

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

23RD NAVAJO NATION COUNCIL - Third Year, 2017

AN ACTION

RELATING TO THE RESOURCES AND DEVELOPMENT COMMITTEE AND THE
BUDGET AND FINANCE COMMITTEE; ACCEPTING THE SPECIAL REVIEW OF
THE TSAILE/WHEATFIELDS CHAPTER CASH RECEIPTS AND CASH
DISBURSEMENTS AUDITS SUBMITTED BY THE OFFICE OF THE AUDITOR
GENERAL AND APPROVING THE CORRECTIVE ACTION PLAN SUBMITTED BY
THE TSAILE/WHEATFIELDS CHAPTER

BE IT ENACTED:

SECTION ONE. AUTHORITY

- A. The Resources and Development Committee (RDC) is a standing committee of the Navajo Nation Council and serves as the oversight committee for the Navajo Nation Chapters. 2 NNC §§ 500(A) AND 501(C)(1).
- B. As the oversight committee of the Navajo Nation Chapters, RDC is to receive audit reports and corrective action plans. 12 NNC § 7(E).
- C. The Budget and Finance Committee (BFC) is a standing committee of the Navajo Nation Council and is charged with receiving and approving chapter audit reports from the Auditor General. 2 NNC § 300(A), and 12 NNC §§ 6(A) and 7(D).

SECTION TWO. FINDINGS

- A. The Office of the Auditor General submitted two audit reports for approval. These reports are entitled "Special Review of Tsaile/Wheatfields Chapter Cash Receipts Activities," Report No. 17-09, and "Special Review of the Tsaile/Wheatfields Chapter Cash Disbursements Activities," Report No. 17-11. These audit reports are attached to this resolution and are labeled **Exhibit A-1** and **Exhibit A-2**, respectively.

- B. The special review of cash receipts activities was conducted with the following objectives: (1) to determine whether all case receipts were deposited intact, and (2) to determine whether reviews and segregation of duties existed within the cash receipts process. Exhibit A-1, Page 2.
- C. The special review of cash receipts activities noted the following findings: (1) \$41,837 of \$71,322 in cash receipts were not deposited and were missing, and (2) the former Account Maintenance Specialist had total control of the case receipts process. Exhibit A-1, pages 3 and 6.
- D. The special review of cash disbursement activities was conducted to determine: (1) whether procured goods and services had supporting documents, (2) whether housing recipients were eligible to receive assistance, (3) whether the Chapter reported and paid their sales tax liabilities to the Office of the Navajo Tax Commission, (4) whether the Chapter provided complete financial reporting to the Chapter membership, (5) whether the travel expenditures had supporting documents, (6) the Chapter expended emergency funds for emergency-related events, (7) whether the Chapter properly managed their capital outlay projects, (8) whether the Chapter maintained completed records of temporary worker hired, (9) whether the fund approval form was completed before processing Chapter checks, and (10) whether all checks were posted in the accounting system. Exhibit A-2, Page 2.
- E. The special review of cash disbursement activities noted the following findings: (1) \$67,812 of expenditures were paid without supporting documentation, (2) housing assistance applications were not evaluated and ranked and the required performance reports were not completed, (3) sales taxes collected were not paid reported and paid in a timely manner, and (4) complete information on the Chapter's finances was not provided to the Chapter membership. Exhibit A-2, Pages 3, 4, 6 and 7.
- F. Tsaile/Wheatfields Chapter has submitted its corrective action plans to the Office of the Auditor General. These corrective action plans are attached as **Exhibit B**.

- G. Tsaile/Wheatfields Chapter has provided Chapter Resolution, TWFY17-033 approving the corrective action plan to correct the audit findings. The Chapter Resolution is attached as Exhibit C.

SECTION THREE. ACCEPTANCE AND APPROVAL

- A. The Navajo Nation hereby accepts the Auditor General's Report No. 17-09 (Exhibit A-1) and 17-11 (Exhibit A-2).
- B. Navajo Nation directs the Tsaile/Wheatfields Chapter to submit a written status report on its progress in implementing the Corrective Action Plan, attached as Exhibit B, to the Office of the Auditor General six months after the approval of this resolution.
- C. The Navajo Nation hereby directs the Office of the Auditor General to review the written status report to be submitted by the Tsaile/Wheatfields Chapter to and report to RDC and BFC.
- D. The Navajo Nation hereby directs the Office of the Auditor General to: (1) to conduct a follow-up review in twelve months after the approval of this resolution to verify all actions reported to have been taken by the Tsaile/Wheatfields Chapter, (2) to issue a written follow-up report on the Tsaile/Wheatfields Chapter's progress in implementing its corrective action plan, and (3) to make recommendations to the RDC and the BFC.
- E. The Navajo Nation hereby directs the Office of the Attorney General and the Division of Community Development to investigate any potential liability of ITG New Mexico the producer of MIP Software.


SECTION FOUR. DIRECTIVE

In compliance with the Administrative Service Center's Plan of Operation, Administrative Service Center have direct supervisory authority over Community Service Coordinator (CSC), Account Maintenance Specialist (AMS) and Office Specialist (OS), which includes, but not limited to review of corrective action plan for audit findings. To ensure the Corrective Action Plan (CAP) is implemented, ASC shall work with and ensure that the CSC, AMS and OS are carrying out their

respective responsibilities by the timeline as provided in the CAP. This supervision authority includes ASC meeting with the aforementioned staff on a monthly basis and assisting with those respective responsibilities.

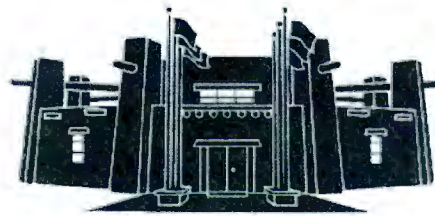
CERTIFICATION

I hereby certify that the foregoing resolution was duly considered by the Budget and Finance Committee of the Navajo Nation Council at a duly called meeting held at Window Rock, Navajo Nation (Arizona), at which a quorum was present and that the same was passed by a vote of 5 in favor and 0 opposed, this 6th day of June, 2017.



