

## **OFFICE OF THE AUDITOR GENERAL**

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### **The Navajo Nation**

### **A Follow-Up Review of the Whitehorse Lake Chapter Corrective Action Plan Implementation**

**Report No. 16-23  
June 2016**

Performed by:  
Jonathan Harrison, Auditor  
Myrtis Begay, Associate Auditor  
Karen Briscoe, Principal Auditor





June 2, 2016

Chee Smith Jr., President  
**WHITEHORSE LAKE CHAPTER**  
P.O. Box 4069  
Cuba, NM 87013

Dear Mr. Smith:

The Office of the Auditor General herewith transmits Audit Report No. 16-23, a Follow-Up Review of the Whitehorse Lake 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 Whitehorse Lake Chapter corrective action plan.
- To identify the barrier(s), if any, that hindered implementation efforts.

To meet the objectives, we reviewed the Whitehorse Lake Chapter's records for the six-month period of March 2015 to August 2015.

#### Background

A financial audit of the Whitehorse Lake Chapter was conducted in 2012, and the Auditor General issued audit report no. 12-21. The audit report and the corrective action plan developed by the Whitehorse Lake Chapter were approved by the Budget and Finance Committee on March 6, 2013, per resolution no. BFMA-08-13. With Budget and Finance Committee approval, the Whitehorse Lake Chapter has the duty to implement the corrective action plan.

#### Review Results

The Whitehorse Lake Chapter has not fully implemented the corrective action plan. The Chapter did not resolve 22 of 23 issues reported in audit report no. 12-21. The chapter has not demonstrated improvement to ensure accountability and safeguarding of chapter assets and resources. As a result, internal controls remain deficient and the chapter remains non-compliant with laws and funding guidelines.

- Travel activities cannot be justified due to missing documents.
- Cash receipts of approximately \$540 were not deposited for the three-month period reviewed.
- Budgets were not prepared and approved for \$323,000 of chapter funds resulting in unauthorized expenditures of Chapter funds.
- Chapter property inventory lacks pertinent information such as property numbers, values, location, and purchase date to properly account for property items.
- Personnel records are incomplete and the Chapter did not report new hires to the State resulting in a risk that the Chapter will be penalized for non-compliance.
- Wages cannot be justified. Timesheets are missing approval signatures and absences were not supported with approved leave documents which could result in paying employees for hours they did not work.
- Financial statements could not be relied upon to provide accurate information on the Chapter's financial position, results of operation, budget and fixed assets valuation.
- Inaccurate reports and untimely payments to the Internal Revenue Service.

Ltr. to Chee Smith Jr.

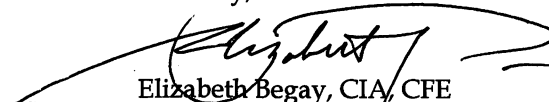
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- Inaccurate reports and untimely payments to the State of New Mexico Department of Workforce Solutions.
- Non-compliance with the Procurement Code resulting in lack of documentation and no approval to justify purchases.
- Stipend payments are not supported with approved claim forms, meeting minutes and sign-in-sheets resulting in a risk that the Chapter officials were paid without attending the meetings.
- Student financial assistance applications were missing required documentation and community approval resulting in awarding financial assistance to ineligible individuals.
- Public Employment Projects were missing required documentation and approval resulting in questionable expenditure of Chapter funds.
- Housing assistance applications were not ranked and missing required documentation resulting in a risk that ineligible applicants were assisted.
- Veteran's assistance applications were missing required documentation resulting in a risk that ineligible individuals were awarded assistance
- The chapter does not present detailed financial reports to the community membership each month resulting in chapter membership unable to make informed decisions.
- Chapter officials were not monitoring chapter activities to ensure the administration is carrying out their duties and responsibilities resulting with the Chapter's numerous internal control deficiencies and non-compliance.
- The Chapter has not adopted and fully implemented the Five Management System resulting in lack of accountability over Chapter operations.

