

RESOLUTION OF THE  
NAABIK'ÍYÁTI' STANDING COMMITTEE OF THE  
23<sup>rd</sup> NAVAJO NATION COUNCIL -- Fourth Year, 2018

AN ACTION

RELATING TO THE NAABIK'ÍYÁTI' COMMITTEE; PURSUANT TO THE RECOMMENDATION OF THE NAVAJO NATION BOARD OF EDUCATION AND 25 U.S.C. §2502(f), AND THE ACTION OF THE HEALTH, EDUCATION AND HUMAN SERVICES COMMITTEE BY RESOLUTION HEHSC-20-18, APPROVING THE RETROCESION OF ADMINISTRATIVE CONTROL OF THE DIBÉ YAZHI'HABIT'IIN OLTA, INC. (BORREGO PASS COMMUNITY SCHOOL) TO THE UNITED STATES BUREAU OF INDIAN EDUCATION

**Section One. Authority**

The Naabik'íyáti' Committee of the Navajo Nation Council has the legislative authority to authorize, review, approve and accept contracts implementing the Indian Self-Determination and Education Assistance Act, (P.L. 638, as amended; 25 U.S.C. 5301 et seq.) upon recommendation of the standing committee which has oversight of the division, department or program. 2 N.N.C. § 701(12)

**Section Two: Findings**

- A. The United States Code (U.S.C.) Chapter 27: Tribally Controlled School Grants, § 2502 (f) recognizes the authority of a tribal governing body to retrocede any program under Chapter 27 to the Bureau of Indian Education. See **Exhibit B.**
- B. The Naabik'íyáti' Committee of the Navajo Nation Council, upon recommendation of the education oversight of the Health, Education and Human Services Committee, is the tribal governing body in this matter.
- C. The Navajo Nation Board of Education, in Board Resolution No. NNBEJE-448-2018, has recommended to the Health, Education and Human Services Committee and the Naabik'íyáti' Committee that the Navajo Nation, in the best interest of the Navajo Nation, the school, the children and the community, retrocede the administrative control of the Dibé Yazhi'habit'iin Olta, Inc. (Borrego Pass Community School) to the U.S. Bureau of Indian Education for continued operation as a Bureau operated school. See **Exhibit A.**

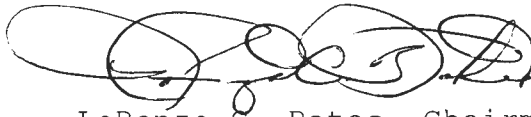
- D. The Health, Education and Human Services Committee of the Navajo Nation Council finds it to be in the best interest of the Navajo Nation and the school, children and community for administrative control of the Dibé Yazhi'habit'iin Olta, Inc. (Borrego Pass Community School) Navajo School System to be retroceded to the U.S. Bureau of Indian Education for continued operation as a Bureau operated school. See **Exhibit A**.
- E. The Naabik'iyáti' Committee of the Navajo Nation Council finds it to be in the best interest of the Navajo Nation and the school, children and community that the Dibé Yazhi'habit'iin Olta, Inc. (Borrego Pass Community School) be retroceded to the U.S. Bureau of Indian Education for continued operation as a Bureau operated school.

### **Section Three. Approval**

- A. The Naabik'iyáti' Committee of the Navajo Nation Council, as tribal governing body in this matter, upon the actions of the Health, Education and Human Services Committee and the Navajo Nation School Board as found at Exhibit A, and pursuant to 25 U.S.C. Ch. 27 §2501(f), hereby approves the retrocession of the Dibé Yazhi'habit'iin Olta, Inc. (Borrego Pass Community School) to the U.S. Bureau of Indian Education for continued operation as a Bureau operated as based on audits attached as **Exhibit C**. Financial Audit 2015, **Exhibit D**. Financial Audit 2016, and **Exhibit E**, exit meeting with Dibé Yazhi'habit'iin Olta dated April 6, 2017.
- B. The Superintendent of the Navajo Nation Department of Diné Education is hereby authorized to notify the U.S. Bureau of Indian Education and all other necessary parties of this action of the tribal governing body.

**CERTIFICATION**

I, hereby, certify that the foregoing resolution was duly considered by the Naabik'iyáti' Committee of the 23<sup>rd</sup> Navajo Nation Council at a duly called meeting in Window Rock, Navajo Nation (Arizona), at which a quorum was present and that the same was passed by a vote of 09 in Favor, and 04 Opposed, on this 06<sup>th</sup> day of September 2018.

A handwritten signature in black ink, appearing to read 'LoRenzo C. Bates', written in a cursive style.

LoRenzo C. Bates, Chairman  
Naabik'iyáti' Committee

Motioned: Honorable Seth Damon  
Second : Honorable Herman M. Daniels

Chairman LoRenzo C. Bates not voting



HEHSCAU-20-18

RESOLUTION OF THE  
HEALTH, EDUCATION AND HUMAN SERVICES COMMITTEE  
23<sup>rd</sup> NAVAJO NATION COUNCIL -- Fourth Year, 2018

AN ACTION

RELATING TO HEALTH, EDUCATION AND HUMAN SERVICES COMMITTEE;  
PURSUANT TO THE RECOMMENDATION OF THE NAVAJO NATION BOARD OF  
EDUCATION AND 25 U.S.C. §2502(f), RETROCEDING THE DIBÉ  
YAZHI'HABIT'IIN OLTA, INC. (BORREGO PASS COMMUNITY SCHOOL, INC.)  
TO THE BUREAU OF INDIAN EDUCATION AS REQUESTED BY THE NAVAJO  
NATION BOARD OF EDUCATION RESOLUTION NNBEJE-448-2018 AND  
PURSUANT TO PUBLIC LAW 100-297, PUBLIC LAW 93-638 (AS AMENDED)

BE IT ENACTED:

SECTION ONE. AUTHORITY

- A. The Health, Education and Human Services Committee of the Navajo Nation Council has legislative authority and oversight over all matters related to education on the Navajo Nation. 2 N.N.C. § 401 (C) (1).
- B. The Health, Education and Human Services Committee of the Navajo Nation Council pursuant to Resolution HEHSCMY-012-12, exercises final approval authority with respect to recommendations by the Navajo Nation Board of Education to retrocede an educational program to the Bureau of Indian Education. See Exhibit A, Section II (A)(4) of **Exhibit A** of the Resolution.

SECTION TWO. FINDINGS

- A. The United States Code (U.S.C.) Chapter 27: Tribally Controlled School Grants, § 2502 (f) recognizes the authority of a tribal governing body to retrocede any program under Chapter 27 to the Bureau of Indian Education.
- B. The Health, Education and Human Services Committee of the Navajo Nation Council is the tribal governing body in this matter. See **Exhibit A**.
- C. The Navajo Nation Board of Education, in Board Resolution No. NNBEJE-448-2018, has recommended to the Health, Education and Human Services Committee that the Navajo Nation, in the best interest of the Navajo Nation, school, children and community, retrocede the Dibé Yazhi'Habit'iin Olta, Inc. (Borrego Pass Community School, Inc.) to the U.S. Bureau of Indian Education for continued operation as a Bureau operated school. See **Exhibit B**.

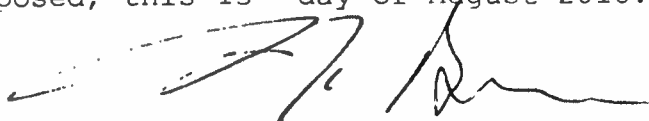
- D. The Health, Education and Human Services Committee of the Navajo Nation Council finds it to be in the best interest of the Navajo Nation and the school, children and community for the Dibé Yazhi'Habit'iin Olta, Inc. (Borrogo Pass Community School, Inc.) to be retroceded to the U.S. Bureau of Indian Education for continued operation as a Bureau operated school.

### SECTION THREE. APPROVAL

- A. The Health, Education and Human Services Committee of the Navajo Nation Council hereby approves the recommendation of the Navajo Nation School Board as found at Exhibit B, to retrocede, pursuant to United States Code (U.S.C.) Chapter 27: Tribally Controlled School Grants, § 2502 (f), Public Law 100-297, Public Law 93-638 (as amended), the Dibé Yazhi'Habit'iin Olta, Inc. (Borrogo Pass Community School, Inc.) to the U.S. Bureau of Indian Education for continued operation as a Bureau operated school.
- B. The Navajo Nation reserves the right, upon the future determination of the best interest of the Navajo Nation, to request the return of the Dibé Yazhi'Habit'iin Olta, Inc. (Borrogo Pass Community School, Inc.).
- C. The Superintendent of the Navajo Nation Department of Diné Education is hereby authorized to notify the U.S. Bureau of Indian Education and all other necessary parties of this action of the tribal governing body.

### CERTIFICATION

I, hereby, certify that the following resolution was duly considered by the Health, Education and Human Services Committee of the 23<sup>rd</sup> Navajo Nation Council at a duly called meeting at Window Rock, (Navajo Nation) Arizona, at which a quorum was present and that same was passed by a vote of 3 in favor, 0 opposed, this 13<sup>th</sup> day of August 2018.



Nathaniel Brown, Pro Tem Chairperson  
Health, Education and Human Services Committee  
23<sup>rd</sup> Navajo Nation Council

Motion: Honorable Nelson BeGaye  
Second: Honorable Jonathan L. Hale

Pro Tem Chairperson Not Voting





HEHSCMY-012-12

**RESOLUTION OF THE  
HEALTH, EDUCATION AND HUMAN SERVICES COMMITTEE  
OF THE NAVAJO NATION COUNCIL**

**22<sup>nd</sup> NAVAJO NATION COUNCIL – SECOND YEAR, 2012**

AN ACTION RELATING TO HEALTH, EDUCATION AND HUMAN SERVICES; DELEGATING HEALTH, EDUCATION AND HUMAN SERVICES COMMITTEE POWER SET FORTH AT 2 N.N.C. § 401 (B)(4)(b) TO THE NAVAJO BOARD OF EDUCATION TO INCREASE EFFICIENCY AND STREAMLINING OF GOVERNMENT PROCESSES IN THIS MATTER PURSUANT TO THE COMMITTEE-APPROVED ADMINISTRATIVE RULES AND REGULATIONS GOVERNING THIS DELEGATION AND THE RESCISSION OF SUCH DELEGATION.

**BE IT ENACTED:**

**Section I. Findings**

1. The Navajo Nation Council by Resolution CAP-10-II, April 21, 2011, enacted the "2011 Amendments of Title 2" that reduced the number of delegates to the Navajo Nation Council from 88 to 24 members pursuant to an initiative vote of Navajo voters.
2. Under the reorganization of the standing committees of the Navajo Nation Council, the Health, Education and Human Services Committee was one of the five new standing committees of the Navajo Nation Council. The Committee was delegated at least three functions of previous standing committees and assigned to oversee matters relative to health, social service, education, general governmental services and human services.
3. Pursuant to 2 N.N.C. § 401 (B)(4)(b), the Health, Education and Human Service Committee is authorized to approve, sanction and authorize application, reapplications, reauthorization and amendments for Indian Self-Determination and Education Assistance Act contracts and grants under the Tribally Controlled Schools Act for the operation of education programs, approval or denial of authorizations and reauthorizations shall constitute approval or denial by the Navajo Nation the Tribal Governing Body.
4. Further, pursuant to 2 N.N.C. § 401(B)(5), the Health, Education and Human Service Committee is authorized to delegate responsibilities and authorities as appropriate to the Divisions, Chapters and appropriate entities for efficiency and streamlining of government processes provided that the Committee first approves rules and regulations governing such delegations and rescission of such delegations.
5. The Navajo Department of Dine Education is the administrative agency within the Navajo Nation with responsibility and authority for implementing and enforcing the educational laws of the Navajo Nation. 2 N.N.C. § 1801(B); 10 N.N.C. § 107(A). The Navajo Nation Board of Education is the education agent in the Executive Branch for the purposes of overseeing the operation of all schools serving the Navajo Nation. 10 N.N.C. § 106(G)(3).

6. The Navajo Nation Board of Education reviews and recommends the reauthorization of Indian Self-Determination and Education Assistance Act contracts and grants under the Tribally Controlled Schools Act for the operation of education and education-related programs in accord with the contract application for a certain number of years up to three years and bases and formulates its recommendations upon the testimony, reports, and supporting information provided by the contract schools and the monitoring reports and recommendations provided by the Department of Dine Education. The Navajo Nation Board of Education also recommends to the oversight committee to condition its sanction, approval and authorization upon the standard conditions which the Navajo Nation places upon Navajo Nation tribal organizations which are authorized to operate BIE-funded education and education-related programs.

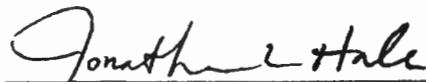
7. The Navajo Nation determines that in the best interest of the Nation, the power of the Health, Education and Human Services Committee set forth at 2 N.N.C. § 401 (B)(4)(b), should be delegated to approve, sanction and authorize applications, reapplications, reauthorizations and amendments for Indian Self-Determination and Education Assistance Act contracts and grants under the Tribally Controlled Schools Act for the operation of education programs, approval or denial of authorizations and reauthorizations shall constitute approval or denial by the Navajo Nation the Tribal Governing Body.

8. Pursuant to 2 N.N.C. § 401(B)(5), the Health, Education and Human Services Committee delegates, effective immediately, its power set forth at 2 N.N.C. § 401 (B)(4)(b) to the Navajo Board of Education to increase efficiency and streamlining of government processes in this matter pursuant to the Committee-approved Administrative Rules and Regulations governing this delegation and the rescission of such delegation, attached as Exhibit A.

9. The Health, Education and Human Services committee hereby requires the Navajo Nation Office of Monitoring, Evaluation and Technical Assistance ensure that all schools that wish to exercise their option to convert to grant or contract status and all schools currently operating under the authority of Public law 93-638 or Public law 100-297 in order to maintain authorization from the Navajo Nation to operate their schools, to comply with the approved and applicable provisions of the Grant/Contract Conversion/Maintenance Handbook as approved by Resolution ECF-12-01.

#### CERTIFICATION

I hereby certify that the foregoing Resolution was duly considered by the Health, Education and Human Services Committee of the Navajo Nation Council at a duly called meeting at Window Rock, Navajo Nation (Arizona), at which a quorum was present and the same was passed by a vote of 5 in favor, 0 opposed and 0 abstained, this 16<sup>th</sup> day of May, 2012.



Jonathan Hale, Chairperson  
Health, Education and Human Services  
Committee

Motion: Honorable Charles Damon  
Second: Honorable Walter Phelps

## **EXHIBIT A**

### **ADMINISTRATIVE RULES AND REGULATIONS FOR THE DELEGATION OF AUTHORITY TO THE NAVAJO NATION BOARD OF EDUCATION REGARDING P.L. 93-638 AND P.L. 100-297 CONTRACT REAUTHORIZATION APPLICATION AND APPROVAL**

#### **I. AUTHORITIES**

A. The Navajo Nation Council, by Resolution No. CAP-10-11, amended provisions of Title Two of the Navajo Nation Code and established the Health, Education and Human Services Committee with authority to delegate responsibilities and authorities as appropriate to the Divisions and Chapters for efficiency and streamlining of government processes provided that the Committee first approves rules and regulations governing such delegations and rescission of such delegations. 2 N.N.C. § 401(B)(5).

B. The Health, Education and Human Services Committee by 2 N.N.C. 401(B)(4)(b), has the final authority to grant approval, sanction and authorize application, reapplications, reauthorization and amendments for Indian Self-Determination and Education Assistance Act contracts and grants under the Tribally Controlled Schools Act for the operation of education programs, [and the] approval or denial of authorizations and reauthorizations shall constitute approval and denial by the Navajo Nation Governing Body.

C. The Department of Diné Education is established by Resolution CJY-39-05 (amended by GSCMY-19-07) with authority to enforce educational laws on the Navajo Nation. The Superintendent of the Department of Dine Education is authorized to administer and manage the Department of Dine Education.

D. The Department of Diné Education is responsible to ensure quality education, accountability, and compliance with Navajo Nation legislative mandates, applicable federal rules, statutes and laws by monitoring, evaluating and providing technical assistance to schools and providing technical assistance to BIE schools.

#### **II. DELEGATION**

A. Pursuant to 2 N.N.C. § 401(B)(5), the Health, Education and Human Services Committee hereby delegates to the Navajo Nation Board of Education the authority to approve P.L. 93-638 and P.L. 100-297 Contract Reauthorization Applications for a one, two or three-year terms for the operation of education and education-related programs and/or residential programs, pursuant to Public Law 93-638 and Public Law 100-297, and in accord with the grant application and BIA-funded education and education-related programs. Guidelines that shall govern the number years of reauthorization shall be as follows:

1. One or less year(s) reauthorization shall be granted where schools and/or residential programs have material weaknesses in their current financial audit reports, which includes, but is not limited to serious audit findings, failure to submit audits, etc.
2. Two-year reauthorization shall be granted to schools and/or residential programs that do not have material weaknesses in their current financial audit reports, but have not met academic proficiency based on the current existing academic assessment systems in place.



3. Four-year reauthorization shall be granted to schools and/or residential programs that do not have material weaknesses in their current financial audit reports and met academic proficiency based on the current existing academic assessment systems in place.

4. Any recommendation to retrocede an educational program to the Bureau of Indian Education (BIE) or if a BIE school converts to a Public Law 93-638 contract or Public Law 100-297 grant school shall be subject to final approval by the Health, Education and Human Services Committee.

5. A challenge to the number of years or reauthorization as approved by the Navajo Nation Board of Education may be finally reviewed by the Health, Education and Human Services Committee.

B. Unless provided otherwise, the Navajo Nation Board of Education shall exercise this delegation without further review and approval by the Health, Education and Human Services Committee.

C. This delegation of authority to the Navajo Nation Board of Education shall not be delegated to any other Navajo Nation official or entity.

### **III. AUTHORITY, DUTY AND RESPONSIBILITY**

A. All P.L. 93-638 and P.L. 100-297 Contract Reauthorization Applications shall be administratively reviewed, processed and recommended by the Superintendent of Schools of the Department of Diné Education before presentation to the Navajo Nation Board of Education.

1. All-Navajo Nation Board of Education approval shall be by a quorum consisting of a simple majority of all voting members and shall be by written resolution duly certified by the presiding officer, setting forth the action taken and signed by the presiding officer.

2. This delegation of authority does not authorize the Navajo Nation Board of Education to reallocate funds authorized for specific schools.

B. The Superintendent of the Department of the Diné Education and the Director of the Office of Monitoring, Evaluation and Technical Assistance shall implement and administer the approved P.L. 93-638 and P.L. 100-297 Contract Reauthorization Applications for the operation of education and education-related programs and/or residential programs, pursuant to Public Law 93-638 and Public Law 100-297, in accord with the grant application and BIA-funded education and education-related programs.

### **IV. REVIEW AND AMENDMENT**

A. The scope and administration of this delegation of authority may be evaluated and reviewed annually by the Health, Education and Human Services Committee of the Navajo Nation Council for compliance and the continuance of the delegation of authority.

B. The Superintendent of the Department of the Diné Education shall report on the status of school reauthorizations to the Navajo Nation Board of Education and the Health, Education and Human Services Committee at least twice each year.

C. Pursuant to 2 N.N.C. § 401(B)(5) and other applicable authorities, this Administrative Rule may be amended by the Health, Education and Human Services Committee of the Navajo Nation Council upon the recommendation of the Navajo Nation Board of Education or this delegation of authority may be rescinded in whole or in part at any time without cause.



Russell Begaye  
President

# DEPARTMENT OF DINÉ EDUCATION THE NAVAJO NATION

P.O. Box 670 · Window Rock, Arizona 86515  
PHONE (928) 871 - 7475 · FAX (928) 871 - 7474



Jonathan Nez  
Vice-President

NNBEJE-448-2018

## RESOLUTION OF THE NAVAJO NATION BOARD OF EDUCATION

**Relating to Education; Denying the Reauthorization of the Public Law 100-297 Grant of the Dibé Yazhi'Habit'iin Olta, Inc. (Borrogo Pass Community School, Inc.); Recommending to the Health, Education, and Human Services Committee to Retrocede the Dibé Yazhi'Habit'iin Olta, Inc. (Borrogo Pass Community School, Inc.) to the Federal Government Pursuant to Public Law 100-297, Public Law 93-638 (as Amended), and HEHSCMY-012-12.**

### WHEREAS:

1. The Department of Diné Education (hereinafter the "Department") is the administrative agency within the Navajo Nation with responsibility and authority for implementing and enforcing the educational laws of the Navajo Nation. 2 N.N.C. § 1801 (B); 10 N.N.C. § 107 (A). The Department is under the immediate direction of the Board. 10 N.N.C. § 107 (B).
2. The Navajo Nation Board of Education (hereinafter the "Board") is the education agent in the Executive Branch for the purposes of overseeing the operation of all schools serving the Navajo Nation. 10 N.N.C. § 106 (A). The Board carries out its duties and responsibilities through the Department of Diné Education. 10 N.N.C. § 106 (G)(3). In addition, "the Board [has the] general power to monitor the activities of all Bureau of Indian Affairs funded schools and local community school boards serving the Navajo Nation..." 10 N.N.C. § 106 (G)(1).
3. On May 16, 2012, the Health, Education and Human Services Committee of the Navajo Nation Council enacted **HEHSCMY-012-12** and the "Administrative Rules and Regulations," that delegated the Navajo Nation Board of Education with the authority to approve P.L. 100-297 and P.L. 93-638 contract reauthorizations. **HEHSCMY-012-12** sets forth the parameters and conditions for reauthorization of schools.
4. In accord with **HEHSCMY-012-12**, the Board reviews and approves the reauthorization of Public Law 93-638 Indian Self-Determination and Education Assistance Act contract and Public Law 100-297 grant schools and residential programs under the Tribally Controlled Schools Act for the operation of education and education-related programs and/or residential programs in accord with the contract application for a certain number of years and bases and formulates its recommendations upon the testimony, reports, and supporting information provided by the **Dibé Yazhi'Habit'iin Olta**,

### BOARD OF EDUCATION

*Dr. Pauline M. Begay, President · Marlene Burbank, Vice President · Dr. Delores Greyeyes, Secretary*  
*Members: Gloria Johns · Priscilla B. Manuelito · Dr. Bernadette Todacheene*  
*Dr. Tommy Lewis, Navajo Nation Superintendent of Schools*

**Inc. (Borrogo Pass Community School, Inc.),** and the monitoring reports and recommendations provided by the Department of Diné Education. The Navajo Nation Board of Education also conditions its sanction, approval and authorization upon the standard conditions which the Navajo Nation places upon Navajo Nation tribal organizations which are authorized to operate BIE-funded education and education-related programs, and/or residential programs.

5. The Board finds that the **Dibé Yazhi'Habit'iin Olta, Inc. (Borrogo Pass Community School, Inc.)** has submitted an incomplete reauthorization application, attached hereto as "**EXHIBIT A,**" that does not comply with the requirements of the Grant/Contract Conversion/Maintenance Handbook (**ECF-12-01**) and **HEHSCMY-012-12**. Resolution ECF-12-01, Be It Resolved, ¶3 states that "...school boards are currently operating under the authority of Public Law 100-297 or Public Law 93-638 will be required to comply with the provisions in the Handbook in order to maintain authorization from the Navajo Nation to operate their schools."
6. According to audit reports provided by the Office of Diné Accountability & Compliance ("ODAC") attached hereto as "**EXHIBIT A-1,**" the Board finds that the **Dibé Yazhi'Habit'iin Olta, Inc. (Borrogo Pass Community School, Inc.)** is non-compliant with the financial and audit requirements contained in **HEHSCMY-012-12**. In particular, the school failed to submit their 2017 audit by March 30, 2018. The school was also significantly delinquent with the submission of their 2016 audit (submitted April 27, 2018), which was rated as a "Disclaimer Opinion" and contained numerous material weaknesses and significant findings. The school was also significantly delinquent with the submission of their 2015 audit (submitted July 8, 2016), which was rated as a "Qualified" and contained numerous material weaknesses and significant findings. The school is also on Level One federal sanctions imposed by the federal government. The School is also scheduled to be levied with Level Two federal sanctions. The school has also incurred over \$1,500,000+ in disallowed costs and recurring budget deficit, which has a significantly negative impact upon the school.
7. The Board finds that the **Dibé Yazhi'Habit'iin Olta, Inc. (Borrogo Pass Community School, Inc.)** has failed to meet or make reasonable progress toward student academic achievement as required by **HEHSCMY-012-12**, applicable federal law, 10 N.N.C. §109, N.N.C. § 123, and 10 N.N.C. § 200(B) which states that "local school boards are to be held accountable to the Navajo Nation for ensuring that their students make adequate yearly progress in meeting applicable, measurable academic achievement standards, including any such standards established by the Navajo Nation." The school's academic progress report is attached hereto as "**EXHIBIT A-2.**"
8. The Office of Standards, Curriculum, and Assessment Development ("OSCAD") report, including Oral Dine Language Assessment (ODLA) data for the **Dibé Yazhi'Habit'iin Olta, Inc. (Borrogo Pass Community School, Inc.)**, is attached hereto as "**EXHIBIT A-3.**"



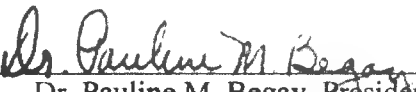
9. According to reports provided by the NCA/AdvancED, the **Dibé Yazhi'Habit'iin Olta, Inc. (Borrego Pass Community School, Inc.)** was rated as "Accredited," attached hereto as "EXHIBIT A-4."
10. After discussion and deliberation, the Board has determined that continued operation of the **Dibé Yazhi'Habit'iin Olta, Inc. (Borrego Pass Community School, Inc.)** in its present capacity will not result in any improvements to the operations of the school or achievement of its educational mission. Further, the Board has determined that continued operation of the **Dibé Yazhi'Habit'iin Olta, Inc. (Borrego Pass Community School, Inc.)** will result in significant harm the education of children who attend that school.
11. The Board also acknowledges that retrocession is an act of the Navajo Nation's inherent sovereignty and decision that the federal government must respect. Pursuant to 25 C.F.R. § 900(b)(4)-(5), "the Secretary (of Interior) recognizes that contracting under the Act is an exercise by Indian tribes of the government-to-government relationship between the United States and the Indian tribes... The Secretary recognizes that tribal decisions to contract or not to contract are equal expressions of self-determination."
12. The Board acknowledges recommendations provided by the Department of Diné Education regarding the **Dibé Yazhi'Habit'iin Olta, Inc. (Borrego Pass Community School, Inc.)**, including the recommendation to retrocede the school to the federal government as being in the best interests of the school, children and community. Pursuant to 25 U.S.C. §2502(f)(2), the Department and Board, through the Navajo Nation, recommends that the Navajo Nation to request that the retroceded school/program continue its operation as a Bureau-operated school.

**NOW THEREFORE BE IT RESOLVED THAT:**

1. The Navajo Nation Board of Education hereby denies the reauthorization of the Public Law 100-297 grant of the **Dibé Yazhi'Habit'iin Olta, Inc. (Borrego Pass Community School, Inc.)**. The Board further recommends that the Health, Education, and Human Services Committee retrocede the **Dibé Yazhi'Habit'iin Olta, Inc. (Borrego Pass Community School, Inc.)** to the federal government pursuant to Public Law 100-297, Public Law 93-638 (as amended), and HEHSCMY-012-12.
2. The Navajo Nation Board of Education hereby recommends and empowers the Superintendent of Schools to take any actions deemed necessary and proper to carry out the purposes of this resolution and directive.

**CERTIFICATION**

I hereby certify that the foregoing resolution was duly considered by the Board of Education of the Navajo Nation at a duly called meeting at Window Rock, Arizona (Navajo Nation) at which a quorum was present, motion by Dr. Bernadette Todacheene and seconded by Marlene Burbank and that the same was passed by a vote of 4 in favor; 0 opposed; 0 abstained, this 15th day of June 2018.

  
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Dr. Pauline M. Begay, President  
Navajo Nation Board of Education

**CONDITIONS ON SANCTIONS  
OF TRIBAL ORGANIZATIONS TO OPERATE  
BIA-FUNDED EDUCATION AND EDUCATION-RELATED PROGRAMS**

The Navajo Nation hereby places the following conditions on its sanction of the **Dibé Yazhi'Habit'iin Olta, Inc. (Borrogo Pass Community School, Inc.) (School)** to enter into a grant with the Bureau of Indian Affairs for the educational programs specified herein.

- a) The Superintendent of Schools shall appoint one (1) staff person from the Department of Diné Education to provide guidance and assistance to the **Dibé Yazhi'Habit'iin Olta, Inc. (Borrogo Pass Community School, Inc.)**, in the preparation of the required documents for future reauthorization, compliance with federal and Navajo Nation laws, and, upon request, to assist with any negotiations of the terms and conditions of the proposed grant with the Bureau of Indian Affairs; and,
- b) The Department of Diné Education shall ensure compliance by the **Dibé Yazhi'Habit'iin Olta, Inc. (Borrogo Pass Community School, Inc.)** through monitoring and enforcement of the following mandatory provisions:
  - I) The **Dibé Yazhi'Habit'iin Olta, Inc. (Borrogo Pass Community School, Inc.)** shall, in the operation of the above noted programs, meet the academic standards established by the Navajo North Central Association, or such other minimum academic standards which may be established by the Navajo Nation Board of Education, and the BIA national dormitory criteria, if applicable; and,
  - II) The **Dibé Yazhi'Habit'iin Olta, Inc. (Borrogo Pass Community School, Inc.)** shall have conducted an annual audit, which meets the requirements of the federal Single Audit Act, and which shall be submitted on an annual basis to the Navajo Nation Department of Diné Education for verification and monitoring; and,
  - III) The **Dibé Yazhi'Habit'iin Olta, Inc. (Borrogo Pass Community School, Inc.)** shall respond to all audit findings and observations within ninety (90) days, including the development of a corrective action plan providing for the timely correction and/or resolution of all audit findings and observations, and shall provide a copy of its responses to the Department of Diné Education; and,
  - IV) The **Dibé Yazhi'Habit'iin Olta, Inc. (Borrogo Pass Community School, Inc.)** shall respond to any directives of the Navajo Nation Board of Education and/or Health, Education, and Human Services Committee related to this reauthorization within ninety (90) days, unless otherwise stated in the directive itself, and shall provide copies of its responses to the Department of Diné Education; and,

- V) In the event there is a proposed amendment to the grant that adds a program or deletes a program authorized by this resolution, the **Dibé Yazhi'Habit'iin Olta, Inc. (Borrego Pass Community School, Inc.)** shall request authorization from the Navajo Nation Board of Education, submitted through the Department of Diné Education.
- c) The **Dibé Yazhi'Habit'iin Olta, Inc. (Borrego Pass Community School, Inc.)** shall provide 2 copies of all grant-related documents as required by the *Grant/Contract Conversion and Maintenance Handbook* to the Navajo Nation Superintendent of Schools, Department of Diné Education, P.O. Box 670, Window Rock, Arizona 86515 by March 31st of the year in which its presentation to the Navajo Nation Board of Education for reauthorization is scheduled; and,
- d) The **Dibé Yazhi'Habit'iin Olta, Inc. (Borrego Pass Community School, Inc.)** shall present its proposal for reauthorization of the grant to the Navajo Nation Board of Education, which shall have the authority to approve the grant proposal, require the addition and/or deletion of terms and conditions, or decline approval of the grant; and,
- e) The **Dibé Yazhi'Habit'iin Olta, Inc. (Borrego Pass Community School, Inc.)** shall comply with all Navajo Nation laws, including, but not limited to 10 N.N.C. §1 et seq., and 11 N.N.C. §1 et seq., as well as applicable rules established by the Health, Education, and Human Services Committee of the Navajo Nation Council; and,
- f) The **Dibé Yazhi'Habit'iin Olta, Inc. (Borrego Pass Community School, Inc.)** shall permit representatives of the Department of Diné Education, the Navajo Nation Office of the Auditor General, and the Navajo Nation Ethics and Rules Office to conduct monitoring visits and/or have access to all grant records upon request; and,
- g) The **Dibé Yazhi'Habit'iin Olta, Inc. (Borrego Pass Community School, Inc.)** shall provide to the Navajo Nation Superintendent of Schools a written annual report regarding all activities conducted under the grant with the Bureau of Indian Affairs for the preceding school year. This report shall be submitted no later than September 30<sup>th</sup> of each year. In addition, the **Dibé Yazhi'Habit'iin Olta, Inc. (Borrego Pass Community School, Inc.)** shall include within the report brief descriptions of any substantial administrative, financial, and programmatic problems encountered in its operations; and,
- h) No portion of any grant funds or interest generated from funds received by the **Dibé Yazhi'Habit'iin Olta, Inc. (Borrego Pass Community School, Inc.)** from the Bureau of Indian Education, or any Navajo Nation general funds received directly or indirectly by the **Dibé Yazhi'Habit'iin Olta, Inc. (Borrego Pass Community School, Inc.)** shall be used to fund



litigation or administrative proceedings against the Navajo Nation, its officials, employees or entities; and,

- i) No portion of any grant funds or interest generated from funds received by the **Dibé Yazhi'Habit'iin Olta, Inc. (Borrogo Pass Community School, Inc.)** from the Bureau of Indian Affairs, or any Navajo Nation general funds received directly or indirectly by the **Dibé Yazhi'Habit'iin Olta, Inc. (Borrogo Pass Community School, Inc.)** shall be used for the purpose of providing insurance coverage for members of the school board. Provided, that a board member may participate in the **Dibé Yazhi'Habit'iin Olta, Inc. (Borrogo Pass Community School, Inc.)**'s insurance plan, if the school board agrees, and if the board member covers the entire amount of the insurance premiums from his or her personal funds; and,
- j) The **Dibé Yazhi'Habit'iin Olta, Inc. (Borrogo Pass Community School, Inc.)** shall, subject to the requirements of the federal Family Educational Rights and Privacy Act (FERPA) and other applicable federal and Navajo Nation laws, provide all requested educational records and personal information collected from students to the Navajo Nation, Department of Diné Education's Navajo Education Information System (NEIS); and,
- k) The Navajo Nation further conditions its sanction upon the agreement by the **Dibé Yazhi'Habit'iin Olta, Inc. (Borrogo Pass Community School, Inc.)** that the Navajo Nation through its Board of Education and Department of Diné Education retains the legal authority to monitor the operations and management of the **Dibé Yazhi'Habit'iin Olta, Inc. (Borrogo Pass Community School, Inc.)** to enforce Navajo Nation laws, to oversee the performance of the grant hereby approved, and to require that the **Dibé Yazhi'Habit'iin Olta, Inc. (Borrogo Pass Community School, Inc.)** make appropriate changes to the operation and management of the **Dibé Yazhi'Habit'iin Olta, Inc. (Borrogo Pass Community School, Inc.)** In the event that such changes involve revisions to the scope of the authorization of the **Dibé Yazhi'Habit'iin Olta, Inc. (Borrogo Pass Community School, Inc.)**, the Navajo Nation Board of Education, through the Department of Diné Education, shall review the issues involved and approve any revisions to the scope of the authorization; and,
- l) The sanction and authorization provided to the **Dibé Yazhi'Habit'iin Olta, Inc. (Borrogo Pass Community School, Inc.)** is strictly limited to that authority granted to operate certain specified education and education-related programs referred to in this resolution.

