

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

25TH NAVAJO NATION COUNCIL - First Year, 2023

AN ACTION

RELATING TO THE RESOURCES AND DEVELOPMENT AND BUDGET AND
FINANCE COMMITTEES; ACCEPTING THE AUDIT OF THE CHICHILTAH
CHAPTER AND APPROVING THE CHAPTER'S PROPOSED CORRECTIVE ACTION
PLAN

BE IT ENACTED:

SECTION ONE. AUTHORITY

- A. The Resources and Development Committee is the oversight committee for all Navajo Nation Chapters. 2 N.N.C. § 501(C)(1).
- B. As the oversight committee for Chapters, the Resources and Development Committee reviews audit reports and proposed corrective action plans regarding Chapter financial matters. 12 N.N.C. § 7(E).
- C. The Budget and Finance Committee has the final authority to review and approve audit reports issued by the Auditor General, and corrective action plans proposed by audited Navajo Nation programs, including all Navajo Nation Chapters. 12 N.N.C. § 6(A) and 7(D).

SECTION TWO. FINDINGS

- A. In accordance with 12 N.N.C. § 6, the Office of the Auditor General has prepared an audit report of the Chichiltah Chapter, titled: "A Special Review of the Chichiltah Chapter" - Report No. 21-21 - dated September 2021 (hereinafter referred to as the "Audit Report"). This Audit Report is attached as **EXHIBIT A**.
- B. The Chichiltah Chapter responded with a letter regarding the Audit Report. The Chapter's response, dated September 28, 2021, is attached hereto as **EXHIBIT B**.

- C. The Chichiltah Chapter prepared a detailed Corrective Action Plan, dated November 4, 2022, that addresses the findings in the Audit Report. In the Corrective Action Plan the Chichiltah Chapter proposes to cure the Audit Report findings by December 31, 2022 and December 31, 2023. The Chapter's proposed Corrective Action Plan is attached hereto as **EXHIBIT C**.
- D. In Resolution No. 03-027-23, the Chichiltah Chapter acknowledges the findings in the Audit Report and approves the Chapter's Corrective Action Plan to address and resolve the findings. Resolution No. 03-027-23 is attached hereto as **EXHIBIT D**.

**SECTION THREE. ACCEPTING THE AUDIT OF THE CHICHILTAH CHAPTER AND
APPROVING THE CHAPTER'S PROPOSED CORRECTIVE ACTION
PLAN**

- A. The Navajo Nation hereby accepts the Auditor General's audit report of the Chichiltah Chapter titled: "A Special Review of the Chichiltah Chapter" - Report No. 21-21 - dated September 2021, attached hereto as **EXHIBIT A**.
- B. The Navajo Nation hereby approves the Corrective Action Plan proposed by the Chichiltah Chapter, attached hereto as **EXHIBIT C**. This Corrective Action Plan is approved for use by the Chichiltah Chapter in addressing and resolving the findings explained in the Audit Report.

SECTION FOUR. DIRECTIVES

- A. The Chichiltah Chapter shall prepare and submit a written status report on its progress implementing all tasks set forth in its approved Corrective Action Plan. In compliance with 12 N.N.C. § 7(F), the Chichiltah Chapter shall submit such report to the Auditor General no later than six months after the effective date of this Action.
- B. The Auditor General shall receive and review the Chichiltah Chapter's six-month status report and shall prepare a memorandum explaining the Auditor General's opinion about the success of the Chapter's corrective efforts and the Chapter's compliance with its approved Corrective Action Plan during the noted six-month period. 12 N.N.C. § 7(F)(2).

- C. The Auditor General shall then promptly submit such memorandum along with the Chichiltah Chapter's status report to the Resources and Development Committee and the Budget and Finance Committee. 12 N.N.C. § 7(F)(2).
- D. Twelve months after the effective date of this Action, the Auditor General shall conduct a follow-up review of the Chichiltah Chapter to determine whether or not the Chapter has successfully implemented its approved Corrective Action Plan. 12 N.N.C. § 7(G).
- E. The Auditor General shall then promptly prepare its twelve-month report on its findings resulting from the follow-up review. Such report shall include the Auditor General's recommended sanctions, if any, to be imposed upon the Chichiltah Chapter for failure to sufficiently implement its Corrective Action Plan. 12 N.N.C. § 7(G).
- F. The Auditor General's follow-up report shall be presented to the Resources and Development Committee and the Budget and Finance Committee. 12 N.N.C. § 7(G); 12 N.N.C. § 7(H).

SECTION FIVE. EFFECTIVE DATE

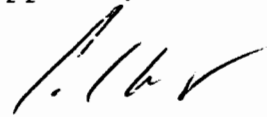
This Action shall become effective pursuant to 12 N.N.C. § 6(A) and § 7(D)

SECTION SIX. SAVING CLAUSE

If any provision of this Action is determined invalid by the Navajo Nation Supreme Court, or by a Navajo Nation District Court without appeal to the Navajo Nation Supreme Court, those provisions of this Action that are not determined invalid shall be the law of the Navajo Nation.

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 Chichiltah, Navajo Nation (New Mexico) at which a quorum was present and that the same was passed by a vote of 3 in favor and 0 opposed, this 10th day of October 2023.