**Conclusion**

Title 12, Navajo Nation Code (N.N.C.) Section 8 imposes upon the Whitehorse Lake Chapter the duty to implement the corrective action plan according to the terms of the plan. The Chapter did not implement the corrective action plan. Consequently, the issues reported in the 2012 audit remain unresolved. Accordingly, the Office of the Auditor General recommends sanctions be imposed on the Whitehorse Lake Chapter and officials in accordance with 12 N.N.C. Section 9 (b) and 9(c) for failure to implement the corrective action plan. See attached Exhibit A for the review results.

Sincerely,



Elizabeth Begay, CIA, CFE  
Office of the Auditor General

xc: Fernando Yabeny, Vice President  
Janie B. Jim, Secretary/Treasurer  
Relda A. Martinez, Community Services Coordinator  
Leonard Tsosie, Council Delegate  
**WHITEHORSE LAKE CHAPTER**  
Robert Begay, Department Manager II  
**ADMINISTRATIVE SERVICE CENTER/DCD**  
Chrono

## 2016 REVIEW RESULTS

**Finding I: Chapter Internal Controls Are Deficient.**

<b>Prior Audit Issue 1: Chapter travel activities cannot not be justified.</b>	
Chapter Corrective Actions	Status of Corrective Action
1. The Accounts Maintenance Specialist will ensure a travel authorization form is completed and approved prior to initiating travel pursuant to the Travel Policies & Procedures.	Not Implemented
2. The Community Services Coordinator will ensure all travel requests and any reimbursement requests have all supporting documents prior to authorizing payment and Chapter officials will review and approve all travel relating to the Community Services Coordinator.	Not Implemented
Audit Issue Resolved?	No
<b>Prior Audit Issue 2: Not all cash receipts were recorded.</b>	
Chapter Corrective Actions	Status of Corrective Action
1. The Accounts Maintenance Specialist will record all cash receipts on a pre-numbered cash receipt tickets and post all information into the accounting system on a daily basis.	Not Implemented
2. The Community Services Coordinator and Secretary/Treasurer will reconcile cash receipt tickets and cash receipts journal to the actual cash before each deposit.	Not Implemented
Audit Issue Resolved?	No
<b>Prior Audit Issue 3: Budgets were not prepared and approved.</b>	
Chapter Corrective Actions	Status of Corrective Action
1. The Community Services Coordinator in consultation with the Chapter officials shall prepare the annual budget and present the proposed budget during the chapter planning meeting for recommendation and forward to regular chapter meeting for approval.	Not Implemented
2. The Secretary/Treasurer will prepare and ensure chapter resolutions documenting community approval are on file at the chapter with the fiscal year chapter budget.	Not Implemented
3. The Accounts Maintenance Specialist will input all approved budgets into the accounting system.	Not Implemented

Audit Issue Resolved?	No
<b>Prior Audit Issue 4: Controls over resale activities are inadequate.</b>	
Chapter Corrective Actions	Status of Corrective Action
1. The Community Services Coordinator and Accounts Maintenance Specialist will maintain a perpetual inventory on a daily basis for all resale activities.	Cannot Determine Due to No Activity
2. The Accounts Maintenance Specialist will post all resale activities to the accounting system to track the quantity of items sold.	Cannot Determine Due to No Activity
3. The Accounts Maintenance Specialist will perform a periodic physical count of inventory on hand and reconcile to the recorded inventory.	Cannot Determine Due to No Activity
Audit Issue Resolved?	No
<b>Prior Audit Issue 5: Chapter property records are unreliable.</b>	
Chapter Corrective Actions	Status of Corrective Action
1. The Community Services Coordinator will use a physical inventory form to account for all property and equipment at the chapter.	Not Implemented
2. The Vice President and Community Services Coordinator will conduct a physical inventory of chapter property and equipment on an annual basis and reconcile to the inventory records.	Not Implemented
Audit Issue Resolved?	No
<b>Prior Audit Issue 6: Chapter property lack identification numbers.</b>	
Chapter Corrective Actions	Status of Corrective Action
1. The Community Services Coordinator will order tags and develop an inventory numbering system to account for all chapter property.	Not Implemented
2. The Vice President and Community Services Coordinator will ensure all property and equipment are tagged.	Not Implemented
Audit Issue Resolved?	No
<b>Prior Audit Issue 7: There is no proper valuation of the Chapter property.</b>	
Chapter Corrective Actions	Status of Corrective Action
1. The Community Services Coordinator will implement a General Fixed Asset ledgers and input into the accounting system.	Not Implemented
2. The Community Services Coordinator will identify values of all fixed assets of \$1,000 or more and disclose the value in the financial statements.	Not Implemented
Audit Issue Resolved?	No