**ADDITIONAL CONDITIONS ON SANCTIONS  
OF THE NAVAJO NATION BOARD OF EDUCATION**

The Navajo Nation Board of Education hereby places the following conditions on the **Dibé Yazhi'Habit'iin Olta, Inc. (Borrogo Pass Community School, Inc.)** in addition to the standard conditions and sanctions.

**The Dibé Yazhi'Habit'iin Olta, Inc. (Borrogo Pass Community School, Inc.) shall:**

- m) Provide a satisfactory and sufficient corrective action plan addressing the deficiencies in the school's audits and finances (**EXHIBIT A-1**), which shall be submitted to the Department of Diné Education (Office of Diné Accountability and Compliance).
- n) Future Request for Proposals (RFP's) for Annual Audits shall include auditing of school board stipends and travel, and full compliance with the Navajo Nation Uniform Stipend and Travel Policy (ECD-35-10). The school shall also comply with the budgetary limits and Weighted Student Unit (WSU) limits that are required pursuant to ECD-35-10.
- o) Submit SF-425 Quarterly Finance Reports to Bureau of Indian Education (BIE) and the Department of Diné Education (Office of Diné Accountability and Compliance).
- p) Collaborate with the Office of Standards, Curriculum, & Assessment Development (OSCAD) to enhance the learning of Diné Language and Culture, develop and implement a strong Diné Language/Culture program for the students, including incorporation of the Navajo Nation's Five (5) Content Standards (Diné Language, Culture, Government, History).
- q) Character) aligned to the Common Core State Standards (CCSS) into the school's curriculum. The school shall also participate in professional development and cluster training sessions provided by the Office of Standards, Curriculum, & Assessment Development (OSCAD). The school shall provide evidence/documentation that it is complying with this requirement.
- r) Provide one (1) hour of daily instruction in Diné language and culture. The school shall provide evidence/documentation that it is complying with this requirement.
- s) Administer the Oral Diné Language Assessment (ODLA – pre/post-test) and submit data to the Department of Diné Education, Office of Educational Research and Statistics (OERS) and Office of Standards, Curriculum, & Assessment Development (OSCAD). The school shall also administer and submit data for other assessments that are developed by the Office of Standards, Curriculum, & Assessment Development (OSCAD). The school shall provide evidence/documentation that it is complying with this requirement.

- t) Provide all requested educational records and data collected from students to the Navajo Nation, Department of Diné Education Office of Educational Research & Statistics (OERS).
- u) Continue to follow all Navajo Nation, State and Federal Laws, Policies and Guidelines in operating the school.

### 3. Application Content

**A. Name, address and phone number of the school board submitting the application.**

Dibé Yazhi'Habit'iin Olta, Inc.  
P.O. Box 679  
Crownpoint, New Mexico 87313

Telephone Number: (505) 786-5237

Fax: (505) 786-7078

Contact persons: Fernie Yazzie, President  
Anselem Morgan, Vice-President  
Janet Mariano, Board Member  
Clifford Desidero, Board Member

**B. Resolutions from the local school board and the chapter(s) within the school's authorized boundaries supporting the school board application.**

The application package includes:

- Resolution of the Dibé Yazhi'Habit'iin Olta, Inc. passed at a duly called meeting on Insert Date, requesting to continue operation of all education and education-related programs, school construction, facilities improvement and repair, and minor improvement and repair projects pursuant to the provisions of Public Law 100-297 Insert date
- Supporting Resolutions are from:
  1. Baca/Prewitt Chapter; passed March 16, 2018.
  2. Casamero Lake Chapter; passed March 04, 2018
  3. Crownpoint Chapter; passed March 20, 2018
  4. Littlewater Chapter; passed March 15, 2018
  5. Mariano Lake Chapter; passed March 28, 2018
  6. Smith Lake Chapter; passed February 28, 2018
  7. Dibe Yazhi Habitiin Olta, Inc. Resolution; passed March 6, 2015
  8. Eastern Navajo Agency Council Resolution; passed December 6, 2014

**C. Narrative explanation of the school board's prior experience and knowledge in operating the school.**

The application includes four (4) board members resume or narrative outlining their experiences and educational backgrounds. On an ongoing basis, the board members attend conferences, workshops and training to remain abreast of current school operation and board knowledge to meet the needs of the school and personal interest.

**D. Information on the geographic and demographic factors in the affected areas.**



The application package includes an overall narrative description identifying its history and statistics throughout the community, as they comply with Navajo Nation Policies and Procedures for Walver of School Attendance Boundaries for Navajo Nation Bureau of Indian Affairs-Funded Schools Commencing in School Year 2000 (Resolution # ECN-112-00).

**E. A narrative description identifying each of the programs to be offered by the school board and a description of an implementation plan for each program.**

- 21 Century Community Learning Centers Program
- English Language Learning Program
- Title I Program
- Navajo Language and Culture Program

**F. If not adopted, an affirmative statement that the Navajo Nation North Central Association (NN/NCA) Academic Standards will be adopted, and that NN/NCA Certification will be acquired within one year.**

The application package includes a copy of the NN/NCA Accreditation Certificate. Valid through June 30, 2019.

**G. Statement certified by the school board if applicable, that the Residential Standards will be in conformance with 25 CFR Part 36 Subpart H. School boards shall report to OIEP with respect to instances of non-compliance with space and privacy requirements due to inadequate facilities.**

Dibé Yazhi'Habit'iin Olta, Inc. does not have a residential program.

**H. A specific point by point description of how the school board will handle the Requirements of:**

**1) Accounting and Management of equipment of the school and future equipment acquisitions.**

The accounting and management of equipment of the school and future equipment acquisitions are addressed in the Dibé Yazhi'Habit'iin Olta, Inc. Property and Policies Page 2, Adopted March 05, 2018.

**2) A bookkeeping and accounting procedure system**

- Bookkeeping and accounting procedures system addressed in the Dibé Yazhi'Habit'iin Olta, Inc. Financial Management Policies, Adopted March 05, 2018.

**3) Recruitment and retention of adequately trained personnel**

- Recruitment and retention of adequately trained personnel addressed in the Dibé Yazhi'Habit'iin Olta, Inc. Personnel Policies, Adopted July 18, 2018.

**4) Personnel policies and procedures**

- Personnel Policies, Adopted August 28, 2017.

**5) Financial policies and procedures**

- Financial Policies and Procedures, Adopted March 05, 2018.

**6) Risk management programs (Insurance, including but not limited to, general liabilities, property protection, fire, vehicles, etc.)**

- The Application includes Dibé Yazhi'Habit'iin Olta, Inc. contracts with Acord under Native American Schools and Summit Administration Services, Dated March 13, 2018

**7) Consolidated school reform plans**

- Plan 1114 (SY' 2017-2018) included, Strategies for Improvement of Student Scores

**8) Reporting Requirements (Single Agency Audit Act of 1984 as amended.)**

- The reporting requirements (Single Agency Audit Act of 1984 as amended) is addressed in the Financial Policies and Procedures, Adopted March 05, 2018.

**9) Implementation and enforcement of the Navajo Nation Ethics in Government Law (2 N.N.C. 6).**

The Implementation and enforcement of the Navajo Nation Ethics in Government Law (2 N.N.C. 6) are addressed in the Dibé Yazhi'Habit'iin Olta, Inc. Governing Board Policies, Adopted March 05, 2018.

**I. Documentation of Incorporation with the Navajo Nation Corporation Commission.**

The application package includes a copy of the Certificate of Incorporation (File Number: 100540); Dibé Yazhi'Habit'iin Olta, Inc., Inc. was issued and authorized to transact business within the Navajo Nation on October 25, 2000. Paid receipt dated 05/21/2018 included.

**J. A Scope of Work that addresses program Implementation and compliance to be utilized as a foundation by an independent auditing firm that will be**

**retained to conduct an annual audit which meets the requirements of the Single Agency Audit Act of 1984 as amended in 1996.**

The application package includes an engagement letter (Contact) McCabe CPA Group, LLC for SY '17 (Audit Not Completed), and with Midwest Professionals, P.L.L.C. SY' 16 and SY'15. Financial Statements and Independent Auditor's Report.

- Scope of Work for SY '15; SY '16; (SY' 17 is not attached)
- Audits for SY '15; SY '16; (SY' 17 is not attached)

- K. Assurances that all employees will receive a background investigation and that the employees will meet the minimum standards for character and suitability required in 25 CFR Part 63.11. School board members, in compliance with Navajo Law (including Navajo Election Law) and Federal laws, will also receive criminal background investigations. The criminal background check will include federal, state, and tribal convictions or *No/lo Contendere* pleas on child related convictions. No individuals convicted of any child related crimes may serve on the school board.**

The application package includes required signed certification from all four (4) school board members, as they will be in compliance.

- L. A Certification from each school board member that they have read and understand 25 USC 450d-Criminal Activities Involving Grants, Contracts, etc.; Penalties.**

The application package includes required signed certification from all four (4) school board members, as they will be in compliance.)

- M. Certification from each school board member that they understand that all funds received must be deposited in accounts that are insured by an agency or instrumentality of the United States.**

The application package includes required signed certification from all four (4) school board members, as they will be in compliance.

- N. Certification from each school board member, the school chief administrative officer, and the fiscal & personnel manager that they have read and understand the Provisions of OMB Circular, A-87 particularly those sections that pertain to allowable and unallowable cost.**

The application package includes required signed certification from the Principal, Business Manager, and four (4) Board as they are in compliance.

- O. Certification from each school board member that they have read and understand the *"Indian Child Protection and Family Violence Prevention Act of 1990"* requiring child abuse reporting procedures plan and background investigation requirement procedures.**

The application package includes required signed certification from four (4) school board members, as they will be in compliance.

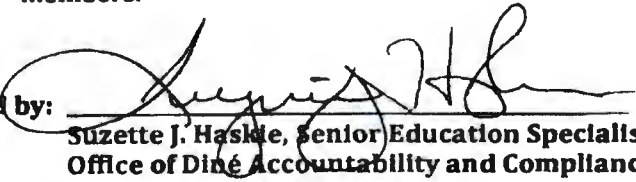
- P. A signed copy of a School Board Code of Ethics from each school board member.**

The application package includes required signed certification from four (4) school board members, as they will be in compliance. **Missing two board member forms/signatures- Anselm Morgan and Clifford Desiderio**

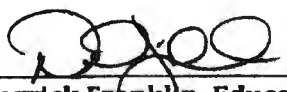
- Q. Certification from each school board member that they have received training in the contents of these requirements.**

The application package includes required signed certification from four (4) school board members.

Reviewed by:

  
Suzette J. Haske, Senior Education Specialist  
Office of Diné Accountability and Compliance  
Department of Diné Education

CONCURRED:

  
Darrick Franklin, Education Program Manager  
Office of Diné Accountability and Compliance (ODAC)  
Department of Diné Education (DoDE)



**Dibe Yazhi Ha'bitiin Olta  
Audit and Budget Summary**

**Audit**

**Audit ending 6/30/2015:**

**Audit ending 6/30/2016:** School received "disclaimer opinion" (financial statement was not prepared in accordance with Government Accounting Acceptance Principles (GAAP). Nine of the deficiencies found are considered material weaknesses. Under Federal Awards, "disclaimer opinion" was also made. Ten deficiencies are considered material weaknesses. Audit findings that are required to be reported in accordance with 2 CFR section 200.506(a) are reported in Part C. Five of these findings contained questioned costs totaling \$1,944.29. School was determined not a low-risk auditee.

**Audit ending 6/30/2017:** After numerous calls and e-mails, Borrego did not submit their Audit Report for SY 2017.

**Budget**

*Statement of Revenues, Expenditures and Changes in Fund Balance – Government Funds*

	Ending 6/30/15	Ending 6/30/16	Ending 6/30/17
<b>Revenues:</b>			
Federal Revenues	\$ 2,445,500	\$ 2,557,972	
Other Grant Revenue	5,026	27,597	
Other Invoice	68,030	82,418	
Total Revenues	<u>2,518,625</u>	<u>2,668,987</u>	
<b>Expenditures:</b>			
Instruction	1,633,633	1,605,110	
Support Serv. Admin.	396,606	443,427	
O & M Facilities	334,453	325,261	
Transportation Serv.	288,116	284,716	
Operation of Non-Instruc. Serv.	127,559	125,812	
In-Kind Expenditures	5,026	-	
Total Expenditures	<u>2,785,393</u>	<u>2,784,326</u>	
Revenues Over Expenditures	<u>(266,768)</u>	<u>(115,339)</u>	
Net Change in Fund Balances	<u>(266,768)</u>	<u>(115,339)</u>	
<b>Fund Balances, Beginning of Year</b>	(1,211,880)	(1,478,880)	
<b>Fund Balances, End of Year</b>	<u>(1,478,648)</u>	<u>\$ (1,593,987)</u>	

This summary is only for revenues received in the years noted and the expenditures for that year against the revenues. This summary does not include assets, accounts payable and other liabilities.

Reviewed by: Phillip Belona, Senior Education Specialist

Date: May 30, 2018



### Search Results for Single Audits

YOUR SEARCH FOUND 6 RECORD(S)


 [Download Summary Report](#)

**1 SEARCH CRITERIA:**

- FISCAL YEAR : ALL YEARS
- FAC RELEASE DATE :
- FISCAL PERIOD END DATE
- AUDITEE EIN : 850220890
- EIN RELATIONSHIP : ESTER
- AUDITEE NAME
- AUDITEE STATE :
- FINANCIAL STATEMENT OPINION :
- SPECIAL FRAMEWORK OPINION :
- FEDERAL AGENCIES WITH CURRENT OR PRIOR YEAR AUDIT FINDINGS ON DIRECT AWARDS :
- CFDA NUMBER :
- ADDITIONAL AWARD IDENTIFICATION :
- CLUSTER NAME :
- LOAN/LOAN GUARANTEE :
- PASS THROUGH :
- SUB RECIPIENT AWARD
- DIRECT AWARD :
- MAJOR PROGRAM :
- TYPE OF AUDIT FOR MAJOR PROGRAM :
- FEDERAL AWARD FINDINGS :
- COGNIZANT OR OVERSIGHT AGENCY (FAC CALCULATED)
- NAME OF FEDERAL COGNIZANT/OVERSIGHT AGENCY :
- FEDERAL AWARD FINDINGS DETAILS (2013 AND BEYOND)
- COMPLIANCE REQUIREMENT :
- REPEAT FINDING :
- QUESTIONED COSTS :

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Auditee EIN	Auditee Name	City	State	Fiscal Year End Date	FAC Accepted Date	File Name	Form	Alert	Download 
850220890	DIBE YAZHI HABITIN OLTA, INC.	CROWNPOINT	NM	06/30/2016	06/27/2018	11092520161	<a href="#">Form</a>		
850220890	DIBE YAZHI HABITIN OLTA, INC.	CROWNPOINT	NM	06/30/2015	07/08/2016	11092520151	<a href="#">Form</a>		
850220890	DIBE YAZHI HABITIN OLTA, INC.	CROWNPOINT	NM	06/30/2014	03/31/2015	11092520141	<a href="#">Form</a>		
850220890	DIBE YAZHI HABITIN OLTA, INC.	CROWNPOINT	NM	06/30/2013	03/28/2014	11092520131	<a href="#">Form</a>		
850220890	DIBE YAZHI HABITIN OLTA, INC.	CROWNPOINT	NM	06/30/2012	02/04/2013	11092520121	<a href="#">Form</a>		
850220890	DIBE YAZHI HABITIN OLTA, INC.	CROWNPOINT	NM	06/30/2011	02/25/2012	11092520111	<a href="#">Form</a>		

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United States Department of the Interior  
Bureau of Indian Education  
Education Resource Center  
School Operations  
P.O. Box 3239  
Shiprock, New Mexico 87420  
PH: (505) 368-3400



June 18, 2018

Registered Mail - Return Receipt Requested

School Board President  
Dibe'Yazhi'Habit'iin O'lt'a, Inc.  
P.O. Box 679  
Crownpoint, NM 87313

#### NOTICE OF CHANGE IN PAYMENT METHOD

Dear School Board President:

As of to date, June 18, 2018, Bureau of Indian Education and Division of Evaluation and Assessment (DIEA) has not received Dibe Yazhi Habitiin Olta, Inc. Audit Report Ending June 30, 2017. Therefore, due to not meeting the statutory and regulatory requirements for annual submission of single audit reports, the School will continue to remain on sanctions (Level I) during fiscal year 2018-2019.

The Indian Self-Determination and Education Assistance Act (ISDEAA) require that:  
For each fiscal year during which an Indian tribal organization receives or expends funds pursuant to a contract entered into, or grant made, under this subchapter, the tribal organization that requested such contract or grant shall submit to the appropriate Secretary a single-agency [sic] audit report required by chapter 75 of Title 31, [25 U.S.C. 450c (f)].

Pursuant to 2 CFR 200, recipients are required to file their Single Audit reports with the Federal Audit Clearinghouse within 9 months of the end of its fiscal year. According to the records of DIEA and the Federal Audit Clearinghouse, Dibe'Yazhi'Habit'iin O'lt'a, Inc. has not submitted its Single Audit report for fiscal year ended June 30, 2017.

This action is taken pursuant to the authority contained in the Single Audit Act and the implementing guidance issued by the Office of Management and Budget through 2 CFR 200. Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Funds.

2 CFR§200.505 provides:

In cases of continued inability or unwillingness to have an audit conducted in accordance with this Part, Federal agencies and pass-through entities must take appropriate action as provided in section 200.338 Remedies for Noncompliance.

2 CFR § 200.338 provides:

- (a) Temporarily withhold cash payments pending correction of the deficiency by the Non-Federal entity or more severe enforcement action by the Federal awarding agency or pass-through entity.
- (b) Disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance.
- (c) Wholly or partly suspend or terminate the Federal award.
- (d) Initiate suspension or debarment proceedings as authorized under 2 CFR 180 and Federal awarding agency regulations (or in the case of a pass-through entity, recommend such a proceeding be initiated by a Federal awarding agency).
- (e) Withhold further Federal awards for the project or program.
- (f) Take other remedies that may be legally available.

The Bureau has determined that because you have failed to submit to DIEA appropriate audits, we will make payments of all contract funds, including contract support costs, by way of monthly advance installments, until all audits have been submitted to DIEA. Other payment methods will resume upon the Bureau's receiving notification that the tribe has submitted its Single Audit report for fiscal year June 30, 2017. Moreover, the Bureau reserves the right to impose additional sanctions, including withholding funds, if audits are not submitted in a timely manner.

Single Audit reports are to be sent to DIEA and the Federal Audit Clearinghouse at the following addresses:

The Internet Data Entry System (IDEA)  
is the place to submit the Single Audit  
reporting package, including from SF-SAC,  
to the Federal Audit Clearinghouse (FAC).

IDES can be accessed at:  
<https://harvester.census.gov/facweb/>

U.S. Department of the Interior  
Deputy Assistant Secretary – Indian  
Affairs (Management)  
12220 Sunrise Valley Drive  
Reston, Virginia 20191  
E-mail: [oiea@bia.gov](mailto:oiea@bia.gov)  
Phone: (703) 390-6484  
Fax: (703) 390-6504

We suggest that audits be mailed "return receipt requested".

Sincerely,



Dr. Rena M. Yazzie,  
Education Program Administrator – School Operations

cc: DIEA  
Marilyn Holiday, Grants Management Specialist

### APPEAL NOTICE

This is a final decision of the Awarding Official. You may appeal this decision to the Civilian Board of Contract Appeals, 1800 F Street, NW, Washington, DC 20405. The Civilian Board of Contract Appeals (CBCA) is the authorized representative of the Secretary of the Interior with jurisdiction to hear and determine appeals relating to contracts (or grants) made by any Bureau or Office of the Department of the Interior.

If you decide to appeal, you must mail or otherwise furnish a written notice of appeal to the CBCA within 90 days of receipt of this decision and provide a copy to the Awarding Official from whose decision the appeal is taken. The notice of appeal must indicate that an appeal is intended, reference this decision, and identify the contract number.

If you appeal to the CBCA, you may, solely at your election, proceed under the Board's small claims procedure for claims of \$50,000 or less or its accelerated procedure for claims of \$100,000 or less. Instead of appealing to the CBCA, you may bring an action directly in U.S. Court of Federal Claims within 12 months of the date you receive this decision, pursuant to section 110 of the ISDEAA, 25 U.S.C. § 450m-1, and the Contract Disputes Act, 41 U.S.C. § 601 *et seq.*



Form SF-446 REPORTED 7/3/07 VERSION 1

## Part III: INFORMATION FROM THE SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### Continued

#### 2. FINANCIAL STATEMENTS

##### a. Financial Statement Information

1. What were the results of the auditor's determination of whether the financial statements of the auditee were prepared in accordance with generally accepted accounting principles (GAAP)?

Select one combination:

##### Disclaimer Opinion

1. What was the special purpose framework? (Select only one)

N/A

2. What was the special purpose framework used a basis of accounting required by state law or tribal law?

N/A

3. What was the auditor's opinion on the special purpose framework? (Select any combination)

N/A

4. Is a "going concern" emphasis-of-matter paragraph included in the auditor's report?

No

5. Is a significant deficiency in internal control disclosed?

☐ Yes ☐ No

6. Is a material weakness in internal control disclosed?

☐ Yes ☐ No

7. Is a material noncompliance disclosed?

☐ Yes ☐ No

#### 3. FEDERAL PROGRAMS

8. Does the auditor's report include a statement that the auditee's financial statements include departments, agencies, or other organizational units expending \$750,000 or more in federal awards that have separate Uniform Guidance audits which are not included in this audit (ASQ# Audit Guide)?

☐ Yes ☐ No

No

9. What is the dollar threshold used to distinguish Type A and Type B programs? (Uniform Guidance § 200.516(a)(1))

\$ \_\_\_\_\_

\$750,000

10. Did the auditee qualify as a low-risk auditee (Uniform Guidance § 200.520)?

☐ Yes ☐ No

No

11. Indicate which Federal Agency(ies) have prior audit findings shown in the Summary Schedule of Prior Audit Findings related to federal funding. Check (X) all that apply or None

If an agency has been selected (see the full list of agencies in Appendix A of the instructions), it will appear in a list in this section. For example, if 25. General Services Administration, 55. Miscellaneous, 55. National Gallery of Art, and 07. Office of National Drug Control Policy are selected, the list will appear in this section as "25, 55, 55, 07."

#### 12. DEPARTMENTS TO BE STOPPED

## Part III: INFORMATION FROM THE SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued

## 4. FEDERAL AWARD AUDIT FINDINGS

Schedule of Findings and Questioned Costs														
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)
Row Number from Part II, Item 1	Federal Awarding Agency Prefix	CFDA Three Digit Extension	Additional Award Identification (Optional)	Name of Federal program	Audit Finding Reference Number (YYY-###)	Type(s) of Compliance Requirement(s) <sup>1</sup>	Compliance Audit Findings <sup>2</sup>		Internal Control Audit Findings <sup>2</sup>		Other Audit Findings <sup>2</sup>	Questioned Costs	Repeat Audit Finding from Prior Year	If column (m) is "Y", provide Prior Year Audit Finding Reference Numbers
							Modified Opinion	Other Matters	Material Weakness	Significant Deficiency				
1	15	042		INDIAN SCHOOL EQUALIZATION PROGRAM	2012-007	B	N	N	Y	N	N	N	Y	2012-007
1	15	042		INDIAN SCHOOL EQUALIZATION PROGRAM	2012-004	B	Y	N	Y	N	N	Y	Y	2012-004
1	15	042		INDIAN SCHOOL EQUALIZATION PROGRAM	2012-002	B	Y	N	Y	N	N	Y	Y	2012-002

1	15	042	INDIAN SCHOOL EQUALIZATION PROGRAM	2016-001	N	Y	N	Y	N	N	N	N	N	
1	15	042	INDIAN SCHOOL EQUALIZATION PROGRAM	2016-002	L	Y	N	N	N	N	N	N	N	
1	15	042	INDIAN SCHOOL EQUALIZATION PROGRAM	2014-002	B	Y	N	Y	N	N	Y	Y	2014-002	
1	15	042	INDIAN SCHOOL EQUALIZATION PROGRAM	2014-004	B	Y	N	Y	N	N	Y	Y	2014-004	
1	15	042	INDIAN SCHOOL EQUALIZATION PROGRAM	2012-001	B	N	N	Y	N	N	N	Y	2012-001	
1	15	042	INDIAN SCHOOL EQUALIZATION PROGRAM	2014-005	B	N	N	Y	N	N	N	Y	2014-005	
1	15	042	INDIAN SCHOOL EQUALIZATION PROGRAM	2012-005	C	Y	N	N	N	N	N	Y	2012-005	
1	15	042	INDIAN SCHOOL EQUALIZATION PROGRAM	2016-003	I	Y	N	Y	N	N	N	N		



1	15	042	INDIAN SCHOOL EQUALIZATION PROGRAM	2014-001	B	Y	N	Y	N	N	Y	Y	2014-001
3	15	046	ADMINISTRATIVE COST GRANTS FOR INDIAN SCHOOLS	2012-002	B	Y	N	Y	N	N	Y	Y	2012-002
3	15	046	ADMINISTRATIVE COST GRANTS FOR INDIAN SCHOOLS	2012-007	B	N	N	Y	N	N	N	Y	2012-007
3	15	046	ADMINISTRATIVE COST GRANTS FOR INDIAN SCHOOLS	2014-004	B	Y	N	Y	N	N	Y	Y	2014-004
3	15	046	ADMINISTRATIVE COST GRANTS FOR INDIAN SCHOOLS	2016-002	L	Y	N	N	N	N	N	N	
3	15	046	ADMINISTRATIVE COST GRANTS FOR INDIAN SCHOOLS	2012-004	B	Y	N	Y	N	N	Y	Y	2012-004
3	15	046	ADMINISTRATIVE COST GRANTS FOR INDIAN SCHOOLS	2014-001	B	Y	N	Y	N	N	Y	Y	2014-001
3	15	046	ADMINISTRATIVE COST GRANTS FOR INDIAN SCHOOLS	2014-005	B	N	N	Y	N	N	N	Y	2014-005

3	15	046	ADMINISTRATIVE COST GRANTS FOR INDIAN SCHOOLS	2016-003	I	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>							
3	15	046	ADMINISTRATIVE COST GRANTS FOR INDIAN SCHOOLS	2012-001	B	N	<input checked="" type="checkbox"/>							2012-001
3	15	046	ADMINISTRATIVE COST GRANTS FOR INDIAN SCHOOLS	2012-005	C	<input checked="" type="checkbox"/>	N	N	N	N				2012-005
3	15	046	ADMINISTRATIVE COST GRANTS FOR INDIAN SCHOOLS	2014-002	B	<input checked="" type="checkbox"/>	N	<input checked="" type="checkbox"/>	N	N				2014-002
3	15	046	ADMINISTRATIVE COST GRANTS FOR INDIAN SCHOOLS	2016-001	N	<input checked="" type="checkbox"/>	N	<input checked="" type="checkbox"/>	N	N	N	N		

1.) Enter the letter(s) of all type(s) of compliance requirement(s) that apply to audit findings (i.e., noncompliance, significant deficiency (including material weaknesses), questioned costs, fraud, and other items reported under § 510(a)) reported for each Federal program.

2.) There are 9 valid combinations of 'Compliance Findings,' 'Internal Control Findings,' and 'Other Findings' for each Federal program with findings. (See instructions - item 7)

Submissions



## FAC Determined Data

Type of Entity	Indian tribe or Tribal organization
Current Year Direct Findings	Yes
Current Year Indirect Findings	No
Cognizant (C) or Oversight (O) Agency	Oversight
Cognizant or Oversight Federal Agency Name	15 - Department of the Interior
Type of Audit Report on Major Program (MP) Compliance (All MP compliance opinions combined)	Disclaimer

Form SF-SAC Single Audit Data Collection Form

REPORTID: 677340 VERSION:1

**FINANCIAL STATEMENTS SUMMARY**

1. Type of audit report

Unmodified

2. Is a 'going concern' emphasis-of-matter paragraph included in the audit report?

No

3. Is a significant deficiency disclosed?

Yes

4. Is a material weakness disclosed?

Yes

5. Is a material noncompliance disclosed?

Yes

**FEDERAL PROGRAMS SUMMARY**

1. Does the auditor's report include a statement that the auditee's financial statements include departments, agencies, or other organizational units expending \$500,000 or more in Federal awards that have separate A-133 audits which are not included in this audit? (AICPA Audit Guide)

No

2. What is the dollar threshold to distinguish Type A and Type B programs? (OMB Circular A-133 § 520(b))

\$300,000

3. Did the auditee qualify as a low-risk auditee? (§ 530)

No

4. Were Prior Audit Findings related to direct funding shown in the Summary Schedule of Prior Audit Findings? (§ 315(b))

Yes

5. Indicate which Federal agency(ies) have current year audit findings related to direct funding or prior audit findings shown in the Summary Schedule of Prior Audit Findings related to direct funding.

**DEPARTMENT OF THE INTERIOR**

Form SF-SAC Single Audit Data Collection Form				REPORT ID: 677340		VERSION: 1				
6. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR										
Federal Agency Prefix <sup>1</sup>	Extension <sup>2</sup>	Federal Program Name	Amount Expended	R&D	Loan/Loan Guarantee	ARRA <sup>3</sup>	Direct Award	Major Program (MP)	If yes (MP), type of audit report <sup>4</sup>	Number of Audit Findings
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
15	042	INDIAN SCHOOL EQUALIZATION PROGRAM	\$891,225	N	N	N	Y	Y	Qualified	9
15	043	INDIAN CHILD AND FAMILY EDUCATION	\$9,000	N	N	N	Y	N		0
15	044	INDIAN SCHOOL STUDENT TRANSPORTATION	\$369,732	N	N	N	Y	Y	Unmodified	8
15	046	ADMINISTRATIVE COST GRANT FOR INDIAN SCHOOLS	\$161,139	N	N	N	Y	Y	Qualified	8
15	047	INDIAN EDUCATION FACILITIES, OPERATION AND MAINTENANCE	\$320,369	N	N	N	Y	Y	Qualified	9
84	010	TITLE I GRANTS TO LOCAL EDUCATION AGENCIES	\$248,342	N	N	N	N	N		0
84	336	TEACHER QUALITY PARTNERSHIP GRANTS	\$17,554	N	N	N	N	N		0
84	060	TITLE VII - INDIAN EDUCATION - GRANTS TO LOCAL EDUCATIONAL AGENCIES	\$23,612	N	N	N	N	N		0
84	027	SPECIAL EDUCATION - GRANTS TO STATES	\$127,906	N	N	N	N	N		0
84	358	RURAL EDUCATION	\$757	N	N	N	N	N		0
84	287	TITLE IV, PART B, TWENTY-FIRST CENTURY COMMUNITY LEARNING CENTERS	\$178,663	N	N	N	N	N		0
84	410	EDUCATION JOBS FIRST	\$123	N	N	N	N	N		0
10	553	SCHOOL BREAKFAST PROGRAM	\$17,444	N	N	N	Y	N		0
10	559	SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	\$40,867	N	N	N	Y	N		0
10	565	COMMODITY FOODS - IN KIND	\$5,026	N	N	N	Y	N		0
10	555	NATION SCHOOL LUNCH PROGRAM	\$38,827	N	N	N	Y	N		0





15	044	INDIAN SCHOOL STUDENT TRANSPORTATION	2014-001	B	N	N	N	N	N	N		
15	044	INDIAN SCHOOL STUDENT TRANSPORTATION	2012-004	B	N	N	Y	N	N	N		
15	044	INDIAN SCHOOL STUDENT TRANSPORTATION	2012-001	B	N	N	Y	N	N	N		
15	044	INDIAN SCHOOL STUDENT TRANSPORTATION	2014-005	B	N	N	Y	N	N	N		
15	044	INDIAN SCHOOL STUDENT TRANSPORTATION	2014-002	B	N	N	Y	N	N	N		
15	044	INDIAN SCHOOL STUDENT TRANSPORTATION	2012-007	B	N	N	Y	N	N	N		
15	044	INDIAN SCHOOL STUDENT TRANSPORTATION	2012-002	B	N	N	Y	N	N	N		
15	046	ADMINISTRATIVE COST GRANT FOR INDIAN SCHOOLS	2014-002	B	Y	N	Y	N	N	Y		
15	046	ADMINISTRATIVE COST GRANT FOR INDIAN SCHOOLS	2012-004	B	Y	N	Y	N	N	Y		
15	046	ADMINISTRATIVE COST GRANT FOR INDIAN SCHOOLS	2014-004	B	Y	N	N	Y	N	Y		
15	046	ADMINISTRATIVE COST GRANT FOR INDIAN SCHOOLS	2012-007	B	N	N	Y	N	N	N		
15	046	ADMINISTRATIVE COST GRANT FOR INDIAN SCHOOLS	2012-001	B	N	N	Y	N	N	N		
15	046	ADMINISTRATIVE COST GRANT FOR INDIAN SCHOOLS	2014-005	B	N	N	Y	N	N	N		
15	046	ADMINISTRATIVE COST GRANT FOR INDIAN SCHOOLS	2014-001	B	N	N	N	Y	N	N		
15	046	ADMINISTRATIVE COST GRANT FOR INDIAN SCHOOLS	2012-002	B	Y	N	Y	N	N	Y		
15	047	INDIAN EDUCATION FACILITIES, OPERATION AND MAINTENANCE	2014-002	B	N	N	Y	N	N	Y		
15	047	INDIAN EDUCATION FACILITIES, OPERATION AND MAINTENANCE	2012-005	C	Y	N	N	N	N	N		



15	047	INDIAN EDUCATION FACILITIES, OPERATION AND MAINTENANCE	2012-001	B	N	<input checked="" type="checkbox"/> Y	N	N	N			
15	047	INDIAN EDUCATION FACILITIES, OPERATION AND MAINTENANCE	2014-004	B	N	N	N	Y	N			
15	047	INDIAN EDUCATION FACILITIES, OPERATION AND MAINTENANCE	2012-007	B	N	<input checked="" type="checkbox"/> Y	N	N	N			
15	047	INDIAN EDUCATION FACILITIES, OPERATION AND MAINTENANCE	2012-002	B	<input checked="" type="checkbox"/> Y	<input checked="" type="checkbox"/> Y	N	N	Y			
15	047	INDIAN EDUCATION FACILITIES, OPERATION AND MAINTENANCE	2014-005	B	N	<input checked="" type="checkbox"/> Y	N	N	N			
15	047	INDIAN EDUCATION FACILITIES, OPERATION AND MAINTENANCE	2014-001	B	<input checked="" type="checkbox"/> Y	N	Y	N	N			
15	047	INDIAN EDUCATION FACILITIES, OPERATION AND MAINTENANCE	2012-004	B	N	<input checked="" type="checkbox"/> Y	N	N	N			

1 Enter the letter(s) of all type(s) of compliance requirement(s) that apply to audit findings (i.e., noncompliance, significant deficiency (including material weakness), or fraud) for each Federal program with findings. (See instructions.)

