

OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

A Special Review of Baca/Prewitt Chapter

**Report No. 19-33
September 2019**

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



September 30, 2019

Cecil Lewis, President
BACA/PREWITT CHAPTER
P.O. Box 563
Prewitt, NM 87045

Dear Mr. Lewis:


The Office of the Auditor General herewith transmits Audit Report No. 19-33, A Special Review of the Baca/Prewitt Chapter. The main audit objective was to determine whether internal controls are functioning as designed to ensure Chapter spent funds in accordance with Navajo Nation laws, rules and regulations and Chapter policies and procedures. During the audit scope of April 1, 2018 to March 31, 2019, \$213,353 of chapter funds were disbursed. Our review revealed control deficiencies and as a result, the Baca/Prewitt Chapter cannot provide reasonable assurance it complies with policies and procedures. The following issues were identified:

- Finding 1: Chapter does not adhere to travel policies and procedures.
- Finding 2: Travel advances are processed contrary to travel policies.
- Finding 3: The Chapter did not verify all required documents were submitted by housing assistance recipients.
- Finding 4: The Chapter did not verify that building materials were used for their intended purpose.
- Finding 5: The Chapter used Housing Discretionary Funds for other purposes.
- Finding 6: Late payroll taxes resulted in IRS penalties.
- Finding 7: Personnel records are not maintained according to policies and procedures.
- Finding 8: Promotion of current Chapter Manager cannot be justified.
- Finding 9: Bank account signature and access are not clearly defined.
- Finding 10: Chapter expends funds without approved budgets.
- Finding 11: Lack of budget compliance resulted in budget deficits.
- Finding 12: Budget transfers are not well documented and approved by community membership.
- Finding 13: Financial reporting is not provided at chapter meetings.
- Finding 14: Process for tracking fixed assets is lacking.
- Finding 15: Financial statement audit are not being completed.

Detailed explanations of the audit issues can be found in the body of the report. The audit 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: Norma James, Vice-President
Cindy V. Howe, Secretary/Treasurer
Tina Becenti, Chapter Manager
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BACA/PREWITT CHAPTER
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REVIEW RESULTS

Finding 1: Chapter does not adhere to travel policies and procedures.

Criteria: Fiscal Policies and Procedures, Section I require all travel requests, advances and reimbursements to be approved. Travelers are required to submit expense reports, trip reports, and receipts to support travel expenses. Mileage is to be reimbursed at the actual mileage. All travelers may only be reimbursed for reasonable travel expenses. Executive order no. 02-2004 states all off-reservation travel shall require justification and prior approval by the respective Division Director and concurred by the Executive Branch Chief of Staff.

Condition: For the 12-month review period, 47 travels were conducted for the current Chapter Manager and officials totaling \$11,154. These travel expenditures were reviewed for approval and supporting documentation. The following exceptions were noted:

Type of Exceptions	No. of Exceptions
Travel requests were not approved.	26 of 47 (55%) \$6,658
Travel costs were not accurately calculated.	35 of 47 (74%) \$8,715
Expenditure is not supported with documentation.	34 of 47 (72%) \$8,955
Travel expense report was not approved by the Chapter Manager.	37 of 47 (79%) \$8,428

Furthermore, 19 of 47 (40%) travel requests involved off-reservation travel. However, the Chapter did not have off-reservation memorandums approved by the Division of Community Development Executive Director on file.

Effect: Travel expenses totaling \$8,955 (80% of \$11,154) did not comply with travel policies and may not have benefited the Chapter.

Cause:

- The Chapter administration and officials are disregarding the travel policies and procedures.
- The Chapter officials have no accountability for use of Chapter funds.

Recommendations:

1. The Chapter officials should hold the Chapter administration accountable when travel policies and procedures are not adhered to.
2. The Chapter officials should thoroughly review the travel documents to verify all travel activities are approved and comply with policies and procedures before signing checks.

