



OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

Internal Audit of the Ts'ah Bii Kin (Inscription House) Chapter

**Report No. 22-12
September 2022**

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



September 30, 2022

Geraldine Chee, President
TS'AH BII KIN (INSCRIPTION HOUSE) CHAPTER
P.O. Box 1755
Kaibeto, AZ 86053

Dear Ms. Chee:

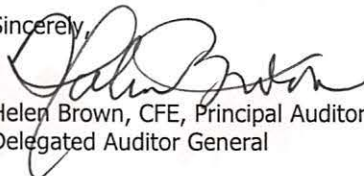
The Office of the Auditor General, in conjunction with Heinfeld, Meech & Co., herewith transmits Audit Report No. 22-12, an Internal Audit of the Ts'ah Bii Kin Chapter. The audit objective was to determine whether the Chapter maintains adequate internal controls to safeguard assets, ensure reliability of its financial reporting, and comply with applicable laws, regulations, policies and procedures. During the 12-month audit period ending March 31, 2022, 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 cash drawer line item on the Balance Sheet at March 31, 2022 reflects a balance of \$5,500.64, which was not reconciled to the deposits on hand at the Chapter.
- Finding II: The Chapter's Balance Sheet included negative asset and liability account balances.
- Finding III: Payroll deductions were not properly set up.
- Finding IV: Personnel files were missing required information.
- Finding V: Cash receipts were not deposited timely and one duplicate posting was noted.
- Finding VI: Two disbursements exceeded the budgeted amount for that line item.
- Finding VII: Written quotations were not obtained by the Chapter on applicable purchases.
- Finding VIII: The Chapter's accounting records contain activities that were not recorded in accordance with the chart of accounts.
- Finding IX: The Chapter does not have asset data recorded in MIP, and therefore is not recorded in the financial statements.

Detailed explanations on all 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 call our office at (928) 871-6303.

Sincerely,



Helen Brown, CFE, Principal Auditor
Delegated Auditor General

xc: Chancy Nodestine, Vice President
Dellard Curley, Secretary/Treasurer
Earl Sombrero, Chapter Manager
Herman Daniels, Council Delegate
TS'AH BII KIN (INSCRIPTION HOUSE) CHAPTER
Sonlatsa Jim-Martin, Department Manager II
Calvin Tsosie, Senior Programs and Projects Specialist
ADMINISTRATIVE SERVICE CENTER/DCD
Sara Kirk, CPA, CFE, Partner
HEINFELD, MEECH & CO., P.C.
Chrono

Office of the Auditor General - The Navajo Nation
Ts'ah Bii Kin (Inscription House) Chapter

The internal audit of Ts'ah Bii Kin (Inscription House) Chapter for the 12-month period ended March 31, 2022 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.
Phoenix, Arizona
September 30, 2022

Table of Contents

	<u>Page</u>
Findings and Recommendations.....	2
Finding I: The cash drawer line item on the Balance Sheet at March 31, 2022 reflects a balance of \$5,500.64, which was not reconciled to the deposits on hand at the Chapter.	2
Finding II: The Chapter's Balance Sheet included negative asset and liability account balances.	3
Finding III: Payroll deductions were not properly set up.....	4
Finding IV: Personnel files were missing required information.....	6
Finding V: Cash receipts were not deposited timely and one duplicate posting was noted.....	7
Finding VI: Two disbursements exceeded the budgeted amount for that line item.	8
Finding VII: Written quotations were not obtained by the Chapter on applicable purchases.....	9
Finding VIII: The Chapter's accounting records contain activities that were not recorded in accordance with the chart of accounts.	10
Finding IX: The Chapter does not have asset data recorded in MIP, and therefore is not recorded in the financial statements.	11
Appendix	12
Background	12
Objective	12
Audit Methodology	12
Client Response	13

Findings and Recommendations

Finding I: The cash drawer line item on the Balance Sheet at March 31, 2022 reflects a balance of \$5,500.64, which was not reconciled to the deposits on hand at the Chapter.