2 There are 9 valid combinations of 'Compliance Findings,' 'Internal Control Findings,' and 'Other Findings' for each Federal program with findings. (See instructions.)

SUBMIT

## FAC Determined Data

Type of Entity	Indian Tribe/Alaskan Native Village-Dependent Local E
Current Year Direct Findings	Yes
Current Year Indirect Findings	No
Cognizant (C) or Oversight (O) Agency	Oversight
Cognizant or Oversight Federal Agency Name	15 - Department of the Interior
Type of Audit Report on Major Program (MP)	
Compliance (All MP compliance opinions combined)	Qualified

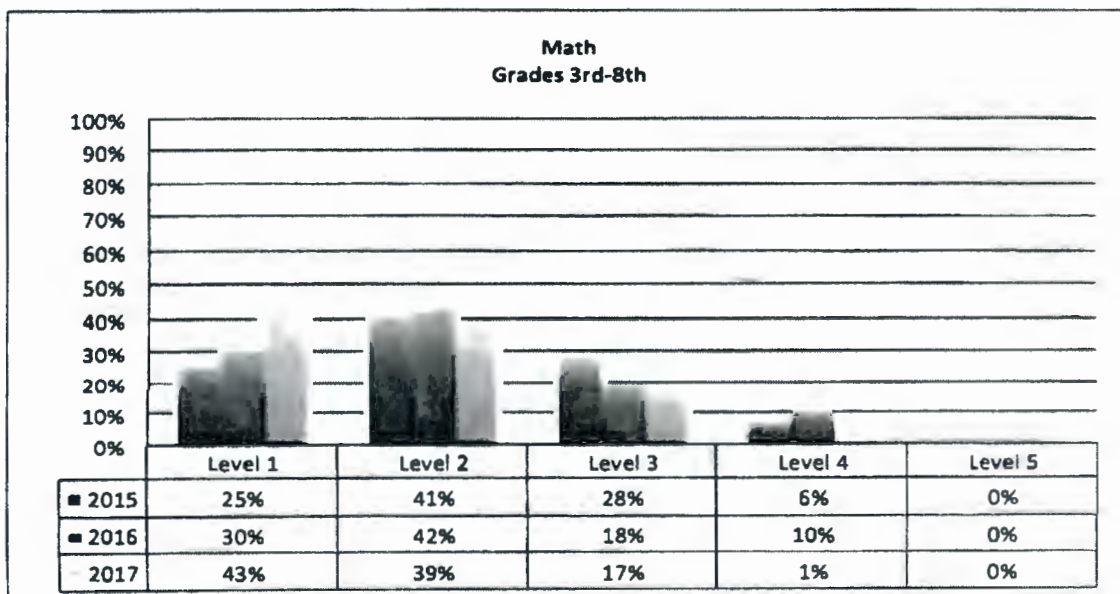
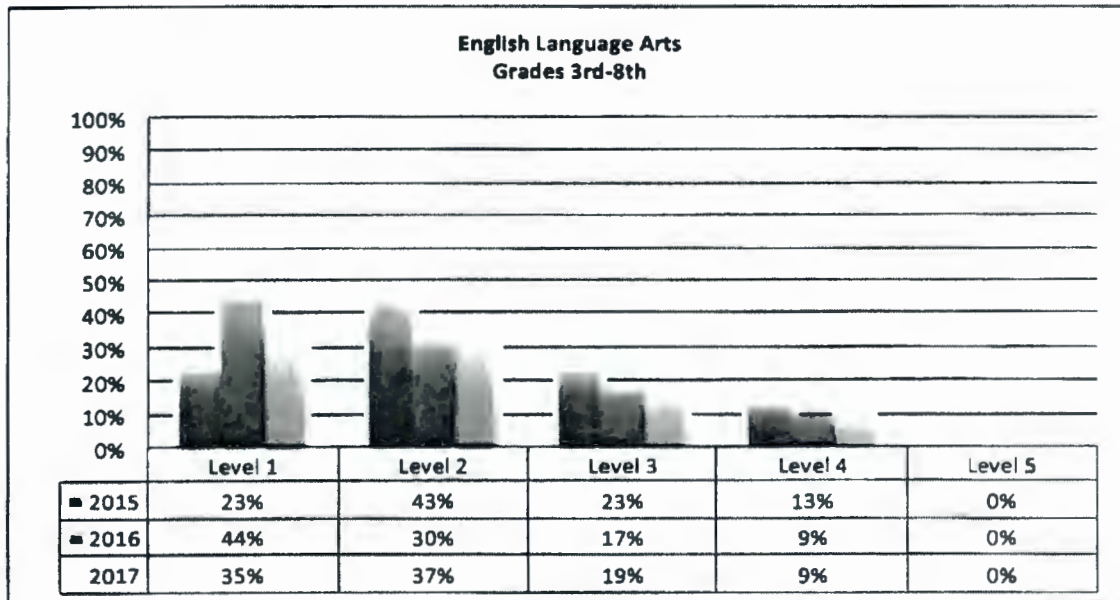


# Navajo Nation Grant School Overview

## Dibé Yazhi Habitiin Olta

Grade Level: K-8  
 State Assessment: PARCC  
 Demographics  
 School Enrollment: 176  
 Number of Teachers: 13

EXHIBIT  
**A-2**



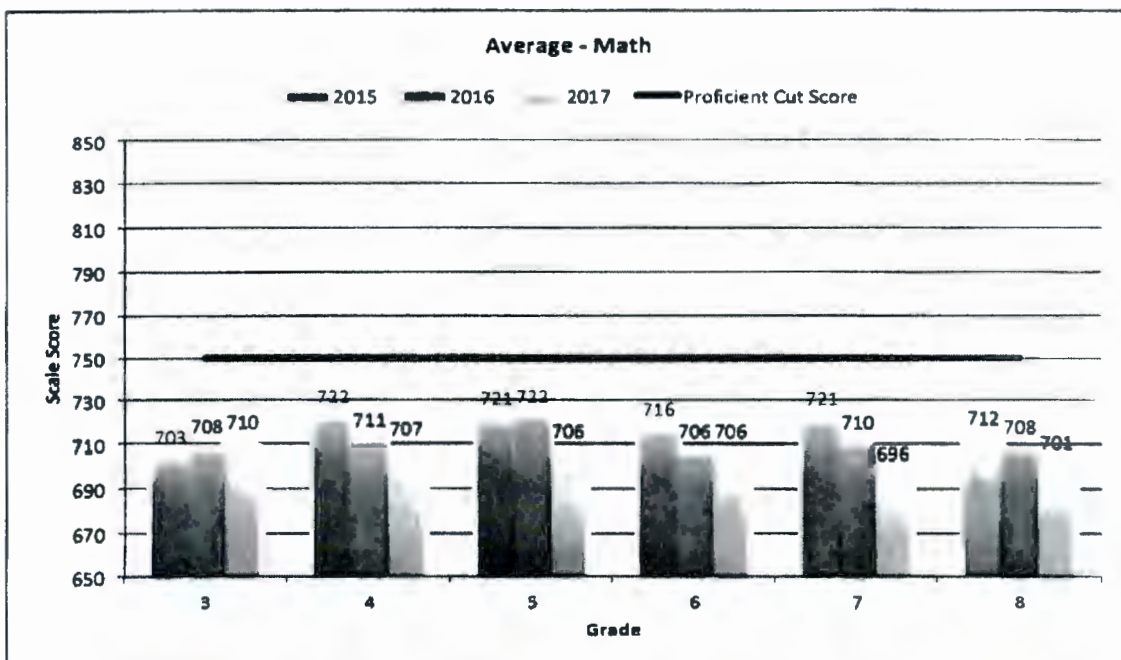
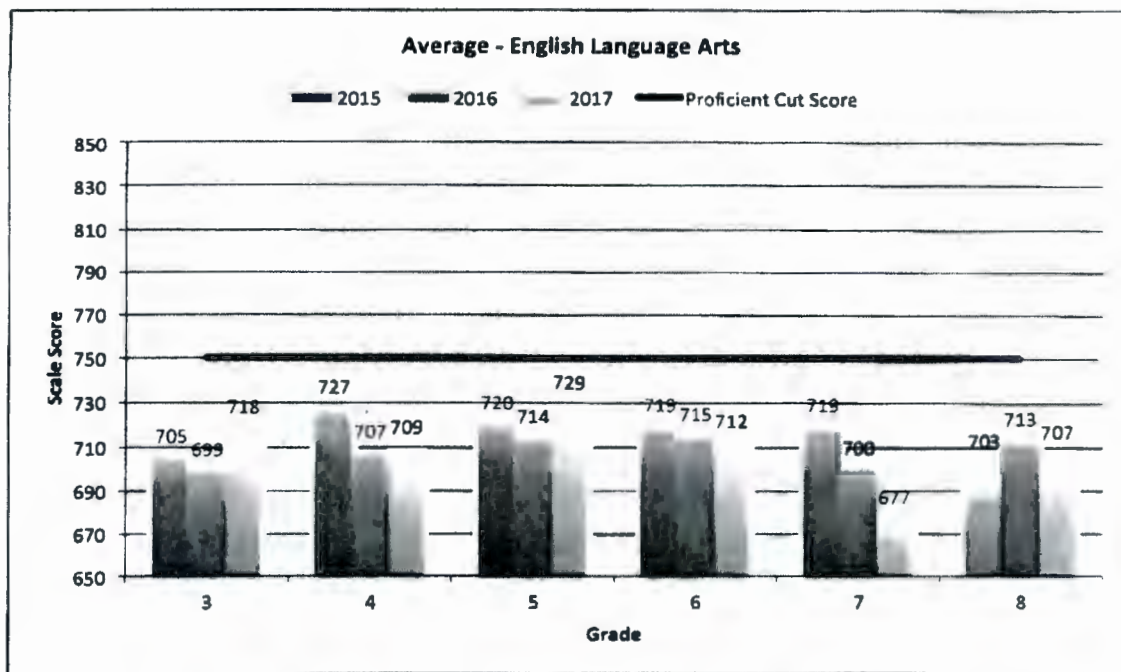
Level 1: Did Not Yet Meet Expectations  
 Level 2: Partially Met Expectations  
 Level 3: Approached Expectations

Level 4: Met Expectations  
 Level 5: Exceeded Expectations

English Language Arts						
	Level 1	Level 2	Level 3	Level 4	Level 5	Total
2014-15	18	34	18	10	0	80
2015-16	45	31	17	9	0	102
2016-17	34	36	18	9	0	97

Math						
	Level 1	Level 2	Level 3	Level 4	Level 5	Total
2014-15	20	32	22	5	0	79
2015-16	31	43	18	10	0	102
2016-17	42	38	17	1	0	98

Number of Students Tested	SY 2014-15	SY 2015-16	SY 2016-17
3 <sup>rd</sup>	13	25	15
4 <sup>th</sup>	19	12	18
5 <sup>th</sup>	11	24	16
6 <sup>th</sup>	13	11	22
7 <sup>th</sup>	13	11	15
8 <sup>th</sup>	11	19	12
Total	80	102	98



School: Dibé Yazhi Habitiin Olta  
 Source: State Assessments submitted by school  
 Prepared by the Office of Educational Research & Statistics  
 June 4, 2018



## Department of Diné Education

## Office of Standards, Curriculum &amp; Assessment Development (OSCAD)

School: Dibé Yazhi'Habit'iin Olta, Inc.Reauthorization Dates: 02/01/2016 to 06/30/2018

Schools Accomplishments	
Challenges/Obstacles	<ol style="list-style-type: none"> <li>1. Administrative turnover</li> <li>2. Turmoil within the school and school board</li> </ol>
School Action Plan	
Professional Development	<ol style="list-style-type: none"> <li>1. Teacher attends OSCAD sponsored culture and language cluster training.</li> </ol>
Navajo L/C Certification	<ol style="list-style-type: none"> <li>1. Teacher is 520 certified.</li> </ol>
Assessments: Oral Diné Language Assessments (ODLA)	<ol style="list-style-type: none"> <li>1. Submission of ODLA.</li> </ol>
Classroom Environment	<ol style="list-style-type: none"> <li>1. Navajo language and culture teaching is offered 45 minutes daily for all grade level.</li> <li>2. Two school visits are conducted yearly by OSCAD to ensure language and culture implementation.</li> </ol>
Recommendations	<ol style="list-style-type: none"> <li>1. Diné Curriculum needs upgrading to reflect age/grade appropriateness.</li> <li>2. Diné Content Standards implementation and move towards DCS assessment.</li> <li>3. Implementation of Diné Content Standards Assessment when becomes available.</li> </ol>
Commendations:	<ol style="list-style-type: none"> <li>1. Teacher demonstrates effective teaching the Navajo language and culture through student centered approach.</li> <li>2. Teacher is committed to her students; she truly enjoys working with them and is always patient and tolerant;</li> <li>3. Teacher is creative and seeks to use lessons that are interesting to the grade level of her students</li> </ol>

# Dibe' Yazhi Habiitiin Olta

## Oral Dine' Language Assessment

### *Pre & Post Test Results for School Year 2017-18*

Analysis Completed by:  
Office of Educational Research & Statistics



DEPARTMENT OF DINE EDUCATION  
NAVAJO NATION  
OFFICE OF EDUCATIONAL RESEARCH & STATISTICS

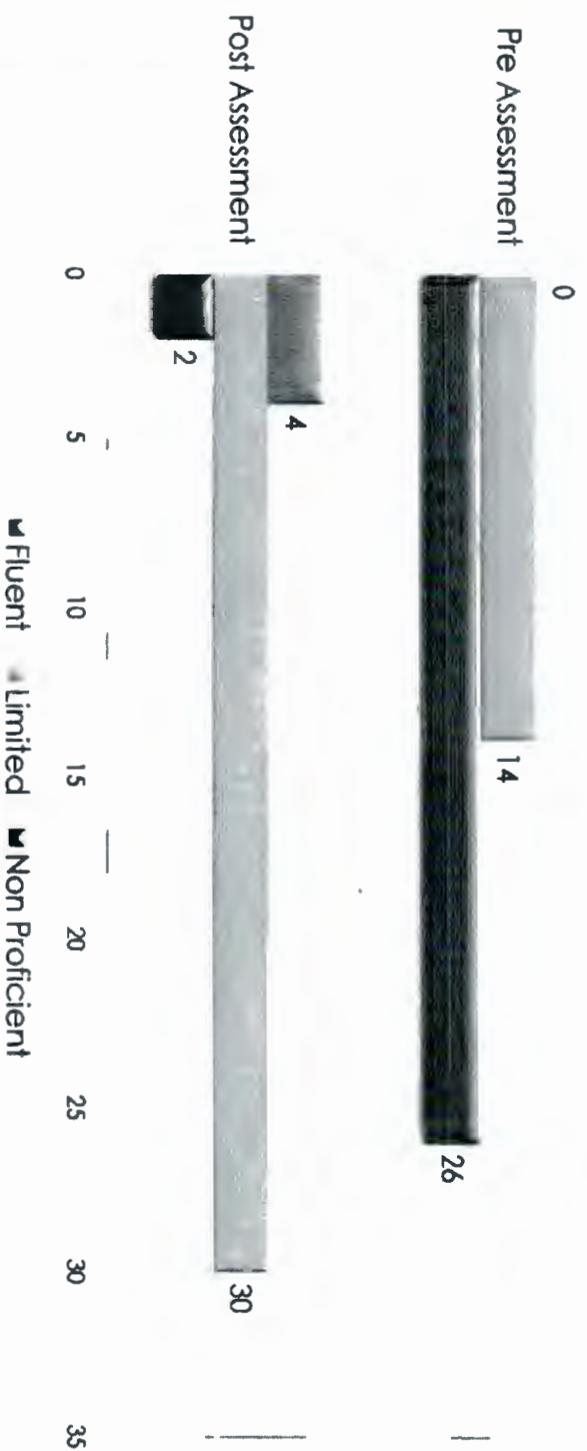
# Number of Students Tested

School Year 2017-18

Grade Level	Pre Test	Post Test
Kindergarten	13	12
4th Grade	12	12
8th Grade	15	12
<b>TOTAL</b>	<b>40</b>	<b>36</b>

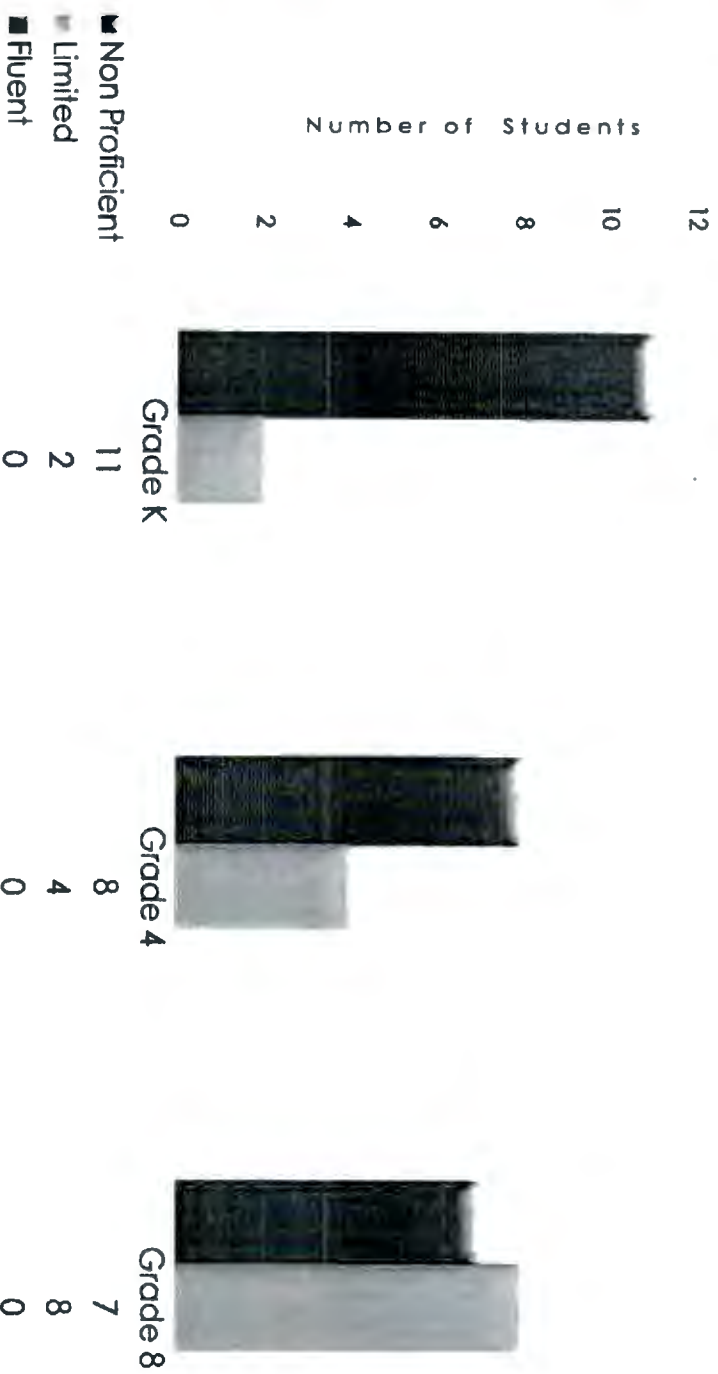
# Oral Dine' Language Assessment Overall Proficiency Level Pre & Post Test Results

School Year 2017-18



# Oral Dine' Language Assessment Overall Proficiency Level Pre Test Results (Fall)

School Year 2017-18

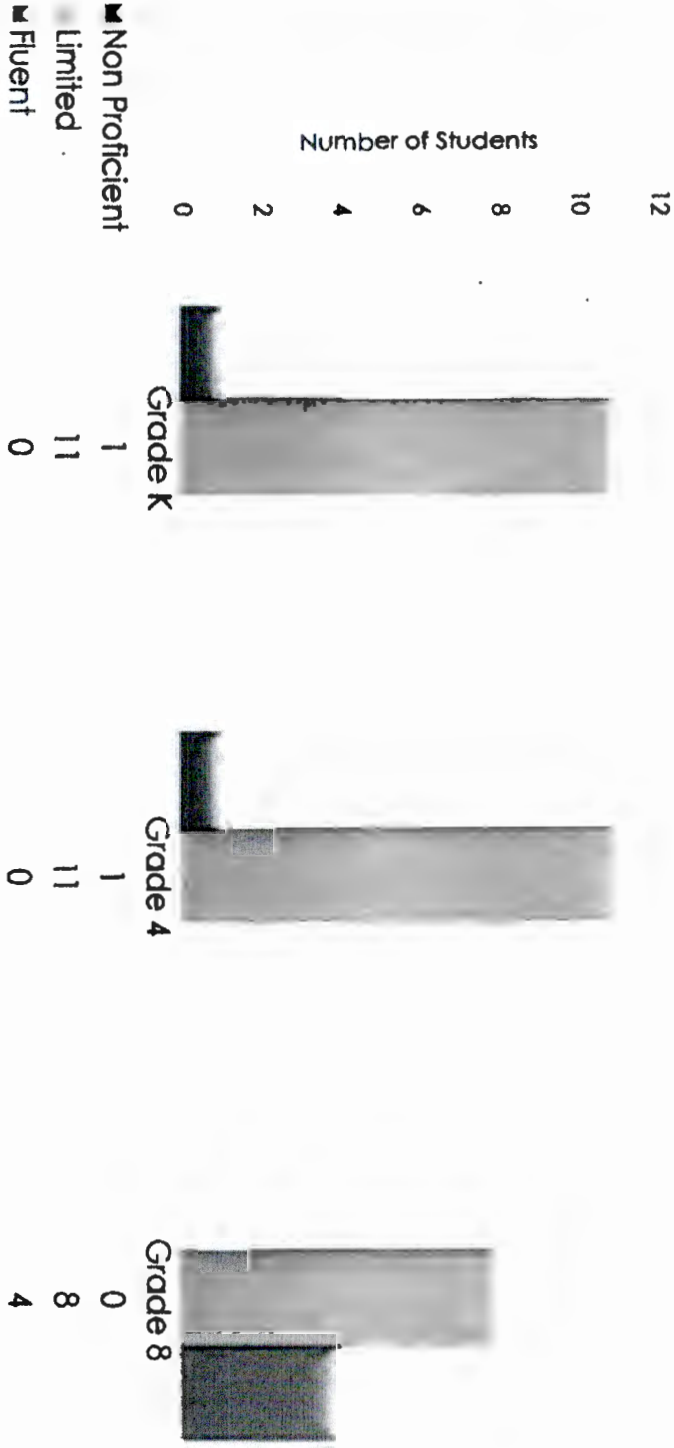




# Oral Dine' Language Assessment

## Overall Proficiency Level Post Test Results (Spring)

School Year 2017-18





Department of Diné Education  
P.O. Box 4740  
Window Rock, AZ 86515

advanc-  
866.522.9  
928.871.6  
928.871.6296 fax



## Reauthorization Meeting

June 4, 2018

### AdvancED Accreditation Status (Schools)

1. Chilchimbeto Community School, Inc.
  - Engagement Review SY' 2019-2020 Accredited -
2. Dibe Yazhi Habiltin Olta, Inc.
  - Engagement Review SY' 2018-2019 Accredited -
3. Hanaa'dil School/Dormitory, Inc.
  - Engagement Review SY' 2020-2021 Accredited
4. To'Hajillee-He Community School, Inc.
  - Engagement Review SY' 2020-2021 Accredited
5. NaNeelzhlin Ji'Olta, Inc.
  - Engagement Review SY'2020-2021 Accredited
6. NavaJo Preparatory School, Inc.
  - Engagement Review SY'2019-2020 Accredited



HEALTH, EDUCATION AND HUMAN SERVICES COMMITTEE

REGULAR MEETING

August 13, 2018

ROLL CALL

VOTE TALLY SHEET

LEGISLATION 0266-18 AN ACTION RELATING TO HEALTH, EDUCATION AND HUMAN SERVICES COMMITTEE; PURSUANT TO THE RECOMMENDATION OF THE NAVAJO NATION BOARD OF EDUCATION AND 25 U.S.C. §2502(f), RETROCEDING THE DIBÉ YAZHI'HABIT'IIN OLTA, INC. (BORREGO PASS COMMUNITY SCHOOL, INC.) TO THE BUREAU OF INDIAN EDUCATION AS REQUESTED BY THE NAVAJO NATION BOARD OF EDUCATION RESOLUTION NNBEJE-448-2018 AND PURSUANT TO PUBLIC LAW 100-297, PUBLIC LAW 93-638 (AS AMENDED)

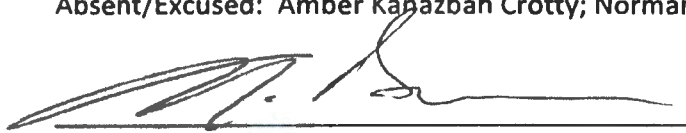
*Sponsor: Honorable Jonathan L. Hale*

Motion: Nelson BeGaye Second: Jonathan L. Hale Vote: 3-0-1 PTCNV

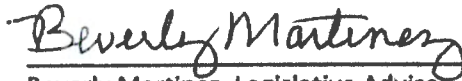
YEAS: Nelson BeGaye; Jonathan L. Hale; Steven Begay

NAYS: None

Absent/Excused: Amber Kanazbah Crotty; Norman M. Begay



Nathaniel Brown, Pro Tem Chairperson  
Health, Education and Human Services Committee



Beverly Martinez, Legislative Advisor  
Health, Education and Human Services Committee

Cornell Law School



U.S. Code › Title 25 › Chapter 27 › § 2502

## 25 U.S. Code § 2502 - Grants authorized

### (a) IN GENERAL

(1) **ELIGIBILITY** The Secretary shall provide grants to Indian tribes, and tribal organizations that—

(A) operate contract schools under title XI of the Education Amendments of 1978 [25 U.S.C. 2000 et seq.] and notify the Secretary of their election to operate the schools with assistance under this chapter rather than continuing the schools as contract schools;

(B) operate other tribally controlled schools eligible for assistance under this chapter and submit applications (which are approved by their tribal governing bodies) to the Secretary for such grants; or

(C) elect to assume operation of Bureau-funded schools with the assistance under this chapter and submit applications (which are approved by their tribal governing bodies) to the Secretary for such grants.

### (2) DEPOSIT OF FUNDS

Grants provided under this chapter shall be deposited into the general operating fund of the tribally controlled school with respect to which the grant is made.

### (3) USE OF FUNDS

(A) **In general** Except as otherwise provided in this paragraph, grants provided under this chapter shall be used to defray, at the discretion of the school board of the tribally controlled school with respect to which the grant is provided, any expenditures for education related activities for which any funds that compose the grant may be used under the laws described in section 2504(a) of this title, including expenditures for—

(i) school operations, academic, educational, residential, guidance and counseling, and administrative purposes; and

(ii) support services for the school, including transportation.

### (B) Exception

Grants provided under this chapter may, at the discretion of the school board of the tribally controlled school with respect to which such grant is provided, be used to defray operations and maintenance expenditures for the school if any funds for the operation and maintenance of the school are allocated to the school under the provisions of any of the laws described in section 2504(a) of this title.

### (b) LIMITATIONS

(1) **ONE GRANT PER TRIBE OR ORGANIZATION PER FISCAL YEAR**

Not more than one grant may be provided under this chapter with respect to any Indian tribe or tribal organization for any fiscal year.

**(2) NONSECTARIAN USE**

Funds provided under any grant made under this chapter may not be used in connection with religious worship or sectarian instruction.

**(3) ADMINISTRATIVE COSTS LIMITATION**

Funds provided under any grant under this chapter may not be expended for administrative costs (as defined in section 1128(h)(1) of the Education Amendments of 1978 [25 U.S.C. 2008(h)(1)]) in excess of the amount generated for such costs under section 1128 of such Act.

**(c) LIMITATION ON TRANSFER OF FUNDS AMONG SCHOOL SITES**

**(1) IN GENERAL** In the case of a grantee that operates schools at more than one school site, the grantee may expend at any school site operated by the grantee not more than the lesser of—

**(A)** 10 percent of the funds allocated for another school site under section 1128 of the Education Amendments of 1978 [25 U.S.C. 2008]; or

**(B)** \$400,000 of the funds allocated for another school site.

**(2) DEFINITION OF SCHOOL SITE**

For purposes of this subsection, the term “school site” means the physical location and the facilities of an elementary or secondary educational or residential program operated by, or under contract or grant with, the Bureau for which a discreet<sup>[1]</sup> student count is identified under the funding formula established under section 1127 of the Education Amendments of 1978 [25 U.S.C. 2007].

**(d) NO REQUIREMENT TO ACCEPT GRANTS** Nothing in this chapter may be construed—

**(1)** to require a tribe or tribal organization to apply for or accept; or

**(2)** to allow any person to coerce any tribe or tribal organization to apply for, or accept,

a grant under this chapter to plan, conduct, and administer all of, or any portion of, any Bureau program. Such applications and the timing of such applications shall be strictly voluntary. Nothing in this chapter may be construed as allowing or requiring any grant with any entity other than the entity to which the grant is provided.

**(e) NO EFFECT ON FEDERAL RESPONSIBILITY**

Grants provided under this chapter shall not terminate, modify, suspend, or reduce the responsibility of the Federal Government to provide a program.

**(f) RETROCESSION**

**(1) IN GENERAL**



Whenever a tribal governing body requests retrocession of any program for which assistance is provided under this chapter, such retrocession shall become effective upon a date specified by the Secretary that is not later than 120 days after the date on which the tribal governing body requests the retrocession. A later date may be specified if mutually agreed upon by the Secretary and the tribal governing body. If such a program is retroceded, the Secretary shall provide to any Indian tribe served by such program at least the same quantity and quality of services that would have been provided under such program at the level of funding provided under this chapter prior to the retrocession.

**(2) STATUS AFTER RETROCESSION**

The tribe requesting retrocession shall specify whether the retrocession is to status as a Bureau-operated school or as a school operated under contract under the Indian Self-Determination and Education Assistance Act [25 U.S.C. 5301 et seq.].

**(3) TRANSFER OF EQUIPMENT AND MATERIALS** Except as otherwise determined by the Secretary, the tribe or tribal organization operating the program to be retroceded must transfer to the Secretary (or to the tribe or tribal organization which will operate the program as a contract school) the existing equipment and materials which were acquired—

(A) with assistance under this chapter; or

(B) upon assumption of operation of the program under this chapter, if the school was a Bureau-funded school under title XI of the Education Amendments of 1978 [25 U.S.C. 2000 et seq.] before receiving assistance under this chapter.

**(g) PROHIBITION OF TERMINATION FOR ADMINISTRATIVE CONVENIENCE**

Grants provided under this chapter may not be terminated, modified, suspended, or reduced solely for the convenience of the administering agency.

