

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

24TH NAVAJO NATION COUNCIL - Fourth Year, 2022

AN ACTION

RELATING TO THE RESOURCES AND DEVELOPMENT COMMITTEE AND THE
BUDGET AND FINANCE COMMITTEE; ACCEPTING THE AUDITOR GENERAL'S
AUDIT OF THE TOHATCHI 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 & 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 a fiscal review of the Tohatchi Chapter, titled: "Special Review of the Tohatchi Chapter" - Report No. 20-16 - dated September 2020 ("Audit Report"). This Audit Report is attached hereto as **EXHIBIT A**.
- B. The Tohatchi Chapter responded with a letter accepting the Audit Report. The Chapter's letter, dated September 22, 2020, is attached hereto as **EXHIBIT B**.

- C. In Chapter prepared a detailed Corrective Action Plan that is submitted to the Auditor General on August 9, 2022 which addresses the findings in the Audit Report. In the Corrective Action Plan the Chapter proposes to cure the Audit Report findings by various dates, including August 31, 2022, September 30, 2022, and December 31, 2022. The Chapter's proposed Corrective Action Plan is attached hereto as **EXHIBIT C**.
- D. In Resolution No. TOH-066-09-2022 the Tohatchi Chapter acknowledges the findings in the Audit Report and specifically approves the Chapter's proposed Corrective Action Plan to address and resolve the findings. Resolution No. TOH-066-09-2022 is attached hereto as **EXHIBIT D**.

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

- A. The Navajo Nation hereby accepts the Auditor General's fiscal review of the Tohatchi Chapter titled: "Special Review of the Tohatchi Chapter" - Report No. 20-16, dated September 2020, attached as **EXHIBIT A**.
- B. The Navajo Nation hereby approves the Corrective Action Plan proposed by the Tohatchi Chapter that was submitted to the Auditor General on August 9, 2022, attached hereto as **EXHIBIT C**. The Corrective Action Plan is approved for use by the Chapter in addressing and resolving the findings explained in the Audit Report.

SECTION FOUR. DIRECTIVES

- A. The Tohathci 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 Tohatchi 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 Correction Action Plan during the previous six-month period.

- C. The Auditor General shall then promptly submit such memorandum along with the Tohatchi Chapter's status report to the Resources and Development Committee and the Budget and Finance Committee. 12 N.N.C. § 7(F).
- D. Twelve months after the effective date of this Act, the Auditor General shall conduct a follow-up review of the Tohatchi Chapter to determine whether or not the Chapter has successfully implemented its approved Corrective Action Plan.
- 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 Tohatchi 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).

SECTION FIVE. EFFECTIVE DATE

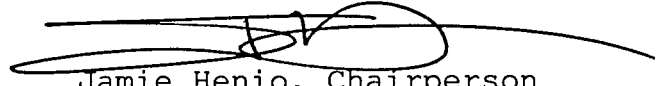
This Action shall become effective pursuant to 12 N.N.C. § 6(A) and § 7(D).

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 by teleconference at which a quorum was present and that the same was passed by a vote of 5 in favor and 0 opposed, this 13th day of December 2022.


Jamie Henio, Chairperson
Budget and Finance Committee

Motion: Honorable Elmer P. Begay
Second: Honorable Jimmy Yellowhair



OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

**Special Review
of the
Tohatchi Chapter**

**Report No. 20-16
September 2020**

**Performed by:
Genalle Benally, Associate Auditor
Wilson Barney, Associate Auditor
Stacy Manuelito, Senior Auditor**



September 30, 2020

Julie Badonie, President
TOHATCHI CHAPTER
P.O. Box 1236
Tohatchi, NM 87325

Dear Ms. Badonie:


The Office of the Auditor General herewith transmits Audit Report No. 20-16, A Special Review of the Tohatchi Chapter. The main audit objective was to determine whether internal controls are functioning as designed to ensure the Chapter spent funds in accordance with Navajo Nation and Chapter policies and procedures. During the audit period of October 1, 2018 to September 30, 2019, \$377,719 of Chapter funds were disbursed. Our review revealed control deficiencies and as a result, the Tohatchi Chapter cannot provide reasonable assurance it complies with policies and procedures. The following issues were identified:

- Finding I: The Chapter used gift cards to purchase building materials and cards with remaining balances totaling \$3,600 are unaccounted for.
- Finding II: Housing assistance exceeded authorized limit per policy and recipient eligibility cannot be justified.
- Finding III: The Chapter did not verify that \$32,581 of building materials were used for their intended purpose.
- Finding IV: A contractor was hired contrary to procurement policies and procedures.
- Finding V: A contractor was paid \$5,455 for work that could not be verified.
- Finding VI: Poor accountability for diesel fuel usage by the Chapter.
- Finding VII: Poor property controls impede proper identification, tracking and recordkeeping of Chapter property.
- Finding VIII: The Chapter could not justify the fixed assets value reported in the financial statements.
- Finding IX: PEP/SYE projects did not comply with policies and procedures.
- Finding X: Wages totaling \$29,531 lacked timesheets and independent review.
- Finding XI: No performance reports on file to verify that project materials and services were used as intended.
- Finding XII: Current filing system is inconsistent with the FMS records management policy.

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: Larson Manuelito, Vice President
Sonny Moore, Secretary/Treasurer
Pernell Halona, Council Delegate
TOHATCHI CHAPTER
Sonlatsa Jim-Martin, Department Manager II
Casey Begay, Senior Program & Project Specialist
ADMINISTRATIVE SERVICE CENTER/DCD
Chrono

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REVIEW RESULTS

FINDING I: The Chapter used gift cards to purchase building materials and cards with remaining balances totaling \$3,600 are unaccounted for.

Criteria: FMS Fiscal Policies and Procedures, Section V.D.3, states that the Chapter's accounting records provide the necessary documentary support for all transactions and that account balances must be properly maintained to provide fiscal accountability for the Chapter. Such accounting records comprise of various source documents, journals, registers, ledgers and other supplementary records.

Condition: A Chapter check of \$36,000 was disbursed on May 2017 to Home Depot to purchase building materials for three housing recipients. Records showed Home Depot established a pre-paid open account for the Chapter and the Community Services Coordinator (CSC) authorized the PEP carpenter to use this account to obtain building materials.

As of January 2018, Home Depot converted the balance of \$13,463 in the open account to eight (8) gift cards to return the unspent funds to the Chapter. Per Home Depot, it does not issue checks for reimbursements and the return of funds was necessary as the company was closing their financial books for the year. At the time of our review, the Chapter no longer had the gift cards as they were given to the Administrative Service Center (ASC) for further investigation. ASC was unable to locate the gift cards as the staff who took possession of the cards is no longer with the department.

Despite the missing gift cards, the Chapter provided Home Depot receipts to account for expenses incurred with 7 of the 8 gift cards. The receipts show purchases of building materials, small tools and energy drinks totaling \$9,846. In addition, of the 8 gift cards, five cards still had balances for a collective total of \$3,617.

Overall, the Chapter did not have a process in place to monitor the use of these gift cards by the PEP personnel, track the housing assistance expenses incurred with these cards, and verify the expenses were legitimate for its intended purposes.

Effect: Since the gift cards have been misplaced, the remaining balance of \$3,617 on these cards is considered a financial loss to the Chapter. More important, the housing assistance recipients would not have fully benefitted from these funds. Also, the Chapter cannot provide assurance the \$13,463 expended with the gift cards were for legitimate housing assistance needs.

Cause:

- The CSC allowed the use of gift cards although there were no policies and procedures that allowed for the use of such cards.

