

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

24TH NAVAJO NATION COUNCIL - Fourth Year, 2022

AN ACT

RELATING TO THE RESOURCES AND DEVELOPMENT, AND BUDGET AND
FINANCE COMMITTEE; ACCEPTING THE AUDITOR GENERAL'S AUDIT REPORT
OF THE UPPER FRUITLAND CHAPTER AND APPROVING THE CHAPTER'S
PROPOSED CORRECTIVE ACTION PLAN

BE IT ENACTED:

SECTION ONE. AUTHORITY

- A. The Resources and Development Committee serves as the oversight committee over 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 of 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. Pursuant to 12 N.N.C. §6 the Office of the Auditor General has prepared a fiscal review of the Upper Fruitland Chapter, titled: "Internal Audit of the Upper Fruitland Chapter" - Report No. 21-23 - dated December 2021 ("UFC Audit"). The UFC Audit is attached hereto as **EXHIBIT A**.
- B. The Upper Fruitland Chapter responded to the UFC Audit with a letter accepting the UFC Audit. The Chapter's letter, dated September 24, 2021, is attached hereto as **EXHIBIT B**.

- C. The Chapter has prepared a detailed Corrective Action Plan that it submitted to the Auditor General, which addresses the findings in the UFC Audit. In the Corrective Action Plan the Chapter proposes to cure the UFC Audit Findings by October 31, 2022. The Corrective Action Plan is attached as **EXHIBIT C**.
- D. In Resolution No. FRUI-2022-04-276 the Chapter acknowledges the Findings in the UFC Audit and specifically approves the Chapter's proposed Corrective Action Plan to address the Findings. **EXHIBIT D**.

SECTION THREE. ACCEPTING THE AUDITOR GENERAL'S AUDIT REPORT OF THE UPPER FRUITLAND CHAPTER AND APPROVING THE CHAPTER'S PROPOSED CORRECTIVE ACTION PLAN

- A. The Navajo Nation hereby accepts the Auditor General's fiscal review of the Upper Fruitland Chapter titled: "Internal Audit of the Upper Fruitland Chapter" - Report No. 21-23, dated September 2021, attached as **EXHIBIT A**.
- B. The Navajo Nation hereby approves the Corrective Action Plan proposed by the Upper Fruitland Chapter, that was submitted to the Auditor General, attached as **EXHIBIT C**. The Corrective Action Plan is approved for use by the Chapter in addressing and resolving the Findings explained in the UFC Audit Report.

SECTION FOUR. DIRECTIVES

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

to the Resources and Development Committee and the Budget and Finance Committee. 12 N.N.C. § 7(F).

- C. Twelve months after the effective date of this Act, the Auditor General shall conduct a follow-up review of the Upper Fruitland Chapter to determine whether or not the Chapter has successfully implemented its approved Corrective Action Plan. 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 Upper Fruitland Chapter for failure to sufficiently implement its Corrective Action Plan. 12 N.N.C. § 7(G).
- D. 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).

SECTION FIVE. EFFECTIVE DATE

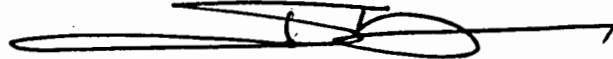
This Act shall become effective pursuant to 12 N.N.C. § 6(A) and § 7(D).

SECTION SIX. SAVINGS CLAUSE

If any provision of this Act 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 legislation not determined invalid shall remain the law of the Navajo Nation.

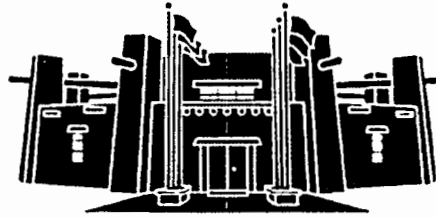
CERTIFICATION

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 by teleconference at which a quorum was present and that the same was passed by a vote of 3 in favor and 0 opposed, this 4th day of October 2022.

A handwritten signature in black ink, appearing to read 'J. Henio', with a long horizontal line extending to the right.

Jamie Henio, Chairperson
Budget and Finance Committee

Motion: Honorable Amber Kanazbah Crotty
Second: Honorable Nathaniel Brown



OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

**Internal Audit
of the
Upper Fruitland Chapter**

**Report No. 21-23
September 2021**

**Performed by:
HEINFELD, MEECH & CO., P.C.**



September 30, 2021

Lynelle Etcitty, President
UPPER FRUITLAND CHAPTER
P.O. Box 1257
Fruitland, NM 87416

Dear Ms. Etcitty:

The Office of the Auditor General, in conjunction with Heinfeld, Meech & Co., P.C. herewith transmits audit report no. 21-23, Internal Audit of Upper Fruitland 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: Asset items were not always properly capitalized, tracked or insured.
Finding II: Cash Receipts were not deposited in a timely manner, supported by all required documentation, consistently and accurately charged and coded, fully reconciled, or reported to the Chapter membership monthly.
Finding III: Bank reconciliations were not completed timely.
Finding IV: Cash Disbursements were not properly supported by documentation, were not coded in accordance with the adopted chart of accounts, or were not procured according to adopted policies
Finding V: Effective internal controls over the use of fuel cards and distribution of gift cards were not in place.
Finding VI: Payroll Activities approvals were not always being properly documented.