Carl R. Slater, Vice Chairperson
Budget and Finance Committee

Motion: Honorable Norman M. Begay
Second: Honorable Lomardo Aseret



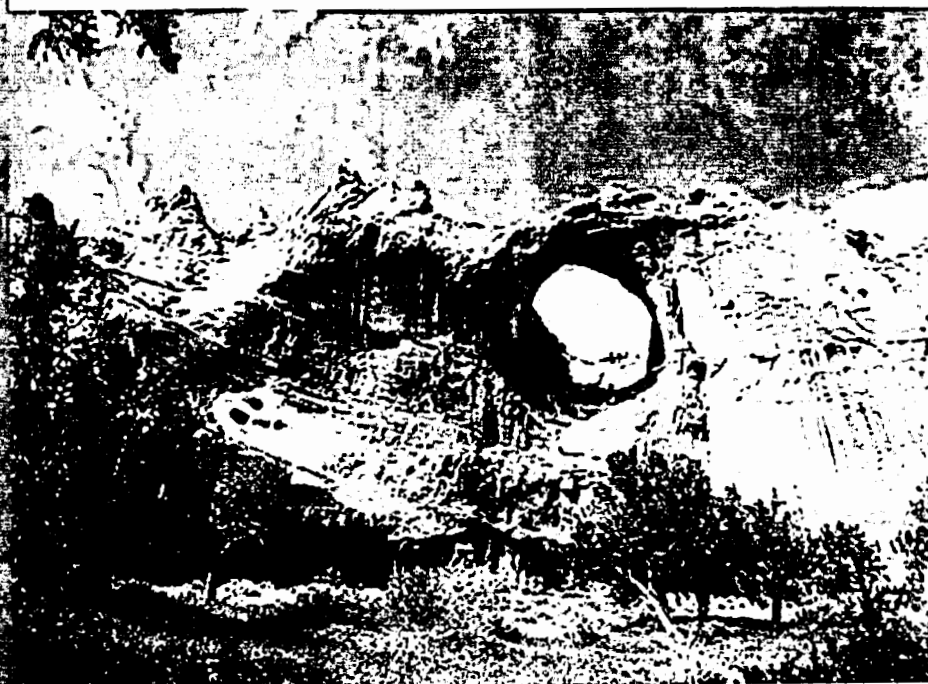
OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

A Special Review of the Chichiltah Chapter

Report No. 21-21
September 2021

Performed by:
Jasmlne Jishle, Auditor
Wynonna Henry, Associate Auditor
Karen Briscoe, Principal Auditor



September 30, 2021

Harvey Williams, President
Chichiltah Chapter
P.O. Box 1436
Gallup, NM 87305

Dear Mr. Williams:

The Office of the Auditor General herewith transmits Audit Report No. 21-21, A Special Review of the Chichiltah Chapter. The audit objective was to determine whether the Chapter maintains adequate internal controls to safeguard assets, ensure reliability of its financial reporting, and comply with applicable laws, regulations, policies and procedures. During the 12-month audit period ending March 31, 2021, our review has revealed the Chapter needs to strengthen controls with activities addressed by its five-management system. The following issues were identified:

- Finding I: The Chapter hired family members of the Community Services Coordinator.
- Finding II: The Community Services Coordinator approved housing assistance for herself and her spouse.
- Finding III: Internal Revenue Service payroll tax reporting and remittance were late.
- Finding IV: State unemployment taxes are remitted late.
- Finding V: Chapter property was not insured for five months in Fiscal Year 2021
- Finding VI: Chapter did not verify completion of housing projects.
- Finding VII: Fixed Assets are not accurately reported in the financial statements.
- Finding VIII: Employment notices for temporary employees are missing or incomplete.
- Finding IX: Public Employment Project funds are not consistently used for their intended purpose.

Detailed explanations on all audit issues can be found in the body of the report. The audit report provides recommendations for remediation of the reported findings.

If you have any questions about this report, please call our office at (928) 871-6303.

Sincerely,



Helen Brown, CFE, Principal Auditor
Delegated Auditor General.

xc: Joe M. Lee, Vice President
Norma Muskett, Secretary/Treasurer
Roselyn John, Community Services Coordinator
Seth Damon, Council Delegate
CHICHILTAH CHAPTER
Sonlatsa Jim-Martin, Department Manager II
Guarena Adeky, Administrative Service Officer
ADMINISTRATIVE SERVICE CENTER/DCD
Chrono

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REVIEW RESULTS

Finding I: The Chapter hired family members of the Community Services Coordinator.

Criteria: Navajo Nation Personnel Policies and Procedures Section III.E, states that to promote consistency and equity in the treatment of all employees, to prevent improper influences in employment and to prevent the perception of favoritism, the Navajo Nation will not employ, in any position, the immediate relatives of current employees if one is directly supervising the other on a regular basis and there is potential for creating an adverse effect on supervision, security or morale or the potential for conflict of interest. Relative is defined as related by blood or marriage to the employee as parents, children, husband and siblings.

Condition: The Chapter hired the spouse and sibling of the Community Services Coordinator. They were hired as a truck driver and warehouse supervisor. There are no records on file to show that these positions were advertised to the community membership. There is also no evidence that the Community Services Coordinator disclosed her conflict of interest, excused herself from the hiring process and removed herself as the direct supervisor. Furthermore, she signed two of five payroll checks for each of her family members.

Effect: The hiring of family members presents the appearance of favoritism in employment and unfair hiring practices. This practice could cause the community membership to lose trust in the Chapter administration.

Cause:

- The Community Services Coordinator and Vice President stated that urgent hiring was needed during the pandemic so the Vice President made the decision to hire these individuals. However, there is no documented evidence to support their claim.
- The Administrative Service Center was aware of this situation and explained that the Chapter was advised to fully document these actions, but the Chapter did not provide any documentation.

Recommendations:

1. The Chapter staff should not hire or supervise immediate family members.
2. The Chapter staff and officials should comply with applicable personnel policies and procedures when hiring employees.

Finding II: The Community Services Coordinator approved housing assistance for herself and her spouse.

