



## **OFFICE OF THE AUDITOR GENERAL**

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### **The Navajo Nation**

### **A Follow-Up Review of the To'hajiilee Chapter Corrective Action Plan Implementation**

**Report No. 21-06  
March 2021**

**Performed by:  
Jasmine Jishie, Auditor  
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March 31, 2021

Jimmy Secatero, President  
**TO'HAIJILEE CHAPTER**  
P.O. Box 3398  
To'hajiilee, New Mexico 87026

Dear Mr. Secatero:

The Office of the Auditor General herewith transmits audit report No. 21-06, a Follow-up Review of the To'hajiilee Chapter Corrective Action Plan Implementation.

**BACKGROUND**

In 2018, the Office of the Auditor General performed an Internal Audit of To'hajiilee Chapter and issued audit report no. 18-20. A corrective action plan was developed by the To'hajiilee Chapter in response to the audit. The audit report and corrective action plan (CAP) were approved by the Budget and Finance Committee on December 27, 2018 per resolution no. BFMA-54-18.

**OBJECTIVE AND SCOPE**

The objective of the follow-up review is to determine whether the To'hajiilee Chapter fully implemented its corrective action plan based on a six-month review period of October 1, 2019 to March 31, 2020. Our review was based on inquiries via video conferencing, emails and teleconference calls; review of records; and audit test work.

**SUMMARY**

Of the 50 corrective measures, the To'hajiilee Chapter implemented 17 (34%) corrective measures, leaving 33 (66%) not fully implemented. See Exhibit A for the details of our review results.

**CONCLUSION**

Since the To'hajiilee Chapter did not fully implement its corrective action plan, a majority of the findings from the 2018 audit remain unresolved. Therefore, the Office of the Auditor General recommends sanctions be imposed on the To'hajiilee Chapter and officials in accordance with 12 N.N.C. Section 9 (B) and (C).

We thank the To'hajiilee Chapter administration and officials for assisting in this follow-up review.

Sincerely,



Helen Brown, CFE, Principal Auditor  
Delegated Auditor General

xc: Nora Morris, Vice President  
Francesca Abeita, Secretary/Treasurer  
Sherrilyn Apache, Community Services Coordinator  
Jamie Henio, Council Delegate  
**TO'HAIJILEE CHAPTER**  
Sonlatsa Jim-Martin, Department Manager II  
Guarena Adeky, Administrative Service Officer  
**ADMINISTRATIVE SERVICE CENTER/DCD**  
Chrono

**REVIEW RESULTS**  
**To'hajiilee Chapter Corrective Action Plan Implementation**  
**Review Period: October 1, 2019 to March 31, 2020**

<b>Audit Issues</b>	<b>Total # of Corrective Measures</b>	<b># of Corrective Measures Implemented</b>	<b># of Corrective Measures Not Implemented</b>	<b>Audit Issue Resolved?</b>	<b>Review Details</b>
1. Non-payment of Worker's compensation dues to the Navajo Nation Worker's Compensation Insurance Program for the past several years.	3	3	0	Yes	See Attachment A
2. Expenditures were made without approved annual budgets for the four fiscal years ended 9/30/13, 9/30/14, 9/30/15, 9/30/16.	3	0	3	No	See Attachment B
3. Expenditures were made without proper support documentation such as requisition form, purchase orders, receiving report, and quotes to justify the expense.	5	0	5	No	
4. The established checklists required for the Housing Discretionary Fund were missing for all 72 sample transactions selected for test work.	3	2	1	No	
5. Travel expenditure transactions did not have adequate support such as travel authorization, trip report, proof of insurance and driver licenses for those using personal vehicles.	3	0	3	No	
6. Capital assets inventory and inventory of other items have not been taken since 2016. Additionally, there is no current insurance coverage for the Chapter with the Navajo Nation's Risk Management Program for these assets.	4	3	1	No	
7. Lack of controls over safeguarding of Chapter's Property and Equipment items.	1	0	1	No	

