


Report no. 21-18

M-E-M-O-R-A-N-D-U-M

TO : Sonlatsa Jim-Martin, Department Manager II
ADMINISTRATIVE SERVICE CENTER

: Hon. Rickie Nez, Chairperson
RESOURCES AND DEVELOPMENT COMMITTEE

: Hon. Jamie Henio, Chairperson
BUDGET AND FINANCE COMMITTEE

FROM : 
Helen Brown, CFE, Principal Auditor
Delegated Auditor General
OFFICE OF THE AUDITOR GENERAL

DATE : June 30, 2021

SUBJECT : Review of Stipend Payments to Chapter Officials for Sanctioned Chapters

The Office of the Auditor General conducted a review to follow-up on the sanctioned chapters to determine whether they are complying with the sanction provisions that require 20% of stipends to elected chapter officials to be withheld until the sanctions are lifted. Our review focused on three fiscal years of 2018 to 2020.

For the period reviewed, there were 10 sanctioned chapters. However, in fiscal year 2021, the sanctions against Sawmill Chapter were lifted but for purposes of this report, we included the Chapter. The details of our review can be found in the attached report.

Overall, some chapters paid their officials the full stipend amounts despite the sanctions. In such instances, the chapters overpaid officials and basically, did not adhere to the sanction provisions. At least two chapters used its unrestricted Chapter Activities Fund to help pay for the stipends. However, since the Chapter Activities Fund is an unrestricted fund, this was not deemed a material issue considering chapters have the discretion on how to use unrestricted funds. Lastly, three chapters had deficit balances for their Chapter Stipend Fund but it was unclear whether these deficits were a result of the sanctions.

This review was primarily based on compilation and analysis of available financial data. We did not review supporting documentation or make inquiries with the respective chapters. However, the Office of the Auditor General will follow-up on these matters during our revisit to the sanctioned chapters when such revisits are requested. Appendix A summarizes our objective, scope and methodology.

Memo to ASC, RDC, BFC

Page 2

Nonetheless, the attached report offers information for the Administrative Service Center to use in providing guidance to the chapter administrative staff of the sanctioned chapters to ensure correct stipend payments are made to the elected chapter officials. This is a non-audit report and does not require a corrective action plan.

If you have any questions about this report, please contact our office at extension 6303. Thank you.

Attachment

xc: Dr. Pearl Yellowman, Division Director
DIVISION OF COMMUNITY DEVELOPMENT
Chrono

Review of Stipend Payments by Sanctioned Chapters to their Elected Chapter Officials

I. Purpose of the Review

The Office of the Auditor General conducted this review as a follow-up on the sanctioned chapters and whether they are complying with the sanction provisions that require 20% of stipends to elected chapter officials to be withheld until the sanctions are lifted. This review was predicated on the following:

- On a quarterly basis, the Office of the Auditor General will report on the available fund balances for the 110 chapters. This information is compiled based on each chapter's accounting system of which a backup is submitted to our office each quarter. After restoring the backups, our office is able to identify the fund balances per each fund type and summarize the information across the 110 chapters.

For the quarterly periods between 2019 and 2021, we have noted deficit balances within the Chapter Officials Stipend Fund for several chapters. Some of these deficit balances have increased from one quarterly period to the next until new allocations replenish the fund and offset the deficits. However, the deficits could be an indication of several issues including sanctioned chapters paying their chapter officials their full stipend amounts rather than the sanctioned amounts.

- In addition, at least one sanctioned chapter posed questions to our office on how its Chapter Officials Stipend Fund could be in a deficit and whether this is due to the chapter officials receiving full stipend payments rather than the reduced amounts.

In light of these issues, we commenced a review of the stipend expenditures for the sanctioned chapters to verify whether these expenditures were made according to the sanction provisions. For the review, we analyzed available financial data pertaining to the stipend expenditures to answer several questions.