Finding 2: Travel advances are processed contrary to travel policies.

Criteria: Fiscal Policies and Procedures, Section I allows travel advances up to 80% of the total estimated travel expense. An employee/Chapter official can only have one outstanding pay advance at any one time. Any outstanding travel advances

delinquent over ten (10) calendar days after completion of travel shall be deducted from the employee's salary or the Chapter official's meeting stipend.

Condition: The Chapter Manager authorized \$11,154 of travel advances at 100% rather than at 80% for travelers and travelers had more than one delinquent travel advance. In addition, the travelers were inconsistent in providing proper supporting documentation such as completed travel expense reports, trip reports, mileage report, and lodging receipts. Despite these discrepancies, the Chapter did not deduct employee salaries or official's stipend. Lastly, the Chapter administration posted the travel advances to the incorrect GL code.

Effect: When travel funds are advanced at 100% for travel, there is no incentive for travelers to submit supporting documents since no reimbursements are claimed. In the absence of supporting documents, there is no assurance that travel advances were made for legitimate chapter business.

Cause: The Chapter administration and officials disregarded the travel policies and procedures.

Recommendations:

1. The Chapter administration and officials should no longer process travel advances until sufficient training on travel policies and procedures is obtained from the Administrative Service Center.
2. For any outstanding advances, the Chapter administration should deduct employee salaries and officials' stipends.

Finding 3: The Chapter did not verify all required documents were submitted by housing assistance recipients.

Criteria: Chapter housing policies, Section VII and VIII, requires applicants to submit required documents when requesting for housing assistance to determine eligibility.

Condition: The Chapter awarded \$16,472 of housing assistance to 34 recipients. However, financial assistance was awarded without proper verification of eligibility due to missing documents; see the following exceptions:

Type of Exceptions	No. of Exceptions
Recipients did not provide income verification statement	6 of 34 (18%) \$2,727
Recipients did not provide a home site lease or other documentation to show ownership	27 of 34 (79%) \$12,973

Effect: Without proper verification, there is a risk the Chapter awarded \$12,973 in housing assistance to recipients who were ineligible.

Cause: The Chapter administration and officials did not make sure all required documents were attached as outlined in their Chapter housing policies.

Recommendations:

1. The Chapter should develop a checklist of all required documents for housing assistance.

2. The Chapter administration should utilize the checklist to determine eligibility and file the checklists within the recipient files.
3. The Chapter officials should review recipient files to verify complete supporting documentation before approving checks for housing recipients.

Finding 4: The Chapter did not verify that building materials were used for their intended purpose.

Criteria: Chapter housing policies, Section VI, requires the Chapter Manager to prepare a scope of work to be undertaken which lists the construction expenditures and a brief description of the construction plan. Upon completion of the work or project, the Chapter Manager shall prepare a performance report briefly describing the accomplishments as they relate to the scope of work.

Condition: The Chapter purchased \$16,472 in building materials for self-help housing assistance but did not prepare scopes of work for the recipients to ensure the building materials will be used for their intended purposes. We conducted field visits to residences of five housing recipients and found three recipients who either: a) did not have building materials on hand; b) have not done any repairs; or c) no longer residing at the physical location.

The current Chapter Manager was unaware of the issues found with the building materials. In light of what was found by the auditors, the Chapter Manager stated she would conduct site visits for all the housing recipients to make sure the building materials were used as intended.

Effect: There is a risk the materials costing \$16,472 could be financial loss to the Chapter if the materials were stolen, sold by the recipients, damaged or misused.

Cause: The Chapter Manager has not conducted site visits to recipient's residences to verify building materials were used as intended and housing assistance projects were completed.

- 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.

Finding 5: The Chapter used Housing Discretionary Funds for other chapter purposes.