Detailed explanation of 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: Lisa Marie Bird, Vice President
Dora A. Smith, Secretary/Treasurer
Alvis Kee, Chapter Manager
Rickie Nez, Council Delegate
UPPER FRUITLAND CHAPTER
Sonlatsa Jim-Martin, Department Manager II
Eliza-Beth Washburne, Senior Program and Projects Specialist
ADMINISTRATIVE SERVICE CENTER/DCD
Diane Bradley, Partner
HEINFELD, MEECH & CO., P.C.
Chrono



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Office of the Auditor General - The Navajo Nation
Upper Fruitland Chapter House

The internal audit of Upper Fruitland Chapter House for the 12-month period ended March 31, 2021 was conducted 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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To meet our audit objectives, Chapter administration and officials were interviewed, data was analyzed and documents were examined. Additionally we:

- Considered the Chapter's internal controls as outlined in the Chapter Five-Management System policies and procedures manual.
- Tested compliance with certain provisions of laws, regulations, and policies as outlined in the internal audit.

As a result of the internal audit, we noted certain matters that are opportunities for strengthening internal controls and instances of noncompliance with laws, regulations, contracts, and grant agreements and policies. Management should address these items to ensure it fulfills its responsibility to establish and maintain adequate internal controls and comply with laws, regulations, contracts, and grant agreements. Those items and our related recommendations are described in the accompanying summary. The items discussed in the accompanying summary are a result of audit procedures performed based on a risk based assessment, and therefore, not all deficiencies or weaknesses in controls may have been identified.

This information is intended for the Navajo Nation Auditor General's Office and is not intended to be and should not be used by anyone other than the specified party. However, this information is a matter of public record, and its distribution is not limited.

Sincerely,

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Flagstaff, Arizona
September 29, 2021

Contents

Findings and Recommendations.....	1
Finding I: Asset items were not always properly capitalized, tracked or insured.....	1
Finding II: Cash Receipts were not deposited in a timely manner, supported by all required documentation, consistently and accurately charged and coded, fully reconciled, or reported to the Chapter membership monthly.	4
Finding III: Bank reconciliations were not completed timely.	6
Finding IV: Cash Disbursements were not properly supported by documentation, were not coded in accordance with the adopted chart of accounts, or were not procured according to adopted policies.....	8
Finding V: Effective internal controls over the use of fuel cards and distribution of gift cards were not in place.	10
Finding VI: Payroll Activities approvals were not always being properly documented.	11
Background	12
Client Response	13

Findings and Recommendations

Finding I: Asset items were not always properly capitalized, tracked or insured.

Criteria

Pursuant to 26 N.N.C. § 101 (A), as noted in the Property Management Policies and Procedures Manual, Section IV J, all property and equipment of a value of more than \$5,000 shall be capitalized and recorded in the Chapter's Capital Asset ledger. As noted in Section VI C1(a)(7), upon acquisition of any property, the Chapter Manager shall immediately update the property records/inventory to reflect the acquisition. Further, as noted in Section VIII B(3&4), at the beginning of each fiscal year, the Chapter Manager shall provide a copy of the most current inventory listing to the Navajo Nation Risk Management Department (RMD), or whenever there is a new acquisition or disposition of any property covered by the RMD including any equipment, vehicles, etc., and any real property such as land, buildings and improvements. The Chapter Manager shall consult with the RMD annually as part of the budget process, to determine insurance costs and available appropriations, and to ensure that the Chapter's entire inventory is properly insured at all times and that property identification requirements are sufficient to meet replacement requirements. Per Section XII A(3) all property and equipment insurance shall be reviewed periodically for adequacy and filed in a secure place. As noted in Section VIII B(1), the Chapter Manager shall conduct the physical inventory that will involve an actual observation and identification of each piece of property using the Chapter Property Inventory form. Lastly, as noted in the Fiscal Management Policies and Procedures Manual, Section VII G(1), the Chapter will use the Chapter Chart of Accounts for all budget purposes and accounting system.

Condition

During our review of 14 disbursements coded to capital totaling \$62,621, we noted the following:

1. For four of 14 capital disbursements reviewed comprising two assets, the items should have been capitalized, however were not. One was a building improvement to the front office of the Chapter building with a total cost of \$12,169 and one was a picnic shelter with a total cost of \$13,978. The picnic shelter subsequently sustained wind damage, but because it was not included on the capital asset listing, it was not included in the information submitted to the Navajo Nation Risk Management for insurance purposes, and thus, the loss was not covered.

2. Three of 14 capital disbursements reviewed with a total cost of \$7,693 were added to the Chapter's capital asset listing and depreciated, however they were under the \$5,000 capitalization threshold. The disbursements were for an HP desktop, business printer and video conference control board.
3. The Summary Asset Ledger - Fixed Asset Ledger as of March 31, 2021 from MIP was reviewed. It was noted that there was an asset (tag 011) with a description of 5 HP computers valued at \$5,185. If this description is accurate, then each computer has a unit cost of \$1,037, and therefore should not be capitalized.
4. The property inventory performed in August 2020 was reviewed. It was noted that the asset identification (ID) numbers of the assets on the MIP Fixed Assets listing were not referenced on the Property Inventory Forms.
5. For one of 14 capital disbursements reviewed, the item was not coded in accordance with the adopted chart of accounts. A renovation to the front office area of the Chapter in the amount of \$12,169 was coded to a land improvement (6813) rather than a building improvement (6807).