Criteria

The Fiscal Policies and Procedures Manual, Section VII 2(c) states that the Chapter Administrative Assistant will record all cash received in the cash receipts journal at the end of each day. VII 2(g) states the Chapter Manager shall ensure that the deposit amount reconciles with the total cash receipts in the cash receipts journal and shall initial the cash receipt journal to indicate the reconciliation was completed and shall resolve any variances.

Condition

Chapter policies were not adhered to.

The cash drawer line item (account 1000) within the Chapter's accounting records reflected a balance of \$5,500.64 on March 31, 2022. The balance in this account should represent the cash on hand at the Chapter in the safe at a point in time that has not yet been deposited into the checking account at the bank.

The Chapter has not been reconciling the cash drawer line item to the physical cash on hand, and as a result, the Balance Sheet amount is not accurate.

Effect

Since the Chapter is not properly accounting for Chapter resources, there is an increased likelihood for financial reporting errors and risk of improprieties not being detected. A duplicate deposit was noted (see also Finding VI).

Cause

A lack of accounting training and understanding of reconciling by Chapter personnel was noted by the Chapter Manager.

Recommendation

1. The Administrative Assistant and Chapter Manager should obtain training on reconciling the cash drawer Balance Sheet account.
2. The Chapter Manager should verify that deposits are reconciled with the total cash receipts journal and individual cash receipts. As part of this process, the amount of cash on hand at the Chapter at a point in time should be agreed to the cash drawer Balance Sheet account.
3. The existing variance should be investigated and resolved. The Chapter Manager should solicit assistance from ASC as needed.

Finding II: The Chapter's Balance Sheet included negative asset and liability account balances.

Criteria

Per section V (D) (3) of the Fiscal Policies and Procedures, the Chapter accounting records provide the documentary support for the account balances and must be properly maintained to provide fiscal accountability for the Chapter.

Condition

The Chapter's Balance Sheet at March 31, 2022 included the following:

- The Emergency Fund had a negative asset balance of \$711.30 in the Accounts Receivable – Hay Sales (1211) line item.
- The Chapter's Navajo Tax Payable (2029) and Wood Permit Liability (2121) accounts are carrying negative balances of \$319.76 and \$396.61, respectively. The Chapter recorded the deposits collected for these items to these liability accounts prior to remitting them periodically to the Navajo Nation Sales Tax Commission and Navajo Forestry.

Effect

Reporting to internal and external stakeholders of the Chapter may contain inaccurate information. Account balances were not reported in accordance with generally accepted accounting principles (GAAP).

Cause

This was an oversight in the reconciliation and review performed by the Chapter Manager. Additionally, the Chapter Manager indicated a lack of training received in reconciling balance sheet accounts.

Recommendation

1. The Administrative Assistant and Chapter Manager should obtain accounting training from ASC on reconciling balance sheet accounts.
2. The Chapter Manager should verify that any accounts receivable balance reported on the Balance Sheet represents an amount owed to the Chapter as of a point in time and is supported by documentation.
3. The Chapter Manager should verify liability accounts intended to clear to zero are reconciled and that any account balance existing at a point in time represents the amount to be remitted to the appropriate agency.
4. The existing discrepancies should be investigated and resolved. The Chapter Manager should solicit assistance from ASC as needed.

Finding III: Payroll deductions were not properly set up.

Criteria

Per section VII (H) (c) of the Fiscal Policies and Procedures, the Chapter will follow all applicable Navajo Nation, state and federal laws and regulations relating to payroll. Section VII K 1 & 2 of the Personnel Policies and Procedures indicates an employee may request a pay advance in the following situations: (a) when an employee is required to travel on official business; travel must be in accordance with the existing travel policies and (b) Serious illness or death in the immediate family. All pay advances will be deducted in accordance with current payroll processing.

Condition

A sample of 39 individual payroll transactions totaling \$21,561 were reviewed and the following was noted:

- Payroll advances in the amount of \$1,050 were distributed during the audit year. The payroll advances were paid utilizing a salaries and wages (6100) expenditure account code; however were being deducted when payroll is processed utilizing a payroll advances (1227) asset account code.
- Payroll deductions for Navajo Arts and Crafts Enterprise (NACE) totaled \$4,836 during the audit year. The payroll deductions were processed utilizing a NACE payable (2050) liability code, however the check payment to Navajo Arts and Crafts is paid from a salaries and wages (6100) or salaries – temporary (6101) account code. Additionally, the Chapter's policies and procedures do not outline if this type of payroll deduction is allowable.