Criteria: Navajo Nation Budget Instructions Manual stipulates the Chapter Housing Discretionary Grant Fund shall be used for assistance with housing repair and minor renovation services for qualified applicants by providing building materials, labor, and costs associated with obtaining home site leases, including, but not limited to, archeological surveys, environmental clearance and land surveys.

Condition: For the review period, the Chapter expended \$1,518 of Housing Discretionary Funds for repair and maintenance for the chapter house, senior center, Administrative Service Center, and chapter equipment. Although the Chapter's policies states funds can be used for minor repairs for the Chapter; it is contrary to allowable expenditures set forth by the Navajo Nation.

Effect: Using housing assistance funds for other purposes results in less money for community members with housing needs; the \$1,518 could have helped at least three community members based on the Chapter policy of \$500 per recipient.

Cause: The Chapter's housing assistance policies and procedures are inconsistent with the Navajo Nation budget policies for allowable expenditures for the Housing Discretionary Fund.

Recommendations:

1. The Chapter should revise its Housing Discretionary Fund policies and procedures to coincide with the Navajo Nation Budget Instructions Manual stipulations.
2. The Chapter should replenish the Housing Discretionary Fund for the disallowed expenses.

Finding 6: Late payroll tax reporting resulted in IRS penalties.

Criteria: Internal Revenue Service (IRS) regulations require payroll taxes collected during a month to be deposited to the bank by the 15th day of the following month. IRS tax reporting must be filed each quarter and are due by the end of the month of the following month. Non-compliance could result in penalties.

Condition: For the review period, the Chapter did not consistently deposit payroll taxes by the 15th of each month. The Chapter made late deposits anywhere from two to five months after the due date. Furthermore, the Chapter did not submit its quarterly tax report ending September 30, 2018 to the Internal Revenue Service.

Effect: The Chapter incurred penalties for late reporting from the Internal Revenue Service in the amount of \$1,258 which could have been used for other chapter purposes. Additional penalties are expected for fiscal year 2019 since the Chapter continued to submit late deposits and reports.

Cause:

- Although the Chapter did not have available funds to pay for payroll taxes, the Chapter continued to employ staff.
- The Chapter officials did not prioritize obligations to ensure Internal Revenue Service payroll taxes were remitted and reported on time.

Recommendations:

1. The Chapter Manager should remit overdue reports, tax payments and any fines/penalties to Internal Revenue Service as soon as possible.
2. The Chapter officials should periodically review the Chapter financial statements to verify tax liabilities are being paid by the due dates to avoid unnecessary penalties.

Finding 7: Personnel records are not maintained according to policies and procedures.

Criteria: Fiscal Policies and Procedures, Section VII.H states personnel records on each employee shall be maintained at the Chapter administration on authorized chapter forms. These records are:

- Personnel Action Form
- Employee Application Form
- Internal Revenue Service W-4 Form

- Copy of social security card
- Employee performance evaluation form
- Valid Driver's License or picture ID card

Condition: As a certified Chapter, the Baca/Prewitt Chapter performs all human resource functions at the Chapter level using the Personnel Policies and Procedures. To verify proper record keeping, we judgmentally selected the employee files of the Administrative Assistant and Chapter Manager for review.

Personnel records such as employee application form, Internal Revenue Service W-4 Form, copy of social security card, employee performance evaluation form and copy of valid driver's license or picture ID card were not consistently found on file for the Chapter employees. In addition, personnel action forms were not completed with proper pay rates for the Administrative Assistant and Chapter Manager. Despite the incomplete documents, the Chapter President and former Chapter Manager approved the personnel action forms.

Effect: The Chapter cannot provide assurance its employees are legitimate and properly compensated.

Cause:

- Since the Chapter President did not question the incomplete personnel action form, it is likely the form was not properly reviewed prior to approval.
- The Chapter administration and officials did not find it important to obtain all records required by policies for its permanent employees.

Recommendations:

1. The Chapter administration should develop a checklist for the required personnel records to ensure all personnel records are complete and on file.
2. The Chapter should ensure personnel action forms are complete, accurate, and signed before Chapter employees begin employment with the Chapter.