- Despite the lack of policies and procedures, the CSC did not implement a process with controls to account for and monitor the use of the gift cards provided by Home Depot.
- The CSC did not provide periodic reporting of the housing assistance activities and, as a result, the Chapter Officials claimed they were unaware that gift cards were used to purchase building materials.

- Recommendations:**
1. The Chapter should refrain from obtaining gift cards from vendors.
 2. The Chapter administration and Officials should seek guidance from the Administrative Service Center to address the missing Home Depot gift cards.
 3. The CSC should account for tools purchased with the gift cards and determine appropriate action if unaccounted for.
 4. The CSC should provide periodic reports of housing activities to the Chapter Officials and Chapter membership.

FINDING II: Housing assistance exceeded authorized limit per policy and recipient eligibility cannot be justified.

Criteria: Tohatchi Chapter Housing Discretionary Policies and Procedures, Section III, Requirements, states the following documents are required to be on file:

- Complete Application
- Social Security card
- Home Site Lease
- Identification card
- Signed memo of agreement
- Document for medical disability
- Authorization of release of information
- Scope of work

Section II, Assistance Category, also states new construction awards are limited to \$8,000.

Condition: Three housing recipients were approved for new home construction at approximately \$12,000 each. These awards exceeded the authorized limit for new home construction per the Chapter's housing policies.

In addition, there were no supporting documents to show if these recipients were assessed to be eligible for the housing assistance and no documents to justify the additional \$4,000 in assistance for each recipient. The Chapter awarded housing assistance contrary to its housing policies and procedures.

Effect: In the absence of proper supporting documentation, the Chapter cannot justify approving housing assistance in excess amounts of the authorized limits and to recipients who may have been ineligible. This potentially limits assistance to other potentially eligible community members.

- Cause:
- The Chapter administration and Officials did not use the checklist per policies and procedures to verify supporting documents before obtaining the Chapter membership approval.
 - The Chapter Officials stated they were unaware that the assistance exceeded the \$8,000 limit for new construction.

- Recommendations:
1. The CSC should use the checklist to verify all housing assistance files have the required documentation on file.
 2. The Chapter administration should obtain quotations and award recipients based on Chapter housing policies.

Finding III: The Chapter did not verify that \$32,581 of building materials were used for their intended purpose.

Criteria: TCDC Housing Discretionary Policies and Procedures, Section VII.A., states the Chapter Manager shall have the day-to-day oversight responsibility for the administration of all chapter activities involving the Housing Discretionary Fund.

Condition: The CSC did not document day-to-day oversight responsibility for the Chapter housing projects. As a result, the following documents were not found:

- Daily progress reports by the PEP workers assigned to housing projects.
- Project completion reports for housing projects.
- Physical inspection reports for housing projects.
- Documentation to show which recipients received the building materials purchased and an inventory of these materials.

During our field visit, the audit team requested for assistance by the CSC to conduct site visits to the recipient homes to verify the housing projects, however, the CSC did not make herself available. Therefore, the onsite visits could not be completed.

Effect: In the absence of adequate oversight, there is a risk that building materials could have been potentially misused or stolen resulting in a potential financial loss of \$32,581 for the Chapter.

- Cause:
- The Chapter administration are not following through with all aspects of its housing policies and procedures. As a result, important procedures are not being implemented.
 - The CSC did not prioritize her oversight responsibility for the housing projects. As a result, reports were not prepared and site visits were not conducted to monitor progress of the projects.

- Recommendations:
1. The Chapter administration should establish project files and utilize a checklist to ensure all required reports/documents are maintained in the project files.

2. The CSC should develop a schedule for site visits for the housing projects and utilize available staff to conduct the site visits in a timely manner.
3. The CSC should develop standard report templates to facilitate timely reporting of project progress.
4. The Chapter Officials should review recipient files to ensure the Chapter administration is fully adhering to the Chapter's housing policies and procedures.

FINDING IV: A contractor was hired contrary to procurement policies and procedures.

Criteria:

Navajo Nation Procurement Rules and Regulations require non-certified Chapters to adhere to bidding procedures when procuring a contractor:

- (a) Solicitation package: Invitation for bids which include specifications, terms and conditions, and bidder's instructions.
- (b) The preparation by prospective contractors of a bid to produce the specified supplies and the timely delivery of a sealed bid to the Chapter.
- (c) Public opening of the sealed bids and award of the contract to the lowest priced.
- (d) Approval at a duly called Chapter meeting.

Navajo Nation Business Opportunity and Procurement Act requires a contract review/execution for all contracts for services and be submitted through the Navajo Nation review process for signature and comment.

Condition:

During the audit period, one contractor was paid \$11,619 for two separate contracts for maintenance and installation of a: a) leach field and b) shower. However, as a non-certified Chapter, the Chapter did not comply with the Navajo Nation bidding procedures to select the contractor. Specifically, our test work revealed the following:

Type of Exception	No. of Exceptions
No Request for Proposals (RFP) on file.	2 of 2 (100%)
No bid tabulation sheet completed.	2 of 2 (100%)
Contracts were not approved by community through resolution.	1 of 2 (50%)
Contracts for services were not signed by the Navajo Nation President.	2 of 2 (100%)

In addition to these noncompliance issues, we noted a conflict of interest by a Chapter Official with the contractor hired by the Chapter. Overall, the Chapter executed professional service contracts that were not reviewed and approved in accordance with the Navajo Business Opportunity and Procurement Act.

- Effect:** There is a risk that the Chapter hired an unqualified contractor at potentially higher cost for services that did not adequately benefit the Chapter. In disregarding the bidding procedures, the Chapter cannot provide assurance it selected the contractor in a fair, unbiased manner.
- Cause:**
- The CSC indicated there was limited Chapter staffing at the time the contractual services were needed so she relied on the Navajo Nation Priority List to identify a contractor; the contractor hired was the only qualified, Navajo vendor.
 - The Chapter administration did not seek advisement and guidance from ASC or Department of Justice for contractual agreements.
- Recommendations:**
1. The Chapter staff should seek the advisement and guidance of ASC or Department of Justice on the process when entering into a contractual agreement.
 2. The Chapter administration should procure professional services using the bidding procedures to select qualified contractors at the most economical prices.
 3. The Chapter administration should seek training from ASC on the proper procedures for procuring professional services for non-certified Chapters.

FINDING V: A contractor was paid \$5,455 for work that could not be verified.

- Criteria:** Navajo Nation Procurement Rules and Regulation, Section IV.J., states the payment process should start at the conclusion of the project. The Chapter should verify the service rendered is satisfactory according to the contract. The Chapter is to document the services performed and their completion using progress reports. For the payment process, the fund approval form, invoice, payment, and receiving report to the vendor are needed.
- Condition:** During the audit period, contractual services were rendered for a shower installation totaling \$5,455. Although there were no progress reports to verify the contractor provided the services in full and to the satisfaction of the Chapter, the CSC paid the contractor.
- Effect:** There is a risk the Chapter paid the contractor for unmet deliverables or unsatisfactory work.
- Cause:**
- The Chapter administration and Officials do not fully understand the Navajo Nation procurement rules and regulations in terms of managing contracts.
 - The Chapter administration and Officials acknowledge they do not adequately monitor its contractors to make sure their services are meeting Chapter expectations.

- Recommendations:
1. The Chapter should seek additional training from ASC or the Department of Justice on the procurement rules and regulations to understand the importance of contract deliverables.
 2. The CSC should confirm deliverables with reports or site visits prior to processing payment of contractor invoices.

FINDING VI: Poor accountability for diesel fuel usage by the Chapter.

Criteria: FMS Fiscal Policies and Procedures, Section VII.B., states the Accounts Maintenance Specialist shall ensure that the fund approval form indicates payment authorization and that all source documents (i.e., invoices, quotes, receiving report, and similar documents) support each fund disbursement before preparing a check for payment.

