

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

24TH NAVAJO NATION COUNCIL - First Year, 2019

AN ACTION

RELATING TO RESOURCES AND DEVELOPMENT AND BUDGET AND FINANCE
COMMITTEES; ACCEPTING THE FOLLOW-UP REVIEW OF TSE AĽNAOZTÍÍ
(SANOSTEE) CHAPTER CORRECTIVE ACTION PLAN IMPLEMENTATION;
IMPOSING SANCTIONS FOR NOT IMPLEMENTING THE CORRECTIVE ACTION
PLAN

BE IT ENACTED:

SECTION ONE. AUTHORITY

- A. The Resources and Development Committee serves as the oversight committee for Chapter of the Navajo Nation. 2 N.N.C. § 501(C)(1).
- B. The Auditor General's Plan of Operation, codified in 12 N.N.C. §§ 1-10, provides that "12 months after the release of the audit report, the Auditor General conduct a follow-up to determine the status of implementation [of the corrective action plan.]" 12 N.N.C. § 7(G).
- C. The Budget and Finance Committee is charged with receiving post-audit follow-up reports from the Auditor General. 12 N.N.C. §§ 6(B) and 7(H).
- D. As part of the follow-up report, the Auditor General shall recommend action to be taken by the Budget and Finance Committee and present the report to the standing committee or committees having oversight responsibility for the audited program. 12 N.N.C. § 7(G).
- E. Based on the follow-up review and any recommendations made by the standing committee having oversight responsibility for the audited program, the Budget and Finance Committee will determine what actions should be taken. 12 N.N.C. § 7(I).

- F. The Auditor General Plan of Operation provides for the imposition of sanctions under 12 N.N.C. §§ 9(B) and (C), upon the recommendation of the Auditor General in accordance with 12 N.N.C. § 7(G).
- G. The Auditor General Plan of Operation provides that "[a]ny director or chapter official whose salary or other payments are withheld pursuant to § 9(C) shall have the right to have the withholding reviewed by the Navajo Nation Office of Hearing and Appeals." 12 N.N.C. § 9(D).

SECTION TWO. FINDINGS

- A. The Auditor General previously conducted an internal audit of Tse Ałnaoztíí Chapter. The Budget and Finance Committee approved the audit report and the corrective action plan on February 6, 2018 in resolution BFF-05-18, which is attached as **Exhibit B**.
- B. The Auditor General conducted a follow-up review to determine if the corrective action plan had been implemented. The Auditor General's report titled, "A Follow-Up Review of the Tse Ałnaoztíí (Sanostee) Chapter Corrective Action Plan Implementation" (Report No. 19-14, March, 2019) is attached as **Exhibit A**.
- C. The corrective action plan listed twenty-seven (27) corrective measures to address nine (9) audit issues. The Tse Ałnaoztíí Chapter implemented 9 (or 33%) of the corrective measures in the corrective action plan. As a result, the Chapter's corrective action plan has not been implemented.
- D. The Auditor General recommended sanctions be imposed upon Tse Ałnaoztíí Chapter and its officials in accordance with 12 N.N.C. §§ 9(B) and 9(C). The Budget and Finance Committee is authorized to make the final determination on what actions should be taken.

SECTION THREE. ACCEPTANCE AND APPROVAL

- A. The Navajo Nation hereby accepts Exhibit A, Auditor General's Report, "A Follow-Up Review of the Tse Ałnaoztíí (Sanostee) Chapter Corrective Action Plan Implementation" (Report No. 19-14, March, 2019) and hereby delays the implementation of sanctions identified in paragraphs B and

C until October 29, 2019. The office of the Auditor General shall conduct a follow-up review on October 15, 2019 to determine if the corrective action plan has been implemented.

- B. The Navajo Nation Controller shall cause ten percent (10%) of monies payable from any governmental fund of the Navajo Nation as defined at 12 N.N.C. § 810(S) to be withheld after the recommended sanction is approved by the Budget and Finance Committee and issued to Tse Ałnaoztíí until such time as the Tse Ałnaoztíí Chapter demonstrates to the Auditor General that the corrective action plan has been implemented per 12 N.N.C. § 9(B).
- C. The Navajo Nation Controller shall cause twenty percent (20%) of the chapter officials stipend payments to be withheld per 12 N.N.C. § 9(C).
- D. The Chapter Officials may appeal the imposition of sanctions immediately in accordance with 12 N.N.C. § 9(D).
- E. The Tse Ałnaoztíí Chapter shall provide proof of implementation of the corrective action plan at which time the Auditor General shall immediately report the compliance to the Controller who shall then release all withheld funds in accordance with 12 N.N.C. §§ 9(B) and (C).

