

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

23<sup>RD</sup> NAVAJO NATION COUNCIL - Second Year, 2016

AN ACTION

RELATING TO RESOURCES AND DEVELOPMENT AND BUDGET AND FINANCE; ACCEPTING  
AUDIT REPORT 15-22, SPECIAL REVIEW OF THE DENNEHOTSO CHAPTER SUBMITTED BY  
THE OFFICE OF THE AUDITOR GENERAL AND APPROVING THE CORRECTIVE ACTION PLAN  
SUBMITTED BY THE DENNEHOTSO CHAPTER

BE IT ENACTED:

Section One. Findings.


- A. The Navajo Nation Council established the Resources and Development Committee (RDC) as a Navajo Nation standing committee and as such gave RDC oversight authority over the Chapters. 2 N.N.C. §§ 164 (A) (9), 500 (A) and 501 (C) (1) (2012) *see also* CO-45-12.
- B. The Navajo Nation Council established the Budget and Finance Committee (B&F) as a Navajo Nation standing committee and as such empowered B&F to review and approve audit reports and corrective action plans by resolution. 2 N.N.C. §§ 164 (A) (9), 300 (A) (2013) *see also* CO-45-12 and 12 N.N.C. § 7 (D) (2009).
- C. The Office of Auditor General shall serve RDC with copies of Dennehotso Chapter's audit report and corrective action plan. 12 N.N.C. § 7 (E) (2009).
- D. Accepting Audit Report No. 15-22 is in the Navajo Nation's best interest.

Section Two. Accepting Audit Report No. 15-22 and Approving the Corrective Action Plan

- A. The Navajo Nation accepts Audit Report No. 15-22, a Special Review of the Dennehotso Chapter, EXHIBIT A, and approves the Dennehotso Chapter's Corrective Action Plan, EXHIBIT B.
- B. The Navajo Nation directs the Office of the Auditor General to provide copies of the Dennehotso Chapter's Corrective Action Plan to the Resources and Development Committee, as part of their oversight responsibility for the Chapters. 12 N.N.C. § 7 (F) (2009).
- C. The Navajo Nation directs the Dennehotso Chapter to submit a written status report on its progress in implementing the Corrective Action Plan to the Office of the Auditor General six months after the approval of this resolution. 12 N.N.C. § 7 (F) (2009).
- D. The Navajo Nation directs the Office of the Auditor General to review Dennehotso Chapter's written status report and report to the Resources and Development Committee, as well as the Budget and Finance Committee. 12 N.N.C. § 7 (F) (2) (2009).
- E. The Navajo Nation hereby directs the Office of the Auditor General to conduct a follow-up review twelve (12) months after the approval of this resolution to verify actions claimed to have been taken by the Dennehotso Chapter, to issue a written follow-up report indicating the Dennehotso Chapter's progress in implementing the Corrective Action Plan, and to make recommendations to the Resources and Development Committee, as well as the Budget and Finance Committee.

## CERTIFICATION

I hereby certify that the foregoing resolution was duly considered by the Budget and Finance Committee of the Navajo Nation Council at a duly called meeting held at Window Rock, Navajo Nation (Arizona), at which a quorum was present and that the same was passed by a vote of 3 in favor, 0 opposed, this 1<sup>st</sup> day of March, 2016.



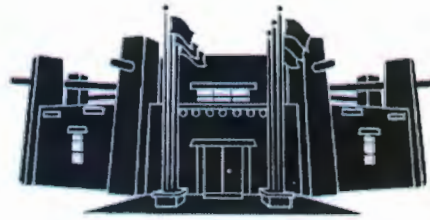
Seth Damon, Chairperson  
Budget and Finance Committee

Motion: Tom T. Chee

Second: Mel R. Begay

EXHIBIT

A



## OFFICE OF THE AUDITOR GENERAL

**The Navajo Nation**

**A Special Review  
of the  
Dennehotso Chapter**

**Report No. 15-22  
May 2015**

Performed by:  
Stacy Manuelito, Associate  
Auditor





May 19, 2015

Frank Yazzie, Chapter President  
**DENNEHOTSO CHAPTER**  
P.O. Box 2301  
Dennehotso, Arizona 86535

Dear Mr. Yazzie:

The Office of the Auditor General herewith transmits Audit Report No. 15-22, A Special Review of the Dennehotso Chapter (Chapter). The Office of the Auditor General conducted the special review of the Chapter with the following objectives:

- Determine whether chapter funds were expended according to policies and procedures.
- Determine whether wages paid to chapter employees were supported with required documentation.
- Determine whether travel expenses incurred by chapter staff and officials benefitted the chapter.
- Determine whether the Chapter can account for its property.
- Determine whether the Chapter complies with Navajo Nation and State reporting requirements.


The scope for this review was for the 18-month period of October 1, 2012 to March 31, 2014.