Condition: The Chapter owns heavy equipment such as a tractor, backhoe, grader, and loaders. During the audit period, the Chapter expended \$10,040 for diesel fuel and \$3,407 for tires. The Chapter Officials approved a local vendor to provide the fuel but the vendor was not selected competitively as no quotations were on file. Further, the CSC also purchased tires from the local vendor although the vendor was only approved to provide diesel fuel.

The use of the diesel fuel was not adequately tracked by the Chapter administration. There was no receiving record upon each delivery to account for the amount of fuel received by the Chapter. There was also no record of how much fuel was used for the heavy equipment. There was no process to allow for proper recordkeeping, the reconciliation of fuel inventory against invoices, and oversight of activities.

Effect: The Chapter cannot provide assurance it purchases fuel at the most economical costs and avoids unauthorized expenditures. The lack of tracking also poses a risk that fuel and supplies could be stolen or misused without proper detection.

Cause:

- The CSC and Officials explained the use of a local vendor has been a normal practice of the Chapter and, as such, did not seek quotes from other vendors.
- The CSC and Officials also did not think it was necessary to have a written agreement for fuel purchases.
- At the time of the fuel purchase and usage, the CSC was the only Chapter staff and as a result, her duties and responsibilities had to be prioritized leaving some tasks unattended to.

- Recommendations:
1. The Chapter administration should follow the FMS Fiscal Policies and Procedures to obtain quotations, and prepare fund approval funds and receiving reports to adequately support expenses.
 2. The Chapter should have written agreements with the vendor to make clear allowed and disallowed purchases.

3. The CSC should develop a fuel inventory form to document fuel delivery and usage by each heavy equipment/vehicle.
4. The CSC should periodically reconcile the fuel inventory to fuel invoices to account for all purchases from the vendor.

FINDING VII: Poor property controls impede proper identification, tracking and recordkeeping of Chapter property.

Criteria: FMS Property Policies and Procedures, Section VII.A., requires the Chapter to protect Chapter assets by implementing the following: 1) perform an annual physical inventory of property, 2) maintain a complete and accurate inventory of all property, 3) tag all property with an identification number, and 4) keep property on Chapter premises.

FMS Property policies and procedures, Section IX states the Accounts Maintenance Specialist should check all property locations to ensure the asset has not been misplaced, loss, stolen or damage.

Condition: Based on the Chapter property listing, there is a total of 80 property items. Of this, we judgmentally selected 47 (59%) property items totaling \$668,758 for audit test work and found control deficiencies. The Chapter did not perform an annual physical inventory, items lacked identification tags, and the property inventory did not provide pertinent information such as property numbers, acquisition cost, acquisition date, and condition of the property.

11 property items are heavy equipment such as tractor, back hoe, grader, and loaders which were not located on the Chapter premises. Rather, the equipment is stored at the personal residence of the Chapter's Heavy Equipment Operator. Such arrangement is intended to safeguard the equipment but there is no documentation and authorization of such arrangement.

Lastly, the Chapter could not provide documentation of missing property including a swap cooler, cement mixer and ladder. The CSC and Officials allowed temporary Public Employment Program (PEP) workers to use Chapter property although there is no defined process in place for equipment checkout and usage.

Effect: Without adequate property controls, the Chapter cannot provide reasonable assurance that all property and equipment owned and controlled by the Chapter was accounted for and safeguarded against loss or misuse. There are also potential liability issues with storing Chapter property at personal residences.

Cause:

- Property management is not a priority of the Chapter. The CSC is solely responsible for maintaining the property inventory but has not devoted sufficient time to maintain proper records and account for the property.
- Although the Chapter has PEP workers, the CSC has not delegated any property responsibilities to these workers to help address this important task.
- The CSC and Officials did not consider the risks for storing Chapter property at a personal residence, and no alternatives have been identified.
- The Chapter Officials do not monitor the Chapter property activities despite the CSC having sole responsibility in this area.

- Recommendations:**
1. The Chapter administration should purchase pre-numbered Identification tags available on the market, affix the tags to the property items, and record the identification numbers on the property inventory.
 2. The CSC should utilize available Chapter staff to assist with the annual physical count and inspections of the Chapter property and update the Chapter property inventory with pertinent information and to verify all property have Identification tags.
 3. The CSC and Officials should periodically inspect property items to ensure they have identification tags and verify the property inventory is kept current and approved as complete.
 4. The CSC should clearly define its process for equipment/tool checkout by Chapter employees and hold staff accountable for missing property.
 5. The Chapter should have all heavy equipment and other property returned from personal residences and stored on the Chapter premises.

FINDING VIII: The Chapter could not justify the fixed assets value reported in the financial statements.

Criteria:

FMS Property Management Policies and Procedures, Section VIII.B., states the Accounts Maintenance Specialist is tasked to ensure all pertinent records and documentation of all Chapter property are kept on file including invoices, warranties, and titles.

FMS Fiscal Policies and Procedures, Section VII.F., requires the Chapter to maintain fixed assets records and to report the value of fixed assets in the financial statements. In addition, Title 26 Navajo Nation Local Governance Act, Section 1, states capitalized property is nonexpendable property having an acquisition value of \$1,000 or more.

Condition:

The Chapter has 40 property items deemed as fixed assets totaling \$767,589. We judgmentally selected a sample of 16 fixed assets totaling \$532,767 to verify proper supporting documentation and accurate reporting in the financial statements. The sample of fixed assets revealed:

- The Chapter did not have documents such as receipts, titles, invoices, or appraisals on file to support the fixed asset values reported in the property inventory.
- The Balance Sheet as of October 4, 2019 only reported \$10,420 in fixed assets which is significantly less than the \$767,589 reported in the property inventory.
- The Chapter has not developed a fixed asset listing.

Effect: Since the balance sheet is understating the value of the Chapter's fixed assets, the financial statement is deemed unreliable. Without an accurate value of its assets, the Chapter is hindered in making informed financial decisions.

Cause:

- The CSC does not have a clear understanding of the importance of maintaining fixed asset records and how accurate records are needed to generate accurate financial statements.
- The CSC and Officials did not obtain technical assistance to better understand the reporting of fixed assets.
- The Chapter hired an uncertified appraiser which jeopardized the validity of the appraisal report.

Recommendations:

1. The Chapter administration should seek more training on property management and asset reporting from ASC.
2. The Chapter should obtain assistance from ASC to hire a certified appraiser to properly appraise the Chapter's property/assets.
3. The Accounts Maintenance Specialist should establish a filing system to maintain records such as invoices, receipts, and appraisals for each fixed asset to support the values reported in the property inventory and financial statements.
4. The CSC and Secretary/Treasurer should verify the fixed assets are recorded in the accounting system and reported values in the financial statements are justified with supporting documentation.

FINDING IX: PEP/SYE projects did not comply with policies and procedures.

Criteria: Transportation and Community Development Committee (TCDC) PEP Policy, Section V, requires for each project, the Chapter administration to properly complete, date, and sign the project application, personnel roster, and employment/termination notice(s). The Chapter administration shall also include a copy of the Chapter budget resolution and keep all of the above-mentioned documents on file. All documents shall be completed and finalized prior to commencing the project.

TCDC PEP Policy, Section VII, requires, at the completion of each project, the Chapter administration to prepare a final project evaluation report describing the completed project and have the report signed by the Chapter president. The TCDC Summer Youth Employment (SYE) projects require the same documents as PEP policies.

