



# OFFICE OF THE AUDITOR GENERAL

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## The Navajo Nation

### Internal Audit of the Gadii'ahi/To'koi Chapter

**Report No. 22-07  
May 2022**

**Performed by:  
HEINFELD, MEECH & CO., P.C.**





May 16, 2022

Harry Descheene, Jr., President  
**GADII'AHI/TO'KOI CHAPTER**  
P. O. Box 1318  
Shiprock, NM 87420

Dear Mr. Descheene:

The Office of the Auditor General, in conjunction with Heinfeld, Meech & Co., P.C. herewith transmits Audit Report No. 22-07, Internal Audit of the Gadii'ahi/To'koi Chapter. The audit objective was to determine whether the Chapter maintains adequate internal controls to safeguard assets, ensure reliability of its financial reporting, and comply with applicable laws, regulations, policies and procedures. During the 12-month audit period ending September 30, 2021, our review has revealed the Chapter needs to strengthen controls with activities addressed by its five-management system. The following issues were identified:

- FINDING I: The Chapter's accounting records contain a Theft Loss Fund reporting a deficit cash balance of \$34,614.
- FINDING II: The Chapter's accounting records contain activities that were not recorded in accordance with the chart of accounts.
- FINDING III: Capital assets were not accounted for in the accounting system or Balance Sheet, a physical inventory was not conducted during the audit year, and two assets were not valued properly.
- FINDING IV: The design and implementation of internal controls over the Chapter debit card were not sufficient.
- FINDING V: Bank reconciliations were not completed timely and duties related to bank reconciliations were not properly segregated.
- FINDING VI: Cash receipts were not deposited timely nor properly documented.
- FINDING VII: Three written quotes were not on file for purchases between \$2,501 and \$50,000.
- FINDING VIII: Personnel documentation was not always maintained nor completed fully.
- FINDING IX: Cash disbursements did not always obtain complete supporting documentation nor follow Chapter procedures.
- FINDING X: Complete documentation was not obtained for scholarship and financial assistance disbursements.

Detailed explanations of the audit issues can be found in the body of the report. The audit report provides recommendations for remediation of the reported findings.

If you have any questions about this report, please contact our office at (928) 871-6303.

Sincerely,

Helen Brown, CFE, Principal Auditor  
Delegated Auditor General

xc: Arnold Nelson, Vice-President  
Sylvia Tyler, Secretary/Treasurer  
Lynda M. Hayes, Community Services Coordinator  
Amber Kanazbah Crotty, Council Delegate  
**GADII'AHI/TO'KOI CHAPTER**  
Sonlatsa Jim-Martin, Department Manager II  
Eliza-Beth Washburne, Senior Programs and Projects Specialist  
**ADMINISTRATIVE SERVICES CENTER/DCD**  
Sara Kirk, CPA, CFE, Partner  
**HEINFELD, MEECH & CO., P.C.**  
Chrono



Office of the Auditor General - The Navajo Nation  
Gadii'ahi/To'koi Chapter

The internal audit of Gadii'ahi/To'koi Chapter for the 12-month period ended September 30, 2021 was conducted 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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To meet our audit objectives, Chapter administration and officials were interviewed, data was analyzed and documents were examined. Additionally we:

- Considered the Chapter's internal controls as outlined in the Chapter Five-Management System policies and procedures manual.
- Tested compliance with certain provisions of laws, regulations, and policies as outlined in the internal audit.

As a result of the internal audit, we noted certain matters that are opportunities for strengthening internal controls and instances of noncompliance with laws, regulations and policies. Management should address these items to ensure it fulfills its responsibility to establish and maintain adequate internal controls and comply with laws, regulations, and policies. Those items and our related recommendations are described in the accompanying summary. The items discussed in the accompanying summary are a result of audit procedures performed based on a risk based assessment, and therefore, not all deficiencies or weaknesses in controls may have been identified.

This information is intended for the Navajo Nation Auditor General's Office and is not intended to be and should not be used by anyone other than the specified party. However, this information is a matter of public record, and its distribution is not limited.

Sincerely,

*Heinfeld Meech & Co. PC*

Heinfeld, Meech & Co., P.C.  
Scottsdale, Arizona  
April 29, 2022

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## Findings and Recommendations

**Finding I: The Chapter’s accounting records contain a Theft Loss Fund reporting a deficit cash balance of \$34,614.**

### Criteria

Per the Fiscal Policies and Procedures Manual, Section V A 2 & 3, the Chapter shall have a records system capable of identifying the source and use of funds and a system of internal control procedures to ensure funds are used properly.