#### REVIEW RESULTS

- Finding I : Direct service funds were expended contrary to policies.  
Finding II : Over \$70,000 of compensation paid to chapter employees is questionable.  
Finding III : \$19,000 incurred for travel may not have benefitted the Chapter.  
Finding IV : Value of chapter fixed assets is unknown and therefore uninsurable against loss.  
Finding V : Chapter does not comply with Navajo Nation and State reporting requirements.

In addition to the audit findings, the report provides recommendations to improve management of the chapter finances and activities. If you have any questions about this report, please call our office at (928) 871-6303.

Sincerely,



Elizabeth Begay, CIA, CFE  
Auditor General

xc: Martha Littleman, Vice-President  
Nancy Tsosie, Secretary/Treasurer  
Carmelia Blackwater, Chapter Manager  
Nathaniel Brown, Council Delegate  
**DENNEHOTSO CHAPTER**  
Chrono

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## INTRODUCTION AND BACKGROUND

The Office of the Auditor General has conducted a special review of Dennehotso Chapter (Chapter) for the 18-month period ending March 31, 2014. The special review was requested by the Chapter officials because of concerns over management of Chapter's finances. Accordingly, the special review was conducted pursuant to the authority vested in the Office of the Auditor General by 12 N.N.C., Chapter 1, § 1 - 10.

Dennehotso Chapter is a political subdivision of the Navajo Nation and is considered a general purpose local government for reporting purposes. Navajo Nation chapters are required to operate under Title 26 of the Navajo Nation Code, the Local Governance Act. In February 2012, Dennehotso Chapter was LGA-certified by the Resources and Development Committee of the Navajo Nation via resolution no. RDCF-14-12. As LGA-certified, Dennehotso Chapter is expected to uphold a higher standard over the management of the Chapter.

The majority of the Chapter's resources are provided through appropriations from the Navajo Nation central government. These appropriations are intended to fund direct services 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 rentals, resale of goods, and 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, 2014.

**Table 1**  
**Budget and actual expenditures for direct/indirect services for the**  
**18-month audit period ending March 31, 2014.**

Service Type	Category	Budget	Actual	Available	Percentage of Budget
<u>Direct Services:</u>	Student Assistance	\$ 32,607	\$ 27,792	\$ 4,815	15%
	Emergency	\$ 39,536	\$ 34,591	\$ 4,945	13%
	Social Services	\$ 20,120	\$ 11,863	\$ 8,257	41%
	Housing	\$ 63,508	\$ 31,666	\$ 31,842	50%
	Community Development	\$ 138,354	\$ 98,539	\$ 39,815	29%
	Temporary Employment	\$ 59,687	\$ 49,756	\$ 9,931	17%
	<i>Total- Direct Services:</i>	\$ 353,812	\$ 254,207	\$ 99,605	28%
	<i>Percent of Grand Total-Direct Services:</i>	<b>34%</b>	<b>33%</b>	<b>39%</b>	
<u>Indirect Services:</u>	Payroll	\$ 251,416	\$ 188,175	\$ 63,241	25%
	Stipends	\$ 125,109	\$ 89,975	\$ 35,134	28%
	Travel	\$ 23,927	\$ 38,383	\$ (14,456)	-
	Capitalized Expenditures	\$ 12,403	\$ 23,161	\$ (10,758)	-
	Operating	\$ 267,980	\$ 182,340	\$ 85,640	32%
	<i>Total- Indirect Services:</i>	\$ 680,835	\$ 522,034	\$ 158,801	23%
	<i>Percent of Grand Total-Indirect Services:</i>	<b>66%</b>	<b>67%</b>	<b>61%</b>	
	<b>GRAND TOTAL:</b>	<b>\$1,034,647</b>	<b>\$ 776,241</b>	<b>\$ 258,406</b>	

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

Of the \$1,034,647 total available resources, only \$254,207 (33%) was expended for direct services and \$522,034 (67%) for indirect services. This shows that the Chapter did not

provide direct services to community members. The Dennehotso Chapter has one primary checking account, and as of March 31, 2014, the account had an ending balance of \$258,406.

### **Objective, Scope, and Methodology**

The following objectives were established for this special review:

- Determine whether chapter funds were expended according to policies and procedures.
- Determine whether wages paid to chapter employees were supported with required documentation.
- Determine whether travel expenses incurred by chapter staff and officials benefitted the chapter.
- Determine whether the Chapter can account for its property.
- Determine whether the Chapter complies with Navajo Nation and State reporting requirements.

The scope for this review was for the 18-month period of October 1, 2012 to March 31, 2014.

In meeting the objectives, we interviewed chapter officials and the administration, observed chapter operations, and examined available records. More specifically, we tested samples of expenditures for internal controls and compliance requirements by using a non-statistical, judgmental method. Chapter property was also examined to determine whether it is adequately safeguarded from loss.