Effect

The Chapter's capital asset balances reported on the financial statements are understated by \$13,269. The Chapter is in violation of established policies and procedures. Lack of a comprehensive capital asset listing resulted in the Chapter having insufficient insurance coverage that resulted in liabilities for the chapter and loss of funds of \$13,978. The results of the physical inventory may not be able to be reconciled as effectively to the MIP Fixed Assets Listing without the use of universal asset ID numbers.

Cause

There was a misunderstanding and/or misapplication of Chapter policies with respect to the criteria for capitalization. Additionally, it was an oversight by the Chapter employees to not list the MIP asset ID numbers on the Property Inventory Form in the Property Number column. Finally, there was a lack of oversight and review of capital purchases and asset listings by the Chapter Manager.

Recommendations

1. The omitted assets should be added to the capital assets listing. The Administrative Assistant and Chapter Manager should evaluate the loss sustained on the original picnic shelter in conjunction with its replacement when determining what should be added. Further, the Chapter Manager should ensure all property is insured.
2. The Administrative Assistant should ensure assets are only added to the Fixed Asset listing if they meet the capitalization threshold, and should remove any assets that do not have a unit cost of \$5,000 or above.
3. The Administrative Assistant should ensure that the asset ID numbers on the MIP Fixed Asset listing are recorded on the Property Inventory Forms used to conduct the annual inventory.
4. The Administrative Assistant and Chapter Manager should ensure amounts are being coded to the appropriate chart of accounts code when disbursements are entered into the system and that they are correctly categorized on the Fixed Asset listing.
5. Chapter employees should obtain capital asset training from the Administrative Service Center to ensure the policies and procedures of the Chapter are understood and implemented.
6. The Chapter Manager should more closely oversee property control at the Chapter through close supervision of staff and review of resulting asset listings.

Finding II: Cash Receipts were not deposited in a timely manner, supported by all required documentation, consistently and accurately charged and coded, fully reconciled, or reported to the Chapter membership monthly.

Criteria

Pursuant to 26 N.N.C. § 101 (A), as noted in Fiscal Policies and Procedures Section VII A 2(h), the Chapter Manager shall deposit the monies into the Chapter's bank account on a weekly basis or as practical. The Chapter Manager shall deposit all monies within ten days of receipt. Further, as noted in Section VII A 2(c), all cash receipts shall be recorded in ink on the cash receipts form daily. The Administrative Assistant will record all cash received in the cash receipts journal at the end of each day. As noted in Section VII G1, the Chapter will use the Chapter Chart of Accounts for all budget and accounting system purposes. Additionally, per Section VII C 1, the Secretary/Treasurer shall monitor the maintenance of an adequate accounting system to ensure accountability of all funds and expenditures and shall report to the Chapter membership. Further, as noted in Section VII A 1(m), the Secretary/Treasurer will report the cash receipts as part of the monthly financial reporting to the Chapter membership at all duly called regular Chapter meetings.

Condition

A sample of 11 cash receipts totaling \$6,406 was reviewed and the following was noted:

1. For eight of 11 cash receipts reviewed totaling \$4,106, the deposit was not completed in a timely manner (within 10 days of receipt). Deposits were made between 11 and 47 days after receipt.
2. For five of 11 cash receipts reviewed totaling \$1,600, a Cash Count Form was not prepared to accompany the bank deposit as required per the procedures. Cash receipts and deposits slips were available to support all related cash collections.
3. For four of 11 cash receipts reviewed, the amount charged was not in agreement with the fee schedules in place at the Chapter. The difference in the established fee and amount charged to customers was between \$(1.05) under and \$25 over.
4. Three of 11 cash receipts reviewed from San Juan County were not coded consistently at the object code level. They were all recorded in Fund 20, but one was recorded as a donation (4305) and 2 were recorded as county grants (4402).
5. For the months of April, July and August 2020, the financial report attached to the Chapter minutes did not include revenue information. The Chapter should ensure that in addition to a Balance Sheet that a Statement of Revenues & Expenditures - Detail Combining Revenue and Expenditures Statement is provided. For these months, a Detail Budget to Actual by Fund Report was shared, which includes expenditures only.

Effect

Chapter policies were not adhered to. When cash receipts are not deposited timely, financial activity reports used to make decisions will not be up to date, cash flows cannot be managed effectively and exposure to theft increases. Individual prenumbered receipts were not reconciled to deposit slips. Chapter fee schedules were not adhered to. Inconsistencies in coding from period to period can result in misstated financial statements.

Cause

Turnover in the Administrative Assistant position (unfilled from December 2020 until May 2021) contributed to the lateness, incomplete nature of some deposits as well as the inconsistencies in reporting. Reduction or differences in fees charged resulted from, in one case reducing the fee in exchange for the renter refueling the equipment out of pocket and in the other cases due to failure by the Chapter Manager to train or review the temporary employee's work at a time when the Administrative Assistant was out on leave.

Recommendations

1. The Chapter Manager should thoroughly review supporting documentation to support all deposits and ensure deposits are made in a timely manner.
2. The Chapter Manager should ensure cash receipts are coded consistently and accurately in accordance with the established Chart of Accounts.
3. The Chapter Manager should verify staff collected fees charged to the community in accordance with the Chapter authorized fee schedules.
4. The Chapter Secretary should report cash receipts to Chapter membership at the monthly Chapter meetings.

