

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

23RD NAVAJO NATION COUNCIL - Fourth Year, 2018

AN ACTION

RELATING TO THE RESOURCES AND DEVELOPMENT AND BUDGET AND
FINANCE; ACCEPTING THE SPECIAL REVIEW OF CHECKS DISPERSED TO
THE KAIBETO CHAPTER ACCOUNTS MAINTENANCE SPECIALIST SUBMITTED
BY THE OFFICE OF THE AUDITOR GENERAL AND APPROVING THE
CORRECTIVE ACTION PLAN SUBMITTED BY THE KAIBETO CHAPTER

BE IT ENACTED:

SECTION ONE. AUTHORITY

- A. The Navajo Nation Council established the Resources and Development Committee ("RDC") as a Navajo Nation standing committee and as such gave RDC oversight authority over the Chapters. 2 N.N.C. §§ 164 (A)(9), 500 (A) and 501 (C)(1)(2012) *see also* CO-45-12.
- B. The Navajo Nation Council established the Budget and Finance Committee ("B&F") as a Navajo Nation standing committee and as such empowered B&F to review and approve audit reports and corrective action plans by resolutions. 2 N.N.C. §§ 164(A)(9), 300(A)(2013) *see also* CO-45-12 and 12 N.N.C. § 7(D)(2009).

SECTION TWO. FINDINGS

- A. There is established the Office of the Auditor General under the Navajo Nation Council. See 12 N.N.C. § 1.
- B. The purpose of the Office of the Auditor General shall be to provide continuing professional audit and management services to the Navajo Nation government with regard to the adequacy of management and accounting systems, procedures, practices and internal controls, including but not limited to ... [c]onducting financial audits and reviews of financial records of chapters, related Navajo Nation entities and contractors. See 12 N.N.C. § 2(A)(1).


- C. In June, 2017, the Auditor General conducted a Special Review of the Kaibeto Chapter, Report No. 17-41 and attached hereto as **Exhibit A**.
- D. A corrective action plan was developed by the Kaibeto Chapter in August, 2017 and is attached hereto as **Exhibit B**.

SECTION THREE. ACCEPTING REPORT NO. 17-41 AND APPROVING THE CORRECTIVE ACTION PLAN

- A. The Navajo Nation accepts Audit Report No. 17-41, a Special Review of the Checks Disbursed to the Kaibeto Chapter Accounts Maintenance Specialist as found in attached **Exhibit A**, and approves the Kaibeto Chapter Corrective Action Plan as found in attached **Exhibit B**.
- B. The Navajo Nation directs the Office of the Auditor General to provide copies of the Kaibeto Chapter 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 Nation directs the Kaibeto 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 Kaibeto 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 the have been taken by the Kaibeto Chapter, to issue a written follow-up report indicating the Kaibeto 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 3 in favor and 0 opposed, this 6th day of March, 2018.

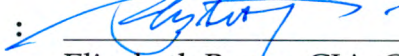


Seth Damon, Chairperson
Budget and Finance Committee

Motion: Honorable Dwight Witherspoon
Second: Honorable Leonard Tsosie

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

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

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

DATE : October 17, 2017

SUBJECT : Request for Legislation - Kaibeto Chapter

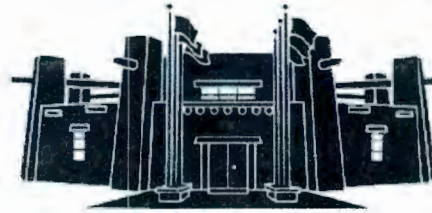
We request your office to prepare the legislation "An Action relating to Resources and Finance; Accepting the Special Review of Checks Disbursed to the Kaibeto Chapter Accounts Maintenance Specialist submitted by the Office of the Auditor General, and approving the Corrective Action Plan submitted by the Kaibeto Chapter." The legislation sponsor will be Council Delegate Tuchoney Slim Jr.

Attached as Exhibit "A" is Audit Report No. 17-41 "A Special Review of Checks Disbursed to the Kaibeto Chapter Accounts Maintenance Specialist", and Exhibit "B" is the Corrective Action Plan submitted by Kaibeto Chapter with the attached resolution dated October 8, 2017.