### **Government Auditing Standards**

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

The Office of the Auditor General expresses its appreciation to the Dennehotso Chapter officials and administration for their cooperation and assistance throughout the audit.



## REVIEW RESULTS

### **Finding I: Direct service funds were expended contrary to policies.**

#### **Issue: Financial assistance was approved despite missing support documentation.**

**Criteria:** Section V of the Chapter Housing Policies and Procedures requires each applicant have the following documents to be eligible for housing assistance: a) application, b) proof of residence, c) Certificate of Indian Blood, d) voter registration, and e) three quotations for materials.

**Condition:** Nine housing recipients were selected for review to verify eligibility. However, the Chapter Manager was unable to provide the applications and other required documentation for all nine housing recipients. Despite missing documentation, all nine recipients were approved for housing assistance.

**Effect:** Nine ineligible housing applicants were approved for housing assistance.

**Cause:** Although a housing committee representative claimed they reviewed applications and other required documents when they approved the recipients, the Chapter Manager was unable to substantiate this claim with records.

**Recommendation(s):**

1. The Chapter Manager should only approve housing assistance for applicants that have all support documentation to show eligibility for assistance.
2. The Chapter Manager should maintain all housing assistance support documentation on file as reviewed and approved by the housing committee.

#### **Issue: \$4,500 in housing assistance may not have been used as intended by recipients.**

**Criteria:** Section VII of the Chapter Housing Policies and Procedures requires chapter administrative staff to complete an assessment of approved housing assistance projects 30 days after assistance is issued to verify completion of the project.

**Condition:** Chapter administration did not perform follow-up assessments after assistance was given to make sure the recipients used the funds for their intended purpose.

**Effect:** There is a risk that housing needs went unmet because chapter assistance totaling \$4,500 was misspent or was used for other purposes.

**Cause:** The Chapter Manager did not schedule follow-up assessments to verify completion of housing projects.

- Recommendation(s):
1. The chapter staff should perform follow-up assessments after housing assistance is given to make sure recipients used the funds for their intended purpose.
  2. The Chapter Manager should schedule follow-up assessments to verify completion of housing projects.

Issue: All 16 emergency fund disbursements (totaling about \$31,000) examined were unsupported and unjustified.

Criteria: Section VI (E) of the Procurement Policies and Procedures requires the Chapter to only expend emergency funds based on the following criteria:

- a. Declaration of Emergency issued by the President.
- b. Completed community assessment and list of recipients receiving emergency fund commodities distributed free-of-cost.
- c. Provided relief services in order of priority.
- d. Community-approved budget is in place.

Condition: All 16 emergency fund disbursements (totaling about \$31,000) examined were unsupported and unjustified. There was no related community-wide emergency declared, no list of recipients of the emergency services, and no description of relief services provided.

Effect: The Chapter misspent \$31,000 of the emergency fund.

Cause: The Chapter Manager acknowledged that she was unaware of the established criteria for emergency fund expenditures, and the Chapter does not have an emergency response plan to offer guidance on administering relief services using emergency funds.

- Recommendation(s):
1. Chapter staff should ensure that emergency fund disbursements can be supported and justified by the established criteria.
  2. The Chapter Manager should become familiar with established criteria for emergency fund expenditures.
  3. The Chapter should develop an emergency response plan.

**Finding II: Over \$70,000 of compensation paid to chapter employees is questionable.**

Issue: \$68,000 wages paid may have been for hours not worked.

Criteria: Section VII (H) of the Fiscal Policies and Procedures requires the Chapter to establish a system to account for the use of accrued leave. In addition, employees are required to record their work hours on attendance sheets to be approved by their immediate supervisor. Furthermore, the attendance sheets are to be used to prepare the timesheet.



**Condition:** For the audit period, 73 payroll disbursements were reviewed to verify hours paid to staff were based on support documentation. The following was noted:

Discrepancies Noted	# of Exceptions	Percent
Hours on sign-in sheets did not reconcile to hours recorded on the master timesheet.	56 of 73	77%
Master timesheet hours did not reconcile to hours posted on the payroll journal.	29 of 73	40%
Recorded absences do not have an approved leave form.	52 of 60	87%
Master timesheet was not approved by an authorized individual.	29 of 73	40%
Leave hours used reported on the master timesheets do not reconcile with the leave report.	21 of 31	68%

**Effect:** Approximately \$68,000 was paid to chapter employees for hours they may not have actually worked and/or paid leave that was not authorized.

**Cause:** The Chapter Manager did not verify and reconcile applicable payroll records for accuracy prior to authorizing the processing of payroll.

**Recommendation(s):**

1. The Chapter Manager should ensure all wages paid to staff are supported with required documentation.
2. The Chapter Manager should verify and reconcile applicable payroll records for accuracy prior to authorizing the processing of payroll.