Finding III: Bank reconciliations were not completed timely.

Criteria

As noted in the Fiscal Policies Section VII C 1(b), reconciliation shall be accomplished within one day upon receipt of the bank statement; Section VII C 1(d) states any outstanding check that exceeds 90 calendar days from issue date shall be automatically voided and Section VII D 1(e) states each check shall have two required signatures.

Condition

The bank reconciliations for the General Checking and Senior Center Building Construction Project bank accounts were reviewed during the audit period and the following was noted:

1. The October 2020 - March 2021 bank reconciliations were not completed in a timely manner for the General Checking account. They were not completed until July 2021. The November 2020 - March 2021 bank reconciliations were not completed in a timely manner for the Senior Center Building Construction Project account. They were not completed until July 2021.
2. The check images accompanying the bank statements were reviewed for 5 months during the audit period. It was noted that one check only contained one signature.
3. Upon review of the March 31, 2021 General Checking account bank reconciliation, there were 4 checks that have been outstanding more than 90 days that have not been stale dated.

Effect

Chapter policies were not adhered to. Chapter funds could be misappropriated if checks do not contain two signatures. Late or incomplete bank reconciliations can result in the lack of identification of issues or errors resulting in the potential for loss of funds or delay in corrections.

Cause

Turnover in the Administrative Assistant position (unfilled from December 2020 until May 2021) contributed to the lateness of the completion of the bank reconciliations. Incomplete or inadequate training for the new Administrative Assistant contributed to other errors in the bank reconciliations. The Chapter Manager did not acknowledge on the monthly financial review checklists that the bank reconciliations had not yet been performed.

Recommendations

1. The Administrative Assistant should reconcile bank accounts within one day of the receipt of the bank statement. The Chapter Manager should more thoroughly review the monthly financial checklist to identify critical monthly tasks that have not yet been performed and follow up with staff to ensure items get completed.
2. The Administrative Assistant should ensure all checks contain two signatures prior to distribution.

3. During the monthly reconciliation process, a review should be performed by the Administrative Assistant and Chapter Manager regarding checks outstanding for more than 90 days and steps taken to research and void these payments.

Finding IV: Cash Disbursements were not properly supported by documentation, were not coded in accordance with the adopted chart of accounts, or were not procured according to adopted policies.

Criteria

Pursuant to 26 N.N.C. § 101 (A), per Fiscal Policies and Procedures Section VII B 2(c), the Administrative Assistant shall upon receipt of goods review all invoices to ensure completeness of the transaction and that those particular goods or services have been received. Additionally, per Section VII B 2(b), the Administrative Assistant shall ensure that the Fund Approval Form (FAF) indicates payment authorization and that all source documents (i.e. invoices, quotes, claim forms, timesheets and similar documents) support each fund disbursement before preparing a check for payment. As noted in Section VII B 1(e), the Chapter Chart of accounts shall be used to determine the appropriate accounts to which the disbursements will be charged. Lastly, per the Procurement Management Policies and Procedures Manual Section IV K (1-2), on any purchase from \$0 to \$2,500, the Administrative Assistant may verbally obtain purchase and vendor information. Three verbal quotations shall be documented and include the vendor's name, identity of the individual(s) contacted, price quotation, date of contact, phone numbers and the method of contact. On any purchase from \$2,501 to \$50,000, the Administrative Assistant shall obtain 3 or more written quotations.

Condition

A sample of 18 disbursements totaling \$16,151 was reviewed and the following was noted:

1. One of 18 disbursements reviewed totaling \$6,085 for a front office renovation project was not properly supported by an invoice.
2. For one of 18 disbursements reviewed, \$207 of a \$1,198 disbursement was coded to telephone expense (6410) however; it should have been coded to supplies, as the items purchased were storage bags and cleaning supplies. The FAF was approved for the purchase of cell phones for farm officials, however additional supplies were purchased at the vendor that were not part of the original FAF.
3. For one of 18 disbursements reviewed totaling \$400, the transaction was recorded to account code 6303 (operating supplies), but should have been coded to account code 6730 (Emergency Assistance – Personal Needs) for accuracy and to remain consistent with similar transactions.
4. Throughout our testwork, various disbursements were evaluated for compliance with Chapter procurement guidelines. Noncompliance with policy is only noted for Chapter purchases not initiated in response to or impacted by the pandemic.
 - a. For two transactions reviewed totaling \$4,179 requiring the Chapter to obtain verbal quotes, no verbal quotes were obtained.
 - b. For two transactions reviewed totaling \$25,033 requiring the Chapter to obtain written quotes, no written quotes were obtained.

Effect

Chapter policies were not adhered to. Disbursements in the amount of \$6,085 were unsupported. Disbursements that are not properly supported could result in improper disbursements to vendors and misstated expenditure related financial activity. Additionally, lack of consistency in coding may result in misstated financial statements. Finally, purchases made without following the appropriate procurement guidelines prohibits competition and transparency.