(Pub. L. 100–297, title V, § 5203, as added Pub. L. 107–110, title X, § 1043, Jan. 8, 2002, 115 Stat. 2064.)

[1] So in original. Probably should be “discrete”.

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**Dibe Yazhi Habitiin Olta, Inc.**

**AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2015**

Due March 30, 2016

Submitted LATE

July 8, 2016

4 months

**Dibe Yazhi Habitiin Olta, Inc.**

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## **INDEPENDENT AUDITORS' REPORT**

# Midwest Professionals, P.L.L.C.

Certified Public Accountants

215 South Court Avenue, Gaylord, MI 49735  
989-732-1156 Fax 989-731-2541

## INDEPENDENT AUDITOR'S REPORT

The Governing Board  
Dibe Yazhi Habitiin Olta, Inc.  
Crownpoint, New Mexico 87313

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dibe Yazhi Habitiin Olta, Inc. (the "School"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund, and the aggregate remaining fund information of Dibe Yazhi Habitiin Olta, Inc., as of June 30, 2015, and the respective changes in financial position and, for the year then ended in accordance with accounting principles generally accepted in the United States of America.



## Other Matters

### *Required Supplementary Information*

Management has omitted the management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 7, 2016, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

*Midwest Professionals*  
P.L.L.C.

Digitally signed by Midwest  
Professionals, PLLC  
DN: cn=Midwest Professionals,  
PLLC, o, ou,  
email=mwp@mwp.us.com, c=US  
Date: 2016.07.07 14:54:39 -04'00'

Midwest Professionals, P.L.L.C.

Gaylord, Michigan  
July 7, 2016

## **BASIC FINANCIAL STATEMENTS**

## **SCHOOL-WIDE FINANCIAL STATEMENTS**

**Dibe Yazhi Habitiin Olta, Inc.**  
**Statement of Net Position**  
**As of June 30, 2015**

	<u>Governmental Activities</u>
<b>Assets</b>	
Current Assets	
Cash and Cash Equivalents (Note 2)	\$ -
Accounts Receivable, Net (Note 3)	<u>18,425</u>
Total Current Assets	<u>18,425</u>
Plant and Equipment	
Capital Assets, Net (Note 5)	<u>628,633</u>
Total Plant and Equipment	<u>628,633</u>
<b>Total Assets</b>	<u>647,058</u>
<b>Liabilities</b>	
Current Liabilities	
Accounts Payable	335,810
Payroll Liabilities	142,158
Checks written in excess of cash balance (Note 2)	28,191
Due to Other Governments (Note 9)	89,777
Deferred Revenue (Note 6)	<u>901,137</u>
Total Current Liabilities	<u>1,497,073</u>
<b>Total Liabilities</b>	<u>1,497,073</u>
<b>Net Position</b>	
Net Investment in Capital Assets	628,633
Unrestricted	<u>(1,478,648)</u>
Total Net Position	<u>\$ (850,015)</u>

The accompanying notes are an integral part of these financial statements.

**Dibe Yazhi Habitiin Olta, Inc.**  
**Statement of Activities**  
**For the Year Ended June 30, 2015**

	Program Revenues			Net (Expenses) Revenue and Changes in Net Position	
	Charges for Services		Operating Grants and Contributions	School-Wide	Governmental Activities
Functions / Programs	Expenses				
<b>Primary Government</b>					
Governmental Activities					
Instruction	\$ 1,663,603	\$ 5,648	\$ 1,497,181	\$	(160,774)
Support Services - Administration	407,311	61,349	161,139		(184,823)
Operation & Maintenance of Facilities	420,144	944	320,369		(98,831)
Student Transportation Services	288,116	-	369,732		81,616
Operation of Non-instructional Services	132,585	-	102,164		(30,421)
Total Governmental Activities	\$ 2,911,759	\$ 67,941	\$ 2,450,586		(393,232)
General Revenues					98
Interest Income					98
Total General Revenues					
Change in Net Position					(393,134)
Net Position, Beginning of Year					(456,881)
Net Position - End of the Year				\$	(850,015)

The accompanying notes are an integral part of these financial statements.



## **GOVERNMENTAL FUND FINANCIAL STATEMENTS**

**Dibe Yazhi Habitiin Olta, Inc.**  
**Balance Sheet - Governmental Funds**  
**As of June 30, 2015**

	General Fund	BIE Fund	DOE Fund	Other Funds	Total Governmental Funds
<b>Assets</b>					
Cash and Cash Equivalents (Note 2)	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Receivable, Net (Note 3)	18,425	-	-	-	18,425
Due from Other Funds (Note 7)	-	863,531	489,709	11,851	1,365,091
<b>Total Assets</b>	<b>\$ 18,425</b>	<b>\$ 863,531</b>	<b>\$ 489,709</b>	<b>\$ 11,851</b>	<b>\$ 1,383,516</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$ 10,430	\$ 289,508	\$ 24,968	\$ 10,904	\$ 335,810
Payroll Liabilities	3,584	100,030	37,597	947	142,158
Bank Account Overdraft	28,191	-	-	-	28,191
Due to Other Governments (Note 9)	89,777	-	-	-	89,777
Deferred Revenue (Note 6)	-	473,993	427,144	-	901,137
Due to Other Funds (Note 7)	1,365,091	-	-	-	1,365,091
<b>Total Liabilities</b>	<b>1,497,073</b>	<b>863,531</b>	<b>489,709</b>	<b>11,851</b>	<b>2,862,164</b>
<b>Fund Balances</b>					
Unassigned	(1,478,648)	-	-	-	(1,478,648)
<b>Total Fund Balances</b>	<b>(1,478,648)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,478,648)</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 18,425</b>	<b>\$ 863,531</b>	<b>\$ 489,709</b>	<b>\$ 11,851</b>	<b>\$ 1,383,516</b>
<b>Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position</b>					
<b>Total Fund Balances - Government Funds</b>					\$ (1,478,648)
<b>Amounts reported for Governmental Activities in the Statement of Net Position are different because:</b>					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds					
					\$ 628,633
<b>Net Position of Governmental Activities</b>					<b>\$ (850,015)</b>

The accompanying notes are an integral part of these financial statements.

**Dibe Yazhi Habitiin Olta, Inc.**

**Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds**

**For the Year Ended June 30, 2015**

	General Fund	BIE Fund	DOE Fund	Other Funds	Total Governmental Funds
<b>Revenues</b>					
Federal Revenues	\$ -	\$ 1,751,465	\$ 596,957	\$ 97,138	\$ 2,445,560
In-Kind Revenues	-	-	-	5,026	5,026
Other Income	61,348	4,832	1,859	-	68,039
Total Revenues	61,348	1,756,297	598,816	102,164	2,518,625
<b>Expenditures</b>					
Instruction	46,830	895,595	691,208	-	1,633,633
Support Services - Administration	-	396,590	16	-	396,606
Operation & Maintenance of Facilities	-	334,453	-	-	334,453
Student Transportation Services	-	288,116	-	-	288,116
Operation of Non-instructional Services	-	-	-	127,559	127,559
In-Kind Expenditures	-	-	-	5,026	5,026
Total Expenditures	46,830	1,914,754	691,224	132,585	2,785,393
Revenues Over (Under) Expenditures	14,518	(158,457)	(92,408)	(30,421)	(266,768)
<b>Other Financing Sources (Uses)</b>					
Transfers - In / (Out)	(281,286)	158,457	92,408	30,421	-
Total Other Financing Sources (Uses)	(281,286)	158,457	92,408	30,421	-
Net Change In Fund Balances	(266,768)	-	-	-	(266,768)
Fund Balances, Beginning of Year	(1,211,880)	-	-	-	(1,211,880)
Fund Balances, End of Year	\$ (1,478,648)	\$ -	\$ -	\$ -	\$ (1,478,648)

The accompanying notes are an integral part of these financial statements.

**Dibe Yazhi Habitiin Olta, Inc.**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Governmental Funds To the Statement of Activities**  
**For the Year Ended June 30, 2015**

Net Change in Fund Balances - Governmental Funds	\$	(266,768)
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Amounts reported for Governmental Activities in the Statement of Activities  
are different because:

Capital outlays are reported in the governmental funds as expenditures.  
However, in the Statement of Activities, the cost of those assets is  
allocated over their useful lives as depreciation expense.  
In the current period, these amounts are:

Capital Outlay	-	
Depreciation Expense	(126,366)	
		(126,366)

Change In Net Position of Governmental Activities	\$	(393,134)
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The accompanying notes are an integral part of these financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS**



**Dibe Yazhi Habitiin Olta, Inc.**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2015**

**Note 1 - Organization and Summary of Significant Accounting Policies**

**Reporting Entity**

Dibe Yazhi Habitiin Olta, Inc. (the "School") is a Tribally-Controlled Grant School located near Crownpoint, NM. The School's primary purpose is to provide educational and related services to children in grades K through 8 for the Navajo youth of the Littlewater and Casamero Lake Chapters on the Navajo Reservation. The School's major operations include education, student transportation, food services, and construction and maintenance of School facilities.

The school is a not-for-profit New Mexico corporation and is funded primarily through U.S. Public Law 100-297. A Governing Board provides the underlying policy and leadership to the School by instituting operating and management policies. The Board has broad financial responsibilities, including the approval of the annual budget, and the establishment of a system of accounting and budgetary controls. The membership of the Governing Board consists of five elected members.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement 14. The basic, but not the only, criterion for including a potential component unit is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used in evaluating potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based on the application of these criteria, the School has no component units.

**Accounting Policies**

The School's accounting policies conform to accounting principles generally accepted in the United States of America applicable to governmental units. The financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB statements and interpretations constitute GAAP for governments, including tribal grant schools. The following is a summary of significant accounting policies.

**Basis of Presentation**

The accompanying financial statements have been prepared in accordance with the reporting model defined in GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. GASB 34 significantly changes financial reporting for governmental entities, including tribal grant schools. This reporting model includes requirements for School-wide financial statements, management's discussion and analysis (presented as required supplementary information), and reporting of infrastructure such as campus roads and water systems.

**Dibe Yazhi Habitiin Olta, Inc.**  
Notes to the Financial Statements  
For the Year Ended June 30, 2015

**Note 1 - Organization and Summary of Significant Accounting Policies - *Continued***

Statement 34 requires infrastructure on a prospective basis. Accordingly, major networks of infrastructure assets acquired since 1980 are reported in the School-wide financial statements.

The basic financial statements of the School include the school-wide and the fund financial statements. The focus of the financial statements is on the School as a whole in the school-wide financial statements, while reporting additional and detailed information about the School's major governmental activities in the fund financial statements. The School does not report any business-type activities.

The more significant of the government's accounting policies are described below.

**School-wide Statements** - The statement of net position and the statement of activities present information about the School as a whole. These statements include the financial activities of the overall School, except fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through intergovernmental (Federal) grant and contract revenues and other non-exchange transactions. The statement of activities presents a comparison between direct expenses and program revenues for each function of the School's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

**Fund Financial Statements** - The fund financial statements provide information about the School's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The School reports the following major governmental funds:

**General Fund** - The general fund is the School's general operating fund. It is used to account for financial resources not accounted for in other funds. These financial resources tend to be discretionary in nature.

**Special Revenue Funds** - Special revenue funds are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Federal grants, received by the school, are accounted for using separate special revenue funds. The following special revenue funds were identified as major governmental funds:

**BIE Fund** - This fund accounts for grant resources provided by:

- U.S. Department of the Interior - Bureau of Indian Education (B.I.E.), under self-determination grants (P.L. 100-297 Tribally Controlled Schools Act and P.L.93-638 as amended);
  - Indian School Equalization Program (ISEP) - supports the general education (non-administrative) costs of the school's operations. A large portion of these dollars are budgeted towards teachers' salaries and fringe benefits. This fund also accounts for special education dollars appropriated through the B.I.E.;

**Dibe Yazhi Habitiin Olta, Inc.**  
Notes to the Financial Statements  
For the Year Ended June 30, 2015

**Note 1 - Organization and Summary of Significant Accounting Policies – *continued***

- B.I.E. - Transportation - accounts for grant resources provided by the Bureau of Indian Education under P.L. 93-638 as amended. These grant dollars are used to provide funds to schools for the round trip transportation of students between home and the school site;
- B.I.E. - Administrative Services - accounts for grant resources provided by the Bureau of Indian Education under P.L. 100-297 - grant dollars are used to pay for the administrative costs incurred by the school. The administrative and finance personnel as well as the board of directors' costs are funded through this fund;
- B.I.E. - Facilities Operations & Maintenance - grant resources provided by the Bureau of Indian Education under P.L. 100-297. These grant dollars are used to pay for the school facilities operation, maintenance, and upkeep. These funds can also be specified for facilities upgrades and improvements;
- B.I.E. - Indian Child and Family Education - grant resources provided by the Bureau of Indian Education under PL 95-561. These grant dollars are used to serve children from prenatal to age 5. These funds can also be used to promote family literacy, parental involvement which serves to increase school readiness and high school graduation rates as well as encourage life-long learning.

DOE Fund – This fund accounts for grant resources provided by:

- U.S. Department of Education (D.O.E.) and includes these major grant activities:
  - D.O.E. - Special Education Funds - grant resources provided under the Individuals with Disabilities Education Act, Part B. This grant is designed to assist schools in providing free and appropriate public education to all children with disabilities. A large portion of these dollars are used to provide special instructional services and counseling staff.
  - D.O.E. – Title 1 Grants to Local Education Agencies – grant resources provided under the Elementary and Secondary Education Act of 1965 (ESEA, as amended). This grant is designed to help local educational agencies (LEAs) improve teaching and learning in high-poverty schools in particular for children failing, or most at-risk of failing, to meet challenging State academic achievement standards.
  - D.O.E. – Teacher Quality Partnership Grants – grant resources provided under the Higher Education Act of 1965 as amended Title II, Part A. This grant is designed to enhance professional development activities for new teacher and aid in recruiting highly qualified individuals into the teaching force.
  - D.O.E. – Indian Education – Grants to Local Educational Agencies – grant resources provided under the Elementary and Secondary Education Act of 1965 (ESEA), as amended, Title VII, Part A, Subpart 1. This grant is designed to address the unique education and cultural related needs of Indian students.
  - D.O.E. – Rural Education – grant resources provided under the Elementary and Secondary Education Act (ESEA), as amended, Title VI, Part B. This grant is designed to provide financial assistance to rural districts to carry out activities to help improve the quality of teaching and learning in their schools.
  - D.O.E. – Twenty-First Century Community Learning Centers – grant resources provided under the Elementary and Secondary Education Act of 1965 (ESEA), as amended, Title IV, Part B. This grant is designed to help communities expend activities which help students meet state and local student academic achievement standards in core academic subjects.

**Dibe Yazhi Habitiin Olta, Inc.**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2015**

**Note 1 - Organization and Summary of Significant Accounting Policies - *continued***

- D.O.E. – School Improvement Grants – grant resources provided under the Elementary and Secondary Education Act (ESEA), as amended, Executive Order Section 1003(g), 115 Stat. 1442, 20 U.S.C 6303(g). These grant funds are to aid in the support of Title I-eligible schools ranked in the bottom five percent as well as secondary schools with graduation rate of less than 60 percent over a number of years.

**Measurement Focus - Basis of Accounting**

School-wide Financial Statements - are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the School gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements (appropriate expenditures) have been satisfied.

Governmental Fund Financial Statements - are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available. The School considers all revenues reported in the governmental funds to be available if the revenues are collected within ninety days after year-end. Expenditures are recorded when the related fund liability is incurred. General capital asset acquisitions are reported as expenditures in governmental funds.

Under the terms of grant agreements, the School funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position amount available to finance the program. It is the School's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

**Use of Estimates**

Basic financial statement preparation in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Budgetary Data**

Budgets are adopted using the modified accrual basis of accounting, which is consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general and special revenue funds of the School. All budgets are adopted by the School's Governing Board. Budgets for special revenue funds, grants and contracts, are submitted with original requests for funding through the approval of the Governing Board. Modifications are made to these budgets as funding levels are changed or as program requirements change. However, the budgets have not been maintained according to policy. See Part B of the Schedule of Findings and Questioned Costs.

**Dibe Yazhi Habitiin Olta, Inc.**  
Notes to the Financial Statements  
For the Year Ended June 30, 2015

**Note 1 - Organization and Summary of Significant Accounting Policies - *continued***

**Cash Equivalents**

The School considers all investments with an original maturity of, or an ability to be liquidated within, three months or less to be cash equivalents. The School maintains one checking account from which all disbursements are made. This account also receives all deposits for the School's grant dollars. One additional account is maintained for special purposes.

Cash balances, presented on the governmental fund financial statements, represent each fund's actual "cash position" or its "share" in the above mentioned cash accounts.

**Interfund Receivables / Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

**Investments**

Investments are recorded at fair value. Federal grant and contract provisions authorize the School to invest in obligations of the United States or in obligations or securities that are guaranteed or insured by the United States, or mutual (or other) funds registered with the Securities and Exchange Commission and which only invest in obligations of the United States or securities that are guaranteed or insured by the United States. As of the fiscal year end, the school carried no investments.

**Grant Receivables**

Grant revenue is recognized as appropriate expenditures are incurred on federal grant programs. Where the funding has yet to be received by the School, a grant receivable is recorded to offset incurred grant expenditures. Grant receivable balances at fiscal year-end represent an excess of expenditures over cash received to date.

**Allowance for Doubtful Accounts**

An allowance for doubtful accounts is used when management has reason to believe that a portion of accounts receivables will be uncollectible. Adjustments to the allowance account, results in offsetting adjustments to bad debt expense.

**Inventories**

On the governmental financial statements, inventories under governmental fund types are recorded using the purchase method of accounting. Inventory items are fully expensed in the purchase period. Changes in inventory balances are accounted for by making adjustments to a reserved fund balance set up for inventory as opposed to directly adjusting purchases expense. On the school-wide financial statements, all inventories are recorded at cost; these items are capitalized and expensed when consumed. As of the end of the fiscal year, the school carried no inventory.

**Capital Assets**

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The School does not own any



**Dibe Yazhi Habitiin Olta, Inc.**  
Notes to the Financial Statements  
For the Year Ended June 30, 2015

**Note 1 - Organization and Summary of Significant Accounting Policies - *continued***

buildings. School buildings are all owned and maintained by the Bureau of Indian Affairs. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. Capital assets are defined by the School as assets with an initial, individual cost in excess of \$5,000 and an estimated useful life of more than one year.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Building Improvements	5 - 20 years
Vehicles, furniture and equipment	5 - 30 years

**Deferred Revenue - Grants**

Federal award monies received in advance of qualifying expenditures being incurred, are recorded on the School's balance sheet as deferred revenue.

**Fund Balance Presentation**

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, requires the following categories for equity:

**Nonspendable Fund Balance** - Amounts that cannot be spent due to form; for example, inventories and prepaid amounts. Also, long-term loan and notes receivables, and property held for resale would be reported here unless the proceeds are restricted, committed or assigned. Amounts that must be maintained intact legally or contractually (corpus or principal of a permanent fund).

**Restricted Fund Balance** - Amounts constrained for a specific purpose by external parties, constitutional provision or enabling legislation. This is the same definition used by GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis* – for State and Local Governments, for restricted net position.

**Committed Fund Balance** - Amounts constrained for a specific purpose by a government using its highest level of decision-making authority. It would require action by the same group to remove or change the constraints placed on the resources. Action to constrain resources must occur prior to year-end; however, the amount can be determined in the subsequent period.

**Assigned Fund Balance** - For all governmental funds other than the general fund, any remaining positive amounts not classified as nonspendable, restricted or committed. For the general fund, amounts constrained for the intent to be used for a specific purpose by a governing board or a body or official that has been delegated authority to assign amounts. Amount reported as assigned should not result in a deficit in unassigned fund balance.

**Unassigned Fund Balance** - For the general fund, amounts not classified as nonspendable, restricted, committed or assigned. The general fund is the only fund that would report a positive amount in unassigned fund balance. For all governmental funds other than the general fund, amount expended in excess of resources that are nonspendable, restricted, committed or assigned (a residual deficit). In determining a residual deficit, no amount should be reported as assigned.

**Dibe Yazhi Habitiin Olta, Inc.**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2015**

**Note 1 - Organization and Summary of Significant Accounting Policies - *continued***

**Compensated Absences**

Compensated absences consist of vacation leave earned by 12-month employees based on services already rendered, and personal leave of 8 days for all 10-month employees. 12-month employees may accumulate up to 25 days of vacation depending on years of service, but any vacation hours that are unused at fiscal year-end are forfeited. Unused 10-month employees' personal leave is also forfeited at June 30. Generally, sick leave benefits provide for ordinary sick pay and accrue at a rate of 4 hours per pay period but do not vest with employees, and therefore, are not accrued. As no amount of leave is able to be carried over to subsequent fiscal years, leave is recognized as used during the year and no compensated absence liability is carried on the balance sheet or statement of net position.

**Income Taxes**

The School has received 501(c) (3) status from the Internal Revenue Service and as such is considered exempt from income taxes as a non-profit organization.

**Subsequent Events**

Subsequent events have been evaluated through the date of the audit report, the date the financial statements were available to be issued.

**Note 2 - Cash and Cash Equivalents**

As of June 30, 2015, the School's carrying amount of cash equivalents was \$0 and the bank balance was \$(22,958). The School carries checks written in excess of cash balance as a liability of \$28,191.

**Note 3 - Accounts Receivables**

Receivables as of June 30, 2015 consist of the following:

	General Fund	BIE Fund	DOE Fund	Other Funds	Memorandum Total Only
Accounts Receivable-Trade	\$ 1,691	\$ -	\$ -	\$ -	\$ 1,691
Accounts Receivable-Employee Purchases	6,403	-	-	-	6,403
Accounts Receivable-Employee Advances	172,168	307	-	-	172,475
Receivables, Gross	180,262	307	-	-	180,569
Less: Allowance for uncollectables	(161,837)	(307)	-	-	(162,144)
Receivables, Net	\$ 18,425	\$ -	\$ -	\$ -	\$ 18,425

**Note 4 – Grants Receivable**

There were no grant receivables at June 30, 2015.

**Dibe Yazhi Habitiin Olta, Inc.**  
Notes to the Financial Statements  
For the Year Ended June 30, 2015

**Note 5 - Capital Assets**

Capital asset activity for the year ended June 30, 2015 is summarized as follows:

Governmental Activities	Beginning Balance 6/30/2014	Increases	Decreases	Ending Balance 6/30/2015
Capital assets being depreciated:				
Buildings and improvements	\$ 456,908	\$ -	\$ -	\$ 456,908
Land Improvements	233,492	-	-	233,492
Vehicles, Furniture and Equipment	623,281	-	-	623,281
Total Depreciable Assets at Historical Cost	1,313,681	-	-	1,313,681
Less: Accumulated Depreciation	558,682	126,366	-	685,048
Capital Assets Being Depreciated, Net	754,999	(126,366)	-	628,633
Governmental Activities Capital Assets, Net	<u>\$ 754,999</u>	<u>\$ (126,366)</u>	<u>\$ -</u>	<u>\$ 628,633</u>

Depreciation expense was charged to the following functions:

Governmental Activities	
Instruction	29,970
Support Services - Administration	10,705
Operation & Maintenance of Facilities	85,691
Operation of Non-Instructional Services	-
	<u>\$ 126,366</u>

**Note 6 - Deferred Revenue**

Federal grants and contract funding received in advance of related incurred expenditures are composed of these federal programs as of June 30, 2015:

Grant Description	CFDA	Program Code#	Deferred Revenue Amount
BIE - Indian Education Facilities, Operation and Maintenance	15.047	20	\$ 395
BIE - Indian Education Facilities, Operations and Maintenance	15.047	56 / 88	413,650
BIE - Indian School Equalization Program - Special Education	15.042	15	39,896
BIE - Indian School Student Transportation	15.044	11	20,052
DOE - 21st Century Community Learning Centers	84.287	49	25,887
DOE - Indian Education - Grants to Local Education Agencies	84.060	40	17,937
DOE - Peacemaking	84.184	80	400
DOE - Rural Education	84.358	60	1,500
DOE - Safe & Drug-free Schools & Communities - State Grants	84.186	46	3,851
DOE - Special Education - Grants to States	84.027	16	294,477
DOE - Teacher Quality Partnership Grants	84.336	36	23,247
DOE - Title I Grants to Local Education Agencies	84.010	30	59,845
Total Deferred Revenues			<u>\$ 901,137</u>

**Dibe Yazhi Habitiin Olta, Inc.**  
Notes to the Financial Statements  
For the Year Ended June 30, 2015

**Note 7 – Inter-fund Activity**

Inter-fund obligations are summarized as follows:

<u>Fund</u>	<u>Due To Other Funds</u>	<u>Due From Other Funds</u>
General Fund	\$ 1,365,091	\$ -
BIE Fund	-	863,531
DOE Fund	-	489,709
Other Funds	-	11,851
	<u>\$ 1,365,091</u>	<u>\$ 1,365,091</u>

Inter-fund transfers are summarized as follows:

<u>Fund / Program</u>	<u>Transfer To Other Funds</u>	<u>Transfer From Other Funds</u>	<u>Reason</u>
General Fund			
General	278,536	-	Program Support
Quarters	2,750	-	Program Support
BIE Fund			
Administrative Cost Grant of Indian Schools	-	233,198	Program Support
Indian School Equalization Program	6,425	-	Program Support
Indian School Equalization Program - Special Ed	-	161	Program Support
Indian School Student Transportaion	81,616	-	Program Support
Indian Education Facilities, Operation and Maintenance	-	13,139	Program Support
DOE Fund			
Title I / II	-	695	Program Support
21st Century Learning	-	61	Program Support
ARRA	-	14	Program Support
Teacher Quality Grant	-	40,320	Program Support
School Improvement Grant	-	46,531	Program Support
Education Jobs First	-	4,787	Program Support
Other Fund			
Navajo Health	-	41	Program Support
USDA	-	55,450	Program Support
Summer Feed	25,070	-	Program Support
	<u>\$ 394,397</u>	<u>\$ 394,397</u>	

**Note 8 - Economic Dependency**

The School receives funding from various federal agencies. In the current fiscal year, approximately 98% of the School's revenues were from either the U.S. Department of Interior - Bureau of Indian Education or the U.S. Department of Education.

**Dibe Yazhi Habitiin Olta, Inc.**  
Notes to the Financial Statements  
For the Year Ended June 30, 2015

**Note 9 - Commitments and Contingencies**

Grants - The School's programs are funded by various federal agencies. Expenditures made under such programs are subject to review and approval or disallowance by the agencies. Any costs disallowed by the agencies are subject to negotiation and are not recorded as liabilities until mutually agreed-upon.

On July 10, 2013, the Bureau of Indian Education issued a bill of collection for disallowed cost, relating to the School's fiscal year 2011 Single Audit, totaling \$119,703. The majority of these disallowed costs related to uncollected payroll advances. A current liability has been recorded as "Due to Other Governments" and the expense charged to the general fund in fiscal year 2012. As of the date of this audit report, this liability balance outstanding is \$89,777.

A former employee filed a claim against the school alleging that it violated the Navajo Nation's Tribal Employment Rights Ordinance when her employment contract was not renewed in May, 2014; and for alleged harassment by others in the workplace. Most of her claims were dismissed by the Navajo Nation Labor Commission upon the school's motion to dismiss because of the untimely filing of the former employee's complaint. If the Labor Commission finds for the former employee, it is possible that an award of attorney's fees and costs to her could exceed \$5,000.

Operating Leases - The School leases buses through the General Services Administration (GSA) under the provisions of a long-term lease agreement classified as an operating lease for accounting purposes. Expenditures under the terms of the operating lease totaled \$246,603 for the current fiscal year. The operating lease has the option to be renewed annually.

**Note 10 - Risk Management**

The School is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; and errors and omissions. Commercial insurance coverage is purchased for claims arising from such matters. There have been no claims made exceeding the insurance coverage.

**Note 11 - Material Deficits**

As of June 30, 2015, the School's General Fund reflected a deficit fund balance of \$1,478,648. The deficit was created due to over spending and the misuse of employee payroll advances. The School hopes to restore this deficit in the future through controlled spending resulting in at least breakeven results for each fiscal year as well as identifying potential other sources of funding.

<u>Source</u>	<u>Amount</u>
Special Revenue Funds - Federal Grant Advances	\$ 1,374,857
Current Liabilities (Carrying Balance)	14,014
Current Liabilities (Due to Federal Government)	89,777
	<u><u>1,478,648</u></u>



**Dibe Yazhi Habitiin Olta, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2015**

<u>Funding Agency / Program</u>	<u>CFDA Number</u>	<u>Expenditures</u>
<b><i>U.S. Department of the Interior</i></b>		
<b><i>Bureau of Indian Education</i></b>		
* Indian School Equalization Program	15.042	794,165
* Indian School Equalization Program - Special Education	15.042	97,060
Indian Child and Family Education	15.043	9,000
* Indian School Student Transportation	15.044	369,732
* Administrative Cost Grant for Indian Schools	15.046	161,139
* Indian Education Facilities, Operation and Maintenance	15.047	320,369
<b><i>Total U.S. Department of the Interior</i></b>		<b><u>1,751,465</u></b>
<b><i>U.S. Department of Education</i></b>		
<b><i>Pass Through U.S. Department of the Interior</i></b>		
Title I Grants to Local Education Agencies	84.010	248,342
Teacher Quality Partnership Grants	84.336	17,554
Title VII - Indian Education - Grants to Local Educational Agencies	84.060	23,612
Special Education - Grants to States	84.027	127,906
Rural Education	84.358	757
Title IV, Part B, Twenty-First Century Community Learning Centers	84.287	178,663
Education Jobs First	84.410	123
<b><i>Total U.S. Department of Education</i></b>		<b><u>596,957</u></b>
<b><i>U.S. Department of Agriculture</i></b>		
National School Lunch Program	10.555	38,827
School Breakfast Program	10.553	17,444
Summer Food Service Program for Children	10.559	40,867
Commodity Foods - In Kind	10.565	5,026
<b><i>Total U.S. Department of Agriculture</i></b>		<b><u>102,164</u></b>
<b><i>Total Expenditures of Federal Awards</i></b>		<b><u>2,450,586</u></b>

\* Tested as a major program under OMB Circular A-133

**Dibe Yazhi Habitiin Olta, Inc.**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**for the Year Ended June 30, 2015**

**Note A – Significant Accounting Policies**

The accompanying schedule of expenditures of Federal Awards includes the Federal Grant activity of Dibe Yazhi Habitiin Olta, Incc. and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Note B – Non-cash assistance, Insurance, Loans and Guarantees, and Interest Subsidies**

\$5,026 in in-kind commodity food nonmonetary assistance was received by the School for the year ending June 30, 2015.

**Note C - Reconciliation of Reported Expenditures to Financial Statement Totals**

The following is a reconciliation of total federal assistance reported on the Schedule of Expenditures of Federal Awards (SEFA) to the total federal assistance reported on Dibe Yazhi Habitiin Olta, Inc.'s statement of revenues, expenditures, and changes in fund balance- governmental funds for the year ending June 30, 2015:

**Per Financials:**

In-kind Revenues	\$ 5,026
Federal Revenues	<u>2,445,560</u>
Total Federal Assistance per Financials	<u>\$ 2,450,586</u>

**PER SEFA:**

Reported Federal Assistance	<u>\$ 2,450,586</u>
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*Certified Public Accountants*

*215 South Court Avenue, Gaylord, MI 49735  
989-732-1156 Fax 989-731-2541*

## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Governing Board  
Dibe Yazhi Habitiin Olta, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dibe Yazhi Habitiin Olta, Inc. (the "School"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated July 7, 2016.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned cost to be material weaknesses: **2012-001, 2012-002, 2012-004, 2012-007, 2014-002, and 2014-005.**

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies: **2014-001 and 2014-004.**

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*Certified Public Accountants*

*215 South Court Avenue, Gaylord, MI 49735  
989-732-1156 Fax 989-731-2541*

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## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as finding **2012-005**.

## **School's Responses to Findings**

The School's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The School's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Midwest Professionals  
P.L.L.C.*

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Midwest Professionals, P.L.L.C.  
Gaylord, Michigan  
July 7, 2016

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*Certified Public Accountants*

*215 South Court Avenue, Gaylord, MI 49735*

*989-732-1156 Fax 989-731-2541*

## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Governing Board  
Dibe Yazhi Habitiin Olta, Inc.

### **Report on Compliance for Each Major Federal Program**

We have audited the Dibe Yazhi Habitiin Olta, Inc.'s' (the "School") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of the School's major federal programs for the year ended June 30, 2015. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.

### **Basis for Qualified Opinion on Major Federal Programs**

As described in findings **2012-002, 2012-004, 2012-005, 2014-001, 2014-002, and 2014-004** in the accompanying schedule of findings and questioned costs, Dibe Yazhi Habitiin Olta, Inc. did not comply with requirements regarding the following:

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Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2012-002	15.042	Indian School Equalization Program	Allowable Costs/Cost Principles
2012-002	15.046	Administrative Cost Grant for Indian Schools	Allowable Costs/Cost Principles
2012-002	15.047	Indian Education Facilities, Operation & Maintenance	Allowable Costs/Cost Principles
2012-004	15.046	Administrative Cost Grant for Indian Schools	Allowable Costs/Cost Principles
2012-005	15.042	Indian School Equalization Program	Cash Management
2012-005	15.047	Indian Education Facilities, Operation & Maintenance	Cash Management
2014-001	15.042	Indian School Equalization Program	Allowable Costs/Cost Principles
2014-001	15.047	Indian Education Facilities, Operation & Maintenance	Allowable Costs/Cost Principles
2014-002	15.042	Indian School Equalization Program	Allowable Costs/Cost Principles
2014-002	15.046	Administrative Cost Grant for Indian Schools	Allowable Costs/Cost Principles
2014-004	15.042	Indian School Equalization Program	Allowable Costs/Cost Principles
2014-004	15.046	Administrative Cost Grant for Indian Schools	Allowable Costs/Cost Principles

Compliance with such requirements is necessary, in our opinion, for the School to comply with the requirements applicable to those programs.