**Issue:** Staff earned and used leave hours that were not due to them.

**Criteria:** Section VII (H) of the Fiscal Policies and Procedures requires the Chapter to establish and maintain a system to account for the accrual and use of annual leave and sick leave.

**Condition:** Although the Chapter's accounting system automatically provides for the accounting of accrued and used leave hours each pay period, the Chapter Manager maintained a manual record of the leave hours for the permanent staff. Several errors made in the manual records, resulted in staff earning and using leave hours that were not due to them.

Examples of discrepancies in the manual leave records include:

- a) The number of hours accrued between pay periods were inconsistent.
- b) Duplicate posting of the leave accrual rate for the Chapter Manager.
- c) Used leave hours are not deducted from accrued leave.
- d) Not following pay date schedule in posting leave accrued.



Effect: Because the manual accounting of leave hours is inaccurate, it is likely the chapter staff used leave hours that were not actually available to them.

Cause: The Chapter Manager acknowledged that she has not received formal training on the MIP payroll module and, as such, is unfamiliar with certain system features. Therefore, she preferred to maintain a manual record for the leave hours.

Recommendation(s):

1. The Chapter Manager should use the MIP automated payroll module to account for staff leave hours.
2. The Chapter Manager should obtain proper training on the MIP payroll module to understand all system features.

Issue: Farm board stipends totaling about \$4,000 paid to the Chapter Manager could be duplicate compensation.

Criteria: Section XVI (D) of the Personnel Policies and Procedures requires an employee who has been appointed or elected to serve on a board, commission, or committee which pays a stipend, or who has been elected to a public office to take annual leave to attend to appointed or elected duties.

Condition: For the audit period, the Chapter Manager received stipends totaling approximately \$4,000 for serving on the Farm Board. To verify that the Chapter Manager was on approved leave for attending Farm Board related meetings that took place during the chapter working hours of 8:00 a.m. to 5:00 p.m., we requested to review the Farm Board meeting minutes. However, the chapter did not have evidence of farm board meetings. As such we were not able to verify that Farm Board meetings occurring during chapter working hours had approved leave in place for the Chapter Manager. Overall, the chapter cannot justify \$4,000 in stipends paid to the Chapter Manager for attending Farm Board meetings.

Effect: It is likely that the Chapter Manager was compensated twice while participating in farm board meetings: first, with regular wages if annual leave was not taken, and second, with stipends for service on the farm board.

Cause: Someone independent of the Chapter Manager did not verify the farm board meeting minutes to ensure the Chapter Manager took leave to attend meetings.

Recommendation(s):

1. The Chapter should have farm board meetings minutes on file.
2. Someone independent of the Chapter Manager should verify the farm board meeting minutes to ensure the Chapter Manager takes leave to attend meetings.

**Finding III: \$19,000 incurred for travel may not have benefitted the Chapter.**

**Criteria:** Section VII (I) of the Fiscal Policies and Procedures requires each traveler to have their travel approved by the Chapter Manager on a travel authorization form prior to travel. In addition, each traveler is required to submit an expense report with receipts and a trip report explaining the accomplishments of the trip within ten days of return from travel.

**Condition:** 69 travel documents were examined and 68% were not approved and 83% had missing supporting documentation.

**Effect:** There is no assurance that approximately \$19,000 of resources expended for travel by chapter staff and officials resulted in desired accomplishments and benefits for the Chapter.

**Cause:** Travelers did not obtain the Chapter Manager's approval to travel. In addition, the Chapter Manager did not monitor travel expenses to ensure all travel incurred have support documentation.

**Recommendation(s):**

1. The Chapter Manager should approve travel request prior to travel and ensure that required documents are provided by the traveler to support travel expenses.
2. Chapter travelers should obtain approval from the Chapter Manager prior to travel.

**Finding IV: Value of chapter fixed assets is unknown and therefore uninsurable against loss.**

**Criteria:** Section VIII of the Property Policies and Procedures requires the Chapter to maintain a detailed, complete, and accurate inventory of all chapter property. In addition, Section VIII (F) of the Fiscal Policies and Procedures requires the Chapter to report fixed assets in the balance sheet.

**Condition:** Management provided no detailed inventory of chapter property. In addition, the financial statements for FY2013 and FY2014 (as of March 31, 2014) did not disclose the chapter fixed assets (such as buildings, heavy equipment, etc.) or their values.

**Effect:** Without a property inventory, the Chapter cannot acquire insurance coverage to safeguard its property against damages and/or loss nor can it determine if any property is missing. Furthermore, the chapter is understating the value of chapter assets since fixed assets are omitted from the financial statements.

**Cause:** The Chapter Manager did not ensure the chapter has a complete inventory of its property.

**Recommendation(s):**

1. The Chapter Manager should develop an inventory of property owned by the Chapter.



2. The Chapter Manager should record and report the value of fixed (capital) assets in the accounting system and to the balance sheet.