II. Background on Sanctions

A. OAG authority on sanctions

Under Title 12 Section 9 of the Office of Auditor General Plan of Operation, whenever the Auditor General determines after a follow-up review that a chapter has failed to implement a Budget and Finance Committee approved corrective action plan (CAP) within the timeframe set by the corrective action plan, the Auditor General shall report the failure to the Office of the Controller of the Navajo Nation and the Budget and Finance Committee. As part of the reporting, the Auditor General has the authority to

recommend sanctions on the chapter for failure to implement the CAP. The Budget and Finance Committee has final authority on the approval or disapproval of sanctions.

B. Purpose of Sanctions

The motive for sanctions is to invoke an incentive for the chapters to understand the seriousness of the audit findings and prioritize the need to implement corrective actions to mitigate the risks identified for these findings. The rationale is that the sooner the chapters address the CAP, the less adverse impact the sanctions will have on chapters. For some chapters, the amount of funds withheld may seem minimal but as the withholdings accumulate, this amount will grow and eventually impact chapter services and projects. The more chapter funds are withheld, the less resources are available for direct services.

C. Process for implementing/removing sanctions

When the Auditor General issues a follow-up report which concludes a chapter did not fully implement its corrective action plan, a recommendation to impose sanctions on the chapter will be made by the authority vested with the Office of the Auditor General. The recommendation for sanction will include the following:

- 1) ten percent (10%) of monies payable from any governmental fund of the Navajo Nation shall be withheld, and
- 2) twenty percent (20%) of any payment prospectively due to the chapter officials shall be withheld.

The recommendation will be presented to the Resources and Development Committee as the oversight committee for Navajo Nation Chapters and thereafter, presented to the Budget and Finance Committee (BFC) for final approval. With BFC approval, the Controller will be directed to implement the sanctions.

The Controller will withhold the applicable amounts when disbursing fund allocations to the chapter. The withheld funds will be maintained in a reserve account until the chapter demonstrates to the Office of the Auditor General that the corrective action plan has been implemented. Thereafter, the Office of the Auditor General shall immediately report this compliance to the Office of the Controller who shall then release all withheld funds to the chapter.

III. Sanctioned Chapters and Officials

As of this report, there are currently nine (9) chapters under sanction status. However, for the period of fiscal years 2018 to 2020, there were 10 sanctioned chapters. In 2021, the sanctions against Sawmill Chapter were lifted after the chapter demonstrated it fully implemented its corrective action plan.

For each chapter, we identified the chapter officials (President, Vice-President and Secretary/Treasurer) who were subject to the sanction provisions. Table 1 summarizes the sanctioned chapters, the effective date of sanctions, and officials by name and title.

**Table 1
Summary of Sanctioned chapters and officials**

Sanctioned Chapter	Date of Sanction	Sanctioned Officials		
		President	Vice President	Secretary/Treasurer
Alamo	02/07/2017	Buddy Mexicano	Earl Apachito	Angela A. Apachito
Bahast'ah	03/15/2016	Elouise Johnson	Tom Begay	Joan M. Nez
Crystal	10/03/2018	Raymond Tsosie	Patricia L. Slim	Virginia A. Benally
Leupp	03/30/2018	Valerie Kelly	Angela Cody	Calvin Johnson
Mariano Lake	09/21/2016	Jay R. DeGroat	Henry T. Begay	Linda Thomas
Ramah Navajo	10/22/2012	David Jose	Jamie Henio Chancey Martinez	Dixie M. Begay
Sanostee	03/29/2019	Frank Smith, Jr.	Gerald Henderson	Jourdan Washburne
Sawmill	10/07/2003	Woodie Bennett	Lewis Shirley	Laurita Begay
Whitecone	12/27/2018	Jonathan Lewis	Henry Attakai	Lavida Begay-Maestas
Whitehorse Lake	10/04/2016	Art L. Chavez	Debra L. Tolino	Rita Chee King

Source: Auditor General records

For Ramah Navajo Chapter, there was a change for the Vice-President position as the former official was elected as the Council Delegate and vacated the position. Thereafter, the position was filled with a newly elected chapter official.