8. Use of Chapter property (Rodeo Ground) without approval or compensation.	3	1	2	No	See Attachment B
9. The old Chapter building stands abandoned and is in need of restoration and renovation.	3	1	2	No	
10. The new Chapter building is in need of improvements and better maintenance.	1	0	1	No	
11. Quarterly Federal payroll reporting was not filed timely and the monthly Federal tax deposits were not made timely.	3	2	1	No	
12. Chapter membership does not receive monthly financial reporting and several regular Chapter meeting minutes were not available for audit review in a timely manner.	4	0	4	No	
13. Inadequate filing system that requires organization, effort, and timely action.	4	3	1	No	
14. Bank reconciliations for the years under audit have not been located.	3	2	1	No	
15. Lack of a stable AMS and CSC has weakened the operations and accountability at the Chapter.	1	0	1	No	
16. Name of the Chapter's main bank account has been changed in January 2017 without proper authorization.	1	0	1	No	
17. Lack of accountability over miscellaneous revenue collections for the four years under audit.	5	0	5	No	
<b>TOTAL:</b>	<b>50</b>	<b>17</b>	<b>33</b>	<b>1 - Yes 16 - 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>◆ 2021 STATUS</p>	<p><b>Issue #1: Non-payment of Worker’s Compensation dues to the Navajo Nation Worker’s Compensation Insurance Program for the past several years.</b> <b>RESOLVED</b></p>
<p>The Worker’s Compensation reports for the review period were on file. The reports were complete, reviewed by the Community Services Coordinator and former Chapter President, and the reports and corresponding payments were submitted timely to the Navajo Nation Worker’s Compensation Department. A representative from the Worker’s Compensation Department also confirmed the Chapter is current on its reporting and payments for Worker’s Compensation insurance coverage. With these improvements, this audit finding was deemed resolved.</p>	

<p style="text-align: center;">◆ 2021 STATUS</p>	<p><b>Issue #2: Expenditures were made without approved annual budgets for the four fiscal years ended 9/30/13, 9/30/14, 9/30/15, 9/30/16.</b> <b>NOT RESOLVED</b></p>
<p>For fiscal year 2020, the total Chapter budget was \$614,819. This total budget comprised of a carryover budget of \$402,003; Navajo Nation appropriations of \$178,007; supplemental appropriations of \$34,809; and internal revenues of \$46,316.</p> <p>Although the budgets for the Navajo Nation appropriations were approved, the Chapter did not receive two appropriations which were the Sales Tax and Unhealthy Junk Food in the amount of \$11,383 and \$1,904, respectively. The Chapter administration was unaware of these two appropriations which is an indication the Chapter did not monitor its budgets to ensure all appropriations were accounted for.</p> <p>Furthermore, the Chapter received other revenues from: 1) Filming, \$37,900; 2) Tri-State Western Area Power Administration, \$8,525; and 3) internally generated revenues, \$41. The Chapter did not prepare a detailed budget and obtain community membership approval for these revenues totaling \$46,466. Despite no budget approval, the Chapter expended \$41,461 or 89% of the revenues which are unauthorized expenditures.</p> <p>Overall, this finding was not fully resolved and the risks have not been mitigated. The Chapter was advised to contact the Administrative Service Center to address the appropriations that have not been received to date.</p>	
<p style="text-align: center;">◆ 2021 STATUS</p>	<p><b>Issue #3: Expenditures were made without proper support documentation such as requisition form, purchase orders, receiving report, and quotes to justify the expense.</b> <b>NOT RESOLVED</b></p>
<p>58 expenditures totaling \$42,119 during the review period were mostly for operating supplies, reimbursements, gift and food purchases, contractual services, financial assistance, and fuel purchases. A sample of 34 (59%) expenditures totaling \$29,519 was selected to verify proper supporting documentation. Test work revealed the following:</p> <ol style="list-style-type: none"> <li>1) 22 of 34 (65%) Quotations are not obtained for expenditures.</li> <li>2) 27 of 34 (79%) Receiving reports are not completed.</li> <li>3) 12 of 34 (35%) Payments are not supported with original invoice or receipt.</li> <li>4) 6 of 34 (18%) Fund approval forms are not concurred for approval and completeness by a Chapter official.</li> </ol> <p>Overall, the Chapter could not provide reasonable assurance that expenses were justified with proper documentation. The Chapter did not mitigate the risks and the finding remains unresolved.</p>	
<p style="text-align: center;">◆ 2021 STATUS</p>	<p><b>Issue #4: The established checklists required for the Housing Discretionary Fund were missing for all 72 sample transactions selected for test work.</b> <b>NOT RESOLVED</b></p>

