

**OFFICE OF THE AUDITOR GENERAL**

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**The Navajo Nation**

**A 3rd Follow-Up Review  
of the  
Kaibeto Chapter  
Corrective Action Plan Implementation**

**Report No. 16-08  
December 2015**

**Performed by:  
Jeanine Jones, Senior Auditor  
Beverly Tom, Senior Auditor**







December 29, 2015

Kelsey A. Begaye, President  
**KAIBETO CHAPTER**  
P.O. Box 1761  
Kaibeto, AZ 86053

Dear Mr. Begaye:

The Office of the Auditor General herewith transmits Audit Report No. 16-08, a 3<sup>rd</sup> Follow-up Review of the Kaibeto Chapter Corrective Action Plan Implementation. The Office of the Auditor General conducted the follow-up review with the following objectives:

- To determine the status of the Kaibeto Chapter corrective action plan.
- To identify the barrier(s), if any, that hindered implementation efforts.

To meet the objectives, we reviewed Chapter records and files for the six-month period beginning March 1, 2015 and ending August 31, 2015.

#### Background

The 2001 audit report and the corrective action plan developed by the Kaibeto Chapter were approved by the Budget and Finance Committee on June 4, 2002, per resolution no. BFJN-58-02. With Budget and Finance Committee approval, the Kaibeto Chapter has the duty to implement the corrective action plan. In 2010 follow-up review of the Kaibeto Chapter, the Office of the Auditor General concluded that the Chapter failed to implement the corrective action plan and they were sanctioned by Budget and Finance Committee per resolution no. BFMY-12-10 based on audit report no. 10-09. In 2014 supplemental follow-up review of the Kaibeto Chapter, the Office of the Auditor General concluded 8 out of 10 audit findings were not resolved based on audit report no. 14-01, thus the sanction imposed was not lifted.

#### 3<sup>rd</sup> Follow-up Review Results

The Kaibeto Chapter has implemented all of the corrective actions outlined in the corrective action plan. The Chapter has resolved 8 outstanding issues from the 2014 audit report. See Exhibit A for the review results.

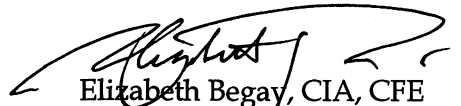
#### Conclusion

The Kaibeto Chapter has strengthened internal controls and complied with policies and procedures, laws and guidelines. More important, the Chapter has demonstrated improvements to ensure accountability and safeguarding of Chapter assets and resources.

Ltr. to Kaibeto Chapter  
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Therefore, the Office of the Auditor General concluded to lift the sanctions against the Kaibeto Chapter and chapter officials and will provide a memorandum to the Office of the Controller to release all withheld funds to the Kaibeto Chapter and chapter officials in accordance with 12 N.N.C. Section 9.

Sincerely,



Elizabeth Begay, CIA, CFE  
Office of the Auditor General

xc: Ernest Goatson, Vice-President  
Yolanda Ellis-Bileen, Secretary/Treasurer  
Tuchoney Slim Jr., Council Delegate  
**KAIBETO CHAPTER**  
Jayne Mitchell, Senior Accountant  
Robert Begay, Department Manager II  
**ADMINISTRATIVE SERVICE CENTER/DCD**  
Chrono

## 2016 REVIEW RESULTS

## Finding I: Chapter Internal Controls Are Deficient.

<b>2014 Audit Issue 1: Chapter disbursements lacked community approval and supporting documents.</b>	
Chapter Corrective Actions	Status of Corrective Action
1. Community Services Coordinator and the Accounts Maintenance Specialist will propose an annual budget of all Chapter funds to the Chapter officials and finalize the budget.	Implemented
2. Community Services Coordinator and the Secretary/Treasurer will present the proposed annual budget for all Chapter funds to the Chapter membership at a duly called Chapter meeting.	Implemented
3. Secretary/Treasurer will record the approval of the annual budget for all Chapter funds in the meeting minutes upon community approval.	Implemented
4. Before processing Chapter disbursements, the Community Services Coordinator and the Accounts Maintenance Specialist will ensure they were approved and supported with the required documentation.	Implemented
5. Community Services Coordinator and the Secretary/Treasurer will ensure all required supporting documentation is attached before signing checks.	Implemented
6. Accounts Maintenance Specialist will file all supporting documentation in accordance with the Chapter records management policies and procedures.	Implemented
<b>Audit Issue Resolved: Yes</b>	
<b>2014 Audit Issue 2: Deposits were not made intact or in a timely manner, revenue was expended prior to being deposited and cash kept at the Chapter was not adequately secured.</b>	
Chapter Corrective Actions	Status of Corrective Action
1. Chapter staff will issue cash receipt tickets for all cash receipts at the time of sale.	Implemented
2. Accounts Maintenance Specialist will post all cash receipt to the cash receipts journal and other revenue to appropriate fund.	Implemented
3. All undeposited cash receipt will be secured in a safe place.	Implemented
4. Accounts Maintenance Specialist will prepare a deposit slip and record the date of deposits on a weekly basis.	Implemented
5. Community Services Coordinator will reconcile the cash receipt to the cash receipts journal and cash	Implemented