Seth Damon, Chairperson
Budget and Finance Committee

Motion: Honorable Dwight Witherspoon
Second: Honorable Lee Jack, Sr.



OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

A Special Review of the Tsaile/Wheatfields Chapter's Cash Receipts Activities

**Report No. 17-09
December 2016**

**Performed by:
Robert Jumbo, Senior Auditor**



December 07, 2016

Zane James, President
TSAILE/WHEATFIELDS CHAPTER
P.O. Box C18
Tsaile, AZ 86556

Dear Mr. James,

The Office of the Auditor General herewith transmits audit report no. 17-09, a Special Review of the Tsaile/Wheatfields Chapter's Cash Receipts Activities. The Office of the Auditor General conducted the special review with the following two objectives: 1) determine whether all cash receipts were deposited intact, and 2) determine whether reviews and segregation of duties existed within the cash receipts process.

Review Results

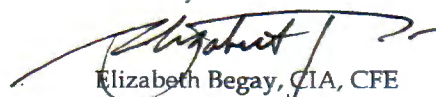
At each stage of the cash receipts process, a significant control was not functioning resulting in missing funds over a 66-month period between October 1, 2010 and March 31, 2016. When cash was received, we suspect, but cannot prove, that some cash was skimmed before it made it into the Chapter safe. Once the cash was recorded in the cash receipts ticket book, we found that \$41,837 did not make it to the bank.

Accountability for errors and manipulation of data in the accounting system was not discovered because the former Accounts Maintenance Specialist was the only staff proficient with the accounting system. In addition, the former Accounts Maintenance Specialist was involved in each stage of the cash receipts process and had control over the collecting, recording, and depositing of cash receipts. The Community Services Coordinator did not implement segregation of duties in the cash receipts process.

The undeposited cash went undetected, in part because the bank statement deposits were not reconciled to the posted cash receipts. Cash received and deposited was not recorded accurately in the accounting system. The Community Services Coordinator did not verify the former Accounts Maintenance Specialist's work in posting of cash receipts because the Community Services Coordinator did not know how to review the posted transactions on the Chapter's accounting system.

More details on all of these issues can be found in the body of the report.

Sincerely,


Elizabeth Begay, CIA, CFE
Auditor General

xc: David Kedelty, Vice-President
Margie R.S. Begay, Secretary/Treasurer
Paula S. Begay, Community Services Coordinator
Nelson S. Begay, Council Delegate
TSAILE/WHEATFIELDS CHAPTER
Robert Begay, Department Manager II
ADMINISTRATIVE SERVICE CENTER/DCD
Chrono

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INTRODUCTION AND BACKGROUND

Pursuant to 12 N.N.C. Section 2(A), the Office of the Auditor General has conducted a special review of the Tsaille/Wheatfields Chapter's cash receipts activities. The Chapter president requested this review due to concerns about undeposited cash receipts and allegations that a former staff member mismanaged the cash receipts.

The Chapter generates internal revenues in addition to the annual allocations received from the Navajo Nation. The majority of internal revenue was generated through the sale of hay. Other internal revenue included water service, fax and copy services, heavy equipment rentals, facility rentals, and trash disposal service.

For the 66-month review period, Tsaille/Wheatfields Chapter generated the following monthly internal revenues totaling \$71,322 as shown in Table 1.

Table 1
Monthly Revenues for 66-Month Period (October 1, 2010 – March 31, 2016)

Month	2011	2012	2013	2014	2015	2016	Total
October	\$147	\$2,988	\$298	\$977	\$251	\$412	\$5,073
November	117	203	249	110	243	368	1,290
December	333	5,972	568	363	417	371	8,024
January	3,117	3,982	4,970	292	233	307	12,901
February	1,868	625	2,478	394	322	308	5,995
March	214	363	1,736	369	7,548	397	10,627
April	396	251	1,293	341	393		2,674
May	431	264	891	508	490		2,584
June	3,635	262	974	400	561		5,832
July	2,627	404	3,703	528	603		7,865
August	495	471	988	352	567		2,873
September	4,324	213	273	351	423		5,584
TOTAL:	\$17,704	\$15,998	\$18,421	\$4,985	\$12,051	\$2,163	\$71,322

Source: Tsaille/Wheatfields MIP

Objectives, Scope, and Methodology

The scope for this special review for cash receipts was the 66-month period of October 1, 2010 through March 31, 2016. The objectives of this special review included:

- Determining whether all cash receipts were deposited intact.
- Determining whether reviews and segregation of duties existed within the cash receipts process.

In meeting our objectives, we performed the following procedures:

- Compiled deposits from bank statements and compared it to cash receipts posted in the accounting system.
- Documented the Tsaile/Wheatfields Chapter's cash receipts process and evaluated controls within the process.

Government Auditing Standards

We conducted this special review in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

REVIEW RESULTS

Finding I: \$41,837 of \$71,322 cash receipts were not deposited and were missing.

As noted in Table 1 of this report, the Tsaili/Wheatfields Chapter generated \$71,322 in internal revenues over a 66-month period. A comparison of the posted cash receipts to bank deposits revealed that not all receipts collected were deposited. There were discrepancies of undeposited cash receipts during the 66-month review period as shown in Table 2.