For the review period, there were 16 housing recipients who received assistance totaling \$14,784. In verifying whether the housing assistance documentation checklist was consistently used, we found the established checklist was not used for the recipients. Consequently, we noted the following discrepancies with supporting documentation of the housing assistance:

- 1) Supporting documents such as income verification, home site lease, floor plan, site visit and support letter were not on file for all recipients.
- 2) Merchant/vendor quotes were dated ranging from 2-17 months but were still used.
- 3) Receipts were not provided to verify housing materials were purchased by the recipient.
- 4) Housing applications were not reviewed for completeness and eligibility by the Community Services Coordinator.
- 5) Point ranking system was not used to prioritize housing recipients.
- 6) Follow-up visits of housing projects were not documented with pictures or completion reports.

Overall, the Chapter did not comply with housing policies and procedures to ensure recipients were provided with fair and equitable assistance. The risks remain high and the finding is not resolved.

<p>◆ 2021 STATUS</p>	<p><b>Issue #5: Travel expenditure transactions did not have adequate support such as travel authorization, trip report, proof of insurance and driver licenses for those using personal vehicles.</b> <b>NOT RESOLVED</b></p>
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12 travel expenditures totaling \$1,321 were reviewed and test work revealed the following:

- 1) 12 of 12 (100%) Travel authorizations lacked dates or were not on file.
- 2) 5 of 12 (42%) Supporting documentation such as trip, expense, and mileage reports were not found for travelers.
- 3) 7 of 12 (58%) Current proof of insurance and driver license were not found for travelers when personal vehicles were used.
- 4) 4 of 12 (33%) Fund approval forms are not concurred for approval and completeness by a Chapter official.

In addition, travelers who used the Chapter vehicle did not have travel authorization. The Chapter allowed the Chapter administration including temporary workers to purchase fuel for the Chapter vehicle. Subsequently, the Chapter reimbursed the administration for these fuel expenses totaling \$725 but not all expenses were supported with fuel receipts. Overall, the Chapter has not provided reasonable assurance travel expenditures are properly supported and authorized.

<p>◆ 2021 STATUS</p>	<p><b>Issue #6: Capital assets inventory and inventory of other items have not been taken since 2016. Additionally, there is no current insurance coverage for the Chapter with the Navajo Nation’s Risk Management Program for these assets.</b> <b>NOT RESOLVED</b></p>
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The Chapter completed its annual inventory of all property and equipment for fiscal years 2019 and 2020. However, two chapter vehicles were not listed on the latest annual inventory. Nonetheless, the two vehicles were reported on the underwriter exposure summary which is

for insurance coverage from the Risk Management Department. Records showed the Chapter submitted its FY2020 exposure summary and payment which confirms the vehicles and other chapter property were insured. However, the annual inventories and the underwriter exposure summary should be consistent in reporting chapter property.

The initial audit also cited the Chapter for no current registration and license plate for the Chapter vehicles. Since then, the Chapter obtained permanent license plates for the vehicles and the auditors confirmed the vehicles are on chapter premises. However, the Chapter could not provide a current New Mexico vehicle registration for both chapter vehicles. The Community Services Coordinator made attempts to contact the New Mexico Motor Vehicle Department to obtain current registration for the vehicles but has been unsuccessful with limited services due to the ongoing COVID-19 pandemic. Without current vehicle registrations, the Chapter risks violating state motor vehicle laws and any applicable liability.

◆  
2021  
STATUS

**Issue #7: Lack of controls over safeguarding of Chapter's Property and Equipment items.**  
**NOT RESOLVED**

The Chapter installed nine security cameras with two working cameras located outside the perimeter of the Chapter. However, the Chapter has not updated its security camera system and as a result, seven cameras are not currently working. The Chapter explained an upgrade of the current security cameras would be costly but this claim could not be substantiated with vendor quotes or an assessment. The Chapter also lacks any fencing around the compound to secure property and equipment. Overall, the risk that Chapter property and equipment could be stolen or taken off chapter premises without authorization remains and the finding is unresolved.

