



**OFFICE OF THE AUDITOR GENERAL**

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**The Navajo Nation**

**A Third Follow-up Review  
of the  
Naatsis'áán Chapter  
Corrective Action Plan Implementation**

**Report No. 18-35  
September 2018**

Performed by:  
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September 28, 2018

Hank Stevens, President  
**NAATSIŠ'ÁÁN (NAVAJO MOUNTAIN) CHAPTER**  
P.O. Box 10070  
Tonalea, AZ 86044

Dear Mr. Stevens,

The Office of the Auditor General herewith transmits Audit Report No. 18-35, a Third Follow-up Review of the Naatsis'áán Chapter Corrective Action Plan Implementation.

**BACKGROUND**

A corrective action plan was developed by the Chapter in response to the 2013 audit report no. 13-06. The audit report and corrective action plan were approved by the Budget and Finance Committee in November 2013, per resolution no. BFN-40-13.

The first follow-up review report no. 16-03, which was conducted in 2016 concluded that the Chapter failed to implement its corrective action plan. Therefore, the Chapter was recommended for sanction in accordance with Title 12 Section 9. The Budget and Finance Committee approved to sanction the Naatsis'áán Chapter on March 15, 2016 per resolution no. BFMA-03-16, but extended the implementation of the sanction until September 15, 2016.

The second follow-up review report no. 17-02, issued in October 2016, concluded that the Chapter still did not implement its corrective action plan. Therefore, the Office of Auditor General did not lift the sanctions against the Naatsis'áán Chapter.

**OBJECTIVE AND SCOPE**

The objective of this third follow up review is to determine the status of the Chapter's corrective action plan implementation based on a six-month review period from January 1, 2018 to June 31, 2018. Our review was based on inquiries, interviews, and audit test work of Chapter records.

**SUMMARY**

The Naatsis'áán Chapter has implemented the corrective action plan. As a result, the Chapter has resolved the outstanding audit issues from the 2013 audit report. See attachment A for the detailed explanation of the follow-up results.

**CONCLUSION**

The Naatsis'áán Chapter has strengthened internal controls and complied with policies, procedures, laws, and guidelines. More importantly, the Chapter has demonstrated its improvement of ensuring accountability and safeguarding Chapter assets and resources. Therefore, the Office of the Auditor General concluded to lift the sanctions against the Naatsis'áán Chapter and Chapter officials and will provide a memorandum to the Office of the Controller to release all withheld funds to the Naatsis'áán Chapter and Chapter officials in accordance with 12 N.N.C. Section 9.

Sincerely,

Elizabeth Begay, CIA, CFE  
Office of the Auditor General

xc: Chapter officials  
Chrono

**REVIEW RESULTS**  
**NAA'TSIS'AAN Chapter**  
**Review Period: January 1, 2018 through June 31, 2018**

<b>Audit Issues</b>	<b>Total # of Corrective Measures outstanding</b>	<b># of Corrective Measures Implemented</b>	<b># of Corrective Measures Not Implemented</b>	<b>Audit Issue Resolved?</b>	<b>Review Details</b>
1. Budgets were not presented to Chapter membership for approval.	5	5		Yes	Attachment A
2. Improper posting of transactions to the accounting system.	4	4		Yes	
3. Not all Chapter property and equipment were listed on the inventory listing.	4	3	1	Yes	
4. Weak controls over the Eehaniih Day Celebration revenue and expenditures.	2	2		Yes	
5. Use of the Emergency Fund cannot be justified.	2	2		Yes	
6. Monitoring by Chapter officials was insufficient.	2	2		Yes	
7. Contrary to LGA, the Chapter has not implemented a Five Management System.	1	1		Yes	
8. Non-compliance with Navajo Nation procurement code and regulations.	2	2		Yes	
<b>TOTAL:</b>	<b>22</b>	<b>21</b>	<b>1</b>	<b>8-Yes 0-No</b>	

WE DEEM CORRECTIVE MEASURES: **Implemented** where the Chapter provided sufficient and appropriate evidence to support all elements of the implementation; and **Not Implemented** where evidence did not support meaningful movement towards implementation, and/or where no evidence was provided.