Criteria: Fiscal Policies and Procedures, Section VII. N, requires the Chapter officials and employees to refrain from making, participating in or influencing decisions where there is any real or potential conflict of interest.

Condition: The Community Services Coordinator approved and awarded housing assistance to herself and her spouse in the amount of \$500 each. Both requests were identical in that they each requested for roofing material on the same day. For the Community Services Coordinator application, the Accounts Maintenance Specialist approved the assistance however, the Community Services Coordinator authorized the payment and signed the check. For her spouse, the Community Services Coordinator approved the housing application, authorized payment, and signed the check. There was no indication the Community Services Coordinator refrained from the assistance process due to her conflict of interest.

Effect: Since the Community Services Coordinator benefited from duplicate assistance for her household, this practice creates an unfair assistance process. This practice will prevent community members with more critical and dire housing needs from receiving assistance.

Cause: The Chapter staff and officials do not understand conflict of interest and the responsibility to refrain from participating in decisions that affect their personal interest.

Recommendations:

1. The Chapter staff should refrain from evaluating applications and approving assistance for themselves and family members.
2. The Chapter officials should not allow staff to be involved in the review and approval process for applications related to family members.
3. The Chapter staff and officials should seek training from Navajo Nation Ethics and Rules Office on conflict of interest.

Finding III: Internal Revenue Service payroll tax reporting and remittance were late.

Criteria: Fiscal Policies and Procedures, Section VII.H.2.j and Internal Revenue Service (IRS) Regulations, Publication 15 (Circular E), requires payroll taxes collected during a month to be deposited to the bank by the 15th day of the following month. 941 tax forms are due the last day of the month following the end of the quarter. Noncompliance could result in penalties.

Condition: For the review period, we examined 12 months of payroll tax deposits totaling \$11,141 for timely deposits. Of this number, three (25%) months totaling \$446 were late. The Chapter made payments anywhere from one to three months after the due date. In addition, four payments totaling \$1,531 were made during the review period but for months prior to our audit scope.

In addition, we reviewed two quarterly 941 reports for accuracy and timely submission to the IRS. The report for quarter ending June 30, 2020 was submitted 45 days after the due date. The report was not signed and unclear if it was actually sent to the IRS.

- Effect:** Due to late reporting, the Chapter will likely be assessed penalties and fees that can result in unnecessary costs. The unnecessary costs will likely be paid from funds that are reserved for other chapter purposes.
- Cause:**
- The Chapter explained that due to the government shutdown in 2020 as a result of the COVID pandemic, the Chapter was late on their reporting and remitting of payroll taxes. However, the Chapter was still disbursing checks to pay obligations during the months of the shut down and therefore, had the opportunity to submit the report and payment.
 - The Accounts Maintenance Specialist is solely preparing and submitting tax reports and payments without supervision. Although reports were accurately prepared, the Community Services Coordinator does not verify the accuracy of reports but instead simply confirms the form is complete. The Community Services Coordinator also does not confirm that deposits are made each month.
 - The Chapter officials do not periodically verify that quarterly 941 reports are submitted and taxes paid.
- Recommendations:**
1. The Community Services Coordinator should review the 941 report against the accounting system for accuracy and sign the form prior to submission.
 2. The Accounts Maintenance Specialist should convert to electronic filing for the 941 reports for timely submission.
 3. The Community Services Coordinator should confirm the Accounts Maintenance Specialist timely remits reports and deposits payroll taxes each month.
 4. The Chapter officials should review the financial statements to verify payroll tax liabilities are paid.

Finding IV: State unemployment taxes are remitted late.

- Criteria:** Fiscal Policies and Procedures, Section VII.H.2.i, states the Chapter shall participate in the State Unemployment Compensation Act. According to the New Mexico Unemployment Insurance Handbook, an employer's report and quarterly contributions must be remitted by the last day of the month immediately following the end of the calendar quarter. Late payments are subject to penalties and interest.
- Condition:** For the review period, four quarters of unemployment tax deposits were reviewed. Of this number, two (50%) quarters totaling \$94 were not paid by the due date. The Chapter made late payments anywhere from two to three months after the due date. In addition, one payment totaling \$133 was made during the review period for a quarterly period that was prior to our audit scope, making this payment overdue by five months.

In addition, we reviewed two quarterly unemployment tax reports for accuracy and timely submission to the State. The report for quarter ending September 30, 2020 was submitted three months after the due date.

Effect: Due to late reporting, the Chapter paid penalties and fees during the review period totaling \$208. These unnecessary costs were paid from funds that are reserved for other chapter purposes.

Cause:

- The Chapter explained that due to the government shutdown in 2020 as result of the COVID pandemic, the Chapter was late on their reporting and remitting of unemployment taxes. However, the Chapter was still disbursing checks to pay obligations during the months of the shut down and therefore, had the opportunity to submit the report and payment.
- The Accounts Maintenance Specialist is solely preparing and submitting reports and payments without supervision. Although reports were accurately prepared, the Community Services Coordinator does not verify the accuracy of reports and does not confirm that the report and deposits are made by the due date.
- The Chapter officials do not periodically verify that quarterly unemployment tax reports are submitted and taxes paid.

Recommendations:

1. The Community Services Coordinator should review the unemployment tax reports against the accounting system for accuracy and sign the form prior to submission.
2. The Community Services Coordinator should confirm the Accounts Maintenance Specialist timely submit reports and remits taxes each quarter.
3. The Chapter officials should review the financial statements to verify unemployment tax liabilities are paid.

Finding V: Chapter property was not insured for five months in fiscal year 2021.