◆  
2021  
STATUS

**Issue #8: Use of Chapter property (Rodeo Ground) without approval or compensation.**  
**NOT RESOLVED**

For the audit period, one cash receipt for rodeo ground rental was identified. However, there was no approved rental form and no evidence that liability insurance was obtained for the event.

The Community Services Coordinator stated the former Chapter officials gave the consent with fee waivers to unknown individuals. This practice made it difficult for the Chapter administration to monitor the rental activities for the rodeo ground. Without proper approval and liability insurance, the Chapter is exposing itself and the Navajo Nation to unnecessary liability. Without rental revenues, the Chapter cannot maintain the rodeo ground and ensure its continued use.

◆  
2021  
STATUS

**Issue #9: The old Chapter building stands abandoned and is in need of restoration and renovation.**  
**Issue #10: The new Chapter building is in need of improvements and better maintenance.**  
**NOT RESOLVED**

The Chapter is operating from the new chapter building and the old chapter building was transferred to the Veterans Organization. However, there is no documentation to confirm the building transfer. In addition to the old chapter building, the pre-school building remains unoccupied due to safety concerns.



The Chapter administration and officials stated no building improvements will be made until an assessment is done by the Navajo Nation. The Chapter has been in contact with the Navajo Nation Occupational Safety and Health Administration (NNOSHA) to assess the Chapter buildings. NNOSHA confirmed their office will assess the Chapter buildings whether condemnation or renovations are warranted. However, as of this report, no assessments have been completed. Therefore, the future plans for these chapter buildings remain unclear. In the meantime, the Chapter continues to insure the Chapter buildings with the Navajo Nation Risk Management Department.

◆  
2021  
STATUS

**Issue #11: Quarterly Federal payroll reporting was not filed timely and the monthly Federal tax deposits were not made timely.**  
**NOT RESOLVED**

The initial audit reported the Chapter received several reminder notices from the Internal Revenue Service (IRS) for delinquent taxes in the amount of \$1,099 that were to be paid by December 31, 2007. Records showed the Chapter paid the outstanding delinquent balance on February 26, 2020.

The Federal 941 reports for the review period totaled \$3,195. Of these two quarterly reports, the Chapter was late five months in submitting one of these reports. In addition, merit bonuses were paid to four temporary workers totaling \$800 which were not reported as payroll expenditures. Therefore, the Chapter did not properly withhold and remit applicable taxes as required by the IRS.

Since the Chapter submitted one Form 941 late and did not accurately apply payroll taxes to merit bonuses, the risk for liability and fines still remains and the finding is unresolved.

◆  
2021  
STATUS

**Issue #12 Chapter membership does not receive monthly financial reporting and several regular Chapter meeting minutes were not available for audit review in a timely manner.**  
**NOT RESOLVED**

For the review period, the Accounts Maintenance Specialist did not provide monthly financial reports for the Community Services Coordinator or the former officials. Rather, a fund balance report was prepared by the Secretary/Treasurer using the Woven Integrated Navajo Data (WIND) system that posts chapter financial activities on the Navajo Nation Division of Community Development website. The Chapter administration confirmed these fund balance reports were used as financial reports by the former Secretary/Treasurer to the community membership. However, we could not reconcile the fund balance report and financial statements. As a result, the accuracy of the financial reports is questionable.

The former Secretary/Treasurer also did not document detail financial reporting in the meeting minutes. Further, the financial reports were not attached to the meeting minutes or posted on the Chapter's website for public viewing. Without accurate financial reporting, the Chapter membership cannot make informed financial decisions so the finding remains unresolved.

◆  
2021  
STATUS

**Issue #13: Inadequate filing system that requires organization, effort, and timely action.**  
**NOT RESOLVED**

The Chapter administration has maintained a filing system since 2017 and based on our records inventory, most records were readily available for the follow-up review. However, the Chapter could not provide pertinent records such as the following:

- 1) Detailed budgets for Chapter Activity fund
- 2) Housing assistance required documents for recipients
- 3) Four travel voucher packets
- 4) Receipts for expenditures
- 5) Rental forms and liability insurance
- 6) Bank signatory card
- 7) Cash receipts tickets

Overall, this finding was not fully resolved and the risks have not been mitigated. The Chapter still needs to continue improving its filing system.