receipt tickets to ensure cash receipt are not expended prior to bank deposit and initialized the reconciliation.	
6. After bank deposit is made, Accounts Maintenance Specialist will ensure that the depositor deposited the correct amount.	Implemented
7. Chapter officials will monitor and review on a monthly basis that all cash receipts journal is done correctly and deposits are made.	Implemented
8. The Chapter will not implement a petty cash fund.	Could Not be Determined Due to No Activity
<b>Audit Issue Resolved: Yes</b>	
<b>2014 Audit Issue 3: The Chapter disbursed Chapter funds for personal loans.</b>	
<b>Chapter Corrective Actions</b>	<b>Status of Corrective Action</b>
1. In accordance to Local Governance Act, Chapter funds shall not be used for personal, business or other forms of loans.	Could Not be Determined Due to No Activity
2. Community Services Coordinator and the Chapter officials will write up a formal policy that prohibits loans and present it to the Chapter membership for approval.	Could Not be Determined Due to No Activity
3. The Chapter officials will ensure the Chapter staff is adequately meeting the chapter's directive in expending Chapter funds.	Could Not be Determined Due to No Activity
4. Community Services Coordinator and the Chapter officials will continue to collect existing personal loans and individuals will be notified with a written letter to pay the outstanding loan back to the Chapter. If outstanding loans cannot be collected, Chapter officials will get approval to write off uncollected outstanding loan.	Could Not be Determined Due to No Activity
5. Community Services Coordinator will file all supporting documentation for write off on why loans cannot be repaid.	Could Not be Determined Due to No Activity
<b>Audit Issue Resolved: Not Applicable</b>	
<b>2014 Audit Issue 4: The Chapter did not comply with funding guidelines in procuring goods/services and executing contracts.</b>	
<b>Chapter Corrective Actions</b>	<b>Status of Corrective Action</b>
1. Chapter staff and officials will ensure all procured goods and services are in compliance with funding guidelines	Implemented
2. All contracts will be approved by the community membership and processed through the Section 164 Review.	Implemented
<b>Audit Issue Resolved: Yes</b>	

<b>2014 Audit Issue 5: The Chapter failed to maintain perpetual inventory records for its resale items and the Chapter's property listing was incomplete.</b>	
<b>Chapter Corrective Actions</b>	<b>Status of Corrective Action</b>
1. The Chapter will maintain a perpetual inventory record of the Chapter resale items.	Could Not be Determined Due to No Activity
2. Chapter staff and officials will ensure a Chapter property/equipment listing is completed with pertinent information. If values are not known, Community Services Coordinator will do the research to determine the values.	Implemented
3. Community Services Coordinator and the Vice President will conduct physical inventory of all Chapter property/equipment and update listing of new purchases and disposals.	Implemented
4. The Chapter inventory sheets will be kept on file in accordance to the Chapter records management policies and procedures.	Implemented
<b>Audit Issue Resolved: Yes</b>	
<b>2014 Audit Issue 6: The Chapter had a charge account with local store without a written agreement.</b>	
<b>Chapter Corrective Actions</b>	<b>Status of Corrective Action</b>
1. Community Services Coordinator and the Chapter officials will obtain Chapter membership approval to establish a charge account with local stores.	Could Not be Determined Due to No Activity
2. Community Services Coordinator will write up an agreement with local store in terms of: <ul style="list-style-type: none"> <li>• Authorized buyers</li> <li>• Max account limit</li> <li>• Only approved items that can be purchased</li> </ul>	Could Not be Determined Due to No Activity
3. Accounts Maintenance Specialist will maintain adequate support documents.	Could Not be Determined Due to No Activity
<b>Audit Issue Resolved: Not Applicable</b>	

2016 REVIEW RESULTS

**Finding II: Chapter Does Not Consistently Comply with Applicable Laws and Funding Guidelines.**

<b>2014 Audit Issue 7: The Chapter did not complete drafting its Five Management System Policies and Procedures.</b>	
Chapter Corrective Actions	Status of Corrective Action
1. Community Services Coordinator and Secretary/ Treasurer will present the Five Management System Policies and Procedures to the community members for approval and adoption and record in the meeting minutes.	Implemented
2. Community Services Coordinator and the Accounts Maintenance Specialist will implement the Five Management System Policies and Procedures.	Implemented
3. Chapter officials will ensure Chapter staff has implemented the Five Management System Policies and Procedures.	Implemented
<b>Audit Issue Resolved: Yes</b>	
<b>2014 Audit Issue 8: The Chapter cannot demonstrate that its overall internal control structure is adequate.</b>	
Chapter Corrective Actions	Status of Corrective Action
1. Community Services Coordinator and the Accounts Maintenance Specialist will fully implement the corrective action plan to address the findings.	Implemented
2. Chapter officials will ensure the Five Management System Policies and Procedures are implemented.	Implemented
<b>Audit Issue Resolved: Yes</b>	