<b>Prior Audit Issue 8: Inadequate controls over personnel records.</b>	
Chapter Corrective Actions	Status of Corrective Action
1. The Community Services Coordinator will ensure all personnel documents are on file before an employee begins work including the Personnel Action Form, identification information and tax liability information.	Not Implemented
Audit Issue Resolved?	No
<b>Prior Audit Issue 9: Wages paid to employees cannot be justified.</b>	
Chapter Corrective Actions	Status of Corrective Action
1. The Community Services Coordinator and Accounts Maintenance Specialist will utilize a daily sign-in-sheet to support employee attendance.	Implemented
2. The Community Services Coordinator will reconcile the employee sign-in-sheets and timesheets.	Not Implemented
3. The Community Services Coordinator and Accounts Maintenance Specialist will forward all supporting documents and fund approval forms to the Chapter officials for review and approval to ensure accuracy.	Not Implemented
Audit Issue Resolved?	No
<b>Prior Audit Issue 10: Financial Statements are unreliable.</b>	
Chapter Corrective Actions	Status of Corrective Action
1. The Community Services Coordinator and Accounts Maintenance Specialist will identify all fixed assets and input the value into the accounting system.	Not Implemented
2. The Community Services Coordinator and Accounts Maintenance Specialist will input all appropriations into the accounting system.	Not Implemented
3. The Community Services Coordinator and Accounts Maintenance Specialist will enter all financial transaction into the accounting system for reporting requirements.	Not Implemented
Audit Issue Resolved?	No

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

<b>Prior Audit Issue 11: Reports submitted to Internal Revenue Service were erroneous.</b>	
Chapter Corrective Actions	Status of Corrective Action
1. The Community Services Coordinator and Accounts Maintenance Specialist will accurately calculate tax liabilities.	Not Implemented
2. Chapter officials and Community Services Coordinator will timely report and remit all tax liabilities to the Internal Revenue Service.	Not Implemented
Audit Issue Resolved?	No
<b>Prior Audit Issue 12: State unemployment tax remitted was inaccurate.</b>	
Chapter Corrective Actions	Status of Corrective Action
1. The Community Services Coordinator and Accounts Maintenance Specialist will accurately calculate unemployment contributions.	Not Implemented
2. Chapter officials and Community Services Coordinator will timely report and remit unemployment contributions to the State of New Mexico Department Workforce Solutions.	Not Implemented
Audit Issue Resolved?	No
<b>Prior Audit Issue 13: Non-compliance with Procurement Code and Regulations.</b>	
Chapter Corrective Actions	Status of Corrective Action
1. The Community Services Coordinator, Accounts Maintenance Specialist and officials will verify funds availability before processing requests to purchase goods or services through the use of purchase requisitions, quotations, purchase orders, and document receipt of goods through receiving reports.	Not Implemented
2. The Community Services Coordinator and Accounts Maintenance Specialist will ensure approval by authorized individuals are performed and adequate supporting documents are provided.	Not Implemented
Audit Issue Resolved?	No
<b>Prior Audit Issue 14: Non-compliance with official stipends policies and procedures.</b>	
Chapter Corrective Actions	Status of Corrective Action
1. The Chapter officials will submit claim forms and meeting minutes to the Chapter administration	Not Implemented