Table 2
Comparison of Bank Deposits and Posted Cash Receipts
66-month Period (October 1, 2010 to March 31, 2016)

Fiscal Year	Month	Bank Deposits - Amount	Posted Cash Receipts - Amount	Undeposited
2011	October	0	147	(147)
	November	0	117	(117)
	December	0	333	(333)
	January	0	3,117	(3,117)
	February	0	1,868	(1,868)
	March	1,302	214	1,088
	April	108	396	(288)
	May	0	431	(431)
	June	0	3,635	(3,635)
	July	1,991	2,627	(636)
	August	0	495	(495)
	September	0	4,324	(4,324)
2012	October	0	2,988	(2,988)
	November	0	203	(203)
	December	0	5,972	(5,972)
	January	0	3,982	(3,982)
	February	200	625	(425)
	March	0	363	(363)
	April	0	251	(251)
	May	0	264	(264)
	June	0	262	(262)
	July	0	404	(404)
	August	0	471	(471)
	September	0	213	(213)
2013	October	0	298	(298)
	November	0	249	(249)
	December	153	568	(415)
	January	3,466	4,970	(1,504)
	February	518	2,478	(1,960)
	March	1,731	1,736	(5)
	April	377	1,293	(916)
	May	169	891	(722)

	June	461	974	(513)
	July	5,426	3,703	1,723
	August	0	988	(988)
	September	0	273	(273)
2014	October	235	977	(742)
	November	0	110	(110)
	December	182	363	(181)
	January	0	292	(292)
	February	0	394	(394)
	March	0	369	(369)
	April	377	341	36
	May	0	508	(508)
	June	0	400	(400)
	July	424	528	(104)
	August	555	352	203
	September	160	351	(191)
	October	0	251	(251)
	November	0	243	(243)
	December	0	417	(417)
2015	January	0	233	(233)
	February	0	322	(322)
	March	7,514	7,548	(34)
	April	0	393	(393)
	May	0	490	(490)
	June	1,067	561	506
	July	0	603	(603)
	August	793	567	226
	September	81	423	(342)
	October	197	412	(215)
	November	359	368	(9)
	December	0	371	(371)
2016	January	590	307	283
	February	554	308	246
	March	495	397	98
	Total:	\$29,485	\$71,322	(\$41,837)

Source: Bank statements and posted cash receipts

Section VII.2.h, Cash Receipt Control Procedures, of the Fiscal Policies and Procedures states the Chapter Manager shall deposit the monies into the Chapter's bank account on a weekly basis or as practical.

The primary documenter of cash receipts and depositor of cash receipts was the former Accounts Maintenance Specialist.

A comparison of the posted cash receipts against bank deposits shows 59% of internally generated revenues were not deposited into the Chapter's bank account.

The undeposited cash receipts were not detected, in part because monthly reconciliations of the cash receipts against the bank statements were not completed by the Community Services Coordinator. The Secretary/Treasurer did not monitor the cash receipts posted to the accounting system.

To correct this issue, we recommend the following:

1. No one individual should be allowed to document and deposit cash receipts.
2. The Community Services Coordinator should reconcile cash received to the Chapter's accounting system posted cash receipts before deposit.
3. The Community Services Coordinator should perform the monthly reconciliations of the bank statement deposits and the cash receipts.
4. The Secretary/Treasurer should periodically monitor the cash receipts posted to the accounting system.

Finding II: Former Accounts Maintenance Specialist had total control of the cash receipts process.

Section VII.A.1.e, Segregation of Duties, of the Fiscal Policies and Procedures requires the handling of all cash receipts be segregated to ensure no one employee is in a position to collect, deposit, safeguard and reconcile all cash receipts. The former Accounts Maintenance Specialist was involved in all areas of the cash receipts process including collecting cash, recording cash received on cash receipt tickets, and depositing cash in the bank. Although the Chapter had a Community Services Coordinator and Office Aide to assist with the collection of cash receipts, the Community Services Coordinator did not implement segregation of duties in the cash receipts process.

This gave the former Accounts Maintenance Specialist opportunities to misappropriate the cash collected as well as conceal any improprieties by manipulating Navajo Nation allocations by understating the sales tax allocation and posting them as internally generated revenues that were not deposited into the Chapter's bank account. During the monthly reconciliation of the checking account, the former Accounts Maintenance Specialist would record deposits in transit although there were no actual deposits in transit. In other occasion, the former Accounts Maintenance Specialist would record inaccurate bank statement ending balance to force the reconciliation with the accounting system book balance.

The Community Services Coordinator claimed that the Chapter was dealing with numerous projects and trusted the former Accounts Maintenance Specialist with the cash receipts process. The Community Service Coordinator acknowledged that she did not verify the former Accounts Maintenance Specialist's work because the Community Services Coordinator did not know how to review the posted transactions on the Chapter's accounting system.

Although LGA prohibits the elected Chapter Officials from direct involvement in the management and operation of the Chapter, the law requires the Chapter Officials to ensure the staff is adequately meeting the Chapter's directives and accounting for all chapter funds according to established conditions. Specifically, the Secretary/Treasurer is required to monitor the maintenance of an adequate accounting system to ensure accountability of all funds. The Chapter Officials did not monitor segregation of duties exist for the cash receipts process.

The Administrative Services Centers under the Division of Community Development was established to provide guidance to chapters in the implementation of their five management system policies and procedures. The Administrative Service Centers' accountant did not monitor chapter operations to provide guidance in the implementation of the Tsaile/Wheatfields Chapter's implementation of their five management system specifically the lack of segregation of duties in the cash receipts process.

To correct this issue, we recommend the following:

1. The Chapter administration and officials should implement and maintain segregation of duties for the cash receipts process.
2. The Secretary/Treasurer should perform periodic reviews of the accounting system.
3. The Chapter should schedule a monthly on-site visit by the Administrative Services Centers' accountant to conduct monitoring of the Chapter's implementation of their five management system.

CONCLUSION

Within a 66-month period, the Tsaile/Wheatfields Chapter generated \$71,322 in internal revenues generated from the sale of hay and providing various Chapter services. Cash receipts for 66 months were verified, and during this period \$41,837, or 59%, of cash receipts were not deposited.

Critical duties were not segregated, such as the former Accounts Maintenance Specialist was the primary person who recorded, posted, and deposited cash receipts. The Community Services Coordinator entrusted the former Accounts Maintenance Specialist to handle the cash receipts process without verifying her work. The former Accounts Maintenance Specialist manipulated accounting data to conceal the improprieties by misstating the Navajo Nation allocations and posting them as internally generated revenues to offset the cash receipts that were not deposited into the Chapter's bank account.