### Condition

The Chapter has a \$34,614 deficit cash balance in a Theft Loss Fund.

### Effect

Eliminating the cash deficit will impact the Chapter’s cash flows and available resources to be expended on future needs. The existence of a Theft Loss Fund in the Chapter’s accounting records negatively impacts the credibility of the Chapter’s financial statements.

### Cause

The Theft Loss Fund was established to account for financial improprieties that had occurred in the Chapter before the implementation of the MIP software system. The establishment of a separate fund to record the deficit has effectively allowed the deficit to remain unresolved, as it is not a factor when current expenditures are evaluated.

### Recommendations

1. The CSC, in conjunction with Chapter Officials, should develop a financial plan to eliminate the cash deficit in the least amount of time possible without impacting service levels. The financial plan should include:
  - Identification of current existing unrestricted cash balances that could be applied immediately towards the deficit
  - Identification of future expenditures that could be reduced in unrestricted funds so that the corresponding surplus cash can be applied to the deficit
  - Use of the existing and future available cash data to schedule out a plan by fiscal year to eliminate the deficit
2. Chapter Officials and the CSC should monitor adherence to the plan.



**Finding II: The Chapter’s accounting records contain activities that were not recorded in accordance with the chart of accounts.**

Criteria

Per the Fiscal Policies and Procedures Manual, Section VII B 1(a) states the Chapter chart of accounts shall be used to determine the appropriate accounts to which the disbursement will be charged.

Condition

During our review of transactions, the following coding errors were noted:

1. The transportation charges to move two modular buildings in the amount of \$17,167 were coded to a 6813 code (land improvement – infrastructure), rather than to a 6806 buildings code.
2. The purchase of a refrigerator and freezer totaling \$3,165 were coded to a 6303 - operating supplies code, rather than to 6802 – equipment code.
3. A purchase of fertilizer in the amount of \$1,340 and two contractual services transactions totaling \$1,925 were coded to a 6813 (land improvement – infrastructure code rather than to 6303 – operating supplies and 6603 – other professional fees, respectively.

Effect

Lack of accuracy in coding results in misstated reporting to internal stakeholders and misstated financial statements.

Cause

There was a misapplication and misunderstanding of the Chart of Accounts by the Community Services Coordinator (CSC) and Accounts Maintenance Specialist (AMS). Additionally, the coding errors were not detected by designated Chapter Officials when reviewing monthly financial reports.

Recommendations

1. The CSC and other Chapter personnel should obtain additional training from the Administrative Service Center (ASC) on account coding.
2. An independent review of posted transactions should be performed for adherence to the chart of accounts.

**Finding III: Capital assets were not accounted for in the accounting system or Balance Sheet, a physical inventory was not conducted during the audit year, and two assets were not valued properly.**

Criteria

Per Property Management Policies and Procedures Section IV J, all property and equipment with a value of more than \$1,000 shall be capitalized and recorded in the Chapter’s capital asset ledger. Additionally, per Section VII F (2) (g) of the Fiscal Policies and Procedures, the capital assets account group shall be reported on the Combined Balance Sheet financial statement. Further, the Property Management Policies and Procedures Section VIII A states the Chapter shall conduct and maintain a complete, detailed and accurate physical inventory of the Chapter property assigned and shall reconcile the entire property list annually. Section VII B 2 indicates the capital asset inventory sheet should contain property numbers, description, classification, serial number, acquisition cost, value, condition, last inventory, date acquired, procurement documents, invoice number, vendor, fund source, date of disposition, method of disposition, amount of proceed, account credited, and disposition posted by. Per Section IV F, the property records shall include serial numbers, quantity, condition and insurance for proper identification of items and to ensure proper reporting of any losses. Lastly, assets should be valued including ancillary costs such as sales taxes, shipping and freight, etc.

Condition

1. The Chapter does not have capital asset data recorded in MIP, and therefore, the related financial activity, including depreciation expense and accumulated depreciation, is not recorded on the trial balance or in the financial statements.
2. The Chapter did not perform a physical inventory during the fiscal year ended September 30, 2021. Further, a complete physical inventory was not performed between January 2017 and March 2022. Additionally, based upon a review of the inventory listings prepared in March 2022, not all required data was included on the Property Inventory Listing.
3. For two of eight asset items valued at \$1,585 and \$1,580, tax was not included in the value of the assets on the listing.