before processing stipend payments.	
2. The Chapter administration will verify all documents to ensure completeness before approving payment of stipends.	Not Implemented
Audit Issue Resolved?	No
<b>Prior Audit Issue 15: Non-compliance with Student Assistance policies and procedures.</b>	
Chapter Corrective Actions	Status of Corrective Action
1. The Chapter will present the Student Assistance Policy and Procedures for membership approval.	Not Implemented
2. The Chapter administration will collect applications and required documents in accordance with the policy and procedures and process accordingly.	Not Implemented
Audit Issue Resolved?	No
<b>Prior Audit Issue 16: Non-compliance with the Public Employment Program and Summer Youth Employment Program Policies and Procedures.</b>	
Chapter Corrective Actions	Status of Corrective Action
1. The Chapter will present the Public Employment Program and Summer Youth Employment Policies and Procedures for membership approval.	Implemented
2. The Chapter administration will prepare project applications, resolutions, project reports and other required documents for every project.	Not Implemented
3. The Chapter administration will advertise for all temporary employment and schedule interviews.	Not Implemented
4. The Chapter administration will comply with all applicable tax and insurance liabilities.	Not Implemented
Audit Issue Resolved?	No
<b>Prior Audit Issue 17: Non-compliance with Housing Discretionary Policies and Procedures.</b>	
Chapter Corrective Actions	Status of Corrective Action
1. The Chapter will present the Housing Discretionary Policy and Procedures for chapter membership approval.	Implemented
2. The Chapter administration will ensure applications with supporting documentation are submitted by applicants to determine eligibility.	Not Implemented
3. The housing committee rankings and funds availability will determine the amount of assistance.	Not Implemented
4. The Chapter administration and officials will	Not Implemented



monitor housing discretionary fund projects by making site visits and prepare completion reports.	
Audit Issue Resolved?	No
<b>Prior Audit Issue 18: Non-compliance with Veteran fund guidelines.</b>	
Chapter Corrective Actions	Status of Corrective Action
1. The Chapter staff and officials will administer the Veteran's Funds according to the chapter approved Veterans Policy and Procedures.	Not Implemented
2. The Chapter administration will evaluate all applications and supporting documentation to determine eligibility with the recommendation of the local Veteran's Committee.	Not Implemented
Audit Issue Resolved?	No
<b>Prior Audit Issue 19: Veterans organization commander received 60% of the Veterans Fund disbursements.</b>	
1. The Chapter administration, officials, and Veteran's committee will assist veterans based on their requests and need for assistance in accordance with the Veterans Policy and Procedures.	Implemented
Audit Issue Resolved?	Yes
<b>Prior Audit Issue 20: Use of emergency funds cannot be justified.</b>	
Chapter Corrective Actions	Status of Corrective Action
1. The Chapter administration and officials will develop and educate the community membership to obtain approval of the Whitehorse Lake Chapter Emergency Response Plan.	Cannot Determine Due To No Activity
2. The Chapter administration and officials will adhere to the funding guidelines provided by the Navajo Nation.	Cannot Determine Due To No Activity
Audit Issue Resolved?	No
<b>Prior Audit Issue 21: Financial Reports are not presented to the Chapter membership.</b>	
Chapter Corrective Actions	Status of Corrective Action
1. The Chapter administration will prepare all financial reports and provide reports to the chapter officials for presentation at the monthly regular chapter meeting.	Not Implemented
2. The Secretary/Treasurer will document the reporting of the financial reports in the meeting minutes and attach a copy of the approved financial reports to the meeting minutes.	Not Implemented

Audit Issue Resolved?	No
<b>Prior Audit Issue 22: Non-monitoring by Chapter officials.</b>	
Chapter Corrective Actions	Status of Corrective Action
1. The Chapter officials will attend training to understand their roles and responsibilities for providing monitoring over the chapter administration.	Not Implemented
2. The Chapter administration and officials will establish and schedule a regular monthly staff meeting to discuss chapter activities.	Not Implemented
Audit Issue Resolved?	No
<b>Prior Audit Issue 23: Contrary to LGA, the Chapter has not adopted and fully implemented a five management system.</b>	
Chapter Corrective Actions	Status of Corrective Action
1. The Chapter officials and staff will hold a Five Management System work session to go over all five components of the policies and procedures manual.	Not Implemented
2. The Chapter officials will schedule a public hearing to present the Five Management System Manual to the community membership.	Not Implemented
3. The Chapter officials will present the Five Management System Manual during the regular chapter meeting for community membership adoption.	Not Implemented
4. The Chapter officials and staff will implement the Five Management System Manual policies and procedures.	Not Implemented
Audit Issue Resolved?	No