Effect

The Chapter's financial statements were misstated. A negative liability balance of \$1,450 in payroll advances (1227) exists on the Balance Sheet due to the improper deduction set up. Further, the Chapter reported a liability balance in the NACE payable (2050) account on the Balance Sheet that does not appear to represent a valid amount owed to a vendor as of March 31, 2022. Expenditures on the Statement of Revenues, Expenditures, and Changes in Funds Balances are likely misstated related to these transactions. The lack of required approvals resulted in a violation of Chapter policy.

Cause

The Chapter Manager indicated a lack of training on the use of the accounting software system.

Recommendation

1. The Administrative Assistant and Chapter Manager should obtain training from ASC on the proper establishment of payroll deductions. Payroll advances should be established as a liability when the funds are provided to an employee and the liability relieved when the advance is repaid by the employee through a payroll deduction.
2. The Chapter Manager should verify that any liability balances reported on the Balance Sheet represents an amount owed to vendors or employees as of a point in time and is supported by documentation.
3. The existing discrepancies should be investigated and resolved. The Chapter Manager should solicit assistance from ASC as needed.
4. Chapter policies should be updated to outline the procedures to be followed for NACE payroll deductions.

Finding IV: Personnel files were missing required information.

Criteria

Per section VII (H) (g) of the Fiscal Policies and Procedures, 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 (b) Employment Application Form (c) Employee's Federal Withholding Allowance Certificate (d) Copy of Social Security Card (e) Voluntary Deductions Authorization (f) Employee Performance Evaluation Form (g) Arizona New Hire Form (h) Wage Garnishments (i) Parental Consent Form (j) Copy of voter registration.

Condition

Chapter policies were not adhered to.

A sample of 11 employees and their related personnel files were reviewed and the following was noted:

- For one personnel file reviewed for a Chapter permanent employee, the original employment application and social security card were not included in the file.
- For one personnel file reviewed for a Chapter permanent employee, the Arizona New Hire Form was not included in the file.

Effect

When personnel files are incomplete, government and legally mandated documents required by Chapter policies are not available as record of employee events. Additionally, the legitimacy of employees cannot be validated.

Cause

This was a filing oversight by Chapter personnel.

Recommendation

1. The Chapter Manager should utilize a comprehensive checklist to ensure each personnel file contains the required documentation.
2. Personnel files should be independently reviewed periodically by the Chapter Manager to verify completion.

Finding V: Cash receipts were not deposited timely and one duplicate posting was noted.

Criteria

Section VII 2(h) of the Fiscal Policies and Procedures Manual states the Chapter shall deposit all monies within ten days of receipt. VII 2(g) states the Chapter Manager shall ensure that the deposit amount reconciles with the total cash receipts in the cash receipts journal and shall initial the cash receipt journal to indicate the reconciliation was completed and shall resolve any variances.

Condition

Chapter policies were not adhered to.

A sample of 15 cash receipts totaling \$30,580 were reviewed and the following was noted:

- Six of 15 cash receipts reviewed were not deposited timely. The deposit dates ranged from 12 to 24 days after the date of the receipt.
- For one of 15 cash receipts reviewed in the amount of \$8,600, the receipt represented a duplicate deposit. This was subsequently detected and corrected, however the Chapter did not properly retain documentation noting changes in cash posted to the accounting records after the initial date the bank reconciliation was prepared.

Effect

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. Cash and revenue reported in the financial statements were overstated until the time the duplicate deposit was corrected.

Cause

The Chapter Manager indicated the large distances between the Chapter and the bank in Kayenta was the cause of the untimely deposits. A lack of training and understanding of reconciling by Chapter personnel was also noted by the Chapter Manager.