◆  
2021  
STATUS

**Issue #14: Bank reconciliations for the years under audit have not been located.**  
**NOT RESOLVED**

Bank reconciliations for the six-month review period were provided by the Chapter administration. These bank reconciliations showed the Accounts Maintenance Specialist prepared the bank reconciliations each month and the Community Services Coordinator reviewed her work except two months of February and March 2020. In February 2020, it was unclear when the bank reconciliation was completed since the date of completion and review of the bank reconciliation were not documented. For March 2020, the bank reconciliation was delayed for approximately nine months due to the closure of the Chapter as a result of the COVID-19 pandemic.

In addition, the former Secretary/Treasurer or other officials did not provide review of the bank reconciliations during the six-month review period. As a result, the Chapter could not provide reasonable assurance bank reconciliations are monitored to ensure bank reconciliations are accurate, completed timely, and are on file.

◆  
2021  
STATUS

**Issue #15: Lack of a stable AMS and CSC has weakened the operations and accountability at the Chapter.**  
**NOT RESOLVED**

The Chapter's Community Services Coordinator and Accounts Maintenance Specialist were both hired December 2017. The former Chapter officials who contributed to this review stated that Chapter operations have been improving since the administration was hired. Although we observed a good working relationship between the administration through meetings and interviews, we still noted the following:

- 1) As the primary user of the accounting system, the Accounts Maintenance Specialist's work is not routinely monitored although the Community Services Coordinator is set up with credentials.
- 2) The former Secretary/Treasurer was not readily available to assist the Chapter administration with monitoring of financial activities.
- 3) The Community Services Coordinator and Accounts Maintenance Specialist could not account for all documents that were requested.

Overall, with permanent Chapter administration, the Chapter has more stability but accountability still needs to be strengthened. As a result, applicable risks still exist.

<p>◆ 2021 STATUS</p>	<p><b>Issue #16: Name of the Chapter's main bank account has been changed in January 2017 without proper authorization.</b> <b>NOT RESOLVED</b></p>
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The prior audit cited the Chapter for removal of the legal name To'hajiilee Chapter from its bank account and Canoncito Band of Navajos was substituted to take its place. In review of bank statements, we found the Chapter combined the names of Canoncito Band of Navajos/To'hajiilee Navajo Chapter to the bank account. The Chapter did not have proper approval documentation such as a chapter resolution that authorized the name change. The Chapter administration stated the name change was done prior to their hiring and could not provide further explanation for the name change. The applicable risk remains as the finding is unresolved.

<p>◆ 2021 STATUS</p>	<p><b>Issue #17: Lack of accountability over miscellaneous revenue collections for the four years under audit.</b> <b>NOT RESOLVED</b></p>
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25 cash receipts from internally generated revenues totaled \$168 for the audit period. The Chapter collected revenues from trash services and rodeo ground rental. The Chapter only provided eight cash receipt tickets with the remaining 19 cash receipts totaling \$126 presumed missing. Test work revealed the following control discrepancies:

- 1) 19 of 25 (76%) Revenues are not recorded on pre-numbered cash receipts tickets.
- 2) 19 of 25 (76%) Cash receipts are not reconciled and posted to the accounting system.
- 3) 20 of 25 (80%) Cash receipts are not posted to the correct revenue code.
- 4) 20 of 25 (80%) Posted cash amount did not reconcile to the actual cash receipt ticket.
- 5) 25 of 25 (100%) Revenues are not deposited weekly but rather done monthly.
- 6) 25 of 25 (100%) Revenue log was not reviewed for completeness by the Community Services Coordinator.

Overall, the roles and responsibilities of the Accounts Maintenance Specialist, Community Services Coordinator, and Chapter officials within the cash receipt process with regards to posting, reconciling and monitoring were not properly performed thus resulting in the control discrepancies. In absence of stronger controls over cash receipts, the Chapter cannot provide reasonable assurance it fully accounts for its miscellaneous revenues.