Dibe Yazhi Habitiin Olta, Inc.'s response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Dibe Yazhi Habitiin Olta, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and accordingly, we express no opinion on the response.

## **Qualified Opinion on Major Federal Programs**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Dibe Yazhi Habitiin Olta, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

## **Unmodified opinion on each of the other major federal programs**

In our opinion, the school complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ending June 30, 2015.

## **Report on Internal Control over Compliance**

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct

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989-732-1156 Fax 989-731-2541

Page 3

and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as findings 2012-001, 2012-002, 2012-004, 2012-007, 2014-002, and 2014-005 to be material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as findings 2014-001 and 2014-004 to be significant deficiencies.

The School's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The School's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Midwest Professionals*  
P.L.L.C.

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Midwest Professionals, P.L.L.C.  
Gaylord, Michigan  
July 7, 2016

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**Dibe Yazhi Habitiin Olta, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2015**  
**Part A - Summary of Auditor's Results**

1. The auditor's report expresses an unmodified opinion on the basic financial statements of Dibe Yazhi Habitiin Olta, Inc.
2. Deficiencies relating to the audit of the basic financial statements are reported in the *Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards*. Several of these deficiencies are considered material weaknesses.
3. One instance of noncompliance material to the basic financial statements of the Dibe Yazhi Habitiin Olta, Inc. was disclosed during the audit.
4. Deficiencies relating to the audit of the major federal awards are reported in the *Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133*. Several of these deficiencies are considered material weaknesses.
5. The auditor's report on compliance for the major federal programs for Dibe Yazhi Habitiin Olta, Inc. expresses a qualified opinion.
6. Audit findings relative to major federal award programs for Dibe Yazhi Habitiin Olta, Inc. are reported in Part C of this Schedule. Several of these findings contain questioned costs.
7. The programs tested as major programs are as follows:

<u>Program</u>	<u>CFDA</u>
Indian School Equalization Program	15.042
Indian School Student Transportation	15.044
Administrative Cost Grant for Indian Schools	15.046
Indian Education Facilities, Operation and Maintenance	15.047

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Dibe Yazhi Habitiin Olta, Inc. was determined to be a non low-risk auditee.

**Dibe Yazhi Habitiin Olta, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2015**  
**Part B - Financial Statement Findings**

**Prior Year Audit Findings:**

*Internal Control Over Financial Reporting*

**2012-001 Financial Statement Reconciliation/Tie- In Procedures**  
***Material Weakness***

*Condition:* A weakness existed in the overall reconciliation/tie-in procedures, performed over School's financial statement accounts for the year ending June 30, 2012. Financial accounts were either reconciled untimely or in some cases, accounts were not reconciled at all. Most of these accounts should be reconciled on a monthly basis. The major areas where reconciliation procedures were weak included:

- A) Cash Accounts (reconciliation to the monthly bank statements);
- B) Accounts Receivable (review of employee computer purchases, employee salary advances, other miscellaneous receivables and associated allowances for doubtful accounts);
- C) Grants Receivables/Deferred Revenues (reconciliation to year-end financials);
- D) Accounts Payable (timely input of invoices to maintain an accounts payable subsidiary ledger and reversal of the prior year's entry for accrued expenses);
- E) Payroll and Other Current Liabilities (reconciliation to the reports sent to taxing authorities, actual expenditures for employer-paid fringe benefits, and other miscellaneous employee withholdings);
- F) Beginning balances (yearly reconciliation of system financials to audited financial statements);
- G) Debit Card Activity (maintenance of a general ledger for this fund), and;
- H) Travel Advances (reconciliation of the advance with the actual travel costs incurred and collection from the employee if appropriate).

*Criteria:* The School's Financial Management policy and procedures manual, section 219 A.2.b., requires that: "[the] accounting system shall maintain records ... [with] ... sufficient detail to identify ... assets ... [and] liabilities." OMB Circular A-102, Common Rule, Subpart C, Section 20, (b)(1) *Financial Reporting* requires: "Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or sub grant." Performance of timely reconciliation and tie-in procedures proves the veracity of the financial records comprising the asset and liability balance sheet accounts. Failure to perform these procedures results in a poor set of financial records.

*Effect:* In the course of performing the audit, the auditor recommended 17 adjusting journal entries be made to the financial statements for calendar year ending June 30, 2012. A substantial portion of these adjustments could have been avoided if timely reconciliation and tie-in procedures had been conducted. Most of these audit adjustments were material in nature.

*Recommendation:* The School should adopt written reconciliation and tie-in procedures into its financial policies and procedures manual. The written policy should not only identify each procedure to be performed and how often, but most importantly identify whose responsibility it is to actually perform a given reconciliation or tie-in. Relying totally on the work of an outside accounting firm will not yield the desired, timely results.

*Current Year Status:* **Unresolved.** Progress has been made specifically with the bank account reconciliations and beginning balances however; additional work is required in the other areas. 18 audit adjustments were required for accounts receivable, grants closings, accounts payable, and payroll liabilities.

*Auditee Response:* We agree with the auditors' finding and the recommendations will be fully implemented within 120 days after the issuance of this audit report.

**Dibe Yazhi Habitiin Olta, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2015**  
**Part B - Financial Statement Findings**

**Prior Year Audit Findings - Continued:**

**Internal Control Over Financial Reporting - Continued:**

**2012-002 Support for Expenditures**  
**Material Weakness**

*Condition:* Under the expenditures testing procedures, the auditor identified expenditure vouchers which lacked the required documentation. Testing revealed missing vouchers and vouchers that lacked documentation including vendor invoices. Checks were processed without proper supporting documentation.

*Criteria:* The School's policy requires a properly authorized check request and a vendor invoice, statement, or other supporting documentation. OMB Circular A-102 "Common Rule" Part C, section 20(b)(6) states that accounting records must be supported by such source documentation as canceled checks, paid bills, ... etc."

*Effect:* Of the 99 expenditure vouchers tested, 5 items were unable to be located, 1 item was for an unallowable expense, and 1 item lacked a vendor invoice.

*Recommendation:* Adhere to established policy and process checks only when all required supporting documentation is present.

*Current Year Status:* **Unresolved.** Of the 177 expenditure transactions selected for testing, 85 items lacked sufficient support. Management of the school was unable to find supporting documentation for these expenditures.

*Auditee Response:* We agree with the auditors' finding and have begun to implement their recommendations. We predict that these recommendations will be fully implemented within 120 days after the issuance of this audit report.

**Dibe Yazhi Habitiin Olta, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2015**  
**Part B - Financial Statement Findings**

**Prior Year Audit Findings - Continued:**

*Internal Control Over Financial Reporting - Continued:*

**2012-004 Support for Travel Expenditures**  
***Material Weakness***

*Condition:* Under the travel testing procedures, the auditor identified travel transactions which lacked the required lodging receipt documentation.

*Criteria:* OMB Circular A-87 (Part C, 1, j) states that a cost under a federal award must be “adequately documented”. The School’s travel policy requires an itemized receipt for lodging to be submitted within 5 working days of return. As well, the School’s policy provided for an 80% travel advance to any traveler that failed in the past to submit a trip report with receipts within 10 days and authorization to recover funds already expended.

*Effect:* Of the 25 travel advances/reconciliations tested, 20 items lacked a supporting hotel folio for overnight travel and 1 travel advance/reconciliation package was not provided to the auditors.

*Recommendation:* Adherence to established travel policies for travelers failing to submit a travel report with required receipts within 10 days of returning from a prior trip including: (1) the provision to fund travel advance requests at 80% and, (2) recovery of funds already expended [through payroll deduction]. We also recommend that advances to travelers be booked as travel receivables, which would allow for more consistent tracking by the business office.

*Current Year Status:* **Unresolved.** Organization and retention of supporting documentation continue to be an issue. Of the 25 trips selected for testing, 14 trips lacked a supporting hotel folio and trip reconciliation and 8 travel voucher packages were not provided to the auditors. Also, auditors identified unreconciled and unsupported travel advances carried at year end.

*Auditee Response:* We agree with the auditors’ finding and have begun to implement their recommendations. We predict that these recommendations will be fully implemented within 120 days after the issuance of this audit report.



**Dibe Yazhi Habitiin Olta, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2015**  
**Part B - Financial Statement Findings**

**Prior Year Audit Findings - Continued:**

*Internal Control Over Financial Reporting – Continued:*

**2012-006 Procurement**  
***Material Weakness***

*Condition:* During the review of the records, it was noted that only the bid/quote from the vendor selected to supply the good/service was retained in the files. As well, the auditors were provided with no evidence that vendors had been checked against the list of vendors barred from providing goods or services to the federal government (debarment/suspension).

*Criteria:* The school's procurement policy, section 607 C, requires three quotes for any purchase up to \$15,000 and a sealed bid process for procurements over \$15,000. OMB Circular A-102, Common Rule, section 36, outlines the federal requirements over procurement for any local government which expends federal grant dollars. Adequate documentation must exist, such as bids or quotes over each applicable federal expenditure. Vendors must be periodically vetted against SAM to prevent expenditures being made to ineligible parties.

*Effect:* The school may be paying more than is necessary for goods and services it purchases.

*Recommendation:* The School should review, update, implement, and monitor compliance with the written policies & procedures over the procurement process. These procedures should comply with the federal standards outlined in Section 36, OMB Common Rule. We recommend establishment of a micro-purchase threshold to address purchases under \$2,500.

*Current Year Status:* **Resolved.**

**Dibe Yazhi Habitiin Olta, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2015**  
**Part B - Financial Statement Findings**

**Prior Year Audit Findings - Continued:**

**Internal Control Over Financial Reporting – Continued:**

**2012-007 Budgets**  
**Material Weakness**

**Condition:** A deficiency in the budgetary process existed during the fiscal year:

No budgets were established or properly approved for the School's general fund activities or the special revenue fund;

Little evidence to support that proper budgetary monitoring was occurring for the general fund or the special revenue funds, and;

No evidence that prior years' unspent U. S. Department of Education grant carry-over funds had been considered in spending plans.

**Criteria:** OMB Circulars A-102 and A-110 outline procedures over the establishment, review and modification of budgets. The School's Financial Management policy and procedures manual, section 204, requires the development of a budget for the School's "operation and support activities". The sections of the Financial Management policy and procedure manual dealing with budgets neither includes nor excludes budgeting for the general fund. As well, prudent management principles dictate use of budgets to control spending.

**Effect:** During the fiscal year ended June 30, 2012, the School increased the deficit in its general fund by \$156,487. While other factors, including the misuse of employee payroll advances, certainly played a role in contributing to this deficit spending, the School's lack of established budgetary procedures must be considered significant. The auditor would also note that budgets were established for federal programs (special revenue funds) during the grant request cycle although it is unclear whether there was any consideration of grant carry-over.

**Recommendation:** The School must adopt and implement written budgetary procedures. The requirement to budget extends to all School programs, not just federal grants and contracts. Proper planning through effective budgeting procedures can help significantly in controlling the School's general fund deficit.

**Current Year Status: Unresolved.** Written budgets were completed however, there is still a lack of budget monitoring. This lack of monitoring resulted in a material increase to the general fund deficit of \$266,768, and grant overruns totaling \$281,286.

**Auditee Response:** The School concurs with this finding. Management will implement the adopted budgetary procedures and insure that proper budgetary monitoring occurs at both the management and Council levels. We expect implementation to take place 90 days after issuance of this report.

**Dibe Yazhi Habitiin Olta, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2015**  
**Part B - Financial Statement Findings**

**Prior Year Audit Findings - Continued:**

**Internal Control Over Financial Reporting – Continued:**

**2014-001 Support for Salaries and Wages**  
**Significant Deficiency**

**Condition:** Our payroll testing procedures identified these issues involving timesheet support:

- a) 9 out of 214 timesheet pay rates were not authorized.
- b) 4 out of 214 timesheets indicated fewer hours than paid.
- c) 3 out of 214 timesheets were paid from a fund other than the identified source on the timesheet.
- d) 1 out of 214 timesheets did not identify which fund was to be charged for the wages.

**Criteria:** The organization's established fiscal policies and procedures require the proper completion of the employees' timesheets. In the *Personnel Policy Manual, Section 7 Payroll Processing and Procedures* the following is stated "Timecards must be signed by the employee and their supervisor bi-weekly. ..The name of the employee, source fund account numbers, and pay period ending date should be on all timecards." Continuing in the same section, the policy states "The Personnel Action Form (PAF) shall contain the employee's name, signature, social security number, mailing address, authorized pay rate, date of employment, payment due, hours earned, leave account, source fund, and principals and Governing School Board signature." OMB Circular A-87 requires that salaries and wages be properly supported which include properly completed timesheets as well as proper support of employee pay rates.

**Cause:** The School's policies were not consistently followed throughout the year.

**Effect:** Non-compliance with federal grant provisions and established school policies can result in disallowed costs by the federal granting agency.

**Recommendation:** Proper completion of timesheets by employees, coupled with full and proper review of timesheets by supervisors evidenced by their signature, and review of the processed payroll by the Principal should resolve this issue. Additionally, adhere to the School's policy and maintain authorized pay rates in the employees' Personnel Action Form.

**Current Year Status: Unresolved.** Of the 196 payroll transactions tested this year 4 payrolls did not have proper documentation to support payment, 3 did not have pay rate authorizations, and 2 payrolls were not charged to the proper program or had no program coding on the timesheet.

**Auditee Response:** We agree with the auditors' finding and have begun to implement their recommendations. We predict that these recommendations will be fully implemented within 120 days after the issuance of this audit report.

**Dibe Yazhi Habitiin Olta, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2015**  
**Part B - Financial Statement Findings**

**Prior Year Audit Findings - Continued:**

*Internal Control Over Financial Reporting - Continued:*

**2014-002 General Journal Entry Support**  
***Material Weakness***

*Condition:* Under the General Journal testing procedures, 6 out of 10 general journal entries tested by auditors were missing support and authorizing signatures.

*Criteria:* OMB Circular A-102 "Common Rule" Part C, section 20(b)(6) states that accounting records must be supported by such source documentation as canceled checks, paid bills, payrolls, time and attendance records, grant documents, or other information required by the grantee's financial management system."

*Cause:* The School's policies do not address the issues noted in this finding. Management does not have guidelines to follow in regards to the processing of general journal entries.

*Effect:* Lack of proper support of general journal entries could result in disallowed costs to a federally funded program. Without proper supervisory review, misstatement to the financial statements could result.

*Recommendation:* Any general journal adjustments made to the financial records should be properly authorized and documented. Fiscal policy should be updated to clearly define the use of general journal entries and establish basic procedures which insure proper use. These procedures need to address approval/authorization, accuracy, and supporting documentation for each entry.

*Current Year Status:* **Unresolved.** 24 general journal entries were chosen for testing. The auditor was unable to obtain any supporting documentation for 17 of the entries chosen.

*Auditee Response:* We agree with the auditors' finding and have begun to implement their recommendations. We predict that these recommendations will be fully implemented within 120 days after the issuance of this audit report

**Dibe Yazhi Habitiin Olta, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2015**  
**Part B - Financial Statement Findings**

**Prior Year Audit Findings - Continued:**

*Internal Control Over Financial Reporting - Continued:*

**2014-003 No Final Closing of Financials at Year End**  
***Material Weakness***

*Condition:* Management of the School posted transactions to the FY2013 audited, closed financials. These adjustments resulted in a decrease in equity balances of \$533,648. Auditors recommended adjustments were required to reverse the effects of these entries.

*Criteria:* The School's *Financial Management Policy, section 222 Audits and Financial Monitoring* states "After a report has been presented to the Board, it will become a matter of public record.", thus finalizing the School's reported financials for each fiscal year.

*Effect:* Changes to the financials after the issuance of the audit report resulted in a material misstatement to the School's financial statements.

*Recommendation:* The School's written policies should be updated to reflect that no adjustments to the financials are to be made after the issuance of an audit report. A reconciliation procedure needs to be adopted which requires reconciliation of the School's financials to the audit report followed by a "lock down" of the audited year in the School's financial system to prevent accidental postings to a closed audit year.

*Current Year Status:* **Resolved**

**2014-004 Debit Card Expenses**  
***Significant Deficiency***

*Condition:* Under the debit card expenditures testing procedures, 100% of the 26 selected expenditures were missing support and lacked proper approval for payment.

*Criteria:* The School's *Credit Card Policy* states that step one for the card use is "A travel Request/Training form needs to be completed, with all signatures." Step five of the policy continues with the card issuance "After a purchase order is completed, then the card will be issued." If there are violations of the policy, the policy has a three violation rule which after the third infraction states "The Credit Card privilege will be revoked permanently."

*Effect:* Violation of the School's Credit Card Policy can result in disallowed costs by the federal awarding agency.

*Recommendation:* Adhere to established policy.

*Current Year Status:* **Unresolved.** 35 debit card charges were chosen from 4 different months. 20 of these transactions tested lacked proper support such as invoicing or receipts for the purchases.

*Auditee Response:* We agree with the auditors' finding and have begun to implement their recommendations. We predict that these recommendations will be fully implemented within 120 days after the issuance of this audit report.

**Dibe Yazhi Habitiin Olta, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2015**  
**Part B - Financial Statement Findings**

**Prior Year Audit Findings - Continued:**

*Internal Control Over Financial Reporting - Continued:*

**2014-005 Property Management**  
**Material Weakness**

*Condition:* Management of the school did not maintain an up-to-date capital asset records which included a property register and annual depreciation schedule. Auditors identified current year additions and deletions which had not been updated in the property register. No physical inventory was conducted in the current year over fixed assets.

*Criteria:* OMB Circular A-102 "Common Rule", Subpart C, Section 32(d) (1) outlines the record keeping requirements regarding Equipment and Real Property Management. This section indicates the local government should maintain property records that contain the following information about the equipment: description (including serial number or other identification number), source, who holds title, acquisition date and cost, percentage of Federal participation in the cost, location, condition and any ultimate disposition data. The School's property and procurement policy is consistent and compliant with the Federal requirement stated above.

*Cause:* Client did not maintain asset records in accordance with established property management policy.

*Effect:* Non-compliance with property management policies resulted in inaccuracies in the fixed asset records and required audit adjustments in order to prevent financial misstatement in the current year audited financials.

*Recommendation:* Adhere to established written property management policies. Provide training to finance, as well as supervisory staff, as to capital asset record requirements. The School's Principal and Governing Board should monitor this process to ensure implementation.

*Current Year Status:* **Unresolved.** The school has made improvement and was able to provide a property register and annual depreciation schedule. No physical inventory was conducted in the current year over fixed assets.



**Dibe Yazhi Habitiin Olta, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2015**  
**Part B - Financial Statement Findings**

**Prior Year Audit Findings - Continued:**

Compliance and other Matters

**2012-005 Unsupported Federal Deferred Revenue Balances**

*Condition:* During the fiscal year ending June 30, 2012 and in prior years the School used Federal dollars (out of the special revenue funds), to "float" general fund expenditures. The general fund has accumulated a deficit fund balance of **\$484,845** as of June 30, 2012. All dollars spent came out of the centralized checking account which is shared by all special revenue (federal grant) funds and the School's general fund.

*Criteria:* Title 25 of the U.S. Code, Section 450e-3 requires that advance payments may be: "(1) invested only in obligations of the United States ... or (2) deposited only in accounts that are insured ... by the United States" This requirement precludes the use of advance grant funds to finance another grant, or to finance general fund spending. Using one grant's funds to finance another grant, or to finance general fund spending, is a violation of the grant agreement.

*Cause:* Adequate budgetary controls were not in place for the school in prior years as well as the current year. Deficit spending in the general fund can be traced back to FYE June 30, 2011. The misuse of the employee payroll advances contributed \$119,703 to the deficit as the liability to repay the federal government was confirmed during the fiscal 2012 audit.

*Effect:* The School does not have cash adequate to cover federal deferred revenue in the special revenue funds. It appears that grant cash has been used for non-grant purposes. Support of this deficit, as of June 30, 2012, is as follows:

Special Revenue Funds- Federal Grant Advances	\$ 306,766
Current Liability (Due to Federal Government)	119,703
Current liabilities (carrying balances)	<u>58,376</u>

Total deficit support	<u><u>\$ 484,845</u></u>
-----------------------	--------------------------

*Recommendation:* The School must maintain a high degree of budgetary control over future spending out of the general fund. The general fund must establish "balanced" budgets going into future years. Other sources of outside funding should be investigated to help eliminate this deficit.

*Current Year Status:* **Unresolved.** The deficit increased from \$1,211,880 to \$1,478,648 during the current fiscal year. Support of this deficit, as of June 30, 2015 is as follows:

Special Revenue Funds - Federal Grant Advances	\$ 1,374,857
Current Liabilities (Carrying Balance)	14,014
Current Liabilities (Due to Federal Government)	<u>89,777</u>
	<u><u>1,478,648</u></u>

*Auditee Response:* We concur with this finding. The School has ceased deficit spending. The School is investigating deficit reduction alternatives.

**Dibe Yazhi Habitiin Olta, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2015**  
**Part B - Financial Statement Findings**

**Current Year Audit Findings**

*Internal Control over Financial Reporting*

None Noted.

*Compliance and other Matters*

None Noted.

**Dibe Yazhi Habitiin Olta, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2015**  
**Part C - Major Federal Programs Audit**

**Major Program Prior and Current Year Audit Findings:**

**U.S. Department of Interior (Bureau of Indian Education):**

**Indian School Equalization Program**

**Contract #GTN34X00317**

**CFDA no. 15.042**

*Internal Control Over Compliance*

Deficiencies, identified in Part B of the *Schedule of Findings and Question Costs* that are applicable as findings to this major program are as follows:

<u>Finding Number</u>	<u>Description</u>
2012-001	Financial Statement Reconciliations / Tie-In Procedures
2012-002	Support for Expenditures
2012-004	Support for Travel Expenditures
2012-007	Budgets
2014-001	Support for Salaries and Wages
2014-002	General Journal Entry Support
2014-004	Debit Card Expenses
2014-005	Property Management

*Compliance*

Deficiencies, identified in Part B of the *Schedule of Findings and Question Costs* that are applicable as compliance findings to this major program are as follows:

<u>Finding Number</u>	<u>Description</u>
2012-002	Support for Expenditures
2012-005	Unsupported Federal Deferred Revenue Balances
2014-001	Support for Salaries and Wages
2014-002	General Journal Entry Support
2014-004	Debit Card Expenses

**Dibe Yazhi Habitiin Olta, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2015**  
**Part C - Major Federal Programs Audit**

**Major Program Prior and Current Year Audit Findings: - Continued**

**U.S. Department of Interior (Bureau of Indian Education): - Continued**

**Indian School Equalization Program**

**Contract #GTN34X00317**

**CFDA no. 15.042**

**Compliance - Continued**

Below are noted specific questioned costs related to the Compliance findings:

**Finding 2014-002 General Journal Entry Support**

<u>General Journal Entry Support</u>	<u>Number</u>	<u>Dollars</u>
Population	318	\$ 2,894,754
Sample	7	105,908
Known question costs	4	10,849
<b>Total Questioned Costs Finding 2014-002</b>		<u><u>\$ 10,849</u></u>

**Finding 2014-004 Debit Card Expenses**

<u>Debit Card Support</u>	<u>Number</u>	<u>Dollars</u>
Population	816	\$ 256,216
Sample	10	3,289
Known question costs	10	3,389
<b>Total Questioned Costs Finding 2014-004</b>		<u><u>\$ 3,389</u></u>

**FY 2015 Questioned Costs- CFDA#15.042**

**\$ 14,238**

**Dibe Yazhi Habitiin Olta, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2015**  
**Part C - Major Federal Programs Audit**

**Major Program Prior and Current Year Audit Findings: - *Continued***

**U.S. Department of Interior (Bureau of Indian Education): - *Continued***

**Indian School Student Transportation**

**Contract # GTN34X00317**

**CFDA no. 15.044**

**Internal Control Over Compliance**

Deficiencies, identified in Part B of the *Schedule of Findings and Question Costs* that are applicable as findings to this major program are as follows:

<u>Finding Number</u>	<u>Description</u>
2012-001	Financial Statement Reconciliations / Tie-In Procedures
2012-002	Support for Expenditures
2012-004	Support for Travel Expenditures
2012-007	Budgets
2014-001	Support for Salaries and Wages
2014-002	General Journal Entry Support
2014-004	Debit Card Expenses
2014-005	Property Management

**Compliance**

**None Noted**

**FY 2015 Questioned Costs-CFDA# 15.044**

**\$ 0**

**Dibe Yazhi Habitiin Olta, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2015**  
**Part C - Major Federal Programs Audit**

**Major Program Specific Prior and Current Year Audit Findings - Continued**

**U.S. Department of Interior (Bureau of Indian Education) - Continued:**

**Administrative Cost Grant for Indian Schools**

**Contract # GTN34X00317**

**CFDA no. 15.046**

**Internal Control Over Compliance**

Deficiencies, identified in Part B of the *Schedule of Findings and Question Costs* that are applicable as findings to this major program are as follows:

<u>Finding Number</u>	<u>Description</u>
2012-001	Financial Statement Reconciliations / Tie-In Procedures
2012-002	Support for Expenditures
2012-004	Support for Travel Expenditures
2012-007	Budgets
2014-001	Support for Salaries and Wages
2014-002	General Journal Entry Support
2014-004	Debit Card Expenses
2014-005	Property Management

**Compliance**

Deficiencies, identified in Part B of the *Schedule of Findings and Question Costs* that are applicable as compliance findings to this major program are as follows:

<u>Finding Number</u>	<u>Description</u>
2012-002	Support for Expenditures
2012-004	Support for Travel Expenditures
2014-002	General Journal Entry Support
2014-004	Debit Card Expenses



**Dibe Yazhi Habitiin Olta, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2015**  
**Part C - Major Federal Programs Audit**

**Major Program Specific Prior and Current Year Audit Findings - Continued**

**U.S. Department of Interior (Bureau of Indian Education) - Continued:**

**Administrative Cost Grant for Indian Schools**  
**Contract # GTN34X00317**  
**CFDA no. 15.046**

**Compliance** - Continued:

Below are noted specific questioned costs related to the Compliance findings:

**Findings 2012-002 Support for Expenditures**

<u>Tested Expenditures</u>	<u>Number</u>	<u>Dollars</u>
Population	372	\$ 600,970
Sample	33	99,925
Known questioned costs	7	18,822
<b>Total Question Costs Finding 2012-002</b>		<b><u><u>\$ 18,822</u></u></b>

**Finding 2012-004 Support for Travel Expenditures**

<u>Tested Trips</u>	<u>Number</u>	<u>Dollars</u>
Population	292	\$ 120,214
Sample	11	19,117
Known questioned costs	10	18,664
<b>Total Question Costs Finding 2012-004</b>		<b><u><u>\$ 18,664</u></u></b>

**Finding 2014-002 General Journal Entry Support**

<u>Tested Entries</u>	<u>Number</u>	<u>Dollars</u>
Population	130	\$ 338,910
Sample	16	81,061
Known questioned costs	13	46,710
<b>Total Question Costs Finding 2014-002</b>		<b><u><u>\$ 46,710</u></u></b>

**Finding 2014-004 Debit Card Expenses**

<u>Tested Entries</u>	<u>Number</u>	<u>Dollars</u>
Population	471	\$ 147,793
Sample	67	21,190
Known questioned costs	67	15,706
<b>Total Question Costs Finding 2014-004</b>		<b><u><u>\$ 15,706</u></u></b>

**FY 2015 Questioned Costs-CFDA# 15.046**

**\$ 99,902**

**Dibe Yazhi Habitiin Olta, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2015**  
**Part C - Major Federal Programs Audit**

**Major Program Specific Prior and Current Year Audit Findings - Continued**

**U.S. Department of Interior (Bureau of Indian Education) - Continued:**

**Facilities Operation, Maintenance**

**Contract # GTN34X00317**

**CFDA no. 15.047**

*Internal Control Over Compliance*

Deficiencies, identified in Part B of the *Schedule of Findings and Question Costs* that are applicable as findings to this major program are as follows:

<u>Finding Number</u>	<u>Description</u>
2012-001	Financial Statement Reconciliations / Tie-In Procedures
2012-002	Support for Expenditures
2012-004	Support for Travel Expenditures
2012-007	Budgets
2014-001	Support for Salaries and Wages
2014-002	General Journal Entry Support
2014-004	Debit Card Expenses
2014-005	Property Management

*Compliance*

Deficiencies, identified in Part B of the *Schedule of Findings and Question Costs* that are applicable as compliance findings to this major program are as follows:

<u>Finding Number</u>	<u>Description</u>
2012-002	Support for Expenditures
2012-005	unsupported Federal Deferred Revenue Balanes
2014-001	Support for Salaries and Wages

**Dibe Yazhi Habitiin Olta, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2015**  
**Part C - Major Federal Programs Audit**

**Major Program Specific Prior and Current Year Audit Findings - Continued**

**U.S. Department of Interior (Bureau of Indian Education) - Continued:**

**Facilities Operation, Maintenance**  
**Contract # GTN34X00317**  
**CFDA no. 15.047**

**Compliance** - Continued:

Below are noted specific questioned costs related to the Compliance findings

**Finding 2012-002 Support for Expenditures**

<u>Tested Entries</u>	<u>Number</u>	<u>Dollars</u>
Population	223	\$ 599,901
Sample	42	101,562
Known questioned costs	5	6,437
Total Question Costs Finding 2012-002		<u>\$ 6,437</u>

**FY 2015 Questioned Costs-CFDA# 15.047** **\$ 6,437**

**Total Questioned Costs - Dept. of Interior (Bureau of Indian Education)** **\$ 120,577**

**SUMMARY OF ALL QUESTIONED COSTS:**

**Total Questioned Costs - Dept. of Interior** **\$120,577**

**Total FY 2015 Questioned Costs** **\$120,577**

Disclaimer

Dibe Yazhi Habitiin Olta, Inc.

AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2016

Due March 30, 2017

Submitted LATE

April 27, 2018

13 months

**Dibe Yazhi Habitiin Olta, Inc.**

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## **INDEPENDENT AUDITORS' REPORT**



# Midwest Professionals, P.L.L.C

Certified Public Accountants

215 South Court Avenue, Gaylord, MI 49735

989-732-1156 Fax 989-731-2541

## INDEPENDENT AUDITOR'S REPORT

The Governing Board  
Dibe Yazhi Habitiin Olta, Inc.  
Crownpoint, New Mexico 87313

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dibe Yazhi Habitiin Olta, Inc. (the "School"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Because of the matter described in the "Basis for Disclaimer of Opinion" paragraph, we believe that the audit evidence we have obtained is not sufficient and appropriate to provide a basis for our audit opinions.

### Basis for Disclaimer of Opinion on Basic Financial Statements

Management of Dibe Yazhi Habitiin Olta, Inc. could not provide sufficient appropriate audit evidence to support the basic financial statements for the year ended June 30, 2016. Essential financial statement reconciliations and the underlying support of numerous financial transactions were not provided to the auditors. The amounts by which these unsupported balances would affect the financial statements as a whole has not been determined.

### Disclaimer of Opinion

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion on Basic Financial Statements" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements. Accordingly, we do not express an opinion on these financial statements.

### Other Matters

#### *Required Supplementary Information*

Management has omitted the management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Management could not provide sufficient appropriate audit evidence to support the schedule of expenditures of federal awards, and accordingly, we do not express an opinion on the schedule of expenditures of federal awards.

#### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2018, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

*Midwest Professionals*  
P.L.L.C.

Digitally signed by L. Kurt Tucker  
DN: cn=L. Kurt Tucker, o=Midwest  
Professionals, P.L.L.C., ou,  
email=kturt@mwpros.com, c=US  
Date: 2018.04.16 21:16:31 -0400

Midwest Professionals, P.L.L.C.  
Gaylord, Michigan  
April 16, 2018

## BASIC FINANCIAL STATEMENTS

## **SCHOOL-WIDE FINANCIAL STATEMENTS**

**Dibe Yazhi Habitiin Olta, Inc.**  
**Statement of Net Position**  
**As of June 30, 2016**

	<u>Governmental Activities</u>
<b>Assets</b>	
Current Assets	
Cash and Cash Equivalents (Note 2)	\$ 909
Accounts Receivable, Net (Note 3)	12,081
Grants Receivable (Note 4)	<u>33,381</u>
Total Current Assets	<u>46,371</u>
Plant and Equipment	
Capital Assets, Net (Note 5)	<u>537,620</u>
Total Plant and Equipment	<u>537,620</u>
<b>Total Assets</b>	<u>583,991</u>
<b>Liabilities</b>	
Current Liabilities	
Accounts Payable	5,152
Payroll Liabilities	1,418
Due to Other Governments (Note 9)	89,777
Deferred Revenue (Note 6)	<u>1,544,011</u>
Total Current Liabilities	<u>1,640,358</u>
<b>Total Liabilities</b>	<u>1,640,358</u>
<b>Net Position</b>	
Net Investment in Capital Assets	537,620
Unrestricted	<u>(1,593,987)</u>
Total Net Position	<u>\$ (1,056,367)</u>

The accompanying notes are an integral part of these financial statements.