Recommendation

1. The Administrative Assistant and Chapter Manager should obtain training from ASC on cash receipting procedures.
2. The Chapter Manager should ensure supporting documentation is on file for all changes in postings in the accounting records.
3. The Chapter Manager should comply with the cash receipts policies and procedures and ensure deposits are made in a timely manner.
4. The Chapter Manager should verify that deposits are reconciled with the total cash receipts journal.

Finding VI: Two disbursements exceeded the budgeted amount for that line item.

Criteria

As noted in the Fiscal Policies and Procedures Manual, Section VI A, no expenditure shall be made without an approved annual budget and no expenditure shall exceed the budgeted amounts without prior approval of the Chapter voting members. Further, Section VII B 1 (j) states disbursements of funds which were not budgeted are prohibited.

Condition

A sample of 15 disbursements (not including capital, travel, or assistance transactions) totaling \$19,957 were reviewed. For two of 15 disbursements, the transaction exceeded the budgeted amount for that line item. One of the disbursements was \$258 for interest and penalties incurred.

Effect

Expenditures totaling \$483 that were not properly budgeted could result in improper disbursements to employees or vendors, misstated expenditure related financial activity, or unnecessary excesses creating funding deficits.

Cause

The Chapter Manager authorized disbursements that were in excess of approved budget limits. The Chapter Manager did not prevent the Chapter from incurring unnecessary costs.

Recommendation

1. The Administrative Assistant should check for the availability of funds prior to preparing a Fund Approval Form (FAF).
2. The Chapter Manager should review the FAF for budget compliance prior to approving the proposed expenditure.

Finding VII: Written quotations were not obtained by the Chapter on applicable purchases.

Criteria

Per the Procurement Policies and Procedures Manual Section IV K 2, on any purchase from \$ 10,001 to \$50,000, the Chapter Administrative Assistant shall obtain three (3) or more written quotations from different vendors.

Condition

During our review eight transactions totaling \$166,174, three written quotations were not on file for two purchases between \$10,001 and \$50,000.

Purchases totaling \$20,967 were executed without following procurement policy.

Effect

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

The Chapter Manager 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 Chapter Manager.

Recommendation

1. Written quotations should be obtained in accordance with the Chapter procurement policy. The Chapter Manager and Administrative Assistant should obtain, maintain, and file written quotations appropriately to support Chapter procurement activities.
2. The Chapter Manager should utilize a comprehensive checklist to ensure each vendor file contains the required documentation.
3. Checks should not be signed by designated Chapter Officials until the receipt of quotations is verified.

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

Criteria

Section VII B (e) states the Chapter chart of accounts shall be used to determine the appropriate accounts to which the disbursement will be charged.

Condition

We reviewed 16 travel disbursements coded to travel (account code 6202) totaling \$3,632. One disbursement for chapter food purchases totaling \$965 was coded to travel (6202), rather than a more appropriate account code such as purchases – food (6352).

Effect

Lack of accuracy in coding results in misstated reporting to internal stakeholders and misstated financial statements. Travel expenditures were overstated and food purchases were understated by \$965.

Cause

There was a misapplication and misunderstanding of the Chart of Accounts by the Administrative Assistant. Additionally, the coding errors were not detected by the Chapter Manager or designated Chapter Officials when reviewing the FAF or monthly financial reports.

Recommendation

1. The Chapter Manager should consult the chart of accounts when approving FAFs.
2. The Chapter Manager should perform an independent review of posted transactions for adherence to the chart of accounts.

Finding IX: The Chapter does not have asset data recorded in MIP, and therefore is not recorded in the financial statements.

Criteria

As noted in Property Management Policies and Procedures Section IV J, all property and equipment of a value of more than \$1,000 shall be capitalized and recorded in the Chapter's capital asset ledger. Additionally, per Section VII B (5), the Chapter Manager shall record in the accounting records and financial report statements the Chapter's capital assets.

Condition

The Chapter is in violation of established policies and procedures.

The Chapter's General Fixed Assets Fund on the Balance Sheet at March 31, 2022 only included \$8,000 in vehicles and related accumulated depreciation, although the Chapter's property inventory included many other assets that meet the capitalization threshold.