Condition: For the audit period, there were seven PEP and one SYE projects totaling \$120,592. In verifying compliance with applicable policies, the following exceptions were noted for all eight projects:

- No project applications on file.
- No evidence that the hiring for the projects was advertised.
- Project personnel rosters were not on file.
- Project completion reports were not on file.

Effect: Since there was no evidence to show the Chapter complied with applicable TCDC policies and procedures, the Chapter cannot justify the use of \$120,592 for the PEP/SYE projects. There is no assurance that these funds were used for its intended purposes.

Cause:

- Although the CSC was employed with the Chapter since 2013, she represented she was not provided proper training by ASC with regards to managing PEP/SYE projects and training the Officials.
- The CSC was also challenged in remaining current with recordkeeping without the support of an AMS which was a vacant position during the audit period.

Recommendations:

1. The Chapter should obtain technical assistance from the ASC on how to properly manage PEP/SYE projects.
2. The CSC should develop a checklist for the AMS to ensure all required documents are on file and PEP/SYE project folders are maintained by fiscal year.
3. The CSC and Officials should review these project folders to verify all required documents are on file before approving the PEP/SYE projects.

FINDING X: Wages totaling \$29,531 lacked timesheets and independent review.

Criteria: FMS Fiscal Policies and Procedures, Section VII.H., requires the Chapter to maintain attendance/timesheet to document the hours worked by employees and to ensure employees are paid only for the actual hours worked. The attendance sheet should be signed by Chapter employees each day. The Accounts Maintenance Specialist calculates the hours, and the Community Service Coordinator reviews and signs for approval for payroll.

Condition: 50 payroll expenditures totaling \$29,531 were examined to verify whether workers were paid the correct wages. The Chapter did not provide documents for three payroll expenditures totaling \$1,256. The remaining 47 payroll expenditures of \$28,275 had the following exceptions:

Type of Exception	No. of Exceptions and Amounts
No timesheets on file to reconcile hours recorded on the attendance sheets and hours posted in the accounting system.	29 of 47 (62%) \$18,650
No independent review of payroll documents prepared by the CSC.	47 of 47 (100%) \$28,275

Effect: The Chapter is at risk for compensating employees for hours that were not actually worked. The lack of independent review also poses a risk for fraudulent activities to go undetected.

Cause:

- The CSC had sole responsibility over the Chapter's payroll process and as such did not seek assistance from the Office Specialist or Office Aide to allow for proper checks and balances within the process.
- The CSC did not adhere to payroll procedures which required reviews of payroll records by an independent person to ensure their accuracy.
- The Chapter Officials did not perform independent reviews of the payroll vouchers to ensure their accuracy before signing payroll checks for the temporary workers.

Recommendations:

1. The Chapter administration should prepare master timesheets for every payroll cycle and reconcile the timesheets to the attendance sheets before posting employee hours into the accounting system.
2. The Chapter administration should segregate duties and responsibilities within the payroll process to facilitate proper reconciliations and independent reviews.
3. The Chapter Officials should verify payroll records are complete and show evidence of review before approving the records and payroll checks.

FINDING XI: No performance reports on file to verify that project materials and services were used as intended.

Criteria: TCDC Housing Discretionary Policies and Procedures, Section IV(D), states prior to commencing any work, the Community Services Coordinator shall prepare a Statement of Work to be undertaken which lists the construction expenditures and a brief description of the construction plan. Section IV(E) states upon completion of the work, the Community Services Coordinator shall prepare a "Performance Report" briefly describing the accomplishments as they relate to the Statement of Work.

Condition: 11 recipients were assisted with building materials, home site survey, and maintenance of a leach field totaling \$25,852 as housing assistance. Contrary to policies, the CSC did not prepare a scope of work for each housing project to ensure the correct materials and services were obtained. The CSC also did not conduct site visits to verify the projects were fully

completed and the recipients used the building materials and contractual services for their intended purposes.

The audit team requested for assistance from the CSC to conduct site visits to the homes of the 11 recipients but inclement weather prevented the visits. Thereafter, the CSC refused to reschedule the site visits and as a result, no physical verification of the housing assistance projects was completed as part of this audit. There were also no performance reports for the housing projects.

Effect: In the absence of documentation and site visits, the Chapter cannot provide assurance housing assistance met intended purposes. There is a risk the materials costing \$21,052 and services costing \$4,800 could have been stolen or misused resulting in a financial loss to the Chapter.

Cause:

- The CSC was not fully aware of the housing assistance policies and procedures as she claimed she was unaware the Chapter was supposed to conduct follow-up visits for its housing projects.
- The Chapter is utilizing two housing policies and procedures which creates confusion for the administration.

Recommendations:

1. The Chapter administration should prepare a scope of work for all housing projects.
2. The Chapter administration should conduct site visits in a timely manner and prepare performance reports based on the results of the site visits.
3. The Chapter administration should develop a checklist to make sure all documents required by policies are maintained for the housing projects.
4. The Chapter administration should revise the in-housing policies to reflect the TCDC Housing Discretionary policies and procedures.

FINDING XII: Current filing system is inconsistent with the FMS records management policy.

Criteria: FMS Records Management Policies and Procedures, Section IV.B, states the Chapter is to maintain security and accountability of its records and the control and management of all Chapter records shall be properly segregated so that no single employee is in a position to handle all aspects of records control.

Section IV.C. states the Chapter records shall be complete, kept regularly filed, and kept in a locked cabinet within the Chapter administration office. Section V.B requires the Community Services Coordinator to conduct an annual records inventory with the Accounts Maintenance Specialist to ensure proper storage, disposal, transfer or filing of all records. Section VI.A requires the Chapter to maintain a complete and updated permanent filing system be maintained that will enable records to be easily accessed and retrieved.

Lastly, Section VI.B., states the following types of filing methods shall be used, with a guide to identify each Section for ease of accessibility:

1. Alphabetical – filed alphabetically
2. Geographic – filed alphabetically according to location and/or address
3. Numerical – filed by an assigned number
4. Subject – filed alphabetically according to subject
5. Chronological – filed by time or date

Condition: The Chapter's filing system is in disarray and the following discrepancies were noted:

- No supporting documentation for housing projects, PEP/SYE projects, fixed assets, diesel fuel usage and contracts.
- Incomplete files due to missing supporting records for housing assistance, housing projects, contractual services, payroll, and property.
- Dated records including the Chapter's five management system policies and procedures manual and annual property inventory.
- No records such as an annual records inventory.
- Unsafe/damaged records that are stored in an unsafe, hazardous storage environment and piles of records stored in administrative offices that have not been properly organized and filed.
- Chapter administration does not know where records are located at times.
- Permanent records are not clearly identified and a defined filing method was not clearly evident.
- Safeguards to protect critical, sensitive records were not found.

Effect: Records provide audit trails of activities and support decision-making so without a proper filing system, the Chapter cannot reasonably justify expenditures, projects and overall use of Chapter resources and assets. The Chapter is also hindered in retrieving and providing records efficiently.

Cause:

- The Chapter administration do not conduct annual records inventories to account for all records, identify missing records and take steps to make improvements.
- The CSC is storing files on her assigned computer but does not routinely print hardcopies for filing.
- The Chapter administration has not devoted sufficient time to establish a proper records management system required by policies.
- The Chapter Officials do not monitor the Chapter's records management system and do not set clear expectations for the staff in maintaining such a system.

Recommendations:

1. The Chapter administration should obtain technical assistance from the ASC to update their records management system.
2. The Chapter administration should utilize records checklists for key processes to make sure all required records are obtained before approval and processing.

3. The Chapter administration should develop a records filing schedule to help the staff routinely file records including digital records maintained on staff computers.
4. The Chapter administration should conduct annual record inventory and use the retention schedule to determine which records should be retained and disposed of.
5. The Chapter Officials should periodically inspect the records management system to verify records are on file and kept current.