CERTIFICATION

I, hereby, certify that the foregoing resolution was duly considered by the Budget and Finance Committee of the Navajo Nation Council at a duly called meeting held at Window Rock, Navajo Nation (Arizona), at which a quorum was present and that the same was passed by a vote of 4 in favor and 0 opposed, this 30th day of July 2019.



Jamie Henio, Chairperson
Budget and Finance Committee

Motion: Honorable Nathaniel Brown
Second: Honorable Elmer P. Begay

EXHIBIT

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A



OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

A Follow-Up Review of the Tse Alnaozti'i' (Sanostee) Chapter Corrective Action Plan Implementation

Report No. 19-14
March 2019

Performed by:
Stacy Manuelito, Senior Auditor
DeWayne Crank, Associate Auditor



March 29, 2019

Frank Smith Jr., President
SANOSTEE CHAPTER
P.O. Box 219
Sanostee, NM 87461

Dear Mr. Smith:

The Office of the Auditor General herewith transmits Audit Report No. 19-14, a Follow-up Review of the Sanostee Chapter Corrective Action Plan Implementation.

BACKGROUND

In 2017, the Office of the Auditor General performed a Special Review of Tse Alnaozti'i' (Sanostee) Chapter and issued audit report no. 17-42. A corrective action plan was developed by the Sanostee Chapter in response to the special review. The audit report and corrective action plan were approved by the Budget and Finance Committee on February 6, 2018, per resolution no. BFF-05-08.

OBJECTIVE AND SCOPE

The objective of the follow-up review is to determine whether the Sanostee Chapter fully implemented its corrective action plan based on a five-month review period of October 1, 2018 to February 28, 2019. Our review was based on inquiries, review of records and audit test work.

SUMMARY

The Sanostee Chapter did not resolve the prior audit findings. Of 27 corrective measures, the Sanostee Chapter implemented 9 (33%) corrective measures, leaving 18 (67%) not implemented. See attached Exhibit A for the detailed explanation of the follow-up results.

CONCLUSION

The Sanostee Chapter has not reasonably addressed the audit findings from the 2017 audit of the Chapter. Therefore, the Office of the Auditor General recommends sanctions on the Sanostee Chapter and officials in accordance with 12 N.N.C. Section 9 (B) and (C).

We wish to thank the Sanostee Chapter staff and officials for assisting in this follow-up review.

Sincerely,






Helen Brown, Principal Auditor
Delegated Auditor General




xc: Gerald Henderson, Vice President
Jourdan Washburne, Secretary/Treasurer
Clarina Clark, Community Services Coordinator
Amber Kanazbah Crotty, Council Delegate
SANOSTEE CHAPTER
Johnny Johnson, Department Manager II
ADMINISTRATIVE SERVICE CENTER/DCD

REVIEW RESULTS
Sanostee Chapter Corrective Action Plan Implementation
Review Period: October 1, 2018 to February 28 2019

Audit Issues	Total # of Corrective Measures	# of Corrective Measures Implemented	# of Corrective Measures Not Implemented	Audit Issue Resolved?	Review Details
1. Not all chapter buildings have insurance coverage.	1	1	0	Yes	Attachment A
2. The Chapter cannot justify wages paid to temporary employees.	4	4	0	Yes	
3. The Chapter has incomplete personnel files.	2	2	0	Yes	
4. The value of fixed assets was not reported to the balance sheet.	4	0	4	No	Attachment B
5. Revenues and expenditures were not accurately posted to the accounting system.	5	1	4	No	
6. The Chapter awarded housing assistance to ineligible recipients.	7	1	6	No	
7. The Chapter awarded four housing recipients above the approved budget amounts.	2	0	2	No	
8. \$112,199 in housing assistance may not have been used as intended by recipients.	1	0	1	No	
9. Detailed financial reports were not provided to the community each month.	1	0	1	No	
TOTAL:	27	9	18	3- Yes 6- No	

WE DEEM CORRECTIVE MEASURES: **Implemented** where the Chapter provided sufficient and appropriate evidence to support all elements of the implementation; and **Not Implemented** where evidence did not support meaningful movement towards implementation, and/or where no evidence was provided.

 2019 STATUS	Issue 1: Not all chapter buildings have insurance coverage. RESOLVED
The Chapter paid the insurance premium to ensure coverage for the Chapter owned buildings.	
 2019 STATUS	Issue 2: The Chapter cannot justify wages paid to temporary employees. RESOLVED
For the 5-month audit period, 27 payroll transactions were reviewed and verified for supporting documentation. All payroll transactions had documentation, approval, and were accurately paid to temporary employees.	
 2019 STATUS	Issue 3: The Chapter has incomplete personnel files. RESOLVED
For the 5-month audit period, 11 personnel files were reviewed and verified for supporting documentation. All personnel files were complete.	