CLIENT RESPONSE



Tsaile/Wheatfields Chapter
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Tsaile, Arizona 86556
Phone: (928) 724-2220 Fax: (928) 724-2223

Tsehile

Todziah

Tsezhini

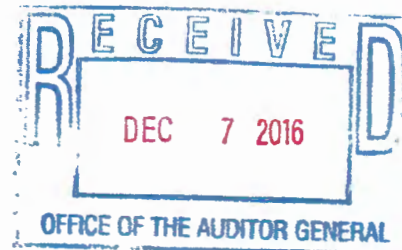
Zane P. James, President
Thomas Litson, Grazing Committee

David Kjeldly, Vice President

Margie R.S. Begay, Secretary/Treasurer
Nelson Begay, Council Delegates

December 6, 2016

Elizabeth Begay, CIA, CFE
Auditor General
Office of the Auditor General
P.O. Box 708
Window Rock, Arizona 86515



Dear Ms. Begay,

The Tsaile/Wheatfields Chapter is in receipt of your November 29, 2016 final draft of the Tsaile/Wheatfields Chapter's Cash Receipts Activities, and the Special Review of the Tsaile/Wheatfields Chapter's Cash Disbursement Activities. Pursuant to 12 NNC § 7A, we hereby provide the follow response to the final draft.

The Tsaile/Wheatfields Chapter provides the following response to the Special Review of the Cash Receipts Activities we provide the following response.

Introduction and Background: The Tsaile/Wheatfields Chapter is thankful that it specifies that the Chapter President requested the special review due to concerns, however we additionally request that it specifically states that the Chapter President and Community Service Coordinator requested a member of the Auditor Generals staff to be present as we uncovered additional discrepancies with the MIP owners ITG New Mexico, LLC, in an effort to show accountability on behalf of the Chapter President and Chapter Administration.

Finding I: The Tsaile/Wheatfields chapter requests the Auditor Generals office to be specific as to how the manipulation of the MIP software led to these issues in our initial response that was submitted in a letter dated November 14, 2016. In that letter there was an attached letter dated March 28, 2016 from Mr. Bill Jimenez, CPA of ITG New Mexico, LLC, to Zane James, Chapter President as evidence of the specifics of the manipulation of the MIP software. This letter was attached as "**Exhibit A**" for your reference. In addition we have another letter that was attached as "**Exhibit B**" that is dated May 5, 2016 from the same person that illustrates the manipulation of funds being input into the wrong line items, which has led to other financial issues. These exhibits were submitted in our initial response on November 14, 2016.

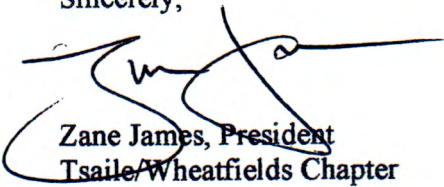
The chapter also suggests that the recommendation should include the Division of Community Development to enter into a contract with the MIP software company, ITG New Mexico, LLC, to develop specific deliverables of chapters and the software company. The chapter feels this will eliminate additional chapters encountering this same manipulation.

These are the same recommendations from the initial response memorandum and the chapter wishes to respond the same.

Finding II: The Tsail/Wheatfields Chapter requests that recommendations be inclusive of the Division of Community Development. This request is a result of the chapter Community Service Coordinator no longer being under the direct supervision of the chapter officials.

In conclusion the Tsail/Wheatfields Chapter officials and administration is appreciative of the Auditor General's response to our request for an audit of our chapter. We are very confident that the Auditor General's office will accept our response to the audit and review and reconsider the "Findings" in the initial audit. If you should have additional questions, please contact us at (928) 724.2220.

Sincerely,



Zane James, President
Tsail/Wheatfields Chapter

Attachement

XC: David Kedelty, Vice President
Margie R.S. Begay, Secretary/Treasurer
Paula S. Begay, Community Service Coordinator
Nelson S. Begay, Council Delegate
Robert Begay, Department Manager II
Administrative Service Center/Division of Community Development
Chrono



OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

A Special Review of the Tsaile/Wheatfields Chapter's Cash Disbursements Activities

**Report No. 17-11
December 2016**

**Performed by:
Robert Jumbo, Senior Auditor**



December 23, 2016

Zane James, President
TSAILE/WHEATFIELDS CHAPTER
P.O. Box C18
Tsaile, AZ 86556

Dear Mr. James,

The Office of the Auditor General herewith transmits audit report no. 17-11, a Special Review of the Tsaile/Wheatfields Chapter's Cash Disbursements Activities. The special review of cash disbursements was requested by the Chapter community members because of concerns over the management of the Chapter's finances. Listed below were issues identified in the special review that is deemed material weakness.

The Chapter Officials and Community Services Coordinator did not properly review voucher packets to verify all required documentation was accounted for prior to co-signing checks. Subsequently, the Chapter expended \$67,812 in unjustified procurements of goods and services.

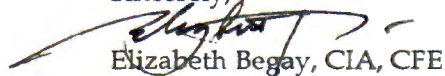
The Chapter Officials and Community Services Coordinator did not evaluate and rank housing discretionary applications, resulting in \$26,904 in questionable assistance.

The former Accounts Maintenance Specialist collected sales taxes on internally generated revenues; however, the collected sales taxes were not reported and remitted to the Office of Navajo Tax Commission in a timely manner.

The Chapter administration and Secretary/Treasurer did not provide complete financial reports to the Chapter membership.

More details on all of these issues can be found in the body of this report.

Sincerely,



Elizabeth Begay, CIA, CFE
Auditor General

xc: David Kedelty, Chapter Vice-President
Margie R.S. Begay, Chapter Secretary/Treasurer
Paula S. Begay, Community Services Coordinator
Nelson S. Begay, Council Delegate
TSAILE/WHEATFIELDS CHAPTER
Carl Smith, Executive Director
DIVISION OF COMMUNITY DEVELOPMENT
Chrono

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INTRODUCTION AND BACKGROUND

Pursuant to 12 N.N.C. Section 2(A), the Office of the Auditor General has conducted a special review of the Tsailé/Wheatfields Chapter's Cash Disbursement Activities. The special review of cash disbursements was requested by the Chapter community members because of concerns over the management of the Chapter's finances.

The majority of the Chapter's resources are provided through appropriations from the Navajo Nation central government. These appropriations are intended to fund direct and indirect services at the local chapter government. Funds for the direct services are considered restricted funds with specific intended purposes.