Effect

The Chapter is in violation of established policies and procedures. Without proper financial reporting, the Chapter is understating the value of assets and understating annual depreciation expense and accumulated depreciation. The property listing sent to Navajo Nation Risk Management may not include all property, and as a result, Chapter property could be uninsured or underinsured.

Cause

The Chapter’s buildings and larger dollar infrastructure assets have not been appraised. The CSC was aware an appraisal is needed, however competing priorities have prevented this from occurring. A physical inventory was not performed due to a lack of time and personnel. Tax was omitted from the value of assets due to an oversight by the CSC.

Recommendations

1. The CSC should procure an asset appraisal and utilize the information to enter all of the required data into MIP once the fixed assets module is obtained.
2. The CSC should conduct physical inventories annually in accordance with policy and update the Property Inventory Listing to include all required items.
3. The CSC and AMS should calculate depreciation expense on all capital assets with a value of more than \$1,000 and record these amounts on the financial statements.
4. The CSC and AMS should then record the total capital asset values net of accumulated depreciation on the Balance Sheet.
5. Chapter personnel should include ancillary charges as part of the value of capitalized assets.



**Finding IV: The design and implementation of internal controls over the Chapter debit card were not sufficient.**

Criteria

Per Fiscal Policies and Procedures Manual Section VII, it is the policy of the Chapter to establish internal controls to ensure assets and resources are protected against waste, fraud, and inefficiency, and to ensure that accounting data is accurate, dependable and compliant with any regulations, terms and conditions, assurances, and certification requirements of funding agencies. Additionally, Section D 1(g), the Chapter shall prohibit unauthorized direct cash withdrawals and ATM/debit card bank transactions. However, the Chapter may make cash withdrawals for cash only transactions (e.g. coal and medicine men’s services), provided that the authorized signatories (e.g. Secretary/Treasurer and CSC) prepare and sign memoranda of authorization and justification. Moreover, all invoices and receipts must be provided to the Chapter just as with all other financial transactions. Such a debit card must be prepaid only and the central account controlled by the CSC. Further, Resolution 2017-062 approved and authorized the issuance of a debit card for Chapter use. The Chapter Resolution indicates the debit card should not be issued to an individual but to the Chapter, the Chapter Officials and CSC will approve and monitor the usage of the debit card, and the card is needed for transactions such as the annual registration fees for Chapter vehicles. Resolution 2019-026 expands the usage of the debit card to make emergency purchases such as fuel/diesel for Chapter heavy equipment and vehicles, to purchase parts, and to pay for routine maintenance.

Condition

The Chapter has one debit card issued in the name of the Chapter and CSC that is utilized by Chapter personnel to execute purchases. Contrary to policy, the debit card is not a prepaid debit card. Custody of the debit card is not tracked utilizing a sign in and out log, nor are individuals utilizing the debit card required to sign a user agreement outlining the card procedures to be adhered to. Further, Chapter approved resolutions including debit card guidance are not comprehensive with respect proper internal controls.

Nine debit card disbursements totaling \$5,176 were sampled. One debit card disbursement in the amount of \$7 was not supported by an invoice.

Effect

Lack of internal controls over debit card usage could result in misappropriation or misuse of Chapter resources, including the purchase of personal items. Disbursements that are not properly supported by documentation could result in improper disbursements and misstated expenditure related activity.

Cause

The use of the debit card increased during the audit period due to an increase in the occurrence of vendors denying the use of checks. The CSC was unaware of the additional risks associated with utilizing a debit card for purchasing and of additional internal controls that could be implemented to mitigate those risks.

Recommendations

1. Use of the debit card should be suspended until policies and procedures are developed and approved.
2. The Chapter should create and adopt debit card policies and procedures.
  - a. The debit card should be utilized only by the CSC, as identified on the card. The card should not be shared.
  - b. Individuals approved to utilize the debit card should be required to sign a user agreement outlining the card procedures to be adhered to and documented understanding of such.
  - c. The policies and procedures should outline allowable versus unallowable debit card purchases to mitigate any potential confusion by authorized card users.
  - d. The AMS and CSC should ensure documentation is obtained, maintained, and filed appropriately, including invoices.
  - e. Debit card policies and procedures should include that a debit card purchase not supported by an invoice requires the employee to reimburse the funds to the Chapter.
3. The debit card policies and procedures should be provided to Navajo Nation Department of Justice (DOJ) for legal review. Upon DOJ’s approval, the policies and procedures will be approved by the community via resolution.