Criteria: Property Policies and Procedures, Section IV and the Navajo Nation Budget Instructions Manual requires the Chapter to provide an annual Underwriting Exposure Summary with the latest property inventory to the Risk Management Program to determine chapter insurance premiums. An updated copy of the most current inventory should be submitted upon new purchases or disposition of property. Insurance coverage expires by the end of each fiscal year.

Condition: The Chapter did not submit its Underwriting Exposure Summary packet to the Risk Management Program until February 25, 2021. As a result, chapter property insurance lapsed from October 1, 2020 to March 10, 2021. Therefore, the Chapter had no insurance for five months.

- Effect:** In the event of property theft or damages, the Chapter was at risk of significant financial loss for property totaling approximately \$1.8 million.
- Cause:**
- Although the Risk Management Program was accepting documents via email or fax during the COVID pandemic, the Chapter did not submit its documents until chapter vehicle insurance was needed.
 - Chapter officials did not monitor chapter property to confirm property insurance was being maintained by the staff.
- Recommendations:**
1. The Accounts Maintenance Specialist should prepare required insurance documents and remit payment to the Risk Management Program before the end of the fiscal year.
 2. The Community Services Coordinator should submit the Underwriting Exposure Summary documents by email or fax before the end of the fiscal year and retain records to demonstrate this action.
 3. The Chapter staff should periodically contact the Risk Management Program to follow up on the status of their property insurance and document this action.
 4. The Chapter officials should verify the staff is maintaining property insurance.

Finding VI: Chapter did not verify completion of housing projects.

- Criteria:** Chapter Housing Policies and Procedures, Section VI, states the housing assistance projects will be completed within three months. Home visits shall be conducted by the Community Services Coordinator to complete a report, on-site inspection, and photograph. Section III requires the applicant to return the purchase receipt to the Chapter.
- Condition:** For the review period, 42 recipients were awarded housing assistance totaling \$20,185. Of this number, 21 recipient files were reviewed for project completion. 19 recipients totaling \$9,500 did not contain reports or photos to show that the Chapter staff confirmed housing assistance projects were completed. All assistance was awarded between July 2020 and March 2021. There were also no receipts on file to verify that the recipients used the funds to purchase approved building materials.
- Effect:** There is a risk that housing assistance awarded in the amount of \$9,500 were used for unauthorized purposes, resulting in a financial loss for the Chapter.
- Cause:** The Community Services Coordinator explained her increased workload prevented her from making site visits to the recipient homes, but the Community Services Coordinator did not seek assistance from the Accounts Maintenance Specialist to make site visits.

- Recommendations:
1. The Community Services Coordinator should obtain receipts and reconcile to approved assistance to verify funds were used for their approved purpose.
 2. The Community Services Coordinator should schedule and assign site visits to the recipient homes to verify building materials were used to complete approved housing projects. All site visits should be documented to record the status of projects.

Finding VII: Fixed assets are not accurately reported in the financial statements.

Criteria: Property Policies and Procedures, Section VIII.B, requires the Accounts Maintenance Specialist to ensure all pertinent records and documentation of all Chapter property are kept on file including invoices. Fiscal Policies and Procedures, Section VII.F, requires the Chapter to report the value of fixed assets in the financial statements. If there is no documentation to support the value of the fixed assets, the Community Services Coordinator will estimate the value of the asset based on fair market value. Title 26, Local Governance Act, Section 1, states capitalized property is nonexpendable property having an acquisition value of \$1,000 or more.

Condition: 21 fixed assets items totaling \$3.2 million were identified in the Chapter property inventory. All 21 fixed assets were verified for supporting documentation (i.e. receipts, invoices, or appraisals) to substantiate the values per the property inventory and of this number, the Chapter did not have documentation for 19 fixed assets.

As of March 31, 2021, the Chapter reported \$330,970 in fixed assets in the balance sheet. However, this reported asset value is questionable since the Chapter staff is carrying over the same fixed assets amount that was posted in the accounting system in 2011 with no attempts to determine the accurate fixed asset values.

Effect: The Chapter is unable to accurately report fixed assets in the balance sheet. There is a variance of approximately \$3 million between the property inventory and balance sheet. As such, the Chapter's financial statements are deemed unreliable.

Cause:

- The Community Services Coordinator solely prepares and maintains the property inventory without independent review to verify the accuracy of recorded fixed assets.
- The Chapter staff do not maintain proper records for fixed assets.
- The Secretary/Treasurer does not verify that the fixed assets reported in the balance sheet is accurate.

- Recommendations:
1. The Community Services Coordinator should obtain a certified appraiser to appraise the Chapter's fixed assets or value fixed assets based on fair market value.
 2. The Community Services Coordinator should update the inventory records with appraisal values and assign someone independent to verify its accuracy against support documentation.
 3. The Accounts Maintenance Specialist should create files for all fixed asset records.
 4. The Chapter staff should seek technical assistance from the Administrative Service Center on how to post the fixed assets value to the accounting system.
 5. The Secretary/Treasurer should verify that the fixed assets reported in the balance sheet is accurate by reviewing it against the fixed asset files.

Finding VIII: Employment notices for temporary employees are missing or incomplete.

Criteria: Fiscal Policies and Procedures, Section VII. H.1.G, requires personnel records for each employee to be maintained at the Chapter administration including personnel action forms. Further, the Accounts Maintenance Specialist will record employee information from the personnel action form to the accounting system.

Condition: For the review period, there were 16 temporary employees and their personnel action forms (PAF) were reviewed for completeness. The following discrepancies were identified:

- Nine (56%) temporary employees continued employment with the Chapter beyond their termination date. Their employment continued anywhere from two weeks to five months after their approved termination date. The Accounts Maintenance Specialist did not process new PAFs to extend their employment.
- Five (31%) temporary employees had PAFs with no termination dates.
- One (6%) temporary employee had no PAF.