The Chapter also generates internal revenues from the sales of hay and by providing miscellaneous services. Any unexpended funds at the end of the fiscal year are carried over to the next fiscal year. Table 1 shows the Chapter's total resources available for the 18-month audit period ending March 31, 2016.

Table 1
Budget and actual expenditures for direct & indirect services
18-month audit period October 1, 2014 through March 31, 2016

Service Type	Category	Budget	Actual	Available	Percentage of Budget Available
Direct Service	Financial Assistance - Student	\$ 63,055	\$ 77,200	\$ (14,145)	-22%
	Emergency	\$ 201,606	\$ 85,050	\$ 116,556	58%
	Financial Assistance - Housing	\$ 85,098	\$ 32,038	\$ 53,060	62%
	Temporary Employment	\$ 171,238	\$ 135,771	\$ 35,467	21%
	Financial Assistance - Community	\$ 81,446	\$ 34,425	\$ 47,021	58%
	Capital Outlay	\$ 385,886	\$ 97,974	\$ 287,912	75%
	Total - Direct Services:	\$ 988,329	\$ 462,458	\$ 525,871	53%
Indirect Service	Percentage of Grand Total - Direct Services:	78%	67%	90%	
	Stipends	\$ 120,637	\$ 75,098	\$ 45,539	38%
	Travel	\$ 59,828	\$ 57,035	\$ 2,793	5%
	Operating	\$ 106,468	\$ 95,956	\$ 10,512	10%
	Total - Indirect Services:	\$ 286,933	\$ 228,089	\$ 58,844	21%
	Percentage of Grand Total - Indirect Services:	22%	33%	10%	
	GRAND TOTAL:	\$ 1,275,262	\$ 690,547	\$ 584,715	46%

Source: Office of the Auditor General compilation of revenues and expenditures.

Of the \$1,275,262 total resources, \$690,547 was actually spent during the 18 month period ending March 31, 2016. \$462,458 (67%) was expended for direct services and \$228,089 (33%) for indirect services.

Scope, Objectives, and Methodology

The scope for this special review was the 18-month period of October 1, 2014 through March 31, 2016. The objectives of this special review include:

1. Determine whether procured goods and services had supporting documents.
2. Determine whether housing recipients were eligible to receive assistance.
3. Determine whether the Chapter reported and paid their sales tax liabilities to the Office of Navajo Tax Commission.
4. Determine whether the Chapter provided complete financial reporting to the Chapter membership.
5. Determine whether the travel expenditures have supporting documents.
6. Determine whether the Chapter expended emergency funds for emergency-related events.
7. Determine whether the Chapter properly managed their capital outlay projects.
8. Determine whether the Chapter maintains complete records of temporary workers hired.
9. Determine whether the fund approval form was completed before processing Chapter checks.
10. Determine whether all checks were posted in the accounting system.

To accomplish our audit objectives, we performed the following procedures: interviewed Chapter staff and officials, observed Chapter operations and examined available records, and tested samples of expenditures for internal controls and compliance requirements by using a non-statistical, judgmental method.

Material Weakness

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 Chapter's financial statements will not be prevented, or detected and corrected in a timely basis.

Throughout the course of the special review, there were areas in which controls appeared to be functioning as intended. Based on the selected testing performed on Chapter disbursements to verify objectives 5 through 10, the number of exceptions identified do not rise to the level of a material weakness. The documentation to support travel expenditures, emergency fund expenditures, temporary workers hired, and fund approval forms were on file at the Chapter. All checks disbursed were posted in accounting system.

Based on the selected testing performed on objectives 1 through 4, we conclude that the number of exceptions identified rise to the level of a material weakness. Therefore, Findings I through IV is presented beginning on page 3 of this report.

Government Auditing Standards

We conducted this special review in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

REVIEW RESULTS

Finding I: \$67,812 of expenditures were paid without supporting documentation.

Criteria: Section V.2.a,b,f, General Duties and Responsibilities, of the Procurement Policies and Procedures Manual states that the Administrative Assistant will identify a need to procure services, supplies or equipment for Chapter purposes or projects and initiate the purchase requisition based on availability of funds. The Administrative Assistant is also required to obtain three price quotations to ensure a fair price is being paid and verify funds availability by reviewing the appropriate ledgers. The Administrative Assistant must also obtain and receive the merchandise along with the invoice(s) and prepare receiving report(s) for goods and services received.

Condition: 18 out of 18 total operating expenditures were reviewed for justification and the following supporting documentation was missing.

Exception Type	Number of Exceptions
Missing Three Quotations	9 of 18 (50%)
Missing Receiving Report	1 of 18 (6%)
Missing Invoice/Receipt	1 of 18 (6%)
Missing Approval	1 of 18 (6%)
Missing Purchase Requisition	1 of 18 (6%)

Effect: The Chapter cannot justify \$67,812 out of \$116,284 in expenditures. It is possible, but has not been confirmed, that the Chapter paid more for goods and services than necessary and may not have received the goods and services they paid for.

Cause: Chapter Officials and the Community Services Coordinator did not review the voucher packets to verify all required documentation was attached prior to co-signing checks.

Recommendation(s): Chapter Officials and the Community Services Coordinator should review voucher packets to ensure that all required supporting documentation is attached before signing checks.

Finding II: Housing assistance applications were not evaluated and ranked and the required performance reports were not completed.

Issue: Housing assistance supporting documents were not obtained for evaluation and ranking, resulting in \$26,904 of questionable assistance.

Criteria: Section V.A, Application and Eligibility Requirements, of the Chapter's Housing Discretionary Fund Policies and Procedures states to be eligible to receive housing assistance the applicant must: 1) be a registered voter of the Chapter, 2) be able to provide a patient referral notice, and 3) be able to prove the home is in need of renovation, repair, or improvement. To ensure that equal protection and due process are followed, the Community Services Coordinator shall evaluate, rank, and formally recommend the type of assistance awarded.

Condition: 14 of 18 total applications for housing assistance did not contain necessary supporting documentation and none of the 18 were evaluated and ranked.