**Finding V: Chapter does not comply with Navajo Nation and State reporting requirements.**

**Issue: The Chapter's financial status is not disclosed to chapter membership.**

**Criteria:** Section 1001 (B) 3, Financial Reporting, of Title 26 Local Governance Act requires the chapter Secretary/Treasurer to report the Chapter's financial position to the community membership each month at a duly called chapter meeting.

**Condition:** Four out of 18 months of meeting minutes were examined during the audit period, and the Secretary/Treasurer did not present financial reports to the chapter membership during these meetings.

**Effect:** Without monthly financial reporting, the chapter membership is unaware of the financial position of the Chapter. Pertinent information, such as revenues and expenses, is unknown which hinders informed decision-making.

**Cause:** The Chapter Manager did not make sure that monthly financial reports were prepared or provided to the Secretary/Treasurer for presentation.

- Recommendation(s):**
1. The Secretary/Treasurer should report the Chapter's financial position to the chapter membership at a duly called chapter meeting each month.
  2. The Chapter Manager should ensure the financial reports are prepared and provided to the Secretary/Treasurer for presentation to the chapter membership.

**Issue: Chapter may owe a tax liability of about \$2,800 for state unemployment taxes.**

**Criteria:** Section VII (7) of the Fiscal Policies and Procedures requires the Chapter to participate in the State Unemployment Compensation Act Fund. The only exception, according to the Arizona Department of Economic Security, is the Chapter is exempt from paying state unemployment taxes for employees who work as part of a work training program. Otherwise, as a certified chapter, the Chapter is responsible for making unemployment contributions on behalf of the chapter administration staff and applicable temporary employees.

**Condition:** During the audit period, the Chapter employed two permanent and 91 temporary employees. The total taxable wages paid to these employees was about \$141,800. However, there were no state unemployment tax reports or payments remitted to the Arizona Department of Economic Security.



**Effect:** The Chapter may owe about \$2,800 for tax liability to the State of Arizona. In addition, penalties could have been incurred for any delinquent reports.

**Cause:** The Chapter Manager did not establish a system to ensure unemployment taxes are calculated, reported, and remitted each quarter.

**Recommendation(s):** 1. The Chapter Manager should establish a process to calculate, report, and remit unemployment taxes due to Arizona Department of Economic Security on a quarterly basis.

## CONCLUSION

As an LGA certified chapter, the Dennehotso Chapter is held to a higher standard regarding the five management system. The five management system is intended to provide reasonable assurance that chapter financial reporting is reliable and accurate, chapter assets are safeguarded from loss or misuse, and chapters comply with applicable laws and regulations. In 2012, our review concluded that the Dennehotso Chapter was meeting this higher governance standard. However, during this review, we conclude that the Dennehotso Chapter's five management system is not operating effectively and does not meet its intended purpose. We found significant deficiencies that compromise the overall integrity of the five management system.

Chapter funds were not expended according to policies and procedures. Financial assistance was approved despite missing support documentation. In addition, the chapter administration did not perform follow-up assessments to make sure the housing recipients used the funds for their intended purpose. Furthermore, all 16 emergency fund disbursements examined (totaling about \$31,000) were unsupported and unjustified because there was no related community-wide emergency declared, no list of recipients of the emergency services, and no description of relief services provided.

Compensation paid to chapter employees was not supported with required documentation. Approximately \$68,000 was paid to chapter employees for hours they may not have actually worked. In addition, staff earned and used leave hours that were not due to them. Furthermore, it is likely that the Chapter Manager was compensated twice while participating in farm board meetings.

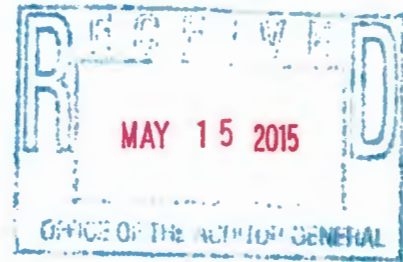
Travel expenses incurred by chapter staff and officials may not have benefited the chapter. 68% of travel expenditures examined were not approved and 83% were missing supporting documentation. In addition, the Chapter does not know the value of its property and therefore cannot insure the property against loss. Furthermore, the Chapter does not disclose the financial condition and results of operation to community members at chapter meetings as required by Navajo Nation reporting requirements. Lastly, the Chapter may owe about \$2,800 for State unemployment taxes due to not reporting wages and not remitting payment to the State.

## **CLIENT RESPONSE**



**DENNEHOTSO CHAPTER**

Western Navajo Agency  
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Frank C. Yazzie  
President

Martha Littleman  
Vice-President

Nancy Tsosie  
Secretary/Treasurer

Nathaniel Brown  
Council Delegate

May 14, 2015

Navajo Nation, Office of Auditor General  
Attn: Elizabeth Begay, CIA, CFA

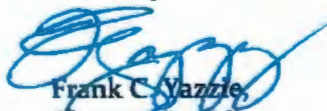
Dear Mrs. Begay:

We have received a copy of the final draft of the Special Review (audit) of the Dennehotso Chapter. We have reviewed it and find it very unfavorable. However, although the audit does not paint a very good picture of our administrative processes, we will accept the findings with reservations.