Finding 8: Promotion of current Chapter Manager cannot be justified.

Criteria: Personnel Policies and Procedures, Section XI.C states job vacancies may be filled by promotion when practicable and in the best interest of the Chapter. It is the employee's responsibility to pursue promotion by attaining the necessary, training, education, professional certification, and submitting a letter of interest to the supervisor of that position. The elected Chapter officials or Chapter Manager are responsible for submitting justification, determining the employee meets the requirements for the position, and approves the promotion and the salary.

Condition: Current Chapter Manager was promoted in the absence of documents such as a letter of interest and performance evaluation to show the employee attained the necessary education and experience to qualify for a promotion.

Effect: There is risk the Chapter Manager was promoted without the proper qualifications. More important, the Chapter cannot justify the promotion of its employee.

Cause: By arbitrarily promoting the Chapter Manager without obtaining the necessary documentation to properly assess her qualifications, the Chapter President circumvented the personnel policies and procedures.

Recommendations:

1. The Chapter officials should comply with established personnel policies and procedures.
2. The Chapter should work with the Administrative Service Center to assess the qualification of the Chapter Manager and obtain Administrative Service Center concurrence of the promotion.

Finding 9: Bank account signature and access are not clearly defined.

Criteria: Title 26 Navajo Nation Local Governance Act §1004 states the Chapter Manager shall co-sign all Chapter checks. Fiscal Policies and Procedures, Section IV states Secretary/Treasurer shall co-sign checks along with the Chapter Manager. In the event the Secretary/Treasurer is unavailable, the Chapter President or Vice President may co-sign checks. Any such co-signature by the Chapter President or Vice President shall require justification memorandum. Lastly, best practice for online banking requires effective controls to safeguard the bank account.

Condition: The Chapter has one checking account. A review of bank activities revealed several deficiencies:

Bank Signatory Card: The Chapter Manager is not on the bank signatory card. The Chapter President and Vice President are co-signing checks without a justification memorandum. The current Chapter Manager was excluded from the bank signatory authorization since she currently prepares the bank reconciliations. This arrangement will continue until an Administrative Assistant is hired.

Online Banking: The former Chapter Manager had online access for the bank account which allowed her to review bank activities and print bank statements. During field visit, the current Chapter Manager and Secretary/Treasurer both have online access for printing bank statements. The Chapter's Five Management System Policies and Procedures do not address online bank account access. Nonetheless, the Chapter acquired such access without developing internal policies and procedures to govern such activities.

Effect: The Chapter cannot provide assurance it manages its bank accounts in accordance to Navajo Nation laws and policies, and the accounts are safeguarded from unauthorized access and potential misuse.

Cause:

- Per the directive from the Administrative Service Center, the Chapter elected to delay the hiring of an Administrative Assistance which resulted in the Chapter Manager performing multiple roles.
- The Chapter did not recognize the need to develop internal policies and procedures for its online banking access.

Recommendations:

1. The Chapter should hire an Administrative Assistant and the Chapter Manager should be added to the bank signatory card.

2. The Chapter President and Vice President should have a justification memorandum before co-signing checks.
3. The Chapter Manager and officials should develop policies and procedures for online bank access for its bank account.
4. The Chapter Manager should obtain community approval for the online bank access policies and procedures.

Finding 10: Chapter expends funds without approved budgets.

Criteria: Fiscal Policies and Procedures, Section IV.A states no expenditures of Chapter funds shall be made without an approved annual budget.

Condition: The fiscal year 2018 and 2019 budgets did not include some Navajo Nation allocation, carryover and internal revenues as indicated in the following table:

Description	FY2018	FY2019
Total Available Funds	\$367,608	\$321,058
Less: Total Budget	\$327,612	\$298,516
Variance – Funds not budgeted and authorized for expense.	\$39,996	\$22,542
Funds not budgeted:		
a) Capital Outlay	\$33,877	
b) Carryover		\$15,606
c) Internal Revenues	\$ 6,119	\$ 6,936

Effect: There is a risk the Chapter expended funds that were not authorized with approved budgets.