Effect: In the absence of complete and approved PAFs, employees are not authorized to be paid wages.

Cause:

- The Accounts Maintenance Specialist requires temporary employees to complete their own PAF.
- The Accounts Maintenance Specialist reviews, prepares and approves the PAF without review by the Community Services Coordinator to ensure segregation of duties are in place.

Recommendations:

1. The Community Services Coordinator should require the Accounts Maintenance Specialist to complete all PAFs. Thereafter, the

Community Services Coordinator should review PAFs for completeness and accuracy prior to approval.

2. The Community Services Coordinator should periodically review personnel files to ensure all temporary employees have an approved PAF on file for the duration of their employment and document this action in the personnel files.

Finding IX: Public Employment Project funds are not consistently used for their intended purpose.

Criteria: Chapter Public Employment Project (PEP) Policies and Procedures, Section I, states the program is to provide short-term employment and training to registered chapter members based on the availability of chapter Fund. Section II states that the length the employment will be six months in a training position.

Condition: For the review period, there were 16 PEP employees and a review of their personnel files revealed the following discrepancies:

- Two PEP employees were employed for more than six months. They were employed for 7 and 10 months, respectively.
- Further examination of records and the accounting system shows that the two employees have been previously employed by the Chapter for the same job responsibilities over a three-year period. This practice is inconsistent with the intent of the PEP program which is to provide short-term employment and training opportunities to community members. The Chapter did not provide documentation to demonstrate the positions were publicly advertised and that there were no other applicants to justify the rehiring of the same individuals.
- There are no documented training plans for PEP employees to demonstrate that on-the-job training was provided to employees.

Effect: Community members are not given the opportunity to gain work experience and training to improve their chances of gaining full-time employment. In addition, by rehiring the same employees, there is the appearance of favoritism which could cause the community membership to lose trust in the Chapter administration.

Cause:

- The Community Services Coordinator stated that she would extend or rehire employees because it is difficult to get local residents to apply but there is no evidence that other applicants were considered.
- The Community Services Coordinator explained that they document training plans in the PEP project applications, but these were job descriptions rather than training plans.

Recommendations:

1. The Community Services Coordinator should advertise positions, interview applicants, and retain records to support the hiring of PEP employees. Employment should not extend beyond six months.

2. Prior to rehiring former employees, the Community Services Coordinator should obtain chapter membership approval so the membership is aware of reasons to rehire the same employees.
3. The Community Services Coordinator should prepare training plans for each PEP employee to demonstrate training is part of the employment program.

CONCLUSION

The Chapter hired the spouse and sibling of the Community Services Coordinator. The Community Services Coordinator approved housing assistance for herself and her spouse. Internal Revenue Service payroll tax reporting and remittance were late. State unemployment taxes are remitted late. Chapter property was not insured for five months in fiscal year 2021. The Chapter did not verify completion of housing projects. Fixed assets are not accurately reported in the financial statements. Employment notices for temporary employees are missing or incomplete. Public Employment Project funds are not consistently used for their intended purpose.

BACKGROUND

The Navajo Nation Office of the Auditor General has conducted a Special Review of the Chichiltah Chapter for the 12-month period of April 1, 2020 to March 31, 2021.

The Chichiltah Chapter is a political subdivision of the Navajo Nation and is considered a general-purpose local government for reporting purposes. The local chapter government is managed by the Community Services Coordinator with administrative support provided by the Accounts Maintenance Specialist. Oversight is provided by the elected chapter officials comprising of the President, Vice-President and Secretary/Treasurer. Additional oversight is provided by the Navajo Nation Division of Community Development/Administrative Service Centers (ASC). The Accounts Maintenance Specialist has been with the Chapter since July 1991 and the Community Services Coordinator since November 2009.

The Chichiltah Chapter operates under a five-management system with policies and procedures addressing five key system components: fiscal management, personnel management, property management, records management, and procurement. The authorities, duties and responsibilities of the Chichiltah Chapter are enumerated in Title 26, Local Governance Act of the Navajo Nation Code.

The majority of the Chapter's resources are provided through annual appropriations from the Navajo Nation central government. These appropriations are intended to fund direct and indirect services at the local chapter government level. Funds for direct services are considered restricted funds with specific intended purposes. Other revenue is generated from miscellaneous user charges assessed by the Chapter for services and/or goods provided to its community members. Chichiltah Chapter's operating budget for the review period was approximately \$649,178.

Objective, Scope, and Methodology

The Office of the Auditor General conducted a Special Review of the Chichiltah Chapter pursuant to the authority vested in the Office of the Auditor General by 12 N.N.C, Chapter 1, § 1-10.

The following sub-objectives were established to address the main objective for this audit:

Determine if controls are functioning as designed to ensure:

- a. Chapter practices for hiring and awarding assistance are fair and equitable in accordance with Navajo Nation Personnel Policies and Procedures and FMS Fiscal Policies and Procedures.
- b. Chapter payroll taxes are accurately reported and paid timely in accordance with Internal Revenue Service regulations.
- c. Chapter unemployment reporting and payments are accurate and timely in accordance with State unemployment regulations.
- d. Chapter property is accounted for and fully insured in accordance with FMS Property Policies and Procedures.
- e. Housing assistance projects are monitored for completion and proper record-keeping in accordance with Chapter Housing Policies and Procedures.
- f. Fixed asset values are supported with accurate records and the value is reported in the financial statements in accordance with FMS Fiscal Policies and Procedures.
- g. Employment notices are complete and approved for all temporary employees in accordance with FMS Fiscal Policies and Procedures.
- h. Public Employment Project employees are employed in accordance with the Intent of the Public Employment Project program.