Exception Type	Number of Exceptions
Insufficient Supporting Documentation	14 of 18 (78%)
No Evaluation and Ranking	5 of 18 (28%)

Effect: The Chapter cannot provide reasonable assurance that \$26,904 out of \$33,939 in assistance was disbursed only to eligible recipients.

Cause: The Community Services Coordinator did not collect and rank required documentation before housing assistance was disbursed.

Recommendation(s):

1. The Chapter Administration should gather and review all documentation for eligibility before disbursing assistance.
2. The Community Services Coordinator should evaluate and rank applicants to ensure equality in awarding housing assistance.

Issue: The Community Services Coordinator did not prepare performance reports after recipients were awarded housing assistance.

Criteria: Section IV.G, Expenditure Requirements and Reporting Policies, of the Chapter's Housing Discretionary Fund Policies and Procedures states that upon completion of the work, the Community Services Coordinator shall prepare a performance report briefly describing the accomplishments as they relate to the statement of work.

Condition: The Community Services Coordinator did not complete 18 of 18 performance reports for housing assistance awarded as required by the Chapter's Housing Discretionary Fund Policies and Procedures.

Effect: The Chapter cannot provide reasonable assurance that the \$33,939 in housing discretionary funds awarded were used as intended by the recipients.

Cause: The Community Services Coordinator claims to have completed the performance reports for housing assistance, but no supporting documentation was provided to substantiate this claim.

Recommendation(s): The Community Services Coordinator should ensure performance reports are on file at the Chapter.

Finding III: Sales taxes collected were not reported and remitted in a timely manner.

Criteria: Navajo Nation Sales Tax regulations require Chapters to collect 5% sales tax from internally generated revenues. The Chapter must register with the Office of Navajo Tax Commission and report and remit the sales tax collected to the Office of Navajo Tax Commission.

Condition: The Chapter collected the 5% sales tax from community members from internally generated revenues of \$71,322 between October 2010 and March 2016, however, the Chapter did not register, report, and remit the sales tax collected with the Office of Navajo Tax Commission until 2016.

Effect: The Chapter could face interest and penalties for the untimely reporting of sales tax from internally generated revenues of \$71,322.

Cause: The Community Services Coordinator did not verify that sales tax collected was remitted to the Office of Navajo Tax Commission.

Recommendation(s):

1. The Chapter Administration should register, report, and remit their sales tax obligations with the Office of Navajo Tax Commission in a timely manner.
2. The Community Services Coordinator should verify sales taxes collected are reported and remitted to the Office of Navajo Tax Commission.

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

Criteria: In accordance with Title 26, the Local Governance Act, Section 1002(i), the Chapter administration is responsible for preparing financial reports on Chapter revenues and expenditures and for requiring the Secretary/Treasurer to present the financial reports to the Chapter membership at a duly called Chapter meeting.

Condition: The Balance Sheet and Income Statement were not presented to the Chapter membership during the 18 months of our audit scope.

Effect: In the absence of complete financial reports, the Chapter membership cannot make informed financial decisions.

Cause: The abolished Local Governance Support Center informed the Chapter that only the Summary Budget-to-Actual was required as a financial report.

Recommendation(s): 1. Secretary/Treasurer should provide complete monthly financial reports: budget-to-actual, balance sheet, and income statement and document the reporting and attach a copy of financial reports to the meeting minutes.

CONCLUSION

50% of procured goods/services did not have three quotations and 6% did not have invoices and receiving reports. The Chapter may have paid more for goods/services and it is possible that the Chapter did not receive all goods/services procured.

Supporting documentation for housing assistance was not obtained resulting in \$26,904 in questionable expenditures. 78% of the housing assistance had insufficient supporting documentation and 28% were not ranked. Therefore, the Chapter did not guarantee that housing assistance was awarded only to eligible recipients. In addition, the Chapter did not prepare a required performance report for the housing projects that would have confirmed that building materials were used as intended.

The Chapter was not registered and did not remit sales tax liabilities to the Office of Navajo Tax Commission in a timely manner and may be subject to interest and penalties imposed by the Office of Navajo Tax Commission.

The Chapter did not disclose the financial condition and results of operation to community members at Chapter meetings as required by Navajo Nation reporting requirements. Without these reports, the Chapter membership cannot make informed decisions.

CLIENT RESPONSE



Tsaile/Wheatfields Chapter
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Phone: (928) 724-2220 Fax: (928) 724-2223

Tsehile

Todziah

Tsezhini

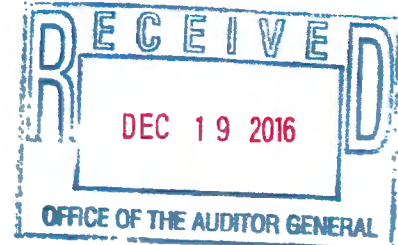
Lane P. James, President
Thomas Litson, Grazing Committee

David Kefelby, Vice President

Margie R. S. Begay, Secretary/Treasurer
Nelson Begay, Council Delegates

December 19, 2016

Elizabeth Begay, CIA, CFE
Auditor General
Office of the Auditor General
P.O. Box 708
Window Rock, Arizona 86515



Dear Ms. Begay,

The Tsaile/Wheatfields Chapter is in receipt of your November 29, 2016 final draft of the Tsaile/Wheatfields Chapter's Cash Receipts Activities, and the Special Review of the Tsaile/Wheatfields Chapter's Cash Disbursement Activities. Pursuant to 12 NNC § 7A, we hereby provide the follow response to the final draft.

The Tsaile/Wheatfields Chapter provides the following response to the Special Review of the Cash Disbursement Activities.