Effect

Without proper financial reporting, the Chapter is understating the value of assets and understating annual depreciation expense and accumulated depreciation. Chapter property could be uninsured or underinsured.

Cause

The building and larger dollar infrastructure assets required an appraisal to determine values. The results of the appraisal have not yet been finalized and reviewed for input into MIP.

Recommendation

1. The Chapter Manager should ensure the results of an asset appraisal are utilized to enter all of the required asset data into MIP.
2. The Chapter Manager should ensure property currently included on the property inventory that meets the capitalization threshold are entered into MIP.

Appendix

Background

The Navajo Nation Office of the Auditor General engaged Heinfeld, Meech, & Co. P.C. to perform an internal audit of the Ts'ah Bii Kin Chapter for the 12-month period ended March 31, 2022.

Ts'ah Bii Kin Chapter is a political subdivision of the Navajo Nation and is considered a general purpose local government for reporting purposes. The Ts'ah Bii Kin Chapter is located within the Western Agency of the Navajo Nation.

The Ts'ah Bii Kin 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 Ts'ah Bii Kin Chapter are enumerated in Title 26, Local Governance Act (LGA) of the Navajo Nation Code. The Ts'ah Bii Kin Chapter is an LGA-certified chapter since 2016.

The local chapter government is managed by the Chapter Manager (CM) with administrative support provided by an Administrative Assistant (AA). 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 Ts'ah Bii Kin Chapter's fiscal year 2021 total budget was \$569,905 and the fiscal year 2022 total budget was \$630,043 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, assistance disbursements, and travel disbursements for internal controls and compliance requirements by using a non-statistical, judgmental method.

Client Response



Ts'ah Bii Kin Chapter

Geraldine G. Chee
President

Chancy Nodestine
Vice-President

Dellard Curley
Secretary/Treasurer

Jerry Happy Begay
Grazing Official

Herman Daniels
Council Delegate

September 29, 2022

The Navajo Nation
Office of the Auditor General
Attn: Helen Brown, Acting Auditor General
P.O. Box 708
Window Rock, AZ 86515



Subject: Revised Response - Internal Audit of the Ts'ah Bii Kin Chapter

Dear Madam Brown.

We are in receipt of the Internal Audit completed by your consultant Heinfeld, Meech & Co., P.C. delivered to us via email today September 29, 2022. This audit was conducted for a twelve-month period, beginning on April 1, 2021, through March 31, 2022, inclusive of two fiscal years. Your consultant conducted this audit in accordance with generally accepted government auditing standards where they planned and performed by obtaining sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on their audit objectives.

On Monday, May 23, 2022, at 10:10 a.m. the Ts'ah Bii Kin Chapter was afforded a notice of the selection of an auditor to conduct an Internal Audit for the Chapter. Being that this was our first notification we decided to inform your office of our current projects pertaining to annual community event, external audits, infrastructure projects, ARPA funded projects, and our annual strategic sessions planned for the certain days, that we already had these planned before your communication to audit.

One Monday, July 18, 2022, we were notified via email that there was an entrance conference schedule for our Chapter via teleconference slated for Wednesday, July 27, 2022, during our annual strategic session. We agree on this date and schedule it along with our session.

On Wednesday, July 27, 2022, via zoom we conducted our entrance counseling with Heinfeld, Meech, & Co. During this meeting there were several questions made again for consideration of moving the dates of the audits due to our conflicting schedules. However, there were no indications from your office that this could be afforded so it was agreed that we would proceed. At this meeting it was stated that a site visit would be warranted to be scheduled for Tuesday, August 9, 2022, through Thursday, August 11, 2022.

"To strengthen Chapter Services that will further enhance the quality of life for our people by infusing the harmonious time-honored practices of self-sufficiency."

P.O. Box 1755 • Kaibeto, Arizona 86053 • PHONE (928) 672-2337 • FAX (928) 614-7004



Tuesday, August 9, 2022, three personnel from Heinfeld, Meech, & Co. came, and we introduced ourselves. During these three days the Chapter Manager had made himself available for any questions or documents needed. In accordance with our policies the Chapter Manager was the one with the fiduciary responsibility to approve access to certain records. The Chapter Manager made every effort to communicate whether or not there were any questions, or any other documents needed in hopes that there would be a smooth process in the audit happening.