Conclusion

During the audit period, there were discrepancies identified as controls are not functioning as designed within key Chapter processes. The Chapter used gift cards to purchase building materials and cards with remaining balances totaling \$3,600 are unaccounted for. Housing assistance exceeded authorized limit per policy and recipient eligibility cannot be justified. The Chapter did not verify that \$32,581 of building materials were used for their intended purpose. A contractor was hired contrary to procurement policies and procedures and paid \$5,455 for work that could not be verified. There's poor accountability for diesel fuel usage by the Chapter. Poor property controls impede proper identification, tracking and recordkeeping of Chapter property. The Chapter could not justify the fixed assets value reported in the financial statements. PEP/SYE projects did not comply with policies and procedures. Wages totaling \$29,531 lacked timesheets and independent review. No performance reports on file to verify that project materials and services were used as intended. Lastly, the current filing system is inconsistent with the Five Management System records management policy.

BACKGROUND

The Office of the Auditor General has conducted a Special Review of the Tohatchi Chapter for the 12-month period ending September 30, 2019.

The Tohatchi Chapter is a political subdivision of the Navajo Nation and is considered a general-purpose local government for reporting purposes. Navajo Nation Chapters are required to operate under Title 26 of the Navajo Nation Code, the Local Governance Act.

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. The Chapter also generates internal revenues from fees collected for providing miscellaneous services.

The Chapter expended a total of \$377,719 for the 12-month audit period ending September 30, 2019.

While conducting this audit, we were assisted by the Community Services Coordinator until her resignation; her last day of work with the Chapter was January 31, 2020. The Chapter hired a new Community Services Coordinator on August 31, 2020. For audit reporting purposes, references made to the CSC is referring to the former CSC who resigned from the Chapter during the audit.

OBJECTIVE, SCOPE, AND METHODOLOGY

The Office of the Auditor General conducted a Special Review of the Tohatchi 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:

1. The Chapter is monitoring the Home Depot gift card expenditures for housing discretionary assistance.
2. The Chapter executed contractual services with an approved contract and supporting documents.
3. The Chapter follows FMS Fiscal Manual Section VII.B to ensure controls are in place for the establishment and management of an open store account.
4. The Chapter property inventory contains all pertinent information, property is tagged with property identification numbers, and is located on Chapter premises in accordance with FMS Property Manual Section VII.A and IX.
5. There is documentation to support the fixed asset values reported in the financial statements in accordance with FMS Property Manual Section VIII.B and FMS Fiscal Manual Section VII.F.
6. The PEP and SYE projects were approved and supported with required documents.
7. Wages are supported with documentation in accordance with FMS Fiscal Manual Section VII.H.
8. The Chapter verified the completion of approved housing assistance projects in accordance with TCDC Housing Discretionary Section IV.D and IV.E
9. The Chapter records are secured and properly filed to enable easy access and retrievable in accordance with FMS Records Management Manual Section IV, V.B, VI.A, and VI.B.

The audit covers activities for the 12-month period of October 1, 2018 to September 30, 2019. To further evaluate the activities pertaining to the Home Depot gift cards utilized for housing assistance, the audit scope was expanded to a 28-month period of May 1, 2017 to September 30, 2019.

In meeting the audit objectives, we interviewed the Chapter administration and Officials, observed Chapter operations, and examined available records. More specifically, we tested samples of expenditures for internal controls and compliance requirements by using a non-statistical, judgmental method.

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 Tohatchi Chapter Officials and administration for their cooperation and assistance throughout the audit.



THE NAVAJO NATION
TOHATCHI COMMUNITY CHAPTER

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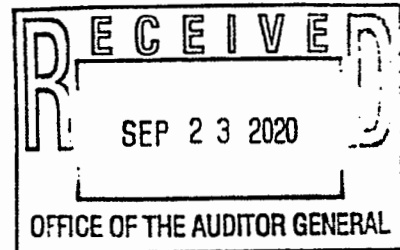
Julie Badonie, President

Vacant, Vice President

Harry "Sonny" Moore, Jr., Secretary/Treasurer

Pernell Halona, Council Delegate

September 22, 2020



Navajo Nation Office of Auditor General
Stacy R. Manuelito, CIA, CFE
Auditor General

Dear Ms. Manuelito;

We are in receipt of your final draft of the "A Special Review" Findings of the Tohatchi Chapter dated September 17, 2020. Pursuant to Title N.N.C. §7A, we agree to the audit findings under protest and will begin the process of the corrective Action Plan based on the recommendations made by your office within thirty (30) days.

If you should have any questions, please feel free to contact the Tohatchi Chapter at (505) 733-2845 or email at tohatchi@navajochapters.org. Thank you.

Sincerely,

Maria Allison-King, CSC
Tohatchi Chapter

CONCURRENCE:

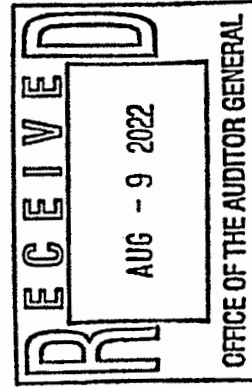
Julie Badonie, Chapter President

cc: Sonny Moore, Chapter Secretary/Treasurer
Pernell Halona, Council Delegate
Casey Begay, Senior Programs & Project Specialist
Helen Brown, Auditor General Department
File

Tohatchi Chapter
Corrective Action Plan
Audit Report No. 20-16

Audit Finding 1: The Chapter used gift cards to purchase building materials and cards with remaining balances totaling \$3,600 are unaccounted for.

Corrective Action Plan:	Responsible Person:	Completion Date:
1. The Tohatchi Chapter Housing Policy will be amended and adopted to include no more use of gift cards.	Community Service Coordinator	September 30, 2022
2. The Tohatchi Chapter staff will determine the exact number of gift cards on hand and total dollar amounts.		
3. The Community Service Coordinator (CSC) will draft a policy on the one-time use of the remaining gift cards.		
4. The amended gift card policy and resolution will be approved by the community membership prior to the use of the cards.		
5. The CSC will request the assistance of Administrative Service Center (ASC) to perform a one-time reconciliation of the expenditures and to verify the inventory of materials, tools, and equipment purchased with these cards.	Community Service Coordinator	August 31, 2022
6. At the conclusion of the reconciliation, a determination will be made to pursue any further investigative action.		
7. The CSC will provide a report to the Chapter Officials and the community members regarding the one-time use of the gift cards and the reconciliation on the use of the gift cards, and overall housing activities.	Community Service Coordinator	August 31, 2022



**Tohatchi Chapter
Corrective Action Plan
Audit Report No. 20-16**

Audit Finding II: Housing assistance exceeded authorized limit per policy and recipient eligibility cannot be justified.

Corrective Action Plan:	Responsible Person:	Completion Date:
<ol style="list-style-type: none"> 1. The Tohatchi Chapter staff has revised the Housing Discretionary Policy and incorporated the TCDC Housing Policy guidelines. The revised policy addresses the legal limits per recipient, includes a check list for eligibility requirements and the required quotes. 2. The Chapter staff will abide by the Fiscal policies and procedures and the Procurement policies and procedures specifically on obtaining three quotes. <ol style="list-style-type: none"> a. The CSC will acquire three verbal quotes up to \$2,500. b. The CSC will request for three written quotes for all projects from \$2,501 up to \$50,000. 3. The Chapter staff and officials will submit the Housing Discretionary Policy to the Department of Justice for review and approval. 4. The Chapter staff and officials will present the Housing Discretionary Policy to the community membership for approval via resolution and implement the policy upon approval. 	<ul style="list-style-type: none"> • Community Service Coordinator • Receptionist • Chapter Officials 	September 30, 2022
<ol style="list-style-type: none"> 5. The Receptionist will collect the initial required documents and will submit the documents to the CSC for review and approval. 6. The CSC will use the checklist to ensure eligibility requirements and all documents are on file. 7. The CSC will determine the authorized award amounts, prepare a resolution, and the award(s) will be approved via resolution by the community membership and not exceed established limits. 8. The assigned supervisor (Official) to the CSC will review the recipient file to ensure all required documents are on file prior to the approval of the award and approval of the resolution. 	<ul style="list-style-type: none"> • Community Service Coordinator • Receptionist 	September 30, 2022

**Tohatchi Chapter
Corrective Action Plan
Audit Report No. 20-16**

Audit Finding III: The Chapter did not verify that \$32,581 of building materials were used for their intended purpose.