**Finding V: Bank reconciliations were not completed timely and duties related to bank reconciliations were not properly segregated.**

Criteria

Per the Fiscal Policies and Procedures Manual Section VII C 1(a), one person, who must be other than the primary signatories, shall be designated to prepare the bank reconciliation. Furthermore, Section VII C 1(b) states that a reconciliation shall be accomplished within one day upon receipt of the bank statement.

Condition

The bank reconciliations for the general checking account were reviewed and the following was noted:

1. Contrary to the fiscal policies, the bank reconciliations were prepared by the CSC, who is a primary signor on the bank account.
2. Three of 12 bank reconciliations reviewed were not performed timely. The February reconciliation was not performed until April, the April reconciliation was not performed until June and the May reconciliation was not performed until July.

Effect

Chapter policies were not adhered to. If one individual is responsible for both authorizing and reconciling a purchase, the risk of theft or misuse of Chapter resources is increased. Risk is also increased when reconciliations are not performed timely. If delays occur, mistakes and errors cannot be detected and corrected timely and the opportunity for misuse of Chapter resources is increased.

Cause

The AMS resigned in March 2020 prior to the COVID-19 pandemic closures. Subsequently, the AMS requested to be rehired in April 2020. The CSC worked to have the individual reinstated to the position, however was informed the AMS position was a nonessential position in relation to the pandemic and that the Personnel Action Form (PAF) for this position would not be accepted. The AMS position was not rehired until August 2021. For this reason, the CSC performed the reconciliations. Lack of Chapter administrative personnel resulted in difficulty upholding proper segregation of duties.

Recommendations

1. To ensure segregation of duties is in place when vacancies occur, the CSC should provide training to another Chapter employee, such as the Office Assistant, or maintain documentation that reconciliations were reviewed by the ASC.
2. The AMS should reconcile bank accounts within one day of the receipt of the bank statement and the CSC should review for accuracy and approval. The CSC should more thoroughly review the monthly financial checklist to identify critical monthly tasks that have not yet been performed and follow up with staff to ensure items get completed.

**Finding VI: Cash receipts were not deposited timely nor properly documented.**

Criteria

Per the Fiscal Policies and Procedures Manual, Section VII A 1(c) states that cash receipts shall be deposited (if practical) on a weekly basis to the Chapter’s checking account. Additionally, Section VII J indicates the development and implementation of the resale inventory policy prevents overstocking, shortage and loss as a result of theft, spoilage, breakage, etc. Further, Section VII A 1(b), all checks and money orders received shall be endorsed “for deposit only” immediately upon receipt. Lastly, because counterfeiting is illegal, bills should not be photocopied.

Condition

A sample of 10 cash receipts totaling \$2,234 were reviewed and the following was noted:

1. For seven of 10 cash receipts reviewed totaling \$802, the monies were not deposited timely. The deposit dates ranged from 17 days to 324 days after the date on the receipt.
2. Three cash receipts reviewed were for the sale of steamed corn, grown at the Chapter. An inventory or documented estimate of quantity to be sold was not prepared and documented to control Chapter resources and anticipated revenues.
3. A "for deposit only" stamp was not utilized by the Chapter during the audit period. This has since been implemented.
4. It was noted during our review of the supporting documentation for cash receipts that the Chapter is making photocopies of cash bills, which is contrary to policy.

Effect

Chapter policies were not adhered to. When cash receipts are not deposited timely, financial activity reports used to make decisions will not be up to date, cash flows cannot be managed effectively and exposure to theft increases. When inventories of items for resale are not available, the Chapter is unable to reconcile items sold to cash collected, increasing the risk cash could be misappropriated. Lack of a restrictive endorsement allows checks to be further negotiated.

Cause

Deposits totaling \$802 were delayed because receipts were held on site by the CSC because of the AMS position vacancy. This decision was made by the CSC to wait for the AMS position to perform a second count of the monies prior to deposit. Additionally, office closures due to the pandemic contributed to the lack of timeliness. The CSC was aware that checks required a restrictive endorsement, but there was a delay in getting the stamp ordered and with the implementation of the practice due to competing priorities. The lack of inventory and use of photocopying cash bills was due to being unaware of such requirements. The CSC photocopies cash bills due to the desire to be particularly cautious due to staffing vacancies at the Chapter with documentation.