A change in chapter officials will generally result in a delay with imposing sanctions on newly elected chapter officials. The Office of the Auditor General was advised by the legal departments to grant newly elected chapter officials additional time to assist with the implementation of the corrective action plan as part of that official's due process. Therefore, the Auditor General will grant a period of one year from the date the new official took his/her oath of office before informing the Chapter and/or Controller of when the sanctions should be enforced. However, the hope is that the chapter will have the sanctions lifted before they are imposed on the new official(s).

IV. Appropriation withholdings for sanctioned chapters

By implementing the sanctions, the Office of the Controller will withhold 10% of general fund appropriations due to the sanctioned chapters. However, for the Chapter Officials Stipend Fund appropriation, the Controller will withhold 20% of the appropriation since the chapter officials who are sanctioned will receive reduced stipends.

Table 2 summarizes the withholdings of the Chapter Officials Stipend Fund appropriations for the 10 sanctioned chapters for fiscal years 2018 to 2020. The overall total of withholdings for this three-year period was approximately \$160,000.

Table 2
Appropriation Withholdings for Sanctioned Chapters
FY2018 to FY2020

Chapter	Appropriation Withholdings			Total
	FY2018	FY2019	FY2020	
Alamo	\$ 5,605	\$ 7,595	\$7,560	\$ 20,760
Bahastl'ah	8,270	7,595	7,560	23,425
Crystal	-	3,060	7,560	10,620
Leupp	916	7,571	7,560	16,047
Mariano Lake	7,591	7,595	7,560	22,746
Ramah Navajo ^(a)				
Sanostee	-	-	1,961	1,961
Sawmill	7,591	7,595	7,560	22,746
Whitecone ^(b)	-	2,977	15,135	18,112
Whitehorse Lake	7,591	7,595	7,560	22,746
	\$37,564	\$51,583	\$70,016	\$159,163

Source: MIP accounting system data

- (a) Since the Ramah Navajo Chapter has not been submitting backups for its MIP accounting system to the Office of the Auditor General, we were unable to compile and analyze the stipend expenditures for this review.
- (b) In FY2020, the Whitecone Chapter incorrectly posted the stipend allocation as revenue which resulted in an overstatement of withholdings.

Six (Alamo, Bahastl'ah, Mariano Lake, Ramah Navajo, Sawmill and Whitehorse Lake) of the ten sanctioned chapters have been sanctioned prior to fiscal year 2018. Therefore, the appropriation withholdings for those chapters would be a higher amount but for purposes of this report, we focused only on the three-year period.

In addition, the date of when the sanctions are approved also determines the timing of the withholdings by the Controller. If sanctions are approved during the latter part of a fiscal year, the Office of the Controller will not apply the sanction withholding until the next year appropriation as all current year funds would have already been disbursed to the chapter. In such cases, the chapter administration is responsible for withholding the applicable portions when processing stipend payments for the chapter officials. Also, if the Office of the Controller is inconsistent in the percent of withholdings, this could contribute to the varying amounts of withholdings as indicated in Table 2.

V. Stipends

Stipends are paid to elected officials as compensation for carrying out their duties and responsibilities. For each chapter official, stipends are paid by the chapter for monthly planning and regular meetings as well as quarterly district or agency meetings. In some instances, chapters may convene special meetings in addition to the monthly meetings.

In accordance to the sanction provision, the sanctioned chapters are required to withhold 20% of these stipends. Table 3 shows this breakdown.

**Table 3
Stipend Amount – Standard vs. Sanctioned**

Official	Monthly Regular/Planning Meetings		Quarterly District/Agency Meetings	
	Standard Amt	Sanctioned Amt	Standard Amt	Sanctioned Amt
President	\$500	\$400	\$150	\$120
Vice-President	\$500	\$400	\$150	\$120
Secretary/Treasurer	\$500	\$400	\$150	\$120

Source: Auditor General plan of operation

On a monthly basis, each official can be paid \$1,000 for the regular and planning meetings and one month per quarter, each official can be paid up to \$1,150 if he/she also attends a quarterly district or agency meeting. When sanctioned, these amounts will reduce to \$800 and \$920, respectively for each official.