Cause

The Administrative Assistant or temporary workers did not ensure the invoice was properly filed. Items were purchased at the store that were not preauthorized. Further, account coding was not always thoroughly reviewed for accuracy by the Chapter Manager. The verbal quote items were purchased under the recommendation of an outside consultant and therefore, quotes were not obtained. The Chapter Manager indicated that written quotes were obtained, however were misfiled and could not be located during audit fieldwork.

Recommendations

1. The Administrative Assistant and Chapter Manager should review invoices more closely to ensure items agree to the authorized FAF and are properly approved and coded in accordance with the adopted chart of accounts.
2. The Administrative Assistant and Chapter Manager should use the chart of accounts when coding items to ensure transactions are coded accurately.
3. Verbal and written quotes should be obtained in accordance with Chapter Procurement policy. The Administrative Assistant and Chapter Manager should ensure documentation is obtained, maintained and filed appropriately including invoices and verbal and or written quotes obtained.

Finding V: Effective internal controls over the use of fuel cards and distribution of gift cards were not in place.

Criteria

Pursuant to 26 N.N.C. § 101 (A), as noted in the Fiscal Policies and Procedures Section VII I 7, the Chapter shall reimburse all necessary transportation expenses for private vehicles. If a personal vehicle is used for Chapter business, employees shall be reimbursed for actual mileage at the Navajo Nation established mileage rate. If the traveler does not provide an odometer reading, the Administrative Assistant is required to use a mileage chart. As noted in Section VII, it is the policy of the Chapter to establish internal controls to ensure its assets and resources are protected against waste, fraud, and inefficiency.

Condition

1. Two fuel card disbursements reviewed totaling \$1,000 purchased from Smith's were supported by purchase documents. Employees utilized the cards to fuel their personal vehicles. However, under this process, the Chapter is unable to verify that Chapter resources utilized were only for Chapter activities.
2. Two disbursements reviewed totaling \$1,875 were for the purchase of gift cards from Staples to distribute to graduating students. Policies and procedures were not established and a log was not maintained to verify students received the gift cards purchased and documentation that the students graduated was not provided.

Effect

Chapter policies were not adhered to. Lack of internal controls over fuel cards and gift cards could result in the misappropriation or misuse of Chapter resources.

Cause

During the pandemic, Chapter vehicles were unavailable for use by employees for Chapter business, and therefore employees were using their personal vehicles to conduct Chapter business. To account for this, rather than reimburse mileage in accordance with Chapter policy, the Chapter Manager authorized the purchase of fuel cards. Additionally, due to pandemic restrictions, including the closure of Navajo Nation government offices to the public, the Chapter did not utilize sign out logs to document the distribution of gift cards as evidenced by the signature of the recipient.

Recommendations

1. When employees are approved to use their personal vehicles for official Chapter business, mileage should be tracked and reported using an odometer reading and paid out at the Navajo Nation personal vehicle reimbursement rates instead of using fuel cards to purchase fuel to use in personal vehicles. The Chapter Manager and Administrative Assistant should ensure this is implemented immediately.
2. Gift cards should no longer be utilized in Chapter operations.

Finding VI: Payroll Activities approvals were not always being properly documented.

Criteria

Pursuant to 26 N.N.C. § 101 (A), as noted in the Fiscal Policies and Procedures, Section VII H 2(g), the Chapter Manager's time and attendance and payroll check shall be reviewed and signed by the designated immediate supervisor. Additionally, as noted in Section VII H 2(e), the Chapter Manager shall review all timesheets. Lastly, as noted in Section VII B 2(g), when a check is written to a primary (Chapter Manager or Secretary-Treasurer), the President or the Vice President shall substitute as a co-signer. A memorandum of justification shall be required for the substitute signatory. When there is no substitute signatory cosigner, the primary signatory, as payee, may sign the check provided all essential documents and a memorandum of justification are attached.

Condition

During our review of a sample of 20 payroll transactions totaling \$11,389 and related employee files, the following was noted:

1. For two of 20 payroll transactions reviewed totaling \$2,354, the Chapter Manager or Supervisor signature was missing on the employee timesheet.
2. For one of 20 payroll transactions reviewed totaling \$1,634, a check written to the Chapter Manager was also signed by the Chapter Manager and did not include a justification memorandum.

Effect

Chapter policies were not followed. Payroll transactions totaling \$2,354 were not properly authorized. Amounts paid to employees were not always supported by appropriate documentation. As a result, employees may have received erroneous pay amounts and the salary and related benefit expenses within the Chapter's reported financial activity may not be properly stated.

Cause

There was limited availability for someone to sign the Chapter Manager's timesheet and in general for check signers to come into the Chapter due to the pandemic related restrictions in place. Additionally closures and changes in office operations due to the COVID-19 pandemic response increased the likelihood of items being missed during review.

Recommendations

1. Chapter officials must review and the sign the Chapter Manager's timesheet to provide authorization for payment. A timesheet must not be processed for payment without the required signatures.
2. The Chapter Manager should make sure to provide a memorandum when a substitute cosigner is not available to sign the check issued to the Chapter Manager.

Background

The Navajo Nation Office of the Auditor General engaged Heinfeld, Meech, & Co. P.C. to perform an internal audit of the Upper Fruitland Chapter House for the 12-month period ended March 31, 2021.

Upper Fruitland Chapter is a political subdivision of the Navajo Nation and is considered a general purpose local government for reporting purposes. The Upper Fruitland Chapter is located within the Northern Agency of the Navajo Nation.