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

Attachment

xc: Tuchoney Slim Jr., Sponsor
Chrono



OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

**A Special Review of
Checks Disbursed
to the
Kaibeto Chapter
Accounts Maintenance Specialist**

**Report No. 17-41
June 2017**

Performed by:
Jeanine Jones, Senior Auditor



June 30, 2017

Franklin Fowler, President
KAIBETO CHAPTER
P.O. Box 1761
Kaibeto, AZ 86053


Dear Mr. Fowler:

The Office of the Auditor General herewith transmits Audit Report no. 17-41, a special review of checks disbursed to the Kaibeto Chapter Accounts Maintenance Specialist. The special review was conducted to ascertain if the Accounts Maintenance Specialist misappropriated Chapter fund for her own benefit. The objective of this special review was to determine whether chapter funds disbursed to the Accounts Maintenance Specialist were properly approved, supported with appropriate documentation and allowable.

Within an 18-month period of October 1, 2015 through March 31, 2017, the Accounts Maintenance Specialist wrote 37 unauthorized checks to herself totaling \$32,559.23. The Accounts Maintenance Specialist forged the signatures of the checks signers on the checks that she issued to herself and manipulated the accounting system by posting a different payee. The Community Services Coordinator and Secretary/Treasurer did not detect the manipulation because the cancelled checks were not compared to the accounting system postings. In addition, the Community Services Coordinator and Officials pre-signed blank checks that the Accounts Maintenance Specialist subsequently filled out with her name as the payee. Furthermore, the Community Services Coordinator and Secretary/Treasurer did not consistently monitor the activities of the Accounts Maintenance Specialist. This enable the Accounts Maintenance Specialist to misappropriate Chapter funds without detection.

Detailed explanation on all of these issues can be found in the body of this report.

Sincerely,



Elizabeth Begay, CIA, CFE
Auditor General

xc: Tom Franklin Jr., Vice President
Yolanda Ellis-Bileen, Secretary/Treasurer
Joann Secody, Community Services Coordinator
Tuchoney Slim Jr., Council Delegate
KAIBETO CHAPTER
Johnny Johnson, Department Manager II
ADMINISTRATIVE SERVICE CENTER/DCD
Chrono

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Introduction and Background

The Office of the Auditor General conducted a special review of check disbursements to the Kaibeto Chapter Accounts Maintenance Specialist. The special review was conducted in response to a request from the Chapter Officials regarding allegations of misuse of chapter funds.

The Accounts Maintenance Specialist started her employment on August 1, 2011. She was placed on administrative leave with pay on February 22, 2017 for 5 days after altered checks were discovered by the Community Services Coordinator. Thereafter, on March 22, 2017, the Accounts Maintenance Specialist was terminated.

The Accounts Maintenance Specialist's responsibilities include performing clerical accounting and bookkeeping duties: posting transactions and processing checks.

Objective, Scope and Methodology

We reviewed all check images beginning October 2011 and found that the Accounts Maintenance Specialist started altering checks at the beginning of October 2015. To ascertain if the Accounts Maintenance Specialist misappropriated chapter fund for her own benefit, the following objective was established:

- Determine whether disbursements to the Accounts Maintenance Specialist were properly approved, supported with appropriate documentation and allowable.

The scope of the special review was for 18-month period from October 1, 2015 through March 31, 2017.

To meet the audit objective, we performed the following procedures:

1. Interviewed the Chapter officials and staff to get an understanding of the Accounts Maintenance Specialist's activities that allowed her to issue unauthorized checks to herself.
2. Reviewed Chapter policies, procedures, bank statements, accounting system, files, reports, and other applicable records to meet our objective.
3. Examined 104 checks issued to the Accounts Maintenance Specialist to verify the supporting documents and check payee, amount and signatures on the checks.

The Auditor General and staff express appreciation to the Kaibeto Chapter for their cooperation and assistance throughout this review.

Government Auditing Standards

We conducted this special review 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.

Review Results

Finding: A total of 37 unauthorized Chapter checks were issued to the Accounts Maintenance Specialist totaling \$32,559.23 to benefit herself.