 2019 STATUS	Issue 4: The value of fixed assets was not reported to the balance sheet. NOT RESOLVED
<p>The Chapter's property listing includes the fixed assets and value amounts. There are a total of 15 fixed assets listed, but the value for 9 of 15 (or 60%) fixed assets could not be verified with supporting documentation such as invoices/receipts on file. In 2010, the Chapter had an appraisal completed for their buildings but the Chapter did not use the report to document the value of the Chapter buildings during the initial audit. During this review, the Chapter still did not use the appraisal report to report the buildings as fixed assets on the financial statements. Furthermore, the FY 2019 balance sheet did not disclose the fixed asset amount. As a result, the Chapter's total assets reported on the balance sheet are understated.</p>	
 2019 STATUS	Issue 5: Revenues and expenditures were not accurately posted to the accounting system NOT RESOLVED
<p>The Chapter's accounting system does not provide reliable financial information. The following was noted:</p> <ol style="list-style-type: none"> 1. In the initial audit, the chapter's financial statements identified \$23,803 in a savings account. The Chapter staff stated the account is closed, but there is no documentation to support the closure of the account and they continue to report this amount. 2. There is a variance between the detailed budgets and posted budgets totaling \$2,203. 3. The Chapter received a reimbursement and erroneously posted it twice in the Lands Claims Trust fund thereby overstating available resources. 4. The cash drawer has a negative balance because the Chapter staff did not enter all cash receipts into the accounting system. 5. The fund balances presented in the balance sheet and budget to actual report do not reconcile. <p>The Community Services Coordinator and the Secretary/Treasurer did not review the posted reports from the accounting system against the source documents to verify the accuracy of the posted transactions in the accounting system. Therefore, the Chapter provided misleading financial information on available resources to the chapter membership.</p>	
 2019 STATUS	Issue 6: The Chapter awarded housing assistance to ineligible recipients. NOT RESOLVED
<p>For the 5-month audit scope, the Chapter did not award any housing assistance. However, the Chapter accepted six housing applications between January and March 2019. In addition, the Chapter amended their housing policy and it was approved by the community on April 20, 2018. The amended policy was evaluated to verify if sufficient controls were incorporated to address the corrective measures and mitigate the risk that was reported in the initial audit.</p> <p>The following deficiencies were noted with the policy:</p> <ol style="list-style-type: none"> 1. The checklist developed by the chapter is inconsistent with the eligibility criteria outlined in the housing policy. This inconsistency does not allow the chapter to definitively determine eligibility. This can further lead to conflict with housing applicants, as identified in one application that was reviewed. The applicant indicated on their application form that they would not submit certain documents listed on the checklist 	

because the policy does not require it. There is still the risk that the chapter may award housing assistance to ineligible applicants.

2. The policy requires the Chapter to only accept complete application packets and if there are missing documents, the Chapter is required to notify the applicant, by letter, to give the applicant an opportunity to submit the documents by the closing date of March 30th. However, as of March 20, 2019, the six applications collected by the chapter have not been reviewed by the chapter staff and applicants have not been notified of missing documents for as long as two weeks to two months. This prevents the applicants from submitting missing documents by the closing date so that their application is complete to be evaluated for eligibility.
3. The housing policy requires the Community Services Coordinator to be involved in every step of the process including the review, evaluation and approval of applications without the involvement of the Accounts Maintenance Specialist. In the absence of segregation of duties, there is no assurance that only eligible applicants will be awarded.

Overall, the new housing policy hinders the implementation of the corrective action plan and assurance that only eligible applicants will be awarded.

2019 STATUS

Issue 7: The chapter awarded four housing recipients above the approved budget amounts.
NOT RESOLVED

Although the chapter did not award housing assistance during the 5-month review period, deficiencies were found with the amended housing policy. The policy requires the chapter to award recipients based on the points earned in the ranking system sheet, but the budget is approved to award recipients based on an established amount per recipient. If the chapter were to implement the policy, this may result in recipients receiving an award amount above the approved budget amounts. Considering this policy directs and authorizes the housing activities, the risks that recipients will be awarded contrary to budget amounts still exists. Thus, the finding is deemed unresolved.

2019 STATUS

Issue 8: \$112,199 in housing assistance may not have been used as intended by recipients.
NOT RESOLVED

Although the chapter did not award housing assistance during the 5-month review period, deficiencies were found with the amended housing policy. Considering this policy directs and authorizes the housing activities, the risks that housing assistance may not be used as intended still exists. Thus, the finding is deemed unresolved.

2019 STATUS

Issue 9: Detailed financial reports were not provided to the community each month.
NOT RESOLVED

The chapter did not provide timely financial reports to the community each month. The financial reports for the months of April 2018 to December 2018 (9 months) were all reported to the community in January 2019 because the staff did not know how to generate reports from the accounting system although they had been to training. They also never sought technical assistance to generate reports. In the absence of complete monthly financial reports, the Chapter membership cannot make informed financial decisions.