Dibe Yazhi Habitiin Olta, Inc.  
Statement of Activities  
For the Year Ended June 30, 2016

Functions / Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Position School-Wide
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government					
Governmental Activities					
Instruction	\$ 1,631,244	\$ 1,959	\$ 1,553,146	\$ -	\$ (76,139)
Support Services - Administration	446,033	81,414	331,204	-	(33,415)
Operation & Maintenance of Facilities	387,534	-	303,729	-	(83,805)
Student Transportation Services	284,716	-	280,236	-	(4,480)
Operation of Non-instructional Services	125,812	-	117,254	-	(8,558)
Total Governmental Activities	\$ 2,875,339	\$ 83,373	\$ 2,585,569	\$ -	(206,397)
General Revenues					45
Interest Income					45
Total General Revenues					
Change in Net Position					(206,352)
Net Position, Beginning of Year					(850,015)
Net Position - End of the Year					\$ (1,056,367)

The accompanying notes are an integral part of these financial statements.



## GOVERNMENTAL FUND FINANCIAL STATEMENTS

**Dibe Yazhi Habitiin Olta, Inc.**  
**Balance Sheet - Governmental Funds**  
**As of June 30, 2016**

	General Fund	BIE Fund	DOE Fund	Other Funds	Total Governmental Funds
<b>Assets</b>					
Cash and Cash Equivalents (Note 2)	\$ 909	-	-	-	\$ 909
Accounts Receivable, Net (Note 3)	12,081	-	-	-	12,081
Grants Receivable (Note 4)	-	8,777	19,507	5,097	33,381
Due from Other Funds (Note 7)	-	829,019	662,505	19,106	1,510,630
<b>Total Assets</b>	<b>\$ 12,990</b>	<b>\$ 837,796</b>	<b>\$ 682,012</b>	<b>\$ 24,203</b>	<b>\$ 1,557,001</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$ 5,152	-	-	-	\$ 5,152
Payroll Liabilities	1,418	-	-	-	1,418
Due to Other Governments (Note 9)	89,777	-	-	-	89,777
Deferred Revenue (Note 6)	-	837,796	682,012	24,203	1,544,011
Due to Other Funds (Note 7)	1,510,630	-	-	-	1,510,630
<b>Total Liabilities</b>	<b>1,606,977</b>	<b>837,796</b>	<b>682,012</b>	<b>24,203</b>	<b>3,150,988</b>
<b>Fund Balances</b>					
Unassigned	(1,593,987)	-	-	-	(1,593,987)
<b>Total Fund Balances</b>	<b>(1,593,987)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,593,987)</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 12,990</b>	<b>\$ 837,796</b>	<b>\$ 682,012</b>	<b>\$ 24,203</b>	<b>\$ 1,557,001</b>
<b>Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position</b>					
<b>Total Fund Balances - Government Funds</b>					(1,593,987)
<b>Amounts reported for Governmental Activities in the Statement of Net Position are different because:</b>					
<b>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds</b>					
					537,620
<b>Net Position of Governmental Activities</b>					<b>\$ (1,056,367)</b>

The accompanying notes are an integral part of these financial statements.

**Dibe Yazhi Habitiin Olta, Inc.**

**Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds**

**For the Year Ended June 30, 2016**

	General Fund	BIE Fund	DOE Fund	Other Funds	Total Governmental Funds
<b>Revenues</b>					
Federal Revenues	\$ -	\$ 1,827,532	\$ 613,186	\$ 117,254	\$ 2,557,972
Other Grant Revenue	-	-	-	27,597	27,597
Other Income	81,414	2,004	-	-	83,418
Total Revenues	<u>81,414</u>	<u>1,829,536</u>	<u>613,186</u>	<u>144,851</u>	<u>2,668,987</u>
<b>Expenditures</b>					
Instruction	13,799	856,392	707,322	27,597	1,605,110
Support Services - Administration	94,474	348,953	-	-	443,427
Operation & Maintenance of Facilities	-	325,261	-	-	325,261
Student Transportation Services	-	284,716	-	-	284,716
Operation of Non-instructional Services	3,834	-	-	121,978	125,812
Total Expenditures	<u>112,107</u>	<u>1,815,322</u>	<u>707,322</u>	<u>149,575</u>	<u>2,784,326</u>
Revenues Over (Under) Expenditures	<u>(30,693)</u>	<u>14,214</u>	<u>(94,136)</u>	<u>(4,724)</u>	<u>(115,339)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers - In / (Out)	(84,646)	(14,214)	94,136	4,724	-
Total Other Financing Sources (Uses)	<u>(84,646)</u>	<u>(14,214)</u>	<u>94,136</u>	<u>4,724</u>	<u>-</u>
Net Change In Fund Balances	<u>(115,339)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(115,339)</u>
Fund Balances, Beginning of Year	(1,478,648)	-	-	-	(1,478,648)
Fund Balances, End of Year	<u>\$ (1,593,987)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,593,987)</u>

The accompanying notes are an integral part of these financial statements.

**Dibe Yazhi Habitiin Olta, Inc.**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Governmental Funds To the Statement of Activities**  
**For the Year Ended June 30, 2016**

Net Change in Fund Balances - Governmental Funds	\$	(115,339)
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Amounts reported for Governmental Activities in the Statement of Activities are different because:

Capital outlays are reported in the governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their useful lives as depreciation expense. In the current period, these amounts are:

Capital Outlay	-	
Depreciation Expense	(91,013)	
		(91,013)

Change In Net Position of Governmental Activities	\$	(206,352)
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The accompanying notes are an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

**Dibe Yazhi Habitiin Olta, Inc.**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2016**

**Note 1 - Organization and Summary of Significant Accounting Policies**

**Reporting Entity**

Dibe Yazhi Habitiin Olta, Inc. (the "School") is a Tribally-Controlled Grant School located near Crownpoint, NM. The School's primary purpose is to provide educational and related services to children in grades K through 8 for the Navajo youth of the Littlewater and Casamero Lake Chapters on the Navajo Reservation. The School's major operations include education, student transportation, food services, and construction and maintenance of School facilities.

The school is a not-for-profit New Mexico corporation and is funded primarily through U.S. Public Law 100-297. A Governing Board provides the underlying policy and leadership to the School by instituting operating and management policies. The Board has broad financial responsibilities, including the approval of the annual budget, and the establishment of a system of accounting and budgetary controls. The membership of the Governing Board consists of five elected members.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement 14. The basic, but not the only, criterion for including a potential component unit is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used in evaluating potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based on the application of these criteria, the School has no component units.

**Accounting Policies**

The School's accounting policies conform to accounting principles generally accepted in the United States of America applicable to governmental units. The financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB statements and interpretations constitute GAAP for governments, including tribal grant schools. The following is a summary of significant accounting policies.

**Basis of Presentation**

The accompanying financial statements have been prepared in accordance with the reporting model defined in GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. GASB 34 significantly changes financial reporting for governmental entities, including tribal grant schools. This reporting model includes requirements for School-wide financial statements, management's discussion and analysis (presented as required supplementary information), and reporting of infrastructure such as campus roads and water systems.



Dibe Yazhi Habitiin Olta, Inc.  
Notes to the Financial Statements  
For the Year Ended June 30, 2016

**Note 1 - Organization and Summary of Significant Accounting Policies - *Continued***

Statement 34 requires infrastructure on a prospective basis. Accordingly, major networks of infrastructure assets acquired since 1980 are reported in the School-wide financial statements.

The basic financial statements of the School include the school-wide and the fund financial statements. The focus of the financial statements is on the School as a whole in the school-wide financial statements, while reporting additional and detailed information about the School's major governmental activities in the fund financial statements. The School does not report any business-type activities.

The more significant of the government's accounting policies are described below.

**School-wide Statements** - The statement of net position and the statement of activities present information about the School as a whole. These statements include the financial activities of the overall School, except fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through intergovernmental (Federal) grant and contract revenues and other non-exchange transactions. The statement of activities presents a comparison between direct expenses and program revenues for each function of the School's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

**Fund Financial Statements** - The fund financial statements provide information about the School's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The School reports the following major governmental funds:

**General Fund** - The general fund is the School's general operating fund. It is used to account for financial resources not accounted for in other funds. These financial resources tend to be discretionary in nature.

**Special Revenue Funds** - Special revenue funds are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Federal grants, received by the school, are accounted for using separate special revenue funds. The following special revenue funds were identified as major governmental funds:

**BIE Fund** - This fund accounts for grant resources provided by:

- U.S. Department of the Interior - Bureau of Indian Education (B.I.E.), under self-determination grants (P.L. 100-297 Tribally Controlled Schools Act and P.L.93-638 as amended);
- Indian School Equalization Program (ISEP) - supports the general education (non-administrative) costs of the school's operations. A large portion of these dollars are budgeted towards teachers' salaries and fringe benefits. This fund also accounts for special education dollars appropriated through the B.I.E.;

**Dibe Yazhi Habitlin Olta, Inc.**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2016**

**Note 1 - Organization and Summary of Significant Accounting Policies – *continued***

- B.I.E. - Transportation - accounts for grant resources provided by the Bureau of Indian Education under P.L. 93-638 as amended. These grant dollars are used to provide funds to schools for the round trip transportation of students between home and the school site;
- B.I.E. - Administrative Services - accounts for grant resources provided by the Bureau of Indian Education under P.L. 100-297 - grant dollars are used to pay for the administrative costs incurred by the school. The administrative and finance personnel as well as the board of directors' costs are funded through this fund;
- B.I.E. - Facilities Operations & Maintenance - grant resources provided by the Bureau of Indian Education under P.L. 100-297. These grant dollars are used to pay for the school facilities operation, maintenance, and upkeep. These funds can also be specified for facilities upgrades and improvements;
- B.I.E. - Indian Child and Family Education - grant resources provided by the Bureau of Indian Education under PL 95-561. These grant dollars are used to serve children from prenatal to age 5. These funds can also be used to promote family literacy, parental involvement which serves to increase school readiness and high school graduation rates as well as encourage life-long learning.

DOE Fund - This fund accounts for grant resources provided by:

- U.S. Department of Education (D.O.E.) and includes these major grant activities:
  - D.O.E. - Special Education Funds - grant resources provided under the Individuals with Disabilities Education Act, Part B. This grant is designed to assist schools in providing free and appropriate public education to all children with disabilities. A large portion of these dollars are used to provide special instructional services and counseling staff.
  - D.O.E. - Title I Grants to Local Education Agencies - grant resources provided under the Elementary and Secondary Education Act of 1965 (ESEA, as amended). This grant is designed to help local educational agencies (LEAs) improve teaching and learning in high-poverty schools in particular for children failing, or most at-risk of failing, to meet challenging State academic achievement standards.
  - D.O.E. - Teacher Quality Partnership Grants - grant resources provided under the Higher Education Act of 1965 as amended Title II, Part A. This grant is designed to enhance professional development activities for new teacher and aid in recruiting highly qualified individuals into the teaching force.
  - D.O.E. - Indian Education - Grants to Local Educational Agencies - grant resources provided under the Elementary and Secondary Education Act of 1965 (ESEA), as amended, Title VII, Part A, Subpart 1. This grant is designed to address the unique education and cultural related needs of Indian students.
  - D.O.E. - Rural Education - grant resources provided under the Elementary and Secondary Education Act (ESEA), as amended, Title VI, Part B. This grant is designed to provide financial assistance to rural districts to carry out activities to help improve the quality of teaching and learning in their schools.
  - D.O.E. - Twenty-First Century Community Learning Centers - grant resources provided under the Elementary and Secondary Education Act of 1965 (ESEA), as amended, Title IV, Part B. This grant is designed to help communities expend activities which help students meet state and local student academic achievement standards in core academic subjects.

**Dibe Yazhi Habitiin Olta, Inc.**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2016**

**Note 1 - Organization and Summary of Significant Accounting Policies - *continued***

- D.O.E. — School Improvement Grants — grant resources provided under the Elementary and Secondary Education Act (ESEA), as amended, Executive Order Section 1003(g), 115 Stat. 1442, 20 U.S.C 6303(g). These grant funds are to aid in the support of Title I-eligible schools ranked in the bottom five percent as well as secondary schools with graduation rate of less than 60 percent over a number of years.

**Measurement Focus - Basis of Accounting**

School-wide Financial Statements - are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the School gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements (appropriate expenditures) have been satisfied.

Governmental Fund Financial Statements - are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available. The School considers all revenues reported in the governmental funds to be available if the revenues are collected within ninety days after year-end. Expenditures are recorded when the related fund liability is incurred. General capital asset acquisitions are reported as expenditures in governmental funds.

Under the terms of grant agreements, the School funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position amount available to finance the program. It is the School's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

**Use of Estimates**

Basic financial statement preparation in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Budgetary Data**

Budgets are adopted using the modified accrual basis of accounting, which is consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general and special revenue funds of the School. All budgets are adopted by the School's Governing Board. Budgets for special revenue funds, grants and contracts, are submitted with original requests for funding through the approval of the Governing Board. Modifications are made to these budgets as funding levels are changed or as program requirements change. However, the budgets have not been maintained according to policy. See Part B of the Schedule of Findings and Questioned Costs.

**Dibe Yazhi Habitiin Olta, Inc.**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2016**

**Note 1 - Organization and Summary of Significant Accounting Policies - *continued***

**Cash Equivalents**

The School considers all investments with an original maturity of, or an ability to be liquidated within, three months or less to be cash equivalents. The School maintains one checking account from which all disbursements are made. This account also receives all deposits for the School's grant dollars. One additional account is maintained for special purposes.

Cash balances, presented on the governmental fund financial statements, represent each fund's actual "cash position" or its "share" in the above mentioned cash accounts.

**Interfund Receivables / Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

**Investments**

Investments are recorded at fair value. Federal grant and contract provisions authorize the School to invest in obligations of the United States or in obligations or securities that are guaranteed or insured by the United States, or mutual (or other) funds registered with the Securities and Exchange Commission and which only invest in obligations of the United States or securities that are guaranteed or insured by the United States. As of the fiscal year end, the school carried no investments.

**Grant Receivables**

Grant revenue is recognized as appropriate expenditures are incurred on federal grant programs. Where the funding has yet to be received by the School, a grant receivable is recorded to offset incurred grant expenditures. Grant receivable balances at fiscal year-end represent an excess of expenditures over cash received to date.

**Allowance for Doubtful Accounts**

An allowance for doubtful accounts is used when management has reason to believe that a portion of accounts receivables will be uncollectible. Adjustments to the allowance account, results in offsetting adjustments to bad debt expense.

**Inventories**

On the governmental financial statements, inventories under governmental fund types are recorded using the purchase method of accounting. Inventory items are fully expensed in the purchase period. Changes in inventory balances are accounted for by making adjustments to a reserved fund balance set up for inventory as opposed to directly adjusting purchases expense. On the school-wide financial statements, all inventories are recorded at cost; these items are capitalized and expensed when consumed. As of the end of the fiscal year, the school carried no inventory.

**Capital Assets**

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The School does not own any



Dibe Yazhi Habitiin Olta, Inc.  
Notes to the Financial Statements  
For the Year Ended June 30, 2016

**Note 1 - Organization and Summary of Significant Accounting Policies - *continued***

buildings. School buildings are all owned and maintained by the Bureau of Indian Affairs. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. Capital assets are defined by the School as assets with an initial, individual cost in excess of \$5,000 and an estimated useful life of more than one year. As required by GASB 34, major networks of infrastructure assets acquired since 1980 are reported in the primary government financial statements. The School does not report infrastructure in the modified approach.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Infrastructure	5 - 40 years
Building Improvements	5 - 20 years
Vehicles, furniture and equipment	5 - 30 years

**Deferred Revenue - Grants**

Federal award monies received in advance of qualifying expenditures being incurred, are recorded on the School's balance sheet as deferred revenue.

**Fund Balance Presentation**

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, requires the following categories for equity:

**Nonspendable Fund Balance** - Amounts that cannot be spent due to form; for example, inventories and prepaid amounts. Also, long-term loan and notes receivables, and property held for resale would be reported here unless the proceeds are restricted, committed or assigned. Amounts that must be maintained intact legally or contractually (corpus or principal of a permanent fund).

**Restricted Fund Balance** - Amounts constrained for a specific purpose by external parties, constitutional provision or enabling legislation. This is the same definition used by GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis* - for State and Local Governments, for restricted net position.

**Committed Fund Balance** - Amounts constrained for a specific purpose by a government using its highest level of decision-making authority. It would require action (Board Resolution) by the same group (School Board) to remove or change the constraints placed on the resources. Action to constrain resources must occur prior to year-end; however, the amount can be determined in the subsequent period.

**Assigned Fund Balance** - For all governmental funds other than the general fund, any remaining positive amounts not classified as nonspendable, restricted or committed. For the general fund, amounts constrained for the intent to be used for a specific purpose by a governing board or a body or official that has been delegated authority to assign amounts. Amount reported as assigned should not result in a deficit in unassigned fund balance. The official to assign amounts is the Superintendent.

**Dibe Yazhi Habitiin Olta, Inc.**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2016**

**Note 1 - Organization and Summary of Significant Accounting Policies - *continued***

**Fund Balance Presentation - continued**

Unassigned Fund Balance - For the general fund, amounts not classified as nonspendable, restricted, committed or assigned. The general fund is the only fund that would report a positive amount in unassigned fund balance. For all governmental funds other than the general fund, amount expended in excess of resources that are nonspendable, restricted, committed or assigned (a residual deficit). In determining a residual deficit, no amount should be reported as assigned.

**Net Position Presentation**

Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position – Consists of net position with constraints placed in its use by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (b) law through constitutional provisions or enabling legislation.

Unrestricted Net Position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

It is the School’s policy that when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used the following hierarchy will be used:

1. Committed
2. Assigned
3. Unassigned

**Compensated Absences**

Compensated absences consist of vacation leave earned by 12-month employees based on services already rendered, and personal leave of 8 days for all 10-month employees. 12-month employees may accumulate up to 25 days of vacation depending on years of service, but any vacation hours that are unused at fiscal year-end are forfeited. Unused 10-month employees’ personal leave is also forfeited at June 30. Generally, sick leave benefits provide for ordinary sick pay and accrue at a rate of 4 hours per pay period but do not vest with employees, and therefore, are not accrued. As no amount of leave is able to be carried over to subsequent fiscal years, leave is recognized as used during the year and no compensated absence liability is carried on the balance sheet or statement of net position.

**Income Taxes**

The School has received 501(c) (3) status from the Internal Revenue Service and as such is considered exempt from income taxes as a non-profit organization.



**Dibe Yazhi Habitiin Olta, Inc.**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2016**

**Note 1 - Organization and Summary of Significant Accounting Policies - *continued***

**Subsequent Events**

Subsequent events have been evaluated through the date of the audit report, the date the financial statements were available to be issued.

**Note 2 - Cash and Cash Equivalents**

**Custodial Credit Risk-** Custodial credit risk on deposits is the risk that in the event of a bank failure, the School's deposits might not be returned to it. Dibe Yazhi Habitiin Olta, Inc. does not have a bank deposit policy to address custodial credit risk.

As of June 30, 2016, the School's carrying amount of cash equivalents was \$909 and the bank balance was \$965. All of the bank balances were covered by FDIC insurance.

**Note 3 - Accounts Receivables**

Receivables as of June 30, 2016 consist of the following:

	General Fund	BIE Fund	DOE Fund	Other Funds	Memorandum Total Only
Accounts Receivable-Trade	\$ 4,285	\$ -	\$ -	\$ -	\$ 4,285
Accounts Receivable-Employee Purchases	5,264	-	-	-	5,264
Accounts Receivable-Employee Advances	172,474	-	-	-	172,474
Accounts Receivable-Travel Advances	6,700	-	-	-	6,700
Receivables, Gross	188,723	-	-	-	188,723
Less: Allowance for uncollectables	(176,642)	-	-	-	(176,642)
Receivables, Net	<u>\$ 12,081</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,081</u>

**Note 4 – Grants Receivable**

Grant receivables as of June 30, 2016 consist of the following:

Grant Description	CFDA	Program Code#	Grant Receivable Amount
BIE - Indian Education Facilities, Operations and Maintenance	15.047	22	\$ 8,777
DOE - School Improvement Grants - ARRA	84.388	66	29
DOE - School Improvement Grants	84.377	69	19,478
Non-Federal Grants	N/A	45	5,097
Total Grant Receivables			<u>\$ 33,381</u>

**Dibe Yazhi Habitiin Olta, Inc.**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2016**

**Note 5 - Capital Assets**

Capital asset activity for the year ended June 30, 2016 is summarized as follows:

Governmental Activities	Beginning Balance 6/30/2015	Increases	Decreases	Ending Balance 6/30/2016
Capital assets being depreciated:				
Buildings and improvements	\$ 456,908	\$ -	\$ -	\$ 456,908
Land Improvements	233,492	-	-	233,492
Vehicles, Furniture and Equipment	623,281	-	-	623,281
Total Depreciable Assets at Historical Cost	1,313,681	-	-	1,313,681
Less: Accumulated Depreciation	685,048	91,013	-	776,061
Capital Assets Being Depreciated, Net	628,633	(91,013)	-	537,620
Governmental Activities Capital Assets, Net	\$ 628,633	\$ (91,013)	\$ -	\$ 537,620

Depreciation expense was charged to the following functions:

Governmental Activities	
Instruction	26,134
Support Services - Administration	2,606
Operation & Maintenance of Facilities	62,273
	<u>\$ 91,013</u>

**Note 6 - Deferred Revenue**

Federal grants and contract funding received in advance of related incurred expenditures are composed of these federal programs as of June 30, 2016:

Grant Description	CFDA	Code#	Amount
BIE - Indian Education Facilities, Operation and Maintenance	15.047	20 / 21	\$ 56,247
BIE - Indian Education Facilities, Operations and Maintenance	15.047	56 / 88	413,651
BIE - Indian School Equalization Program - Special Education	15.042	15	151,146
BIE - Indian School Student Transportation	15.044	11	121,766
BIE - Administrative Cost Grant for Indian Schools	15.046	90	94,986
DOE - 21st Century Community Learning Centers	84.287	49	133,494
DOE - Indian Education - Grants to Local Education Agencies	84.060	40	14,618
DOE - Peacemaking	84.184	80	400
DOE - Rural Education	84.358	60	3,798
DOE - Safe & Drug-free Schools & Communities - State Grants	84.186	46	3,852
DOE - Special Education - Grants to States	84.027	16	358,964
DOE - Teacher Quality Partnership Grants	84.336	36	53,976
DOE - Title I Grants to Local Education Agencies	84.010	30	112,910
USDA - School Lunch Program	10.555	50	16,918
USDA - Summer Food Service Program for Children	10.559	70	7,285
Total Deferred Revenues			<u>\$ 1,544,011</u>

**Dibe Yazhi Habitiin Olta, Inc.**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2016**

**Note 7 – Inter-fund Activity**

Inter-fund obligations are summarized as follows:

<u>Fund</u>	<u>Due To Other Funds</u>	<u>Due From Other Funds</u>
General Fund	\$ 1,510,630	\$ -
BIE Fund	-	829,019
DOE Fund	-	662,505
Other Funds	-	19,106
	<u>\$ 1,510,630</u>	<u>\$ 1,510,630</u>

Inter-fund transfers are summarized as follows:

<u>Fund</u>	<u>Transfers Out</u>	<u>Transfers In</u>	<u>Purpose</u>
General Fund	\$ 84,646	\$ -	Program Support
BIE Fund	14,214	-	Program Support
DOE Fund	-	94,136	Program Support
Other Funds	-	4,724	Program Support
	<u>\$ 98,860</u>	<u>\$ 98,860</u>	

**Note 8 - Economic Dependency**

The School receives funding from various federal agencies. In the current fiscal year, approximately 96% of the School's revenues were from Federal Grants.

**Note 9 - Commitments and Contingencies**

Grants - The School's programs are funded by various federal agencies. Expenditures made under such programs are subject to review and approval or disallowance by the agencies. Any costs disallowed by the agencies are subject to negotiation and are not recorded as liabilities until mutually agreed-upon.

On July 10, 2013, the Bureau of Indian Education issued a bill of collection for disallowed cost, relating to the School's fiscal year 2011 Single Audit, totaling \$119,703. The majority of these disallowed costs related to uncollected payroll advances. A current liability has been recorded as "Due to Other Governments" and the expense charged to the general fund in fiscal year 2012. As of the date of this audit report, this liability balance outstanding is \$89,777.

A former employee filed a claim against the school alleging that it violated the Navajo Nation's Tribal Employment Rights Ordinance when her employment contract was not renewed in May, 2014; and for alleged harassment by others in the workplace. Most of her claims were dismissed by the Navajo Nation Labor Commission upon the school's motion to dismiss because of the untimely filing of the former employee's complaint. If the Labor Commission finds for the former employee, it is possible that an award of attorney's fees and costs to her could exceed \$5,000.

**Dibe Yazhi Habitiin Olta, Inc.**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2016**

**Note 9 - Commitments and Contingencies - continued**

Operating Leases - The School leases buses through the General Services Administration (GSA) under the provisions of a long-term lease agreement classified as an operating lease for accounting purposes. Expenditures under the terms of the operating lease totaled \$118,042 for the current fiscal year. The operating lease has the option to be renewed annually.

**Note 10 - Risk Management**

The School is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; and errors and omissions. Commercial insurance coverage is purchased for claims arising from such matters. There have been no claims made exceeding the insurance coverage.

**Note 11 - Material Deficits**

As of June 30, 2016, the School's General Fund reflected a deficit fund balance of \$1,593,987. The deficit was created due to over spending and the misuse of employee payroll advances. The School hopes to restore this deficit in the future through controlled spending resulting in at least breakeven results for each fiscal year as well as identifying potential other sources of funding.

<u>Source</u>	<u>Amount</u>
Special Revenue Funds - Federal Grant Advances	\$ 1,497,640
Current Liabilities (Carrying Balance)	6,570
Current Liabilities (Due to Federal Government)	89,777
	<u>1,593,987</u>

**Dibe Yazhi Habitiin Olta, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2016**

<u>Funding Agency / Program</u>	<u>CFDA Number</u>	<u>Expenditures</u>
<i>U.S. Department of the Interior</i>		
<i>Bureau of Indian Education</i>		
Indian School Equalization Program	15.042	859,691
Indian School Equalization Program - Special Education	15.042	52,672
Indian School Student Transportation	15.044	280,236
Administrative Cost Grant for Indian Schools	15.046	331,204
Indian Education Facilities, Operation and Maintenance	15.047	303,729
<i>Total U.S. Department of the Interior</i>		<u>1,827,532</u>
<i>U.S. Department of Education</i>		
<i>Pass Through U.S. Department of the Interior</i>		
Title I Grants to Local Education Agencies	84.010	249,035
Teacher Quality Partnership Grants	84.336	6,271
Title VII - Indian Education - Grants to Local Educational Agencies	84.060	31,636
Special Education - Grants to States	84.027	181,788
Rural Education	84.358	(746)
Title IV, Part B, Twenty-First Century Community Learning Centers	84.287	125,695
School Improvement Grants - ARRA	84.388	29
School Improvement Grants	84.377	19,478
<i>Total U.S. Department of Education</i>		<u>613,186</u>
<i>U.S. Department of Agriculture</i>		
National School Lunch Program	10.555	79,578
School Breakfast Program	10.553	35,753
Summer Food Service Program for Children	10.559	1,923
<i>Total U.S. Department of Agriculture</i>		<u>117,254</u>
<i>Total Expenditures of Federal Awards</i>		<u><u>2,557,972</u></u>

**Dibe Yazhi Habitiin Olta, Inc.**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**for the Year Ended June 30, 2016**

**Note A – Significant Accounting Policies**

The accompanying schedule of expenditures of Federal Awards includes the Federal Grant activity of Dibe Yazhi Habitiin Olta, Inc. and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The School did not elect to use the 10 percent *de minimis* indirect cost rate as allowed under the OMB *Uniform Guidance*.

**Note B – Loans Outstanding**

The School had no outstanding federal loan balances at June 30, 2016.

**Note C - Reconciliation of Reported Expenditures to Financial Statement Totals**

The following is a reconciliation of total federal assistance reported on the Schedule of Expenditures of Federal Awards (SEFA) to the total federal assistance reported on Dibe Yazhi Habitiin Olta, Inc.'s statement of revenues, expenditures, and changes in fund balance- governmental funds for the year ending June 30, 2016:

**Per Financials:**

Total Federal Revenues per Financials	\$ <u>2,557,972</u>
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**PER SEFA:**

Total Federal Expenditures per Schedule of Federal Awards	\$ <u>2,557,972</u>
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989-732-1156 Fax 989-731-2541

## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Governing Board  
Dibe Yazhi Habitiin Olta, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dibe Yazhi Habitiin Olta, Inc. (the "School"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated April 16, 2018. The School's management could not provide essential financial statement reconciliations and underlying support of numerous financial transactions to support their basic financial statements, and accordingly, we do not express an opinion on these financial statements.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses: 2012-001, 2012-002, 2012-004, 2012-007, 2014-001, 2014-002, 2014-004, 2014-005, and 2016-003.

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## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as finding 2012-005.

## School's Responses to Findings

The School's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The School's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Midwest Professionals  
P.L.L.C.*

Digitally signed by J. Kurt  
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DN: cn=J. Kurt Tucker,  
o=Midwest Professionals,  
P.L.L.C., ou,  
email=kurt@mwpa.us.com,  
c=US  
Date: 2018.04.16 21:17:08  
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Midwest Professionals, P.L.L.C.  
Gaylord, Michigan  
April 16, 2018

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989-732-1156 Fax 989-731-2541*

### **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Governing Board  
Dibe Yazhi Habitiin Olta, Inc.

#### **Report on Compliance for Each Major Federal Program**

We have audited the Dibe Yazhi Habitiin Olta, Inc.'s' (the "School") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of the School's major federal programs for the year ended June 30, 2016. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.

#### **Basis for Disclaimer of Opinion on Major Federal Programs**

As described in findings 2012-002, 2012-004, 2012-005, 2014-001, 2014-002, 2014-004, 2016-001, 2016-002, and 2016-003 in the accompanying schedule of findings and questioned costs, Dibe Yazhi Habitiin Olta, Inc. was unable to provide sufficient appropriate audit evidence regarding the following:

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Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2012-002	15.042	Indian School Equalization Program	Allowable Costs/Cost Principles
2012-004	15.042	Indian School Equalization Program	Allowable Costs/Cost Principles
2012-005	15.042	Indian School Equalization Program	Cash Management
2014-001	15.042	Indian School Equalization Program	Allowable Costs/Cost Principles
2014-002	15.042	Indian School Equalization Program	Allowable Costs/Cost Principles
2014-004	15.042	Indian School Equalization Program	Allowable Costs/Cost Principles
2016-001	15.042	Indian School Equalization Program	Special Tests
2016-002	15.042	Indian School Equalization Program	Reporting
2016-003	15.042	Indian School Equalization Program	Procurement
2012-002	15.046	Administrative Cost Grant for Indian Schools	Allowable Costs/Cost Principles
2012-004	15.046	Administrative Cost Grant for Indian Schools	Allowable Costs/Cost Principles
2012-005	15.046	Administrative Cost Grant for Indian Schools	Cash Management
2014-001	15.046	Administrative Cost Grant for Indian Schools	Allowable Costs/Cost Principles
2014-002	15.046	Administrative Cost Grant for Indian Schools	Allowable Costs/Cost Principles
2014-004	15.046	Administrative Cost Grant for Indian Schools	Allowable Costs/Cost Principles
2016-001	15.046	Administrative Cost Grant for Indian Schools	Special Tests
2016-002	15.046	Administrative Cost Grant for Indian Schools	Reporting

Consequently, we were unable to determine whether the School complied with those requirements applicable to those programs.

### Disclaimer of Opinion on Major Federal Programs

Because of the significance of the matters described in the Basis for Disclaimer of Opinion on Major Federal Programs paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion, and accordingly, we do not express an opinion on each of the major federal programs for the year ended June 30, 2016.

Dibe Yazhi Habitiin Olta, Inc.'s response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Dibe Yazhi Habitiin Olta, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and accordingly, we express no opinion on the response.

### Report on Internal Control over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct

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989-732-1156 Fax 989-731-2541

Page 3

and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as findings 2012-001, 2012-002, 2012-004, 2012-007, 2014-001, 2014-002, 2014-004, 2014-005, 2016-001, and 2016-003 to be material weaknesses.

The School's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The School's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Midwest Professionals  
P.L.L.C.*

Digitally signed by J. Kurt Tucker  
DN: cn=J. Kurt Tucker,  
o=Midwest Professionals, PLLC,  
ou, email=kurt@mwpros.com,  
c=US  
Date: 2018.04.16 21:17:49 -0400

Midwest Professionals, P.L.L.C.  
Gaylord, Michigan  
April 16, 2018

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**Dibe Yazhi Habitiin Olta, Inc.**  
**Summary Schedule of Prior Audit Findings**  
**For the Year Ended June 30, 2016**

**2012-001 Financial Statement Reconciliation/Tie- In Procedures**

***Material Weakness***

**CONDITION:** A weakness existed in the overall reconciliation/tie-in procedures, performed over School's financial statement accounts for the year ending June 30, 2012. Financial accounts were either reconciled untimely or in some cases, accounts were not reconciled at all. Most of these accounts should be reconciled on a monthly basis. The major areas where reconciliation procedures were weak included:

- A) Cash Accounts (reconciliation to the monthly bank statements);
- B) Accounts Receivable (review of employee computer purchases, employee salary advances, other miscellaneous receivables and associated allowances for doubtful accounts);
- C) Grants Receivables/Deferred Revenues (reconciliation to year-end financials);
- D) Accounts Payable (timely input of invoices to maintain an accounts payable subsidiary ledger and reversal of the prior year's entry for accrued expenses);
- E) Payroll and Other Current Liabilities (reconciliation to the reports sent to taxing authorities, actual expenditures for employer-paid fringe benefits, and other miscellaneous employee withholdings);
- F) Beginning balances (yearly reconciliation of system financials to audited financial statements);
- G) Debit Card Activity (maintenance of a general ledger for this fund), and;
- H) Travel Advances (reconciliation of the advance with the actual travel costs incurred and collection from the employee if appropriate).