On an annual basis, each chapter receives an allocation of \$37,800 to cover the stipends for the three chapter officials as follows:

- a) 12 planning meetings x 3 officials x \$500 = \$18,000
- b) 12 regular meetings x 3 officials x \$500 = \$18,000
- c) 4 district/agency meetings x 3 officials x \$150 = \$1,800

When a chapter is under sanction status, these amounts are reduced by the 20%. Therefore, each sanctioned chapter's total stipend expenditures on an annual basis should not exceed \$30,240 unless the chapter had additional meetings deemed as special meetings. Lastly, there are no penalties for sanctioned chapters who do not abide by the sanction provisions.

The process to withhold sanctions also varies between some of the sanctioned chapters. For example, two chapters are withholding the sanctioned amounts as payroll deductions which is automatically applied each time stipend payments are processed. Other chapters will calculate the withholding and process the stipend payments based on the net amount. The withheld amounts are recorded as accruals in the accounting system and once sanctions are lifted, these amounts will be disbursed to the applicable chapter officials.

VI. Review Results

To determine whether the sanctioned chapters complied with the sanction provisions regarding the withholding of 20% from each chapter officials' stipends, we compiled the chapter stipend expenditures based on each chapter's MIP accounting system. The backups to these accounting systems are remitted to the Office of the Auditor General on a quarterly basis which facilitated the compilation of the stipend expenditures. These expenditures were examined and analyzed to answer key questions as follows:

A. Are sanctioned chapter officials being compensated at the sanctioned amount?

For the period of FY2018 to FY2020, the total stipends paid by each sanctioned chapter is summarized in Table 4.

**Table 4
Summary of Stipend Payments – FY2018 to FY2020**

Sanctioned Chapter	FY2018	FY2019	FY2020
Alamo	\$ 24,650	\$ 29,250	\$ 28,920
Bahastl'ah	\$ 29,310	\$ 28,440	\$ 30,240
Crystal	-	\$ 28,970	\$ 19,804
Leupp	\$ 35,710	\$ 30,070	\$ 29,523
Mariano Lake	\$ 29,158	\$ 28,304	\$ 29,520
Ramah Navajo ^(a)			
Sanostee	-	-	\$ 31,770
Sawmill	\$ 29,760	\$ 26,720	\$ 25,800
Whitecone	-	\$ 25,195	\$ 27,025
Whitehorse Lake	\$ 30,155	\$ 26,424	\$ 23,940

Source: MIP accounting system data

(a) MIP financial data was not available to provide applicable information

Based on the information in Table 4, most of the sanctioned chapters had total stipend expenditures that did not exceed \$30,240 which is the annual stipend allocation for sanctioned chapters as previously explained. One chapter, Sanostee Chapter, exceeded this amount in fiscal year 2020.

In analyzing the stipend expenditures for each fiscal year, we flagged some stipend payments that were contrary to the sanctioned amounts. In these instances, the chapters still paid their chapter officials the standard stipend amounts of \$500 for planning/regular meetings and \$150 for district/agency meetings, despite the sanctions. Table 5 shows these sanctioned chapters and the stipends that were overpaid to the chapter officials.

See next page for Table 5

**Table 5
Sanctioned Chapters and status of stipend payments**

Sanctioned Chapter	Were correct payments made to officials?			Over/(Under) Payments
	FY2018	FY2019	FY2020	
Alamo	No	No	Yes	\$ 740
Bahastl'ah	Yes	Yes	Yes	-
Crystal		No	No	\$ 1,370
Leupp	No	No	Yes	\$ 855
Mariano Lake	Yes	No	Yes	\$ 249
Ramah Navajo ^(a)				
Sanostee			No	\$ 330
Sawmill	Yes	Yes	Yes	-
Whitecone		No	No	\$ 260
Whitehorse Lake	No	No	Yes	\$ 6,100

Source: MIP stipend expenditure data

(a) MIP financial data was not available to provide applicable information

For those chapters who overpaid their chapter officials, we did not review supporting documentation or make inquiries to determine the reasons for the overpayment. However, the following reasons could explain the overpayments:

- a) chapter may have unspent funds due to a vacancy for one or more officials;
- b) chapter may not have conducted the typical number of meetings due to various reasons; for example, a chapter may have opted to skip a planning or regular meeting;
- c) chapter may have additional resources due to accumulated carryover funds in the Chapter Officials Stipend Fund from prior years to help pay the stipends.