The audit covers activities for the 12-month period of April 1, 2020 to March 31, 2021.

In meeting the audit objective, we interviewed the Chapter administration and officials, observed Chapter operations, and examined available records. More specifically, we tested samples of housing assistance, personnel, fixed assets and tax reporting for internal controls and compliance requirements by using a non-statistical, judgmental method.

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 Chichiltah Chapter officials and administration for their cooperation and assistance throughout the audit.



CHICHILTAH CHAPTER

EASTERN NAVAJO AGENCY

P.O. Box 1436

GALLUP, NM 87305

TEMP. TELEPHONE: (505)713-9994/5137

Email: chichiltah@navajochapters.org

EXHIBIT

B

CHAPTER VICE-PRESIDENT

NORMA MUSKETT

SECRETARY/TREASURER

KATHLEEN ARVISO

GRAZING OFFICIAL

ROSELYN JOHN

CHAPTER SERVICES COORDINATOR

MELITA G. MARTINEZ

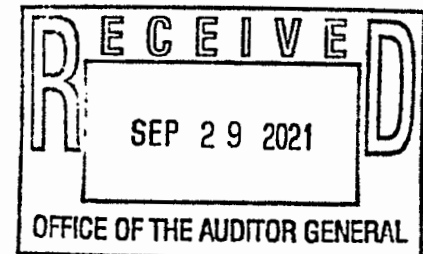
ACCOUNTS MAINTENANCE SPECIALIST

September 28, 2021

Jasmine Jishie, Lead Auditor General
Navajo Nation Office of the Auditor General
Window Rock, Arizona 86515

RE: Response to the Audit of Chichiltah Chapter

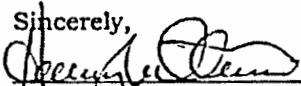
Dear Ms. Jishie,

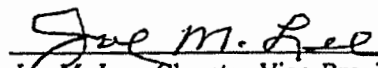


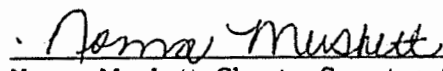
We are in receipt of your draft copy, dated September 09, 2021, of the Special Review of the Chichiltah Chapter on September 16, 2021. Pursuance to 12 N. N. C. §7A, we agree to the audit findings and have already begun the process of correcting the findings identified within the report and have started creating the Corrective Action Plan based on the recommendations made by your office.

If you should have any questions, please feel free to contact Chichiltah Chapter at (505-713-9994 or email chichiltah@navajochapters.org . Thank you.

Sincerely,


Harvey Williams, Chapter President


Joe M. Lee, Chapter Vice-President


Norma Muskett, Chapter Secretary Treasurer

CC: Seth Damon, Council Delegate
Sonlatsa Jim-Martin, Department Manager II
Guarena Adeky, Administrative Service Officer
Harvey Williams, Chapter President
Joe M. Lee, Chapter Vice President
Norma Muskett, Chapter Secretary Treasurer

Finding:	Corrective Action Plan:	Responsible Party:	Implementation Date:
<p>Finding I: The Chapter hired family members of the Community Services Coordinator</p> <div style="border: 1px solid black; padding: 5px; width: fit-content;"> <p>RECEIVED</p> <p>NOV - 4 2022</p> <p>OFFICE OF THE AUDITOR GENERAL</p> </div>	<p>1. The Chapter will streamline the intake process by having the AMS check the application with the supporting documents, and if a conflict of interest exists with the CSC, AMS, and/or Chapter Officials. The CSC and AMS will schedule interviews with one (1) Chapter Official as part of the interviewing panel. If a conflict of interest exists, other Navajo Nation staff with the Senior Center, Head Start or the Baca/Gallup ASC staff will serve on the interview panel. The selected applicant will be forwarded to the ASC and CSC. The AMS will prepare the PAF and contact the applicant via telephone, email, or postal mail, the beginning date of employment and contact applicant(s) who were not selected. The CSC will sign and date PAF's for all temporary employees, unless the individual is related to the CSC, then a Chapter Official will sign, and the PAF will be filed by the AMS.</p>	<ul style="list-style-type: none"> • CSC • AMS • Chapter Official 	December 31, 2022
	<p>2. The CSC, AMS, and Officials shall not participate in the hiring process, supervising, and signing payroll check for immediate family members.</p>	<ul style="list-style-type: none"> • CSC • AMS • Chapter Officials 	December 31, 2022
	<p>3. The Chapter staff and officials will comply with the personnel policies in the hiring of relatives.</p>	<ul style="list-style-type: none"> • CSC • AMS • Chapter Officials 	December 31, 2022
<p>Finding II: The Community Services Coordinator approved housing assistance for herself and her spouse</p>	<p>1. The CSC, AMS, and Chapter Officials will refrain from reviewing and approving their own and immediate family members' application for housing assistance. The chapter will seek assistance from ASC for review and approval of applications, as needed, to maintain segregation of duties and to avoid conflict of interest in the review process.</p>	<ul style="list-style-type: none"> • CSC • AMS • Chapter Officials 	December 31, 2022
	<p>2. Once the packet has been approved and the check is processed, the AMS and CSC will delegate check signing</p>	<ul style="list-style-type: none"> • CSC • AMS • Chapter President 	December 31, 2022