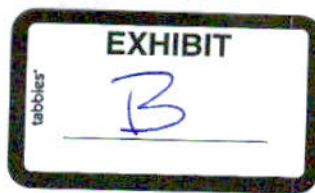


Exhibit "B"

BFF-05-18

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

23RD NAVAJO NATION COUNCIL - Fourth Year, 2018

AN ACTION

RELATING TO RESOURCES AND DEVELOPMENT AND BUDGET AND FINANCE
COMMITTEES; ACCEPTING THE SPECIAL REVIEW OF THE TSÉ AŁ NÁOZT'I
(SANOSTEE) CHAPTER SUBMITTED BY THE OFFICE OF THE AUDITOR
GENERAL AND APPROVING THE CORRECTIVE ACTION PLAN SUBMITTED BY
THE TSÉ AŁ NÁOZT'I (SANOSTEE) CHAPTER

BE IT ENACTED:

SECTION ONE. AUTHORITY

- A. The Resources and Development Committee is the oversight committee for the Navajo Nation Chapters. 2 N.N.C. § 500(C).
- B. The Budget and Finance Committee (BFC) is a standing committee of the Navajo Nation Council and is charged with receiving and approving chapter audit reports from the Auditor General. 2 N.N.C. § 300(A); 12 N.N.C. §§ 6(A) and 7(D).

SECTION TWO. FINDINGS

- A. In June, 2017, the Auditor General conducted a Special Review of the Tsé Ał Náozt'i (Sanostee) Chapter, Report No. 17-42. See **Exhibit A**.
- B. A corrective action plan was developed by the Tsé Ał Náozt'i (Sanostee) Chapter in November, 2017. See **Exhibit B**.

SECTION THREE. ACCEPTANCE AND APPROVAL

- A. The Navajo Nation hereby accepts and approves the Auditor General's Report No. 17-42, June 2017, A Special Review of Tsé Ał Náozt'i (Sanostee) Chapter as found at Exhibit A and the Corrective Action Plan as submitted by the Chapter as found at Exhibit B.

- B. The Navajo Nation directs the Office of the Auditor General to provide copies of the Tsé Ał Náozt'i (Sanostee) Chapter's Corrective Action plan to the Resources and Development Committee, as part of their oversight responsibility for the Chapters. 12 N.N.C. § 7(F)(2009).
- C. The Navajo directs the Tsé Ał Náozt'i (Sanostee) Chapter to submit a written status report on its progress in implementing the Corrective Action Plan to the Office of the Auditor General six months after the approval of this resolution. 12 N.N.C. § 7(F)(2009).
- D. The Navajo Nation directs the Office of the Auditor General to review Tsé Ał Náozt'i (Sanostee) Chapter's written status report and report to the Resources and Development Committee, as well as the Budget and Finance Committee. 12 N.N.C. § 7(F)(2)(2009).
- E. The Navajo Nation hereby directs the Office of the Auditor General to conduct a follow-up review twelve (12) months after the approval of this resolution to verify actions claimed to have been taken by the Tsé Ał Náozt'i (Sanostee) Chapter, to issue a written follow-up report indicating the Tsé Ał Náozt'i (Sanostee) Chapter's progress in implementing the Corrective Action Plan, and to make recommendations to the Resources and Development Committee, as well as the Budget and Finance Committee.

CERTIFICATION

I hereby certify that the foregoing resolution was duly considered by the Budget and Finance Committee of the Navajo Nation Council at a duly called meeting held at Window Rock, Navajo Nation (Arizona), at which a quorum was present and that the same was passed by a vote of 4 in favor and 0 opposed, this 6th day of February, 2018.



Dwight Witherspoon, Vice Chairperson
Budget and Finance Committee

Motion: Honorable Lee Jack, Sr.
Second: Honorable Tuchoney Slim, Jr.

BUDGET AND FINANCE COMMITTEE

30 July 2019
Special Meeting

VOTE TALLY SHEET:

Legislation No. 0106-19:

An Action Relating to Resources and development and Budget and Finance Committees;
Accepting the Follow-up Review of Tse Al Naoztii (Sanostee) Chapter Corrective Action Plan
Implementation; Imposing Sanctions for Not Implementing the Corrective Action Plan
Sponsored by Amber Kanazbah Crotty, Council Delegate

Motion: Nathaniel Brown

Second: Elmer P. Begay

Vote: 4-0, Chairman not voting (with 1 amendment)

Vote Tally:

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

Absent: Raymond Smith, Jr.



Jamie Henio, Chairman
Budget & Finance Committee



Peggy Nakai, Legislative Advisor
Budget & Finance Committee