<p>◆ 2018 STATUS</p>	<p><b>Issue 1:</b> Budgets were not presented to Chapter membership for approval. <b>RESOLVED</b></p>
<p>A detailed budget is on file for Chapter funds of approximately \$1,170,170 for fiscal year 2018. The budget was approved by Chapter resolutions. The funds include the carry over, annual appropriation, supplemental, and internally generated revenues.</p>	
<p>◆ 2018 STATUS</p>	<p><b>Issue 2:</b> Improper posting of transactions to the accounting system. <b>RESOLVED</b></p>
<p>The Chapter Secretary/Treasurer ensured that transactions were posted correctly into the accounting system on a monthly basis. Each month the Chapter Secretary/Treasurer performed the following tasks:</p> <ul style="list-style-type: none"> <li>• Reviewed Chapter funds to ensure funds were posted according to the approved budgets.</li> <li>• Reviewed the fund balances from the balance sheet to ensure reconciliation with the available balances from the budget and actual report.</li> <li>• Reviewed the posted cash receipts to ensure reconciliation with the cash receipt tickets on file.</li> <li>• Reviewed the Chapter’s bank statement to ensure reconciliation with the Chapter’s check images.</li> </ul>	
<p>◆ 2018 STATUS</p>	<p><b>Issue 3:</b> Not all Chapter property and equipment were listed on the inventory listing. <b>RESOLVED</b></p>
<p>The Chapter obtained an appraisal in July 2016 for the Chapter owned buildings. Then the Chapter developed a fixed asset listing of properties with values of \$1,000 and more including the buildings. The Chapter developed a perpetual inventory for the Chapter’s building materials; however, the inventory did not have a running balance consistent with materials on hand. The fixed asset listing, the Chapter property listing, and perpetual inventory were included with the Underwriter Exposure Report that was submitted to Risk Management for FY2018 on 10/25/2017. Also, the total fixed asset values are included on the balance sheet.</p>	
<p>◆ 2018 STATUS</p>	<p><b>Issue 4:</b> Weak controls over the Eehaniih Day Celebration revenue and expenditures. <b>RESOLVED</b></p>
<p>The Chapter did exhibit that controls were in place to ensure that revenues collected were deposited and expenditures had supporting documentation on file. Eighty-three cash receipt tickets (or 100%) totaling \$3,210 were accurately posted to the accounting system. The deposit slips on file showed that \$3,210 was deposited into the Chapter’s bank account. Also, 10 expenditures totaling \$5,907 were reviewed for supporting documentation and proper approval. The following are the exceptions from the review:</p> <ul style="list-style-type: none"> <li>• 2 of 7 (or 29%) quotations were not obtained.</li> <li>• 1 of 10 (or 10%) fund approval forms was not approved by an authorized individual.</li> <li>• 2 of 10 (or 20%) invoice/receipt were not on file to support purchase.</li> </ul> <p>The Chapter is in the process of developing a plan of operation for the Eehaniih Day celebration according to the Chapter President. However, the Chapter does have controls in place to mitigate the risk for procurement.</p>	
<p>◆ 2018 STATUS</p>	<p><b>Issue 5:</b> Use of the Emergency Fund cannot be justified. <b>RESOLVED</b></p>
<p>For the 6-month audit period, the Chapter did not have any emergency expenditure. Nevertheless, the Chapter administration developed an emergency response plan for its local community. The Chapter membership approved the emergency response plan resolution# NM3-2018-079 on March 20, 2018.</p>	

<p>◆ 2018 STATUS</p>	<p><b>Issue 6:</b> Monitoring by Chapter officials was insufficient. <b>RESOLVED</b></p>
<p>The Chapter Secretary/Treasurer reviews the Chapter’s monthly financial statements. As reported under issue #1 and issue #2, the Chapter Secretary/Treasurer reviews the Chapter’s fund balances, bank statements, cash receipts, and financial statements. The Chapter officials review the documentation for goods and/or services procured before approving the fund approval form and signing Chapter checks. Also, during the monthly planning meeting, each Chapter official reviews the monthly compliance review form to ensure documentation was on file.</p>	
<p>◆ 2018 STATUS</p>	<p><b>Issue 7:</b> Contrary to LGA, the Chapter has not implemented a Five Management System. <b>RESOLVED</b></p>
<p>It was determined after this review that, the Chapter officials and staff have implemented the Five Management System for their chapter operation.</p>	
<p>◆ 2018 STATUS</p>	<p><b>Issue 8:</b> Non-compliance with Navajo Nation procurement code and regulations. <b>RESOLVED</b></p>
<p>For the 6-month audit period, 23 procurement files for Chapter operations totaling \$15,170 out of \$25,938 were reviewed and verified there was supporting documentation on file.</p>	