From October 2015 to March 2017, the Accounts Maintenance Specialist issued 37 unauthorized checks to herself totaling \$32,559.23 as shown in Table 1:

Table 1
Checks cashed by the Accounts Maintenance Specialist
April 2016 -February 2017

Date Cashed	Check no.	Amount
4/18/2016	14542	5,000.00
4/26/2016	14543	685.00
5/18/2016	14613	586.45
5/25/2016	14618	682.00
5/31/2016	14619	969.20
6/16/2016	14658	126.40
6/21/2016	14673	842.65
6/22/2016	14690	2,032.00
7/12/2016	14706	660.57
7/7/2016	14707	543.89
7/15/2016	14727	742.33
7/18/2016	14741	560.12
7/25/2016	14757	623.82
8/9/2016	14760	830.58
8/11/2016	14778	1,244.58
8/18/2016	14782	480.97
8/23/2016	14786	680.54
8/25/2016	14792	733.23
9/9/2016	14813	567.24
9/15/2016	14834	754.24
10/4/2016	14859	344.32
10/14/2016	14879	939.25
11/2/2016	14929	982.00
11/23/2016	14981	698.17
12/2/2016	14982	942.23
12/6/2016	15005	864.40
12/16/2016	15020	823.63
12/30/2016	15052	1,366.53
1/11/2017	15063	752.87
1/23/2017	15079	743.32
1/27/2017	15089	524.30
1/27/2017	15098	778.69
2/1/2017	15119	595.60
2/10/2017	15139	660.78
2/21/2017	15161	640.00
2/23/2017	15170	650.00
2/23/2017	15165	907.33
Total:		\$32,559.23

Source: Kaibeto Chapter MIP (accounting system) and Bank Statements

Issue I: Weak controls in the Chapter cash disbursement process.

Fiscal Policies Manual, section VII, , states that it is the policy of the Kaibeto Chapter to establish internal controls to ensure its assets and resources are protected against waste, fraud, and inefficiency, and to ensure that accounting data are accurate.

We noted weak controls in the Chapter cash disbursement process that allowed the Accounts Maintenance Specialist to misappropriate Chapter funds. The Accounts Maintenance Specialist was tasked to prepare the disbursement of checks to authorized vendors. She manipulated her task by voiding duplicate copy of blank checks and presenting the voided duplicate copy of checks to the Community Services Coordinator. The Community Services Coordinator did not request for the original checks but merely accepted the voided duplicate copy of checks. The Accounts Maintenance Specialist used the original checks to fill out her name as the payee and forged the signatures of the Community Services Coordinator and Secretary/Treasurer or President who were the authorized signers. Thereafter, the Accounts Maintenance Specialist manipulated the accounting system by posting a different payee. The Community Services Coordinator did not compare the cancelled checks to the MIP posting during the monthly bank reconciliation. Consequently, the Community Services Coordinator did not detect the 31 forged checks from Table 1 that the Accounts Maintenance Specialist issued to herself.

Issue II: Chapter Community Services Coordinator and Officials pre-signed blank checks.

Fiscal Policy Manual, section VII, B, 1, f, states no blank check shall be signed before it is completely filled out.

We found 6 checks from Table 1 that were pre-signed by the Community Services Coordinator, President and Secretary/Treasurer. After obtaining the signatures of the authorized check signers on the blank checks, the Accounts Maintenance Specialist filled out the amount and her name as the payee. The authorized check signers pre-signed blank checks because the Officials only showed up during Chapter meetings and the Community Services Coordinator was often out of the office attending to Chapter business.

Issue III: The Community Services Coordinator and Secretary/Treasurer were not consistently monitoring the Accounts Maintenance Specialist's activities.

The job description of the Community Services Coordinator includes among other things, to supervise assigned staff, i.e. Accounts Maintenance Specialist, and monitor Chapter expenditures. Title 26, Section 1001, 3, h, requires the Secretary/Treasurer to monitor the maintenance of an adequate accounting system to ensure accountability of all funds and expenditures.