The Office of the Auditor General will examine these expenditures further when a revisit is made to the applicable sanctioned chapter. In addition, the results will be shared with the Administrative Service Center (ASC) to assist the chapter in making sure the correct payments are made going forward.

B. Did the sanctioned chapters utilize other chapter funds to pay stipends to their chapter officials?

Of the 10 sanctioned chapters during the three-year period, two chapters used other chapter funds besides the Chapter Officials Stipend Fund to pay stipends to their chapter officials. These two chapters were the Bahastl'ah and Sawmill Chapters and both chapters relied on their Chapter Activities Fund to help pay for stipends.

1. Bahastl'ah Chapter:

	FY2019	FY2020
Total stipends disbursed	\$28,440	\$30,240
Funds used to cover disbursements:		
a) Chapter Stipend Fund:	\$23,640 (83%)	\$26,640 (88%)
b) Chapter Activities Fund:	\$4,800 (17%)	\$3,600 (12%)

For fiscal years 2019 and 2020, the Bahast'ah Chapter also used its Chapter Activities Fund, which is an unrestricted fund, to cover the stipend expenditures for the chapter officials. Based on the financial information alone, it is unclear why the Bahast'ah Chapter had to use other chapter funds to subsidize the stipends for the chapter officials.

2. Sawmill Chapter:

	FY2018
Total stipends disbursed	\$29,760
Funds used to cover disbursements:	
a) Chapter Stipend Fund:	\$28,960 (97%)
b) Chapter Activities Fund:	\$800 (3%)

In fiscal year 2018, Sawmill Chapter only budgeted for 11 planning meetings resulting in a stipend shortfall for one meeting. To compensate two chapter officials for this one meeting, the Chapter relied on its unrestricted Chapter Activities Fund to help pay for the stipends.

Since the Chapter Activities Fund is unrestricted, how these funds are used is generally at the discretion of the chapters. Therefore, the use of these funds for stipends would not be considered a disallowed cost provided these expenditures were included in the Chapter Activity Fund budgets. Our office will follow up on these issues during our sanction revisits for the applicable chapters.

C. Are the sanctioned chapters incurring Stipend Fund deficits due to the sanctions?

As previously indicated, the Controller will withhold 20% of the Chapter Officials Stipend Fund before these funds are disbursed to the chapter. The reduced allocation is intended to cover the sanctioned (reduced) amount for stipends. When a chapter disregards the sanction provisions by continuing to pay the standard (full) amount of stipends to officials, the chapter is at risk of incurring a fund deficit. The deficit occurs because the chapter would not have sufficient resources to cover the stipend expenditures.

Table 6 shows which of the 10 sanctioned chapters with deficit balances for their Chapter Official Stipends Fund at the end of each fiscal year. Three chapters (Bahast'ah, Leupp and Whitehorse Lake) reported deficit balances for one or more of the fiscal years reviewed.

See next page for Table 6

Table 6
Chapter Officials Stipend Funds with Deficit Balances

Chapter	Deficit Balances		
	FY2018	FY2019	FY2020
Alamo	-	-	-
Bahast'ah	\$ 2,647	\$ 443	-
Crystal	-	-	-
Leupp	-	-	\$ 5,479
Mariano Lake	-	-	-
Ramah Navajo ^(a)			
Sanostee	-	-	-
Sawmill	-	-	-
Whitecone	-	-	-
Whitehorse Lake	\$ 4,103	\$ 150	-

Source: MIP accounting system data

(a) MIP financial data was not available to provide applicable information

The deficits fluctuate year after year which can be expected as the chapters receive annual or supplemental appropriations that will generally offset the deficits. However, when new year appropriations are used in this manner, it will result in fewer resources for the new fiscal year and the chapter may find itself with a deficit again at the end of the fiscal year.