Cause: The Chapter officials did not periodically review budget reports to ensure all Chapter funds expended are based on an approved budget.

Recommendations:

1. The Chapter Manager and officials should ensure all Navajo Nation allocations and revenues are budgeted and these budgets are community approved before expending Chapter funds.

Finding 11: Lack of budget compliance resulted in budget deficits.

Criteria: Fiscal Policies and Procedures, Section IV.A states no expenditures shall exceed the budgeted amounts without prior approval by the Chapter membership.

Condition: As of September 30, 2018, four Chapter funds had deficit balances:

- Chapter Activities - \$10,056
- Navajo Nation General - \$14,751
- LGA Grant - \$14,469
- Capital Improvement Project - \$15,606

Six months later, as of March 31, 2019, three Chapter funds continued to show deficit balances:

- Chapter Activities - \$4,427
- LGA Grant Fund - \$4,469
- Navajo Nation Sales Tax - \$1,096

The Chapter relied on FY2019 Navajo Nation allocations and other revenues to reduce the budget deficits between September 2018 and March 2019.

Effect: By exceeding budget limits, the Chapter incurred unauthorized expenses and by using newly allocated funds to offset the deficits, the Chapter did not use allocated funds for their intended purposes.

Cause:

- The Chapter administration bypassed the MIP system protocol that ensures funds availability before incurring expenditures.
- In FY2018, the Chapter continued to travel using the Navajo Nation General and LGA Grant despite the deficit balances.
- Although the Chapter is not receiving sufficient revenues, it continues to incur expenditures.

Recommendations:

1. The Chapter Manager should follow MIP system protocol and address budget shortages by adhering to budget policies and procedures.
2. The Chapter officials should periodically review budget reports to detect any budget deficits and hold staff responsible for such budget discrepancies.

Finding 12: Budget transfers are not well documented and approved by community membership.

Criteria: Fiscal Policies and Procedures, Section VI.C states all modifications or revisions during that fiscal year will be by budget transfers, and shall require Chapter membership approval. The Chapter Manager will prepare and present the request for budget transfers.

Condition: The Chapter did not obtain Chapter membership approval for budget transfers totaling \$18,567. In April 2018, the Chapter made two budget transfers:

- Chapter Activities budget was decreased by \$8,942 and funds transferred to increase the Supplemental Youth fund budget by \$1,567 and Public Employment Program fund by \$7,375.
- LGA Grant budget was decreased by \$9,625 and funds transferred to increase the Public Employment Program fund.

However, there was no documentation on file to support the budget transfers.

Effect: The Chapter membership is not informed of budget changes which will hinder financial decision making.

Cause: The Chapter disregarded budget policies and procedures. As such, budgets changes were made without proper planning, discussion and approval.

Recommendations:

1. To correct the budget transfers, the Chapter administration should prepare a journal voucher that replenishes the Chapter Activities and LGA Grant funds along with supporting documents to present to the Chapter officials for approval.
2. The Chapter administration should present the journal voucher packet to the Chapter officials for concurrence.
3. The Chapter should comply with budget policies and procedures.

Finding 13: Financial reporting is not provided at chapter meetings.

Criteria: Fiscal Policies and Procedures, Section IV.C states the Secretary/Treasurer is responsible for providing all financial reports to the Chapter membership at duly called Chapter meetings, per 26 N.N.C. § 1001(B)(3)(I). In addition, the financial report presentation should be documented in the meeting minutes.

Condition: For the 12-month review period, the Chapter meeting minutes did not report any financial reporting for five months (November 2018, December 2018, January 2019, February 2019 and March 2019).