Corrective Action Plan:	Responsible Person:	Completion Date:
1. The Tohatchi Chapter staff and officials will revise the Housing Discretionary Policy. The revised policy will address incorporating a scope of work in the assessment phase, checklist for the documents required, site visits by the CSC to adequately monitor and account for materials, labor, and equipment used for each project, close-out form that includes a description of the progress and completion of the project which can be shared at the planning and chapter meeting, and the accountability of materials used to include the leftover material.	<ul style="list-style-type: none"> Community Service Coordinator Chapter Officials 	September 30, 2022
2. The CSC will create a project folder which will be kept on file for each project.	<ul style="list-style-type: none"> Community Service Coordinator 	September 30, 2022
3. The assigned supervisor (Official) to the CSC will review the project folder on a quarterly basis to ensure all required documents are on file.	<ul style="list-style-type: none"> Chapter Officials 	September 30, 2022

Tohatchi Chapter
Corrective Action Plan
Audit Report No. 20-16

Finding IV: A contractor was hired contrary to procurement policies and procedures.

Corrective Action Plan:	Responsible Person:	Completion Date:
<ol style="list-style-type: none"> 1. For all contractual services the chapter staff and officials will obtain guidance from ASC and the Division of Community Development prior to obtaining services. 2. The Chapter will follow the Navajo Nation Procurement Rules and Regulations and the Navajo Nation Business Opportunity and Procurement Act. 3. The Tohatchi Chapter staff completed training and technical assistance from ASC in the Procurement Policies and Procedures as stated in the Five Management System. 4. The assigned supervisor (Official) to the CSC will review the project folder on a quarterly basis to ensure all documents are on file. 	<ul style="list-style-type: none"> • Community Service Coordinator • Accounts Maintenance Specialist • Chapter Officials 	<p>July 31, 2022</p>

**Tohatchi Chapter
Corrective Action Plan
Audit Report No. 20-16**

Finding V: A contractor was paid \$5,455 for work that could not be verified.

Corrective Action Plan:	Responsible Person:	Complete Date:
<ol style="list-style-type: none"> The CSC will visit the project site three times, during the assessment, construction, and during the completion phase; the completion phase will include verifying the contractors work in accordance to the scope of work. The completion phase will include any as-built cost and drawing of the project to be submitted by the vendor and filed in a project folder by the CSC. The vendor will be required to submit an itemized break down of their cost. The Chapter. CSC, and officials will not authorize payment until final inspection and verification that the scope of work is complete. 	<ul style="list-style-type: none"> Community Service Coordinator 	<p>July 31, 2022</p>
<ol style="list-style-type: none"> The assigned supervisor (Official) to the CSC will review the project folder on a quarterly basis to ensure all documented site visits are on file and deliverables are confirmed prior to authorizing payment to vendors. 	<ul style="list-style-type: none"> Chapter Officials 	<p>July 31, 2022</p>

**Tohatchi Chapter
Corrective Action Plan
Audit Report No. 20-16**

Finding VI: Poor accountability for diesel fuel usage by the chapter.

Corrective Action Plan:	Responsible Person:	Complete Date:
1. The Chapter staff will abide by the Fiscal Policies and Procedures when making purchasing for chapter vehicles, such as tires.	• Community Service Coordinator	August 31, 2022
2. The Tohatchi Chapter staff are no longer purchasing diesel fuel from Recon, Gallup, NM; the Chapter has removed the diesel storage tank and is currently purchasing diesel and regular unleaded fuel from Speedway, Inc., a local vendor. The Chapter made these changes with a resolution. 3. The Tohatchi Chapter Administration will develop an In-House Fuel Policy for monitoring and accounting for fuel purchases usage for all Chapter vehicles and equipment. The policy will address fuel purchases usage, proper forms will be generated to track monthly fuel purchases usage and reconciled each month. The Chapter will approve the policy via resolution. 4. The CSC will perform the monthly fuel purchases and usage reconciliation prior to payment of invoices.	• Community Service Coordinator	August 31, 2022
5. The assigned supervisor (Official) to the CSC will review this process on a monthly basis to verify tracking forms are implemented and reconciliation are completed by the CSC.	• Chapter Officials	August 31, 2022

**Tohatchi Chapter
Corrective Action Plan
Audit Report No. 20-16**

Finding VII: Poor property controls impede proper identification, tracking and recordkeeping of Chapter property.

Corrective Action Plan:	Responsible Person:	Complete Date:
<ol style="list-style-type: none"> The CSC will purchase pre-numbered identification tags. The Office Specialist (OS) and the CSC will conduct an annual inventory prior to the new fiscal year of all Chapter Buildings, Office Equipment, and Equipment and Tools, and during the inventory, all chapter property will be verified for property tags. If there is not an identification tag, a tag will be affixed to the property. 	<ul style="list-style-type: none"> Community Service Coordinator Office Specialist 	September 30, 2022
<ol style="list-style-type: none"> The OS and CSC will document all of the assets of having a value of \$1,000 or more and property of having a value of less than \$1,000 will also be listed onto the Property Inventory Form. The property will be categorized into the following: Buildings, Office Equipment, Equipment, and Tools; each property will have a tag I.D., an acquisition cost and date, serial numbers, condition and a current value. All missing or damaged property will also be recorded on the form. The listing of property of \$1,000 or more will be capitalized and recorded in the accounting system. 	<ul style="list-style-type: none"> Community Service Coordinator Office Specialist 	September 30, 2022
<ol style="list-style-type: none"> The completed Property Inventory form will be submitted to the Secretary/Treasurer for verification quarterly and during the annual inventory. 	<ul style="list-style-type: none"> Secretary/Treasurer 	October 31, 2022
<ol style="list-style-type: none"> The Chapter will no longer store heavy equipment off Chapter premises. The Chapter heavy equipment is now stored on the chapter compound, the Chapter has upgraded their fencing for additional security and has surveillance cameras monitoring the premises. 	<ul style="list-style-type: none"> Community Service Coordinator 	August 31, 2022
<ol style="list-style-type: none"> The CSC will develop an internal policy on tool and equipment usage to safe guard the equipment and tools. The policy will be approved via resolution by the community membership. 	<ul style="list-style-type: none"> Community Service Coordinator 	August 31, 2022
<ol style="list-style-type: none"> The assigned supervisor (Official) to the CSC will review the inventory and balance sheet on a quarterly basis to verify it's completed and fixed assets are in the financial statement. 	<ul style="list-style-type: none"> Chapter Officials 	December 31, 2022

**Tohatchi Chapter
Corrective Action Plan
Audit Report No. 20-16**

Finding VIII: The Chapter could not justify the fixed assets value reported in the financial statements.