The local chapter government is managed by the Chapter Manager (CM) with administrative support provided by an Administrative Assistant (AA). 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 Upper Fruitland 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 Upper Fruitland Chapter are enumerated in Title 26, Local Governance Act (LGA) of the Navajo Nation Code. The Upper Fruitland Chapter is an LGA certified chapter since 2012.

The majority of the Chapter's resources are provided through appropriations from the Navajo Nation central government. Other revenue is generated from miscellaneous user charges assessed by the Chapter for services and/or goods provided to its community members. Upper Fruitland Chapter's fiscal year 2021 operating budget was approximately \$1,228,332 which includes carryover funds from the prior year.

Objective

The objective of the internal audit was to examine the Chapter's internal controls; how well controls are designed, implemented, and operated to meet the Chapter's objectives in the following areas:

1. Financial transactions are authorized, valid, and properly recorded to permit the preparation of financial statements and other financial reports.
2. Assets are safeguarded against loss or misuse.
3. Chapter activities addressed by the five-management system comply with applicable laws and regulations.

Audit Methodology

In meeting the audit objectives, we interviewed the Chapter administration and officials, and examined available records. More specifically, we tested samples of cash receipts, payroll and nonpayroll disbursements including capital and fuel and gift card disbursements for internal controls and compliance requirements by using a non-statistical, judgmental method.

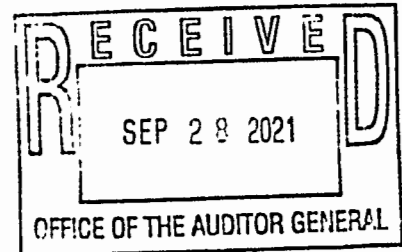
EXHIBIT B

The Navajo Nation
Upper Fruitland Chapter
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Upperfruitland@Navajochapters.org



Rickie Nez, Council Delegate
Lynelle Etsitty, President
Lisa Byrd, Vice-President
Dora Smith, Secretary/Treasurer
Albert Lee, Farm Board Representative
Roxanne Lee, Grazing Representative

September 24, 2021



Navajo Nation
Office of the Auditor General
Attn: Helen Brown, CFE, Principal Auditor
P.O. Box 708
Window Rock, Arizona 86515


Re: Heinfield, Meech & Co. P.C., Final draft report

Dear Ms. Brown;

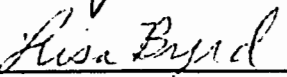
We are in receipt of the final draft report applicable to the Internal Audit of the Upper Fruitland Chapter for the fiscal years 2020 and 2021 (as of March 31, 2021). The Upper Fruitland Chapter sincerely appreciates the assessment conducted, has reviewed with great interest and agrees with the audit findings. The Upper Fruitland Chapter has begun to initiate the process of a Corrective Action Plan.

The Upper Fruitland Chapter accepts the challenge of improving upon the quality of administration and will continue to pursue the highest expected level of integrity. If there should be any questions, please feel free to contact the Upper Fruitland Chapter at the phone numbers, fax or email listed above.