Our chapter has been adversely affected by a recent disruption and interference with its records; and the abrupt departure of key personnel has left chapter in a predicament. Also, the directive to have a special review of our Chapter during the time we are addressing Ethics Complaints leaves us in an awkward situation with chapter leadership at odds with one another and knowing this directive was a retaliation tactic leaves the findings a little tough to accept as a fair and true picture of our administrative financial procedures. Nonetheless, there is not much we can do but accept the findings and move forward and fortify our chapter administration processes and build upon the findings.

We look forward to developing the corrective action plan and working with your office to assure our community members that the Dennehotso Chapter administration and leadership are working in their best interest, with integrity, and transparency.

Sincerely,

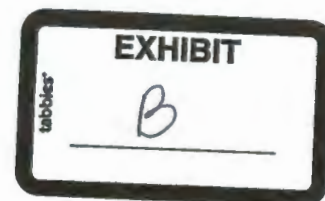
  
Frank C. Yazzie  
Chapter President





# DENNEHOTSO CHAPTER

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Frank C. Yazzie  
 President

Martha Littleman  
 Vice-President

Nancy Tsosie  
 Secretary/Treasurer

Nathanial Brown  
 Council Delegate

September 30, 2015

Elizabeth Begay, Auditor General  
 Navajo Office of Auditor General  
 P.O. Box 1480  
 Window Rock, AZ 86515



RE: CORRECTIVE ACTION PLAN

Dear Ms. Begay:

Herewith is the Corrective Action Plan for the Dennehotso Chapter. We have already begun to implement the Corrective Action Plan at the Chapter and looking forward to working with your office in fortifying our chapter's documentation processes. We have reviewed and have a consensus on the corrective actions plan.

Should you have any questions, please contact us directly at 928.658.3304.

Sincerely,

Carmelia Blackwater,  
 Chapter Manager

We Acknowledge and Concur the Corrective Action Plan:

Frank C. Yazzie, President

Martha Littleman, Vice-President

Nancy Tsosie, Secretary-Treasurer

**DENNEHOTO CHAPTER  
WESTERN NAVAJO AGENCY  
CORRECTIVE ACTION PLANS**

October 2015

<b>FINDING #1 DIRECT SERVICE FUNDS WERE EXPENDED CONTRARY TO POLICIES</b>				
Issue:			RESPONSIBLE PERSON	COMPLETE BY:
	<b>FINANCIAL ASSISTANCE WAS APPROVED DESPITE MISSING SUPPORT DOCUMENTATION</b>			
Financial assistance was approved despite missing support documentation  Nine ineligible housing applicants were approved for housing assistance		A. Announce deadline for Discretionary Housing Applications to be submitted.	CM, CO, AMS	2/29/2016
		B. AMS will collect only completed applications w/ supporting documents	AMS	2/29/2016
		C. CM will review all applications for compliance with policy and procedures.	CM	2/29/2016
		D. AMS will send letters to applicants w/missing documents	AMS	2/29/2016
		E. CM will review and approve applications for evaluation by the Housing Committee.	CM	2/29/2016
		F. Housing Committee will evaluate the applications and score.	CM	2/29/2016
		G. Approved applications will be recommended for approval by chapter resolution	CO	2/29/2016
		H. AMS will file documents at the chapter.	AMS	2/29/2016
			RESPONSIBLE PERSON	COMPLETE BY:
	<b>\$4,500 IN HOUSING ASSISTANCE MAY NOT HAVE BEEN USED AS INTENDED BY RECIPIENTS</b>			
Chapter administration staff did not perform follow-up assessments after assistance was given to make sure the recipients used the funds for intended purposes. There is a risk that housing needs were unmet because chapter assistance totaling \$4,500 was misspent or used the funds for their intended purposes.		A. Amended Discretionary Housing Policies & Procedures will implement bulk purchases of housing materials.	CM, CO, AMS	2/29/2016
		B. CM will conduct pre-construction assessments take photos	CM	2/29/2016
		C. CM will develop a scope-of-work for each Discretionary Housing recipient and hire PEP to complete project.	CM	3/2/2016
		D. PEP will complete scope-of-work	CM, CO	5/31/2016
		E. CM will conduct post-work assessments to evaluate the completion of the projects.	CM	5/31/2016
		F. AMS will file all documents in chapter administration office.	AMS	5/31/2016
			RESPONSIBLE PERSON	COMPLETE BY:
	<b>ALL 16 EMERGENCY FUND DISBURSEMENTS (TOTALING ABOUT \$31,000 WERE UNSUPPORTED/UNJUSTIFIED</b>			
There was no related community-wide emergency declared, no list of recipients of emergency services, and no description of relief services provided		A. CM and CERT Secretary will ensure all supporting documents as required by Chapter Emergency response plan are filed at the chapter administration office with meeting minutes attached for verification.	CM, CERT	2/29/2016
		B. The AMS will file the CERT team minutes/emergency expenditures at the chapter administration office.	AMS	2/29/2016
		C. Chapter President will appoint CERT members by resolution	CO	2/29/2016
		D. Chapter Administrative Staff, Chapter Officers and CERT members will complete Emergency Management Training	CM, CO, AMS CERT	2/29/2016
		E. Implement and adopt by resolution Chapter Emergency Response Plan	CM,CO	2/29/2016