Corrective Action Plan:	Responsible Person:	Complete Date:
<p>1. The Tohatchi Chapter staff and officials will adhere to the FMS Fiscal Policies and Procedures and the Title 26, Navajo Nation Local Governance Act, Section for capital asset threshold, which is \$1,000.</p>	<ul style="list-style-type: none"> • Community Service Coordinator • Chapter Officials 	<p>December 31, 2022</p>
<p>2. The Chapter staff and officials will obtain training from ASC on how to value the chapter fixed assets.</p> <p>3. The CSC will use the Appraisal from Gipson Investments and Associates, a legitimate appraisal of the Chapter buildings completed in 2020.</p> <p>4. For the Chapter heavy equipment and property, the Office Specialist will research the purchased amounts and dates, from available documents.</p> <p>5. The CSC will monitor the Office Specialist on the researched information to verify the accuracy of documents on a monthly basis.</p> <p>6. For the heavy equipment and property that does not have documents to support the values, the CSC will determine the fair market values for Chapter equipment and property. The fair market values will be based on internet research, Kelly Blue book values.</p> <p>7. The Office Specialist will record this researched purchase amount information onto the Chapter property inventory form and create a file for their records.</p> <p>8. The Chapter CSC and AMS will obtain MIP accounting system (MIP) training on how to enter the fixed assets into MIP.</p> <p>9. When the research is complete and as the chapter purchases fixed assets, the AMS will record the purchase on the Fixed Asset list. The AMS will enter the fixed assets into MIP and the depreciated values using the Internal Revenue Service guidelines.</p> <p>10. The CSC will reconcile the Fixed Asset list to the MIP fixed asset ledger on a monthly basis.</p> <p>11. The CSC will generate a Combined Balance Sheet with the general fixed assets on a monthly basis.</p> <p>12. The CSC will report on an annual basis all inventory pertinent to Risk Management Department to insure coverage by Navajo Nation Insurance.</p>	<ul style="list-style-type: none"> • Community Service Coordinator • Account Maintenance Specialist • Office Specialist 	<p>December 31, 2022</p>

**Tohatchi Chapter
Corrective Action Plan
Audit Report No. 20-16**

13. The Secretary/Treasurer will review the balance sheet fixed assets total against the fixed asset inventory total on a quarterly basis to verify its accuracy and completeness.	Chapter Officials	December 31, 2022
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**Tohatchi Chapter
Corrective Action Plan
Audit Report No. 20-16**

Finding IX: PEP/SYE projects did not comply with policies and procedures.

Corrective Action Plan:	Responsible Person:	Complete Date:
<ol style="list-style-type: none"> 1. The Tohatchi Chapter Administration will follow and adhere to the revised Tohatchi Chapter Public Employment Program (PEP) Policy was approved by the community with a resolution. 2. The amended Policy includes addressing monitoring the accountability of labor hours for each PEP project. <ol style="list-style-type: none"> a. The CSC will prepare a budget for PEP projects. b. The CSC will advertise PEP employment as they become available at planning and chapter meetings, chapter bulletin boards, local businesses, radio/newspaper, and chapter website. c. The CSC and Chapter Official will interview the applicants and make a selection. d. The AMS will develop a PEP project folder for each PEP project. A checklist will be developed to ensure the folder contains the advertisements, applications, personnel roster, daily time sheet, which contains the progress and summary report, photos (if a construction or community project), and close-out report. e. The checklist will be signed and dated by the AMS and CSC after review for accuracy and completeness. 3. The Chapter staff and officials will submit the PEP Policy to the Department of Justice for review and approval. 4. The Chapter staff and officials will present the PEP Policy to the community membership for approval via resolution. 5. The assigned supervisor (Official) to the CSC will review this process on a quarterly basis by reviewing project files to verify required documents are on file and the CSC is monitoring and documenting the progress of the project. 6. The Tohatchi Chapter Administration will re-visit and update the Student Youth Employment (SYE) policy. 7. The amended Policy will address monitoring the accountability of labor hours for each SYE project. <ol style="list-style-type: none"> a. The CSC will prepare a budget for SYE projects. 	<ul style="list-style-type: none"> • Community Service Coordinator • Accounts Maintenance Specialist 	September 30, 2022
<ol style="list-style-type: none"> 3. The Chapter staff and officials will submit the PEP Policy to the Department of Justice for review and approval. 4. The Chapter staff and officials will present the PEP Policy to the community membership for approval via resolution. 	<ul style="list-style-type: none"> • Community Service Coordinator • Chapter Officials 	September 30, 2022
<ol style="list-style-type: none"> 5. The assigned supervisor (Official) to the CSC will review this process on a quarterly basis by reviewing project files to verify required documents are on file and the CSC is monitoring and documenting the progress of the project. 	<ul style="list-style-type: none"> • Chapter Officials 	September 30, 2022
<ol style="list-style-type: none"> 6. The Tohatchi Chapter Administration will re-visit and update the Student Youth Employment (SYE) policy. 7. The amended Policy will address monitoring the accountability of labor hours for each SYE project. <ol style="list-style-type: none"> a. The CSC will prepare a budget for SYE projects. 	<ul style="list-style-type: none"> • Community Service Coordinator • Chapter Officials 	September 30, 2022

**Tohatchi Chapter
Corrective Action Plan
Audit Report No. 20-16**

<p>b. The CSC will advertise SYE employment as they become available at planning and chapter meetings, chapter bulletin boards, local businesses, radio/newspaper, and chapter website.</p> <p>c. The CSC and Chapter Official will interview the applicants and make a selection.</p> <p>d. The AMS will develop a SYE project folder for each SYE project. A checklist will be developed to ensure the folder contains the advertisements, applications, personnel roster, daily time sheet, which contains the daily summary report, photos (if a community project), and close-out report. The checklist will be signed and dated by the AMS and CSC after review for accuracy and completeness.</p>		
<p>8. The Chapter staff and officials will submit the SYE Policy to the Department of Justice for review and approval.</p> <p>9. The Chapter staff and officials will present the SYE Policy to the community membership for approval via resolution.</p>	<ul style="list-style-type: none"> Community Service Coordinator Chapter Officials 	September 30, 2022
<p>10. The assigned supervisor (Official) to the CSC will review this process on a quarterly basis by reviewing project files to verify required documents are on file and the CSC is monitoring and documenting the progress of the project.</p>	<ul style="list-style-type: none"> Chapter Officials 	September 30, 2022

**Tohatchi Chapter
Corrective Action Plan
Audit Report No. 20-16**

Finding X: Wages totaling \$29,531 lacked timesheets and independent review.

Corrective Action Plan:	Responsible Person:	Complete Date:
1. The Tohatchi Chapter Administration will follow and adhere to the Fiscal Policies and Procedures as written in the Five-Management System.	• Community Service Coordinator	September 30, 2022
2. The PEP and SYEP employees will submit their daily progress report to the AMS 3. The AMS will review daily progress report, and PEP and SYEP time cards. 4. The AMS will prepare the master timesheet using the time cards. Upon completion, the AMS will submit all the documents (daily progress report, timecards, master timesheets) to the CSC.	• Accounts Maintenance Specialist	September 30, 2022
5. The CSC will review all the daily progress reports, timecards, master timesheets, and approve and sign the master timesheets. The CSC will submit the master time sheets to the AMS to post the approved work hours into the MIP System to process payroll checks. The CSC will reconcile the master timesheets to the hours posted in the MIP System before signing payroll checks.	• Community Service Coordinator	September 30, 2022
6. The Assigned Immediate Supervisor (Chapter Official) will review and approve and sign the master timesheets before signing the payroll checks.	• Chapter Officials	September 30, 2022

**Tohatchi Chapter
Corrective Action Plan
Audit Report No. 20-16**

Finding XI: No performance reports on file to verify that project materials and services were used as intended.