In reviewing the budgets for the sanctioned chapters, we also noted that the chapters have different budget approaches. Some chapters budget their meetings at the standard stipend amount of \$500 per meeting while other chapters budget for stipends at the reduced amount of \$400 per meeting. One chapter budget shows a cost-sharing between the annual and supplemental budgets for the meeting stipends.

Table 5 shows several chapters that overpaid stipends and such overpayments would have contributed to the fund deficits. However, the deficits are minimized because of new appropriations or unspent funds due to chapter decisions to forgo some meetings or if they have vacancies for the chapter officials. Therefore, the sanctions do not appear to result in fund deficits as some chapters are finding alternatives to pay chapter official stipends whether it is the full or sanctioned amounts.

VII. Conclusion

The purpose of this report is to determine if sanctioned chapter officials are being compensated at the sanctioned amount. Based on our compilation of applicable financial data regarding the stipends, we concluded the following:

1. A majority of the chapters (8 of 10) did not pay their elected chapter officials at the sanctioned amount for the meetings. Therefore, these chapters did not adhere to the sanction provisions. For the three-year period, some of these chapters made corrections by fiscal year 2020.

2. Of the 10 sanctioned chapters, we noted two chapters that had to use other funds to help pay for the stipends. The chapters both used the Chapter Activities Funds which are unrestricted funds and can be expended at the discretion of the chapter provided the funds are budgeted.
3. For the three-year period reviewed, only three chapters had deficit fund balances in their Chapter Officials Stipend Fund. It is unclear how these deficits occurred but despite the sanctions, the sanctioned chapters are paying their chapter officials their stipends.

Overall, the sanctioned chapters are paying their chapter officials meeting stipends but some of these payments are not at the sanctioned amounts. However, despite the overpayments, most of these chapters managed to avoid fund deficits. The Office of the Auditor General will examine these payments further during the sanction revisits for the applicable chapters. In the meantime, this information will be provided to the Administrative Service Center to provide guidance to the chapter administrative staff of the sanctioned chapters to ensure correct stipend payments are made.

OBJECTIVE

The objective of this review was to follow-up on the sanctioned chapters to determine if sanctioned chapter officials are being paid the correct stipend amounts while under sanction.

SCOPE

The scope of this review is fiscal year 2018 to 2020. The focus of this report is the stipend payments to sanctioned chapter officials. With that, we examined stipend expenditures only within the Chapter Officials Stipend Fund which is fund code 12 within the chapters' MIP accounting systems.

METHODOLOGY

In completing this review, our office performed the following procedures:

- A. Identify the sanctioned chapter officials based on available records.
- B. Search the WIND system per the Division of Community Development website and summarize the stipend allocations for each sanctioned chapter for each fiscal year.
- C. Confirm these allocations with applicable information via the Navajo Nation Financial Management Information System (FMIS).
- D. For each sanctioned chapter, review the MIP budget to actual reports for the Chapter Official Stipend Funds to verify proper posting of allocations and identify any deficit balances.
- E. Obtain the MIP general ledger reports for each sanctioned chapter for the three-year period; review these reports to complete the following:
 1. Extract the stipend expenditures using the applicable object code from the chapter's chart of accounts.
 2. Compile the stipend expenditures and summarize by total amount for each fiscal year.
 3. Check each payment and verify if the payments are for the sanctioned amount (less 20%). Flag and summarize the payments that are inconsistent with the sanctioned amount.
 4. Identify payments from non-stipend funds and summarize the total expenditures from these funds.
 5. Review the fund balances to identify any deficits at the end of each fiscal year.
- D. Examine other MIP reports as needed to address the objective of this review.

***Note:** The compilation and analysis of the financial data for this report does not include the Ramah Navajo Chapter. The Ramah Navajo Chapter does not provide backups for its MIP accounting system to the Office of the Auditor General on a quarterly basis despite repeated requests. In the absence of reliable data, information regarding Ramah Navajo Chapter was omitted from this report to avoid the reporting of erroneous information.*