Respectfully,



Alvis Kee, Manager



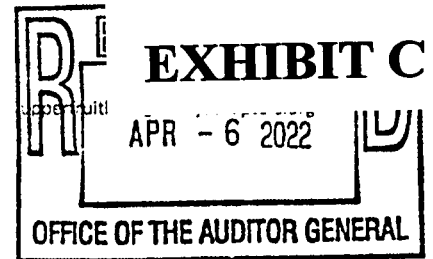
Lisa Byrd, Vice-President



Lynelle Etsitty, President



Dora Smith, Secretary-Treasurer



Upper Fruitland Chapter: Corrective Action Plan

	Corrective Measures	Responsible Person(s)	Timeline
Finding I: Assets were not always properly capitalized, tracked or insured.			
1.	Chapter employees will obtain capital assets training from ASC to ensure the policies and procedures of the Chapter are understood and implemented.	CM	October 31, 2022
2.	Chapter Manager will assign the Administrative Assistant to conduct a physical catalog every 6 months to ensure all fixed assets are accounted for and documented on the inventory. The inventory conducted in August will be reported to Risk Management as the annual Underwriting Exposure Summary.	CM/AA	October 31, 2022
3.	Chapter Manager will review and verify the accuracy of the property inventory form.	CM	October 31, 2022
4.	Chapter Manager will complete the Underwriting Exposure Summary and review with the Chapter President before submitting the report to Risk Management no later than September 10th of the fiscal year.	CM/CP	October 31, 2022
5.	Chapter Manager will follow up with Risk Management to ensure an invoice is generated then assign the Administrative Assistant to pay the invoice.	CM/AA	October 31, 2022
6.	Administrative Assistant shall add only those assets which meet the capitalization threshold to the accounting system in accordance with Property policies and procedures; and remove any asset not meeting the unit cost of \$5,000.00.	AA	October 31, 2022
7.	Administrative Assistant will correctly record Chapter property entries in accordance with the chart of accounts and accurately categorize each into MIP fixed assets, generating explicit financial statements. The Chapter Manager will review the accuracy of posting and values reported.	AA/CM	October 31, 2022
8.	Administrative Assistant and Chapter Manager will review the MIP Fixed Assets listing and the Property Inventory listings to ensure the Asset Identification numbers and other pertinent information are included. The recorded fixed asset values will be supported with documentation such as invoices, receipts, appraisals, etc.	AA/CM	October 31, 2022
9.	Administrative Assistant and Chapter Manager will evaluate the loss sustained on the original picnic shelter in conjunction with its replacement to determine correct entries necessary.	AA/CM	October 31, 2022
10.	Chapter Manager will monitor closely the asset listing Chapter property and on a quarterly basis inspect randomly selected items with the Vice-President.	CM/VP	October 31, 2022
Find II. Cash Receipts were not deposited in a timely manner, supported by all required documents, consistently and accurately charged and coded, fully reconciled, or reported to the Chapter membership monthly.			
1.	Chapter Manager will verify staff collected fees charged to the community are in accordance with the Chapter authorized fee schedule. The Administrative Assistant will post all cash receipt tickets to the accounting system daily in accordance with the charge of accounts and prepare cash and supporting documents for deposit.	AA/CM	October 31, 2022
2.	Chapter Manager will thoroughly review all deposits to ensure they have the required documentation; are prepared in a timely manner with independent reviewers acknowledging accurate cash counts; the reconciliation of deposits matching the cash drawer count and receipts will then be posted in MIP with all hard copies filed in the appropriate fiscal year records.	CM	October 31, 2022
3.	Chapter Manager will verify cash receipts are coded consistently and in accordance with the established Chart of Accounts. This verification will be completed when deposits are made and on a bi-weekly basis, and documented on the cash count form.	CM	October 31, 2022
4.	Chapter will approve a fund management plan with resolution to accept and budget all internally generated revenues for the fiscal year.	CM	October 31, 2022
5.	Chapter Manager will schedule the monthly monitor review with the three (3) elected officials prior to the Chapter Meeting. The President will ensure that this monitoring and review session is completed on a monthly basis using the Monthly Compliance Review and Monitoring Tool form to verify staff posted, reconciled, and deposited cash receipts.	CM/CP, VP or ST	October 31, 2022
6.	Secretary/Treasurer will report to the Chapter membership and record in the Minutes of the Meeting the cash receipts at each monthly Chapter meeting	ST	October 31, 2022

Finding III: Bank reconciliations were not completed timely.		
1.	Administrative Assistant will reconcile all bank accounts within one working day of the receipt of the bank statement. The Chapter Manager will review the bank reconciliation for accuracy and sign it after verification.	AA/CM October 31, 2022
2.	Administrative Assistant when completing the bank reconciliation of all outstanding checks that are more than 90 days old, will thoroughly research, review and where necessary void these checks/payments in the MIP system with concurrence of the Chapter Manager.	AA/CM October 31, 2022
3.	Chapter Manager and Chapter officials will thoroughly review the monthly financial checklist to identify critical monthly tasks that have not been accomplished and follow up with the staff to ensure all items are completed.	CM/CP, VP or ST October 31, 2022
4.	Administrative Assistant shall ensure all checks contain two authorized signatures prior to distribution.	AA October 31, 2022
Finding IV: Cash disbursements were not properly supported by documentation, were not coded in accordance with the adopted chart of accounts, or were not procured according to adopted policies.		
1.	Administrative Assistant will obtain verbal and/or written quotes in accordance with the Fiscal and Procurement Policies to ensure that all required supporting documents are attached.	AA October 31, 2022
2.	Administrative Assistant shall ensure transactions are coded accurately using the chart of accounts with supporting documents attached to the Fund Approval Form. An updated copy of the Budget to Actual for selected GL Code will be available for reviewer's approval.	AA October 31, 2022
3.	Chapter Manager and Chapter officials shall verify the chart of accounts when coding items to ensure transactions are coded accurately, all supporting documents are attached and budgeted, prior to signing off on Fund Approval Forms.	CM/CP, VP or ST October 31, 2022
4.	Administrative Assistant and Chapter Manager shall ensure documentation including invoices and quotes are obtained, maintained and properly filed.	AA/CM October 31, 2022
5.	The Chapter Manager and Administrative Assistant will review receipts against approved purchases after each procurement to verify that only authorized acquired items were made.	AA/CM October 31, 2022
6.	Chapter Manager will use a checklist on a quarterly basis to verify that all official Chapter records are filed and appropriate contents attached.	CM October 31, 2022
Finding V: Effective internal controls over the use of fuel cards and distribution of gift cards were not in place.		
1.	Chapter Manager will request Shiprock Administrative Service Center to provide training on travel policies.	CM October 31, 2022
2.	Gift cards will no longer be utilized for Chapter travel and operations.	CM October 31, 2022
3.	Chapter Manager or President will ensure travel authorization forms are completed, supporting documents attached, then review and authorize before anyone proceeds.	CM/CP October 31, 2022
Finding VI: Payroll activities approval were not always being properly documented.		
1.	Chapter Manager will verify all required and supporting documents are attached to the payroll e.g. timecard, timesheet, overtime report...etc., and the employees having signed all documents with approval of their immediate supervisor.	CM October 31, 2022
2.	Secretary/Treasurer will review and ensure all payroll documents are in order when authorizing fund approval forms.	ST October 31, 2022
3.	Chapter officials will review and the designated local direct supervisor shall sign the Chapter Manager's timesheet to provide authorization for payroll.	CP, VP or ST October 31, 2022
4.	Chapter Manager will not process timesheets without the required signatures.	CM October 31, 2022
5.	Chapter Manager will ensure that authorized check signatories do not approve their own checks, and that a mandatory allowable alternative signs such payroll.	CM October 31, 2022