Currently, the Secretary/Treasurer and Chapter Manager are posting the financial statements and meeting minutes for public viewing but the Secretary/Treasurer is not providing financial reports at duly called Chapter meetings.

Effect: Without financial reports, the Chapter membership cannot make informed financial decisions.

Cause: Although, the Chapter Manager provides financial reports to the Secretary/Treasurer, the Secretary/Treasurer did not present the financial reports at Chapter meetings to avoid any questions she may not be able to answer for the community members.

Recommendations:

1. The Secretary/Treasurer and other officials should obtain training from the Administrative Service Center on the financial statements and how to present these reports.
2. The Chapter Manager should provide financial statements to all the Chapter officials and have them acknowledge receipt of the reports.
3. The Chapter staff and officials should assist the Secretary/Treasurer in presenting the financial statements.
4. The Secretary/Treasurer should attach the financial statements to meeting minutes and the Chapter Manager should verify the attachments before approving stipend payments.

Finding 14: Process for tracking fixed assets is lacking.

Criteria: Fiscal Policies and Procedures, Section VII.F, requires the Chapter to maintain fixed asset records and to report the value of fixed assets in the financial statements. The Chapter is required to establish internal controls to ensure that accounting data is accurate. In addition, Title 26 Navajo Nation Local Governance Act §1 states capitalized property is nonexpendable property having acquisition value of \$1,000 or more.

Condition: There is no process to identify, verify and track the Chapter's fixed assets. Based on the Chapter's journal voucher report and inquiry with the Chapter Manager, the following was identified:

- There are no historical records to show when the fixed assets were purchased or acquired.
- The head start building is not reported as part of the fixed assets.
- Financial statement audit from 2016 shows finding of inadequate capital assets records that has not been addressed.

Effect: The Chapter balance sheet is unreliable because the Chapter cannot support \$276,380 of fixed assets. The lack of reliable financial statements would hinder the Chapter in securing additional funding for projects or other key services.

Cause:

- The current Chapter Manager has not obtained technical assistance from the Administrative Service Center to establish proper records and reporting for the Chapter's fixed assets.
- The Chapter has not addressed the recommendations provided from the 2016 Financial Statement audit to correct its fixed assets records and reporting.

Recommendations:

1. The Chapter Manager, in consultation with the Chapter officials, should implement the process to identify, track and verify the fixed assets as outlined in the fiscal and property policies and procedures.
2. Reported fixed assets should be reconciled to fixed asset records (i.e. property inventory).

Finding 15: Financial statement audits are not being completed.

Criteria: Fiscal Policies and Procedures, Section VII.M, requires the Chapter to obtain an audit of its financial operation at least every two years and which shall include funds received from all Navajo Nation, State, County Federal sources and other fund sources.

Condition: The Chapter became certified in 2014 and obtained a financial statement audit for fiscal year 2016. To date, no audits have been completed for the subsequent years. Therefore, the Chapter has not complied with the financial audit requirements. Furthermore, the 2016 financial statement audit disclosed a qualified opinion with three audit findings regarding journal entries, capital assets records, and travel expenditures. There is no record of a corrective action plan that addresses these findings.

Effect: As a certified Navajo Nation chapter, the Baca/Prewitt Chapter was given full responsibility for its finances and operations. Without financial audits, the Chapter cannot provide assurance its financial management system generates reliable and accurate financial statements. Furthermore, control deficiencies are not being addressed timely and continue to pose risks to the Chapter.

Cause:

- The Chapter does not have Chapter funds earmarked to obtain a financial statement audit.
- The Chapter did not use the results of the financial statement audit to address the control deficiencies.

Recommendations:

1. When Chapter funds are identified, the Chapter Manager should procure for financial statement audit services with a certified public accountant firm.
2. The Chapter should develop a corrective action plan to ensure outstanding audit findings from the prior financial statement audit are addressed.