Chichiltah Chapter ENA

Audit Period: April 01, 2020 to March 31, 2021

CAP Period: April 2021 to December 2022

	to the Chapter Official who is not related to the applicant.	<ul style="list-style-type: none"> • Chapter Vice President • Chapter Secretary/Treasurer 	
	3. The CSC will delegate authorized check signers who are verified to not be related to the applicant.		
	4. The Chapter Officials will verify staff are not involved in the review and approval process for applications related to family member(s).	<ul style="list-style-type: none"> • CSC • AMS • Chapter Officials 	December 31, 2022
	5. Housing Discretionary Policy review will be conducted by the staff and officials to amend the policy to incorporate policies for limiting assistance to one per family every 12 months (fiscal year) as well as prohibiting staff and officials from being involved in the review and approval of family members housing applications. The Chichiltah Chapter Housing Discretionary Policy and Procedure will be amended upon review of Navajo Nation Department of Justice.	<ul style="list-style-type: none"> • CSC • AMS • Chapter Officials 	December 31, 2022
	6. The Chapter Officials and staff shall obtain training from Navajo Ethics and Rules Office on conflict of interest	<ul style="list-style-type: none"> • Administrative Staff • Chapter Officials 	December 31, 2022
Finding III: Internal Revenue Service payroll tax reporting and remittance were late.	1. Each quarter prior to the due dates the CSC should review the 941 reports as prepared by the AMS against the accounting system for accuracy and sign the form prior to submission.	<ul style="list-style-type: none"> • CSC 	December 31, 2022
	2. The AMS shall convert to electronic filing for the 941 reports for timely submission prior to the due date.	<ul style="list-style-type: none"> • AMS 	December 31, 2022
	3. The CSC shall confirm the AMS timely remits reports by reviewing confirmation reports issued after electronic filing and deposit of payroll taxes each month by reviewing bank statements and sign documents after confirmation.	<ul style="list-style-type: none"> • CSC • AMS 	December 31, 2022
	4. The Chapter Officials shall review the bank statements to verify payroll tax liabilities are paid on schedule by the AMS.	<ul style="list-style-type: none"> • Chapter President • Vice President • Secretary/Treasurer 	December 31, 2022

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Finding IV: State Unemployment taxes are remitted late	1. Each quarter prior to the due date, the CSC shall review the unemployment tax reports, as prepared by the AMS against the accounting system for accuracy and sign the form prior to submission.	<ul style="list-style-type: none"> • CSC • AMS 	December 31, 2023
	2. The CSC shall confirm the AMS timely submits electronic reports to the New Mexico Workforce Solutions website and remits taxes each quarter. A review of the confirmation reports and receipt issued by the State shall be made by the CSC. Review and concurrence signature of the documents after confirmation by the CSC and Secretary/Treasurer.	<ul style="list-style-type: none"> • CSC • Secretary/Treasurer 	December 31, 2023
	3. The Chapter Officials shall review the bank statements to verify unemployment tax liabilities are paid by the AMS on schedule.	<ul style="list-style-type: none"> • CSC • AMS • Chapter Officials 	December 31, 2023
Finding V: Chapter property was not insured for five months for fiscal year 2021	1. The Chapter staff shall work to maintain an up-to-date property listing by completing an annual inventory to ensure the UES Report is submitted prior to September 30 th of the ending Fiscal Year.	<ul style="list-style-type: none"> • CSC 	December 31, 2023
	2. The CSC shall submit the UES documents by email to Navajo Nation Risk Management at the end of the fiscal year and retain records to demonstrate the action.	<ul style="list-style-type: none"> • CSC 	December 31, 2023
	3. The Chapter staff shall contact the Risk Management Program each week to follow up on the status of their property insurance invoice and document this action. 4. The CSC shall verify the invoice documents are received and give to the AMS to prepare those documents for payment to the Risk Management program before the end of the fiscal year. 5. The Chapter Officials should verify the staff is maintaining property insurance by reviewing insurance documents.	<ul style="list-style-type: none"> • CSC • AMS • Chapter Officials 	December 31, 2023
Finding Vi: Chapter did not verify completion of housing projects	1. The CSC shall obtain receipts from recipients and reconcile to approve assistance.	<ul style="list-style-type: none"> • CSC 	December 31, 2023

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	2. The CSC shall schedule by appointment site visits to the recipient's homes to verify the housing materials are used to complete the approved housing project and document the status in the recipient's file. The Chapter Officials shall review the site visit reports each month to verify housing projects are complete and that the CSC is verifying materials are used for their approved purpose and sign the reports after verification.	<ul style="list-style-type: none"> • CSC • Chapter Office 	December 31, 2023
	3. The Chapter staff and officials will amend the policy to incorporate safety protocols for chapter staff when making site-visits to housing assistance recipient homes. These policy reviews will be approved and implemented once reviewed by DOJ.	<ul style="list-style-type: none"> • CSC • Chapter Officials 	December 31, 2023
Finding VII: Fixed assets are not accurately reported in the financial statements	1. The CSC shall obtain a certified appraiser to appraise the Chapter's fixed assets or value fixed assets based on fair market value with the assistance of ASC.	<ul style="list-style-type: none"> • CSC • AMS • ASC 	December 31, 2023
	2. The CSC shall update the inventory records with appraisal values and assign someone independent to verify its accuracy against support documentation.	<ul style="list-style-type: none"> • CSC 	December 31, 2023
	3. The AMS shall create files for all fixed asset records.	<ul style="list-style-type: none"> • AMS 	December 31, 2023
	4. The Chapter staff shall seek technical assistance from the ASC on how to post the fixed assets value to accounting system and assign the AMS to post fixed asset values.	<ul style="list-style-type: none"> • CSC • AMS • ASC 	December 31, 2023
	5. The CSC and Secretary/Treasurer shall verify that the fixed asset value reported in the balance sheet is accurate by reviewing it against the fixed asset inventory.	<ul style="list-style-type: none"> • Secretary/Treasurer 	December 31, 2023
VIII: Employment notices for temporary employees are missing or incomplete	1. The CSC shall require the AMS to complete all PAFs for the hire, termination, extension, etc. of employment. Thereafter, the CSC will review PAFs for completeness and accuracy prior to approval. The CSC will not authorize temporary employees to work until a complete and approved PAF is on file.	<ul style="list-style-type: none"> • CSC • AMS 	December 31, 2023
	2. The CSC shall review personnel files each month to ensure all temporary employees have an approved PAF		