Introduction and Background: Within this section, it indicates that the special review of cash disbursements was requested by the chapter community members because of concerns over the management of the chapter's finances. We feel it is vital to include that the Chapter President on several occasions requested a "Comprehensive Audit" to include all activities within the chapter, therefore it should be mentioned that the chapter officials were in full support of a special review of the cash disbursements. These requests were made in email form to Mr. Robert Jumbo on May 25, 2016 and again on June 22, 2016. Copies of the email are attached as "Exhibit C" for your review and reconsideration. Those copies were a part of the initial recommendations in our letter dated November 14, 2016

Finding I: This response is specifically to the \$47,650.25 for Empire Southwest from February 17, 2015 to March 11, 2016 for equipment rental. Empire Southwest has had a contact with Navajo Division of Transportation for the purchase of road grader and other road related equipment since December 2008. Additionally, since 2013 Navajo DOT has contracted with Empire Southwest for the maintenance of road grader equipment. Navajo Nation chapter were advised that we could utilize this procured agreement between Navajo DOT and Empire Southwest in reference to any road grader purchase or rental. Empire Southwest honors the same discounted rental rate given to Navajo DOT and applies that discounted rental rate to Navajo Nation Chapters. Attached is a email from Navajo DOT Division Director Mr. Garrett Silversmith that acknowledges that a contract does exist within the time of the audit.


Additionally, an email from Mr. Greg Smith of Empire Southwest indicates the discounted agreement between Empire Southwest and the Navajo Nation Chapters. The

Tsaile/Wheatfields chapter has also attached a memorandum justifying the sole source of Empire Southwest. We hope you reconsider this and revise your findings.

As for the \$16,625.00 for ETD Inc, this procured services was led by Navajo Division of Transportation as they are the lead agent for road related projects. The Tsaile/Wheatfields Chapter was advised that we could not enter into a contract therefore utilized the technical assistance of Priscilla Lee and Marco Sells of Navajo DOT to procure the services of ETD Inc. We are still awaiting a project completion form for the work that was done. ETD Inc. has submitted the Finding of No Significant Impact to the chapter and Navajo DOT for final approval. The Tsaile/Wheatfields Chapter has forwarded documents from Navajo Division of Transportation that documents all the procurement policies of the Navajo Nation were followed. Additionally, we have submitted an email from Chinle Agency Planner, Mr. Marco Sells, that indicates that the project has been completed.

In conclusion the Tsaile/Wheatfields Chapter officials and administration is appreciative of the Auditor Generals response to our request for an audit of our chapter. We are very confident that the Auditor Generals office will accept our response to the audit and review and reconsider the "Findings" in the initial audit. If you should have additional questions, please contact us at (928) 724.2220.

Sincerely,



**Zane James, President
Tsaile/Wheatfields Chapter**

Attachement

**XC: David Kedelty, Vice President
Margie R.S. Begay, Secretary/Treasurer
Paula S. Begay, Community Service Coordinator
Nelson S. Begay, Council Delegate
Robert Begay, Department Manager II
Administrative Service Center/Division of Community Development
Chrono**

Tsaile/Wheatfields Chapter			
Corrective Action Plan			
Audit Report No. 17-09			
Issue	Corrective Action	Responsible Parties	Timeline
Finding I: \$41,837 of \$71,322 cash receipts were not deposited and were missing.	1. Record all collected cash receipts on a pre-numbered cash receipts ticket and issue a copy to the customer	Office Aide and eventually AMS	5/31/17
	2. Collected cash receipts will be reconciled against the cash receipt ticket on a daily basis	Office Aide, AMS, CSC	5/31/17
	3. Cash receipts will be posted into the chapter accounting system	AMS, CSC	5/31/17
	4. Deposits of cash receipts will be made on a weekly basis	CSC, Secretary/Treasurer	5/31/17
	5. Perform monthly reconciliations of the bank statement deposits against the cash receipts posted in the accounting system	CSC, Secretary/Treasurer	5/31/17
	6. Verify the monthly reconciliations are complete and accurate	Secretary/Treasurer	5/31/17
	7. Conduct monthly monitoring of the cash receipts activities	Administrative Service Centers	5/31/17
Finding II: Former Accountant Maintenance Specialists had total control of the cash receipts process	1. Hire a temporary Accounts Maintenance Specialists	Chapter Officials, CSC, Administrative Service Center	5/31/17
	2. Implement segregation of duties on the cash receipts process.	Chapter Officials, CSC, AMS, Office Aide, Administrative Service Center	5/31/17
	3. Perform monthly monitoring of the cash receipts process	Secretary/Treasurer, Administrative Service Centers	5/31/17

**Tsaile/Wheatfields Chapter
Corrective Action Plan
Audit Report No. 17-11**

Issue	Corrective Action	Responsible Parties	Timeline
Finding I: \$67,812 of expenditures were paid without supporting documentation	1. Develop an internal check list for voucher packets.	Office Aide Accounts Maintenance Specialist Community Services Coordinator	8/31/2017
	2. Implement the internal check list for all voucher packets.	Office Aide Accounts Maintenance Specialist Community Services Coordinator	8/31/2017
	3. Conduct periodic reviews of the voucher packets prior to the printing of the check.	Community Services Coordinator Chapter Officials	8/31/2017
Finding II: Housing assistance applications were not evaluated and ranked and the required performance reports were not completed.			
Issue 1: Housing assistance supporting documents were not obtained for evaluation and ranking, resulting in \$26,904 of questionable assistance.	1. Update housing discretionary policies and procedures.	Community Services Coordinator Chapter Officials	8/31/2017
	2. Obtain approval for revised housing discretionary policies and procedures at a duly called chapter meeting via chapter resolution.	Community Services Coordinator Chapter Officials	8/31/2017
	3. Verify all required documentation is submitted as part of the housing assistance packet.	Office Aide Accounts Maintenance Specialist Community Services Coordinator	8/31/2017
	4. Completed applications will be evaluated and ranked for eligibility.	Community Services Coordinator Chapter Officials	8/31/2017
	5. Eligible applicants will require approval at a duly called chapter meeting via chapter resolution.	Community Services Coordinator Chapter Officials	8/31/2017
Issue 2: The Community Services Coordinator did not prepare performance reports after recipients were awarded housing assistance.	1. Create a performance report template for housing assistance packets.	Community Services Coordinator Chapter Officials	8/31/2017

