proper records using appropriate methods required by its FMS Records Management policy.	Office Specialist Administrative Assistant	9/30/2024
	3) The Governance Manager shall review the filing system monthly, give feedback to Administrative Assistant on the findings, and recommend improvements in writing.	Governance Manager	9/30/2024
	4) The Governance Manager shall request Administrative Services Center to inspect the SCG's recordkeeping system on a quarterly basis and document feedback for continuous improvement.	Governance Manager	9/30/2024


Elizabeth Whitethorne-Benally, Governance Manager


Marsha Greyeyes, Vice-President


Roland Smallcanyon, President


Robert K. Black, Jr., Secretary-Treasurer



President
ROLAND SMALLCANYON

Vice-President
MARSHA GREYEVES

Secretary / Treasurer
ROBERT K. BLACK, JR.

Grazing Representative
BRITTANY HUNT

Council Delegate
HERMAN DANIELS



SHO 0



South Representative
STANLEY YAZZIE

West Representative
WINNIFRED BRONSTON

North Representative
CHERYL COLE

Manager
ELIZABETH WHITETHORNE-BENALLY

SHO 09-118-23

APPROVING AND SUPPORTING THE FINAL REVISION OF THE CORRECTIVE ACTION PLAN (CAP) OF THE SHONTO COMMUNITY GOVERNANCE (CHAPTER) INTERNAL AUDIT FISCAL YEAR REPORT NO. 20-09, MARCH 2020.

WHEREAS:

1. Pursuant to TCDCS-98-99, The Transportation and Community Development approved the Governance Certification of the Five Management System Policies and Procedures for Shonto Chapter, pursuant to the Local Governance Act, 26 N.N.C., Section 102(B); and
2. Pursuant to SH03-14-04, the title of Shonto Community Governance was adopted and approved as the new official title for Shonto Chapter to reflect the concept of local governance on March 23, 2004; and
3. Shonto Community Governance is a local-certified Chapter of the Navajo Nation Government with vested authority and responsibility to develop and implement local ordinances and to approve plans and take positions on matters of local concern that are in the best interest of the local chapter and Navajo Nation; and
4. The Shonto Community Governance (Chapter) Corrective Action Plan Fiscal Year 2019 Special Review of Shonto Chapter Report No 20-09, March 2020, to address fifteen (15) findings that SCG needs to strengthen the internal controls and how the chapter will adopt the recommendations to implement the audit findings with specified time lines, and
5. The deficiencies revealed during the audit range of October 1, 2018 to September 30, 2019 of the Chapter Funds disbursed in which Shonto Chapter could not provide equitable assertions that comply with laws, policies, and procedures; and

Finding I: Five Management System policies and procedures are inconsistent with applicable Navajo Nation law.

Finding II: The Chapter was LGA Certified in 1999 but to date, only two financial audits were completed with no corrective action plans to address the findings.

Finding III: The Chapter's accounting system does not provide reliable financial information.

Finding IV: The Chapter does not comply with cash receipt policies and procedures.

Finding V: Chapter property is not insured.

- Finding VI: Poor property controls impede proper identification, tracking and recordkeeping of Chapter property.
- Finding VII: Fixed assets are not reported in the financial statements and cannot be supported with documentation.
- Finding VIII: Contractors are hired contrary to procurement policies and procedures.
- Finding IX: A contractor was paid \$30,400 for work that could not be verified.
- Finding X: Travel expenditures are not properly approved, accurately calculated, and supported with appropriate documentation.
- Finding XI: Wages totaling \$19,454 were paid for hours that were not worked by employees.
- Finding XII: Staff earned and used leave hours that were not due to them.
- Finding XIII: \$129,952 of PEP/SYEP expenditures cannot be supported with documentation.
- Finding XIV: The Chapter arbitrarily changed the Office Specialist's employment status from temporary to permanent without following personnel policies and used PEP funds for a permanent position.
- Finding XV: The Chapter's current filing is inconsistent with its FMS records management policy.

6. Shonto Community Governance (Chapter) has submitted the recommendations and implementation of the audit findings with specific timelines as the final revision of the Shonto Chapter Corrective Action Plan to the Navajo Nation Office of the Auditor General.

NOW, THEREFORE, BE IT RESOLVED THAT:

The Shonto Community Governance hereby approves and supports the final revision of the Corrective Action Plan (CAP) of the Shonto Community Governance (Chapter) Internal Audit Fiscal Year Report No. 20-09, March 2020.

CERTIFICATION

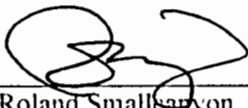
We, hereby, certify that the foregoing resolution was duly considered by the Shonto Community Governance (Chapter) at a duly called **GENERAL ASSEMBLY** Meeting in Shonto, Navajo Nation, Arizona, at which a quorum was present and that the same was passed by a vote of 24 in favor, 1 opposed, and 0 abstained this 17th day of **SEPTEMBER 2023**.

Motioned by: Ms. Winnifred Bronston

Seconded by: Mr. Paul Todacheene

CNV

CONCURRENCE:



Roland Small, President
Shonto Community Governance (Chapter)

BUDGET AND FINANCE COMMITTEE

January 17, 2024

Special Meeting

VOTE TALLY SHEET:

Legislation No. 0268-23: An Action Relating to the Resources and Development Committee and the Budget and Finance Committee; Accepting the Internal Audit of the Shonto Chapter and Approving the Shonto Chapter's proposed Corrective Action Plan

Sponsor: Herman Daniels, Jr., Council Delegate

Motion: Shaandiin Parrish

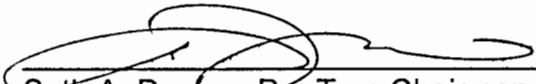
Second: Carl R. Slater

Vote: 3-0, Pro Tem Chairman not voting

Final Vote Tally:

Lomardo Aseret		
Norman M. Begay		
Amber K. Crotty	yea	
Seth A. Damon		
Shaandiin Parrish	yea	
Carl R. Slater	yea	

Absent: Lomardo Aseret, Norman M. Begay


Seth A. Damon, Pro Tem Chairman
Budget & Finance Committee


Peggy Nakai, Legislative Advisor
Budget & Finance Committee