**RECOMMENDATION:** The School should adopt written reconciliation and tie-in procedures into its financial policies and procedures manual. The written policy should not only identify each procedure to be performed and how often, but most importantly identify whose responsibility it is to actually perform a given reconciliation or tie-in. Relying totally on the work of an outside accounting firm will not yield the desired, timely results.

**CURRENT YEAR STATUS:** Unresolved. See Schedule of Findings and Questioned Costs.

**2012-002 Support for Expenditures**

***Material Weakness***

**CONDITION:** Under the expenditures testing procedures, the auditor identified expenditure vouchers which lacked the required documentation. Testing revealed missing vouchers and vouchers that lacked documentation including vendor invoices. Checks were processed without proper supporting documentation.

**RECOMMENDATION:** Adhere to established policy and process checks only when all required supporting documentation is present.

**CURRENT YEAR STATUS:** Unresolved. See Schedule of Findings and Questioned Costs.



**Dibe Yazhi Habitiin Olta, Inc.**  
**Summary Schedule of Prior Audit Findings**  
**For the Year Ended June 30, 2016**

**2012-004 Support for Travel Expenditures**

***Material Weakness***

**CONDITION:** Under the travel testing procedures, the auditor identified travel transactions which lacked the required lodging receipt documentation.

**RECOMMENDATION:** Adherence to established travel policies for travelers failing to submit a travel report with required receipts within 10 days of returning from a prior trip including: (1) the provision to fund travel advance requests at 80% and, (2) recovery of funds already expended [through payroll deduction]. We also recommend that advances to travelers be booked as travel receivables, which would allow for more consistent tracking by the business office.

**CURRENT YEAR STATUS:** Unresolved. See Schedule of Findings and Questioned Costs.

**2012-007 Budgets**

***Material Weakness***

**CONDITION:** A deficiency in the budgetary process existed during the fiscal year:

No budgets were established or properly approved for the School's general fund activities or the special revenue fund;

Little evidence to support that proper budgetary monitoring was occurring for the general fund or the special revenue funds, and;

No evidence that prior years' unspent U. S. Department of Education grant carry-over funds had been considered in spending plans.

**RECOMMENDATION:** The School must adopt and implement written budgetary procedures. The requirement to budget extends to all School programs, not just federal grants and contracts. Proper planning through effective budgeting procedures can help significantly in controlling the School's general fund deficit.

**CURRENT YEAR STATUS:** Unresolved. See Schedule of Findings and Questioned Costs.

**Dibe Yazhi Habitiin Olta, Inc.**  
**Summary Schedule of Prior Audit Findings**  
**For the Year Ended June 30, 2016**

**2014-001 Support for Salaries and Wages**

***Significant Deficiency***

**CONDITION:** Of the 196 payroll transactions tested this year 4 payrolls did not have proper documentation to support payment, 3 did not have pay rate authorizations, and 2 payrolls were not charged to the proper program or had no program coding on the timesheet.

**RECOMMENDATION:** Proper completion of timesheets by employees, coupled with full and proper review of timesheets by supervisors evidenced by their signature, and review of the processed payroll by the Principal should resolve this issue. Additionally, adhere to the School's policy and maintain authorized pay rates in the employees' Personnel Action Form.

**CURRENT YEAR STATUS:** Unresolved. See Schedule of Findings and Questioned Costs.

**2014-002 General Journal Entry Support**

***Material Weakness***

**CONDITION:** 24 general journal entries were chosen for testing. The auditor was unable to obtain any supporting documentation for 17 of the entries chosen.

**RECOMMENDATION:** Any general journal adjustments made to the financial records should be properly authorized and documented. Fiscal policy should be updated to clearly define the use of general journal entries and establish basic procedures which insure proper use. These procedures need to address approval/authorization, accuracy, and supporting documentation for each entry.

**CURRENT YEAR STATUS:** Unresolved. See Schedule of Findings and Questioned Costs.

**2014-004 Debit Card Expenses**

***Significant Deficiency***

**CONDITION:** 35 debit card charges were chosen from 4 different months. 20 of these transactions tested lacked proper support such as invoicing or receipts for the purchases.

**RECOMMENDATION:** Adhere to established policy.

**CURRENT YEAR STATUS:** Unresolved. See Schedule of Findings and Questioned Costs.

**Dibe Yazhi Habitiin Olta, Inc.**  
**Summary Schedule of Prior Audit Findings**  
**For the Year Ended June 30, 2016**

**2014-005 Property Management**  
**Material Weakness**

*CONDITION:* Management of the school did not maintain an up-to-date capital asset records which included a property register and annual depreciation schedule. Auditors identified current year additions and deletions which had not been updated in the property register. No physical inventory was conducted in the current year over fixed assets.

*RECOMMENDATION:* Adhere to established written property management policies. Provide training to finance, as well as supervisory staff, as to capital asset record requirements. The School's Principal and Governing Board should monitor this process to ensure implementation.

*CURRENT YEAR STATUS:* Unresolved. See Schedule of Findings and Questioned Costs.

**2012-005 Unsupported Federal Deferred Revenue Balances**

*CONDITION:* The deficit increased from \$1,211,880 to \$1,478,648 during the current fiscal year. Support of this deficit, as of June 30, 2015 is as follows:

Special Revenue Funds - Federal Grant Advances	\$ 1,374,857
Current Liabilities (Carrying Balance)	14,014
Current Liabilities (Due to Federal Government)	89,777
	<u>\$ 1,478,648</u>

*RECOMMENDATION:* The School must maintain a high degree of budgetary control over future spending out of the general fund. The general fund must establish "balanced" budgets going into future years. Other sources of outside funding should be investigated to help eliminate this deficit.

*CURRENT YEAR STATUS:* Unresolved. See Schedule of Findings and Questioned Costs.

**Dibe Yazhi Habitiin Olta, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2016**  
**Part A - Summary of Auditor's Results**

1. The auditor's report does not express an opinion (disclaimer of opinion) on whether the basic financial statements of Dibe Yazhi Habitiin Olta, Inc were prepared in accordance with GAAP.
2. Nine deficiencies relating to the audit of the basic financial statements are reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards*. Nine of these deficiencies are considered material weaknesses.
3. One instance of noncompliance material to the basic financial statements of the Dibe Yazhi Habitiin Olta, Inc. was disclosed during the audit.
4. Ten deficiencies relating to the audit of the major federal awards are reported in the *Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance*. Ten of these deficiencies are considered material weaknesses.
5. The auditor's report on compliance for the major federal programs for Dibe Yazhi Habitiin Olta, Inc. does not express an opinion (disclaimer of opinion).
6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in Part C of this Schedule. Five of these findings contain questioned costs.
7. The programs tested as major programs are as follows:

<u>Program</u>	<u>CFDA</u>
Indian School Equalization Program	15.042
Administrative Cost Grant for Indian Schools	15.046

8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Dibe Yazhi Habitiin Olta, Inc. was determined to be a non low-risk auditee.

**Dibe Yazhi Habitiin Olta, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2016**  
**Part B - Financial Statement Findings**

**Prior Year Audit Findings:**

*Internal Control Over Financial Reporting*

**2012-001 Financial Statement Reconciliation/Tie- In Procedures**  
***Material Weakness***

*Condition:* A weakness existed in the overall reconciliation/tie-in procedures, performed over School's financial statement accounts for the year ending June 30, 2012. Financial accounts were either reconciled untimely or in some cases, accounts were not reconciled at all. Most of these accounts should be reconciled on a monthly basis. The major areas where reconciliation procedures were weak included:

- A) Cash Accounts (reconciliation to the monthly bank statements);
- B) Accounts Receivable (review of employee computer purchases, employee salary advances, other miscellaneous receivables and associated allowances for doubtful accounts);
- C) Grants Receivables/Deferred Revenues (reconciliation to year-end financials);
- D) Accounts Payable (timely input of invoices to maintain an accounts payable subsidiary ledger and reversal of the prior year's entry for accrued expenses);
- E) Payroll and Other Current Liabilities (reconciliation to the reports sent to taxing authorities, actual expenditures for employer-paid fringe benefits, and other miscellaneous employee withholdings);
- F) Beginning balances (yearly reconciliation of system financials to audited financial statements);
- G) Debit Card Activity (maintenance of a general ledger for this fund), and;
- H) Travel Advances (reconciliation of the advance with the actual travel costs incurred and collection from the employee if appropriate).

*Criteria:* The School's Financial Management policy and procedures manual, section 219 A.2.b., requires that: "[the] accounting system shall maintain records ... [with] ... sufficient detail to identify ... assets ... [and] liabilities." OMB Circular A-102, Common Rule, Subpart C, Section 20, (b)(1) *Financial Reporting* requires: "Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or sub grant." Performance of timely reconciliation and tie-in procedures proves the veracity of the financial records comprising the asset and liability balance sheet accounts. Failure to perform these procedures results in a poor set of financial records.

*Effect:* In the course of performing the audit, the auditor recommended 17 adjusting journal entries be made to the financial statements for calendar year ending June 30, 2012. A substantial portion of these adjustments could have been avoided if timely reconciliation and tie-in procedures had been conducted. Most of these audit adjustments were material in nature.

*Recommendation:* The School should adopt written reconciliation and tie-in procedures into its financial policies and procedures manual. The written policy should not only identify each procedure to be performed and how often, but most importantly identify whose responsibility it is to actually perform a given reconciliation or tie-in. Relying totally on the work of an outside accounting firm will not yield the desired, timely results.

*Current Year Status:* Unresolved. Progress has been made in particular with bank account reconciliations, however most of the other balance sheet accounts were not reconciled at all.

*Views of Responsible Officials and Planned Corrective Actions:* See corrective action plan.

Dibe Yazhi Habitiin Olta, Inc.  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2016  
Part B - Financial Statement Findings

Prior Year Audit Findings - *Continued*:

*Internal Control Over Financial Reporting - Continued:*

**2012-002 Support for Expenditures**  
***Material Weakness***

***Condition:*** Under the expenditures testing procedures, the auditor identified expenditure vouchers which lacked the required documentation. Testing revealed missing vouchers and vouchers that lacked documentation including vendor invoices. Checks were processed without proper supporting documentation.

***Criteria:*** The School's policy requires a properly authorized check request and a vendor invoice, statement, or other supporting documentation. OMB Circular A-102 "Common Rule" Part C, section 20(b)(6) states that accounting records must be supported by such source documentation as canceled checks, paid bills, ... etc."

***Effect:*** Of the 99 expenditure vouchers tested, 5 items were unable to be located, 1 item was for an unallowable expense, and 1 item lacked a vendor invoice.

***Recommendation:*** Adhere to established policy and process checks only when all required supporting documentation is present.

***Current Year Status:*** Unresolved. Of the 225 expenditure transactions selected for testing, 62 items lacked sufficient support. Management of the school was unable to find supporting documentation for these expenditures.

***Views of Responsible Officials and Planned Corrective Actions:*** See corrective action plan.



Dibe Yazhi Habitiin Olta, Inc.  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2016  
Part B - Financial Statement Findings

**Prior Year Audit Findings - Continued:**

**Internal Control Over Financial Reporting - Continued:**

**2012-004 Support for Travel Expenditures**  
**Material Weakness**

**Condition:** Under the travel testing procedures, the auditor identified travel transactions which lacked the required lodging receipt documentation.

**Criteria:** OMB Circular A-87 (Part C, 1, j) states that a cost under a federal award must be "adequately documented". The School's travel policy requires an itemized receipt for lodging to be submitted within 5 working days of return. As well, the School's policy provided for an 80% travel advance to any traveler that failed in the past to submit a trip report with receipts within 10 days and authorization to recover funds already expended.

**Effect:** Of the 25 travel advances/reconciliations tested, 20 items lacked a supporting hotel folio for overnight travel and 1 travel advance/reconciliation package was not provided to the auditors.

**Recommendation:** Adherence to established travel policies for travelers failing to submit a travel report with required receipts within 10 days of returning from a prior trip including: (1) the provision to fund travel advance requests at 80% and, (2) recovery of funds already expended [through payroll deduction]. We also recommend that advances to travelers be booked as travel receivables, which would allow for more consistent tracking by the business office.

**Current Year Status:** Unresolved. Organization and retention of supporting documentation continue to be an issue. Of the 25 trips selected for testing, 15 trips lacked a supporting hotel folio and trip reconciliation and 3 travel voucher packages were not provided to the auditors.

**Views of Responsible Officials and Planned Corrective Actions:** See corrective action plan.

**Dibe Yazhi Habitiin Olta, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2016**  
**Part B - Financial Statement Findings**

**Prior Year Audit Findings - Continued:**

**Internal Control Over Financial Reporting – Continued:**

**2012-007 Budgets**  
**Material Weakness**

**Condition:** A deficiency in the budgetary process existed during the fiscal year:

No budgets were established or properly approved for the School's general fund activities or the special revenue fund;

Little evidence to support that proper budgetary monitoring was occurring for the general fund or the special revenue funds, and;

No evidence that prior years' unspent U. S. Department of Education grant carry-over funds had been considered in spending plans.

**Criteria:** OMB Circulars A-102 and A-110 outline procedures over the establishment, review and modification of budgets. The School's Financial Management policy and procedures manual, section 204, requires the development of a budget for the School's "operation and support activities". The sections of the Financial Management policy and procedure manual dealing with budgets neither includes nor excludes budgeting for the general fund. As well, prudent management principles dictate use of budgets to control spending.

**Effect:** During the fiscal year ended June 30, 2012, the School increased the deficit in its general fund by \$156,487. While other factors, including the misuse of employee payroll advances, certainly played a role in contributing to this deficit spending, the School's lack of established budgetary procedures must be considered significant. The auditor would also note that budgets were established for federal programs (special revenue funds) during the grant request cycle although it is unclear whether there was any consideration of grant carry-over.

**Recommendation:** The School must adopt and implement written budgetary procedures. The requirement to budget extends to all School programs, not just federal grants and contracts. Proper planning through effective budgeting procedures can help significantly in controlling the School's general fund deficit.

**Current Year Status:** Unresolved. Written budgets were completed however, there is still a lack of budget monitoring. This lack of monitoring resulted in a material increase to the general fund deficit of \$115,339.

**Views of Responsible Officials and Planned Corrective Actions:** See corrective action plan.

**Dibe Yazhi Habitiin Olta, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2016**  
**Part B - Financial Statement Findings**

**Prior Year Audit Findings - Continued:**

**Internal Control Over Financial Reporting – Continued:**

**2014-001 Support for Salaries and Wages**  
**Material Weakness**

**Condition:** Our payroll testing procedures identified these issues involving timesheet support:

- a) 9 out of 214 timesheet pay rates were not authorized.
- b) 4 out of 214 timesheets indicated fewer hours than paid.
- c) 3 out of 214 timesheets were paid from a fund other than the identified source on the timesheet.
- d) 1 out of 214 timesheets did not identify which fund was to be charged for the wages.

**Criteria:** The organization's established fiscal policies and procedures require the proper completion of the employees' timesheets. In the *Personnel Policy Manual, Section 7 Payroll Processing and Procedures* the following is stated "Timecards must be signed by the employee and their supervisor bi-weekly. ..The name of the employee, source fund account numbers, and pay period ending date should be on all timecards." Continuing in the same section, the policy states "The Personnel Action Form (PAF) shall contain the employee's name, signature, social security number, mailing address, authorized pay rate, date of employment, payment due, hours earned, leave account, source fund, and principals and Governing School Board signature." OMB Circular A-87 requires that salaries and wages be properly supported which include properly completed timesheets as well as proper support of employee pay rates.

**Cause:** The School's policies were not consistently followed throughout the year.

**Effect:** Non-compliance with federal grant provisions and established school policies can result in disallowed costs by the federal granting agency.

**Recommendation:** Proper completion of timesheets by employees, coupled with full and proper review of timesheets by supervisors evidenced by their signature, and review of the processed payroll by the Principal should resolve this issue. Additionally, adhere to the School's policy and maintain authorized pay rates in the employees' Personnel Action Form.

**Current Year Status:** Unresolved. Of the 227 payroll transactions tested this year 115 payrolls did not have proper documentation to support payment.

**Views of Responsible Officials and Planned Corrective Actions:** See corrective action plan.

Dibe Yazhi Habitiin Olta, Inc.  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2016  
Part B - Financial Statement Findings

**Prior Year Audit Findings - Continued:**

**Internal Control Over Financial Reporting - Continued:**

**2014-002 General Journal Entry Support  
Material Weakness**

**Condition:** Under the General Journal testing procedures, 6 out of 10 general journal entries tested by auditors were missing support and authorizing signatures.

**Criteria:** OMB Circular A-102 "Common Rule" Part C, section 20(b)(6) states that accounting records must be supported by such source documentation as canceled checks, paid bills, payrolls, time and attendance records, grant documents, or other information required by the grantee's financial management system."

**Cause:** The School's policies do not address the issues noted in this finding. Management does not have guidelines to follow in regards to the processing of general journal entries.

**Effect:** Lack of proper support of general journal entries could result in disallowed costs to a federally funded program. Without proper supervisory review, misstatement to the financial statements could result.

**Recommendation:** Any general journal adjustments made to the financial records should be properly authorized and documented. Fiscal policy should be updated to clearly define the use of general journal entries and establish basic procedures which insure proper use. These procedures need to address approval/authorization, accuracy, and supporting documentation for each entry.

**Current Year Status:** Unresolved. 18 general journal entries were chosen for testing. The auditor was unable to obtain any supporting documentation for all 18 of the entries chosen.

**Views of Responsible Officials and Planned Corrective Actions:** See corrective action plan.

Dibe Yazhi Habitiin Olta, Inc.  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2016  
Part B - Financial Statement Findings

**Prior Year Audit Findings - Continued:**

**Internal Control Over Financial Reporting - Continued:**

**2014-004 Debit Card Expenses**  
**Material Weakness**

**Condition:** Under the debit card expenditures testing procedures, 100% of the 26 selected expenditures were missing support and lacked proper approval for payment.

**Criteria:** The School's *Credit Card Policy* states that step one for the card use is "A travel Request/Training form needs to be completed, with all signatures." Step five of the policy continues with the card issuance "After a purchase order is completed, then the card will be issued." If there are violations of the policy, the policy has a three violation rule which after the third infraction states "The Credit Card privilege will be revoked permanently."

**Effect:** Violation of the School's Credit Card Policy can result in disallowed costs by the federal awarding agency.

**Recommendation:** Adhere to established policy.

**Current Year Status:** Unresolved. 73 debit card charges were chosen for testing. 49 of these transactions tested lacked proper support such as invoicing or receipts for the purchases.

**Views of Responsible Officials and Planned Corrective Actions:** See corrective action plan.

**Dibe Yazhi Habitiin Olta, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2016**  
**Part B - Financial Statement Findings**

**Prior Year Audit Findings - Continued:**

**Internal Control Over Financial Reporting - Continued:**

**2014-005 Property Management**  
**Material Weakness**

**Condition:** Management of the school did not maintain an up-to-date capital asset records which included a property register and annual depreciation schedule. Auditors identified current year additions and deletions which had not been updated in the property register. No physical inventory was conducted in the current year over fixed assets.

**Criteria:** OMB Circular A-102 "Common Rule", Subpart C, Section 32(d) (1) outlines the record keeping requirements regarding Equipment and Real Property Management. This section indicates the local government should maintain property records that contain the following information about the equipment: description (including serial number or other identification number), source, who holds title, acquisition date and cost, percentage of Federal participation in the cost, location, condition and any ultimate disposition data. The School's property and procurement policy is consistent and compliant with the Federal requirement stated above.

**Cause:** Client did not maintain asset records in accordance with established property management policy.

**Effect:** Non-compliance with property management policies resulted in inaccuracies in the fixed asset records and required audit adjustments in order to prevent financial misstatement in the current year audited financials.

**Recommendation:** Adhere to established written property management policies. Provide training to finance, as well as supervisory staff, as to capital asset record requirements. The School's Principal and Governing Board should monitor this process to ensure implementation.

**Current Year Status:** Unresolved. The school has made improvement and was able to provide a property register and annual depreciation schedule. No physical inventory was conducted in the current year over fixed assets.

**Views of Responsible Officials and Planned Corrective Actions:** See corrective action plan.



Dibe Yazhi Habitiin Olta, Inc.  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2016  
Part B - Financial Statement Findings

**Prior Year Audit Findings - Continued:**

**Compliance and other Matters**

**2012-005 Unsupported Federal Deferred Revenue Balances**

**Condition:** During the fiscal year ending June 30, 2012 and in prior years the School used Federal dollars (out of the special revenue funds), to "float" general fund expenditures. The general fund has accumulated a deficit fund balance of \$484,845 as of June 30, 2012. All dollars spent came out of the centralized checking account which is shared by all special revenue (federal grant) funds and the School's general fund.

**Criteria:** Title 25 of the U.S. Code, Section 450e-3 requires that advance payments may be: "(1) invested only in obligations of the United States ... or (2) deposited only in accounts that are insured ... by the United States" This requirement precludes the use of advance grant funds to finance another grant, or to finance general fund spending. Using one grant's funds to finance another grant, or to finance general fund spending, is a violation of the grant agreement.

**Cause:** Adequate budgetary controls were not in place for the school in prior years as well as the current year. Deficit spending in the general fund can be traced back to FYE June 30, 2011. The misuse of the employee payroll advances contributed \$119,703 to the deficit as the liability to repay the federal government was confirmed during the fiscal 2012 audit.

**Effect:** The School does not have cash adequate to cover federal deferred revenue in the special revenue funds. It appears that grant cash has been used for non-grant purposes. Support of this deficit, as of June 30, 2012, is as follows:

Special Revenue Funds- Federal Grant Advances	\$ 306,766
Current Liability (Due to Federal Government)	119,703
Current liabilities (carrying balances)	<u>58,376</u>

Total deficit support	<u>\$ 484,845</u>
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**Recommendation:** The School must maintain a high degree of budgetary control over future spending out of the general fund. The general fund must establish "balanced" budgets going into future years. Other sources of outside funding should be investigated to help eliminate this deficit.

**Current Year Status:** Unresolved. The deficit increased from \$1,478,648 to \$1,593,987 during the current fiscal year. Support of this deficit, as of June 30, 2016 is as follows:

Special Revenue Funds - Federal Grant Advances	\$ 1,497,640
Current Liabilities (Carrying Balance)	6,570
Current Liabilities (Due to Federal Government)	<u>89,777</u>
	<u><u>1,593,987</u></u>

**Views of Responsible Officials and Planned Corrective Actions:** See corrective action plan.

**Dibe Yazhi Habitiin Olta, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2016**  
**Part B - Financial Statement Findings**

**Current Year Audit Findings**

*Internal Control over Financial Reporting*

**2016-003 Procurement and Suspension and Debarment**  
***Material Weakness***

*Condition:* During the review of the records, it was noted that only the bid/quote from the vendor selected to supply the good/service was retained in the files. As well, the auditors were provided with no evidence that vendors had been checked against the list of vendors barred from providing goods or services to the federal government (debarment/suspension).

*Criteria:* The school's procurement policy, section 607 C, requires three quotes for any purchase up to \$15,000 and a sealed bid process for procurements over \$15,000. OMB *Uniform Guidance* outlines the federal requirements over procurement for any local government which expends federal grant dollars. Adequate documentation must exist, such as bids or quotes over each applicable federal expenditure. Vendors must be periodically vetted against SAM to prevent expenditures being made to ineligible parties.

*Effect:* The school may be paying more than is necessary for goods and services it purchases.

*Recommendation:* The School should review, update, implement, and monitor compliance with the written policies & procedures over the procurement process. These procedures should comply with the federal standards outlined in the *Uniform Guidance*. We recommend establishment of a micro-purchase threshold to address purchases under \$3,000.

*Views of Responsible Officials and Planned Corrective Actions:* See corrective action plan.

*Compliance and other Matters*

None Noted.

**Dibe Yazhi Habitiin Olta, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2016**  
**Part C - Major Federal Programs Audit**

**Major Program Prior and Current Year Audit Findings:**

**Internal Control Over Compliance:**

**2016-001 Character Investigations (Cross-Cutting)**  
**Material Weakness**

**Condition:** Documentation supporting character investigations was missing in 5 out of 10 personnel files tested.

**Criteria:** The OMB's Compliance Supplement states, "The Indian Child Protection and Family Violence Act (25 USC 3201 et seq.) requires Indian tribes and tribal organizations that receive funds under the ISDEAA or the Tribally Controlled Schools Act to conduct an investigation of the character of each individual who is employed or is being considered for employment by such Indian tribe or tribal organization in a position that involves regular contact with, or control over, Indian children. The Act further states that the Indian tribe or tribal organization may employ individuals in those positions only if the individuals meet standards of character, no less stringent than those prescribed under subpart B - Minimum Standards of Character and Suitability for Employment (25 CFR part 63).

**Cause:** There is no tracking system in place for the conducting of background checks. While background checks are being conducted and found in some of personnel files, there is no process in place to ensure 100% of current employees and potential new hires have had a successful background check completed.

**Effect:** The School is not in compliance with the Indian Child Protection and Family Violence Act. Employees who have regular contact with and control over children may not be suitable for such a position.

**Recommendation:** Develop a tracking system to assist in implementing current adopted policies over the conducting of character investigations (background checks).

**Views of Responsible Officials and Planned Corrective Actions:** See corrective action plan.

Dibe Yazhi Habitiin Olta, Inc.  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2016  
Part C - Major Federal Programs Audit

**Major Program Prior and Current Year Audit Findings: - *Continued***

**Compliance:**

**2016-002 Late Single Audit Submission (Cross-Cutting)**

**Condition:** The School did not submit the data collection form and single audit reporting package to the Federal Audit Clearinghouse within nine months following the end of the audit period.

**Criteria:** According to Uniform Guidance non-federal agencies that expend \$750,000 or more of federal awards within one year shall have a single audit. The audit shall be completed and the reporting package submitted within nine months after the end of the audit period.

**Cause:** Management of the School is not reconciling and closing their books in a timely fashion that allows for timely audits.

**Effect:** The School is not in compliance with the Uniform Guidance reporting requirements and late submission can result in delayed or reduced grant funding.

**Recommendation:** Ensure your books are closed in a timely fashion and schedule audit work to begin early enough so that your reporting package will be submitted on time.

**Views of Responsible Officials and Planned Corrective Actions:** See corrective action plan.

Dibe Yazhi Habitiin Olta, Inc.  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2016  
Part C - Major Federal Programs Audit

**Major Program Prior and Current Year Audit Findings: - *Continued***

U.S. Department of Interior (Bureau of Indian Education)  
Indian School Equalization Program CFDA no. 15.042  
Grant Number: A15AV00677  
Award Period: July 1, 2015 – June 30, 2016

**Internal Control Over Compliance**

Deficiencies, identified in Part B and Part C of the *Schedule of Findings and Question Costs* that are applicable as findings to this major program are as follows:

Finding Number	Description
2012-001	Financial Statement Reconciliations / Tie-In Procedures
2012-002	Support for Expenditures
2012-004	Support for Travel Expenditures
2012-007	Budgets
2014-001	Support for Salaries and Wages
2014-002	General Journal Entry Support
2014-004	Debit Card Expenses
2014-005	Property Management
2016-001	Character Investigations
2016-003	Procurement and Suspension and Debarment

**Compliance**

Deficiencies, identified in Part B and Part C of the *Schedule of Findings and Question Costs* that are applicable as compliance findings to this major program are as follows:

Finding Number	Description
2012-002	Support for Expenditures
2012-004	Support for Travel Expenditures
2012-005	Unsupported Federal Deferred Revenue Balances
2014-001	Support for Salaries and Wages
2014-002	General Journal Entry Support
2014-004	Debit Card Expenses
2016-001	Character Investigations
2016-002	Late Audit Submission
2016-003	Procurement and Suspension and Debarment

Dibe Yazhi Habitiin Olta, Inc.  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2016  
Part C - Major Federal Programs Audit

**Major Program Prior and Current Year Audit Findings: - Continued**

**U.S. Department of Interior (Bureau of Indian Education) – continued**  
**Indian School Equalization Program CFDA no. 15.042 – continued**  
**Grant Number: A15AV00677 – continued**  
**Award Period: July 1, 2015 – June 30, 2016 – continued**

**Compliance - Continued**

Below are noted specific questioned costs related to the Compliance findings:

**Finding 2012-002 Support for Expenditures**

	<u>Dollars</u>
Population	\$ 340,393
Sample	115,226
Known question costs	<u>29,902</u>
Total Questioned Costs Finding 2012-002	<u>\$ 29,902</u>

**Finding 2012-004 Support for Travel Expenditures**

	<u>Dollars</u>
Population	\$ 49,370
Sample	2,860
Known question costs	<u>2,026</u>
Total Questioned Costs Finding 2012-004	<u>\$ 2,026</u>

**Finding 2014-001 Support for Salaries and Wages**

	<u>Dollars</u>
Population	\$ 488,332
Sample	84,541
Known question costs	<u>47,905</u>
Total Questioned Costs Finding 2014-001	<u>\$ 47,905</u>

**Finding 2014-002 General Journal Entry Support**

	<u>Dollars</u>
Population	\$ 226,967
Sample	167,171
Known question costs	<u>167,171</u>
Total Questioned Costs Finding 2014-002	<u>\$ 167,171</u>

**Finding 2014-004 Debit Card Expenses**

	<u>Dollars</u>
Population (Estimated)	\$ 62,323
Sample	5,194
Known question costs	<u>4,931</u>
Total Questioned Costs Finding 2014-004	<u>\$ 4,931</u>

<b>FY 2016 Questioned Costs- CFDA#15.042</b>	<b><u>\$ 251,935</u></b>
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**Dibe Yazhi Habitiin Olta, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2016**  
**Part C - Major Federal Programs Audit**

**Major Program Specific Prior and Current Year Audit Findings - Continued**

**U.S. Department of Interior (Bureau of Indian Education) - Continued:**  
**Administrative Cost Grant for Indian Schools CFDA no. 15.046**  
**Grant Number: A15AV00677**  
**Award Period: July 1, 2015 – June 30, 2016**

**Internal Control Over Compliance**

Deficiencies, identified in Part B of the *Schedule of Findings and Question Costs* that are applicable as findings to this major program are as follows:

<u>Finding Number</u>	<u>Description</u>
2012-001	Financial Statement Reconciliations / Tie-In Procedures
2012-002	Support for Expenditures
2012-004	Support for Travel Expenditures
2012-007	Budgets
2014-001	Support for Salaries and Wages
2014-002	General Journal Entry Support
2014-004	Debit Card Expenses
2014-005	Property Management
2016-001	Character Investigations
2016-003	Procurement and Suspension and Debarment

**Compliance**

Deficiencies, identified in Part B and Part C of the *Schedule of Findings and Question Costs* that are applicable as compliance findings to this major program are as follows:

<u>Finding Number</u>	<u>Description</u>
2012-002	Support for Expenditures
2012-004	Support for Travel Expenditures
2012-005	Unsupported Federal Deferred Revenue Balances
2014-001	Support for Salaries and Wages
2014-002	General Journal Entry Support
2014-004	Debit Card Expenses
2016-001	Character Investigations
2016-002	Late Audit Submission

Dibe Yazhi Habitiin Olta, Inc.  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2016  
Part C - Major Federal Programs Audit

**Major Program Specific Prior and Current Year Audit Findings - Continued**

U.S. Department of Interior (Bureau of Indian Education) - *Continued*:  
Administrative Cost Grant for Indian Schools CFDA no. 15.046 - continued  
Grant Number: A15AV00677 - continued  
Award Period: July 1, 2015 – June 30, 2016 - continued

Compliance - Continued:

Below are noted specific questioned costs related to the Compliance findings:

**Finding 2012-002 Support for Expenditures**

	<u>Dollars</u>
Population	\$ 255,241
Sample	84,114
Known question costs	<u>21,262</u>
Total Questioned Costs Finding 2012-002	<u><u>\$ 21,262</u></u>

**Finding 2012-004 Support for Travel Expenditures**

	<u>Dollars</u>
Population	\$ 48,034
Sample	9,591
Known question costs	<u>9,039</u>
Total Questioned Costs Finding 2012-004	<u><u>\$ 9,039</u></u>

**Finding 2014-001 Support for Salaries and Wages**

	<u>Dollars</u>
Population	\$ 62,577
Sample	14,771
Known question costs	<u>9,117</u>
Total Questioned Costs Finding 2014-001	<u><u>\$ 9,117</u></u>

**Finding 2014-002 General Journal Entry Support**

	<u>Dollars</u>
Population	\$ 113,381
Sample	50,052
Known question costs	<u>50,052</u>
Total Questioned Costs Finding 2014-002	<u><u>\$ 50,052</u></u>

**Finding 2014-004 Debit Card Expenses**

	<u>Dollars</u>
Population (Estimated)	\$ 109,276
Sample	9,106
Known question costs	<u>8,867</u>
Total Questioned Costs Finding 2014-004	<u><u>\$ 8,867</u></u>

FY 2016 Questioned Costs-CFDA# 15.046	<u><u>\$ 98,337</u></u>
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**SUMMARY OF ALL QUESTIONED COSTS:**

Total Questioned Costs - Dept. of Interior	<u>\$ 350,272</u>
Total FY 2016 Questioned Costs	<u><u>\$ 350,272</u></u>



P.O. BOX 679 • CROWNPPOINT, NEW MEXICO 87313 • PH: (505)786-5237 • FAX: (505) 786-7078  
e-mail: bpcs.bia.edu

## CORRECTIVE ACTION PLAN APRIL 16, 2018

United States Department of the Interior  
Bureau of Indian Education

The Dibe Yazhi Habitiin Olta, Inc. respectfully submits the following corrective action plan for the year ended June 30, 2016.