ASC = Administrative Service Center
CM = Chapter Manager
AA = Administrative Assistant
Chapter officials
ST = Secretary-Treasurer
VP = Vice-President
CP = Chapter President

The Navajo Nation
 Upper Fruitland Chapter
 PO BOX 1257
 Fruitland, New Mexico 87416
 (505) 960-5032/9811
 Fax (505) 960-5033
 Email: upperfruitland@navajochapters.org



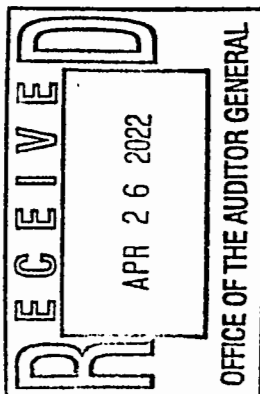
Ricky Nez, Council Delegate
 Lynelle Etsitty, President
 Lisa Byrd, Vice-President
 Dora Smith, Secretary/Treasurer
 Albert Lee, Farm Board
 Roxanne Lee, Grazing Representative

RESOLUTION OF THE NAVAJO NATION UPPER FRUITLAND CHAPTER

SUPPORTS AND APPROVES THE CORRECTIVE ACTION PLAN (CAP) FOR THE 2021 INTERNAL AUDIT FINDINGS

WHEREAS:

1. Under 26 N.N. C. § 3(A), the Upper Fruitland Chapter is a certified Chapter of the Navajo Nation is listed under 11 N.N.C., §10;
2. Under 26 N.N.C. §1(B), the Upper Fruitland Chapter received further governance-certification of the Five Management System by the Resources and Development Committee of the Navajo Nation Council on February 28, 2012, and is delegated with authority to exercise powers listed in 26 N.N.C. §103;
3. The Upper Fruitland Chapter had been selected for an Internal Audit by the Navajo Nation Office of Auditor General under the authority of Title 12 NNC Chapter 1 which had been outsourced to Heinfeld, Meech & Co. P.C., to be conducted in 2021 for the timer period of fiscal years 2020 and 2021 (as of March 31, 2021); and
4. The Upper Fruitland Chapter was subsequently notified of six areas of findings needing to strengthen their controls of with their Five-Management System as follows:
 - a. Asset items were not always properly capitalized, tracked or insured.
 - b. Cash receipts were not deposited in a timely manner, supported by all required documentation, consistently and accurately charged and coded, fully reconciled, or reported to the Chapter membership monthly.
 - c. Bank reconciliations were not completed timely.
 - d. Cash Disbursements were not properly supported by documentation, were not coded in accordance with the adopted charge of accounts, or were not procured according to adopted policies.
 - e. Effective internal controls over the use of fuel cards and distribution of gift cards were not in place.
 - f. Payroll Activities approvals were not always being properly documented.



5. The Upper Fruitland Chapter in accordance with Title 12 NNC Chapter 1 § 7 (C) has completed and submitted their Corrective Action Plan to the Navajo Nation Office of the Auditor General to resolve the findings along with time lines of when the process with will be completed; and
6. The Upper Fruitland Chapter administration, their elected officials and the Northern Agency Administrative Service Center have implemented corrective measures and will continue to analysis their policy and procedures to strengthen the chapter's Five-Management System, the Corrective Action Plan applicable to this Internal Audit is attached to this resolution.

NOW THEREFORE BE IT RESOLVED THAT:


The Upper Fruitland Chapter supports and approves the Corrective Action Plan (CAP) for the 2021 Internal Audit findings.

CERTIFICATION

WE HEREBY CERTIFIED that the foregoing resolution was approved by and for the Upper Fruitland Chapter (Navajo Nation), N.M. at a duly called hybrid in-person, video / teleconference meeting for during this COVID-19 pandemic. A motion to approve was made by Robert Allen and seconded by Lisa Byrd and the same was passed by a vote of 7 in favor, 0 opposed, 1 abstained, this 12th day of April, 2022.


Lynelle Etsitty, President


Dora Smith, Secretary/Treasurer


Lisa Byrd, Vice-President


Ricky Nez, Council Delegate

BUDGET AND FINANCE COMMITTEE

4 October 2022

Regular Meeting

VOTE TALLY SHEET:

Legislation No. 0113-22: An Act Relating to the Resources and Development, and Budget and Finance Committee; Accepting the Auditor General's Audit Report of the Upper Fruitland Chapter and Approving the Chapter's Proposed Corrective Action Plan *Sponsored by Rick Nez, Council Delegate*

Motion: Amber K. Crotty

Second: Nathaniel Brown

Vote: 3-0, Chairman not voting

Final Vote Tally:

Jamie Henio		
Raymond Smith Jr.		
Elmer P. Begay	yea	
Nathaniel Brown	yea	
Amber K. Crotty		
Jimmy Yellowhair	yea	

Absent: Raymond Smith, Jr., Amber K. Crotty



Jamie Henio, Chairman
Budget & Finance Committee



Laureen Spencer, Legislative Advisor
Budget & Finance Committee