CONCLUSION

The Chapter did not adhere to travel policies and procedures as travel advances were inaccurately processed for travelers, travel authorizations were not properly approved, and expenses lacked supporting documents. Housing assistance did not have all required documents, the use of building materials was not verified and Housing Discretionary Funds were used for disallowed purposes. Late payroll taxes resulted in Internal Revenue Service penalties. Personnel records are not maintained according to policies and procedures and the promotion of the current Chapter Manager cannot be justified. Bank account signature and access are not clearly defined. The Chapter expends funds without approved budgets and budget transfers are not well documented and approved by the community membership. Financial reporting is not provided at Chapter meetings and there is no process for tracking fixed assets. Lastly, financial statement audits are not being completed and findings from a prior financial audit were not addressed.

Overall, internal controls are not functioning as designed to ensure the Chapter spent funds in accordance with Navajo Nation and Chapter policies and procedures. In fact, controls are mostly non-existent or ineffective. These deficiencies resulted in the 15 findings identified in the audit report.

As a Local Governance certified chapter, the Baca/Prewitt Chapter is held to a higher standard which requires the Chapter to consistently and continuously implement controls to ensure Chapter funds are spent in accordance with Navajo Nation and Chapter policies and procedures. However, current audit issues do not demonstrate controls are being implemented. Some of the current audit issues are a repeat of prior audit issues from previous internal and external audits of the Chapter. This is concerning as it means the Baca/Prewitt Chapter is not maintaining an acceptable standard for accountability and fiscal responsibility. Basically, there is no accountability and responsibility from the elected Chapter officials and there is no ownership by the current Chapter Manager of her duties.

Considering that the Chapter is not demonstrating the capabilities that a Local Governance certified chapter should have, the Office of the Auditor General recommends that the Administrative Service Center take on a more significant role with the Baca/Prewitt Chapter operations and finances. The Administrative Service Center needs to maintain a constant presence at the Chapter to instill accountability by providing close technical assistance and monitoring to bring the Chapter back to acceptable status. Therefore, the Administrative Service Center should complete the following:

1. Provide Navajo Nation and Chapter policies and procedures training and guidance to the Chapter staff and officials.
2. Complete monthly on site visits to the Chapter to verify consistent implementation of Navajo Nation and Chapter policies and procedures.
3. Assist the Chapter to develop policies and procedures for processes not addressed in the Chapter Five Management System manual.
4. Review the Chapter filing system on a monthly basis to ensure required documents are on file to support the implementation of the Navajo Nation and Chapter policies and procedures.
5. Assist the Chapter officials to impose disciplinary actions against staff if required.
6. Assist the Chapter to hire an Administrative Assistant.
7. Ensure Chapter funds are used in accordance with funding guidelines.
8. Review financial reports for accuracy and assist the Chapter in correcting deficiencies.
9. Assist the Chapter in addressing audit issues.

BACKGROUND

The Office of the Auditor General has conducted a Special Review of Baca/Prewitt Chapter for the 12-month period ending March 31, 2019.

The Baca/Prewitt Chapter is 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 Navajo Nation, Local Governance Act. On December 22, 2014, the Baca/Prewitt Chapter became a certified chapter and allowed to operate as a local government under a Five Management System (FMS).

Prior to certification, the following audits were completed for the Chapter:

- In 2006, the Office of the Auditor General conducted a Compliance Audit of the Baca/Prewitt Chapter.
- In 2010, the Office of the Auditor General conducted a Follow-Up Review which resulted in sanctions against the Chapter and officials.
- In 2013, the Office of the Auditor General conducted a Supplemental Follow-Up Review which resulted in lifting the sanctions.
- In 2014, the Office of the Auditor General, in conjunction with REDW LLC performed a certification review of the Chapter's Five Management System and recommended the Chapter for governance certification.
- Subsequent to certification, in 2016, the Chapter received a financial statement audit from Harshwal and Company LLP who issued a qualified opinion of the Chapter's financial statements.