	2. Prepare a performance report for each housing recipient file.	Community Services Coordinator	8/31/2017
	3. Maintain performance reports with the recipient file at the Chapter house.	Office Aide Accounts Maintenance Specialist Community Services Coordinator	8/31/2017
	4. Conduct periodic reviews of the housing recipient files for completeness.	Secretary/Treasurer	8/31/2017
Finding III: Sales taxes collected were not reported and remitted in a timely manner.	1. Form 100 will be completed and submitted to the Office of the Navajo Tax Commission during each calendar year.	Community Services Coordinator Chapter Officials	8/31/2017
	2. Collected sales tax will be reported on Form 600 and paid on a quarterly basis to the Office of the Navajo Commission.	Office Aide Accounts Maintenance Specialist Community Services Coordinator	8/31/2017
	3. Conduct periodic reviews of sales tax reporting and compliance.	Community Services Coordinator Chapter Officials	8/31/2017
Finding IV: Complete information on the Chapter finances were not provided to the Chapter membership.	1. Obtain monthly financial statements (budget-to-actual, balance sheet, and income statement) from the accounting system.	Community Services Coordinator Secretary/Treasurer	8/31/2017
	2. Review monthly financial statements (budget-to-actual, balance sheet, and income statement) for reliability and accuracy.	Community Services Coordinator Secretary/Treasurer	8/31/2017
	3. Resolve any discrepancies on the monthly financial statements (budget-to-actual, balance sheet, and income statement).	Community Services Coordinator Secretary/Treasurer	8/31/2017
	4. Present monthly financial statements (budget-to-actual, balance sheet, and income statement) at a duly called chapter meeting.	Secretary/Treasurer	8/31/2017
	5. Record the presentation and vote count of the monthly financial statements (budget-to-actual, balance sheet, and income statement) in the meeting minutes.	Secretary/Treasurer	8/31/2017
	6. Attach monthly financial statements (budget-to-actual, balance sheet, and income statement) to the applicable meeting minutes.	Secretary/Treasurer	8/31/2017



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Tsehile

Todziah

Tsezhini

Zane P. James, President
Vacant, Grazing Committee

Devon Begay, Vice President

Kukyonre E. Nata'ani, Secretary/Treasurer
Nelson Begaye, Council Delegate

TWFFY17-033

**RESOLUTION OF THE
TSAILE/WHEATFIELDS CHAPTER #038**

**ACCEPTING AND APPROVING THE CORRECTIVE ACTION PLAN DEVELOPED BY THE
TSAILE/WHEATFIELDS CHAPTER ADMINISTRATION, CHAPTER OFFICIALS IN
COORDINATION WITH THE OFFICE OF THE AUDITOR GENERAL FOR
REPORT NO. 17-09 AND REPORT NO 17-11 CONDUCTED BY THE NAVAJO NATION
OFFICE OF THE AUDITOR GENERAL**

WHEREAS:

1. Pursuant to Navajo Nation Council Resolution No. CJ-20-55, dated December 2, 1955, the Tsaile/Wheatfields Chapter is vested with authority and charged with the responsibility to promote, protect and preserve the interest and general welfare, including the health and safety of its community people; and
2. The Indian Self-Determination Act (P.L. 93-638) of the U. S. Congress and Local Governance Initiatives entitles and support us, Navajo Indians, in initiating plans making decisions, recommendation, request, etc., according to our actual needs and desires; and
3. The Tsaile/Wheatfields Chapter requested the assistance of the Office of the Auditor General in 2016 to conduct a review of Cash Receipts and Cash Disbursements of chapter finances; and
4. The Navajo Nation Office of the Auditor General's office conducted the review and in December 2016 released "Report No. 17-09 A Special Review of the Tsaile/Wheatfields Chapter's Cash Receipts Activities"; and
5. The Navajo Nation Office of the Auditor General's scope of for this special review was the 66 month period of October 1, 2010 through March 31, 2016; and
6. The Navajo Nation Office of the Auditor General's office conducted the review and in December 2016 released "Report No. 17-11 A Special Review of the Tsaile/Wheatfields Chapter's Cash Disbursements Activities"; and
7. The Navajo Nation Office of the Auditor General's scope of for this special review was the 18 month period of October 1, 2014 through March 31, 2016; and
8. The review results were as follows for Report No. 17-09:
 - a. Finding I: \$41,837 of \$71,322 cash receipts were not deposited and were missing.
 - b. Finding II: Former Accounts Maintenance Specialists had total control of the cash receipts process.
9. The review results were as follows :
 - a. Finding I: \$67,812 of expenditures were paid without supporting documents.
 - b. Finding II: Housing assistance applications were not evaluated and ranked and the required performance reports were not completed.
 - c. Finding III: Sales taxes collected were not reported and remitted in a timely manner.
 - d. Finding IV: Complete information on the chapter finances were not provided to the chapter membership.

10. The Tsaile/Wheatfields Chapter in coordination with the Navajo Nation Office of the Auditor General has developed the Corrective Action Plan that is attached to ensure that the chapter is in compliance of the Five Management System (FMS) in the expenditure of funds in the future.

NOW THEREFORE BE IT RESOLVED THAT:

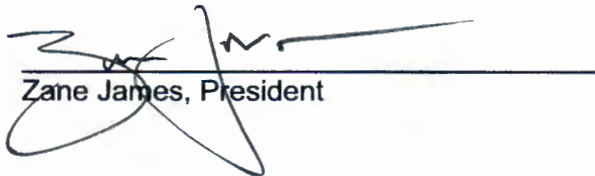
1. The Tsaile/Wheatfields Chapter accepts and approves the Corrective Action Plan developed by the chapter administration, chapter officials in coordination with the Office of the Auditor General for report no. 17-09 and report no. 17-11 conducted by the Navajo Nation Office of the Auditor General.

CERTIFICATION

I, hereby certify the foregoing resolution was duly considered by the Tsaile/Wheatfields Chapter at a duly called special chapter meeting at Wheatfields, Arizona at which a quorum was present and the same was passed by a vote of 36 in favor, 1 opposed, and 8 abstained on this 15th day of February, 2017.

Motion by: Angie Brown

Second by: Marie White



Zane James, President