On August 12, 2022, via email we were issued a detailed finding list that outlined certain findings that could be justified by sending additional information. Our Chapter Manager started working on responding to those findings and looking for documents that were on file to be sent in response to the list.

On August 19, 2022, a response was sent by our Chapter Manager to Heinfeld, Meech, & Co. regarding to the detailed listing that was sent. That same day an email was sent indicating that the response sent would be reviewed and communication would be forthcoming. We were never communicated regarding the response that we sent.

On Wednesday, September 14, 2022, an email was sent from your office (NNOAG) indicating that there would be an exit conference schedule for the same afternoon at 2:00 p.m. In this email there was an attachment that was titled draft final report, when we reviewed the document there were seemingly new findings added. These new findings were questioned during the conference, and we seemingly were not afforded the time to prepare for these new additions.

After this exit conference our Chapter Manager started working on looking into the findings to ensure that all documentation that were not supposedly available for review. After making discoveries those documents were scanned to the auditors. Being that our Chapter Manager is single handedly working on this more time was requested so that proper and detailed response would be provided for our Chapter. Further, our delegate was requested to assist with the short extension needed in which unfortunately you denied in an email sent from you on Wednesday, September 28, 2022.

In another note, we are not sure if your office was aware that the Navajo Nation was and is still in a Covid – 19 Pandemic status. Where executive orders have been in play to mitigate the virus, this pandemic had our community in action to take proactive measures to prevent further spread of infectious diseases and protect all people, especially groups of people at increased risks for severe illness, disproportionately affected groups, and essential workers such as Chapter Staff. Further, by being the local essential workers our office has been providing essential services and managing critical infrastructure projects particularly important throughout the Covid – 19 responses for a broader community well-being. This type of Pandemic was never really anticipated, nor did we understand how life changing it would be for all both personally and professionally.

During this time, we had a unique responsibility to continue operations even though we understood that these times were unprecedented times. There were no guidelines in place

"To strengthen Chapter Services that will further enhance the quality of life for our people by infusing the harmonious time-honored practices of self-sufficiency."

P.O. Box 1755 • Kaibeto, Arizona 86053 • PHONE (928) 672-2337 • FAX (928) 614-7004

to govern the unique situation that we were in due to the rise and fall of the pandemic. During this time, it was difficult to do business as normal as possible. This crisis brought unparalleled challenges for our office to ensure not only the health of our constituents but our practice of public services as well. In response to the pandemic our Navajo Nation Government had to take extraordinary steps to ensure the safety of the Navajo People, including general lockdown measures and large-scale shutdowns of economic activity. Such big disruptions have affected our way of conducting procurement and contracts to continue the continuity of services to our people. Therefore, we believe that we did all we can during this time to comply with our Policies and Procedures with what little to no resources we had.

These are the findings and the corrective action plans that we have for the findings listed by the auditors who were consulted by your office. Again, we ask that you be reminded that not only the Navajo Nation but the whole world was in a Covid-19 Pandemic where resources were limited, and normal business could not be conducted. Further, training staff on the proper etiquettes of using the MIP systems was unfortunately no available, thus making is hard to figure the proper ways of inputting certain transactions to run proper and valid report.

Finding One: The cash drawer line item on the Balance Sheet on March 31, 2022, reflects a balance of \$5,500.64, which was not reconciled to the deposits on hand at the Chapter.

During this pandemic, which started in March of 2019, it was very difficult to get Technical Assistance from the Administrative Services Center and Software Simplified being that our Nation was on lock down and closed. Further, there were no proper training sessions provided or afforded to the Administrative Assistant during her tenure.

Corrective Action:

1. The Chapter Manager and new Administrative Assistant will be working with the Administrative Service Center and relative entities on making corrections on the cash receipt process to correct the balance sheet.
2. The Chapter Manager and Administrative Assistant shall attain training to ensure that they have an understanding of the MIP system and functions.