Recommendations

1. The CSC should comply with the cash receipts policies and procedures when documenting and depositing cash receipts, and ensure deposits are made at least weekly. The Office Assistant or other temporary worker should be trained to perform second cash counts if the CSC or AMS is unavailable.
2. The CSC should update the resale inventory before and after the sale of goods in order to accurately record costs and revenues.
3. The AMS should be restrictively endorsing all checks and money orders immediately upon receipt.
4. The CSC should discontinue the practice of photocopying cash bills.

**Finding VII: Three written quotes were not on file for purchases between \$2,501 and \$50,000.**

Criteria

Per the Procurement Policies and Procedures Manual Section IV K 2, on any purchase from \$ 2,501 to \$ 10,000, the Office Administrative Assistant shall obtain three (3) or more written quotations from different vendors. Additionally, requirement 3 of the same section states that for purchases from \$ 10,001, to \$ 50,000, the Administrative Assistant shall obtain three (3) or more written quotations from different vendors.

Condition

Throughout our testwork, various disbursements were evaluated for compliance with Chapter procurement guidelines. The following was noted:

1. For five disbursements between \$2,501 and \$10,000, three written quotations were not obtained from different vendors. The only quotations obtained were from the vendors the purchases were made from.
2. For one disbursement between \$10,001 and \$50,000, three written quotations were not on file.

Effect

Purchases totaling \$43,709 were executed without following policy. When procurement procedures are not followed, the Chapter prohibits competition and transparency, which may lead to the purchase of less effective or more costly goods and services.

Cause

For the purchases between \$2,501 and \$10,000, the CSC indicated that there is a limited selection of vendors in the area. Vendors that are historically known for lower pricing or tax savings are typically utilized. For the purchase between \$10,001 and \$50,000, the CSC indicated that other vendors were contacted, and referred the Chapter to the vendor utilized, but a request was not made to obtain written documentation from the vendors and the information was not documented by the CSC.

Recommendations

1. Written quotations should be obtained in accordance with the Chapter procurement policy. The CSC and AMS should obtain, maintain, and file written quotations appropriately to support Chapter procurement activities.
2. Checks should not be signed by designated Chapter Officials until the receipt of quotations is verified.



**Finding VIII: Personnel documentation was not always maintained nor completed fully.**

Criteria

Per the Fiscal Policies and Procedures Manual Section VII H 1(g), personnel records on each employee shall be maintained at the Chapter administration on authorized Chapter forms. These records include but are not limited to (a) Personnel Action Form (PAF), (b) Employment Application Form (c) Employee’s Federal Withholding Allowance Certificate (W-4), (d) Social Security Card (e) Voluntary Deductions Authorization (f) Employee Performance Evaluation Form (g) Arizona New Hire Form (h) Wage Garnishments (i) Parental Consent Form and (J) Voter Registration. Additionally, the Summer Youth Employment Policy section VIII J requires an interest letter, which describes career goals.

Condition

A sample of 10 temporary employees and their related personnel files were reviewed and the following was noted:

1. PAFs were not prepared to document initial employment for nine temporary employees reviewed. Additionally, for all employees, PAFs were not prepared to reflect subsequent changes to the employee’s pay.
2. Six personnel files reviewed did not contain a New Mexico New Hire Form. This form is not included in the policy as a required form, but rather the Arizona New Hire Form is in error.
3. Three personnel files reviewed did not contain a voter registration card, or if a minor, the voter registration card of the parent.
4. One personnel file reviewed for summer youth employment did not contain an interest letter.
5. Two personnel files contained policy acknowledgement forms, although the forms were not signed by the employees.

Effect

Chapter policies were not adhered to. When current PAFs are not created and maintained, payroll expenditures are not supported and the risk for errors and unauthorized payments to employees is higher.

Cause

The CSC was aware of the need to update PAFs and to ensure personnel files contained all required documentation, however this was not performed due to staffing vacancies and was in some instances an oversight.

Recommendations

1. The CSC must verify a PAF has been created by the AMS upon initial employee hire and that additional PAFs are created by the AMS when wages are increased or an employee is terminated.
2. The CSC must approve the PAFs, after verifying support by Chapter resolution and available funds.
3. The Chapter should utilize a comprehensive checklist to ensure each personnel file contains the required documentation. Personnel files should be independently reviewed by the CSC quarterly for completeness and to ensure current.
4. The CSC should update the policies to ensure the correct required forms are included (New Mexico versus Arizona) and to ensure that personnel files are being maintained consistently for the Public Employment Project (PEP) and Summer Youth Employment programs.
5. The CSC should verify employees were reported to the State of New Mexico by the AMS.