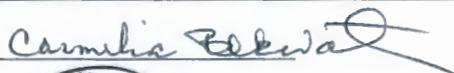


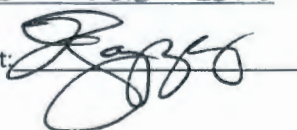
**FINDING #2 OVER \$70,000 OF COMPENSATION PAID TO CHAPTER EMPLOYEES IS QUESTIONABLE**

Issue:	\$68,000 WAGES PAID MAY HAVE BEEN FOR HOURS NOT WORKED		RESPONSIBLE PERSON	COMPLETE BY:
	73 payroll disbursements were reviewed to verify hours paid to staff were based on support documentation.	A. AMS will collect sign in sheets and approved leave forms from all employees.	AMS	2/29/2016
		B. AMS will prepare a Master Time sheet and ensure it is accurate each PPE	AMS	2/29/2016
		C. CM will ensure accuracy by review and approval of all timesheets.	CM	2/29/2016
		D. CM and Chapter Officials will verify all supporting documents are attached before signing payroll checks.	CM, CO	2/29/2016
		E. AMS will ensure proper filing of all documents in chapter administration office.	AMS	2/29/2016
Issue:	STAFF EARNED AND USED LEAVE HOURS THAT WERE NOT DUE TO THEM		RESPONSIBLE PERSON	COMPLETE BY:
	Chapter accounting system automatically provides for the accounting of accrued and used leave hours each pay period, the Chapter Manager took leave to attend meetings. Maintained a manual record of the leave hours for permanent staff. Several errors made in the manuals records, resulted in staff using leave hours not due to them.	A. AMS will use the MIP Payroll module to manage the accrual and use of leave.	AMS	2/29/2016
		B. AMS will keep track and ensure that leave is earned consistantly with the pay date scheduled.	AMS	2/29/2016
		C. AMS will ensure that used leave hours are deducted from earned leave hours.	AMS	2/29/2016
		D. The Chapter Manager and Chapter Officials will review and verify the leave report is accurate each pay period.	CM, CO	2/29/2016
Issue:	FARM BOARD STIPENDS TOTALING ABOUT \$4000 PAID TO CHAPTER MANAGER COULD BE DUPLICATE COMPENSATION.		RESPONSIBLE PERSON	COMPLETE BY:
	Someone independent of the Chapter Manager did not verify the farm board meeting minutes to ensure the chapter manager took leave to attend meetings.	A. CM will ensure leave form is completed and approved prior to farm board meetings.	CM, CO	2/29/2016
		B. Chapter Officials will ensure that proper leave is approved prior to issuance of comepensation.	CO	2/29/2016
		C. CM will ensure that all Farm Board meeting documents, including leave forms are properly filed at the chapter house.	CM, CO	2/29/2016
FINDING #3 \$19,000 INCURRED FOR TRAVEL MAY NOT HAVE BENEFITTED THE CHAPTER				
	69 travel documents were examined and 83% had missing supporting documents.	A. CM will ensure each Traveler will have an approved Travel Request on file prior to travel.	CM, CO, AMS	2/29/2016
		B. AMS will ensure required documents are attached i.e: off rez travel authorizations, trip report, mileage reports, expense reports and reciepts for all travelers, in accordance with travel policies to support travel expenses.	AMS	2/29/2016
		D. CP and CM will conduct FMS and NN Travel Policies and Procedures Review and Worksession	CM, CO	2/29/2016
		E. AMS will establish TA LOG BOOK to properly track all travel for chapter.	AMS	2/29/2016