Finding Two: The Chapter's Balance Sheet included negative asset and liability account balance.

During this pandemic, which started in March of 2019, it was very difficult to get Technical Assistance from the Administrative Services Center and Software Simplified being that our Nation was on lock down and closed. Further, there were no proper training sessions provided or afforded to the Administrative Assistant during her tenure.

"To strengthen Chapter Services that will further enhance the quality of life for our people by infusing the harmonious time-honored practices of self-sufficiency."

P.O. Box 1755 • Kaibeto, Arizona 86053 • PHONE (928) 672-2337 • FAX (928) 614-7004

Corrective Action:

1. The Chapter Manager and new Administrative Assistant will be working with the Administrative Service Center and relative entities on making corrections on the cash receipt process to correct the balance sheet.
2. The Chapter Manager and Administrative Assistant shall attain training to ensure that they have an understanding of the MIP system and functions.

Finding Three: Payroll deductions were not properly set up and payroll transactions were not properly authorized.

During this pandemic, which started in March of 2019, it was very difficult to get Technical Assistance from the Administrative Services Center and Software Simplified being that our Nation was on lock down and closed. Further, there were no proper training sessions provided or afforded to the Administrative Assistant during her tenure.

Corrective Action:

1. The Chapter Manager and new Administrative Assistant will be working with the Administrative Service Center and relative entities on making corrections on the cash receipt process to correct the balance sheet.
2. The Chapter Manager and Chapter Officials shall work on revisiting the Five Management System and other policies to align each to work for the Chapter and community.

Finding Four: Personnel files were missing required information.

All personnel files on record have information that is required by our Chapter policies. The Chapter Manager was never communicated to approve access to these protected records. However, all records indicated that was afforded to the auditors had all necessary signatures and forms according to the Five Management System.

Action:

1. All Chapter records are inventoried and listed in accordance with a records system we have been using thus far, that works for us.
2. Each personnel record has checklists that indicate what information is needed to ensure that all personnel records are accurate and complete in accordance with the Five Management System. We are not sure how much was seen or reviewed on sight by the auditors to make such findings.

Finding Five: Cash Receipts were not deposited timely and one duplicate posting was noted.

Cash receipts are collected on a daily basis, at times cash receipts collected are usually under \$20.00. Being that the Chapter is located 45 minutes to a 1 hour form the nearest bank it is sometimes most advantageous to wait on making deposits. Furthermore, again in this pandemic our banks had limited hours of operation or were not able to be open for business. Where we do not have control to make deposits on a timely basis. The Cash

"To strengthen Chapter Services that will further enhance the quality of life for our people by infusing the harmonious time-honored practices of self-sufficiency."

P.O. Box 1755 • Kaibeto, Arizona 86053 • PHONE (928) 672-2337 • FAX (928) 614-7004

receipt that was posted twice was corrected and the documentation was on file indicating the reason for the duplication and what the correction was.

Corrective Action:

1. Chapter Manager shall dedicate one day of the week to make the deposits. Though it would be costly to the Chapter's operation.
2. Chapter Manger shall make sure that the budget binder is always on hand and available.
3. Chapter Manager shall continue to reconcile cash receipts using the POS system, MIP reports, and the excel cash receipt journals.

Finding Six: Two disbursements exceeded the budgeted amount for that line item.

Again, the Navajo Nation and the whole world was and is still in a pandemic. Therefore, procurement activities were limited due to lack of vendors. During this period, we were limited to making budget decisions and ensuring that we had enough fund to cover certain expenses. The expenses made were covered by budget transfers made in preceding month. Where the community was made apprised of the over expenditure exceeding the budgeted amounts. Where budget transfer resolutions were passed.

Corrective Action:

1. The Chapter Manager shall ensure that the Administrative Assistant is approving Purchase Requisitions only if there are adequate funds available for each expense.
2. Any budgets not adequate to cover expense shall be made sufficient before expense are made.

Finding Seven: Written quotations were not obtained by the Chapter on applicable purchases.