**Finding IX: Cash disbursements did not always obtain complete supporting documentation nor follow Chapter procedures.**

Criteria

Per the Fiscal Policies and Procedures Manual Section VII B 2(b), the Administrative Assistant shall ensure that the Fund Approval Form indicates payment authorization and that all source documents (i.e., invoices, quotes, claim forms, timesheets and similar documents) support each fund disbursement before preparing a check for payment. Additionally, Section B 1(j) states that disbursement of funds which were not budgeted are prohibited.

Condition

A sample of 26 disbursements totaling \$47,510 were reviewed and the following was noted:

1. For one of 26 disbursements in the amount of \$10, no supporting documentation was provided.
2. For seven of 26 disbursements totaling \$7,643, the invoice or receipt was not provided.
3. For one of 26 disbursements in the amount of \$4,271, the disbursement exceeded the line item budget amount.
4. For one of 26 disbursements in the amount of \$77, the FAF was missing the approval date.

Effect

Chapter policies were not adhered to. Disbursements in the amount of \$7,653 were not properly supported. Disbursements that are not properly supported or budgeted could result in improper disbursements to vendors, misstated expenditure related financial activity, or budget excesses.

Cause

Vacancy in the AMS position and lack of oversight by the CSC and designated Chapter Officials.

Recommendations

1. The AMS, CSC, and Chapter Officials should ensure documentation is obtained, maintained, and filed appropriately, including invoices which should be reviewed along with the FAF prior to payment authorization. No disbursement should be made without all required documentation.
2. The CSC and Chapter Officials should ensure budget is available prior to approving disbursements.

**Finding X: Complete documentation was not obtained for scholarship and financial assistance disbursements.**

Criteria

As noted in the Gadii’ahi/To’koi Chapter Government Student Financial Assistance (Scholarship) Policies and Procedures Manual Section III, required documents are a completed student financial assistance (scholarship) application, valid driver’s license/photo identification, Gadii’ahi/To’koi Chapter voter registration card, Certificate of Indian Blood, IRS Form W-9, official transcripts, official college letter of acceptance/enrollment verification, and current class schedule. Additionally, the Gadii’ahi/To’koi Chapter Government Financial Assistance Policy and Procedures Section IV notes that the required documents for such assistance are the financial assistance checklist, financial assistance application, driver’s license/identification card, Gadii’ahi/To’koi Chapter voter registration card, Certificate of Indian Blood and a letter of request. Furthermore, Section II (f) of this policy notes that receipts are required to be submitted within 20 business days after receiving the check.

Condition

A sample of six scholarship financial assistance disbursements totaling \$1,900 and five general financial assistance disbursements totaling \$750 were reviewed and the following was noted:

1. For one of six scholarship assistance disbursements for \$250, all required documentation was not provided. The applicant file omitted a Chapter voter registration card, Certificate of Indian Blood, and a social security card. Although a social security card is not a requirement in the Student Financial Assistance (Scholarship) Policies and Procedures, it was listed as a requirement on the Financial Assistance (Scholarship) Application Checklist.
2. For one of five general financial disbursements for \$150, a Certificate of Indian Blood was not provided.
3. For one of five general financial assistance disbursements for \$150, the receipt for goods purchased was not provided to the Chapter within 20 days after receiving the check.

Effect

Chapter policies were not adhered to and awards may have been provided to ineligible applicants.

Cause

Vacancy in the AMS position and lack of oversight and attention to detail by the CSC. The CSC did not follow up with the applicant on a timely basis to obtain a receipt.

Recommendations

1. The AMS and CSC should ensure documentation is obtained, maintained, and filed appropriately. No scholarship or financial assistance disbursement should be made without all required documentation.

2. The CSC should follow up with individuals receiving financial assistance to ensure the required documentation is obtained. The AMS and CSC should implement a mechanism to track recipients that have not provided required information. The CSC could establish a policy that would deem a student ineligible for future assistance due to lack of adherence to Chapter policy.
3. Chapter Officials should verify assistance documentation has been obtained prior to signing checks.