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	on file for the duration of their employment and document, sign and date this action in personnel files.		
Finding IX: Public Employment Project funds are not consistently used for their intended purpose	<ol style="list-style-type: none"> 1. The Chapter Staff shall advertise positions, interview applicants, and retain records to support the hiring of PEP employees. The CSC will not authorize employment beyond six months. 2. Prior to rehiring former employees, the CSC shall first advertise positions and interview applicants and if there are no other applicants or former employee are selected for hire, the CSC will obtain Chapter membership approval, so the membership is aware of reasons to rehire the same employees. 3. The CSC shall prepare training plans for each PEP employee and each week the CSC will require a progress report of things learned and accomplished and compare it to the training plan to verify the plan is implemented. 	<ul style="list-style-type: none"> • CSC • AMS 	December 31, 2023



CHICHILTAH CHAPTER

EASTERN NAVAJO AGENCY

P.O. Box 1436

GALLUP, NM 87305

TEMP. TELEPHONE: (505)713-9994/5137

Email: chichiltah@navajochapters.org

EXHIBIT

D

KATHLEEN ARVISO

GRASSY CHIEF

ROSELYN JOHN

CHIEF OF NAVAJO NATION

MELITA G. MARTINEZ

ACCOUNTS MANAGER

CHICHILTAH CHAPTER RESOLUTION NO: 03-027-23

Resolution Approving the Chichiltah Final Navajo Auditor General Corrective Action Plan Dated - November 4, 2022 for Chichiltah Chapter-Eastern Navajo Agency

WHEREAS:

1. Chichiltah Chapter Pursuant to 26 N.N.C., Section 3 (A) the Chichiltah Chapter is a duly recognized certified chapter of the Navajo Nation Government, as listed at N.N.C., part 1, section 10; and
2. Pursuant to 26 N.N.C., Section 1 (B), Chichiltah Chapter is vested with the authority to review all matters affecting the community and to make appropriate correction when necessary and make recommendation to the Navajo Nation and other local agencies for appropriate actions; and
3. The Office of the Auditor General conducted a Special Review of the Chichiltah Chapter pursuant to the authority vested in the Office of Auditor General by 12 N. N. C., Chapter 1, § 1-10; and
4. The audit covered activities for the 12-month period of April 1, 2020 to March 31, 2021 and the Chapter developed a corrective action plan to address the nine (9) findings and submitted to Navajo Nation Office of the Auditor General dated November 4, 2022 and approved at a duly called Chapter meeting on March 13, 2023.

NOW THEREFORE BE IT RESOLVED THAT:

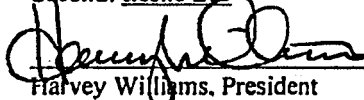
1. Chichiltah Chapter approves the final Corrective Action Plan dated November 4, 2022 for Chichiltah Chapter-Eastern Navajo Agency.
2. Chichiltah Chapter appreciates the services provided by the Office of Auditor General.

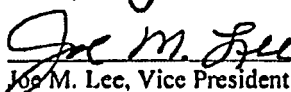
CERTIFICATION

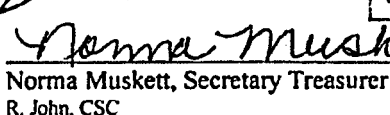
We hereby certify that the foregoing resolution was approved by the Chichiltah Chapter, Navajo Nation, New Mexico at a duly called meeting via Tele Meeting and In-Person, at which a quorum was present and the same was passed by a vote of 14 in favor, 00 opposed, 06 abstained, this 13th day of March 2023.

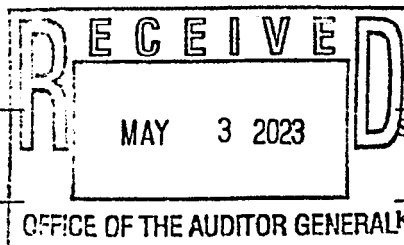
Motion: Jerilena Alexis

Second: Leslie Lee


Harvey Williams, President


Joe M. Lee, Vice President


Norma Muskett, Secretary Treasurer
R. John. CSC




Seth Damon, Council Delegate


Kathleen Arviso, Land Board

BUDGET AND FINANCE COMMITTEE

October 10, 2023

Special Meeting

VOTE TALLY SHEET:

Legislation No. Legislation No. 0200-23: An Action Relating to the Resources and Development and Budget and Finance Committees; Accepting the audit of the Chichiltah Chapter and Approving the Chapter's Proposed Corrective Action Plan

Sponsors: Seth A. Damon and Danny Simpson, Council Delegates

Motion: Norman M. Begay

Second: Lomardo Aseret


Vote: 3-0, Vice Chairman not voting

Final Vote Tally:

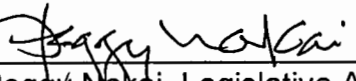
Lomardo Aseret	yea	
Norman M. Begay	yea	
Amber K. Crotty		
Seth A. Damon	yea	
Shaandiin Parrish		
Carl R. Slater		

Absent: Amber K. Crotty

Excused: Shaandiin Parrish



Carl R. Slater, Vice Chairman
Budget & Finance Committee



Peggy Nakai, Legislative Advisor
Budget & Finance Committee