Corrective Action Plan:	Responsible Person:	Complete Date:
<ol style="list-style-type: none"> The Tohatchi Chapter Administration will revise the Housing Discretionary Policy. The revised policy will address incorporating a scope of work in the assessment phase, checklist for the documents required, site visits by the CSC to adequately monitor and account for materials, labor, and equipment used for each project, close-out form that summarizes the cost of each project, which will also include a summary progress report that will be shared at the planning and chapter meeting and accountability of materials used and that are leftover. 	<ul style="list-style-type: none"> Community Service Coordinator 	September 30, 2022
<ol style="list-style-type: none"> The Chapter staff and officials will submit the Housing Discretionary Policy to the Department of Justice for review and approval. The Chapter staff and officials will present the Housing Discretionary Policy to the community membership for approval via resolution. 	<ul style="list-style-type: none"> Community Service Coordinator Chapter Officials 	September 30, 2022
<ol style="list-style-type: none"> The assigned supervisor (Official) to the CSC will review the project folder on a quarterly basis to ensure all documents are on file. 	<ul style="list-style-type: none"> Chapter Officials 	September 30, 2022

**Tohatchi Chapter
Corrective Action Plan
Audit Report No. 20-16**

Finding XII: Current filing system is inconsistent with the FMS records management policy.

Corrective Action Plan:	Responsible Person:	Complete Date:
<ol style="list-style-type: none"> The Tohatchi Chapter and staff will follow and adhere to the Records Management Policies and Procedures Manual as written in the Five Management System. Staff and Officials will obtain training from ASC and will develop a plan of action which will include organizing records and records that will be scanned for records management. 	<ul style="list-style-type: none"> Community Service Coordinator Chapter Officials 	December 31, 2022
<ol style="list-style-type: none"> The OS will maintain the records in accordance to the Records Management Policies and Procedures under the direction of the CSC. The CSC will conduct and inventory of the records. 	<ul style="list-style-type: none"> Office Specialist Community Service Coordinator 	December 31, 2022
<ol style="list-style-type: none"> The CSC will be responsible to establish the creation of a filing system, classification of records, developing a retention schedule, safeguarding the records, developing a disposal schedule, and creating a back-up of all hard-copy records and MIP. 	<ul style="list-style-type: none"> Community Service Coordinator 	December 31, 2022
<ol style="list-style-type: none"> The Secretary/Treasurer will review the records management system process on quarterly basis to verify staff are maintaining a filing system consistent with policies. 	<ul style="list-style-type: none"> Chapter Officials 	December 31, 2022



THE NAVAJO NATION TOHATCHI COMMUNITY CHAPTER

Post Office Box 287 Tohatchi, New Mexico 87325 Tel: (505) 733-2815/2846 FAX: (505) 733-2847

Harry "Sonny" Moore, Jr.
Chapter President

W. Mike Halona
Chapter Vice-President

Jean Crawford
Chapter Secretary/Treasurer

Gerald Moore
Grazing Official

Pernell Halona
Council Delegate

RESOLUTION OF THE TOHATCHI CHAPTER **APPROVING AND SUPPORTING THE FINAL REVISION OF THE CORRECTIVE** **ACTION PLAN (CAP) FOR TOHATCHI CHAPTER SPECIAL REVIEW AUDIT** **REPORT NO. 20-16**

WHEREAS:

TOH: 066-09-2022

1. Pursuant to 26 N.N.C., Section 3 (A) the Tohatchi Chapter is a duly recognized certified chapter of the Navajo Nation Government, as listed at 11 N.N.C. part 1, section 10; and
2. Pursuant to 26 N.N.C., Section 1 (B) Tohatchi Chapter is vested with the authority to review all matters affecting the community and to make appropriate corrections when necessary and make recommendation to the Navajo Nation and other local agencies for appropriate actions; and
3. The Office of the Auditor General selected Tohatchi Chapter for a 12-month audit from October 01, 2018 through September 30, 2019; and
4. Tohatchi Chapter Special Review, Audit Report No. 20-16, identified 12 findings that the chapter needed to strengthen controls with activities addressed by its Five Management System as follows:

Finding I: The Chapter used gift cards to purchase building materials and cards with remaining balances totaling \$3,600 are unaccounted for.

Finding II: Housing assistance exceeded authorized limit per policy and recipient eligibility cannot be justified.

Finding III: The Chapter did not verify that \$32,581 of building materials were used for their intended purpose.

Finding IV: A contractor was hired contrary to procurement policies and procedures.

Finding V: A contractor was paid \$5,455 for work that could not be verified.

Finding VI: Poor accountability for diesel fuel usage by the chapter.

Finding VII: Poor property controls impede proper identification, tracking and record keeping of Chapter property.

Finding VIII: The Chapter could not justify the fixed assets value reported in the financial statements.

Finding IX: PEP/SYE projects did not comply with policies and procedures.

Finding X: Wages totaling \$29,531 lacked timesheets and independent review.

Finding XI: No performance reports on file to verify that project materials and services were used as intended.

Finding XII: Current filing system is inconsistent with the FMS records management policy.

5. Tohatchi Chapter submitted a final revision of the corrective action plan to the Office of the Auditor General detailing how the chapter will address the audit recommendations and the implementation of the audit findings by the specified timelines; and
6. Tohatchi Chapter accepts the final revision of the Corrective Action Plan (CAP) for Tohatchi Chapter Special Review, Audit No. 20-16.

NOW THEREFORE BE IT RESOLVED THAT:

The Tohatchi Chapter hereby approves and supports the final revision of the Corrective Action Plan (CAP) for Audit Report No. 20-16, Tohatchi Chapter Special Review.

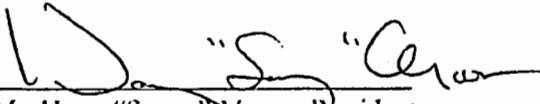
CERTIFICATION

We hereby certify the foregoing resolution was duly considered by the Tohatchi Chapter of the Navajo Nation (New Mexico) at a duly called Special Meeting at which a "temporary authorize reduction quorum" was present and that same was passed by a vote of 11 in favor, 0 opposed, and 1 abstained, on this 14th day of September 2022.

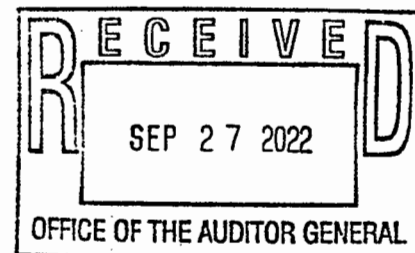
MOTION: Mike Begay

SECOND: Franklin Thompson

Attachment:
Corrective Action Plan
For Tohatchi Chapter


Mr. Harry "Sonny" Moore, President

September 27, 2022
Date



BUDGET AND FINANCE COMMITTEE

December 13, 2022

Special Meeting

VOTE TALLY SHEET:

Legislation No. 0214-22: An Action Relating to the Resources and Development Committee and the Budget and Finance Committee; Accepting the Auditor General's Audit of the Tohatchi Chapter and approving the proposed Corrective Action Plan *Sponsored by Pernell Halona, Council Delegate*

Motion: Elmer P. Begay

Second: Jimmy Yellowhair

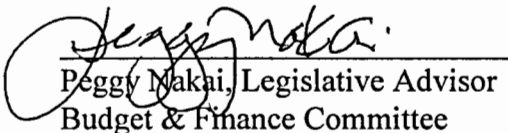
Vote: 5-0, Chairman not voting

Final Vote Tally:

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



Jamie Henio, Chairman
Budget & Finance Committee



Peggy Nakai, Legislative Advisor
Budget & Finance Committee