## Appendix

### **Background**

The Navajo Nation Office of the Auditor General engaged Heinfeld, Meech, & Co. P.C. to perform an internal audit of the Gadii’ahi/To’koi Chapter for the 12-month period ended September 30, 2021.

Gadii’ahi/To’koi Chapter is a political subdivision of the Navajo Nation and is considered a general purpose local government for reporting purposes. The Gadii’ahi/To’koi Chapter is located within the Northern Agency of the Navajo Nation.

The Gadii’ahi/To’koi Chapter operates under a five-management system with policies and procedures addressing five key system components: fiscal management, personnel management, property management, records management, and procurement. The authorities, duties and responsibilities of the Gadii’ahi/To’koi Chapter are enumerated in Title 26, Local Governance Act (LGA) of the Navajo Nation Code.

The local chapter government is managed by the Community Services Coordinator (CSC) with administrative support provided by an Accounts Maintenance Specialist (AMS). Oversight is provided by the elected chapter officials comprising of the President, Vice-President and Secretary/Treasurer. Additional oversight is provided by the Navajo Nation Division of Community Development/ Administrative Service Centers (ASC).

The majority of the Chapter’s resources are provided through appropriations from the Navajo Nation central government. Other revenue is generated from miscellaneous user charges assessed by the Chapter for services and/or goods provided to its community members. The Gadii’ahi/To’koi Chapter’s fiscal year 2021 total budget was approximately \$759,700 which includes carryover funds from the prior fiscal year.

### **Objective**

The objective of the internal audit was to evaluate the Chapter’s internal controls; how well controls are designed, implemented, and operated to meet the Chapter’s objectives in the following areas:

1. Financial transactions are authorized, valid, and properly recorded to permit the preparation of financial statements and other financial reports.
2. Assets are safeguarded against loss or misuse.
3. Chapter activities addressed by the five-management system comply with applicable laws and regulations.

### **Audit Methodology**

In meeting the audit objectives, we interviewed the Chapter administration and officials, and examined available records. More specifically, we tested samples of cash receipts, payroll and nonpayroll disbursements including capital disbursements, scholarship assistance, and general financial assistance for internal controls and compliance requirements by using a non-statistical, judgmental method.

## **Client Response**



# Gadii'ahi/To'koi Chapter Government

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May 13, 2022

Navajo Nation  
Office of the Auditor General  
Attn: Helen Brown, CFE, Principal Auditor  
P.O. Box 708  
Window Rock, Arizona 86515

**RE: Heinfield, Meech & Co. P.C., Final Draft Report**

Dear Ms. Brown;

The Gadii'ahi/To'koi Chapter has received and reviewed the final draft of the Internal Audit of the Gadii'ahi/To'koi Chapter dated April 29, 2022 covering Fiscal Year 2021. The Gadii'ahi/To'koi Chapter accepts the audit report, and has begun the process of a Corrective Action Plan with guidance from the Shiprock Administrative Services Center.

The Gadii'ahi/To'koi Chapter understands and accepts the guidance and explanations expressed during the April 29, 2022 Exit Conference. Additionally, the Gadii'ahi/To'koi Chapter is readily taking steps to address all audit findings. The Gadii'ahi/To'koi Chapter will continue to implement all recommendations to ensure the chapter administration and officials continue operating in full transparency and at the highest professional level to keep the faith, integrity and goodwill of the local community.

If you should have any further questions or comments, please contact the Gadii'ahi/To'koi Chapter by phone at 505-635-0620, or by email at [gadiiahi@navajochapters.org](mailto:gadiiahi@navajochapters.org)

Respectfully,

Harry Descheene  
Chapter President

Lynda Hayes  
Community Service Coordinator

Cc: Gadii'ahi/To'koi Chapter Officials  
Honorable Amber K. Crotty, Council Delegate  
Dr. Pearl Yellowman, Director, DCD  
Ms. Sonlatsa Jim-Martin, Department Manager II, DCD-ASC  
Ms. Eliza-Beth Washburne, SPPS, Shiprock- ASC

**Chapter Officials**  
Harry Descheene, President  
Arnold Nelson, Vice-President  
Sylvia Tyler, Secretary/Treasurer

**Council Delegate**  
Amber Crotty

**Grazing Rep**  
Lucinda Lee

**Farm Board Rep**  
Ronney Dec

**Chapter Admin**  
Lynda Hayes, CSC  
Janice Biggs, AMS

**Health Rep**  
Maggie Johnson