The Chapter administrative duties are performed by the Chapter Manager and Administrative Assistant. Oversight responsibility is provided by the elected Chapter officials and the Administrative Service Centers. The former Chapter Manager resigned on October 25, 2018 and the Administrative Assistant was promoted to Chapter Manager on February 6, 2019. Therefore, at the time of the review, the Chapter did not have an Administrative Assistant.

The majority of the Chapter resources are provided through appropriations from the Navajo Nation central government. These appropriations are intended to fund direct and indirect services at the local Chapter government level. The direct services funds are considered restricted funds with specific intended purposes. The Chapter also generated internal revenues from fees collected for providing miscellaneous services.

The Chapter expended a total of \$213,353.91 for the 12-month audit period ending March 31, 2019.

Objective, Scope, and Methodology

The Office of the Auditor General has conducted a special review of the Baca/Prewitt 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 audit objective for this audit:

- Determine if controls are functioning as designed to ensure travel activities comply with policies and procedures and expenses are supported with documentation.
- Determine if controls are functioning as designed to ensure housing assistance comply with policies and procedures.
- Determine if controls are functioning as designed to ensure payroll activities comply with all regulations and policies and procedures.
- Determine if controls are functioning as designed to ensure the bank account is safeguarded and managed in accordance with policies and procedures.
- Determine if controls are functioning as designed to ensure budgets are properly approved and budget changes comply with policies and procedures.
- Determine if controls are functioning as designed to ensure accurate and reliable financial reporting and audit requirements are met accordingly.
- Determine if controls are functioning as designed to ensure the Chapter's fixed assets are fully accounted for and managed to comply with policies and procedures.

The audit covers activities for the 12-month period of April 1, 2018 through March 31, 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 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 Baca/Prewitt Chapter administration and officials for their cooperation and assistance throughout the audit.

CLIENT RESPONSE



Baca/Prewitt Chapter

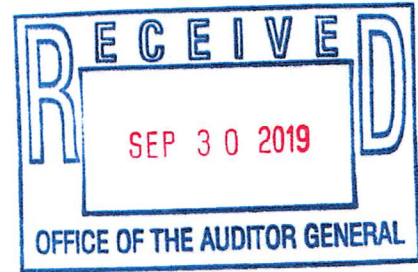
Cecil Lewis, Jr., President
Norma James, Vice President
Cindy V. Howe, Secretary-Treasurer
Daniel Tso, Council Delegate
Tina Becenti, Chapter Manager
Vacant, Administrative Assistant
Bobby Delgarito, Land Board



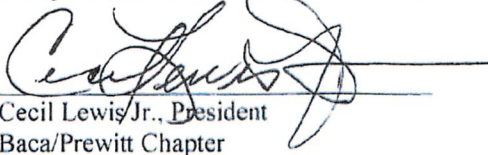
Jonathan Nez
President

Myron Lizer
Vice-President

September 30, 2019



TO: Auditor General
Navajo Nation Office of Auditor General

From: 
Cecil Lewis Jr., President
Baca/Prewitt Chapter

RE: Audit Review – Baca/Prewitt Chapter

Please accept this letter as an acknowledgement, and receipt of the final draft of the Audit Review. The Baca/Prewitt Chapter will begin the process of a Corrective Action Plan (CAP) to address the recommendations made by the Office of Auditor General within thirty (30) days. As part of the Corrective Action Plan, Baca/Prewitt Chapter Administration, ASC-SPPS will provide orientation to the Chapter Officials on the Five Management System, Duties and Responsibilities and other applicable regulations, policies and procedures of Baca/Prewitt Chapter and Navajo Nation.

The Audit Review has helped us by identifying our weakness, strength and need of improvement. If you should have any questions, please do not hesitate to call me at (505) 972-9917.

Cc: Cecil Lewis Jr. President
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