Again, the Navajo Nation and the whole world was and is still in a pandemic. Therefore, procurement activities were limited due to lack of vendors. In this finding the Chapter was contacted by the Administrative Service Center that they were soliciting an audit firm to conduct an external audit of the Financial Statements. Our Chapter was only notified by email that the audit firm was selected and that a payment of \$11,967.00 was to be made to Harshwall to conduct the financial statement audit for fiscal years 2017 and 2018. The Ts'ah Bii Kin Chapter was never afforded the procurement activities information, therefore does not have the documentation on file. The only documentation that the Chapter has are the email communications made between the ASC staff and the Chapter. The purchase for \$9,000.00 was made for the community Agriculture Infrastructure Funds hay and feed distribution. The Chapter contacted Navajo Agriculture Products Industry, Red Ridge Trucking and other Hay farmers in the States of Utah, New Mexico, and Colorado. The only responses received by the Chapter was from NAPI and Red Ridge Trucking. Red Ridge Trucking was the only Navajo Certified Business with the product needed for the hay distribution. Documentation pertaining to these findings were afforded to the auditors. The Chapter took efforts to soliciting quotations for the hay purchase.

"To strengthen Chapter Services that will further enhance the quality of life for our people by infusing the harmonious time-honored practices of self-sufficiency."

P.O. Box 1755 • Kaibeto, Arizona 86053 • PHONE (928) 672-2337 • FAX (928) 614-7004

Corrective Action:

1. The Chapter will continue soliciting quotations when making purchases that are over the threshold amounts identified in the Five Management System.
2. The Chapter Manager shall continue to keep on file the Navajo Business Source list provided by the Navajo Business Regulatory Department.
3. Chapter Officials shall continue to be diligent in their review of each expense the Chapter makes.

Finding Eight: The Chapter's accounting records contain activities that were not recorded in accordance with the chapter of accounts.

One disbursement, that was corrected was regarding the Chapter food purchases. We do believe that accuracy is important however we are only human and do make data entry mistakes.

Corrective Action:

1. Chapter Staff will continue to adhere to the Chapter Chart of Accounts and code all expenses and revenues in accordance with the Chart of Accounts.
2. All Chapter fund approval forms shall be exclusively reviewed before approval and any checks are created.

Finding Nine: The Chapter does not have asset data recorded in MIP, and therefore is not recorded in the financial statements.

As previously stated, the Navajo Nation and the whole world was and is still in a pandemic. Therefore, procurement activities were limited due to lack of vendors. The same thing with the technical assistance from the MIP accounting firm. However, we had informed the auditors that our capital assets were inputted into our MIP accounting system. As of today, the Chapter's assets are recorded on all financial statements.

Action:

1. The Chapter shall continue to record all assets and ensure appraisals are completed in timely manner.
2. The Chapter shall continue recording all assets costing \$1,000.00 or more to the fixed asset module on the accounting system.

As Chapter Staff and Officials, we understand the importance of measuring our internal controls. We collectively worked with your consultant to ensure a smooth process in completing this audit. Though, in some instances we might not agree with how the process unfolded we did our best to accommodate and cooperate. The major hinderance being the current pandemic, we could only accommodate to a certain extent. We do appreciate your hand in making all this possible in the short time that it took and defraying the costs of this audit.

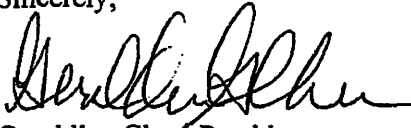
We hope that this response is adequate for the conclusions stated by your external auditor. We shall continue to look forward to making the necessary corrections with your office's

"To strengthen Chapter Services that will further enhance the quality of life for our people by infusing the harmonious time-honored practices of self-sufficiency."

P.O. Box 1755 • Kaibeto, Arizona 86053 • PHONE (928) 672-2337 • FAX (928) 614-7004

support. We have already begun by working with the local Administrative Service Center and ITG New Mexico on correcting the listed findings. If you have any questions or concerns, please contact me by calling (928) 672-2337 or by email me at gchee@naataanii.org.

Sincerely,

A handwritten signature in black ink, appearing to read 'Geraldine Chee', written in a cursive style.

Geraldine Chee, President
Ts'ah Bii Kin Chapter