FINDING #4 VALUE OF CHAPTER'S FIXED ASSETS IS UNKNOWN AND THEREFORE UNINSURABLE AGAINST LOSS				
	Chapter staff provided no detailed inventory of all chapter property. In addition, the financial statements for FY'13 and FY'14 (as of 3/1/2014) did not disclose the chapter fixed assets (such as buildings, heavy equipment, etc.) or their value.	A. CM will ensure to complete a chapter physical inventory. B. CM will ensure to develop a complete and detailed inventory of all chapter property and equipment. C. CM will ensure to enter the fixed asset values into the MIP financial software. D. CM will ensure that all property is insured and all chapter inventory is on file at the chapter administration.	CM CM CM, AMS CM	2/29/2016 2/29/2016 2/29/2016 2/29/2016
FINDING #5 CHAPTER DOES NOT COMPLY WITH NAVAJO NATION AND STATE REPORTING REQUIREMENT				
Issue:	THE CHAPTER'S FINANCIAL STATUS IS NOT DISCLOSED TO CHAPTER MEMBERSHIP.		RESPONSIBLE PERSON	COMPLETE BY:
	Four out of 18 months of meeting minutes were examined during the audit period, and the Secretary/Treasurer did not present financial reports to the chapter membership	A. Secretary/Treasurer shall ensure that a financial report is prepared before each chapter meeting. B. Secretary/Treasurer or (in S/T absence) Vice-President shall make financial reports to chapter membership during monthly chapter meetings. C. Secretary/Treasurer will ensure that financial reports are recorded into the meeting minutes.	S/T S/T, VP S/T, VP	7/15/2015 7/15/2015 7/15/2015
Issue:	CHAPTER MAY OWE A TAX LIABILITY OF ABOUT \$2,800 FOR STATE UNEMPLOYMENT TAXES.		RESPONSIBLE PERSON	COMPLETE BY:
	During the Chapter audit period, the Chapter employed two permanent and 91 temporary employees. The total taxable wages paid to these employees was about \$141,800. However, there were no state unemployment tax reports or payments remitted to the Arizona Department of Economic Security.	A. Chapter Manager and AMS shall re-establish a system to ensure SUTA taxes are reported and paid in accordance to state laws. B. Chapter Manager and AMS shall report and remitt a payment to Arizona Department of Economic Security each quarter.	CM, AMS CM, AMS	2/29/2016 2/29/2016

Chapter Manager: 

Chapter President: 

**DENNEHOTSO CHAPTER**

Western Navajo Agency  
P.O. Box 2301  
Dennehotso, Arizona 86535  
928.658.3300/3301  
Fax: 928.658.3304

Frank C. Yazzie  
President

Martha Littleman  
Vice-President

Nancy Tsosie  
Secretary/Treasurer

Nathanial Brown  
Council Delegate

**RESOLUTION OF  
DENNEHOTSO CHAPTER  
DCHNOV-01-2015**

**ACCEPTING AND APPROVING THE CORRECTIVE ACTION PLANS ESTABLISHED BY THE CHAPTER  
ADMINISTRATION REGARDING THE RESULTS OF AUDIT REPORT NO. 15-22 CONDUCTED BY  
THE NAVAJO NATION AUDITOR GENERALS OFFICE.**

**WHEREAS:**

1. Dennehotso Chapter is a certified Navajo Nation Chapter pursuant to CJ-20-55 and 26 N.N.C., Section 1003 (D), vested with authority to adopt plans on matters of local concerns consistent with Navajo laws; and
2. Pursuant to a "Special Review" of the Dennehotso Chapter's finances by the Office of the Auditor General conducted to determine whether chapter funds were expended according to policies and procedures; and
3. The scope of this review was for the 18-month period of October 1, 2012 to March 31, 2014; and
4. The review results were as follows:
  - Finding I: Direct service funds were expended contrary to policies.
  - Finding II: Over \$70,000.00 of compensation paid to chapter employees is questionable.
  - Finding III: \$19,000.00 incurred for travel may not have benefited the Chapter.
  - Finding IV: Value of chapter fixed assets is unknown and therefore uninsurable against loss.
  - Finding V: Chapter does not comply with Navajo Nation and State reporting requirements.
5. And the Chapter Administration has through coordination with the Office of the Auditor General developed Corrective Action Plans to ensure that the chapter is in compliance with the Five Management Systems in how it expends its funds in the future.

**NOW THEREFORE BE RESOLVED THAT:**

The Dennehotso Chapter Membership hereby directs the Chapter Administration to adhere to the Five Management Systems Policies and Procedures established and approved on February 12, 2012 by LGA Certification of the chapter.

## RESOLUTION POF DENNEHOTSO CHAPTER

DCHNOV-01-2015

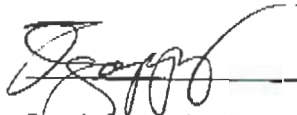
## CERTIFICATION

I hereby certify that the foregoing resolution was duly considered by the Dennehotso Chapter membership at a duly called meeting at Dennehotso, Arizona at which a quorum was present and that same was passed by a vote of 25 in favor, 0 opposed and 3 abstained this 20<sup>th</sup> day of November 2015.

Motion:

Andrew Tso

Second:

Chester V. Huskan

Frank C. Yazzie, President

Dennehotso Chapter - WNA