*Name and address of independent public accounting firm:*

Midwest Professionals, PLLC  
215 South Court Avenue  
Gaylord, MI 49735

Audit period: July 1, 2015 – June 30, 2016

The findings from the April 16, 2018 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

### FINDINGS – FINANCIAL STATEMENT AUDIT

#### 2012-001 Financial Statement Reconciliation/Tie- In Procedures

##### *Material Weakness*

**RECOMMENDATION:** The School should adopt written reconciliation and tie-in procedures into its financial policies and procedures manual. The written policy should not only identify each procedure to be performed and how often, but most importantly identify whose responsibility it is to actually perform a given reconciliation or tie-in. Relying totally on the work of an outside accounting firm will not yield the desired, timely results.

**ACTION TAKEN:** We concur with this finding and have adopted policies and procedures that comply with federal guidelines. We are in the process of implementing this policy and plan to have it fully implemented within 120 days following the issuance of this audit report.

#### 2012-002 Support for Expenditures

##### *Material Weakness*

**RECOMMENDATION:** Adhere to established policy and process checks only when all required supporting documentation is present.

**ACTION TAKEN:** We concur with this finding and are in the process of implementing this plan to have it fully implemented within 120 days following the issuance of this audit report.

#### **2012-004 Support for Travel Expenditures**

##### ***Material Weakness***

**RECOMMENDATION:** Adherence to established travel policies for travelers failing to submit a travel report with required receipts within 10 days of returning from a prior trip including: (1) the provision to fund travel advance requests at 80% and, (2) recovery of funds already expended [through payroll deduction]. We also recommend that advances to travelers be booked as travel receivables, which would allow for more consistent tracking by the business office.

**ACTION TAKEN:** We concur with this finding and are in the process of implementing this plan to have it fully implemented within 120 days following the issuance of this audit report.

#### **2012-007 Budgets**

##### ***Material Weakness***

**RECOMMENDATION:** The School must adopt and implement written budgetary procedures. The requirement to budget extends to all School programs, not just federal grants and contracts. Proper planning through effective budgeting procedures can help significantly in controlling the School's general fund deficit.

**ACTION TAKEN:** We concur with this finding and are in the process of implementing this plan to have it fully implemented within 120 days following the issuance of this audit report.

#### **2014-001 Support for Salaries and Wages**

##### ***Material Weakness***

**RECOMMENDATION:** Proper completion of timesheets by employees, coupled with full and proper review of timesheets by supervisors evidenced by their signature, and review of the processed payroll by the Principal should resolve this issue. Additionally, adhere to the School's policy and maintain authorized pay rates in the employees' Personnel Action Form.

**ACTION TAKEN:** We concur with this finding and are in the process of implementing this plan to have it fully implemented within 120 days following the issuance of this audit report.

#### **2014-002 General Journal Entry Support**

##### ***Material Weakness***

**RECOMMENDATION:** Any general journal adjustments made to the financial records should be properly authorized and documented. Fiscal policy should be updated to clearly define the use of general journal entries and establish basic procedures which insure proper use. These procedures need to address approval/authorization, accuracy, and supporting documentation for each entry.

**ACTION TAKEN:** We concur with this finding and are in the process of implementing this plan to have it fully implemented within 120 days following the issuance of this audit report.

**2014-004 Debit Card Expenses**  
***Significant Deficiency***

***RECOMMENDATION:*** Adhere to established policy.

***ACTION TAKEN:*** We concur with this finding and are in the process of implementing this plan to have it fully implemented within 120 days following the issuance of this audit report.

**2014-005 Property Management**  
***Material Weakness***

***RECOMMENDATION:*** Adhere to established written property management policies. Provide training to finance, as well as supervisory staff, as to capital asset record requirements. The School's Principal and Governing Board should monitor this process to ensure implementation.

***ACTION TAKEN:*** We concur with this finding and are in the process of implementing this plan to have it fully implemented within 120 days following the issuance of this audit report.

**2012-005 Unsupported Federal Deferred Revenue Balances**

***RECOMMENDATION:*** The School must maintain a high degree of budgetary control over future spending out of the general fund. The general fund must establish "balanced" budgets going into future years. Other sources of outside funding should be investigated to help eliminate this deficit.

***ACTION TAKEN:*** We concur with this finding and are in the process of implementing this plan to have it fully implemented within 120 days following the issuance of this audit report.

**2016-003 Procurement and Suspension and Debarment**  
***Material Weakness***

***RECOMMENDATION:*** The School should review, update, implement, and monitor compliance with the written policies & procedures over the procurement process. These procedures should comply with the federal standards outlined in the *Uniform Guidance*. We recommend establishment of a micro-purchase threshold to address purchases under \$2,500.

***ACTION TAKEN:*** We concur with this finding and are in the process of implementing this plan to have it fully implemented within 120 days following the issuance of this audit report.

## **FINDINGS – FEDERAL AWARD PROGRAMS AUDIT**

### **2016-001 Character Investigations Material Weakness**

*RECOMMENDATION:* Develop a tracking system to assist in implementing current adopted policies over the conducting of character investigations (background checks).

*ACTION TAKEN:* We agree with this finding and will develop policies and procedures that will guide personnel in efforts to monitor compliance requirements.

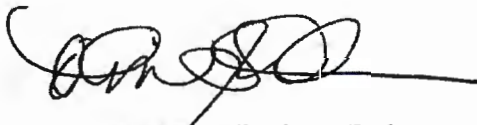
### **2016-002 Late Single Audit Submission**

*RECOMMENDATION:* Ensure your books are closed in a timely fashion and schedule audit work to begin early enough so that your reporting package will be submitted on time.

*ACTION TAKEN:* We agree with this finding and will develop policies and procedures that will guide personnel in efforts to monitor compliance requirements.

If you should have any questions regarding this plan, please feel free to contact me at (505) 786-5237 Ext 3.

Sincerely,



Olivia Anderson, Business Tech.  
Borrego Pass School  
County Road 19  
Crownpoint, NM 87313



0 585-860-1545 Betty

EXHIBIT "E"

# EXIT MEETING WITH DIBE YAZHI HABITIIN OLTA' MEETING SCHOOL

*Presented by:*  
Bureau of Indian Education  
Fiscal Review Team

**Dibe Yazhi Habitiin Olta'**  
**April 6, 2017**



# FISCAL REVIEW TEAM

**Zonnie Sombrero, Special Education Programs**

**[Zonnie.Quimayousie@bie.edu](mailto:Zonnie.Quimayousie@bie.edu)**

**Cheryl Quimayousie, Supplemental Education Programs**

**[Cheryl.Quimayousie@bie.edu](mailto:Cheryl.Quimayousie@bie.edu)**

**Jacqueline Wade, Supplemental Education Programs**

**[Jacqueline.Wade@bie.edu](mailto:Jacqueline.Wade@bie.edu)**

**Kimberly Garcia, Budget Analyst (School Ops)**

**[Kimberly.Garcia@bie.edu](mailto:Kimberly.Garcia@bie.edu)**

**Karen Kinsel, Financial Analyst**

**[Karen.Kinsel@bie.edu](mailto:Karen.Kinsel@bie.edu)**

**Dr. Rena Yazzie, Education Program Administrator**

**[Rena.Yazzie@bie.edu](mailto:Rena.Yazzie@bie.edu)**

# FISCAL REVIEW TEAM

***Cordella Begay, Business Manager***

***[Cordella.Begay@bie.edu](mailto:Cordella.Begay@bie.edu)***

***Marilyn Holiday, Grants Management Specialist***

***[Marilyn.Holiday@bie.edu](mailto:Marilyn.Holiday@bie.edu)***

# AGENDA

Welcome/Introductions  
Overview of Agenda  
ESEA Findings

IDEA Findings  
Internal Control Findings

Concerns &  
Recommendations

Questions/Comments

George Waybenais  
Zonnie Sombrero  
Cheryl Quimayousie  
Jacqueline Wade  
Zonnie Sombrero  
Kimberly Garcia  
Karen Kinsel

Fiscal Review Team



# EXIT MEETING GOALS

- To share observed strengths, concerns, and preliminary findings with the LEA/school.
- To provide targeted technical assistance specific to Rock Point Community School.
- To provide recommendations to the school.
- To answer questions that will assist the school in planning for SY 2017-18.

# OVERALL STRENGTHS

- Through interviews, there is evidence of resolve on the part of school staff to increase student achievement and outcomes in spite of the lack of available funds.
- All school staff fulfill multiple roles daily in a collaborative effort in providing services from breakfast to afterschool activities to when students leave at the end of the day.
- Through interviews, parents identified Navajo Language and Culture as a strong component of the school's curriculum making it unique among area schools and is the reason for their children's enrollment at the school.
- There are regular parent teacher conferences as supported by parent, student and staff interviews.
- Afterschool activities provide opportunities for students to gain additional skills in non-academic areas such as piano lessons, drum group, Arts & Crafts and Navajo Language/Culture activities.



# ELEMENTARY AND SECONDARY EDUCATION ACT (ESEA)

PRELIMINARY FINDINGS

# ESEA REQUIREMENTS MET

**Title I Assurances are signed and uploaded in NS.**

*Legal Citation: ESEA Title I, Part A, Section 112(c)(1)*

**Based on the Fiscal Review Team evaluation, the school has completed and submitted the Title I Assurances.**

## **Recommendation:**

- The school must submit all reports in a timely manner
- Present **Assurances with the Schoolwide Budget** to the school board for signature for SY 2017-18.
- Ensure the school board understands that by signing the assurances, they are guaranteeing the school will spend funds appropriate to the intent of the ESEA programs meant to increase student achievement and outcomes.
- Ensure school board understands the school improvement process based on needs assessments, goals, schoolwide planning with an aligned budget.
- Request for TA from Crownpoint Education Resource Center for School Board Training for School Improvement Process.

# ESEA REQUIREMENTS FINDING

## Professional Development Plan (Coordination of Title I and Title II funds/activities)

*Legal Citation: ESEA Title I, Part A, Section 1112(b)(1)(D)*

High-quality and ongoing professional development for teachers, principals and paraprofessionals is NOT being provided, verified through interviews and classroom observations. PD has been sporadically offered over the past two years without purpose and structured alignment to the SW Plan. There is no evidence that the Title I and Title II funds are coordinated with the school's PD Plan. Requisitions indicate that funds are being used to support \_\_\_\_\_. Textbooks and Reading/Math Programs are identified as school curriculum. There is no viable identified curriculum that is aligned to NWEA and PARCC assessments.

### Corrective Action:

- Create and implement a Professional Development Plan that addresses the SMART Goals and Schoolwide plan aligned to a schoolwide budget.
- Ensure that Title I (student services) with Title II (professional development) are coordinated to address continuous school improvement that focus on instruction that increase student outcomes.
- Ensure funds expended include justifications that are aligned to purpose of the funds.

### Recommendation:

- Review comprehensive needs assessments to develop meaningful schoolwide plans with an aligned budget.
- Identify/establish PD priorities with a focus on scientifically-based instructional strategies within an aligned curriculum and assessment measures that produce student achievement/outcomes.
- Identify consultant(s) that provide onsite PD; limit offsite PD.
- Request TA from BIE Crownpoint Education Resource Center to reduce cost of PD.



# ESEA PROGRAM FINDING

## **Title I Schoolwide Plan**

*Legal Citation: ESEA Title I, Part A, Section 1112(d)(1-3) and Section 1114(b)(2)(B)(ii)*

**The Schoolwide Plan and the Consolidated Schoolwide Budget uploaded in Native Star for SY 2016-2017 do not reflect current school practices as determined from interviews and classroom observations. Through interviews with staff, parents and other members of the community, it was verified they were not involved in the schoolwide improvement planning process. There has been a turnover in school leadership since the SW Plan and CSW Budget were developed and uploaded in NS.**

## **Corrective Action:**

- Ensure Title I Schoolwide Plan is developed in collaboration with teachers, administrators, parents, and students and that their roles in schoolwide planning are clear.
- Ensure that current data is used when determining needs and gaps so SW Plans and CSW Budget alignment is both meaningful and applicable.
- Ensure the Consolidated Schoolwide Budget is developed in collaboration with all stakeholders and is aligned with NS plans (SMART goals and Schoolwide Supplemental Report).

## **Recommendations:**

- Document collaboration through needs assessments documents, surveys, meeting agendas, sign-in sheets, and meeting minutes.
- Identify a Process Manager for Native Star.
- Schedule regular consistent meetings with School Leadership team to begin planning for SW Plan and CSW Budget for SY 2017-18.

# ESEA PROGRAM FINDING

## All Teachers and Paras are Highly Qualified

*Legal Citation: ESEA, Title I, Part A, Section 1119*

### **Classes are being taught by non-certified teachers or by teachers not teaching within the area of certification.**

Through classroom observations and reviews of teacher certification information, 10 teacher positions are filled by 7 certified teachers and 3 non-certified staff. One teacher is teaching out of certified licensure. There are two Special Education Teachers with one certified and the other has an expired provisional. Both provide special education services to students with IEPs. GATE service provider is not state certified teacher. During SY 2015-16, a reduction-in-force decreased the number of teachers leaving only 1 teacher on staff.

### **Corrective Action:**

- Ensure that teachers have appropriate certification for their teaching assignments.
- Ensure teacher recruitment/retention strategies align to SW Budget.

### **Recommendation:**

- Review/Revise current Recruitment/Retention Plan based on Needs Assessment
- Add "Grow your own" as a long-term strategy to current teacher retention/recruitment plan as required by newly reauthorized ESSA. In the short-term, connect with International teachers to fill immediate vacancy needs.
- Review/Revise school's tuition reimbursement program to align to SW Plan & SW Budget
- Identify supports that would assist all teachers to pass the state certification test.
- Connect with local universities for teacher recruitment, certification and professional development.



# ESEA PROGRAM FINDINGS

## **Parental Involvement Policy and Parent Compact**

*Legal Citation: ESEA, Title I, Part A Section 1118(a)(2), 1118(c)(1) and 1118(d)*

### **School has Parental Involvement Policy uploaded on Native Star.**

There is evidence through interviews that the school has only recently implemented a Parent Advisory Committee with 3 official meetings identified. Parent interviews indicate PAC meetings started 7 months into the current SY. A generic Parent Policy is uploaded on NS. School leadership stated the need for Parental Involvement and started the initial parent meetings.

#### **Corrective Action:**

- School must ensure Parent Policy and Parent Compact are updated jointly with parents and annually reviewed by parents.

#### **Recommendations:**

- In collaboration with parents and community members and based on a needs assessment, the School leadership team needs to develop a Parent Policy that is meaningful and viable to all stakeholders.
- Document annual updates with School Board approval (meeting minutes).



# ESEA PROGRAM FINDING

## **Title I, Part A Personnel Allowable Costs**

*Legal Citation: ESEA Title I, Part A Section 1120A(b), 2 CFR Part 225*

**Some staff in the Title IA budget are not allowable. It is difficult to determine if all personnel charged to Title IA is appropriate to the Title I program.**

- SY2015-16: TBD
- SY2016-17: \$30,700.80

### **Corrective Action:**

- Develop budget for the base program with appropriate costs, then ensure that Title I and II funds are budgeted and expended for appropriate, necessary, and reasonable, costs for supplemental program personnel that align with the schoolwide plans in NS
- The business office staff must ensure alignment of actual expenditures with the approved budgets for ESEA and all federal programs.
- Provide ESEA/ESSA training on federal programs allowable costs to appropriate staff (include financial staff).

# ESEA PROGRAM FINDING

## **Title I, Part A Non-Personnel Allowable Costs**

*Legal Citation: ESEA Title II, Part A Section 2123(a), ESEA Title II, Part A Section 2123(b), 2 C FR Part 225*

**The school must ensure that Title I non-personnel costs are appropriate, necessary, reasonable and meet the intent of the program. Of the samples pulled for review, the fiscal review team found the following unallowable charges:**

- SY 2015-16:
- SY 2016-17:
  - Examples of unallowable costs charged to Title IA
  - TBD

## **Corrective Action:**

- ~~The Schoolwide Budget must be submitted and the school business office staff must ensure alignment of actual expenditures with the approved budgets for Title I and all federal programs.~~
- ~~Provide ESEA/ESSA training on federal programs allowable costs to appropriate staff (include financial staff).~~



# ESEA PROGRAM FINDING

## **Title II, Part A Personnel Allowable Salaries**

*Legal Citation: ESEA Title I, Part A Section 1120A(b), 2 CFR Part 225*

**Amount expended in Title IIA for \_\_\_\_\_**  
**Some of the Title IIA staff in the budget are not allowable.**

- SY2015-16: TBD
- SY2016-17: TBD

### **Recommendation:**

- The Title II budget must be developed by the Leadership Team based on the LEA needs assessment that includes input from stakeholders.
- The school business office staff must ensure actual expenditures align with the approved Title II budgets.
- Provide training on ESEA/ESSA programs allowable costs to appropriate staff (include financial staff) prior to developing the SY2017-18 schoolwide budget.

# RECOMMENDATIONS

- As curriculum needs are determined, establish teacher teams who will develop a curriculum framework aligned to both formative and PARCC assessments and Common Core State Standards.
- Identify instructional training needs to develop and implement a structured PD plan that supports the instructional core components namely content with teacher and student expectations.
- Revise as needed teacher evaluations based on Charlotte Danielson's Framework for Teaching.
- Identify/provide resources based on an aligned curriculum, instruction and assessment framework.

# INDIVIDUALS WITH DISABILITIES ACT (IDEA)

PRELIMINARY FINDINGS

# NON PARTICIPATION

- Residential Placement



# IDEA FINDING

**IDEA Part B application uploaded in Native Star in a Timely manner with assurances, spending plan and required signature page.**

*Legal Citation: P.L. 108-446 IDEA Section 613(a)(1) and Section 613(2)(A)(i)*

**The school did submit the IDEA Part B application in a timely manner with all required documents.**

**Corrective Action:** N/A

**Recommendations:** The application and all required documents must be uploaded into Native Star by deadline of May 31, 2017.

- Schools will be able to upload the required documents into Native Star beginning April 2, 2017.
- Documents are to be uploaded in the required folder - SY2017-18 IDEA Part B folder

# IDEA FINDING

## Coordinated Early Intervening Services (CEIS)

**SY2015-16**

*Legal Citation: P.L. 108-446 IDEA Section 613(a)(4)(A)(ii); 34CFR §§300.711 & 300.226*

**The school participated in CEIS and gave up to 15% of IDEA Part B funds to general education for instructional intervention for the amount of \$36,941,00,**

**Based on review of NASIS data and onsite review, the school has not documented the number of students in NASIS per the requirements of the CEIS Plan.**

### **Corrective Action:**

- The school shall identify and track the **number** of students for two consecutive years in NASIS. (SY2015-16 and SY2016-17) Student will be identified in the flag section of NASIS.
- The school shall update NASIS utilizing the Flag tab and submit a report to the BIE on all the students academic success, the number of students who became referred to special education and the number identified as a student with a disability.

**Recommendation:** The school shall not apply for CEIS for SY2017-18, this will allow the school to get the special program into compliance.

# IDEA FINDING

## **Cooperative Agreement Units (CAU)**

The school utilizes a CAU as a mechanism to provide services to students with disabilities

**Legal Citation:** *P.L. 108-446 IDEA Section 613(a)(1), Section 613(a)(2)(A)(i), and Section 613(a)(4)(A)(iii)*

**The school is participating in a CAU for related services (Psychologist, Occupational Therapist, Physical Therapist). The schools pays \$56,172.00**

**Corrective Action:** N/A

**Recommendation:** The school shall revisit the CAU contract (6 students – OT, 0 students –PT) to meet the needs of SWD.



# IDEA FINDING

## **Special Education Coordinator**

A full-time or part-time school Special Education Coordinator ensures the school meets the provision of Free and Appropriate Public Education (FAPE) in the Least Restrictive Environment (LRE) for students with disabilities and other conditions per IDEA

**Legal Citation:** *P.L. 108-446 IDEA Section 613(a)(1), Section 613 (a)(2) (i-iii), (7- 9) & Section 613(j)*

**The school does not have a part-time or a full-time coordinator; the special education program is noncompliant (expired IEPs and evaluations, incomplete IEPs, students over identified/over serviced, no child find activities, lack of evidence of certified special education staff). I**

**Corrective Action:** The school shall immediately work to get the special education program compliant. The school requires intensive assistance.

**Recommendation:** The school shall begin in-house planning of part time or full time special education coordinator or advertise for one.

# IDEA FINDING

## Accommodation and modifications

*Legal Citation: P.L. 108-446 IDEA Section 612(a)(3)*

Based on classroom observation and interviews it was evident that Accommodation and modification are occurring for students;

**Corrective Action:** NA

**Recommendation:** The school shall monitor and ensure all are receiving accommodation and modifications according to their IEP.

# IDEA FINDING

- Educational Services

**Legal Citation: 300.320**

- Based on review of 16 IEP files in NASIS and IEPs verified while onsite random IEP file reviews which included verification of service logs and highly qualified staff it was evident that Education Services are not occurring for these students.
- Review of Service logs indicate that the school shall provide compensatory services for SY2015-16 and SY2016-17.
- A random review of one IEP indicates a SWD qualified for Extended School Year (ESY), the school did not provide ESY for SY15/16 and SY 16/17.
- Two random review of IEPs indicates secondary transition services and activities, students are not receiving services in this area.

**Corrective Action:**

- The school shall conduct a review all service logs for SY2015-16 and SY2016-17; calculate the amount of compensatory services the school shall provide each student.
- The school shall provide a letter to each parent the amount of compensatory services per core academic area (including but not limited to ESY) the school is to provide to the student.
- The school shall develop and submit a plan of action to the BIE on how compensatory services will be provided and the hours for each student per core academic areas and including but not limited to ESY)
- For SY2015-16 The school shall complete all compensatory services (including but not limited to ESY) by December 2017. For SY2016-17 the school complete all compensatory services (including but not limited to ESY) by May 2018.

**Recommendation:** The school shall plan and implement an ESY program throughout the school year including intermission sessions. The school shall hire a job coach to ensure secondary transitions per IEP will occur. The school shall immediately hire a SPED Teacher to ensure all student



# IDEA FINDING

## **Procedural Safeguards**

*Legal Citation: P.L. 108-446 IDEA Section 612 (a)(6)(A-B), Section 614(a)(1)(D) and Section 615*

**Based on parent interviews, the school does provide a copy of the Procedural Safeguards to the parent and there is a copy on in the special education office.**

**Corrective Action: N/A**

**Recommendation:** The school shall provide training to the staff and parents regarding Procedural Safeguards.

# IDEA FINDING

## **Service logs**

**(CFR 300.320 (4))**

**Review of Service logs indicates it was evident that Accommodation and modification are occurring for some students. Service logs are located in each child's IEP folder for academic and related services.**

**Corrective Action:** N/A

**Recommendation:** The school shall continue document on the service logs of services for academic and related services. Students sign in when services are provided by related services.

# IDEA REQUIREMENT MET

## **Related Services**

The school provides appropriate related services, as required by student IEPs.

*Legal Citation: P.L. 108-446 IDEA Section 612(a)(4), Section 612(a)(14)(B)(i-ii), Section 614(d)(1)(A)(i)(IV)*

**The Navajo Region District - Cooperative Agreement Unit (CAU)**

**\$56,172.00 however the signed agreement is for @ \$68,228.00**

**Speech Language Pathologist is an employee the school.**

**Adaptive PE – has a contract for \$8,800.00**

**Corrective Action:** N/A

**Recommendation:** The school will review the CAU agreement and ensure appropriate services are being provided by the related services.

# IDEA PART B PROGRAMMATIC FINDING

## Special Education Staff Training

Staff training occurs to ensure that personnel are appropriately and adequately prepared, and have the requisite content knowledge and skills to serve children with disabilities.

**Legal Citation:** P.L. 108-446 IDEA Section 612(a)(14)(A-B)

**The school lacked evidence that the school provided or attended staff training in which the school received an approved budget for this activity. \$11,573.00 funds are identified for Special Education Staff Training in their spending plan.**

**Corrective Action:** The school shall review the budget and ensure the school follow the approved budget plan or submit an spending plan with justifications.

**Recommendations:** The school leadership team shall determine the training that will benefit the staff and special education teachers to improve academic results for student with disabilities.



# IDEA FINDING

## Special Education Parent Training

The school offers training for parents of students with disabilities to ensure parent(s) are knowledgeable of procedural safeguards, and are able to participate meaningfully in meetings regarding the identification, evaluation, and educational placement of students as well as the provision of FAPE in LRE.

**Legal Citation:** *P.L. 108-446 IDEA Section 612(a)(6)(A-B), Section 614(a)(1)(D), and Section 615*

**Based on interviews and lack of evidence the school is not providing training for parents. The school did not identify any funds for Special Education Parent Training.**

**Corrective Action:** The school shall develop a plan of action based on parent surveys and other relevant school data the training that will best benefit parents to further understanding of the their child's disability. The school shall demonstrate and provide documentation that at least two training sessions were completed by the end of June 30, 2017. The school shall also consider off site training that parents and child can attend.

**Recommendations:** Include and identify funds for parent training in the SY2017/18 spending plan.



# IDEA FINDING

## **Child Find Activities**

Child Find activities are conducted to identify, locate, and evaluate all children with disabilities from birth through age 21, residing in the State – including children with disabilities who are homeless or are wards of the State and children with disabilities attending private school – who are in need of special education and related services, regardless of the severity of their disabilities.

*Legal Citation: P.L. 108-446 IDEA Section 612(a)(3) Legal Citation: P.L. 108-446 IDEA Section 612 (a)(3)*

**The school could not provide documentations for Child Find activities.**

## **Corrective Action:**

- The school shall develop and complete Child Find for Spring 2017. The school shall provide to the BIE the documentation supporting the activity.
- By the spring of SY2017, the school shall develop and submit a plan for child find activities for SY2017-18. The school shall provide to the BIE the plan and after the activity the shall provide documentation to the BIE

**Recommendation:** Develop a process for child find activities at least two times a year. Flyers, posters, radio announcements, newspapers documents shall be maintained at the school for future reference.

# IDEA FINDING

## **Residential Placement**

If applicable, the school offers residential placement of high-need students with disabilities who have been identified to receive FAPE away from the school setting.

***Legal Citation:*** P.L. 108-446 IDEA Section 612(a)(5)

## **No student on Residential Placement**

**Corrective Action:** N/A

**Recommendation:** The school shall continue to identify funds for residential placement within their spending plan.

# IDEA FINDINGS

## **Extended School Year (ESY)**

The school provides appropriate Extended School Year (ESY) services, only if a student's IEP Team determines such services are necessary for the provision of FAPE to an individual student.

***Legal Citation:*** 34CFR§300.106

*The school has 3 students eligible for ESY, 7- not eligible, 3 -not addresses in the IEP, 3- need more information/documents/data.*

**Corrective Action:** N/A

**Recommendations:** Ensure the ESY expenditures are in the school's spending plan.

# IDEA FINDING

## **Assistive Technology for Visually or Hearing Impaired Student**

*Legal Citation: P.L. 108-446 IDEA Section 613(a)(6) and Section 612(a)(23)*

**The school does not have a VI student.**

**Corrective Action: N/A**

**Recommendation: School will ensure to meet the needs of the child with VI or HI**



# IDEA PART B PROGRAMMATIC FINDING

## Transition Services

- The school provides:
  - Secondary transition services to students aged 16 years and older;

**Legal Citation:** *P.L.108-446 IDEA Section 614(d)(1)(A)(i)(VIII); 34CFR§300.704(b)(4)(vi)*

**The school a K-8 school**

**Corrective Action: N/A**

**Recommendations: N/A**



# IDEA FINDING

## **15% ISEP for Special Education – Unallowable Salaries**

The school expends funds solely for allowable personnel salaries and has provided proper justifications within the ISEP budget.

**Legal Citation:** 25 CFR 39.104

### **15% ISEP**

SY2015-16 – \$ **2,040.00** (general education teacher)

SY2016-17 -- \$ **1042.40** (general education teacher)

**Corrective Action:** The school will adjust to appropriate funds

**Recommendations:** The school administration shall regularly review payroll and ensure are correctly coded funds are correct and aligned to the correct fund code.

# IDEA FINDING

## **IDEA Part B Special Education Funds - Unallowable Salaries**

The school ensures that all personnel, paid out of IDEA Part B, provide supplemental special education services to the benefit of students with disabilities.

*Legal Citation:* P.L. 108-446 IDEA Section 612(a)(4) & Section 612(a)(14)(A)(C)

### **IDEA Part B**

SY2015-16--\$**57,486.80** (general education teacher)

SY2016-17--\$**17,824.0; \$48,218.00**

**Corrective Action:** The school charged a general education staff and professional staff payroll to Part B. The school shall reallocate the amount as identified.

**Recommendation:** The school will adjust to appropriate funds. Identify funds for Paraprofessional in the special education spending plan.

# IDEA FINDING

## **Special Education Supplies, Instructional Materials, Equipment, and Assistive Technology – ISEP 15% Set-Aside**

The 15% ISEP set-aside funds are used to purchase special education supplies, instructional materials, equipment, and assistive technology to provide FAPE in the LRE.

**Legal Citation:** 25 CFR 39.104, 2 CFR 225

The fiscal team's review of numerous requisitions indicate that various purchase orders had limited or no justification for the request. In the samples reviewed many are unallowable cost because these purchases are considered general education. Students with disabilities are considered general education students first. Many of the requisitions and invoices are not on file.

### **Corrective Action:**

- The school shall reallocate these costs to the ISEP program.
- The school shall provide evidence that these adjustments were made. Several requisitions had limited or no justification for the needed supplies making it difficult to determine the need for the requested items.
- The school shall ensure that the IDEA Part B funds are utilized for the needs of students with disabilities identified in the approved SY 2016-17 Spending Plan.
- The school shall review their spending plan and develop a plan based on the academic needs for the student with disabilities in accordance with the child's IEP. The school shall ensure that requisitions have detailed justification to support each request.

**Recommendation:** Special education staff will be involved in budget planning based on student IEPs. The school will request for training in ordering supplies and maintaining documents on file.



# IDEA REQUIREMENTS MET

## **Special Education Supplies, Instructional Materials, Equipment, and Assistive Technology – IDEA Part B funds**

IDEA Part B funds are used to purchase special education supplies, instructional materials, equipment, and assistive technology to provide FAPE in the LRE.

**Legal Citation:** *P.L.108-446 IDEA Section 612(a)(1),(4),(5)(12) & (23) and Section 613(a)(2)(i)*

**The fiscal team's review of numerous requisitions indicate that various purchase orders had limited or no justification for the request. In the samples reviewed many are unallowable cost because these purchases are considered general education. Students with disabilities are considered general education students first. Many of the requisitions and invoices are not on file.**

### **Corrective Action:**

- The school shall reallocate these costs to the ISEP program.
- The school shall provide evidence that these adjustments were made. Several requisitions had limited or no justification for the needed supplies making it difficult to determine the need for the requested items.
- The school shall ensure that the IDEA Part B funds are utilized for the needs of students with disabilities identified in the approved SY 2016-17 Spending Plan.
- The school shall review their spending plan and develop a plan based on the academic needs for the student with disabilities in accordance with the child's IEP. The school shall ensure that requisitions have detailed justification to support each request.

### **Recommendation:**

Special education staff will be involved in budget planning based on student IEPs. The school will request for training in ordering supplies and maintaining documents on file.

## MAJOR CONCERNS

- School has a noncompliant Special education program
- Not following spending the school submitted
- IEP indicates students are over identified and over serviced. (Majority of SWD receive, math, reading writing and speech).
- No Child Find Activities
- No Special Education Procedures/guidance
- IEPs are not completed (7 –PLAAFP not all 4 items are addressed in the IEPs, assistive technology not addressed, questionable counseling services, expired IEP (2), evaluation (2), missing eligibility dates)



## CONCERNS...CONT.

- Conflict of interest in the area of speech/language services. The certified SLP evaluates and provides services to the students, also an employee at the school.
- Special Education staff are not involved in budget planning.

# RECOMMENDATION

- Hire a part time or full time Special Education Coordinator.
- Review staff payroll (who is paid out of the 15% ISEP and Part B (staff is providing services for Speech/Language and G&T.
- Train all special education staff on the IEP process and filing.
- Provide training to staff on the disabilities of high need categories to ensure that all school staff are knowledgeable on how to assist the sped program

# RECOMMENDATION

- Develop a Special Education Committee
- Request for technical assistance from ADD/ERC staff in Special Education Policy/Guidance
- Revisit and complete a comprehensive IEP for all SWD to ensure FAPE/LRE to meet the needs of unique needs.
- Have a sign in sheets for related service at the front office to ensure service are being provided.
- Create a binder in the special education office for contracts, licensures, federal distribution documents (FDD), etc.

NAVAJO NATION

RCS# 1013

Naa'bik'iyati Committee

9/6/2018

08:01:15 PM

Amd# to Amd#	Legislation 0293-18: Pursuant to	PASSED
MOT Damon	the Recommendation of the Navajo	
SEC Daniels	Nation Board of Education and 25	
	USC Sec 2502(f), and the Action	

Yea : 9

Nay : 4

Excused : 0

Not Voting : 11

Yea : 9

BeGaye, N  
Chee  
Crotty

Damon  
Daniels

Hale  
Slim

Tso  
Witherspoon

Nay : 4

Tsosie

Smith

Begay, K

Begay, NM

Excused : 0

Not Voting : 11

Bates  
Begay, S  
Bennett

Brown  
Filfred  
Jack

Perry  
Pete  
Phelps

Shepherd  
Yazzie