The Community Services Coordinator did not closely supervise and monitor the Accounts Maintenance Specialist's activities in handling Chapter expenditures. The Community Services Coordinator was out of the office on travel on an average of 5 days per month or 1-2 days a week. In addition, the Secretary/Treasurer did not monitor the maintenance of the Chapter accounting system. The Secretary/Treasurer works in Window Rock and was not available to closely oversee the maintenance of the accounting system. This created an opportunity for the Accounts Maintenance Specialist to misappropriate Chapter funds.

Recommendation(s):

1. The Chapter should work with the Ethics and Rules Office and Office of the Prosecutor to hold the Accounts Maintenance Specialist liable for issuing unauthorized Chapter checks to herself.
2. The Community Services Coordinator should only accept original voided checks.
3. The Community Services Coordinator and Secretary/Treasurer should reconcile the MIP postings to the canceled checks to detect alterations and irregular endorsements.
4. The Chapter Officials and Community Services Coordinator should not pre-sign blank checks.
5. The Community Services Coordinator should closely supervise the Accounts Maintenance Specialist.
6. The Secretary/Treasurer should closely monitor the maintenance of the Chapter accounting system.

CONCLUSION

Within an 18-month period of October 1, 2015 through March 31, 2017, the Accounts Maintenance Specialist wrote 37 unauthorized checks to herself totaling \$32,559.23. The Accounts Maintenance Specialist forged the signatures of the check signers on the checks that she issued to herself and manipulated the accounting system by posting a different payee. The Community Services Coordinator and Secretary/Treasurer did not detect the manipulation because the cancelled checks were not compared to the accounting system postings. In addition, the Community Services Coordinator and Officials pre-signed blank checks that the Accounts Maintenance Specialist subsequently filled out with her name as the payee. Furthermore, the Community Services Coordinator and Secretary/Treasurer did not consistently monitor the activities of the Accounts Maintenance Specialist. This enable the Accounts Maintenance Specialist to misappropriate Chapter funds without detection.

CLIENT RESPONSE

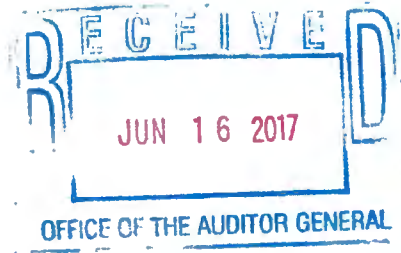
The K'ai'Bii'Tó Chapter



P.O. Box 1761* Kaibeto, AZ 86053 Ph#: (928)673-5850/5851 Fax#: (928)673-5853

June 16, 2017

Elizabeth Begay, CIA, CFE
Office of the Auditor General
The Navajo Nation



RE: EXIT CONFERENCE

Dear Mrs. Begay,

We met with Jeanine Jones, Sr. Auditor on June 16, 2017 for the Exit Conference to review the results of audit report.

The Chapter Officials discussed the issues and we all agree to accept the Exit Conference report.

We appreciate the hard work and assistance. If there is any questions, please contact us at the Administration Office. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Franklin Fowler".
Franklin Fowler, President

CONCURRENCE:

A handwritten signature in black ink, appearing to read "Tom Franklin, Jr.".

Tom Franklin, Jr., Vice-President

A handwritten signature in black ink, appearing to read "Yolanda Ellis-Bileen".
Yolanda Ellis-Bileen, Sec'y/Treasurer

cc: FILE



The K'ai'Bii'Tó Chapter



P.O. Box 1761 * Kalbeto, AZ 86053 Phone#: (928)673-5850/5851 Fax#: (928)673-5853

August 28, 2017

Elizabeth Begay, CIA, CFE
Office of the Auditor General
Window Rock, AZ 86515

RE: Corrective Action Plan for the Special Review

Dear Ms. Begay:

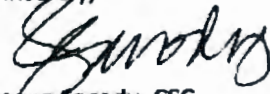
The Special Review was conducted in June 2017 for K'ai'Bii'Tó Chapter. The Correction Action Plan is for the (3) three issues as follows:

Finding:	Corrective Measure(s):	Responsible:
A total of 37 unauthorized Chapter checks were issued to the Accounts Maintenance Specialist totaling \$34,559.23 to benefit herself.	1. A letter will be written to the Ethics and Rules Office and Office of the Prosecutor to hold the Accounts Maintenance Specialist liable for issuing unauthorized Chapter checks to herself.	Chapter President
Issue I:	Corrective Measure(s):	Responsible:
Weak controls in the Chapter Cash Disbursement process.	1. When original checks are "VOIDED", CSC will request to see original before issuing another check to AMS 2. Bank Reconciliation every month will be done by obtaining MIP check Register, Voided checks, Bank statement with cancelled checks shall be cross reference and mark off to reconcile: be signed and dated by CSC and Chapter Sec'y/Treasurer. 3. AMS, CSC and Chapter Sec'y/Treasurer will sign and date Bank Reconciliation Monitoring Tools every month. 4. If any, report any alterations and irregular endorsement to proper authorities.	CSC and Chapter Sec'y/Treasurer
Issue II:	Corrective Measure(s):	Responsible:
Chapter Community Services Coordinator and Officials pre-signed blank checks.	1. The CSC and Chapter Officials will no longer pre-sign checks. 2. The CSC and Chapter Officials will insure checks have vendor name and amount with necessary documents attached (Fund Approval Form,	CSC and Chapter Officials

	Statements, PO and for assistance application, adequate documentation and quotes etc.) before signing checks.	
Issue III:	Corrective Measure(s):	Responsible:
The Community Services Coordinator and Sec'y/Treasurer were not consistently monitoring the AMS activities.	<ol style="list-style-type: none"> 1. The CSC will closely monitor all activities at the Chapter and monitor AMS duties. 2. Make sure the AMS and staff are trained on FMS Policies and Procedures and Navajo Nation Personnel Policies and Procedures: they will sign a Memorandum stating they understood and will comply. 	CSC and Chapter Sec'y/Treasurer

We appreciate your assistance in the matter and if there is any questions please contact me at Administration Office or via email jsecody@navajochapters.org.

Sincerely,


Joann Secody, CSC

xc: FILE

Resolution of K'ai'Bii'Tó Chapter

KB1QTR-01-10/17

P.O. Box 1761 * Kaibeto, AZ * 86053 * Ph#: (928) 673-5852 * Fax#: (928) 673-5853

SUPPORTING AND ACCEPTING CORRECTION ACTION PLAN FOR THE REPORT NO. 17-14 SPECIAL REVIEW OF CHECKS DISBURSED TO THE K'AI'BII'TO CHAPTER ACCOUNTS MAINTENANCE SPECIALIST BY NAVAJO OFFICE OF THE AUDITOR GENERAL.

WHEREAS:

1. K'ai'Bii'Tó Chapter is pursuant to 26 NNC, Section 3 (A) is a duly recognized certified Chapter of the Navajo Nation Government as listed at 11 NNC Section 10; and
2. K'ai'Bii'Tó Chapter is pursuant to 26 NNC, Section 1 (B) is vested with the authority to review all matters affecting the community and to make appropriate correction when necessary and make recommendation to the Navajo Nation and other local agencies for appropriate actions; and
3. Navajo Office of the Auditor General conducted a Special Audit Review and requested for Corrective Action Plan for the findings; and
4. K'ai'Bii'To Chapter accepts the report and Corrective Action Plan, EXHIBIT A; and
5. K'ai'Bii'To Chapter Officials and Staff will comply and practice the Five Management System Policies and Procedures.

NOW, THEREFORE, BE IT RESOLVED THAT:

1. The K'ai'Bii'Tó Chapter hereby supports and accepts Correction Action Plan for the Report No. 17-14, Special Review of Checks Disbursed to the K'ai'Bii'To Chapter Accounts Maintenance Specialist by Navajo Office of the Auditor General.

CERTIFICATION

We, hereby, certify that the foregoing resolution was duly considered by K'ai'Bii'Tó Chapter at a duly called meeting held at Kaibeto, Navajo Nation, Arizona, at which a quorum was present and that the same was passed by a vote of 30 in favor, 0 opposed, and 0 abstaining on this 8th October, 2017.

Motioned by: Mary Ann Belonie

Seconded by: Bobby Nez


Franklin Fowler, President


Tom Franklin, Jr., Vice-President


Yolanda Ellis-Bileen, Sec'y/Treasurer